

The background features a low-angle view of several skyscrapers against a green and orange gradient sky. A network diagram with yellow lines and nodes is overlaid on the lower half of the image.

# Annual Performance Plan **2022/2023**

# TABLE OF CONTENTS

|  |           |
|--|-----------|
| <b>ACRONYMS AND ABBREVIATIONS .....</b>  | <b>4</b>  |
| <b>1. OFFICIAL SIGN-OFF.....</b>   | <b>6</b>  |
| <b>2. FOREWORD BY THE MINISTER OF TRADE, INDUSTRY AND COMPETITION .....</b>        | <b>7</b>  |
| <b>3. OVERVIEW BY THE CHIEF EXECUTIVE OFFICER, NATIONAL EMPOWERMENT FUND.....</b>  | <b>9</b>  |
| <b>4. LEGISLATIVE AND POLICY MANDATE .....</b>                                     | <b>14</b> |
| 4.1. Constitutional Mandate .....  | 14        |
| 4.2. Legislative Mandate .....   | 14        |
| <b>5. OUR STRATEGIC OVEVIEW .....</b>  | <b>15</b> |
| 5.1. VISION .....  | 15        |
| 5.2. MISSION .....   | 15        |
| 5.3. VALUES.....   | 16        |
| 5.4. NEF Organisational Structure.....   | 16        |
| 5.5. Overview of the NEF's Performance - Life to date performance milestones ..... | 19        |
| <b>6. KEY STRATEGIC OBJECTIVES .....</b>   | <b>23</b> |
| 6.1. Strategic goals and objectives.....   | 23        |
| 6.2. The NEF five key strategic objectives/outcomes for next 5 years:.....         | 24        |
| 6.2.1. Growing black economic participation in the South Africa Economy .....      | 26        |
| 6.2.2. Growing BEE Through Partnerships .....                                      | 66        |
| 6.2.3. Maintaining Financial Sustainability .....                                  | 71        |
| 6.2.4. Human Capital Plan.....   | 75        |
| 6.2.5. Non-Financial Support .....   | 76        |
| <b>7. NEF SITUATIONAL ANALYSIS .....</b>   | <b>79</b> |
| 7.1. External factors .....  | 79        |
| 7.2. Internal factors.....   | 80        |
| 7.3. Analysis of Strengths, Weaknesses, Opportunities and Threats (SWOT) .....     | 81        |
| <b>8. PROGRAMME PERFORMANCE.....</b>   | <b>85</b> |
| 8.1 Programme 1: uMnotho Fund .....  | 85        |
| 8.2 Programme 2: Strategic Projects Fund .....                                     | 95        |
| 8.3 Programme 3: iMbewu Fund .....   | 101       |
| 8.4 Programme 4: Rural, Township & Community Development Fund .....                | 106       |

|            |  |            |
|------------|--|------------|
| 8.5        | Programme 5: Women Empowerment Fund.....                     | 112        |
| 8.6        | Programme 6: Entrepreneurship Development .....              | 118        |
| 8.7        | Programme 7: Social Facilitation (Investor Education).....   | 126        |
| <b>9.</b>  | <b>PERFORMANCE PLAN MATRICES .....</b>                       | <b>130</b> |
| 9.1        | Consolidated Performance Plan Matrix 2022/23 – 25: .....     | 130        |
| 9.2.       | Joint Key Performance Indicators (J-KPIs) .....              | 140        |
| 9.2.       | Performance Plan Matrix – Quarterly Milestones 2022/23:..... | 151        |
| <b>10.</b> | <b>FINANCIAL PLAN .....</b>                                  | <b>158</b> |
| 10.1.      | Projections of revenue, expenditure, and borrowings .....    | 158        |
| 10.2.      | Asset and liability management.....                          | 160        |
| 10.3.      | Cash flow projections.....                                   | 161        |
| 10.4.      | Capital expenditure and infrastructure plans.....            | 161        |
| 10.5.      | Dividend policies .....                                      | 162        |
| <b>11.</b> | <b>RISK MANAGEMENT AND FRAUD PREVENTION PLAN .....</b>       | <b>163</b> |
| 11.1.      | Risk Management Framework.....                               | 163        |
| 11.2.      | Risk Strategy (Risk Register).....                           | 163        |
| 11.3.      | Fraud Prevention Plan .....                                  | 168        |
| 11.4.      | Fraud Risk Management Strategy.....                          | 169        |
| 11.5.      | Relevant Court Rulings.....                                  | 171        |
| <b>12.</b> | <b>INDICATOR PROFILES .....</b>                              | <b>172</b> |
|            | <b>Annexure A: Financial Projections.....</b>                | <b>187</b> |
|            | <b>Annexure B: Statement of Financial Position .....</b>     | <b>188</b> |
|            | <b>Annexure C: Cash flow Statement .....</b>                 | <b>189</b> |
|            | <b>Annexure D: Personnel Information .....</b>               | <b>190</b> |


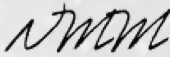
## ACRONYMS AND ABBREVIATIONS

|                 |   |  |
|-----------------|---|--|
| APP             | : | Annual Performance Plan  |
| Approved        | : | Final committee approval obtained, legal agreements not signed   |
| B-BBEE          | : | Broad-Based Black Economic Empowerment   |
| BFS             | : | Bankable Feasibility Study   |
| Commitments     | : | Legal agreements signed. (Deals may have been approved in current and previous financial periods.) All Conditions Precedents may not have been met yet.  |
| COSO            | : | Committee of Sponsoring Organisations of the Treadway Commission   |
| DFIs            | : | Development Finance Institutions   |
| Disbursements   | : | Total or part cash advancements made against all approved deals (deals may have been approved in current and previous financial periods) subject to all Conditions Precedents having been satisfied by the investee. |
| <b>the dtic</b> | : | Department of Trade, Industry and Competition  |
| EC              | : | Eastern Cape   |
| ERM             | : | Enterprise-wide Risk Management  |
| FC              | : | Financial Closure  |
| FMD             | : | Fund Management Division   |
| FS              | : | Free State   |
| GDP             | : | Gross Domestic Product   |
| IDC             | : | Industrial Development Corporation   |
| IPAP            | : | Industrial Policy Action Plan  |
| IRMSA           | : | Institute of Risk Management Standards of South Africa   |
| IRR             | : | Internal Rate of Return  |
| IT              | : | Information Technology   |
| IST             | : | Information Systems Technology Department  |
| JSE             | : | Johannesburg Stock Exchange  |



|       |   |  |
|-------|---|--|
| KZN   | : | KwaZulu-Natal  |
| KPI   | : | Key Performance Indicator                            |
| MBAP  | : | Mining Beneficiation Action Plan                     |
| MOU   | : | Memorandum of Understanding                          |
| MTEF  | : | Medium Term Expenditure Framework                    |
| MP    | : | Mpumalanga   |
| NEF   | : | National Empowerment Fund                            |
| NC    | : | Northern Cape  |
| QLFS  | : | Quarterly Labour Force                               |
| PFMA  | : | Public Finance Management Act                        |
| PRASA | : | Passenger Rail of South Africa                       |
| PFS   | : | Pre-feasibility study                                |
| PIU   | : | Pre-Investment Business Support Unit                 |
| POIU  | : | Post Investment Business Support Unit                |
| RMC   | : | Risk and Portfolio Management Committee              |
| ROI   | : | Return on Investment                                 |
| RTCDF | : | Rural, Township and Community Development Fund       |
| SEDU  | : | Socio Economic Development and Asset Management Unit |
| SME   | : | Small and Medium Enterprise                          |
| SOCE  | : | State Owned Commercial Enterprise                    |
| SPF   | : | Strategic Projects Fund                              |
| TC    | : | Technical Completion                                 |
| WC    | : | Western Cape   |

# 1.OFFICIAL SIGN-OFF

| Recommended by the CEO for endorsement   | Endorsement by the Accounting Authority  |
|--|--|
| <p><b>Name: Philisiwe Mthethwa</b></p>  <p><b>Signature: -----</b></p> <p><b>Rank: CEO</b></p> <p><b>Date: 31 / 03 / 2022</b></p> | <p><b>Name: Nthabiseng Moleko</b></p>  <p><b>Signature: -----</b></p> <p><b>Rank: Chairperson</b></p> <p><b>Date: 31 / 03 / 2022</b></p> |



## 2. FOREWORD BY THE MINISTER OF TRADE, INDUSTRY AND COMPETITION



The Annual Performance Plan (APP) identifies the outputs, output indicators and targets that an entity aims to achieve in the new financial year. The Executive Authority is responsible for providing direction on the development and implementation of policies and strategic priorities of entities in line with their respective mandates, and to ensure the APP is aligned to government's priorities.

The environment in which the APPs of the Department of Trade, Industry and Competition (**the dtic**) and our entities have been formulated remains challenging, given the impact of the COVID-19 pandemic, the July 2021 unrest and more recently the Russia/Ukraine war. At the same time, determined efforts by the Administration has seen signs of economic recovery and greater investor confidence in economic prospects. In this light, Government's priority focus continues to be the recovery of growth, investment and employment, guided by the Economic Recovery and Reconstruction Plan adopted in 2020, and the tasks outlined by President Ramaphosa in the 2022 State of the Nation Address.

This APP is expected to take forward the strategic shift initiated in 2021/2022 toward strengthened implementation and impact of **dtic's** work, through greater integration of efforts within the department and our entities, guided by shared, crosscutting outcomes and joint performance indicators. In this regard, the work of **the dtic** and the entities will be evaluated in relation to three over-arching Outcomes (which incorporate the previous "Joint-KPIs") namely **Industrialisation; Transformation; and Capable State** (Implementation/ Effective Delivery). In this way these Outcomes more deliberately and directly inform respective outputs and KPIs of the department and entities.

In turn, the scope of the outputs collectively still encompass the identified **dtic's** priorities, which include among others, the work of sector masterplans, initiatives to boost levels of

investment and localisation in the economy, expanding trade within the continent, enabling better local economic development, supporting the growth of new industries (in the green economy and through beneficiation) and building a capable state, in particular addressing red tape as prioritised by the President in the 2022 State of the Nation Address.

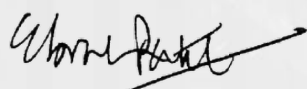
Every entity in the **dtic** has been requested to align their APPs to the three outputs, it being recognised that a particular entity's core business links more clearly and strongly to one or the other of the overarching Outcomes, than to others.

This APP represents the outcome of the work done by the National Empowerment Fund. Following the tabling of the APP by the **dtic** itself, each entity of the Department will be expected to consider such additional refinement and additions to be made and following completion of the review, such an addendum to this APP may be submitted in due course after the tabling.

This APP is therefore not about many new objectives but rather on a new way of implementation, with the focus on integration, to enhance the development impact of the work.

I accordingly table the APP for 2022/23 in accordance with the request by the Speaker.

I wish to thank the management and governance structures for the work done and wish them well in executing the APP and aligning their work to government's overall programmes and priorities.



**Mr Ebrahim Patel**

**Minister of Trade, Industry and Competition**



### 3. OVERVIEW BY THE CHIEF EXECUTIVE OFFICER, NATIONAL EMPOWERMENT FUND

## Overcoming channels of exclusion to reconstruct the economy

#### A gigantic task still ahead of us

The economic setting of South Africa still reflects largely the legacy of apartheid. Gauteng, KwaZulu-Natal and Western Cape contribute over 60% to South Africa's GDP. The provinces where the former "homelands" were largely located, especially outside major cities and towns, remain largely excluded from value-added economic activities. Their main form of economic participation is through production of primary agricultural and mineral outputs as well as informal businesses in other sectors of the economy. As such, unemployment is high in the under-developed provinces, in particular among black people – this group is the only group whose unemployment rate (38.6%) is above the national average rate.

#### NEF's track record

Since operational inception in 2004 up to December 2021 the National Empowerment Fund (NEF) has approved in excess of R12.9 billion for the benefit of 1290 businesses that are owned and managed by black entrepreneurs. These transactions have supported over 112 905 jobs, of which 71 874 were new decent and sustainable jobs. The ground-breaking gains made through NEF's intervention wouldn't have been possible in the absence of the strategic positioning of the organisation.

In the face of systematic exclusion of black entrepreneurs by commercial financial institutions from access to business funding, typically masked in the name of affordability and credit scoring, the NEF has come to be known as the home of hope for black entrepreneurs, a lender of first resort for entrepreneurs who have nowhere else to turn. Our outstanding performance is underpinned by tenacious governance structures, strong investment policies and a standardised rigorous review processes of applications coupled with dedicated leadership and employees.

### Need for recapitalisation

During the 2021 and 2022 financial years, the NEF has seen a surge in financial allocations from **the dtic**, which has been much welcomed. The demand in the market for the financial and non-financial support provided by the NEF has been demonstrated by the speed with which the special funds were applied for and dispersed in the market while ensuring good governance.

These special funds are a strong indication of both that the mandate remains current and valid as well as the confidence of **the dtic** in the NEF to address the market failures that gave rise to the mandate, and in turn the NEF's confidence of imminent recapitalisation of the organisation.

### Boots on the ground

Businesses and the economy in general incurred substantial loss due to the injurious impact of the Covid-19 pandemic and the wave of riots that swept across parts of KwaZulu Natal and Gauteng in July 2021, bringing economic activity to a complete halt. The closure of businesses led to massive losses of jobs and sources income for business owners and employees. The economic cluster, under the stewardship of the Minister of Trade, Industry and Competition, Mr Ebrahim Patel, called on the NEF to assist affected enterprises with the primary objective of saving businesses and jobs, and restoring the supply of goods and services to affected communities.

