



## “UNLOCKING INDUSTRIAL CAPACITY THROUGH TRANSFORMATION”

### NEF Quest for Inclusive Growth

# NEF Mandate...

Established by the National Empowerment Fund Act No. 105 of 1998, the NEF is a driver and a thought-leader in promoting and facilitating black economic participation through the provision of financial and non-financial support to black-owned and managed businesses, as well as by promoting a culture of savings and investment among black people.

**The NEF is an agency of the dtic and is the only DFI exclusively mandated to grow B-BBEE**

**NEF funds across all sectors of the economy from R250 000 up to R75 million**

## Life to date performance milestones as at 30 Nov 2021

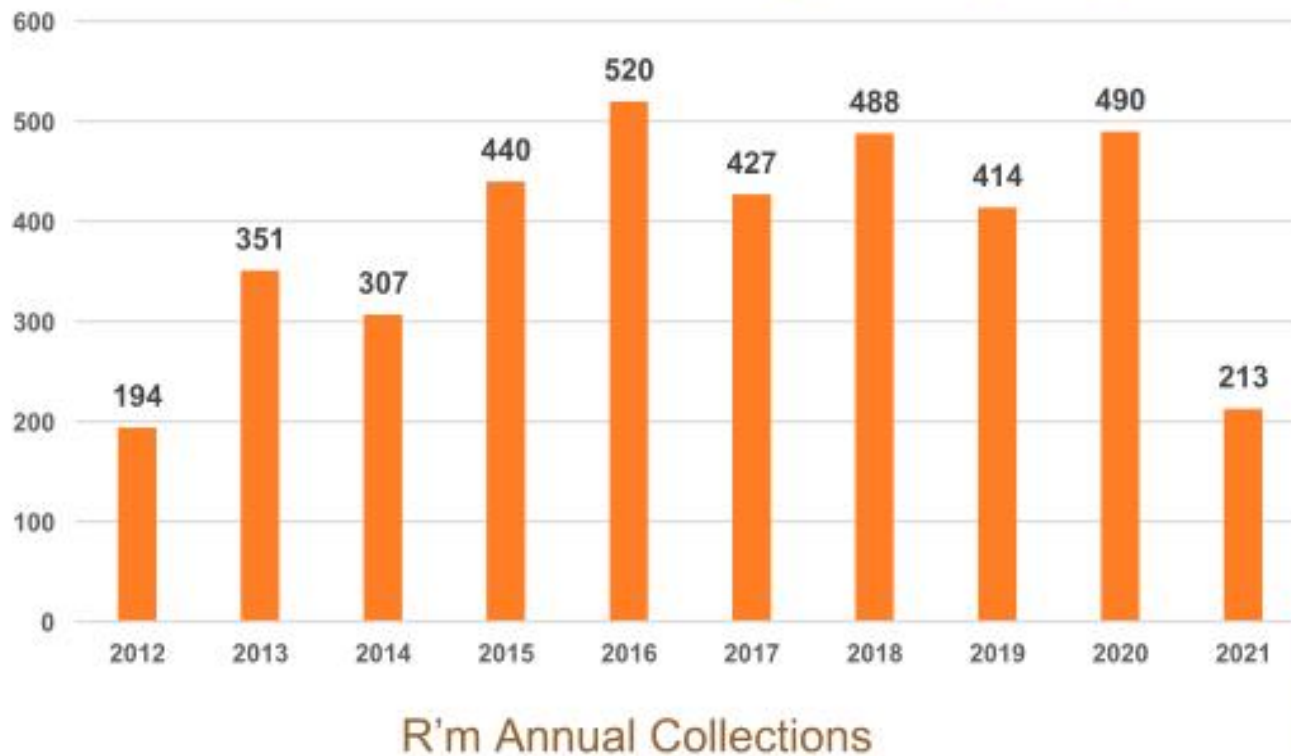
	Output	Achievements
1	Approvals	Approved <b>1 233 transactions</b> worth more than <b>R11.9 billion</b> across the country with a <b>total project value of R20.98 billion</b> .
2	Disbursement	Over <b>R7.731 billion</b> has been disbursed to these companies since inception.
3	Collections	Over <b>R4.1 billion</b> has been repaid by investees.
4	Integrity	Secured <b>clean external audit</b> opinions for <b>18 years</b> running.
5	Supporting jobs	Since inception, the number of job opportunities supported is <b>107 787</b> of which <b>71 109</b> were new.
6	Industrialisation	23 strategic and industrial projects worth <b>R13.2 billion</b> , with the potential to support over <b>52 000</b> jobs. 82% of the transactions are at an advanced development stage. Since inception <b>3 600</b> job opportunities have been created.
7	A culture of savings & investment	In a transaction worth over R1 billion the NEF Asonge Share Scheme made available more than 12 million MTN shares to over 87 000 investors comprising black individuals and groups. 49% of investors were women.
8	Investor education	Reached <b>5 878 401 people</b> in villages and townships through <b>633</b> community seminars on how to save and invest, personal financial discipline, shares, dividends, bonds, the property and money markets
9	Entrepreneurship training / incubation	Business skills training provided over <b>5 088 potential entrepreneurs</b> who attended <b>533</b> seminars from 2012 to date.
10	National footprint	Approximately 72% of the number (76% by value) of approved transactions emanated from the regional offices and Pre-Investment Unit.



