



Championing Partnerships for Inclusive Growth

Integrated Report 2018/2019 and Q2 Report 2019/20
Portfolio Committee on Trade and Industry
Room E249, 09h00 – 13h00
Parliament of the Republic of South Africa

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Background

the dti Strategy for B-BBEE
(2003)

Policy objectives of BEE

- The successful implementation of the BEE strategy will be evaluated against the following policy objectives:
 - A substantial increase in the number of black people who have **ownership and control** of existing and new enterprises,
 - A substantial increase in the number of black people who have **ownership and control** of existing and new enterprises in the priority sectors of the economy that government has identified in its microeconomic reform strategy,
 - A significant increase in the number of new **black enterprises, black-empowered enterprises and black-engendered enterprises,**

Background / cont.....

the dti Strategy for B-BBEE (2003)

- A significant increase in number of black people in **executive and senior management of enterprises**,
- An increasing proportion of the ownership and management of economic activities vested in **community and broad-based enterprises** and **co-operatives**,
- Increased ownership of land and other productive assets, improved access to infrastructure, increased acquisition of skills, and increased participation in productive economic activities in **under-developed areas**,
- Accelerated and shared **economic growth**,
- Increased **income levels** of black persons and a reduction of income inequalities between and within race groups.



NEF Mandate...

Established by the National Empowerment Fund Act No. 105 of 1998, the NEF is an agency of *the dti* and 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 only DFI exclusively mandated to grow B-BBEE

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

Strategic Planning Framework...

Broad Based Black Economic Empowerment The Codes of Good Practice

NEF Act: Objectives

The dti Objectives

Sectors

NEF

- Tourism, Construction; Agri-processing; Transport; ICT &
- Media; Mining services; Franchising, 4IR, Motor Repairs & Panelbeating, Retail, Creative Industries, Media, Film, Property & Student Accommodation, Mining Services, Logistics, Rural & Township, Economies, Automotive components etc

Industrial Policy Action Plan:

- Automotives, components, medium and heavy commercial vehicles
- Plastics, pharmaceuticals and chemicals: Strengthening linkages between cultural industries and tourism etc

Government Priorities

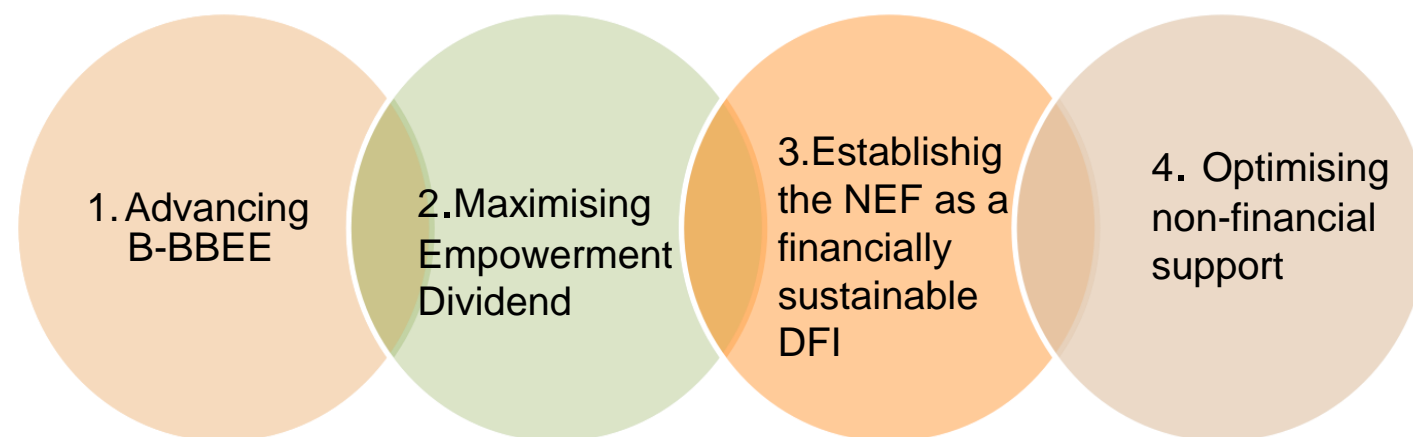
- 1) Acceleration of economic growth and transformation, creating decent work and sustainable livelihoods;
- 2) Infrastructure development to achieve social and economic goals and rural development;
- 3) Skills and human resource development;
- 4) Build a developmental state and improve public service.

NEF Sectors in line with national industrial objectives



Strategic Objectives

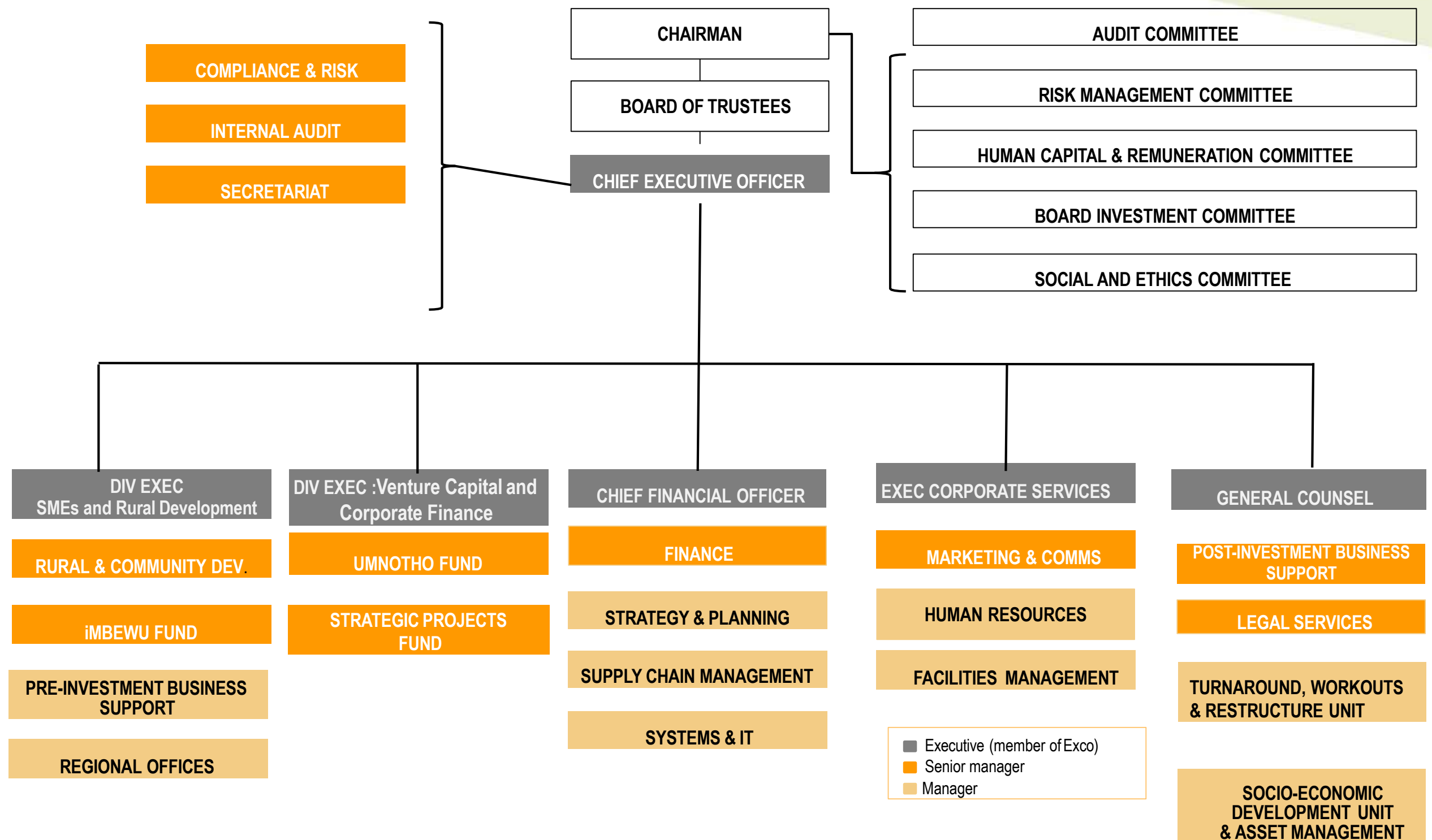
- NEF's strategic objectives are derived from the NEF Act No. 105 of 1998 and the BBBEE Act No. 53 of 2003 as amended, together with the Codes of Good Practice on B-BBEE.



NEF Guiding Principles

1. Provide finance to business ventures established and managed by black people.
2. Invest in black-owned and managed businesses that have high employment-creating opportunities.
3. Support the participation of black women and youth in the economy.
4. Support the development and growth of township and rural economies.
5. Facilitate investment across all provinces in South Africa.
6. Encourage and promote savings, investment and meaningful economic participation by black people
7. Advance black economic empowerment by investing in commercially sustainable enterprises
8. Establish the NEF in the South African economy as a credible and meaningful DFI.
9. Establish the NEF as a financially sustainable DFI.