The COVID-19 Black Business Fund, a partnership with **the dtic**, enabled the NEF to approve over R207 million for 32 black-owned and managed businesses that manufacture and supply healthcare and essential food products that were in short supply during the early stage of the pandemic.

In addition, the NEF was also granted an initial R250 million that was subsequently increased by R400 million to help rebuild businesses that were looted and damaged during the July 2021 unrests. A further R150 million of concessionary funds was sourced from the Solidarity Fund to provide affected businesses blended funding. Through the NEF's R100 million contribution, the total funds managed towards the intervention is R900 million. These funding milestones, achieved through active deployment of investment professionals in the most devastated and economically depressed areas, have aided businesses to rebuild, save jobs and in some

instances even increase jobs to ensure continuous supply of goods and services that were briefly interrupted by the riots.

### **Priorities for the 2022/23**

As the only DFI specifically entrusted with the responsibility of growing black economic participation through provision of financial and non-financial support, the main priority of the NEF for the 2022/23 financial year will be the optimise support for sustainable black-owned and managed to exploit opportunities in various sectors of the economy. In addition, the NEF will align its priorities with those of **the dtic** and government, especially those enlisted below:

1. MSTF 2019 -2024 Priority 2: Economic Transformation and Job Creation;
2. the Economic Recovery and Reconstruction Plan; and
3. New District Development Model.

The first draft of the APP considered internal operating environment which encompasses the current resources of the NEF as well as the external operating environment. As such, necessary adjustments will be effected after this APP has been considered by the relevant approving authorities before submission of the final APP at the end of quarter four 2021/22. Management acknowledges the guidance and leadership of the Board, led by Mr Rakesh Garach, in developing the Annual Performance Plan 2022/23.



**Ms Philisiwe Mthethwa**  
**Chief Executive Officer**



***NEF, the home of hope for the black entrepreneur***





**Part A:**  
**APP Overview**

## 4. LEGISLATIVE AND POLICY MANDATE

### 4.1. Constitutional Mandate

The existence of the NEF as a creature of statute is validated and certified by Section 9 of the Constitution of the Republic of South Africa, 1996, which asserts that "equality includes the full and equal enjoyment of all rights and freedoms. To promote the achievement of equality, legislative and other measures designed to protect or advance persons, or categories of persons, disadvantaged by unfair discrimination may be taken".

Deriving from this constitutional injunction, the NEF Act of 1998 empowers the development financier "to establish structures and mechanisms to redress the inequalities brought about by apartheid by facilitating the broader economic ownership by historically disadvantaged persons".

### 4.2. Legislative Mandate

The National Empowerment Fund (NEF) reports to Parliament through the Minister of Trade, Industry and Competition (**the dtic**). The work of the NEF is governed by a broad legislative framework, as outlined below:

| Number | Act   | Purpose of Act   |
|--------|---|--|
| 1.     | <b>National Empowerment Fund Act, No. 105 of 1998</b>             | To establish a trust and its objects for the promotion and facilitation of economic ownership of income-generating assets by historically disadvantaged persons; to establish mechanisms to redress historic inequalities and structures to attain the objects of the trust; to provide for the control, management and the dissolution of the trust; and to provide for matters incidental thereto. |
| 2.     | <b>Broad-Based Black Economic Empowerment Act, No. 53 of 2003</b> | To establish a legislative framework for the promotion of black economic empowerment; to empower the Minister to issue codes of good practice and to publish transformation charters; to establish the Black Economic Empowerment Advisory Council; and to provide for matters connected therewith.  |
| 3.     | <b>The Public Finance Management Act (PFMA) Act, No.1 of 1999</b> | To regulate financial management in the national government and provincial governments; to ensure that all revenue, expenditure, assets and liabilities of those governments are managed efficiently and effectively; to provide for the responsibilities of persons entrusted with financial management in those governments; and to provide for matters connected therewith.                       |

|    |   |   |
|----|---|---|
| 4. | <b>Companies Act No. 71 of 2008</b>                   | To create flexibility and simplicity in the formation and maintenance of companies; encouraging transparency and high standards of corporate governance as appropriate, given the significant role of enterprises within the social and economic life of the nation.  |
| 5. | <b>Financial Intelligence Centre Act 38 of 2001</b>   | To establish a Financial Intelligence Centre and a Money Laundering Advisory Council in order to combat money laundering activities and the financing of terrorist and related activities; to impose certain duties on institutions and other persons who might be used for money laundering purposes and the financing of terrorist and related activities. As a money remitter, the National Empowerment Fund is an Accountable Institution in terms of FICA and the Act contains stringent requirements with which we are obliged to comply. |
| 6. | <b>Employment Equity Act 55 of 1998</b>               | The purpose of the Act is to <b>achieve equity</b> in the workplace, by Promoting equal opportunity and fair treatment in employment through the elimination of unfair discrimination.  |
| 7. | <b>Protection of Personal Information Act of 2013</b> | The purpose of the Act is to promote the right to privacy in the Constitution, while at the same time protecting the flow of information and advancing the right of access to and protection of information. As a DFI and an employer we are expected to balance the need to use personal data for business requirements with the rights of the individuals to privacy in the form of their personal details. The Information Regulator started with enforcement of the POPI Act on 1 July 2021.  |

## 5. OUR STRATEGIC OVERVIEW

### 5.1. VISION

Our vision is to be the leading provider of innovative transformation solutions for an economically inclusive South Africa. We seek to be the lead financier of B-BBEE investments in the DFI space.

### 5.2. MISSION

The National Empowerment Fund is a catalyst of Broad-Based Black Economic Empowerment in South Africa.

We enable, develop, promote and implement innovative investment and transformation solutions to advance sustainable black economic participation in the economy.



### 5.3. VALUES

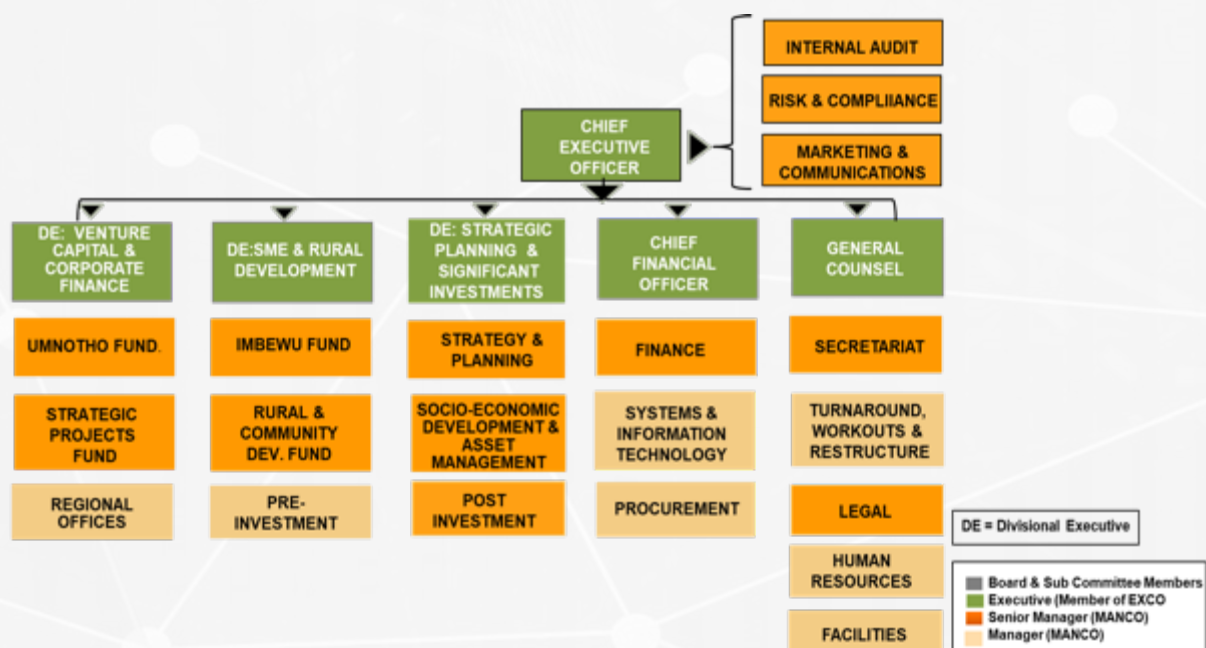
The values of the NEF are the glue that hold the ethical tapestry of the organisation together. Together these values form the acronym **EMPOWER**, as outlined below:



These values are the emblem of the NEF’s service to the nation. They stand as a living testament of the NEF’s commitment to integrity. Launched in September 2014, the values are accompanied by a pledge that all at the NEF, from Trustees, Executives, managers and all staff, make, as outlined below:

*“ As a member of the NEF family, I hereby solemnly pledge to remain faithful to the values and ethos of the NEF, because as an instrument in the quest for inclusive growth, I recognise that the economic dreams and aspirations of black people depend on my willingness to serve with truth in my heart. In taking the hopes of black economic freedom to greater heights, and growth itself to the skies, I hereby undertake that as a patriot I will perform my call to duty with integrity and honour, with empathy and dedication to excellence, inspired by the vision of a growing and inclusive economy. This is my oath, my vocation, my contract with the nation.*

### 5.4. NEF Organisational Structure





In accordance with international best practice, and as outlined in the NEF Act, the NEF is governed by the Board of Trustees that is appointed by **the dtic**. The Board is aided in the discharge of its duties through a range of committees, exercising oversight; setting policy and direction on areas inclusive of audit, risk management, human capital and remuneration, investment, as well as social and ethics matters.

The Board and its subcommittees hold regular meetings to ensure that these important structures meet their objectives as outlined in the various charters. These guardians of public and institutional trust are the bastion that has ensured that the NEF has continued for successive years to achieve clean external audit opinions.

In providing oversight and leadership the Board and its subcommittees have maintained unstinting independence and foresight in setting strategies and policies for the organisation, and in supporting the efforts to recapitalise the development financier.

Together with the Audit Committee the Board is central in safeguarding the assets of the institution as well as developing and monitoring adequate and effective systems and control processes. The preparation of financial statements in compliance with all applicable legal and regulatory requirements and accounting standards, is yet another key function of the Board.

In conjunction with the Risk & Portfolio Monitoring Committee (RPMC), the Board also manages the risk universe of the NEF closely, ensuring that proper business risk assessment is carried out and that a risk profile of the organisation is upheld. The Board Investment Committee (BIC) assists the Board, in pursuit of the mandate of the NEF, to assess and where appropriate, to approve such transactions as delegated in terms of the DOA.

Together with the Social & Ethics Committee (SEC) the Board monitors the social and economic development of beneficiary committees, the promotion of equality, the prevention of unfair discrimination and corruption, oversight of the environment, health and public safety, including the impact of the NEF's activities and of its products or services as well as the NEF's employment relationships, its contribution towards the educational development of its employees, gender parity and employee wellness.

Through the Human Capital & Remuneration Committee (HCRC) the Board reviews and sets human capital policies, procedures, structures and all matters relating to the relationship between the NEF and its staff. It also oversees compliance with the human capital policies, procedures and structures regulating the relationship between the NEF and its staff.

The CEO is aided by executives, who in turn lead managers whose portfolios mirror the conventional corporate milieu.

At the heart of the mandate of the NEF is the consciousness to conduct our work with integrity, diligence and foresight, and in this regard, the NEF believes the organisational structure is robust and effective, which is guided by the Delegation of Authority of the various committees.

In the view of management, the governance of the NEF easily compares with the best anywhere and given recent private and public sector lapses in corporate governance, NEF is particularly proud of this distinction.

In order to achieve the set objectives, the NEF is structured to deliver on its mandate by performing the following core activities:

- Fund Management, which comprises:
  - The Venture Capital & Corporate Finance Division, which comprises the uMnotho Fund, the Strategic Projects Fund (SPF) and the Women Empowerment Fund.
  - The SME & Rural Development Division, which consists of the Pre-Investment Unit; iMbewu Fund; Rural, Township & Community Development Fund and Regional Offices.
  - General Counsel, which consists of Legal support, Turnaround, workout and restructuring services and Socio-Economic Development and Asset Management Units.
  - Strategy Planning and Significant Investments, which includes Post-Investment support services, and Strategic and Significant Investments.

These core areas are strategically supported by the following units:

- Human resource;
- Finance;
- Information Systems and Technology;
- Supply Chain Management;
- Strategy and Planning;
- Marketing and Communications
- Internal Audit
- Risk; and
- Facilities.

## 5.5. Overview of the NEF's Performance - Life to date performance milestones

On the 15<sup>th</sup> of March 2020, the President of South Africa, Cyril Ramaphosa declared a national state of disaster as a result of the COVID-19 pandemic that had wreaked havoc globally both socially and economically. Through **the dtic**, the NEF received a **R200 million** allocation that was disseminated into the economy to capacitate local manufacturing of health-care and essential food products in response to the pandemic. As at end September 2020, due to overwhelming demand, over **R207 million was approved for 32** transactions comprising R166 million from **the dtic's** allocation and R41.2 million from the NEF's balance sheet.

The much-needed measures to retard the speed of the spread of the virus ultimately adversely impacted businesses, which meant a reprieve was warranted for business and this came through a further endowment of **R150 million** from **the dtic** through the NEF.

The NEF responded immediately, shortening processes, and increasing frequency of committee engagements for optimal and swift addressing of the national need.

Just as the economy was starting to show green shoots after the second quarter, July 2021 saw South Africa devastated as civil unrest arose particularly in KwaZulu-Natal, Gauteng and parts of Mpumalanga resulting in a catastrophic loss of estimated at between R20 billion and R50 billion on the GDP (SAPOA). As part of **the dtic** family, NEF deployed various teams made up of 30 of its employees spread through the various provinces touching the most badly struck and remote communities in areas such as Endlondloweni, Hluthankungu, KwaNongoma, iXopo, uMkhanyakude, Jozini, Kamnyandu, Phoenix, Umlazi, Newcastle, uMgungundlovu, KwaMashu, Soweto, Alexandra, etc.