# Funding Across the Economic Spectrum

	Fund	Focus	Threshold
1	iMbewu Fund (SMEs)	SME Fund providing Entrepreneurship, Procurement & Franchise Finance	R250 000 – R15 million
2	Women Empowerment Fund (WEF)	Fund businesses that are at least 51% owned and managed by black women.	R250 000 – R75 million
3	Rural, Township, & Community Development Fund	Supporting rural economic development through New Ventures, Acquisition, Expansion & Greenfields Finance	R1 million – R50 million
4	uMnotho Fund	Funding of New Ventures, Acquisition, Project Finance, Expansion, Capital Markets, Liquidity & Warehousing	R2 million – R75 million
5	Strategic Projects Fund	Early-stage investment in industrial / manufacturing transactions	Up to R75 million

## Annual Collections over 10 years (R'm)



**R4,1bn  
repaid**

□ Since inception over R4.1bn has been paid by investees, with more than 90% collected over the past 8 years because of:

- Effective portfolio management
- Culture of loan payments entrenched

# NEF's Performance and Investment Criteria...

## “The Empowerment Dividend”

*The assessment of impact is not driven only by financial returns but by measurement in terms of “The Empowerment Dividend” made up as follows:*

- Broad Based Black Economic Empowerment
- Ownership, management control, employment equity etc.
- Black Women Empowerment
- Job Creation
- Growth Sectors
- Geographic Spread
- Investment Return



# Non-Financial Support



## **Pre-investment**

As the first-point-of-contact the unit provides product advisory services, manages the online business-plan solution, manages the administration of applications, incubation and entrepreneurial training.



## **Socio Economic Development**

Empower black people in existing NEF transactions and other broad based groups through various interventions such as promotion of saving and investments, social facilitation, investor education, corporate governance training and market access for the acceleration of meaningful participation.



## **Post-investment support**

Monitor investments, provide ongoing portfolio management, manage mentorship support and collections as well as legal compliance.



## **Turnarounds, Workouts and Restructuring**

Rehabilitate distressed transactions and reduce impairments Through a combination of measures including balance sheet restructuring, equity and /or working capital injection, operational restructuring, introduction of a strategic equity partner and / or turnaround specialist and business rescue.

# Addressing Market Failures

MARKET FAILURES	NEF SOLUTIONS
<b>Limited own capital</b>	Funding of between R250 000 and R75 million for start-up, expansion and equity transformation purposes as well as use of concessionary facilities. Non-descriptive on % of own contribution.
<b>Limited management skills, including financial, marketing and technical expertise</b>	Entrepreneurship Development tools and dedicated mentorship support.
<b>Access to affordable capital</b>	Competitive cost of finance with a higher risk appetite as well as requirement for operational involvement (sweat-capital) reduces the need for collateral payment.
<b>Lack of accurate and reliable financial information</b>	Dedicated pre-investment mentorship support and technical assistance with our partners.



