



## **REPORT OF THE PORTFOLIO COMMITTEE ON SMALL BUSINESS DEVELOPMENT ON ITS ACTIVITIES UNDERTAKEN DURING THE 5<sup>TH</sup> PARLIAMENT (MAY 2014 – MARCH 2019)**

### **EXECUTIVE SUMMARY**

The Constitution of the Republic of South Africa Act 108 of 1996, chapter four (4), establishes the Parliament of the Republic of South Africa as a separate and independent sphere of the state. The Constitution further defines the powers and functions of Parliament – the two houses of Parliament namely: the National Assembly (NA) and the National Council of Provinces (NCOP). Parliament's role and outcomes are therefore to represent the people and ensure government by the people under the Constitution, as well as to represent the provinces and local government in the national sphere of government. Such representation is put into operation by means of public representatives who embody the will of the people in the processes of passing legislation, overseeing executive action, and the facilitation of public involvement, co-operative government and international engagement. Section 55 (2) provides for Parliament and its Committees to have oversight over the executive and any state organs. Parliament's committees are therefore engine room that gives effect to that constitutional imperative. In addition, Section 56 (a) provides for the National Assembly (NA) or any of its committees to summon any person to appear before it to give evidence on oath or affirmation, or to produce documents, while Section 56 (b) provides for any person or institution to report to it. Lastly, the Constitution empowers Portfolio Committees authority to legislate, conduct oversight over the Executive and facilitate public participation.

During the 5<sup>th</sup> Parliament (2014 - 2019), the new Portfolio Committee on Small Business Development (the Committee), which was created following the proclamation of the Department of Small Business Development by then President Jacob Zuma, gave effect to those provisions. It used, inter alia, Parliament's mission and vision statements, rules of Parliament and its Constitutional obligations

as a source of reference. The Committee has at all times, sought to ensure and contributed to the realisation of a functioning state and effective service delivery through discharging its responsibility as a Portfolio Committee of Parliament. One of the Committee's core objective(s) is to oversee, scrutinise and influence the action of the Executive and its agencies. This implies holding the Executive and related entities accountable through oversight of its programmes, scrutinising its budget and expenditure (annually), and recommending through Parliamentary processes, actions it should take in order to attain its strategic goals and contribute to service delivery. The Portfolio Committee diligently and meticulously carried out this responsibility as evidenced by the successive statutory reports and recommendations i.e. budget vote and oversight reports, stakeholder engagements with the sector, budget review and recommendations reports (BRRR), minutes and quarterly reporting to mention the few.

In fulfilling its mandate, the Committee further based its work on its Strategic Plan 2014 - 2019 which is a culmination of an extensive process undertaken during infancy stages of the current term. The strategic plan took into consideration priorities of the government and the strategic objectives of the Department of Small Business Development (the Department). Operational context and report framework are presented herein where national policies and directives that have an impact on the small enterprise sector are briefly outlined. These include the National Development Plan (NDP), the New Growth Path (NGP), the National Industrial Policy Framework (NIPF) of 2007 and the iterative Industrial Policy Action Plan (IPAP), the Medium Term Strategic Framework (MTSF) (2014 - 2019), Medium Term Budget Policy Statements (MTBPS), National Small Enterprise Act, successive State of the Nation Address(es) (SONAs 2014 - 2019), the Integrated Strategy on the Promotion of Entrepreneurship and Small Enterprises, the National Informal Business Upliftment Strategy and Implementation Framework and the Integrated Strategy on the Development and Promotion of Co-operatives. A summary of key information from the annual performance plans and the strategic plans of the Department of Small Business Development and brief profiles are provided.

#### **1. Reflection on Committee programme per year and on whether the objectives of such programmes were achieved**

The Department of Small Business Development was established and proclaimed in May and July 2014 respectively. The Broadening Participation, a division within the Department of Trade and Industry (**the dti**), was shifted to the Department, with financial and human

resources. During 2014/15, the Department operated as part of **the dti** Budget Vote 36 until the end of that financial year. In 2015/16, Budget Vote 31 on Small Business Development became effective, but was still implementing programmes that were transferred or inherited from **the dti**. Hence, governance and corporate services functions operated under the auspices of, or, through a Cooperation Agreement with **the dti**.

### **1.1 2014 Committee Programme**

In 2014, the Department presented its first draft Strategic Plan for 2014 - 2019. The draft Strategic Plan highlighted strategic objectives of the Department for the period concerned and targets for each year going forward. The Portfolio Committee was content with the quality of the draft Strategic Plan, however, made notable contributions to strengthen the Strategic Plan. The strategic objectives proposed in the draft Strategic Plan were aligned to the mandate, vision and mission statement of the Department. During the same period, the Portfolio Committee held its ordinary meetings and received numerous compliance reports from the Department i.e. strategic plan, annual performance plan (APP), quarterly and financial reports etc.

### **1.2 2015 Committee Programme**

In February 2015, the Committee undertook oversight visits to KwaZulu Natal, Eastern Cape and Gauteng Provinces where it interacted with small businesses segment and role-players in these respective provinces. While during May 2015, the Committee received a final draft Strategic Plan from the Department that incorporated concerns raised by the Committee during the previous year, October 2014. As such, the final draft Strategic Plan was adopted by the Committee pending, among others, Department of Public Service Administration approvals. The adopted Strategic Plan highlighted the strategic objectives of the Department for the 2014 - 2019 period and targets for each year going forward. The Portfolio Committee was satisfied that the strategic objectives were informed by the government strategic sector or cluster priorities as derived from the MTSF, focus sector policy areas emanating from policy documents such as NDP and situational analysis of the sector. In addition, the Portfolio Committee held the inaugural financial summit from 22 - 24 July 2015 where key stakeholders in the sector had been invited in order to contribute and sharpen the work of the Portfolio Committee.

### **1.3 2016 Committee Programme**

In line with the Parliaments Strategic Plan, and in order to be able to perform its constitutional mandate, the Portfolio Committee held its first strategic planning session in February 2016 wherein, a full-fledge Strategic Plan and 30 Strategic Objectives were developed. Each Strategic Objective developed is in line with the Strategic Objective(s) and Outcome(s) of the fifth Parliament. Areas of spillover from the 4<sup>th</sup> Parliament, most of them under the stewardship **the dti** as well as Economic Development (EDD), were also integrated into the new plans of the 5<sup>th</sup> Parliamentary plans, specifically the plans of the DSBD, and with extension, the Portfolio Committee on Small Business Development. During the same period, the Committee undertook oversight visit to Limpopo province where it interacted with small business owners. It furthermore received and dealt with the Red Tape Impact Assessment Bill. The Bill had been introduced in the National Assembly, proposed as a section 75 and was published in the Government Gazette Number 39907 of 7 April 2016 by member of the Democratic Alliance, Honourable HCC Kruger.