In response to the social unrest, the NEF was allocated funds by **the dtic**, the Solidarity Fund and also contributed from its balance sheet. The total fund managed is **R900 million**. As at the end of December 2021, both the COVID-19 Fund and the Economic Distressed Funds are fully subscribed, and in excess of **R831 million** has been approved for the Economic Relief Fund supporting the rebuilding of **92** business covering 126 sites. The total number of jobs affected are 4624.

A trend emerges of a highly responsive organisation during critical periods in our nation. That said, the responsiveness of the organisation has a long-standing trend. In an effort to

strategically pave the way forward for the NEF's future, it is critical to reflect on the achievements of the recent past.

Initially the NEF was capitalised through a government grant of R2.4 billion in the year 2003. With initial capital the NEF has achieved critical milestones highlighted through the Table below. This is a demonstration that had the NEF have had access to sufficient capital, more would have been achieved.

|   | Output                            | Achievements as at 31 December 2021   |
|---|-----------------------------------|---|
| 1 | Approvals                         | <ul style="list-style-type: none"> <li>Approved 1 291 transactions worth more than R12.36 billion across the country with a total project value of R21.44 billion.</li> </ul>   |
| 2 | Disbursement                      | <ul style="list-style-type: none"> <li>Over R8.3 billion has been disbursed to these companies since inception.</li> </ul>  |
| 3 | Collections                       | <ul style="list-style-type: none"> <li>Over R4.2 billion has been repaid by investees</li> </ul>  |
| 4 | Integrity                         | <ul style="list-style-type: none"> <li>Secured clean external audit opinions for 18 years running.</li> </ul>   |
| 5 | Supporting jobs                   | <ul style="list-style-type: none"> <li>Since inception, the number of job opportunities supported is 112 905 of which 71 874 were new.</li> </ul>   |
| 6 | Industrialisation                 | <ul style="list-style-type: none"> <li>23 strategic and industrial projects worth R13.2 billion, with the potential to support over 52 000 jobs. 86% of the transactions are at an advanced development stage.</li> <li>Since inception 3 600 job opportunities have been created.</li> </ul> |
| 7 | A culture of savings & investment | <ul style="list-style-type: none"> <li>In a transaction worth over R1 billion the NEF Asongwe 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.</li> </ul>                           |
| 8 | Investor education                | <ul style="list-style-type: none"> <li>Reached approximately 3 672 927 people in villages and townships through 616 community seminars on how to save and invest, personal financial discipline, shares, dividends, bonds, the property and money markets</li> </ul>                          |



9

Entrepreneurship  
training /  
incubation

- Business skills training provided over 5 474 potential entrepreneurs who attended 571 seminars from 2012 to date.

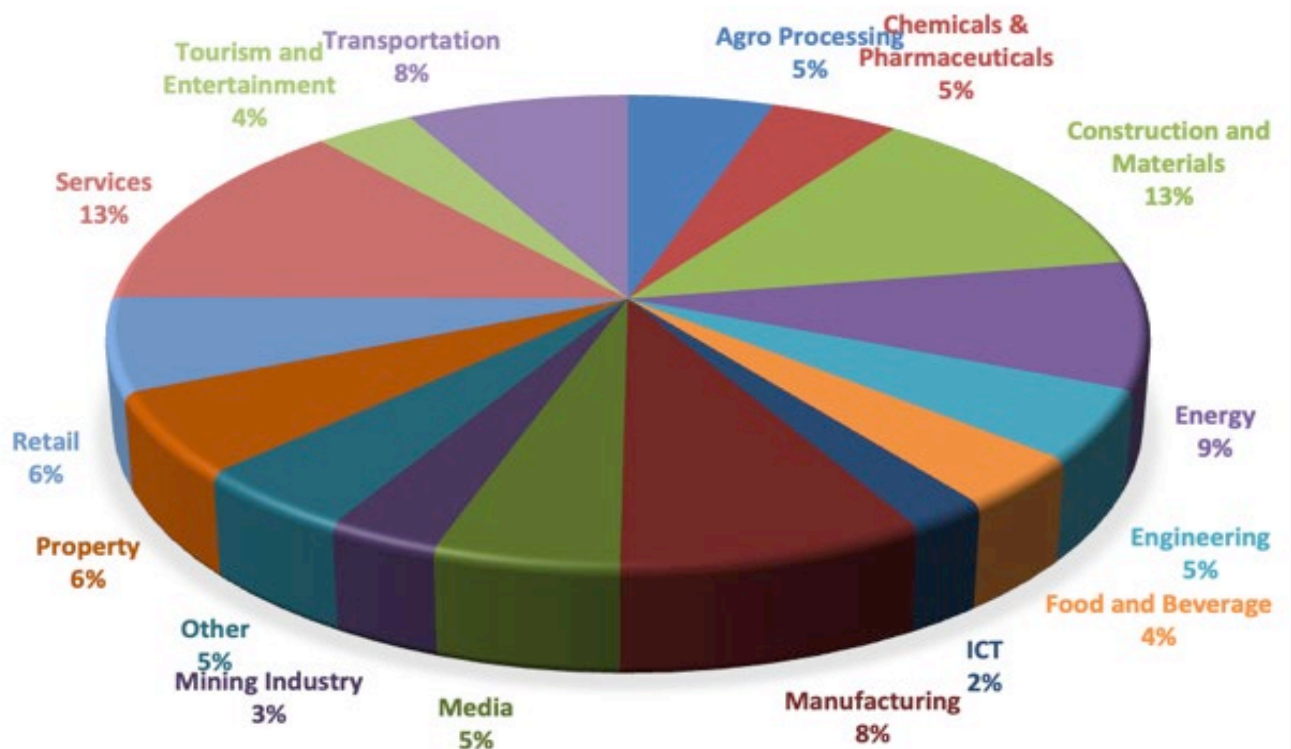
The NEF has built strong systems and processes to grow its portfolio and is able to continue to increase deal activity once the fund is recapitalised. In doing so, the NEF would be able to continue making a meaningful contribution to the economy as demonstrated in the above Table.

The NEF continues to contribute to the national transformation agenda whilst remaining responsive to the economic environment and adjusting accordingly. Also, discussions at Board level continue to challenge the organisation to constantly interrogate ways in which it operates and evaluate whether or not they enable the organisation to effectively fulfil its mandate.

As illustrated diagrammatically below, the National Empowerment Fund (NEF) provides financial and non-financial support to black-owned businesses across all sectors of the economy. The NEF's non-financial interventions encompass entrepreneurship training, incubation support, business planning, investor education, social facilitation and mentorship and back-office support as critical imperatives for economic transformation and growth.

The NEF has invested over R7.504 billion since inception in the following sectors:

## NEF INVESTED PORTFOLIO BY SECTOR BY VALUE SINCE INCEPTION - JUNE 2021



Others: Arts & Culture; Distributors, dispatchers, processors; Education; Environmental; Financial Services; Marine; Motor; Wood & Paper; Printing and Publishing Services, Textiles.

## 6. Key Strategic Objectives

### 6.1. Strategic goals and objectives

NEF's strategic objectives are derived from the NEF Act No. 105 of 1998 and the B-BBEE Act No. 53 of 2003 as amended, together with the Codes of Good Practice on B-BBEE. The NEF specifically seeks to support the initiatives of **the dtic**, including the Industrial Policy Action Plan (IPAP) and more broadly the NDP, by championing and funding the advancement of emerging entrepreneurs into black industrialists.

The mandate of the NEF, based on the 1998 Act has been given greater alignment with the set of priorities of government that the Presidency introduced in the 2021 SONA. These include:

- The medium term strategic framework 2019-2024
- The National Development Plan
- The economic and reconstruction tabled in parliament in October 2020 by the President
- New district development as an integration of development efforts at local level.

This APP for 2022/23 aims to achieve its strategic objectives set for NEF's functional programmes in the strategic plan.

The strategic objective targets and programme performance indicator targets will be identified using medium term targets, quarterly cumulative and annual target of 2022/23.

Each KPI will have technical indicator descriptions (TIDs) that describe the problem by giving indicator definition, indicator title, outcome, and output as well as for each relevant J-KPI (which is based on the new way of working where all the DTIC entities expected within their mandate contribute towards the achievement of the J-KPI). I suggest remove the underlined as it is redundant.

The following is a consolidated summary of the NEF's key performance against its targets.

| Output Indicator   | Annual Target  |   |  |  |   |  |  |  |
|--|--|---|--|--|---|--|--|--|
|  | Performance  | Quarterly Performance                       |  |  | YTD Performance   | YTD Target (Q3)  | Annual Target  | Target   |
|  | 2020/21 Audited  | Quarter 1                                   | Quarter 2                                  | Quarter 3                                    |   |  |  | 2022/23  |
| 1. Value of approved deals by NEF  | R520m  | R154m                                       | R626m                                      | R442m  | R1 222m   | R618m  | R800m  | R1bn   |
| 2. Value of new commitments  | R520m  | R92m  | R264m                                      | R447   | R803m   | R455m  | R624m  | R750m  |
| 3. Value of Disbursements (R million)  | R425m  | R66m  | R227m                                      | R548m  | R841m   | R398m  | R562m  | R675m  |
| 4. Number of job opportunities expected to be supported or created   | Support 2 488 new and existing job opportunities   | 2 650 jobs opportunities                    | 1 830 jobs opportunities                   | 5665 jobs opportunities                      | 10 145 job opportunities  | 2 450 job opportunities  | Support 3 456 new and existing job opportunities                       | Support 4 154 new and existing job opportunities                 |
| 5. Percentage of portfolio disbursed to businesses owned by black women  | 35% (of annual disbursements)  | R17m translating into 25% of disbursement   | R95m translating into 42% of disbursements | R118m translating into 21 % of disbursements | 27% (of annual disbursements)   | 40% of portfolio disbursed   | 40% of portfolio disbursed   | 40% (of annual disbursements)                                    |
| 6. 25% of disbursement to be invested in Northern Cape, Free State, Limpopo, Mpumalanga, Eastern Cape and North-West | R76.2m of disbursed funds comprising of 27 deals, translating to 18% of total disbursement | R13.4m translating into 20% of disbursement | R68m translating into 30% of disbursement  | R67m translating into 12% of disbursements   | R148m of disbursed funds comprising of 23 deals, translating to 18% of total disbursement | 25% of disbursement target to be invested in EC, NC, NW, MP, FS and LP | 25% of disbursement target to be invested in EC, NC, NW, MP, FS and LP | 25% of disbursements to be invested in NC, FS, LP, MP, EC and NW |

## 6.2. The NEF five key strategic objectives/outcomes for next 5 years:

1. Growing black economic participation in the South African Economy
2. Growing BEE through partnerships
3. Maintaining Financial Sustainability
4. Human Capital
5. Non-Financial support

|   |  |
|---|--|
| <p><b>1. Growing black economic participation in the South African Economy</b></p> <ul style="list-style-type: none"> <li>• iMbewu – focus on SME funding</li> <li>• uMnotho Fund – transformation and black business expansion</li> <li>• SPF – support meaningful participation in industrial projects by black people</li> <li>• RTCDF – stimulation of economic activities in rural areas and township through entrepreneurship</li> <li>• WEF – entrenching participation of black women in the economy</li> </ul> | <p><b>2. Growing BEE through partnerships</b></p> <ul style="list-style-type: none"> <li>• ED Funds – raising 3<sup>rd</sup> party funding to offer comprehensive affordable financing solutions to black entrepreneurs</li> <li>• Venture Capital Companies ('VCC') – partnering with various players to leverage the incentive for growth of venture capital funding for the benefit of black entrepreneurs</li> <li>• Co-funding – using the NEF network to assist entrepreneurs fund their businesses</li> </ul> |
|---|--|



|  |  |
|--|--|
| <p><b>3. Maintaining Financial Sustainability</b></p> <ul style="list-style-type: none"> <li>• Impairments – maintain the impaired portion of the loan book below 20%</li> <li>• Returns – endeavour to achieve Return on Investments (ROI) of 7% (ring fenced to the loan book funded from the NEF balance sheet)</li> <li>• Efficiency – manage the operational expenses and generate income to achieve Cost to Income ratio within an acceptable range over the period</li> <li>• Return of Capital – implement close post-investment monitoring and interventions to achieve on average 80% collections on instalments raised</li> </ul>   | <p><b>4. Human Capital</b></p> <ul style="list-style-type: none"> <li>• Attraction: Attracting high-calibre and suitably qualified candidates who are fit for purpose</li> <li>• Skills Development: Provide training and development opportunities to enable employees to thrive in their role</li> <li>• Retention: Utilising a pay-for-performance remuneration structure which will ensure that key and top talent is retained at the NEF</li> <li>• Employer of Choice: Provide a compelling employee value proposition that captivates the employment experience from entry to exit</li> </ul> |
| <p><b>5. Non-Financial support</b></p> <ul style="list-style-type: none"> <li>• Pre-investment – provide meaningful interventions to support entrepreneurs wanting to access funding</li> <li>• Post-Investment – provide intensive monitoring, support and mentorship to NEF investees to ensure sustainability of the businesses</li> <li>• Intensive Care &amp; Turnarounds – provide in-depth support to business under strain through the Turnarounds, Workouts and Restructures unit</li> <li>• Social Impact – through the Socio-Economic Development and Asset Management Unit, the NEF provides training for broad-based groups and communities thereby deepening understanding of business</li> <li>• Legal – through legal we will entrench our rights and security in transactions to ensure sustainability</li> </ul> |  |