## Addressing Market Failures cont...

MARKET FAILURES	NEF SOLUTIONS
<b>Poor Quality Business Plans</b>	Collaboration with other Government agencies like Seda, incubation, entrepreneurial training and general pre-investment support and NEF Online Business Plan-Tool Kit.
<b>Lower bargaining and strong competition power from established businesses with entrenched market dominance</b>	Linkages and emphasis on the implementation of the codes of good practice (B-BBEE).  Wholesale Franchisor Facilities (Engen, Nandos, etc.).
<b>Lack of access to local and international markets</b>	Linkages with off-takers. Relationships with franchisors and corporates for access to markets.

# Funding across sectors of the economy

	Government Sector Focus	Examples of NEF Investment Breakthroughs
1	<b>Black industrialists</b>	Create new manufacturing and industrial capacity alongside local and international partners. To date the NEF has invested about R900m in developing projects (with a total of 23 projects currently under development) with a total of 5 operational businesses that have created over 3600 jobs and leveraged over R4 billion of third party funding.
2	<b>Support SMEs</b>	A dedicated fund that has supported entrepreneurship, procurement & franchise funding, as well as business planning, incubation, training and mentorship support. To date, NEF disbursed over R2.1 billion into the support of 500 small and medium enterprises.
3	<b>Township &amp; Rural Economy</b>	A dedicated fund that supports businesses in rural areas and townships. The businesses are in various sectors including property (shopping malls), petroleum sector (petrol stations) and tourism. To date the NEF disbursed just under R2.1 billion in support of over 260 entities in rural and township economies.
4	<b>Property</b>	To respond to the market failures of low ownership of property by black businesses, the NEF introduced the property funding product to contribute to transformation of the sector. To date the NEF has disbursed over R393 million in the property sector. These investments are expected to contribute in job creation, infrastructure development, addressing the lack of student accommodation and supporting government's economic stimulus and recovery plan. In the past 18 months, the NEF approved approximately R103 million in this sector.
5	<b>Tourism</b>	The NEF continues to invest in community-owned hotels and lodges to drive the growth of the tourism sector. This includes investments in tourist attraction projects like the Graskop Gorge Lift, a flagship project that will drive tourism development in the Panorama Tourist Route in Mpumalanga, and is the first of its kind in Africa. To date the NEF has disbursed over R246 million into this sector and continues to identify opportunities in partnership with the Department of Tourism.
6	<b>Affordable housing</b>	In partnership with various industry stakeholders, supported the construction of several social housing, student accommodation and related projects. To date, NEF invested over R375 million in this sector.
7	<b>Agro-processing</b>	Supported beneficiation investments across the agricultural value chain such as processing of castor oil, fruit juices, condiments etc. To date, NEF invested over R360 million in this sector.
8	<b>Energy</b>	Invested over R673 million in service stations countrywide, of which 44% are owned and managed by black women.

# NEF Funding Products

On average, the NEF's loans are repayable over 4 to 8 years, and up to 10 years where marked with an asterisk (\*) below:

Product / Fund	Description	Funding amounts
Entrepreneurship Finance	For starting a new business	R250 000 – R15 million
Procurement Finance	For tenders and contracts	R250 000 – R15 million
Franchise Finance	For pre-approved franchise licenses	R250 000 – R15 million
Acquisition Finance	For black investors acquiring a stake in medium to large companies	R2 million – R75 million
Expansion Capital	For growing an existing business	R250 000 – R75 million
New Ventures	Participation in green-field projects	R5 million – R75 million
*Rural and Community Development Fund	for agri-processing, tourism, mining & beneficiation, manufacturing etc	R1 million – R50 million
*Strategic Projects Fund	Venture-capital fund investing in early-stage projects for the purpose of developing strategic industrial capacity in poverty nodes, in renewable energy, business process outsourcing, tourism, manufacturing, mining and mineral beneficiation etc.	R1 million – R75 million