### **1.4 2017 Committee Programme**

During 2017, the Department embarked on another process of reviewing its strategic plan. The revised strategic plan, informing the 2018 - 19 annual performance plan and budget were accordingly considered by the Portfolio Committee in May 2017. The strategic plan review process was complemented by reformation of the organisational structure to ensure alignment with the approved budget structure for 2018 - 19. Oversight visits to Mpumalanga province during 27 - 31 March 2017 and Free State province from 14 - 18 August 2017 to projects sponsored by the Department under the Co-operative Incentive Scheme (CIS), and others sponsored by its agencies i.e. Small Enterprise Finance Agency (**sefa**) and Small Enterprise Development Agency (Seda), were embarked upon during this period. The Portfolio Committee unearthed spate of irregularities at the manner in which **sefa** carried out its lending processes or activities, and DSBD lack of oversight in overseeing its own agencies and administration of the Co-operative Incentive Scheme (CIS) programme which at the face value, was peppered with corruption. The Portfolio Committee further requested detailed account on the DSBD Black Business Supplier Development Programme (BBSDP) i.e. the beneficiaries and status of each project funded and list of Network Facilitators (NF). All issues of wrongdoings have since been referred to the Auditor General for forensic investigations and the Committee continues to demand action to be taken against implicated officials.

## **1.5 2018 Committee Programme**

During the course of its existence, the Committee received numerous grievances from small enterprises concerning the behavior of the big business, in what the Committee dubbed, 'bullying'. Most of the complaints received varied from non-payment to late payment for services rendered or products delivered, contractual disputes and uncompetitive behavior of big businesses often aimed at ruthlessly shutting down and driving small enterprises out of business. Late payments in particular are at an all-time high as small enterprises wait too long to be paid. The reason why these matters had been brought forward was that the Committee was a legislative arm of the state. If there were issues that affected small businesses but there was no form of legislation or protection, as well as no structure that handled those issues, the Committee had to discuss the matter to get a sense of whether there was a need to legislate or not. The Committee also dealt with the Small Enterprises Ombud Service Bill initiated by Mr. RWT Chance of the Democratic Alliance. The bill was introduced in the National Assembly, proposed as a section 75 and was published in the Government Gazette Number 41623 of 10 May 2018. While during 15 - 22 September 2018 the Committee travelled to Basque Country and Madrid in Spain in partial fulfilment of its strategic objectives relevant to the international study tours, capacity building, training, development, legislative and policy construction as well as sharpening oversight over the executive.

## **2. Committee's focus areas during the 5<sup>th</sup> Parliament**

The Committee considered this period a foundational phase. The character of activities of the Committee was anchored around and guided by the five (5) strategic outcomes of the fifth democratic Parliament, as put forward by the National Assembly and the National Council of Provinces, strategic plan of the Committee as well as strategic plan(s) of the Department and its entities. As alluded to earlier the Committee processed two bills that were given priority in terms of the Committee obligations. Other activities of the Committee included oversight visits where various projects and programmes financially supported by the Department and entities were visited in Gauteng, KwaZulu Natal, Mpumalanga, Eastern Cape, Limpopo and Free State. Furthermore, the Committee conducted a study tour to Mondragon and Madrid in Spain. The Committee carried out extensive stakeholder engagement with numerous small enterprise representatives, big business and heard expert testimonies from time to time by inviting experts in areas to present to the Committee as and when necessary.

The committee meetings were predominantly held on Wednesday mornings but other days were utilised if there were no plenaries. Cancellation of meetings and plans was minimal and such has helped the Committee to attain its goals. Cooperation amongst various members as well as between the Chairperson and the rest of the Committee was positive. Consistent participation of members assisted in running the meetings fairly well and optimised fulfilment of the objectives of the Committee. Examination of DSBD work was enhanced by the Budget Review Process given the additional tools that were introduced by the Money Bill Amendment Act. Furthermore, the introduction of the practice of engaging the entities such as the Office of Auditor General, the Department of Performance Monitoring and Evaluation, the Department of Public Service Administration, the Public Service Commission, Finance and Fiscal Commission and conducting Quarterly Performance Reports strengthened the Committee oversight capacity and effectiveness.

### **3. Key areas for future work**

The Department is mandated to lead an integrated approach to the promotion and development of small businesses and co-operatives through a focus on economic and legislative drivers that stimulate entrepreneurship to contribute to radical socioeconomic transformation as espoused in the Mangaung Resolutions of 2012. The aim of the DSBD, as outlined during its formation in 2014, is to review existing legislation to align it with recent developments, to formulate small enterprise policies, tackle obstructing regulatory frameworks, forge and create a conducive environment for small businesses to thrive. Hence, this report focuses on DSBD, its entities, programmes, budget and some key achievements of the DSBD since 2014. In terms of future focus areas of work for the Committee, there are various pieces of legislation and policy documents that are still outstanding and this need to be presented to the Portfolio Committee and Parliament for deliberation and comment. There are policies and bills outstanding, example:-

- The review and/or tabling of the National Small Enterprise Bill;
- Review, tabling/finalisation of the Licensing Bill (2013), to replace Business Act, 1991;
- The introduction of the Integrated Strategy on the Development and Promotion of Cooperatives;
- The Integrated Strategy on the Promotion of Entrepreneurship and Small Enterprises;
- National Co-operatives Summit which the Portfolio Committee has recommended is held no later than October 2019;

#### **4. Key challenges emerging**

The Portfolio Committee, born during the current term - operated fairly well over the past five (5) years notwithstanding that, it conducted oversight on a literally new department – an attribute that may be ascribed to a maturing Parliament. The DSBD started operating independently during 2014 and the Committee started operating meaningfully during 2015 financial year. The first Chairperson, Hon Ruth Bhengu, is an expert in the field. She took office from 2014 and due to oversee the Committee throughout its term. However, due to the nature of Parliament Committee, five-year rotation, succession planning is one of the most glaring weaknesses. During 2015, at the height of xenophobic attacks, Hon Bhengu co-chaired the Joint Ad Hoc Committee on Probing Violence Against Foreign Nationals. The Ad Hoc Committee made specific recommendations for implementation by DSBD. Due to the technical nature of the issues on the mandate of the Committee, the need for designation of members to lead a subject matter is pertinent to ensure deeper understanding around the issues.

The membership of the Committee fluctuated somehow. Hon NT November was appointed Deputy Minister of the Department but later re-joined the Committee. The Committee suffered a sudden death of Hon TZ Khoza, Hon M Dirks was reassigned to serve on the other Committee, Hons SJ Nkomo and N Kwankwa served as alternate members while Hon NC Dlamini-Zuma, who had joined the Committee in 2017, was subsequently appointed Minister in the Presidency. Most members were obligated to participate in more than one committee, which at times, affected the performance of the Committee. In some instances, attendance of meetings would be disrupted, thus affecting adoption of minutes and reports. The Committee tended to deal with an issue in more than one sitting, resulting in other issues having to be taken out of the programme. Other exogenous issues not within the purview of Parliament or the Committee, the institution operated in a hostile global environment. The Department, and with extension the Committee, were conceived and assumed their mandate when domestic and global economy was at its weakest. The slump in the global economic activity is primarily a consequent of the lacklustre growth in advanced economies that coincidentally are our major trading partners. This was worsened by the coincidence of low capital inflows and low quality investments in the real economy. The debilitating effects of the 2008 economic crisis continued to be felt despite booming tourism sector prior and during the 2010 World Cup. Compounding the situation was the consistent failure to tackle structural challenges that even today continue to impede the country's growth potential.