## 6.2.1. Growing black economic participation in the South Africa Economy

The NEF is growing black economic participation in the South African economy through its structured and specialised Funds that address the needs of businesses as demonstrated by the nature of products housed in each of the five funds below. Projects that require more than R75 million are assisted through a co-funding arrangement with other capital funders in the market. The Funds are listed below:

|                      | <b>Strategic Projects Fund</b>  | <b>iMbewu</b>   | <b>uMnotho</b>  | <b>Rural, Township and Community Development</b>  | <b>Women Empowerment Fund</b>   |
|----------------------|---|---|---|---|---|
| <b>Objectives</b>    | <ul style="list-style-type: none"> <li>• Funds the development of projects through stages of projects</li> </ul>  | <ul style="list-style-type: none"> <li>• Supports start-up businesses</li> <li>• Provides capital for the expansion of small enterprises</li> </ul> | <ul style="list-style-type: none"> <li>• Provides capital for expansion of businesses, the buying of shares in white-owned businesses or funding new ventures</li> </ul>              | <ul style="list-style-type: none"> <li>• Supports the development and growth of a rural economy in rural communities, which is achieved by the mobilisation of structures such as cooperatives</li> </ul> | <ul style="list-style-type: none"> <li>• Supports businesses that are more than 50% owned and managed by black women</li> </ul>   |
| <b>Products</b>      | <ul style="list-style-type: none"> <li>• Venture Capital funding structures</li> <li>• Development of Black Industrialist funding in strategic sectors</li> </ul> | <ul style="list-style-type: none"> <li>• Franchise financing</li> <li>• Procurement/ Contract</li> <li>• Entrepreneurship funding</li> </ul>        | <ul style="list-style-type: none"> <li>• Acquisitions</li> <li>• New Ventures</li> <li>• Expansion</li> <li>• Capital Markets</li> <li>• Liquidity and Warehousing funding</li> </ul> | <ul style="list-style-type: none"> <li>• New Ventures</li> <li>• Business Acquisition</li> <li>• Expansion</li> </ul>   | <ul style="list-style-type: none"> <li>• The product offerings cut across all products provided by the different Funds</li> </ul> |
| <b>Funding range</b> | <ul style="list-style-type: none"> <li>• Funding up to R75 million</li> </ul>   | <ul style="list-style-type: none"> <li>• Funding from R250 000 to R15 million</li> </ul>  | <ul style="list-style-type: none"> <li>• Funding ranges from R2 million to R75 million</li> </ul>   | <ul style="list-style-type: none"> <li>• Funding ranges from R1 million to R50 million</li> </ul>   | <ul style="list-style-type: none"> <li>• Funding from R250 000 to R75 million</li> </ul>  |

## A. iMbewu Fund

The iMbewu Fund provides innovative financial solutions with the aim of deepening NEF's impact in the SME sector by increasing the number of black-owned SMEs that participate meaningfully in the economy. The products used in delivering the financial solutions have been designed to address market failures that limit meaningful economic participation by black-owned SMEs. Among these market failures are access to capital, lack of information, lack of access to markets and lack of technical skills. iMbewu Fund provides the funding through the following products:

- Franchise;
- Procurement; and
- Entrepreneurship.

The financial solutions are backed by strong non-financial support in the form of mentorship and back-office accounting function that are offered to SMEs to enhance their long-term financial sustainability.

The strategic rationale for the iMbewu Fund: support the creation of new sustainable black-owned enterprises; promote and enable meaningful participation of black people in the economy; and contribute towards the creation of employment opportunities, given the importance and contribution of SMEs in the development of the economy.



## I. Franchise Finance

The product is designed to allow the creation of new SMEs and to support entrepreneurs who seek to start a new business by acquiring a franchise licence with a reputable franchise brand. The product provides a platform for black entrepreneurs with limited capital and managerial expertise to start and/or expand a business. The strategic rationale for the product is to address the following challenges faced by black entrepreneurs:

- allowing black entrepreneurs to buy into a franchise system that already has an established brand and operating systems that guarantee success;
- technical and business support to address lack of technical and managerial expertise;
- ensuring rapid access to market through a brand that is recognised and with a track record;
- minimising investment risk while also optimising returns, making access to funding possible.

Some of the challenges that have been experienced in the past was the funding of small franchise brands that lack capacity and depth to support their franchisees. Some of these brands had also issued licences to black franchisees in order to access DFI finance to test their new concepts with the ulterior motive of taking over once they become successful. However, NEF has addressed the challenge by funding only reputable franchise businesses with a long successful track record. One of the sectors that have been successful is in the Energy Petroleum sector.

The NEF has strategically targeted the Retail Petroleum Sector in the Energy industry sector – Petroleum as a key strategic sector to foster black inclusion in the mainstream of SA's economy.





## Energy sector – Petroleum



Through the iMbewu Fund the NEF's participation is entrenching black economic empowerment participation in the energy sector through establishing new franchises, acquisitions of franchises and providing expansionary capital. Below is a demonstration of some of the key oil majors that the NEF is in partnership with. The NEF and these partners continue to enhance franchise methodologies to increase inclusion of black participation going forward.



Together fuelling transformation and growth

Within the NEF's franchise portfolio, service stations rank as the most vibrant and successful both commercially and in terms of the repayment trends to the NEF. The relationship with the various petroleum companies is in line with the NEF SME strategy that seeks to leverage the technical expertise provided by these companies for the benefit of black- and women-owned enterprises.

Since inception the NEF has funded 111 black-owned service stations amounting to R603 million and a total of R379 million has been collected. Out of these 111 stations 63 are active, 36 have settled the NEF facilities and 11 are in the Legal Services Unit. Approximately 66% of the active stations are in the low-risk category and service the NEF's monthly obligations without defaults. This sector has created approximately 1 693 permanent jobs in South Africa. The sector has about 39% women shareholding, which is a quantum leap in this industry.

## Examples of transactions funded in the Energy Sector:



**Thinadzanga Projects (Pty) Ltd t/a BP Atterbury Value Mart is a 100% Black owned entity** established by Mr. Dave Mamphitha for the purpose of acquiring BP Atterbury. Mr Mamphitha was financed by the NEF in 2017 to acquire an Engen service station located in Florida, Engen Florida. The original loan amount advanced to Engen Florida amounted to R6 200 000 and the client's account has been well conducted since his take over in November 2017. Having satisfied BP's requirements, the applicant was identified as the preferred retailer to take over the management of BP Atterbury in Pretoria East, Gauteng province. The site is located on the main road in Faerie Glen, in a business district surrounded by a shopping centre and residential houses. The site comprises of a forecourt, Wild Bean Café, convenience shop (Pick n Pay Express), Orange Car Wash and an Absa ATM. The NEF facility to the value of R9 631 000 that was approved in 2021 supported 39 jobs and was funded equally between BPSA and NEF. The funds were utilised to acquire the service station, purchase wet and dry stock as well as for guarantees.

## II. Procurement Finance

The product targets black entrepreneurs who want to pursue business opportunities emanating from supplier development initiatives both in the private and public sector space. NEF would fund black SMEs that have been awarded contracts to supply goods and services. The NEF investment goes towards building capacity by funding working capital and acquisition

of assets to allow the SMEs to deliver on the contracts awarded. The strategic rationale for the product is:

- facilitate access to finance for black-owned SMEs;
- support supplier development initiatives espoused in the B-BBEE Act and Codes of Good Practice;
- creation of sustainable jobs; and
- allow access to market through supplier development.

However, many SMEs have experienced some challenges mainly attributable to late payments by the public sector entities. This has imposed a major financial strain on SMEs, resulting in some of the businesses closing down. There are number of interventions at the ministerial level spearheaded by the Department of Small Business Development in an effort to address the SME plight. The expeditious resolution of this matter will auger well for the flourishing and growth of the SA's SME sector.

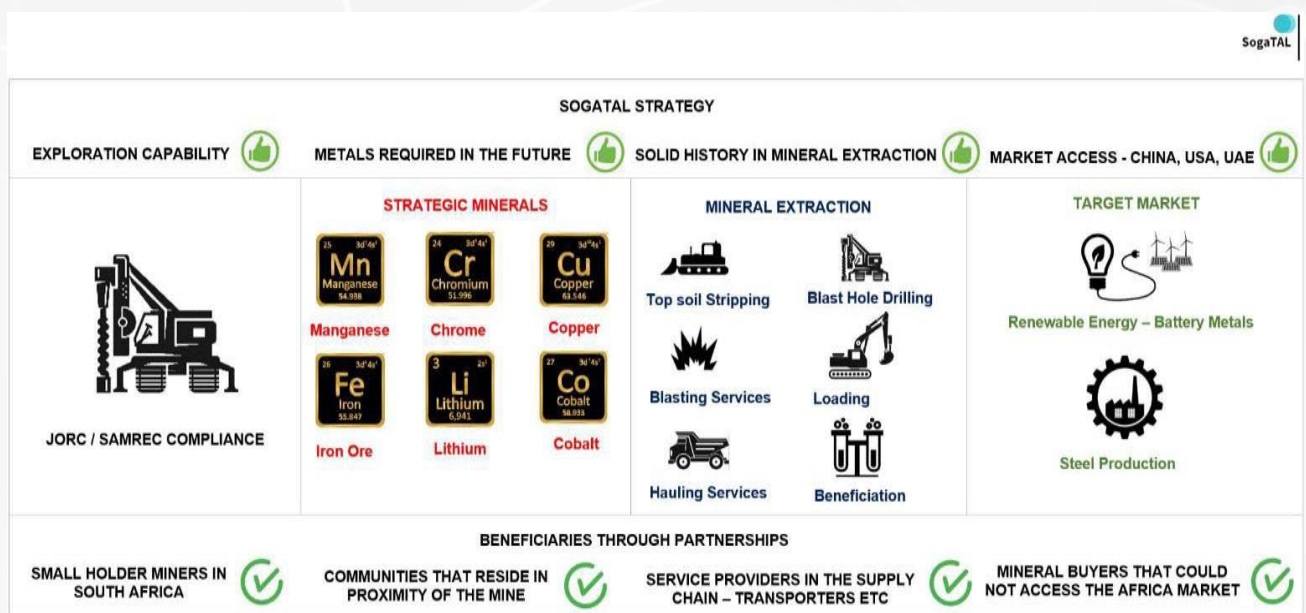
*Examples of Procurement Finance Transactions:*

**Sogatal Investments (Pty) Ltd is a 100% black-woman owned and managed mining company** that was established by Ms Luyanda Sizani and Ms Mavis Fikile Mahlangu. The company is involved in exploration, mineral extraction; Topsoil stripping; Blast hole stripping; blasting services and loading; hauling and beneficiation. Luyanda Sizani is a 34% Shareholder and is a geologist by profession with over ten years of experience. Mavis Mahlangu owns 66% shares. She is a highly qualified Mining Surveyor and Technical Professional with over eight years working experience as a Lead Team Surveyor for Anglo America and Exxaro.

In March 2021, Sogatal Investments (Pty) Ltd responded to Sogima (Pty) Ltd's request for a mining company that will offer a turnkey mining solution to deliver 35,000 tonnes of Chrome based on 8: 1 strip ratio in Elandsdrift in Mooinooi Northwest on behalf of Sogima (Pty) Ltd. The company was awarded a contract that commenced on the 1st of August 2021 for a duration of 5 years. The execution of the contract will result in substantial financial growth for the business and 56 new jobs. The NEF approved R15m for plant & machinery hire and working capital that are required for the execution of the contract. Working capital that are



required for the execution of the contract.



### III. Entrepreneurship Finance

Funding under the Entrepreneurship Finance product targets black-owned SMEs that require either start-up or expansion capital to pursue business opportunities presented by the market in general. Businesses supported are neither associated with any franchise brand nor do they have a contract to service. These are businesses that are run by entrepreneurs who have identified a niche and have developed a product or service to address a need. NEF supports businesses that have already developed a product or service that has been tested and launched to the market but require funding to scale up operations in order to reach critical mass.

The strategic rationale for the product is:

- facilitate access to funding for black entrepreneurs who do not have the collateral to raise funds from banks;
- creation of new enterprises owned by black people; and
- creation of sustainable jobs.

This is one area where SMEs experience most of the market failures. NEF has designed non-financial support interventions to minimise the probability of failure, which include the following:

- provision of incubation through partnership for businesses that do not have business ideas that are ready for the market;
- entrepreneurial training for businesses that have limited operating experience and need business support to get their businesses ready for funding;



- post-investment, NEF provides an extensive mentorship and back office accounting services which are mandatory for all investees; and
- structuring longer moratorium period on interest and capital repayments to allow businesses to build cashflow.



*Examples of Entrepreneurship Finance Products:*

**Light of Life Medical Centre is an existing medical practice operating since 2017, a 100% black female owned and managed company.** It was established by Dr. Phathutshezo Tshinetise Maligana and is located in Louis Trichardt, Limpopo. The business operates as a medical practice and comprises of a staff compliment of 22.

The practice initially consists of a consulting room and a reception prior to expansion. Services include that of a General Practitioner, Medico Legal Services and Ambulance Services. The business has grown from turnover of just over R600k at inception to in excess of R3.3m as at February 2021. With such growth, the entrepreneur identified a need and took the decision to expand the business into a fully-fledged 24-hour medical centre. A property was acquired, and the entrepreneur commenced building work with his own funds. The medical centre will house 3 consulting rooms, 2 admission rooms, 1 casualty room, 3 specialist rooms, offices and records room, bathroom facilities and kitchen facilities.

The entrepreneur approached the NEF in early 2021 to fund the completion of the medical centre. The NEF approved funds of R8m to assist with the completion of the building project, including funding for equipment, fittings, stock and working capital. The business staff compliment will increase from 22 to 34 once the medical centre is operational.