Organisational Structure ...



Human Capital Highlights

No	Qualification	Number
1	Chartered Accountants	16
2	Master's degree	17
3	Engineers (additional 4 holds Master's degree)	5
4	Honours degree	22
5	Bachelors degree	39
6	LLB degrees (9 are admitted attorneys)	8
7	Diplomas	20
8	Certificates	30
9	Abet	3
Total:		160

Head Count – Core vs Support		
	No.	Percentage
Core	108	68%
Support	52	33%
Total	160	100%

Average age of NEF employees is 39 years – maturing organisation

- **61% of the employee complement is female**
- **44% of MANCO is female**



NEF's Performance and Investment Criteria...

“The Empowerment Dividend”

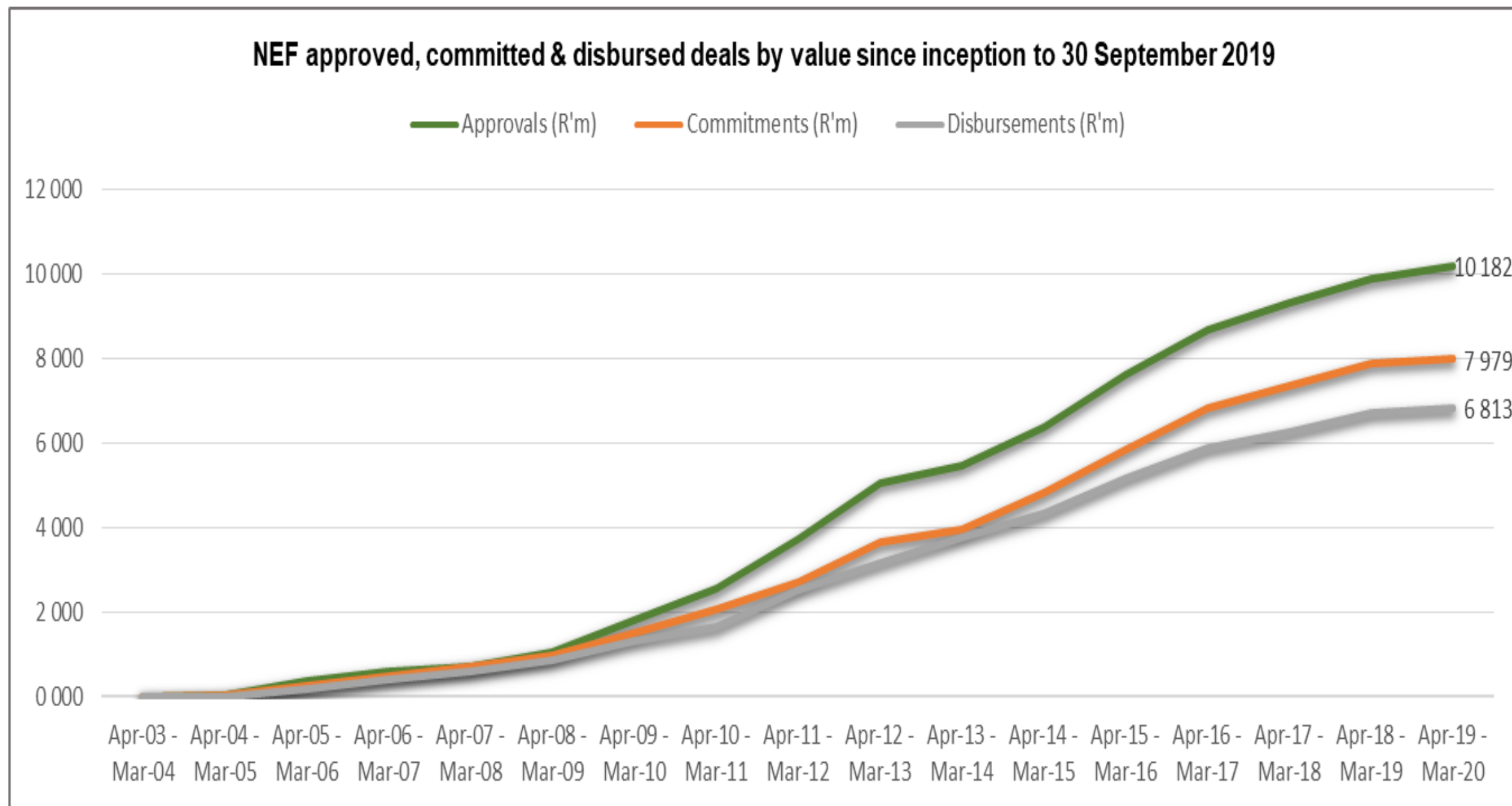
The assessment of impact is not driven only by financial returns but by measurement in terms of “The Empowerment Dividend” made up as follows:

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

Life to date performance milestones as at 30 September 2019

	Output	Achievements
1	Approvals	• Approved 1015 transactions worth more than R10.182 billion across the country
2	Disbursement	• Approximately R6.813 billion has been disbursed to these companies since inception
3	Integrity	• Secured clean external audit opinions for 16 years running
4	Supporting jobs	• Since inception, the number of job opportunities supported is 99 736 of which 68 482 were new
5	Industrialisation	<ul style="list-style-type: none"> • 25 strategic and industrial projects worth R13.2 billion, with the potential to support over 55 000 jobs • Since inception 3 600 job opportunities have been created
6	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
7	Investor education	• Reached approximately 87 632 people in villages and townships through 322 community seminars on how to save and invest, personal financial discipline, shares, dividends, bonds, the property and money markets
8	Entrepreneurship training / incubation	• Business skills training provided over 3601 potential entrepreneurs who attended 210 seminars from 2012 to date
9	National footprint	• Approximately 72% of the number (76% by value) of approved transactions emanated from the regional offices and Pre-Investment Unit, as at 31 December 2018
10	Collections	• Over R3.5 billion has been repaid by investees

Cumulative Approved, Committed & Disbursed deals by value since inception to 30 September 2019