## 1. INTRODUCTION

### 1.1 The Department of Small Business Development

The Department of Small Business Development plays a major role in effecting Chapter three (3) and six (6) of the National Development Plan (“NDP”). Both chapters deal with the economy and employment as well as rural inclusive growth. The NDP builds on the government’s New Growth Path (“NGP”) which aims to create five (5) million jobs by 2020 and bring about a new, more inclusive, labour-intensive and efficient economy. Additionally, the Department has a responsibility to contribute to the two outcome(s) of the Medium Term Strategic Framework (“MTSF”), namely, Outcome 4: Decent employment through inclusive growth, and Outcome 7: Rural development. In the midst of executing its directive the Department further carries an obligation to observe, adhere and implement other policy articulations as contained in the successive State of the Nation Addresses i.e. Nine Point Plan (“NPP”), 30 percent Procurement Policy, sector transformation charters, to keep tabs on the policies and acts that fall outside its ambit but that may potentially and adversely affect the small business sector i.e. Preferential Procurement Policy Framework Act (“PPPFA”), Broad-Based Black Economic Empowerment Act (“BBBEE”) and BBBEE Transformation Charters, Industrial Policy Action Plan (“IPAP”), Companies Act as well as its five year Strategic Plan to name the few.

#### 1.1.1 Small Enterprise Development Agency

Small Enterprise Development Agency is an entity of the Department whose mandate include, inter alia, developing, nurturing, supporting and promoting small business ventures throughout the country, whilst ensuring their growth and sustainability in a harmonised fashion with various stakeholders. The Minister of Small Business Development is the executive authority of the agency and as such exercise oversight role over the entity as prescribed by the Public Finance Management Act. Seda was conceptualised in 2004, through amendment of the National Small Business Act, amendment Act 29 of 2004, which made provision for the incorporation of the Ntsika Enterprise Promotion Agency, the National Manufacturing Advisory Centre and any other designated institutions into a single Small Enterprise Development Agency under the Department of Trade and Industry (**the dti**). It is a schedule 3A national public entity in terms of the Public Finance Management Act (“PFMA”), Act 1 of 1999, as amended. Seda mandate stems from the National

Development Plan, Medium Term Strategic Framework 2014-2019, Strategic Plan and Annual Performance Plan (APP) of the Department, its five-year Strategic Plan and APP that are compatibly aligned to its executive authority.

### **1.1.2 Small Enterprise Finance Agency**

The Small Enterprise Finance Agency was established in April 2012 through the amalgamation of South African Micro-Finance Apex Fund (SAMAF), Khula Enterprise Finance and Industrial Development Corporation's small business activities. On 1 April 2015, **sefa** was officially handed over to DSBD. It is a registered entity in terms of the Companies Act of 2008 and incorporated in terms of Section 3(d) of the Industrial Development Corporation ("IDC") Act, 1940, and thus a wholly owned subsidiary of the IDC. Section 3(d) of the IDC Act seeks "to foster the development of small and medium enterprises and co-operatives". Its mandate is to be "the leading catalyst for the development of sustainable survivalist, small, micro, medium and co-operative enterprises through the provision of finance. Likewise, its sister entity Seda, the agency's directive find expression in the National Development Plan, Medium Term Strategic Framework 2014-2019, Strategic Plan and APP of the Department, as well as its five-year Corporate Plan and APP.

### **1.2 Functions of the Portfolio Committee**

The Constitution of South Africa (Act No. 108 of 1996) recognises that the legislative authority has an important role to play in overseeing both the financial and non-financial performance of government departments and public entities. Parliamentary oversight presents itself as a key function of legislatures and further than this, serves as a primary indicator of the effectiveness of the legislature as a principle institution in the system of democratic governance. Portfolio Committees have authority to legislate, conduct oversight over the Executive and facilitate public participation. Parliament's mission and vision statements, the rules of Parliament and its Constitutional obligations govern the Portfolio Committee on Small Business Development mandate.

### **1.3 Method of work of the committee**

The Committee engaged with the Department and entities through briefings as is normal in Parliament. Initially, committee meetings were predominantly scheduled on a Tuesday, but this was later changed to Wednesdays in order to accommodate members who had

more than one committees sitting the same day. The Committee was supported by a staff complement of five (5) instead of six (6), viz, Content Advisor, Committee Secretary, Committee Assistant, Executive Secretary, it functioned for the most part without the services of a Researcher who joined the Committee two months prior the rising of the 5<sup>th</sup> Parliament.

#### 1.4 Purpose of the report

The overarching objective of this report to provide an account of the Portfolio Committee on Small Business Development work during the 5<sup>th</sup> Parliament and to inform the Members of the new Parliament of key outstanding issues pertaining to the oversight and legislative programme of the Department of Small Business Development and its entities. It provides an overview of the activities the Portfolio Committee undertook during the 5<sup>th</sup> Parliament, the outcome of key activities, as well as any challenges that emerged during the period under review and issues that should be considered for follow up during the 6<sup>th</sup> Parliament. It provides a summary of key issues for follow-up and concludes with recommendations to strengthen operational and procedural processes to enhance the committee's oversight and legislative roles in future.

## 2. KEY STATISTICS

The table below provides an overview of the number of meetings held, legislation and international agreements processed and the number of oversight trips and study tours undertaken by the Committee, as well as any statutory appointments the Committee made, during the 5<sup>th</sup> Parliament:-

<b>Activity</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>Total</b>
Meetings held	<b>15</b>	<b>34</b>	<b>31</b>	<b>28</b>	<b>32</b>	<b>140</b>
Legislation processed	<b>None</b>	<b>None</b>	<b>None</b>	<b>1</b>	<b>1</b>	<b>2</b>
Oversight trips undertaken	<b>1</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>None</b>	<b>7</b>
Study tours undertaken	<b>None</b>	<b>None</b>	<b>None</b>	<b>None</b>	<b>1</b>	<b>1</b>

<b>Activity</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>Total</b>
International agreements processed	<b>None</b>	<b>None</b>	<b>None</b>	<b>None</b>	<b>None</b>	<b>None</b>
Statutory appointments made	<b>None</b>	<b>None</b>	<b>None</b>	<b>None</b>	<b>None</b>	<b>None</b>
Interventions considered	<b>None</b>	<b>None</b>	<b>None</b>	<b>None</b>	<b>None</b>	<b>None</b>
Petitions considered	<b>None</b>	<b>None</b>	<b>None</b>	<b>None</b>	<b>None</b>	<b>None</b>

### **3. STAKEHOLDERS**

Not applicable

### **4. BRIEFINGS AND/OR PUBLIC HEARINGS**

Following an oversight visit to Mpumalanga in 2017, the Committee made specific request to the Speaker of the National Assembly, Honourable Baleka Mbete to approve the Portfolio Committee request to commission the office of the Auditor General to look into alleged violations of the Public Finance Management Act and other related statutes regarding contracts, engagements and payments of service providers, including but not limited to financial transgression(s) and governance weaknesses. The Committee had been stunned by the discovery that, within a period of two financial years, 2015 and 2016, 400 co-operatives had been funded to the tune of R125 million. However, 297 of the entire batch of the 400 financed co-operatives were not traceable. The remaining 103 that were traceable, the projects were neither operational nor productive. Collusion between officials and the service providers was clearly a common phenomenon and widespread. Mpumalanga oversight visit was therefore a wakeup call to the Committee wherein, out of the thirteen projects visited, only one (1) was operational. It was during this visit that the Committee further discovered a number of illegal or dishonest activities implicating the officials of the Department. For instance, CIS applications had been approved without Tax Clearance Certificates (TCC), proper co-operative registration documentation, certified ID copies, quotations and resolution to apply

for the CIS grant. Collusion between the Service Providers and officials was rife, instances of liquidated Service Providers or not registered on the database, incorrect contact numbers, applications done by or on behalf of the deceased's and most disturbingly, goods not delivered or missing were prevalent. Subsequently, the Department acquired the services of the AG to conduct forensic investigation. At the time of finalising the legacy report, the investigation had not been concluded. Therefore, this becomes the responsibility of the 6th Parliament to ensure that the investigation is successfully concluded and those responsible are held to account.