## B. uMnotho Fund

This Fund is designed to improve access to BEE capital and has five products: Acquisition Finance, New Ventures Finance, Expansion Finance, Capital Markets Fund, and Liquidity and Warehousing. These products provide capital to black-owned and -managed enterprises, black entrepreneurs who are acquiring shares in established white-owned enterprises, new ventures finance and BEE businesses that are listed or wish to be listed on the JSE. Funding ranges from R2 million to R75 million.

Under uMnotho Fund the NEF chose the following key strategic sectors as instruments for increasing black inclusion, transformation and contributing to the economic growth of South Africa:

- Property sector including student accommodation
- Transport and logistics
- Construction & Materials
- Fourth Industrial Revolution
- Creative industries & Media
- Tourism

### I. Property Sector



The property industry is still far from a true reflection of South Africa's demographics in terms of ownership patterns, judging from the few number of black people participating in the



industry. The true empowerment in the property sector is still lagging; black people are still largely excluded from the entire value chain, which is unacceptable and unsustainable 27 years into our democracy.

According to the Department of Public Works' 2020 Annual Report, the national government spent about R5 billion per annum. Property leases are, on average, concluded at costs that are above the market rates; hence the high rental expenditure of approximately R5 billion per annum. There are a few landlords who dominate the lease portfolio in government, preventing new entrants to the industry, especially previously disadvantaged groups. The importance of a government lease was that banks recognised that the government would always honour its payments. By far the best tool to transform the industry was through government-owned properties.

On the JSE, it was mostly through this government intervention that the property industry started to see the emergence of black property entrepreneurs and landlords. This gave rise to a few BEE funds, or funds with BEE credentials such as Ascension, Delta, Dipula and Rebosis, with a then combined market capitalisation of R18bn, which only **made up about 4% of the total market capitalisation of the sector**, which was approximately R400bn.

Since inception, the NEF has been playing its catalytic role in transforming the property sector and has disbursed over R393 million. These transactions were in retail properties, tourism properties; affordable & social housing as well as industrial and student accommodation.

The average number of jobs supported by the investment in this sector is 6 915 during construction while 5 536 are permanent jobs.

The lack of transformation in the sector and the targets as set out in the property charter, which further addresses issues pertaining to ownership, management control, skills development, enterprise and supplier development and socio-economic development; the property industry when compared to other sectors of the South African economy is one of the least transformed in the local economy.

It is therefore a strategic imperative for the NEF to continue investing in the sector; to meaningfully support and grow real black property entrepreneurs is necessary in order to nurture and grow talent, and create a new generation of black property players. It is also important to highlight that within these statistics of black players, there are very few, if not any female-led property companies or developers. Property ownership and development have a fundamental role to play in creating employment, creating wealth, and is a pivotal tool for economic freedom and transformation.



a. *Student Accommodation – Sub Sector of Property*



A national challenge that Government is committed to addressing is the chronic shortage of accommodation for South African students at tertiary and vocational level.

There are over 3000 000 student bed shortage in South Africa, and the number is expected to increase given the increase in enrolments at all universities in SA unless efforts are made to address this challenge speedily. After the 2015-2016 *#FeesMustFall* protests in 2017 the government announced it would subsidise free higher education for poor and working-class students – more first-year students are enrolling for higher education. On-campus residence is poorly regulated, students sublet, and this results in overcrowding as well as health and safety risks. Off-campus accommodation can be more affordable, but it is not always academically conducive or well-regulated and this can result in the violation of their right to basic quality of health and safety. The demand for safe, sustainable accommodation needs deliberate action urgently because this has a direct effect on students' academic success. The government is committed to ensuring that in expanding fee-free education for students from poor and working-class backgrounds it will include accommodation, transport and study materials for qualifying students at public colleges and universities.

South African universities have been battling to accommodate more than 20% of the student population as demonstrated by the Table below:

| University                       | # of Students (2016) | # of Beds (2016) | % beds |
|----------------------------------|----------------------|------------------|--------|
| University of Johannesburg       | 51669                | 6600             | 13%    |
| University of Pretoria           | 53232                | 10000            | 19%    |
| Tshwane University of Technology | 58 901               | 12000            | 20%    |
| University of Witwatersrand      | 37448                | 7400             | 20%    |
| University of Stellenbosch       | 30161                | 6500             | 22%    |
| University of Cape Town          | 29232                | 6800             | 23%    |
| Rhodes University                | 8136                 | 4000             | 49%    |
| University of Western Cape       | 21796                | 3300             | 15%    |

In 2016, less than 10% of 1st year university students could be accommodated. Similarly, Technical and Vocational Education and Training (TVET) colleges had over 710 000 college students, with only 10 120 beds available. Colleges could provide accommodation for only 1.4% of students. By 2030, to meet the enrolment targets set out in the Post-School Education and Training policy and the National Development Plan, an extra 400 000 beds would be needed.

It is for this reason that the NEF has since entered this space to support black entrepreneurs who want to alleviate the challenge. The NEF has approved R136 million towards student accommodation developments with a total project size of R354 million. A total of 1 223 jobs that will be created during constructions, and 166 permanent jobs will be supported during the operation phase.

*Examples of Investments in Student Accommodation:*

The NEF invested R6 million in **Tuad Properties (Pty) Ltd.** The company was established in 2018 and is a 100% black owned company that is operating in Queenstown, Eastern Cape. The funds invested were used to purchase and rent out off-campus student accommodation, primarily for Walter Sisulu University (WSU) students.

The building is 1km from the WSU Queenstown Campus in Eastern Cape Province and the facility will provide 38 beds. The building has six three-bedroom apartments and one bachelor unit. The 3-bedroom apartments all have two beds and will accommodate two students sharing. The 3-bedrooms units can accommodate up to six students sharing. The project created six sustained jobs.





**Tshellaine is a 100% black-youth-owned and -managed, and 50% black-women-owned business,** following the Sponsors' struggle to find employment post-university graduation. Tshepo Lekgau and Elaine Phasha, both UJ graduates, established Tshellaine in 2012 with the stipend that they received from serving in the structures of the university as well as earnings from casual employment and started operations by subleasing one unit; a two-bedroom apartment with a kitchen and bathroom to 4 UJ Soweto Campus students. Tshellaine used the first unit to apply for Off-campus Housing Accreditation with UJ and was granted accreditation in 2013 to accommodate 56 students. The directors then approached Southgate Ridge, owned by IHS Property Management, for rental space and managed to get 9 units and 36 beds. The 56-bed accreditation turned into 104 beds in 2015 and 160 beds in 2017. Tshellaine is currently accredited for 200 beds by UJ and has been fully operational at 100% capacity since 2012, from the property at Southgate Ridge.

Having gained the operational experience of five years and keen to own property, Tshellaine approached the NEF for funding of R37.5 million to purchase a piece of land in Winchester,

Johannesburg for the development and construction of 66 units that would accommodate a maximum of 264 students.

### **Ongoing opportunities and NEF's involvement in the sector:**

The National Department of Higher Education, NSFA & Universities have developed an Accreditation Policy to deal with the shortage and improve the state and condition of accommodation students have access to off-campus. Strategic Black Developers are rejuvenating city centres by turning older unoccupied buildings into modern student apartments for rental to university students. The NEF in partnership with other co-funders are supporting Strategic Black Developers to develop student accommodation properties. There is an opportunity to invest – there is a shortage of over 750 000 student beds nationally.

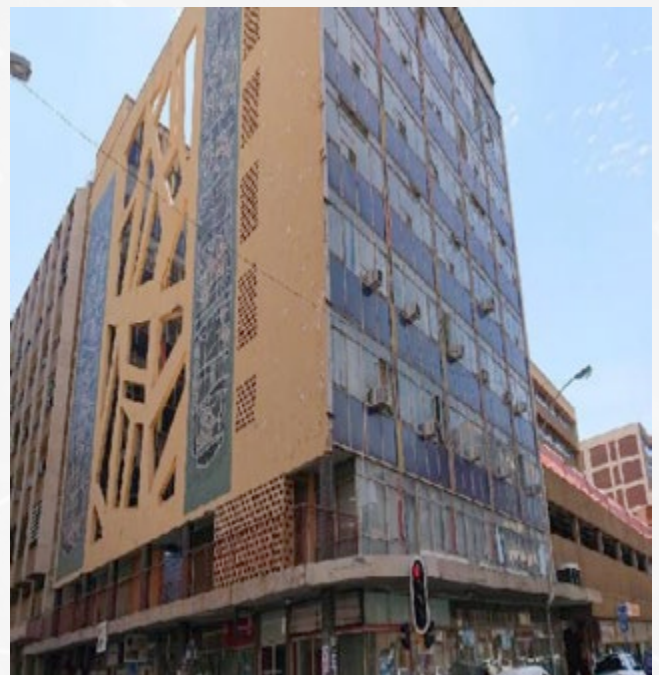
#### *b. Commercial Property – Sub Sector of Property*

Nomnga Properties (Pty) Ltd (Nomnga Properties) is a 100% black owned business which was registered in 2016 with the aim and intention of pursuing interests in the property industry.

The company was awarded a 9 years plus 11 months contract to provide commercial property for use towards office space for the Free State Department of Roads and Transport (DRTFS).

The Metropolitan Life building in the Bloemfontein CBD was identified as the property to be made available to the DRTFS.

The NEF provided R29 million towards the acquisition and renovation of the Metropolitan Life building. The renovation project resulted in 50 temporary jobs, while Nomnga Properties will employ 9 permanent staff. The NEF seized the opportunity to support the establishment of a black-owned commercial property with the aim to transform the property industry that is dominated by white-owned businesses.





## II. Transport and Logistics

South Africa is home to the farthest-reaching and highest-quality transport network on the African continent, which is good news for aspiring transport entrepreneurs. Road and rail networks are the backbone of any economy. However, they are also one of the most important assets in terms of sheer monetary value. For decades the country's extensive road, air, rail and sea links have underpinned economic and social development not only in the domestic market but through the region as a whole. As with all sectors of the economy, however, transportation and logistics remain largely untransformed.

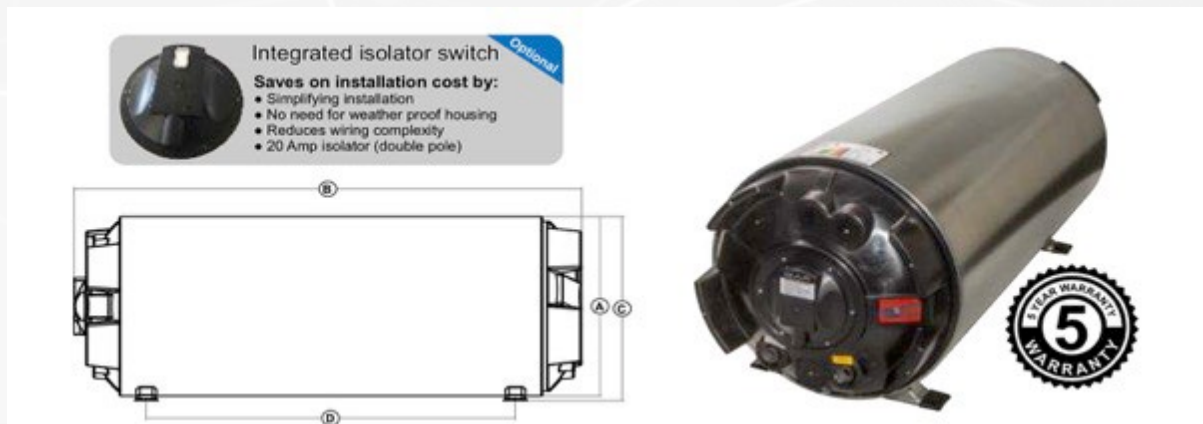
The NEF has invested over R505 million in the sector, which comprises 3.27% of the invested portfolio. NEF investment has supported 3 165 jobs.

An example is **Brazen Algar**, a wholly owned and managed rail logistics company that was affected by the riots in July 2021. The company operates in the railway logistics sector and is responsible for transporting coal through rail to Eskom power stations (including Majuba & Thuthuka) and to Richards Bay Coal Terminal for the export market. The company operates a railway siding which is situated in the boarder of Gauteng and Mpumalanga in the Delmas Coal Basin. Brazen Alger serves to address the road to rail migration for the transportation of coal. R15 million was approved for capital expenditure and working capital. Through this investment, 27 jobs have been supported in Delmas, Mpumalanga.

The NEF continues to play in the sector as there is continuous demand in the economy. The sector is also highly untransformed and most corporates (especially mining houses, SOE's, oil majors) are looking for black entrepreneurs to source this service from. The NEF will continue to fund black participation where there are direct contracts with these companies and scalability.

## III. Construction and Materials

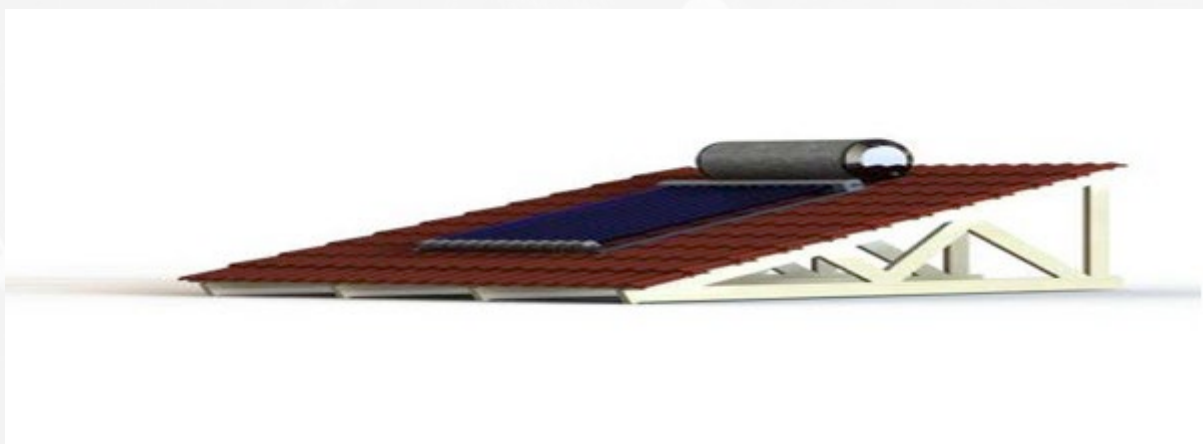
Given its considerable size, the construction sector is envisaged to play a powerful role in South Africa's economic growth, in addition to producing structures that add to productivity and quality of life. Since construction is labour intensive, when the sector is working at full capacity, large sections of the nation's work force are active.