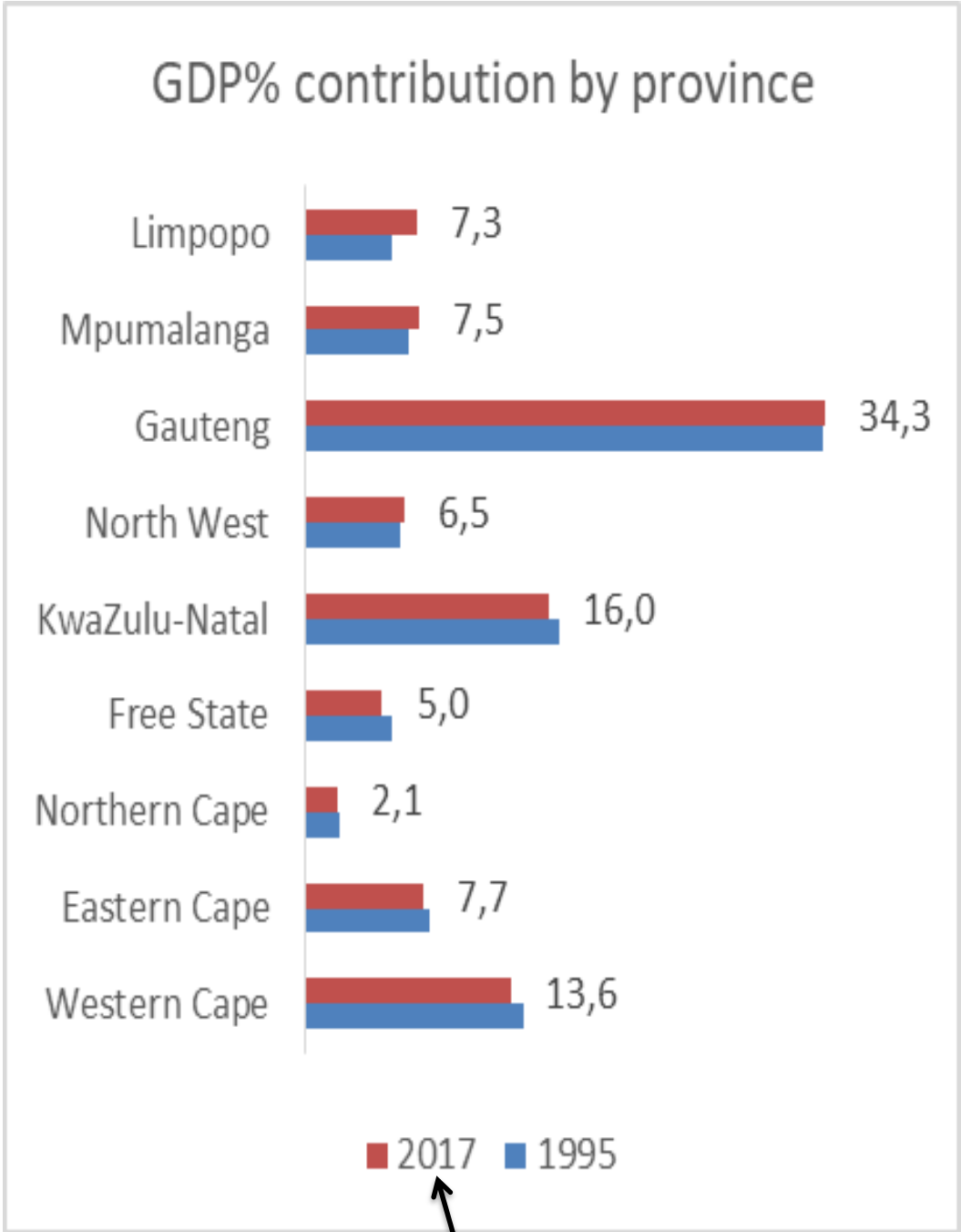


Approvals, Commitments & Disbursements

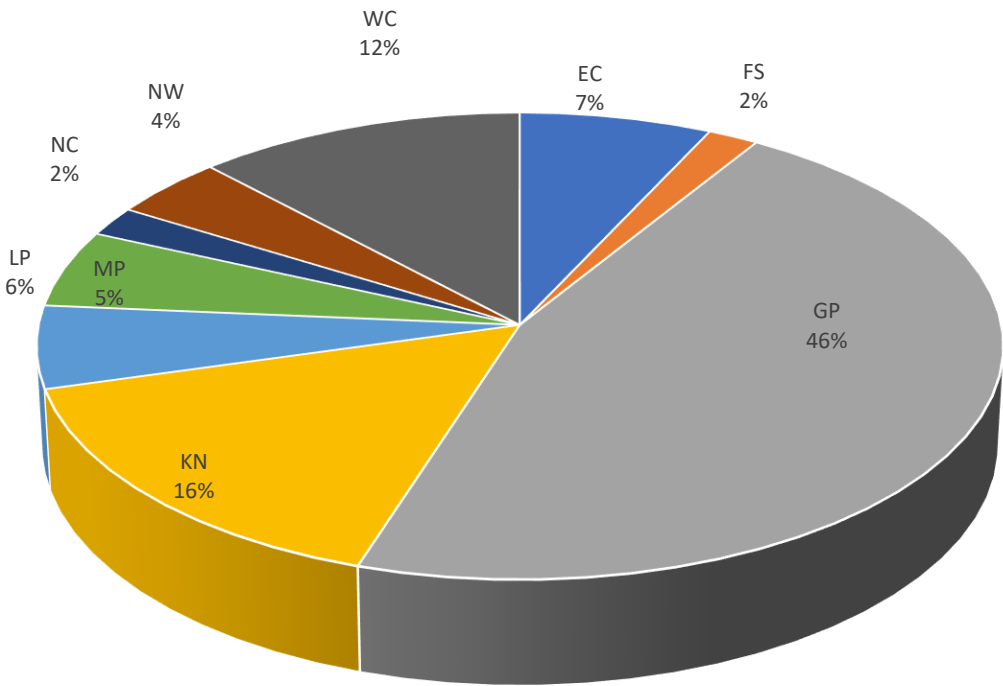
10-year View

Period	Approvals	Commitments	Disbursements
FY2008/2009	R329 million	R279 million	R288 million
FY2009/2010	R749 million	R548 million	R429 million
FY2010/2011	R749 million	R552 million	R342 million
FY2011/2012	R1.16 billion	R620 million	R332 million
FY2012/2013	R1.33 billion	R946 million	R632 million
FY2013/2014	R418 million	R303 million	R636 million
FY2014/2015	R895 million	R879 million	R562 million
FY2015/2016	R1.24 billion	R1.02 billion	R819 million
FY2016/2017	R1.06 billion	R982 million	R699 million
FY2017/2018	R634 million	R521 million	R411 million
FY2018/2019	R576 million	R513 million	R437 million
Total	R9.15 billion	R7.17 billion	R5.58 billion

Geographic spread of investments



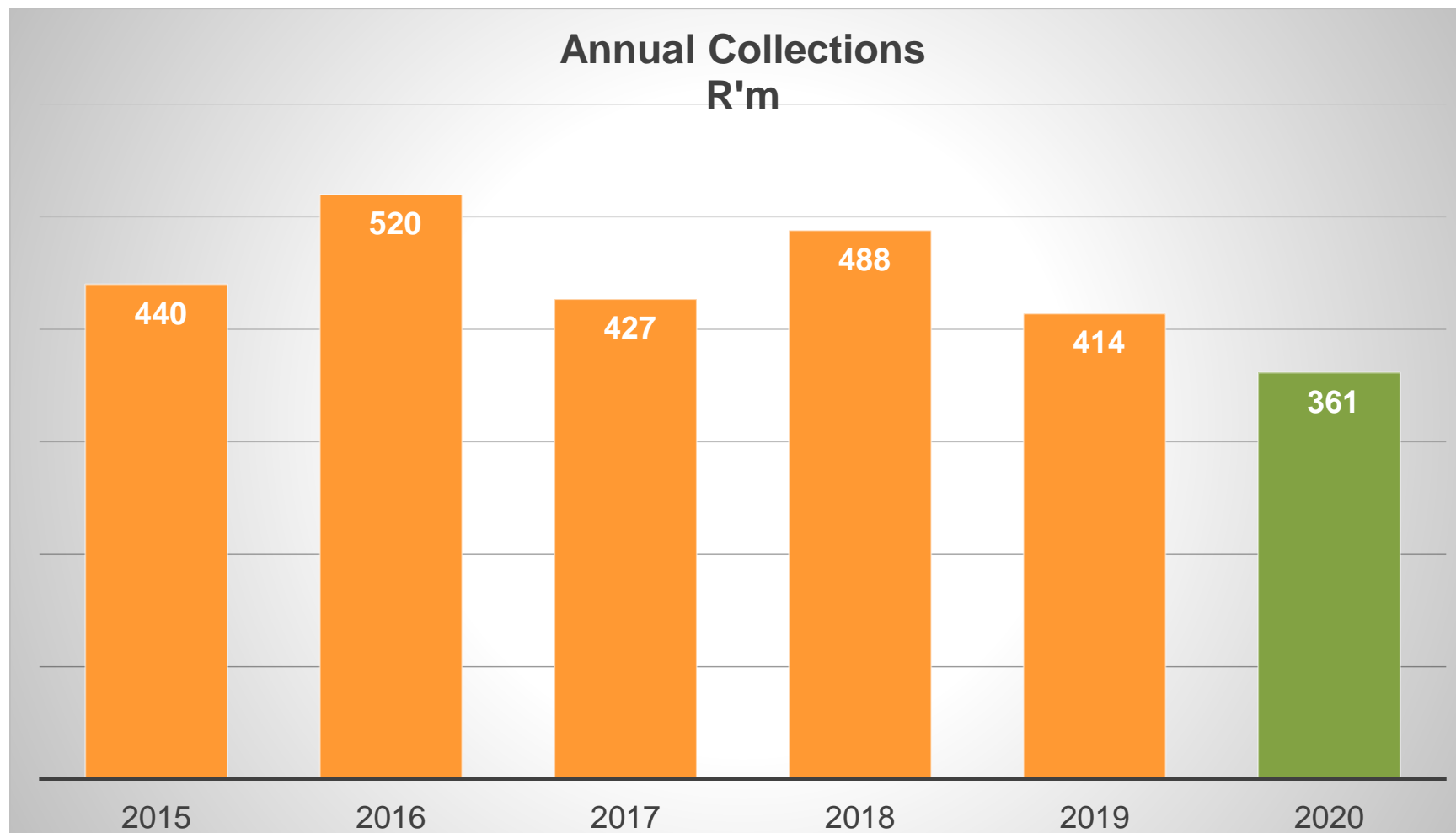
NEF Invested Portfolio by Region by Value since Inception - September 2019



GDP Source: Statistics South Africa; Gross Domestic Product, Fourth quarter 2017.



Annual Collections



- Over R2,7bn collected during the last five years
- Effective portfolio management
- Culture of loan payments entrenched
- Additional payments by clients to reduce term of facility
- Significant receipts from uBumbano and Matlosana Gardens for year ending 2020
- Improved collections rate above target of 80% each year
- NEF sustainable

Collected
over R3,5bn
since
inception to
date.