Furthermore, during November 2018 the Portfolio Committee invited all national structure representing co-operatives i.e. National Apex Co-operative of South Africa (NACSA), National Co-operative Association of South Africa (NCASA), South African National Apex Co-operative (SANACO) and National Association of Co-operative Financial Institutions of South Africa (NACFISA) to submit to the Portfolio Committee their membership which is the Secondary Co-operatives and specify the sectors they represent, the services provided by the national structures of Co-operatives to the secondary co-operatives, what value has been added by the national structures to secondary structures, what challenges are faced by the national structures which need intervention of Parliament and the Department of Small Business Development. The Committee also said the national structures should include in their reports the membership of the secondary co-operatives, what services are provided by secondary co-operatives to primary cooperatives, what value is added to primary co-operatives by the secondary co-operatives, what is the state of development of primary co-operatives and what impact has been made on the economy by the existence of primary co-operatives as a result of the value added by secondary co-operatives and national co-operatives. Furthermore, national structures should specify whether the national bodies are tertiary co-operatives or apex bodies. The Committee had then given those two weeks to submit the reports and only NCASA was able to do that.

During the follow up meeting held in March 2019 it appeared only NCASA understood what the Committee had instructed and intended to accomplish at its meeting of November 2018. The organisation presented a succinct report as prescribed by the Committee. The Committee accepted the report presented by NACSA as a good report that the Committee was happy with. NACSA report focused mainly on negotiations with SANACO which were overseen by DSBD. The results were that NACSA and SANACO have resolved to work together as one apex body representing all co-operatives in South Africa. It was not specified which name will then be used

henceforth between NACSA and SANACO. It was also not specified what role will be played by the apex body made of NACSA and SANACO. While SANACO report portrayed the organisation as an apex body that over the years represented co-operatives in international programmes and championed the agenda of co-operatives in South Africa. SANACO made no reference of negotiations between NACSA and SANACO. The report further focused on the Special Investigative Unit (SIU) report that NACSA had claimed to the Portfolio Committee in November meeting that the findings of SIU report implicated SANACO as having misused money given to the organisation by Cooperative Governance and Traditional Affairs (COGTA). SANACO contended that officials from COGTA had instead misused the money. Both presentations failed to capture areas that the Committee had stressed should be spelt out clearly in each presentation i.e. whom are the organisations representing, who are the members, are they secondary or tertiary co-operatives, what are the challenges, what services are being provided to the members, what are the focus areas, which sectors do they represent, and how do they see those sectors being transformed? The Portfolio Committee rejected the reports of both NACSA and SANACO as out of context.

In addition, the Portfolio Committee received a report from DSBD concerning the national summit on co-operatives. The PC accepted the report, however, recommend that instead of April, the summit be held in September or October 2019. The Committee further recommended that DSBD should constitute an inclusive preparatory committee comprising of, among others, the secretariat team formed and comprising of the officials from the Department that would be charged with the responsibility of developing co-operatives, various government departments, co-operative representative organisations, and members of the relevant Portfolio Committee to oversee the process leading up to the summit. That a build-up process be initiated to facilitate a bottom up approach towards the national summit. The build-up process would include holding of Provincial Summits on Co-operatives. That the National Summit will, amongst others, determine how the Apex body will be formed and who will be elected to serve in the Apex body. The Summit will also resolve on the name of the Apex body and the role of the Apex body.

## 5. LEGISLATION

There were two Private Members Bills referred to the Committee for consideration. However, the Committee did not approve both bills and therefore no public consultations were held. As per Strategic Plan of the Department 2014 - 2019, the Committee was at the most anticipating the following two pieces of legislation to be tabled during the 5<sup>th</sup> Parliament: i) review of the existing National Small Enterprise Act or a new bill, ii) finalisation of the Licensing Bill (2013), to replace Business Act, 1991.

Year	Name of Legislation	Tagging	Objectives	Completed/Not Completed
2014/15	None	N/A	N/A	N/A
2015/16	None	N/A	N/A	N/A
2016/17	Red-Tape Impact Assessment Bill [B13 – 2016]	Section 75	The Bill seeks to address the bottlenecks identified by the Committee during its inception such as access to finance, training and skills development, red tape and access to markets.	Completed
2017/18	None	N/A	N/A	N/A
2018/19	Small Enterprise Service Ombuds Bill [B14 – 2018]	Section 75	The Bill seeks to make available the dispute resolution mechanisms for small businesses.	Completed

## 6. OVERSIGHT TRIPS UNDERTAKEN

The following oversight trips were undertaken:

Date	Area Visited	Objective	Recommendations	Responses to Recommendations	Follow-up Issues	Status of Report
25 – 26 Nov 2014	KwaZulu-Natal Province	The purpose of the visit was to afford members of the committee an opportunity to interact with members of the public, small, micro, medium and co-operative enterprises particularly in the agriculture and agro-processing value chain, to learn of their challenges and areas where they	The Committee adopted few of the projects visited with a view to utilising them as pilot project(s);  The projects were later coined 'the 12 Balimi KZN Co-operatives', a model which the PC had intended to be implemented in all nine (9) provinces;	The Department endorsed the project and undertook to implement it. It went further to appoint the service providers to assist co-operatives with farmer preparation and access to markets;  However, the Department and the service provider	The project has since stalled; Despite the potential, the project is facing the probability of a complete collapse with no prospects of being revived;	Adopted and ATCd;

Date	Area Visited	Objective	Recommendations	Responses to Recommendations	Follow-up Issues	Status of Report
		require assistance in order to develop necessary mechanism that responds to their challenges;		deadlocked on key deliverables;		
27 Jan – 5 Feb 2015	KwaZulu-Natal; Eastern Cape & Gauteng Provinces	The purpose of the visit was to afford members of the committee an opportunity to interact with members of the public, small, micro, medium and co-operative enterprises particularly in the agriculture and agro-processing value chain, to learn of	Over and above visiting the 12 Balimi KZN Co-operatives, the Committee visited few projects funded by the Department in Eastern Cape. From there it travelled to Gauteng to do inspection on <b>sefa</b> properties in SOWETO; Specific recommendations	In spite of numerous follow ups none of the committee recommendations were prioritised and implemented;	The 6 <sup>th</sup> Parliament has a duty to follow up and bring this and other projects to realisation particularly the SHAP project in SOWETO;	Adopted and ATCd;