Construction is the NEF’s second-largest funded sector, with investments in excess of R873 million in the sector, which comprises 12.6% of the invested portfolio. NEF investment has supported over 6727 jobs, and black women entrepreneurs have benefitted in this sector.

*Examples of support for black economic empowerment in the sector* are Gap Geysers (Pty) Ltd is a 90% black-owned company that was established in 2004 and acquired by Geyser Industries in 2018, a vehicle that is the shareholder in the company. Gap Geysers is a geyser manufacturing company that is listed with various retail stores such as: Bucu, Cashbuild, BuildIt, Massmart, Plumblink. The company also supplies geysers to independents, developers and Insurance companies like Outsurance amongst others.

The NEF provided R10 million to assist the company meet demands from their customers, particularly retailers. The NEF seized the opportunity to support one of the few black-owned geyser manufacturers in an industry that is dominated by white-owned establishments. The funding was critical to ensure that the client meets customer demands and ensure they are able to retain all jobs, which are 57 permanent employees.



### *Outlook of the sector going forward*

The construction sector is distressed, facing a host of risks and challenges, including the continuing shortage of major projects and non-payment by government and other state entities.

The NEF investees will be assisted to diversify their revenues and increase the number of projects they have to ensure they remain operational through the current economic conditions. An opportunity exists for NEF investees to venture into the following segments: Developments, Materials, Mining, Roads and Earthworks.

Furthermore, with the R100bn committed towards the Infrastructure Fund for the next 10 years opportunity exists for both NEF investees and new applicants; this will drive job creation, black empowerment and economic growth. The NEF will not focus on funding a specific project, but the business model presented. This will ensure the loan is serviced even when the specific project is running at a loss, but the business is profit making.

## **IV. Fourth 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.

### *Examples of NEF investments in the Fourth 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% black-owned, 63% black-youth-owned and -youth-managed. The NEF approved R15m and disbursed R10m. The 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.



**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.

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.



## V. Creative Industries & Media

In 2015, revenue from cultural and creative industries generated globally accounted for 3% of the world's Gross Domestic Product (GDP), or a total of \$2 250bn. It also created a total of 29.5 million jobs worldwide, or 1% of the earth's actively employed population.



South Africa is aligned with this trend where in 2014, according to some early mapping of the sector, South Africa's creative economy contributed over R90.5bn to the national economy or 2.9% of the GDP in 2013 to 2014, exceeding, for instance, the contribution of agriculture to the GDP (2.2%). In 2014 the industry accounted for 2.9% of employment in South Africa, equating to 443 000 jobs.

Yet despite its contribution to the country's GDP the creative economy remains the most underappreciated economic drivers in South Africa.

It is precisely to harness the productive potential of the sector that the NEF has continued to increase its support for black entrepreneurs in both the creative and media industries, having invested a total **R524 million**. The NEF has disbursed R39m in the creatives sector. This investment has unlocked 1 762 job opportunities. Even though editorial leadership in the country's newsrooms has largely been transformed, ownership remains primarily white.



*Examples of NEF funding in this space include:*

Road Trip Films (Pty) Ltd is a duly incorporated Special Purpose Vehicle (SPV) with the sole mandate of housing the production of the "Mr Bones III" feature film. The SPV is 100% black owned by an acclaimed South African Film and Television content producer. The "Mr Bones III" is a theatrical feature film that uses comedy and humor to present various South African stories, stereotypes, myths and norms. The film's success is centered on its ability to present a story with which, many of the South African viewers can associate, while enjoying a good, therapeutic laugh.



Part of the film's historic success is attributable to its ability to fruitfully attract viewers across racial lines and seek to unite them under a cloud of laughter. The NEF provided R10.9 million to assist the company with the production of the film. The SPV supported 65 Jobs. The NEF seized the opportunity to support a youth and black owned entity in an industry that is dominated by foreign and white-owned companies.

Located in central Johannesburg at what was popularly known as the Carlton Centre Ice Rink, the **Sky Rink Studios** is a new venture started by a team of black entrepreneurs who were the owners of Diallo Works CC and BBDM BROS respectively. Diallo Works and BBDM are South African companies with extensive experience in communications, TV production, IT, digital media platforms and events production. Both companies have a history of producing TV and short films from comedy to documentaries. The total project value is R190 million and the NEF has approved R40 million funding. This business employs 10 permanent people and consistent with the nature of the industry, the temporary staff will vary in accordance with the size and scale of productions.

Another example is Gauteng's newest radio station, **Power 98.7**. Six years ago, the National Empowerment Fund (NEF) invested R36.2 million to fund the introduction of the commercial radio station Power 98.7, which launched officially on 18 June 2013. The Gauteng-based radio station broadcasts on four frequencies, namely 98.7, 103.6 (Soweto), 104.4 (Midvaal) and 107.2 (Ekurhuleni). Growing in leaps and bounds, Power 98.7 has become a unique and vibrant platform for a people determined to build a winning nation. As the nation's theatre of

the mind, Power 98.7's introduction into the commercial radio market is adding to efforts to transform media, which is in line with the NEF's mandate, and is a proud offspring of South Africa's democracy. Since the launch, Power 98.7 was named the second most influential media platform in business in an analysis of the Agenda Setting Media (ASM), which was commissioned by Media Tenor SA.

## **C. Strategic Projects Funds (SPF)**

The fund aims to play a central role in early-stage projects by identifying, initiating, scoping and developing projects that are in sectors identified by government as the key drivers to South Africa's economic growth. These projects will be taken through 6-stages of the project development phases.

The phases being the following:

Scoping and Concept Study, Pre-Feasibility Study, Bankable Feasibility Study, Financial Closure, Construction Phase, and Technical Completion.

In support for black industrialists, the NEF creates new manufacturing and industrial capacity alongside local and international partners.

Through the Strategic Projects Fund (SPF), the NEF has made important steps in seeking competitive opportunity for the South African economy and the inclusion of black participation in opportunities at the outset of projects, as opposed to doing so during equity closure.

In essence, in this area the NEF aims:

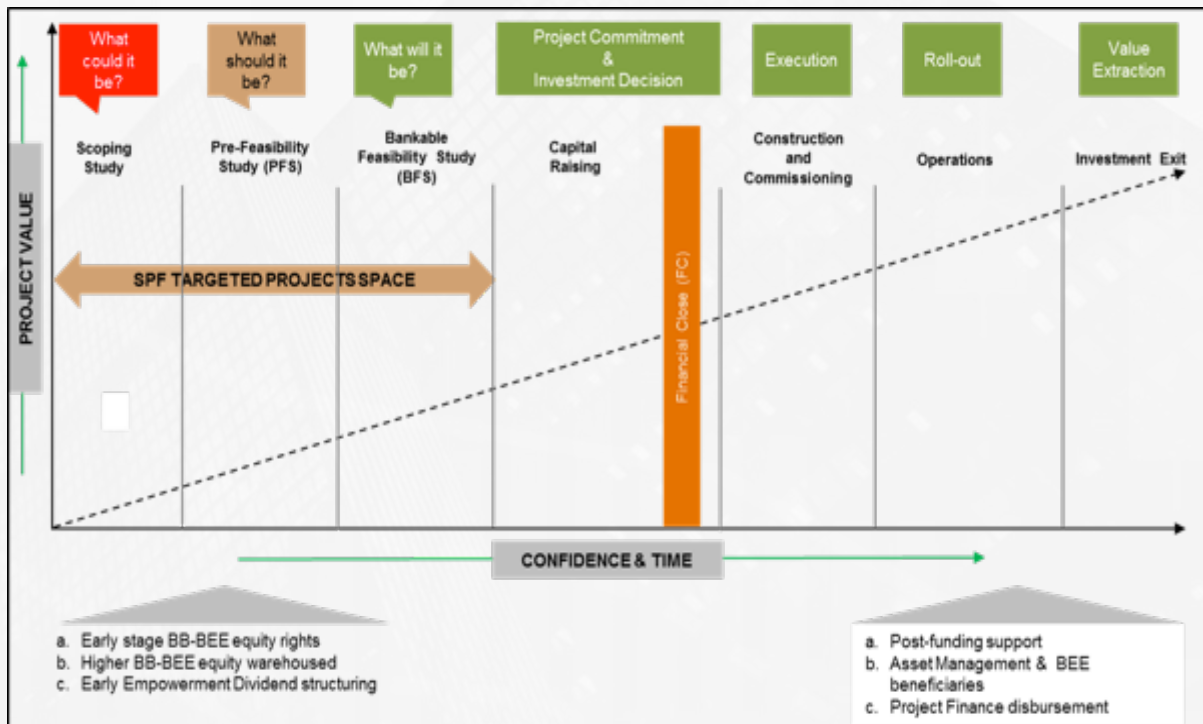
- Create new manufacturing and industrial capacity.
- Create new and sustainable jobs as opposed replacement capital finance
- Invest new fixed capital into economically depressed areas or poverty nodes
- Create an inclusive economy by increasing black South African participation at the early stages of projects.
- Increase South Africa's export-earning potential and reduce import dependency.
- Increase co-investment and linkages with foreign direct investors.

### **I. SPF Beneficiation project lifecycle**



Industrial projects typically undergo an extensive and rigorous development cycle prior to reaching a bankable stage at which point they can be evaluated for commercial viability and funded by investors.

Such investors can either be equity and/or commercial funding institutions through debt, quasi-debt or equity instruments, for implementation. As illustrated graphically below, over time with the progression of project development, the confidence in the potential viability of a business concept and the value of the project both increase.



The typical project development stages include;

1. *Scoping & concept* – this is the initial stage of project development used to generate, refine and short-list ideas for further development.
2. *Pre-feasibility Study (PFS)* – this is the second stage of project development during which business models developed during the scoping phase are assessed for commercial viability, developed in more detail with qualifying assumptions, and a project risk matrix drawn up to conclude the potential commercial viability of business concepts.
3. *The Bankable Feasibility Study (BFS)* is the final project development stage wherein the material project contracts are executed, minimising or eliminating project implementation and viability uncertainty in order to permit capital raising for project execution.



4. *The Capital-Raising Stage* is reached when project execution capital is raised from equity investors and/or debt providers.
5. *Financial Close (FC)* is the stage at which all project capital is raised, potentially unconditionally in readiness for fund drawdown and project implementation, subject to fulfilment of any Conditions Precedent (CPs).
6. And lastly, *Project Implementation* is execution stage of the project e.g. construction phase, followed by set up of the operational company.

At the NEF the SPF targets investing in these projects as early as practically possible for three key reasons:

- firstly, to achieve the lowest investment equity subscription or entry price;
- secondly, to influence the equity or ownership structuring of the projects, with a leaning towards B-BBEE empowerment; and
- thirdly, to secure equity to be warehoused on behalf of and for future distribution to B-BBEE entities.

Through the Strategic Projects Fund, NEF will facilitate B-BBEE in the following ways:

- Warehouse equity for B-BBEE in early-stage projects at valuations with little or no premium paid to access the projects. This enables NEF to distribute its warehoused equity to B-BBEE at lower valuations once the project is operational;
- Take early-stage risk on behalf of black people as early-stage projects have higher execution risks compared to operational companies. The NEF will assume most of the financing risk and devise instruments to carry or transfer equity to B-BBEE once project fatal flaws have been mitigated;
- Manage the project and venture capital finance structuring complexities as it is more complex and difficult to raise capital for new ventures as compared to uMnotho finance deals where valuations can be ascertained based on historical performance and risks are clearly understood;
- Enable project promoters to focus on making projects bankable and operational by giving the B-BBEE status as NEF is the only DFI gazetted as a B-BBEE facilitator;
- Once the initial project risks have been reduced, the NEF will transfer its shareholding to selected B-BBEE groups through a transparent process.

## II. Growing Black Industrialists

Through the SPF the NEF has been hard at work to increase the number of black people participating proactively in early-stage projects and other divisions of the NEF proactively seek to invest in expansionary and new ventures. Through the SPF fund the NEF has made important steps in seeking competitive opportunity for the South African economy and the inclusion of black participation in opportunities at the outset of projects, as opposed to doing so during equity closure.

The total portfolio of Black Industrialists that were supported by the NEF in partnership with local and international investors amounts to 24 projects valued at R12.5 billion.

The SPF seeks to 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 24 projects currently under development); businesses that have created over 3600 jobs and leveraged over R4.3 billion of third-party funding.



*Examples of transactions funded under this Fund include:*

**Gemilatex** aims to create a women-owned and -led male condom manufacturing plant to be based in the East London SEZ. The project will enable for a reduction of imported condoms and the creation of new jobs in the poor province of the Eastern Cape.