NEF Deal Activity Level

Category	FYE 2019				FYE 2018			
	Volume	Vol %	Value	Value %	Volume	Vol %	Value	Value %
Approved	61	8%	R576 000 000	2%	72	5%	R527 126 686	5%
Approved but declined pre-commitment	2	0%	R20 000 000	0%	3	0%	R70 500 000	1%
Conditional Approval	2	0%	R42 667 623	0%	1	0%	40 365 197,00	0%
Approved to Existing Portfolio Projects	3	0%	R440 000 000	1%	2	0%	44 000 000,00	0%
Currently at DD stage	37	5%	R403 399 610	1%	53	4%	R699 551 686	6%
Currently at PreDD stage	29	4%	R329 146 000	1%	18	1%	R387 913 208	3%
Currently at Application Development Stage	6	1%	R1 591 000 000	5%	4	0%	R39 562 000	0%
Currently at screening	64	9%	R1 509 018 887	5%	262	18%	R2 640 165 000	23%
Declined after PreDD	8	1%	R65 000 000	0%	10	1%	R377 800 000	3%
Declined at Screening	477	66%	R25 181 769 501	75%	1011	69%	R5 932 557 000	53%
Declined Post DD	11	2%	R2 261 646 900	7%	10	1%	R134 200 000	1%
Withdrawn	18	2%	R612 900 000	2%	20	1%	R395 128 480	4%
Existing projects	3	0%	R435 000 000	1%	0	0%	R0	0%
	721	100%	R33 467 548 521	100%	1466	100%	R11 288 869 257	100%

The higher value in deals declined at screening relates to two petrochemical applications received by SPF



Unlocking Third Party Funds

Life to date the NEF has leveraged third party funding amounting to R8.8 billion 

In partnership with other stakeholders, the NEF leveraged a total of **R782m** third party funding during FY 2018-2019 as follows:

	uMnotho	iMbewu	RCDF	SPF	Total
Total value of funded projects	R952m	R61m	R18m	R135m	R1166bn
NEF funding	R304m	R34m	R8m	R37m	R383m
Third party funding	R647m	R27m	R10m	R98m	R782m
% funding leveraged	68%	44%	55%	73%	67%

- Average leverage of 60% across the Funds, with higher leverage in uMnotho and SPF (also driven by limited available capital for the NEF)
- NEF is a catalyst for unlocking economic value



Funding Across the Economic Spectrum

	Fund	Focus	Threshold
1	iMbewu Fund (SMEs)	SME Fund providing Entrepreneurship, Procurement & Franchise Finance	R250 000 – R10 million
2	Women Empowerment Fund (WEF)	Achieve minimum 40% of enterprises owned and managed by black women	R250 000 – R75 million
3	Rural & 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



NEF Positioning as a B-BBEE Funder...

“The NEF provides the funding solutions for the implementation of the B-BBEE Codes of Good Practice.”

CODE OF GOOD PRACTICE	NEF FUNDING PRODUCT	OTHER DFI's & BANKS
Ownership <i>Weighting 25 points</i>	Acquisition Finance Capital Markets Fund Liquidity and Warehousing Fund Strategic Projects Fund Indirect: Start up; Expansion Capital	IDC – Higher value threshold Sefa – Lower value threshold DBSA – Infrastructure focused Land Bank – Agri focused Banks – Security focused
Management Control <i>Weighting 15 points</i>	Acquisition Finance Indirect: Capital Markets; Start up; Expansion Capital	As above Department of Labour
Skills Development <i>Weighting 20 points</i>	Indirect: All products via approval process	SETAs
Enterprise & Supplier Development <i>Weighting 40 points</i>	Start up and Expansion Capital: Procurement Contracts Funding Start up and Expansion Capital establishes “Beneficiary Entity”	Sefa – Overlap R250k to R5mil Other DFI's & banks as above
Socio-Economic Dev. <i>Weighting 5 points</i>	Rural & Community Development Funding - “Contribution Beneficiaries”	SEDA to provide NFS to co-ops Land Bank – Agri focused

Challenges/ Market Failures

- Lack of financial resources
- High resignation rate
- Rising unemployment
- Limited own capital;
- Lack of accurate and reliable financial information;
- Poor quality of business plans;
- Lower bargaining power from dominant businesses
- Inadequate access to affordable capital; and
- Lack of access to local international markets.



MARKET FAILURES	NEF SOLUTIONS
Limited own capital	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.
Limited management skills, including financial, marketing and technical expertise	Entrepreneurship Development tools and dedicated mentorship support.
Access to affordable capital	Competitive cost of finance with a higher risk appetite as well as requirement for operational involvement (sweat-capital) reduces the need for collateral payment.
Lack of accurate and reliable financial information	Dedicated pre-investment mentorship support and technical assistance with our partners.

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

Main Offerings, Key Projects & Important Activities..

	Government Sector Focus	Examples of NEF Investment Activities and Breakthroughs
1	Black industrialists	Create new manufacturing and industrial capacity alongside local and international partners. To date the NEF has invested approximately R900m in developing projects (with a total of 25 projects currently under development) with a total of 5 operational businesses that have created over 3600 jobs and leveraged over R4.3 billion of third party funding.
2	Support SMEs	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 R1.6 billion into the support of 454 small and medium enterprises.
3	Township & Rural Economy	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 over R1.7 billion in support of 220 entities in rural and township economies.
4	Property	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 approved over R372 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 year alone, the NEF approved approximately R158 million in this sector, leveraging close to R600 million in third-party funding.
5	Tourism	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 R200 million into this sector and continues to identify opportunities in partnership with the Department of Tourism.
6	Affordable housing	In partnership with various industry stakeholders, supported the construction of several social housing, student accommodation and related projects. To date, NEF invested over R272 million in this sector.
7	Agro-processing	Supported beneficiation investments across the agricultural value chain such as processing of castor oil, fruit juices, condiments etc. To date, NEF invested over R236 million in this sector.
8	Energy	Invested over R603 million in service stations countrywide, 40% of which are owned and managed by black women.

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, entrepreneurial training, 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.



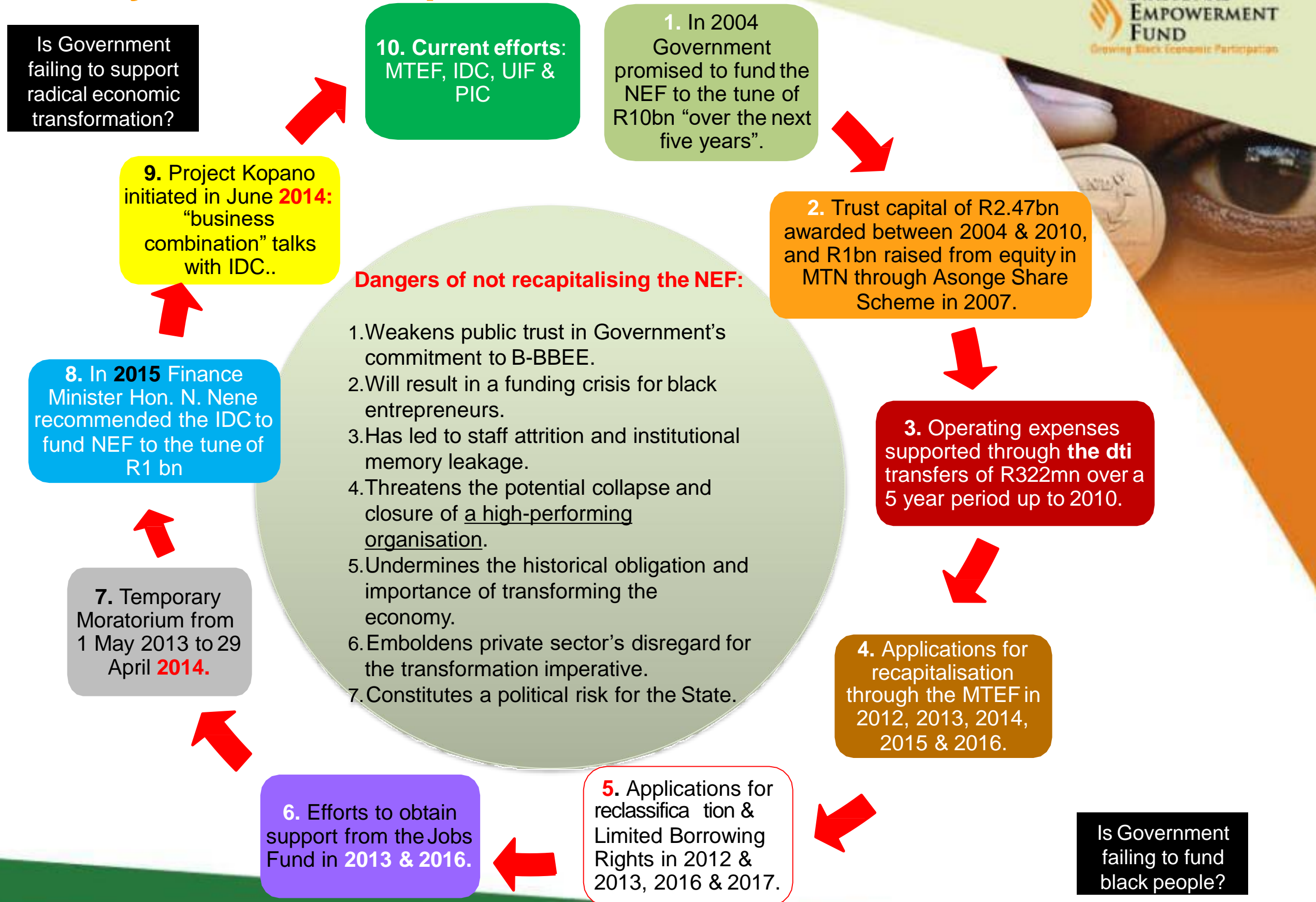


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Recapitalisation Challenges & NEF's Financial Position

Journey of NEF Recapitalisation



Key Risks of not capitalising the NEF

1.	A funding crisis for black entrepreneurs who have very few alternatives to seek funding from.
2.	Regrettably, the NEF may be forced to declare a moratorium on the funding of new transactions, thus placing a break on the entry of new black entrepreneurs into the economy and placing jobs on the line.
3.	Potential to weaken public trust in Government's commitment to B-BBEE.
4.	Threatens the potential collapse and closure of <u>a high-performing organisation</u> .
5.	Undermines commitment to economic transformation.
6.	Could embolden the private sector's disregard for the transformation imperative.