Date	Area Visited	Objective	Recommendations	Responses to Recommendations	Follow-up Issues	Status of Report
		<p>their challenges and areas where they require assistance in order to develop necessary mechanism that responds to their challenges;</p>	<p>were made i) with respect to <b>sefa</b> properties and ii) Self Help Association of Paraplegics (SHAP);</p>			
<p>14 &amp; 15 September 2016</p>	<p>KwaZulu-Natal Province</p>	<p>The purpose of the visit was to afford members of the committee an opportunity to interact with members of the public, small, micro, medium and co-operative enterprises;</p>	<p><b>sefa</b> was advised to rework its funding model; Distribution of the co-operatives across different municipalities should not hinder the process of forming a secondary co-operative; Current policies do not address</p>	<p>Partially implemented;</p>	<p>6<sup>th</sup> Parliament to follow up on outstanding recommendations;</p>	<p>Adopted and ATCd;</p>

Date	Area Visited	Objective	Recommendations	Responses to Recommendations	Follow-up Issues	Status of Report
			challenges faced by co-operatives and at worst are irresponsible;			
28 Jan – 02 Feb 2016	Limpopo Province	Engage with the Provincial Department of Economic Development, Tourism and Environmental Affairs which leads programmes of developing small enterprises and co-operatives; Interact with informal traders, street vendors, organisations and government	DSBD to champion and own the development of co-operatives and rural enterprises; DSBD to strive towards taking control of the various functions and budgets scattered in various government departments; DSBD to develop a marketing drive aimed at increasing the role, awareness	Partially implemented; Tshakuma Fresh Produce Market became one of the DSBD Shared Economic Infrastructure Facility (SEIF) beneficiary;	6 <sup>th</sup> Parliament to follow on other outstanding recommendations;	Adopted and ATCd;

Date	Area Visited	Objective	Recommendations	Responses to Recommendations	Follow-up Issues	Status of Report
		<p>institutions assisting in the development of the sector;</p> <p>Assess the impact of both financial and non-financial services given to SMMEs and co-operatives;</p> <p>Allow the affected groups to speak for themselves;</p> <p>Visitation of the Tshakuma Fresh Produce Market;</p>	<p>and benefits of co-operatives towards transforming rural and community economic development;</p> <p>DSBD to coordinate the development of SMMEs and co-operatives so that all other relevant departments, including the infrastructure departments are properly guided so that their support to the Development of SMMEs and co-operatives is integrated;</p>			

Date	Area Visited	Objective	Recommendations	Responses to Recommendations	Follow-up Issues	Status of Report
30 Jan – 03 Feb 2017	KwaZulu-Natal Province	Signing of transversal agreements; Assess whether existing support services provided to co-operatives by the Department are able to address the felt needs of co-operatives; Implement the Remedial Action Plan to aid Abalimi Agricultural Co-operative Pilot project;	DSBD to urgently develop a diagnostic report capturing all the challenges, develop a list of all outstanding items for costing and structure new timelines to bring this project up to speed before the end of the 2016/17 financial year;	Partially achieved;	6 <sup>th</sup> Parliament to follow on outstanding recommendations;	Adopted and ATCd;
27 - 31 March 2017	Mpumalanga Province	To evaluate the state of co-operatives supported by the	DSBD and <b>sefa</b> were instructed to conduct forensic investigation	The Auditor General forensic investigation is still in progress;	The 6 <sup>th</sup> Parliament to ensure that implicated officials	Adopted and ATCd;

Date	Area Visited	Objective	Recommendations	Responses to Recommendations	Follow-up Issues	Status of Report
		<p>Department under the CIS programme; To assess the extent of synchronisation with respect to service(s) and product(s) offering by the Department and its agencies; Assess the impact of financial and non-financial support given to co-operatives by the Department and its agencies on triple challenges antagonising South Africa; Interact with the Provincial DEDET,</p>	<p>following the Committee discovery that <b>sefa</b> recklessly borrowed money to fairly new four (4) co-operatives, with frail balance sheet and via third parties, who failed to account when indicted to do so;</p> <p>The Committee also impressed upon the Department to do its own investigation upon discovering a myriad of corruption related shenanigans i.e. some of the</p>	<p><b>sefa</b> conducted its own internal probe that led to an abrupt resignation for some of the officials;</p> <p>Huge debt owed by the four co-operatives have not been written off;</p>	<p>are held to account;</p> <p>With respect to enormous liability owed by the four co-operatives 6<sup>th</sup> Parliament should follow up and make a correct determination on this matter;</p>	

Date	Area Visited	Objective	Recommendations	Responses to Recommendations	Follow-up Issues	Status of Report
		<p>COGTA, Agriculture and Rural Development which lead programmes of survivalist, small, micro, medium and co-operative enterprises;</p> <p>To enhance the understanding of the nature and state of co-operatives in Mpumalanga province;</p>	<p>projects funded and visited do not exist, some beneficiaries died before their co-operatives were granted CIS, collusion between officials and service providers;</p> <p>The Committee recommended that R20 million debt owed by co-operatives be written off;</p>			
14 – 18 August 2017	Free State Province	To evaluate the state of enterprises and co-operatives supported by the Department under	DSBD to develop an effective marketing and branding strategy;	Partially achieved; <b>sefa</b> collection methods are worrisome	6 <sup>th</sup> Parliament to follow on outstanding recommendations;	Adopted and ATCd;

Date	Area Visited	Objective	Recommendations	Responses to Recommendations	Follow-up Issues	Status of Report
		<p>the CIS programme and agencies; the extent of synchronisation with respect to service(s) and product(s) offering by the Department and its agencies; Assess the impact of financial and non-financial support given to enterprises and co-operatives by the Department and its agencies on triple challenges antagonising South Africa; Interact with the Provincial</p>	<p><b>sefa</b> to ensure that all small enterprises owed money by the state, particularly where there is evidence that goods and/or services were indeed delivered to the satisfaction of the client [state organ], are temporarily absolved until all internal mechanisms and processes are exhausted; DSBD and <b>sefa</b>, to finalise the development of</p>	<p>specifically to entities owed money by the state; The Retmil Financial Services matter was badly handled and at the time of finalising the legacy report, <b>sefa</b> was still owed by the organisation more than R300 million; The Accounting Officer acted recklessly in advancing further loans to an organisation that was clearly going</p>	<p>The 6<sup>th</sup> Parliament must ensure that all state monies owed are recouped back to the fiscus;</p>	

Date	Area Visited	Objective	Recommendations	Responses to Recommendations	Follow-up Issues	Status of Report
		<p>Departments of Economic Development, Tourism and Environmental Affairs, Cooperative Governance and Traditional Affairs, Agriculture and Rural Development; enhance understanding the nature and state of enterprises and co-operatives in the Free State province including level of stakeholder participation, both in the public and private sectors;</p>	<p>the rescue strategy for struggling small enterprises; On the matter between <b>sefa</b> and Retmil Financial Services, the Committee is again calling on <b>sefa</b> Board of Directors, in its capacity as the Accounting Authority to exercise its oversight responsibility by ascertaining if in the case of Retmil Financial Services, Accounting Officer, performed his duties diligently and</p>	<p>through financial turmoil and the Board failed to hold him to account;</p>		