### **Nkomazi Cotton Development Project**

The Lebombo Agricultural Secondary Co-operative Limited (“Lebombo”) approached the NEF in 2015 for **feasibility funding of R7.4 million** to investigate the establishment of a cotton lint manufacturing plant. **The cooperative is 100% Black-owned and 67% women-owned.** It is comprised of **21 primary cooperatives** and has **1 190 members** in total who are small holder farmers. The farms are located in and around the Nkomazi Municipality in Mpumalanga. The funding was approved in 2016 and was financed through a Joint Venture which is owned by both the Co-operative (51%) and the NEF (49%).

The BFS was developed in partnership with a turnkey professional service provider. The BFS phase has been completed and it yielded positive outcomes. Some of the salient features of the outcomes include the identification and selection of the gin equipment manufacturer, project site location securing, market and risk assessments and financial modelling.

**The total project size is ca. R300 million** and following the positive BFS outcomes, the NEF **has invested a further R42.6 million into the project.** The balance of the project funds are being raised externally by engaging different development finance institutions, commercial banks and private equity funders in the market.

At completion, the Nkomazi Cotton Development Project is expected to yield empowerment dividends such as the creation of **16 650 sustainable jobs** (through direct farming, processing of the cotton and construction of the plant, promoting growth in the agro-processing sector



and promoting greater economic participation in the **Lebombo and greater Mpumalanga area.**



**Jalo Renal Izintso** seeks to establish a Hollow Fibre Dialyser manufacturing plant with a capacity to produce 2 million dialysers per annum. The project will also produce other hemodialysis products such as dialysates, dialysis kits etc. The bankable feasibility has been completed and the project has been successfully awarded a R50 million Black Industrialist grant.



**Busamed** is a proudly South African black-owned private hospital group with seven bed licences currently across South Africa, offering friendly, cost-effective and innovative healthcare service in a safe and caring environment. 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 licences for 630 hospital beds, spread over four provinces, namely Western Cape, Gauteng, KwaZulu-Natal, and the Free State. The first hospital (a cardiologic centre) is based in Somerset West and commenced operations 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 fourth hospital, based in Bloemfontein, began operations in 2018. To date Busamed group has seven hospital licenses, with the last addition based in Nelspruit, Mpumalanga, bringing the total beds to 950. As of 2019 the Busamed group had five of the group's hospitals in the top 20 Hospitals in South Africa.



Going forward the NEF will continue supporting black industrialists to play a meaningful role in the industrial and manufacturing development of South Africa. The continued support of black industrialists will yield significant job creation, contribute to South Africa's export market and reduce import dependency, and improve living conditions of the population in economically depressed areas.

#### **D. Rural, Township and Community Development Fund (RTCDF)**

- The Rural, Township and Community Development Fund was designed to promote sustainable change in social and economic relations and support the goals of growth and development in the rural and township economy, through financing of sustainable enterprises. This would be achieved through the mobilisation of rural communities in legal entities or cooperatives, in order to participate in the broader economic activities and realise the economic transformation goals in rural South Africa.

- Promote access to finance for black rural entrepreneurs/communities;

- Promote economic transformation in order to enable meaningful participation of black people in the economy;
- Increase the participation of communities, workers, co-operatives and other collective Enterprises owned and managed by black people;
- Create sustainable rural enterprises and thereby assisting in the creation of job opportunities and sustainable incomes; and
- Identify new growth sector with potential for job creation and broad-based participation.

Under RTCDF the NEF chose the following key strategic sectors as instruments for increasing black inclusion, transformation and contribution to the economic growth of South Africa:

- Revitalisation of the Rural and Township Economies
- Tourism
- Agro-processing
- Real Estate

### **I. Revitalisation of the Rural and Township Economies**

The NEF understands the importance of sustainable economic activity in Townships and Rural areas and has developed products that focus on funding businesses in these areas. The NEF currently has substantial presence in townships, rural and peri-urban areas. This is because the NEF believes in taking economic activities and opportunities to where its target market is.

As part of the NEF mandate and strategic objectives, the NEF through the RTCDF is driving black economic empowerment by supporting the growth of rural and township economies in order to help take economic empowerment where the majority of its target market resides. This is in line with the Government's objective to revitalise the rural and township economies. This is because rural and township-based SMEs are typically outside the value chain reducing them to survivalist rather than viable business ventures. This grassroots revolution has seen the NEF funding black-owned shopping malls, hotels, social housing, student accommodation, procurement, franchises, clothing and footwear manufacturers, among many others, including converting existing spaza shops into mini-supermarkets that can compete with established retailers.

Over R2.1 billion has been invested in the development of community-owned businesses, having supported 18 989 jobs, with the majority of beneficiaries being women.

## II. Tourism



The benefits of the tourism sector are usually felt at two levels: national and subnational levels. At the first level, tourism is expected to foster economic growth through the provision of foreign exchange earnings and increase of national revenue, and at the second level an improvement in people's wellbeing in the areas of job creation, income distribution and development, economic inclusion and indirectly assisting with land redistribution in South Africa. Tourism is closely related to a number of other economic sectors such as agriculture, construction and retail, and thus its development has the potential to generate positive externalities to the rest of the economy. Tourism development can also promote the productivities of other industries through industrial substitution and integration, and lead to structural and transformational change.

As a result, the NEF has funded various lodges and hotels within the tourism industry throughout the country. The total portfolio disbursed to date is over R200 million yielding over 519 jobs; a significant amount and a clear demonstration of NEF's commitment to focus on priority sectors with the potential to create jobs and uplift the economy. The impact of these transactions have influenced social and infrastructure development, such as road infrastructure, housing, and retail centres in the respective communities.

The NEF and the Department of Tourism ("DT") entered into an MOU to establish the Tourism Transformation Fund (TTF) that focuses exclusively on the transformation of the South African tourism sector. The DT has contributed a total of R120 million towards the fund, which was transferred to the NEF over a 3-year period from the 2017/2018 to 2019/2020 financial year (R40 million per annum). Through this partnership, the NEF finances the senior debt and



shareholder's loan portion of the transactions while the DT funds are applied as grant funding. The TTF grant component is capped at 30% of the total funding approved by the NEF up to a maximum of R5 million per applicant.

One of NEF's flagship projects is the Graskop Gorge Lift, a project that will drive tourism development in the Panorama Tourist Route, and the first of its kind in Africa. The first phase of the project received funding from the NEF to the tune of R33.4 million. The total value of the project is R40 million at present and is expected to grow to R150 million upon completion of the second phase. Graskop Gorge Lift Centre demonstrates the National Tourism Sector Strategy in action as it will enhance visitor experience, showcase innovation in destination management and demonstrate the Broad-Based Benefits in the tourism sectors.



Below is summary of other transactions that have been funded by the NEF through TTF:



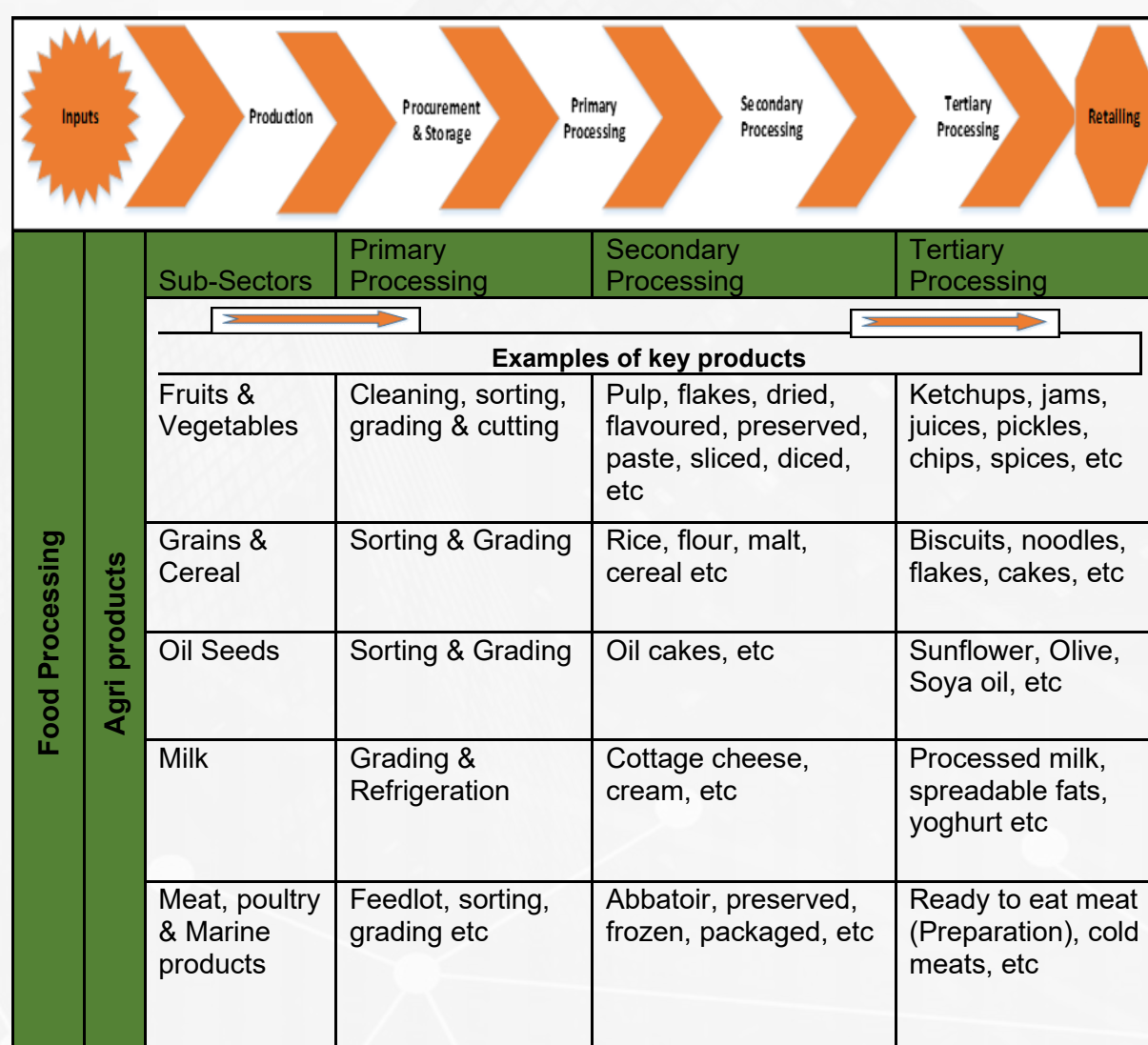
| Tourism Sector      |               |                    |                   |              |                         |                    |
|---------------------|---------------|--------------------|-------------------|--------------|-------------------------|--------------------|
| Name of Investee    | 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%               |
| <b>Total</b>        |               | <b>78 254 235</b>  | <b>59 523 629</b> |              | <b>286</b>              |                    |

The NEF intends to continue bolstering its partnership with the DT in order to grow the participation of black businesses within the tourism sector. Both the NEF and DT continue to promote the TTF programme and source commercially viable transactions. With the continued support of businesses within the tourism sector, the NEF will not only contribute in growing this sector but will assist in growing other sectors that benefit from the tourism sector.



### III. Agro-processing

An analysis of the agribusiness value chain provides an indication of areas of funding that are complementary between institutions. Though they may fund similar sectors, the scale and the level may be completely different. NEF is stronger on the primary & secondary processing, whilst the IDC may be interested in the tertiary processing.



The above agribusiness value chain analysis reflects the areas in which the NEF has played a huge role and invested quite substantially. The transactions in this space are on the borderline of agro-processing and hence there are areas of cooperation with the IDC as they focus on fully-fledged agro-processing. The NEF has always played a role in primary agro-processing, especially when there are strong forward and backward linkages.

A forward linkage is created when investment in a particular project encourages investment in subsequent stages of production. A backward linkage is created when a project encourages investment in facilities that enable the project to succeed. Normally, projects create both forward and backward linkages.

The table below indicates the sub-sectors in the agribusiness value chain funded by the NEF:

| Transaction             | Sector        | Sub-sector                  | Amount Invested | Target Group  | Gender         |                | Linkage            |
|-------------------------|---------------|-----------------------------|-----------------|---------------|----------------|----------------|--------------------|
|                         |               |                             |                 |               | Male           | Female         |                    |
| Middledrift Dairy       | Agri-business | Milk Production – Livestock | 9 900           | Community     | 856            | 1 284          | Forward            |
| Ntusi Dairy             | Agri-business | Milk Production – Livestock | 13 000          | Community     | 500            | 1 320          | Forward            |
| Berlin Beef             | Agri-business | Beef Production – Livestock | 27 500          | Co-operatives | 25 200         | 37 800         | Backward & Forward |
| Mthanda Dairy           | Agri-business | Milk Production – Livestock | 14 000          | Community     | 624            | 937            | Backward & Forward |
| Buffalo Bull            | Agri-business | Beef Production – Livestock | 9 900           | Workers Trust | 40             | 60             | Forward            |
| Boesmansrivier          | Agri-business | Piggery – Livestock         | 7 000           | Workers Trust | 8              | 12             | Forward            |
| Imbaza Mussels          | Agri-business | Aquaculture - Fisheries     | 9 900           | Workers Trust | 23             | 90             | Forward            |
| Western Breeze          | Agri-business | Fruits and Vegetables       | 28 552          | Community     | 187 216        | 280 824        | Forward            |
| Molam's Farming         | Agri-business | Grains, Oil Seeds           | 13 200          | Community     | 1 736          | 2 604          | Forward            |
| Richmond Oepkomonde     | Agri-business | Sheep – Livestock           | 3 610           | Community     | 18             | 26             | Forward            |
| Mohale Agri Copoerative | Agri-business | Poultry & Vegetables        | 14 500          | Co-operatives | 19             | 29             | Forward            |
| Nyonende Hatchery       | Agri-business | Poultry                     | 9 700           | Co-operatives | 3              | 5              | Forward            |
| Dihoai Co-operative     | Agri-business | Milling                     | 9 350           | Co-operatives | 2              | 3              | Backward & Forward |
| Subrofusion             | Agri-business | Grains – Sorting & Grading  | 14 000          | Workers Trust | 5              | 40             | Backward & Forward |
| Super Grand             | Agri-business | Milling                     | 15 000          | Co-operatives | 15             | 235            | Backward & Forward |
|                         |               |                             | <b>199 112</b>  |               | <b>216 265</b> | <b>325 269</b> |                    |



*Examples of transactions in the agro-processing sector:*



Azowel Projects (Pty) Ltd is a 100% black woman and youth owned entity that operates a subsistence business on a leased farm located in the Madundube rural area in Maphumulo, KwaZulu-Natal. The farm is located 8km from central KwaDukuza and measures 8ha, which is zoned for agriculture and belongs to the Qwabe Nkanini Community Property Association (“QNCPA”).