Project Kopano – IDC Subsidiary

- Project Kopano, which is the process of incorporating the NEF into the IDC, began in July 2014.
- The process reached a higher trajectory in February 2017 when the Minister of Trade & Industry and the Minister of Economic Development approved the merger.
- As part of the business combination process, the Ministers recommended that the IDC grants the NEF a bridging facility effective 1 April 2017 to continue its operations pending finalisation of the business combination process.
- In March 2017 the IDC Board approved a facility of R500 million, however this has not been disbursed subject to the following conditions precedent:
 - **Cabinet endorsement of the merger,**
 - **NT approval of NEF's limited borrowing rights.**
- Second facility approved in August 2018 and has not been drawn yet as terms are still being negotiated.
- The IDC has agreed to consider waving the above CPs subject to NT granting approval for limited borrowing rights.
- The process is now in the hands of NT and *the dti*.

Recapitalisation Solution for the NEF

	Institution	Annual Amount
1	National Treasury / <i>the dti</i>	R500 million
2	Industrial Development Corporation	R500 million
3	PIC / UIF	R500 million
Total funding requirement over the MTEF period (ending 2021)		R1.5 billion

- The NEF has a R1.5 billion funding requirement per annum.
- Funding from the three proposed sources would commence in 2019 and for five successive financial years thereafter.
- This will allow the NEF to facilitate in excess of 11 000 additional jobs for the economy.

Projected Unencumbered Cash Position

	Unaudited actuals Month	Unaudited Projections 6 months
	30-Sep-19	31-Mar-20
	R	R
Inflows		
Bank balance	1 253 396 364	479 728 258
Collections	-	225 700 302
Dividends	-	11 901 789
	1 253 396 364	717 330 349
Outflows		
Approvals	-	282 029 393
Commitments	604 022 895	-
Opex & Capex	-	194 948 545
Conditional Enterprise Development	169 645 212	-
	773 668 106	476 977 938
Unencumbered cash	479 728 258	240 352 411

Notes:

Actual cash to date at R1.253 billion as at 30 September 2019

R480 million uncommitted cash at hand as at 30 September 2019 and projected uncommitted cash at year end will be R240 million.



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Partnerships



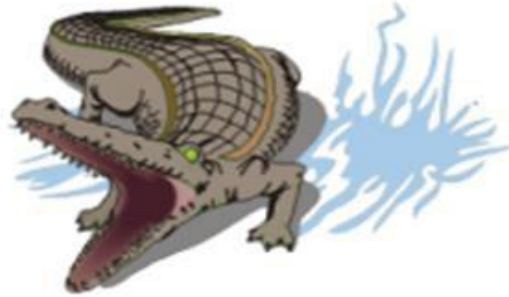
NATIONAL
EMPOWERMENT
FUND

Growing Black Economic Participation

A Partner Trusted by Many

No.	Funder	Launch Date	Total Funds Received	Primary Objective of Fund
1	Daimler Chrysler SA	September 2011	R4 800 431,26	To empower two former employees of Chrysler to start their own business
2	Dept. of Economic Development (WC)	August 2012	R40 302 775,00	Co-funding black entrepreneurs in the Western Cape
3	Bakwena Ba Mogopa	November 2012	R5 000 000,00	Co-funding black SMME's in the North West.
4	Evrax Highveld	December 2012	R2 000 000,00	Co-funding black SMME's participating in the steel and Vanadium value chain in Mpumalanga
5	Transalloy	December 2012	R250 000,00	NEF to provide funding on a 60:40 ratio to black suppliers participating in the ED Gas supply chain in Emalahleni.
6	Intersurgical	December 2012	R400 00,00	Co-funding black entrepreneurs in the Intersurgical value chain
7	ED Gas	December 2012	R350 000,00	Co-funding black entrepreneurs in the ED Gas value chain
8	BPSA	February 2017	R53 000 000,00	Support black entrepreneurs to acquire filling stations
9	Bakgatla Ba Kgafela	March 2013	R5 000 000,00	Provide financial and non-financial support for SMME's and entrepreneurs in the community.
10	Department of Rural Development and Land Reform	March 2016	R583 222 424,57	Support farms workers to become land owners
11	Department of Arts and Culture	September 2016	R75 000 000,00	Unlocking business opportunities in the arts and heritage sectors
12	Department of Tourism	March 2017	R80 000 000,00	Tourism Transformation Fund (TTF)
13	Nissan South Africa	March 2016	R5 305 900	Allocate business vehicles to black entrepreneurs
14	Transnet Port Terminals	April 2019	R15 000 000,00	To empower SME's operating within the Transnet value chain.
Total			R869 631 530,83	

Enterprise & Supplier Development Partners



CHRYSLER



tourism

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Pick n Pay
Inspired by you



Quality, innovation and choice
in respiratory care



rural development
& land reform

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TRANSNET



arts & culture

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Supporting the Rise of Black Industrialists



NATIONAL
EMPOWERMENT
FUND

Growing Black Economic Participation

- Creation of new manufacturing and industrial capacity
- Creation of new jobs as opposed replacement capital finance
- Investment of new fixed capital into economically depressed areas or poverty nodes
- Creation of an inclusive economy by increasing South African participation
- Increase RSA export-earning potential and reduce import dependency
- Increase co-investment and linkages with foreign direct investors

Milestones to date

- The total portfolio that we have developed in partnership with local and international investors amounts to 25 projects valued at R13.2 billion.
- Potential to support over 55 000 jobs countrywide.

Creating Black Industrialists



Together with local & international partners the NEF has developed 25 strategic and industrial projects worth R13.2 bn, with the potential to support over 55 000 jobs.

The NEF's future equity rights are estimated at over R2 billion at financial close

Strategic Industrial Sectors

RENEWABLE ENERGY	MINERAL BENEFICIATION	AGRO-PROCESSING	INFORMATION & COMMUNICATIONS TECHNOLOGY	INFRASTRUCTURE	TOURISM
Biofuels Biomass Biogas Solar Wind Hydro	Mining & Mineral Beneficiation	Agriculture value chain	Telecoms Broadcasting	Roads. Dams and Bridges Sewer and Bulk Services	B&Bs Hotels Guest Houses Real Estate Attractions

Black Industrialist Projects - Portfolio overview

Project	Current NEF Equity	Women Ownership	Black Ownership	Total Approved	Total Disburse	Total Project Size	NEF Future Equity Rights	Status
Busamed Hospitals	13,8%	0%	100%	383 700 000	383 700 000	3 500 000 000	315 000 000	Active
Cape Point Film Studios	22%	0%	100%	3 500 000	3 500 000	107 000 000	11 984 000	Active
Gemilatex	20%	52%	100%	12 935 500	3 937 688	135 000 000	13 500 000	Active
Graskop Gorge Lift Company	26%	0%	51%	38 400 000	5 000 000	200 000 000	26 100 000	Active
Vastek	31%	20%	100%	40 481 000	40 481 000	38 000 000	5 871 000	Legal
Jalo (Pty) Ltd	49%	51%	100%	50 000 000	7 326 359	240 000 000	57 330 000	Active
Joyhouse Academy	45%	55%	100%	15 000 000	15 000 000	25 000 000	5 625 000	Active
Kenako Medical	49%	0%	100%	74 956 600	7 156 600	210 000 000	51 450 000	Active
Kraalbos	0%	0%	100%	1 000 000	1 000 000	-	-	Non-Active
Mabele Fuels	20%	3%	55%	72 357 000	61 750 000	2 155 000 000	216 577 500	Non-Active
Moletji Project	49%	26%	100%	5 000 000	2 000 000	250 000 000	6 860 000	Active
Mkhondo Biorefinery	49%	0%	100%	10 000 000	10 000 000	800 000 000	196 000 000	Non-Active
Nkomazi Cotton Development	49%	32%	100%	7 400 000	4 232 602	300 000 000	36 750 000	Active
Nyamane Foods	49%	26%	100%	7 300 000	7 300 000	250 000 000	61 250 000	Active
Salamax	40%	0%	100%	10 235 179	7 000 000	2 200 000 000	440 000 000	Active
African Silica Investments	50%	0%	100%	9 100 000	9 100 000	1 500 000 000	375 000 000	Legal
Bapo Ba Mogale	0%	0%	100%	1 500 000	-	-	-	Active
House of David Tlale	30%	0%	100%	3 000 000	3 000 000	-	-	Active
Mendi Rail & Engineering	49%	80%	100%	15 000 000	14 335 000	300 000 000	35 525 000	Active
MBU Origins	49%	0%	95%	1 742 336	245 000	184 200 000	45 129 000	Active
Cape Town Creative Space	49%	51%	80%	1 400 000	1 400 000	-	-	Active
Okubabayo	30%	0%	100%	2 525 000	3 315 000	9 000 000	1 350 000	Active
Blot Engineering	49%	0%	100%	8 520 000	-	650 000 000	159 250 000	Active
Mohlalefi Engineering	49%	0%	100%	15 000 000	2 300 000	150 000 000	36 750 000	Active
Totals				790 052 615	593 079 250	13 203 200 000	2 097 301 500	