Date	Area Visited	Objective	Recommendations	Responses to Recommendations	Follow-up Issues	Status of Report
		<p>enhance cooperation and coordination between all spheres of government in developing small business sector and to;</p> <p>Enable the affected groups to speak for themselves.</p>	<p>meticulously without contravening Section 38 (a) (i) (b) (c) (ii) and (h) (i) (ii) (iii) of the PFMA, after additional credit was extended to Retmil Financial Services without proper due diligence;</p>			

## 7. STUDY TOURS UNDERTAKEN

The following study tours were undertaken:

Date	Places Visited	Objective	Lessons Learned	Status of Report
15 – 22 September 2018	Bilbao, Basque Countries & Madrid	Provide members of the Committee an opportunity to study Spanish model of co-operatives development including but not limited to the formation of cooperative enterprises, importance of training before registration, governance, operational and financing models; Acquire better understanding of the Spain, Basque country, Madrid and Mondragon Co-operative ecosystem including types of co- operative enterprises that can be formed;	Committee noted with keen interest presenter’s emphasis and prominence attributed to education, skilling, training, continuous learning including vocational training as an instrument for creating a productive and knowledgeable workforce; Investment in research and development (R&D) averaging three (3) percent of the group’s revenue is exceptionally higher than Spain and international average of two (2) percent; Mondragon Corporation’s high levels of profit reinvestment into the business guarantees that the group generates adequate	Adopted by the Committee and ATCED.

Date	Places Visited	Objective	Lessons Learned	Status of Report
		<p>Obtain knowledge about legislative prescripts, the current policies, acts and strategies that has helped shaped Spain burgeoning cooperatives movement;</p> <p>Help members of the Portfolio Committee draw lessons concerning the nature and types of co-operatives i.e. housing, financial, worker and agricultural that can be formed and;</p> <p>How co-operative enterprises may cushion workers against cyclical retrenchments wherein struggling enterprises avoid layoffs by transferring affected workers to co-operative enterprises that are doing</p>	<p>reserves to cushion it during turbulent times;</p> <p>The Committee noted that during foundational years of Mondragon, there was an apparent requirement of a financial institution to bankroll some of the projects and cooperatives, which owing to weak balance sheet, could not access trading finance from traditional commercial banks.</p> <p>This gave birth to a group's co-operative bank, Caja Laboral Kutxa with current customer base of more than 1.8 million;</p> <p>Mondragon Corporation has a Consulting Business Management that operates at international level providing training and management services to co-operatives training institutions and co-operative enterprises;</p>	

Date	Places Visited	Objective	Lessons Learned	Status of Report
		<p>well, a methodology that Mondragon Corporation has more than five (5) decades used meritoriously;</p> <p>Provide participants with the opportunity to get to know and compare with own experience, the strategies and practices of developing pulsating cooperatives movement;</p> <p>To learn techniques of product and service selection by co-operatives which should ideally be informed by comparative and competitive advantage for each co-operative, exportability, profitability and productivity;</p> <p>Develop new contacts and explore opportunities of</p>	<p>To stimulate Spain's social economy co-operative enterprises in Basque country and Spain are incentivised differently from capitalist type of enterprises, for instance, company tax is 25 percent for capitalist businesses and 20 percent for cooperative enterprises. They are rewarded by government for continuous investment on job creation and social development at community level;</p> <p>The Mondragon model is self-sustaining and independent in every aspects;</p>	

Date	Places Visited	Objective	Lessons Learned	Status of Report
		cooperation with the Basque government and Mondragon Corporation in particular; Jointly and collaboratively develop an institutional adaptation to inculcate co-operative culture into social and community development;		

**8. INTERNATIONAL AGREEMENTS**

Not applicable

**9. STATUTORY APPOINTMENTS**

Not applicable

**10. INTERVENTIONS**

Not applicable

**11. PETITIONS**

Not applicable

## 12. OBLIGATIONS CONFERRED ON COMMITTEES BY LEGISLATION

The Constitution of the Republic of South Africa, 1996 (“the Constitution”), specifically Section 77 (3), stipulates that an Act of Parliament must provide for a procedure to amend money bills before Parliament. It is this constitutional provision that gave birth to the Money Bills Amendment Procedure and Related Matters Act No. 9 of 2009 (“the Act”). The Act sets out the practice that allows Parliament to make recommendations to the Minister of Finance to amend the budget of a national department. Section five (5) of the Act, posits that the National Assembly, through its Committees, must annually evaluate the performance of each national department. Section 27 of the Public Finance Management Act (No. 1 of 1999) makes provision for Ministers to table the annual budget for a particular financial year in the National Assembly before the start of that financial year. Whereas section 10(1)(c) of the Money Bills Amendment Procedures and Related Matters Act (No. 9 of 2009) makes provision for Ministers to table Strategic Plans and Annual Performance Plans for (APPs) their respective Departments, public entities or institutions, which must be referred to the relevant Portfolio Committees for consideration and adoption. The Committee has been reporting on the Budget Vote and BRRR processes since 2014 to 2018. The Committee has, over this period, made numerous recommendations to the Department and to the House for the Department and National Treasury to take certain action towards enhancing the small enterprise sector. The Committee subsequently followed up on its recommendations through oversight visits.

## 13. SUMMARY OF OUTSTANDING ISSUES RELATING TO THE DEPARTMENT/ENTITIES

The following key issues are outstanding from the committee’s activities during the 5<sup>th</sup> Parliament:

Responsibility	Issue(s)
Department of Small Business Development	✓ The review and/or tabling of the National Small Enterprise Bill; ✓ all policy initiatives planned for 2015/16, 2016/17 and 2017/18 have been deferred to 2018/19 financial year i.e. finalisation of the review of the National Small Business Act, revision of the

Responsibility	Issue(s)
	<p>Integrated Strategy on the Promotion of Entrepreneurship and Small Enterprises and review of the Integrated Strategy on the Development and Promotion of Co-operatives (2012 - 2022).</p> <ul style="list-style-type: none"> <li>✓ Strategic posts are vacant;</li> <li>✓ Provinces i.e. Gauteng, Mpumalanga and KwaZulu Natal and local governments are producing their own legislative frameworks as a response to influence by foreigners taking over of informal trading. DSBD must review, finalise and table to Parliament the Licensing Bill (2013), to replace Business Act, 1991;</li> <li>✓ Department to must expedite the establishment of Co-operative Development Agency as per Co-operatives Development Act 2005 as amended;</li> <li>✓ The Minister approved the organisational structure of the Department and it was subsequently submitted to the DPSA for concurrence. However, there has been no finality on the matter. In terms of the Public Service Regulations, the Minister of Public Service Administration must approve organisational structure of a national department. The Portfolio Committee observed during the Budget Vote process that the structure currently being implemented by the Department for 2018/19 financial year is the same structure that has not been approved by DPSA;</li> <li>✓ Other issues for follow ups are detailed under recommendations below;</li> </ul>
Portfolio Committee	<ul style="list-style-type: none"> <li>✓ Jointly with other Committees to push for the creation of a parallel structure to the Socio Economic Impact Assessment System (SEIAS) of the Department of Planning, Monitoring and Evaluation (DPME);</li> <li>✓ Oversight on legislative mandate; oversight on policy mandate of the Department;</li> <li>✓ To include issue of big business bullying,</li> </ul>