## Women Empowerment Fund (“WEF”)

- ❑ Must be a majority black women owned and managed business
- ❑ Be a registered taxpayer in good standing
- ❑ Be based in rural and township areas
- ❑ Sustain and create employment
- ❑ **Funding:**
  - ❑ Up to R10 million per business
  - ❑ Funding will not accrue interest for the first 6 months of the transaction. After the initial 6 months period, funding will accrue interest at a fixed rate of 1.5% for the duration of the tenure of the funding.
  - ❑ Can be co-funded



# Black Business Manufacturing Program

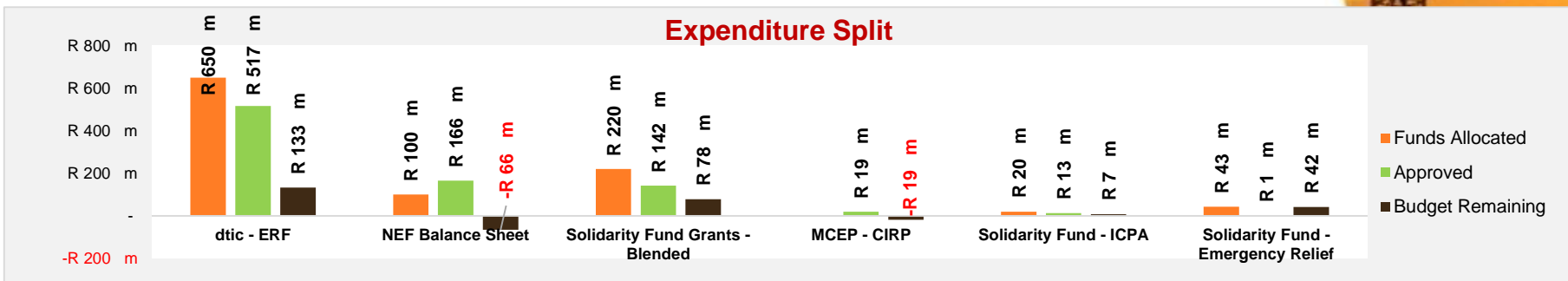
- ❑ Support black-owned SME's that are involved in manufacturing of finished goods
- ❑ Commercial viability
- ❑ Can fund the acquisition of plant, equipment and machinery; improvement and upgrading of manufacturing processes; raw materials working capital; costs associated with delivering under export contracts;
- ❑ At least 50,1% black ownership
- ❑ Can be a start-up, expansion or acquisition

## Funding

- ❑ Funding instrument used is repayable commercial loans at a fixed interest rate of 2% per annum.
- ❑ Investment size per application: R10 million

# Economic Recovery Fund

Pipeline Stage Analysis	Current Week	04-Mar-22				
	Number of Businesses	Number of Sites	Weighting	Amount	Weighting	Jobs supported
Approved	110	170	33.60%	R857.08 m	26.55%	7 615
DD	5	6	1.19%	R18.94 m	0.59%	31
Pre-DD	30	31	6.13%	R94.66 m	2.93%	0
Enquiry	83	87	17.19%	R38.22 m	1.18%	72
Referred to other DFI's	10	14	2.77%	R674.36 m	20.89%	2 550
Withdrawn	161	181	35.77%	R1 485.74 m	46.02%	14 295
Declined	17	17	3.36%	R59.12 m	1.83%	188
<b>Total</b>	<b>416</b>	<b>506</b>	<b>100.00%</b>	<b>R3 228.12 m</b>	<b>100.00%</b>	<b>24 751</b>



- The dtic concessionary loans priced at 0% up to R10 million per site
- Funding may leverage funding from NEF funds and Solidarity Fund Grants.
- R900 million facility put aside for the Economic Recovery Program
- **170** transactions (supporting **110** firms) with a combined value of **R857m** have been approved to date. Supporting **7 615 jobs**
- The pipeline has a jobs impact of **24 751 jobs**

**THANK YOU**

## Contact Details

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5	Limpopo	0861 633 546 / 0861 NEF LIM
6	Mpumalanga	0861 633 678 / 0861 NEF MPU
7	Western Cape	0861 633 927 / 0861 NEF WCP
8	North West	0861 633 697 / 0861 NEF NWP
9	Northern Cape	0861 633 627 / 0861 NEF NCP

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