Nkomazi Cotton

- The Lebombo Agricultural Secondary Co-operative Limited (co-op) has approached the NEF for BFS funding totalling R7.4 million. Lebombo has an aggregate 925 Black individual members from 18 co-ops.
- The project will create 16 842 jobs (i.e 16 642 direct jobs and 200 indirect jobs).
- The co-ops are small holder cotton farmers and they possess 1 970 ha of land with the potential to grow to 11 000 ha.
- In the 2014/15 farming season, they harvested 547 tons which was sold to the Makhathini and Loskop Cotton gins for ca. R3.3 million. The two Cotton Gins are located some 350 kms from the farms.
- The purpose of the BFS is to investigate the establishment of a cotton lint manufacturing plant, commonly referred to as a Cotton Gin in Komatipoort in the Mpumalanga Province;
- Total project size is ca. R127m to R150m at FC and it is proposed that the transaction be undertaken through a JV structure at 51/49% split between Lebombo and NEF.



Graskop Gorge

Live the view, feel the forest!



The Graskop Gorge Lift Company is the latest and most innovative tourism development in South Africa. This jewel of Mpumalanga's Panorama Route is located in the breath-taking Afromontane forest and may be accessed via a viewing elevator that travels 51-metres down into the Gorge. The centre also offers a restaurant perched on the edge of the gorge, an art gallery, African fashion, curios, crafts and much more.

The journey begins as the visitor drops off the grassy cliff top plateau in a custom-designed 26-passenger outdoor elevator. It travels down the cliff face into the cool mountain forest below. The forest trail is a sensory delight and environmental splendour, full of natural sounds, texture and unforgettable sights. Water drips down rock faces, moss grows in abundance, the river dances across boulders and the waterfall cascades. A rich, earthy aroma lingers, and little flowers vie for attention next to towering trees as exotic birds glide gracefully in their pristine habitat.

- APM provides intercity passenger transport services.
- APM started its operations with four rented/leased buses before obtaining NEF funding.
- APM received R50.5 million expansion finance from the NEF.
- The company has sales offices in Pretoria, Johannesburg and Durban.
- APM has 32 operating licenses for all the routes envisaged in the business plan.
- Black ownership is 100% and includes black women and youth.
- Through this investment, 30 jobs were retained and 33 new jobs were created.
- Localisation: All NEF-funded buses were assembled South Africa.
- Local content of body value is 31%, chassis is 19%. Average of 25%.



Asset currently worth R3 billion



Busamed's vision is to be a consolidator of the fragmented health care market. This has been kick-started with the commercialisation of 4 hospital licenses for 630 hospital beds, spread over three provinces, namely Western Cape, Gauteng and the Free State. The aim is to develop centres of excellence, which will provide world-class services. The first hospital (a cardiologic centre) commenced operations & admitted its first in May 2015. The second hospital was launched in Johannesburg's Modderfontein in November 2016, while the third was launched in Harrismith at the same time. The Bloemfontein hospital began operation in 2018.



Standard Bank invested R950 million in BusaMed



PIC invested circa R350 million in BusaMed





NEF Performance 2018/19

A High-Performing Organisation - 2018/19

	Output	Achievements
1	Approvals	<ul style="list-style-type: none"> Approved 61 deals worth R576 million against a target of 56 deals worth R471 million
2	Commitments	<ul style="list-style-type: none"> Total commitments of R513 million against a target of R387 million
3	Disbursement	<ul style="list-style-type: none"> Total disbursements of R437 million against a target of R422 million
4	Integrity	<ul style="list-style-type: none"> Secured clean external audit opinions for 15 years running
5	Supporting jobs	<ul style="list-style-type: none"> Supported 3 713 job opportunities (3 432 new) vs. target of 2 597
6	Active Portfolio Management	<ul style="list-style-type: none"> An impairment to book ratio of 18% vs target of 18% ROI at 9 % which is within targeted range of 9-10% Collection ratio at 128.43% vs target of 80% 29 successful exits at TMB of 1.17 Through the facilitation of turnarounds, business rescues & restructures, TWR supported a total of 827 jobs 74 of these were new jobs
7	Black Women Empowerment	<ul style="list-style-type: none"> 32% disbursed to businesses that have black women ownership vs. target of 40%
8	Industrialisation	<ul style="list-style-type: none"> 27 strategic and industrial projects worth R27 billion, with the potential to support over 85 000 jobs (3600 have since been created) 1 Project has been approved (R50m Gemilatex) 2 Projects (Lebombo Cotton and Mendirail) are in the approval process in 2019/20.
9	Collections	<ul style="list-style-type: none"> Portfolio collections for the year at R414 million (R488m prior year, i.e. 15% lower) Over R2.4 billion has been repaid by investees for the past 5 years.



A High-Performing Organisation - 2018/19 / cont.....

	Output	Achievements
10	Regional Offices	<ul style="list-style-type: none"> 18% of deals approved are from Regions worth R103 million Regional Offices collected R101 million (122% collection rate) 1 provincial Empowerment Expo (WC) was held with 340 attendees
11	Geographic Activity	<ul style="list-style-type: none"> A total of R83 million was invested in NC, FS, LP, MP, EC and NW representing 19% of annual disbursements vs target of 25% Since inception, Gauteng comprises 46% of invested portfolio versus 61% in 2008/2009
12	Rural & Community Development	<ul style="list-style-type: none"> Since inception, RCDF invested over R72 million in four rural and tourism related transactions The R72 million leveraged an additional R114 million co-investment by the private sector A total of 260 jobs were created by virtue of NEF participation All the facilities funded have a ratings of 4 star
13	Control Environment	<ul style="list-style-type: none"> Auditor General's dashboard indicated that the NEF control environment is fully compliant (i.e. required controls are in place) Audit findings at year-end reduced to 14 from 23 in the previous year. This highlights Management's commitment to resolving audit findings
14	IST Governance	<ul style="list-style-type: none"> 40% telephone cost saving since implementation of VOIP 40% reduction in Vodacom costs following implementation of new data management tool Approved Governance Framework continued to be entrenched and improved IT security enhancements made to the environment and the policy was approved The IST Patch Management Policy and procedure was approved
15	Preferential procurement	<ul style="list-style-type: none"> Procurement from black women-owned businesses at 26% vs. target of 20% Procurement from black businesses at ca. 69% vs. target of 65% 43% was procured from EMEs compared to 39% in 2018



A High-Performing Organisation - 2018/19 / cont.....