#### **14. OTHER MATTERS REFERRED BY THE SPEAKER/CHAIRPERSON**

Not applicable

#### **15. RECOMMENDATIONS**

- 15.1 Over the period of five (5) years since the Department was created, the Portfolio Committee progressively flagged the operational risk as a consequent of high vacancy rate particularly at senior management level. Accordingly, the relentless underspending and failure to achieve some of the crucial milestones i.e. tabling of the Small Enterprise Bill among others were often attributed to vacant posts and lack of capacity. Throughout the 5<sup>th</sup> Parliament as evidenced by its recommendations the Committee held a view that the fundamental challenge antagonising the Department has been its inability to produce a corresponding organisational structure embedded into its strategic plan. Consequently, DSBD has produced and presented to the Committee three (3) different strategic plans. The last strategic plan and organisational structure, approved by the Minister in 2017, was subsequently submitted to the Department of Public Service Administration (DPSA) for concurrence. However, there has been back and forth with no finality on the matter. In terms of the Public Service Regulations, the Minister of Public Service Administration must approve organisational structure of a national department. The Portfolio Committee observed and recommended during its 2015, 2016, 2017 and 2018 Budget Vote and Budget Review and Recommendation Report (BRRR) processes that the organisational structure must be given priority. At the time of concluding the legacy report, beside the position of a Deputy Director General - Enterprise Development and Entrepreneurship, all other top management positions, including that of the Accounting Officer, were on an acting capacity. The Committee is accordingly calling on the Department to finalise this matter in good time and before the commencement of the 6<sup>th</sup> Parliament;
- 15.2 With the National Small Enterprise Act so outdated, the Committee is calling on the Department to finalise the review of the National Small Enterprise Act or tabling of a new bill, including finalisation of the revision of the Integrated Strategy on the

Promotion of Entrepreneurship and Small Enterprises and review of the Integrated Strategy on the Development and Promotion of Co-operatives (2012 - 2022);

- 15.3 As alluded to hereinabove, in the absence of a comprehensive national legislative framework, that responds to the domination of informal trading and spaza shops by foreign nationals, respective provinces i.e. Gauteng, Mpumalanga and KwaZulu Natal and local governments have resolved to produce their own legislative frameworks. The issue of licensing is at the pinnacle of this challenge. The relevant Department must review, finalise and table to Parliament, the Licensing Bill (2013), or relevant legislation that seeks to harmonise business registrations and licensing;
- 15.4 The Committee is calling on the Department to accelerate the process of creating institutional support structures i.e. Co-operatives Development Agency, Co-operatives Advisory Council, Co-operative Development Fund and Co-operatives Tribunal, including discussions with the Department of Higher Education concerning the Co-operatives Training Academy. In light of the present co-operatives mortality rate such institutional support structures are indispensable;
- 15.5 Pursuant to the Portfolio Committee observations regarding the absence of a co-operatives national masterplan, this tends to create confusion vis-à-vis who or which Department is responsible for what i.e. training related to technical skills development, creation and development of co-operative banks, forging of a vibrant independent retail sector, manufacturing industry and conclusion of feasibility studies. The Committee is thus calling on the DSBD or appropriate Department in charge of co-operatives development to prioritise conceptualisation and implementation of a national co-operatives masterplan;
- 15.6 The Committee is of a firm view that the Department must continue to exist. Empirical evidence suggests that no economy can exist without the small business sector. The National Development Plan situates more accountability on the sector to create 11 million jobs, which is a further indication that the challenge of tackling unemployment will come from a vibrant small enterprise sector. Based on the Committee experience, the establishment of the Department was absolutely necessary, and it must therefore remain in order to fulfil what it had intended to accomplish;
- 15.7 The appointment of the National Small Business Advisory Body to represent and promote the interests of small business as directed by the National Small Business Amendment Act No 26 of 2003 was deliberated at length during the 5<sup>th</sup> Parliament. During the 2018 budget vote process the Portfolio Committee had then recorded and welcomed Minister's

undertaking to appoint Advisory Body within two weeks' of that sitting. Nevertheless, the former Director General failed to account to the Committee why that assurance was not seen through. The Portfolio Committee further notes that the South African Small and Medium Enterprises Federation has since reported the same matter to the Public Protector for investigation. In the absence of an alternative explanation the Committee is calling on the Department to fast-track the appointment the National Small Business Advisory Body ideally before the Public Protector makes a ruling on the matter;

- 15.8 Following the DSBD presentation to the Portfolio Committee concerning the proposed national summit on co-operatives, the Committee accepted the report. However, it recommended that instead of April, the summit should be held in September or October 2019. The Committee further recommended that DSBD should constitute an inclusive preparatory committee comprising of, among others, the secretariat team formed and led by DSBD, RSA alliance, various government departments, co-operative representative organisations, and members of the Portfolio Committee to oversee the process leading up to the summit. That a build-up process be initiated to facilitate a bottom up approach towards the national summit. The build-up process would include holding of Provincial Summits on Co-operatives. That the National Summit will determine how the Apex body will be formed and who will be elected to serve in the Apex body. The Summit will also resolve on the name of the Apex body and its role;
- 15.9 Consequent to the Portfolio Committee determination that a forensic investigation be conducted following its discovery in Mpumalanga, the Committee is pleased that the Auditor General preliminary investigation gave credence to the Committee deduction that there was certainly fraud and corruption in the handling and management of the Co-operative Incentive Scheme and Black Business Supplier Development Programme (BBDP). At the time of finalising the legacy report the Committee was made aware by the office of the Auditor General that an initial report has already been concluded and submitted to the Minister for her inputs, due date being the 31<sup>st</sup> of March 2018. Considering that the 5<sup>th</sup> Parliament is rising on the 20<sup>th</sup> of March 2018, the Committee has resolved to make a special request to the office of the Speaker to return to Parliament during April 2019 to consider and adopt the AG report. The Committee is once again calling on the Department to act decisively against those implicated in the forensic investigation without fear or favour;

- 15.10 During the course of 2018 the Committee noted that there is an existing Co-operative Bank Development Agency (CBDA), created in terms of the Co-operative Banks Act 40 of 2007, (Co-op Banks Act), but it was reconfigured, some of the functions and units i.e. registrations and licensing were transferred from the National Treasury to Prudential Authority (PA) and Financial Sector Conduct Authority (FSCA), agencies of the South African Reserve Bank (SARB). The Committee is of the opinion that CBDA would be better placed under the Department of Small Business Development;
- 15.11 The Committee further noted **sefa** mediocre performance during the period under review, and its failure to lend money to small enterprises through Co-operative Financial Institutions (CFI). The Committee notes that only one co-operative financial institution has benefited under **sefa** wholesale lending, Disobotla Primary Saving and Co-operative Bank, while the use of dubious intermediaries was widespread. Consequently, the likes of Marang Financial Services, Retmil Financial Services and Super Grand went under with hundreds of millions of taxpayers' money and no one has been held to account. The Committee is of the strong view that **sefa** failure to utilise co-operative financial institution is tantamount to abdication or renunciation of its responsibility. The Committee has in the past, indicted Department and **sefa** to have a strategic discussion on the matter and report back to the Committee but this has not happened. There is therefore a need to consider a model that will be cost-effective and sympathetic to circumstances of small enterprises, and most importantly, it must accelerate the use CFI's and Co- operative Banks as part of a broader government strategy to streamline access to finance particularly for survivalist, small, micro, medium and co-operative enterprises;
- 15.12 In relation to 15.11 above the Department, in conjunction with **sefa**, has a duty to rapidly finalise the development of the rescue strategy for struggling small enterprises. The concept of business rescue finds its foundation in one of the stated purposes of the Companies Act, which is to "provide for the efficient rescue and recovery of financially distressed companies, in a manner that balances the rights and interests of all relevant stakeholders". In its correspondence to **sefa** Board of Directors, the Committee strongly advocated for the agency to adhere to these provisions before progressing to section 129 of the National Credit Act particularly in cases where small enterprises are owed money by the state. The Committee came across a number of such cases;