	Output	Achievements
16	Entrepreneurial Development	<ul style="list-style-type: none"> 103 Business Today training sessions provided against the target of 30 training sessions with a total of 368 delegates attending the sessions Referred 141 entrepreneurs for business incubation and 23 entrepreneurs were successfully incubated (against the target of 125 referrals and 15 entrepreneurs in the final incubation stage)
17	Brand Propagation	<ul style="list-style-type: none"> Media coverage worth R57 million against a target of R50 million; 94% vs 90% of the coverage was positive, 5% balanced and 1% (DRDLR Marolien) negative in tonality. 93% brand awareness vs a target of 90%. Reputation has increased from 59.% to 65% since the last brand audit in 2017.
18	Socio-Economic Development	<ul style="list-style-type: none"> 84 sessions completed, (investor education seminars & industrial theatres) reaching 29 551 people in total vs a target of 45 seminars Since inception reached over 69 551 people in villages and townships through approximately 285 community seminars Social facilitation has been done on 42 NEF and DRDLR transactions. These transactions will benefit over 2 million lives The NEF awarded 29 bursaries to SA students and 24 successfully progressed to the next academic year – this equates to a 83% pass rate
19	Enterprise & Supplier Development	<ul style="list-style-type: none"> R95 million contributions raised in the current year vs target of R75 million
20	Unencumbered cash	<ul style="list-style-type: none"> Cash that is immediately available to the NEF for new approvals is R279 million

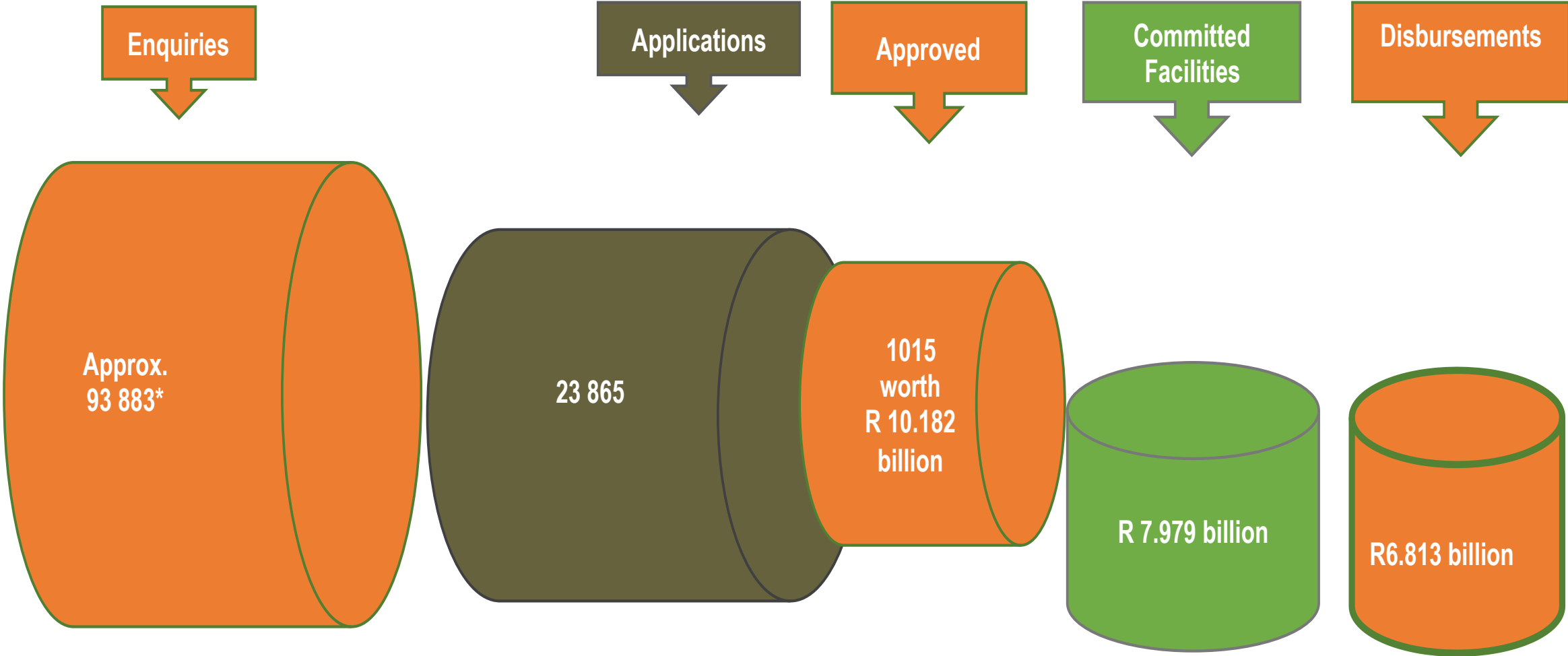


Quarter One and Two Cumulative Performance Report 2019/20

First and Second Quarter 2019-20 Cumulative Performance Highlights

	Output	Achievements against Q2 Targets
1	Approvals	Approved 27 deals worth R295 million against a target of R263m
2	Commitments	R109 million against a target of R169 million
3	Disbursement	R97 million against a target of R172 million
4	Supporting jobs	Supported 291 job opportunities (of which 130 are new), against a target of 804, bringing total job opportunities geared to be supported since inception in excess of 99 736 (of which 68 482 are new)
5	Unencumbered cash	Cash that is immediately available to the NEF for new approvals is R480 million
6	Collections	Portfolio collections at R361million
7	Black Women Empowerment	41,5% of disbursements made in year were towards businesses partially/wholly owned by women (target at 40%)
8	Regional Investments	R14 million of YTD approvals (14%) were made across other provinces outside Gauteng against the target of 25%.
9	Non-financial support	64 entrepreneurial training sessions held across the country against a target of 18 17 social facilitation session held during the period against a target of 20 37 investor education sessions held against a target of 23 71 (against 62) entrepreneurs were referred for incubation, while 7 (against 4) successfully reached the final incubation stage
10	Financial sustainability	ROI (before impairments) at 9% (target rage of 9-10%) Collections at 211.7% against a target of 80% Portfolio impairment to book ratio of 23%

Since Inception - 30 September 2019



* Please note that applications are not necessarily linked to enquiries

NEF's Response to the Stimulus Package

SA Economic Stimulus and Recovery Plan

- President Cyril Ramaphosa aims to attract \$100 billion in FDI by 2023.
- Implementation of growth enhancing economic reforms.
- Reprioritisation of public spending to support job creation.
- Establishment of an Infrastructure Fund.
- Addressing urgent and pressing matters in education and health.
- Investing in municipal social infrastructure improvement.
- Sectors to focus on:
 - Tourism (great job creator)
 - Procurement from small business
 - Township, Youth & Women
 - Rural & Agriculture
 - Infrastructure (Include human settlements & student accommodation)
 - Sectors in distress like textiles

Delivered by President Cyril
Ramaphosa:
21 Sep 2018

NEF response to Stimulus Plan / cont.....

Stimulus Plan	NEF Response
Tourism	<ul style="list-style-type: none"> ■ Tourism Fund ■ Hotels & Lodges (Park Inn, Tala etc) ■ Graskop Gorge Lift Company
Small Business	<ul style="list-style-type: none"> ■ iMbewu Fund support for small business (Franchise & Filling Stations) ■ Non-Financial support to small business such as mentorship and incubation
Township economy	<ul style="list-style-type: none"> ■ Support to Township businesses ■ Partnership with Pick n Pay
Rural & Agriculture	<ul style="list-style-type: none"> ■ RCDF Fund support businesses in this sector ■ DRDLR Transactions
Infrastructure & Human Settlements	<ul style="list-style-type: none"> ■ Involvement in various Student Housing Projects ■ Affordable Housing Project
Sectors in distress such as Textiles	<ul style="list-style-type: none"> ■ Tried to assist with Delswa ■ Assistance to small entrepreneurs in this sector
Women & Youth	<ul style="list-style-type: none"> ■ Establishment of WEF ■ Assistance to youth-owned businesses



- The Minister of Tourism in the 2018-19 APP stated that “the Department will strengthen the tourism mandate for the accelerated development and radical socio-economic transformation of the sector by ensuring that Government mobilises and effectively utilises all the resources and policy instruments at its disposal and control in a coherent manner”.
- The NEF’s core mandate is to transform the economy by ensuring that black-owned businesses participate meaningfully in the key sectors of the economy. As a result, we funded businesses (and women in particular) in rural provinces in the tourism sector.
- One of the main objectives of the recent National Tourism Sector Strategy is to grow the sector’s absolute contribution to the economy by raising public sector investment in tourism infrastructure to R118 billion by 2020. The NEF has already invested over R200 million in the tourism sector, a significant amount and a clear demonstration of NEF’s commitment to focus on priority sectors with the potential to create jobs and lift the rural economy.



Tourism Sector / cont.....

Tourism Sector						
Name of Investee	Location	Total Project Cost	NEF Investment	Star Grading	Jobs Created/Supported	Women Shareholding
Golden Valley	Magaliesburg	17 800 000	11 700 000	3*	10	60%
Lux Boutique	Upington	15 134 235	14 523 629	4*	49	100%
Miami Lodge	Limpopo	6 200 000	4 300 000	4*	29	70%
Hayani Guest Lodge	Limpopo	5 000 000	3 500 000	3*	15	70%
Nare Boutique Hotel	Northern Cape	11 300 000	9 600 000	4*	56	100%
Tinyiko Lodge	Mpumalanga	15 000 000	10 500 000	4*	54	100%
Casambo Lodge	Mpumalanga	7 820 000	5 400 000	4*	73	100%
Total		78 254 235	59 523 629		286	

- 2018/19 supported tourism deals worth over R78m with a potential to support 286 jobs
- All transactions majority owned by women



President Ramaphosa Visits NEF Investee

His Excellency President Cyril Ramaphosa making a brief stopover at Donga La, an NEF-funded hotel in Newcastle recently. Donga la Boutique is a new mid-market 15-room hotel with conferencing and wedding facilities and a restaurant, located in Ladysmith. The boutique hotel boasts a 4-star grading while charging 3-star rates. The hotel has exclusive accommodation units, a presidential and honeymoon suite with ensuite bathrooms the promoter Ms Ruby Shabalala believes that the town is an ideal setting for a boutique hotel with a restaurant and wedding venue. The NEF has invested R1.5million in the business.



Township Economy

- “The central element of the economic stimulus and recovery plan is the reprioritisation of spending towards activities that have the greatest impact on economic growth, domestic demand and job creation, with a particular emphasis on township and rural economies, women and youth,” said President Ramaphosa.
- The NEF already has a dedicated portfolio which focus on the development and job creation in township and rural areas.
- This is evident by the partnerships we have forged with Pick n Pay and oil majors which have seen the establishment of commercially viable and sustainable black owned businesses in townships and rural economies.



Funding Businesses in the Township

Pick 'Pay Conversion Programme				
Name of Investee	Location	Amount Invested	Jobs Created	Women Shareholding
Something Nice	Cape Town, WC	1 730 000	22	49%
BVN Market Store	Mohlakeng, GP	1 430 000	16	0%
Matlala's Market Store	Thokoza, GP	1 550 000	22	0%
Eden Park Market Store	Edenpark, GP	1 395 000	14	100%
TOTAL		6 105 000	74	



NEF Investments in the Fuel Sector



Together fuelling transformation and growth



R508 million



89 fuel stations



2000 jobs



41 women owned



48% women owned



Future growth through
fuel distribution





Property Sector

Property Sector

- The economic stimulus and recovery plan also focuses on investing in municipal infrastructure improvements, the establishment of infrastructure fund and addressing of urgent matters in education.
- To support the economic stimulus and recovery plan, the NEF has already approved nearly R150 million in the property sector in the 2018/19 financial year only.
- These investments are expected to contribute in job creation, infrastructure development and also addresses the lack of student accommodation.



Property Portfolio – Bataung Heights

Company Profile

- Ordicode (t/a Bataung Heights) is 100% black female owned and managed Construction
- Ordicode completed – 106 units. Wits and UJ accreditation process has started.
- Approved student accommodation that will house 1 326 students
- Disbursed 4 social housing and affordable housing projects that will avail 1384 units to qualifying households earning less than R15k per month

Development Impact

- The property development was worth **R50 million** in the Johannesburg CBD and has received **R27 million** funding from the NEF. The project creates **343 construction jobs** and will support **15 permanent jobs**. It is 85% black woman-owned and 15% owned by a student trust.



Creative Sector

Supporting the creative sector

“Promoted effectively, the creative and cultural industries can contribute substantially to small business development, job creation, and urban development and renewal.” - excerpt from the NDP 2030

How the NEF has supported this sector:

- Hosted a film finance workshop
 - Featured the following stakeholders: The National Video and Film Foundation (“NFVF”); The Gauteng Film Commission; Hollard (who are completion bonders); M-net; Indigenous Film Distributors (IFD) and The Department of Trade and Industry (Dti).
- Participate on the South African Audio Visual Forum

Funded a movie that was selected as South Africa’s foreign language submission for Academy Awards (also known as the Oscars)

There were only two movies from the African Continent that made the cut

Various screenings were attended by voting members of the Academy of Motion Picture Arts and Sciences (also known as the Oscar Academy)

This was the first SA film with a black producer and a black director (who are both youth)



Supporting the creative sector / cont.....

Client	Sub-sector	Amount (R'000)	Fund	Approval Dates	% BEE shareholding	% Women shareholding	% Youth ownership	Province	Jobs
Black Planet	Textiles	4 950	iMbewu	19-Jun-18	100%	0%	0%	Gauteng	26
Thiko	Music Festival	1 500	iMbewu	04-Feb-17	100%	0%	0%	Gauteng	25
Cape Town Art Space	Visual Arts and Creative Services	1 400	SPF	07-Jun-18	100%	100%	0%	Western Cape	160
Luju - Zulu Wedding	Film	2 763	uMnotho	20-Jun-18	100%	100%	0%	Gauteng	444
Kings of Mulberry	Film	1 500	uMnotho	20-Jun-18	100%	100%	0%	KZN	351
Dzugudza	Production House	9 090	uMnotho	08-Aug-18	100%	0%	0%	Gauteng	39
Yellow bone	Film	3 500	uMnotho	03-Nov-17	100%	50%	50%	Eastern Cape	98
Last Vistims	Film	2 725	uMnotho	29-Aug-18	70%	0%	0%	Western Cape	187
Diprente Studios	Film/Animation	8 400	uMnotho	08-Nov-18	100%	0%	0%	Gauteng	140
Knuckle City	Arts & culture	2 899	uMnotho	06-Mar	100%	50%	50%	Eastern Cape	192
Indilang	Arts & culture	30	uMnotho	07-Nov	100%	100%		Gauteng	2
Rustilox	Film	250	uMnotho	07-Nov	100%	50%	50%	Gauteng	98
		39 006							1 762

The NEF has disbursed R39m in the creatives sector. This investment has unlocked 1762 job opportunities

Kings of Mulberry Street

Company Profile

- Kings of Mulberry (Pty) Ltd (“Kings”), is a special purpose vehicle (“SPV”) which was incorporated for the production of a film called “Kings of Mulberry”. Ladybug Films (Pty) Ltd, is the production company that owns 100% of Kings and is committed to striving for a quality South African film industry, one that is representative of the nation, commercially viable and encourages development.

Development Impact

- The NEF together the Department of Arts and Culture (“DAC”) utilising the Enterprise Development Fund (“ED”) provided Kings with R3.5million to produce a film named “Sew The Winter To My Skin.” The total project size is R16million where R3.5million of the project was sought from NEF in conjunction with DAC.



The film follows the story of two 9-year-old boys from different social backgrounds who become unlikely friends and save their township from the ills of a local gang who terrorises the community.

It is set during the apartheid years, with a nod to Bollywood, it reflects all the elements which make the genre so popular: colour, music, adventure, dancing, gangsters, adventure, comedy, fun and the obligatory wedding.

The release date 28 June 2019.

4th Industrial Revolution

Playing in the 4th Industrial Revolution

“The Fourth Industrial Revolution can be described as the advent of “cyber-physical systems” involving entirely new capabilities for people and machines.”

- *World Economic Forum*

“The advent of the Fourth Industrial Revolution has injected hope that these new technologies will help leapfrog our (SADC) countries to the cutting edge of modern industrial production processes”

- *Minister of Science and Technology, Mmamoloko Kubayi-Ngubane, at the Fourth Industrial Revolution Workshop 7 March 2019*

The NEF wants to actively drive the participation of black companies in the 4th Industrial Revolution.

Rikatec (Pty) Ltd focuses on information management systems for vehicles. The company uses big data and machine learning to detect vehicle breakdowns, predictive maintenance, vehicle wear and tear, vehicle resale value, driver profiling and driver ratings

- Rikatec is 60 ,63% black youth-owned and youth-managed
- R15m approved and R10m disbursed. NEF owns 10% of Rikatec.
- Rikatec has created 10 jobs with 37 more expected in the next year
- Proof of concept will unlock agreements with SA Taxi, Constantia Insurance, fleet management and other insurance companies.

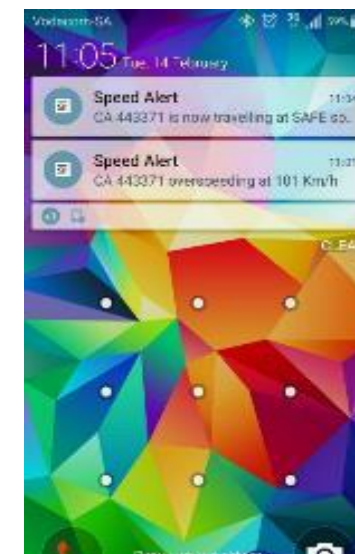


Company Profile

- Quickloc8 (Pty) Ltd is a 100% black owned entity that was established in 2015 by Mr Mbavhalelo Mabogo. The entrepreneur identified a void in the market for a smartphone tracking platform for vehicle tracking, monitoring and telematics for the lower end of the market. Current tracking technology available in South Africa is mostly too expensive and not within reach of smaller businesses. The applicant has positioned itself to offer high end tracking capabilities at a considerably lower cost to users.
- The product offering is tracking devices with complete mobile capabilities for both individuals and businesses.

Development Impact

- The entrepreneur approached the NEF for R2.5 million, for funding of business assets, stock and working capital.
- 2 permanent jobs maintained and 21 new jobs created.



Thank you

Contact Details

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1	Head Office, Johannesburg	011 305 8000 or 0861843 633 / 0861 THE NEF
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3	Free State	0861 633 377 / 0861 NEF FSP
4	KwaZulu Natal	0861 633 596 / 0861 NEF KZN
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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