- 15.13 The Portfolio Committee, consistently flagged payments by Seda to the former Chief Executive Officer of **sefa**, Mr Thakhani Makuvha as irregular and inconsistent with the Act. As a result, there was an audit finding for correction by Seda Accounting Authority. Seda annual report (158:2018) flagged these payments as irregular. The Committee requested the Department and Seda to provide it with a detailed plan of action on how it would recoup monies paid to the former **sefa** CEO before 31 October 2018. This deadline was missed and the Committee did not receive any briefing nor update from Seda;
- 15.14 The Portfolio Committee further notes National Treasury instruction to Seda to classify amounts paid for the implementation of the national gazelles programme as irregular expenditure as they were approved by management without complying with procurement processes in inviting competitive bids. The Committee had then recommended to the Department and Seda to furnish the Committee with a detailed plan of action in addressing National Treasury and Auditor General concerns regarding irregular expenditure incurred in the implementation of national gazelles by 31 October 2018. The Committee received no correspondence nor update from the Department and Seda. Therefore, the Committee's position in relation to the two issues above remain unchanged. The issues must be resolved in accordance to the Portfolio Committee recommendation.

## **16. COMMITTEE STRATEGIC PLAN**

In line with the Parliaments Strategic Plan, and in order to be able to perform its constitutional mandate, the Portfolio Committee on Small Business Development held its first strategic session in February 2016 wherein, a full-fledge Strategic Plan and 30 Strategic Objectives, attached herein as annexure B, were developed. Each Strategic Objective developed is in line with the Strategic Objective(s) and Outcome(s) of the fifth Parliament. Areas of spillover from the 4<sup>th</sup> Parliament, most of them under the stewardship of the Department(s) of Trade and Industry as well as Economic Development ("EDD"), are also integrated into the new plans of the 5<sup>th</sup> Parliamentary plans, specifically the plans of the DSBD, and with extension, the Portfolio Committee on Small Business Development. Additionally, the Strategic Objectives of the Committee are further informed by the Department's and its agencies priorities, including but not limited to, the implementation of the New Growth Path strategy in support of the National Development Plan, promotion of rural, township, women, youth based enterprises and co-operatives.

**17. MASTER ATTENDANCE LIST**

N/A

## ANNEXURE A

### Outline of Strategic Objectives

STRATEGIC GOAL	STRATEGIC OBJECTIVES
<p>1. Strengthen the oversight and accountability of Parliament over the Executive</p>	<ol style="list-style-type: none"> <li>1) Ensure that the Department facilitates a programme to ensure economic participation in the main stream economy of the small business sector;</li> <li>2) Ensure that the existing budget legislation and various amendment instruments are fully utilised - Money Bills, Budget Review and Recommendations Report, Parliamentary Budget Office, Financial and Fiscal Commission and Auditor General;</li> <li>3) Ensure that all outstanding programmes that were supposed to be migrated from <b>the DTI</b>, EDD and Treasury are migrated with the funds allocated;</li> <li>4) Ensure that the Department sign and implement transversal agreements at policy level with relevant State departments, all spheres of government and State Owned Institutions;</li> <li>5) Ensure that the Department explore existing institutional mechanisms at all levels of government, horizontally and vertically;</li> <li>6) Ensure that the Department champions small business development;</li> <li>7) Ensure that the Department programmes and projects being implemented are aligned to the plan;</li> <li>8) Ensure that the recommendations contained in the tabled reports i.e. oversight reports, are implemented once considered and/or accepted by the Department;</li> <li>9) Ensure that the Department identifies key instruments and mechanism to address Cooperative failure rate (estimated to be at 88%);</li> <li>10) Ensure that the Department identifies key instruments and mechanisms to address SMME failure rate (estimated to be at 40%);</li> <li>11) Ensure that the Department coordinates a process for the development of a South African Model for Cooperatives, Master Plan to include Cooperative Bank Development Agency</li> </ol>

	<p>(CBDA), Cooperative Development Agency (CDA), Cooperatives Academy as well as Cooperatives Tribunal;</p> <p>12) To monitor the Department planning process;</p> <p>13) To increase the ability of the PC to track whether issues raised by the Auditor General are addressed;</p> <p>14) Improve the effectiveness of the PC to track the implementation of Recommendations by the Department;</p> <p>15) Ensure that the Department proposes amendment of existing legislation to support ease of access to finance and markets;</p> <p>16) Ensure that the Department develop regulations in the franchising industry;</p>
2. Enhance public involvement and participation	17) Invite other organisation in the Small Business Development and Cooperatives sector the brief the PC regularly;
3. Strengthen cooperative government to improve inter-governmental relations	<p>18) Strengthen harmonious and strong relationship between PC and Department and Stakeholders;</p> <p>19) Ensure the Department uses Intergovernmental Relations Framework Act, Municipal Integrated Development Plans, National Spatial Development Perspective/Framework, Municipal Spatial Development Frameworks as well as Local Economic Development Plans to inform their programme planning and implementation;</p> <p>20) Strengthen Portfolio Committee capacity and increase its effectiveness by using Parliamentary Democracy Offices;</p> <p>21) Strengthen mechanism for collaboration with other Portfolio Committees, Select Committees, Standing Committees, relevant Municipal Portfolio Committees to corroborate information;</p> <p>22) Ensure that coordination in organising and arranging oversight visits is strengthened among National, Provincial and Local legislative authorities;</p> <p>23) Ensure that that the Department finalise the amendment of the name to include Cooperatives;</p>

<p>4. Deepen engagement in international fora</p>	<p>24) In line with cost containment measures, undertake critical study tours that will sharpen the work of the PC;</p> <p>25) To reinforce relations with other Committees through strategic utilisation and partnerships with Inter-Parliamentary Unions and Commonwealth Parliamentary Association structures;</p>
<p>5. Assess the impact of laws passed and strengthen legislative capacity</p>	<p>26) Ensure that the Department develop regulations in the franchising industry and conclude the review of the National Small Business Act;</p> <p>27) Ensure that the Department proposes legislation that is aimed at reducing the red tape;</p> <p>28) To ensure that PC on SBD members are capacitated to enable them to perform effective oversight of the economic sector and legislative environment;</p> <p>29) Ensure that DSBD establishes a red tape baseline (preferably using the standard cost model, and create a business friendly environment);</p> <p>30) Ensure that the Department proposes legislation that is aimed at reducing the red tape.</p>