The farm was previously owned by a white farmer who operated a successful commercial tunnel farming operation producing cucumber, peppers, tomatoes and salad greens. Following a land reform claim settlement in 2014, the farm’s ownership was transferred to the QNCPA. The sole proprietor Ms Welile Bridgete Gumede is a member of a beneficiary family of the Qwabe Nkanini Community Property Association. Ms Gumede is a graduate from the Durban University of Technology (DUT) and was also a successful participant and graduate of the NEF’s 2019 Entrepreneurial Training and Pitching Session in KwaZulu-Natal (KZN), she has also attended SETA approved trainings in Agriculture.





Forever Mushrooms, is 100% owned by Mr Percy Karabelo Raseobi, a start-up that will be growing mushrooms in a controlled environment. The company will operate from Botshabelo at the Free State Development Corporation Industrial Park.



The project is a collaborative one between the University of Free State (UFS) and Forever Mushrooms to commercialise an opportunity, which UFS has been exploring on a small scale. Forever Mushrooms will grow and sell the exotic mushrooms which are used for medicinal and home consumption. In addition, UFS will provide the spawns, training and on-going technical and business support. The project required a approximately R6m from the NEF, with the shareholder contributing R125 000 and DESTEA providing a grant of R320 000 (will be used to reduce NEF facility).



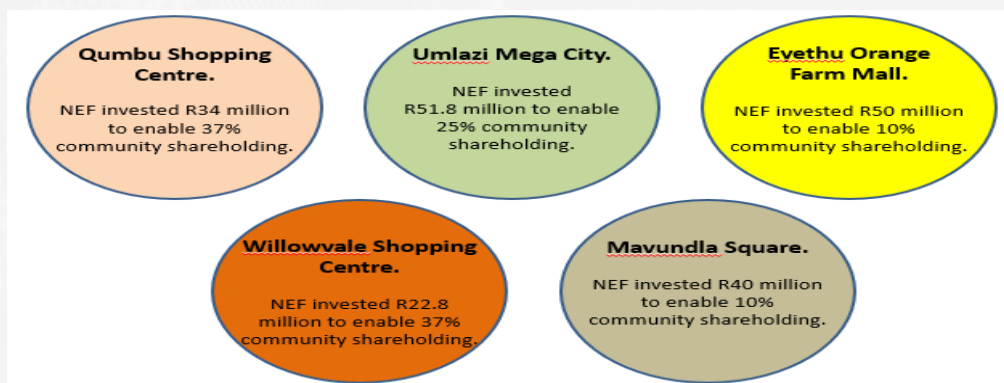
KasiDeve is a start-up Horticultural Farm located in the rural area of Koningkrantz, Ga-Maponto in the Molemole District Municipality of the Limpopo province. This 100% black youth-owned farming business currently produces five (5) hectares of spinach, tomatoes and butternuts to help sustain itself. The promoter started a drive of business development in 2018 to grow the farm into potato production. He then started engaging chemical suppliers, fertilizer suppliers, Potatoes SA and established potato producers in the area like for guidance and mentorship. The farm currently employs 3 graduates and 10 temporary workers. The temporary workers are employed during planting, weeding and harvesting periods. These workers are going to be absorbed permanently post the NEF investment.

#### **IV. Real Estate**



The Gordon Institute of Business Science undertook research on understanding of the economic environment within rural areas and townships in 2016. The purpose of this study was to understand what research has been done on strategic interventions to revitalise both the rural and township economies, as well as to make recommendations on how to bolster current revitalisation efforts. The literature reviewed has shown a bias towards the retail SMME sector within townships at the expense of wholesale and manufacturing, which, along with retail and due to their symbiotic nature, are a necessity in order to have truly thriving rural and township economies. Further, the rural economy needs to be taken cognisance of if the imbalances of the past are to be addressed, and some of the issues currently faced in townships are to be addressed.

The investment in this sector has a lot of spin-offs and has created a number of SMMEs in the franchising space. For each shopping centre, there is a huge opportunity of franchising, which the NEF has taken full advantage of. This is one of the most successful investment spaces in the rural and township economy that still has a huge potential to grow. The total NEF retail project investment is valued at R908m and R224 million has been committed.



**Umlazi Mega City** – The communities of Umlazi and Lamontville townships in KZN, represented by Sizovuna Investments, acquired a 25% stake in Umlazi Mega City Shopping Centre with NEF funding of R51.8 million. We have since been exited by the Community. Created value of R100 million for the community post-NEF exit.

NEF realised an investment return of 11%, approximately R90 million. This genuine B-BBEE deal is delivering substantial social returns to community beneficiaries at large, including job creation and skills development.

**Orange Farm** – In the peri-urban area of Orange Farm, in Gauteng’s Johannesburg south, the NEF has approved R50 million to support 19% upfront community ownership of a regional shopping centre measuring 39 000m<sup>2</sup>. 46% of the shops will be let to black tenants in a mall



whose commercial viability is based on 80% confirmed leases. Between 20% and 30% of the project value will be spent in the Orange Farm area, and retail store opportunities.

The NEF and Pick n Pay Partnership as an instrument that fosters the township economies. Below are a list of transactions concluded with Pick n Pay, as part of the Pick n Pay conversion program:

### The NEF and Pick n Pay Partnership as an instrument that fosters the township economies

| <b>Pick 'n Pay Conversion Programme</b> |                 |                        |                     |                           |
|---|-----------------|------------------------|---------------------|---------------------------|
| <b>Name of Investee</b>                 | <b>Location</b> | <b>Amount Invested</b> | <b>Jobs Created</b> | <b>Women Shareholding</b> |
| 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%                      |
| <b>TOTAL</b>                            |                 | <b>6 105 000</b>       | <b>74</b>           |                           |

An example of investment in the township economy is the partnership the NEF has established with Pick n Pay in a multi-million project that will change the face of micro-businesses and turn them into viable businesses that compete with established retailers in the townships.

The Pick n Pay Conversion Programme is an innovative initiative, which involves the retail chain investing grant funding of up to R500 000 in the upgrading and refurbishing of Spaza shops, connecting them to Pick n Pay systems ( including linking them with the chain retailers' group suppliers at preferential rates for stock), providing initial stock and providing business mentorship. The programme creates a unique townships experience. What makes this programme unique is that all store owners remain 100% independent while they continue being supported through an established Pick n Pay systems and processes. The NEF, Old Mutual (through its Masisizane Fund) and Brimstone are co-funding the programme.

## E. Women Empowerment Fund

The purpose of the Women Empowerment Fund established in the financial year 2014/15 is to accelerate the women economic empowerment through the provision of funding to businesses owned by black women. Finance will be provided from R250 000 to R75 million across the whole of the NEF existing product suite described above. A minimum of 51% black

female ownership is a main criterion. Black women have to be operationally involved at the managerial and board levels. Other empowerment dividend pillars have to be considered.

*Examples of transactions funded under this Fund include:*

The NEF is currently developing a project (**Jalo Renal Izintso**) in partnership with 2 black women to build the first manufacturing plant for production of dialysers. This project is in financial close. Since inception, the Venture Capital Fund has invested R580 million in transactions that are now operational, leveraging a total of R4.78 billion in private funding from commercial banks and private equity funding, and in the process creating over 8 000 new jobs.

**L&R** is 100% black woman-owned company based in Meyerton, Gauteng. The company has experience in construction with the primary focus being social housing. L&R has a CIDB grading of 8GB PE and 7CE PE. The business has over a period of time completed projects of over R322 million.



The combined experience of its staff allows L&R to cover a wide range of activities on the contracts that have been awarded to the entity. L&R has a track record and the capacity to deliver on any project it manages, which includes, building; construction and concrete supplies services in the open market. L&R is an award-winning entity and it has been the recipient of the Govan Mbeki Best Women Contractor Award in the North West Province. It has also been awarded Best Women Contractor for 2015 and 2016 in the Eastern Cape.

## 6.2.2. Growing BEE Through Partnerships

The NEF has been growing, and will continue to make an effort to grow BEE, by partnering with various stakeholders to leverage on funding opportunities to fund NEF investees. The stakeholders include, but are not limited to, Enterprise Development (ED) funders and Venture Capital Companies (VCCs) as discussed below:

### A. Enterprise and Supplier Development (ESD)

The NEF continuously looks to foster strategic partnerships that unlock third party capital that can be deployed to applicants/investees along with the organisation's own unencumbered capital. Since inception to date the NEF has leveraged third party funding amounting to R9.08 billion (made up of both the ESD funds and funds from commercial lenders/other DFIs).



The NEF is currently in partnership with various stakeholders, which are from both the private and public sector, for the purpose of crowding in capital. The following funding partnerships were concluded during the 2020/21 reporting period:



| PRIVATE SECTOR CONTRIBUTIONS              |  |                               |   |
|---|--|-------------------------------|---|
| No.                                       | Organisation   | Actual Funds Received (R'000) | Primary Objective   |
| 1   | SIOC-CDT   | R9 000                        | Covid-19 Relief Fund to benefit Sishen Iron Ore Company-Community Development Trust (SOIC_CDT) host communities in Limpopo and Northern Cape.               |
| <b>Total Private Sector Contributions</b> |  | <b>R9 000</b>                 |   |
| PUBLIC SECTOR CONTRIBUTIONS               |  |                               |   |
| No.                                       | Organisation   | Actual Funds Received (R'000) | Primary Objective   |
| 1   | Kalmer on behalf of TPT  | R250                          | To empower SME's operating within the Transnet value chain. Contributions towards TPT ESD Grant in line with existing TPT Agreement.                        |
| 2   | Limpopo Economic Development, Environment and Tourism (LEDET)        | R10 000                       | Covid 19 Relief Fund for NEF portfolio clients in Limpopo.  |
| 3   | IDC Covid 19 Relief Fund   | R200 000                      | Funding for black entrepreneurs providing relief for the Covid 19 pandemic.   |
| 4   | Northern Cape Department of Economic Development and Tourism (DEDAT) | R30 000                       | Co-funding black entrepreneurs domiciled in the Northern Cape. Establishment of the Northern Cape Blended SMME Fund to empower SMME's in the Northern Cape. |
| 5   | DTIC -Women Empowerment Fund   | R141 659                      | Establishment of the Women Empowerment Fund, targeting women owned and managed businesses.  |
| 6   | DTIC- Economic Distress Fund   | R150 000                      | Provide relief to businesses adversely affected by the Covid-19 pandemic.   |
| <b>Total Public Sector Contributions</b>  |  | <b>R531 909</b>               |   |
| <b>Total Contributions received</b>       |  | <b>R540 909</b>               |   |

As businesses across the world continue to do battle against the effects of the COVID-19 pandemic, the NEF in partnership with DEDAT launched a fund to benefit black-owned and managed SMMEs domiciled in the Northern Cape following the establishment of the Northern Cape Blended SMME Fund. The fund is valued at R75 million. The initiative has focused on

enterprise and supplier development support to local SMMEs and provide concessionary funding across all sectors of the provincial economy.

The R30 million contribution from the Northern Cape DEDAT will be utilised for non-refundable grants of up to R4 million per transaction and account for about 40% of the fund. The NEF's contribution makes the remaining 60% of the R75 million, comprising a refundable loan portion of R45 million. In accordance with the partnership agreement concluded in March 2021, DEDAT has partnered with the NEF to establish, develop, implement and administer the Northern Cape Blended SMME Fund, through which the NEF will assist the Department in the acceleration of Broad-Based Black Economic Empowerment within the Province.

| FUND CONTRIBUTOR  | 2019 (R'000)   | 2020 (R'000)    | 2021 (R'000)    | 2022 (R'000)       |
|---|----------------|-----------------|-----------------|--------------------|
| Department of Rural Development and Land Reform,                          | R19 614        | -               | -               | -                  |
| Western Cape Department of Economic Development, Environment and Tourism  | R7 000         | R10 000         | -               |                    |
| DSAC  | R25 000        | -               | -               |                    |
| Nissan  | R1 404         | -               | -               |                    |
| Department of Tourism   | R40 000        | R40 000         | -               |                    |
| Pick N Pay  | R2 267         | -               | -               |                    |
| Transnet Port Terminals   | -              | R15 000         | R250            |                    |
| Bakubung Platinum Mine  | -              | R3 000          | -               |                    |
| City Of Ekurhuleni Metropolitan Municipality                              | R0             | R33 000         | R0              |                    |
| Limpopo Department of Economic Development, Environment and Tourism       | -              | -               | R10 000         |                    |
| SOIC-CDT  | -              | -               | R9 000          |                    |
| <b>the dtic</b> Allocations   | -              | -               | R491 659        | R800 000           |
| Northern Cape Department of Economic Development, Environment and Tourism | -              | -               | R30 000         |                    |
| Department of Transport   |                |                 |                 | R1 135 000         |
| NC Gov Economic Development & Tourism                                     |                |                 |                 | R27 225            |
| Steve Tshwete Municipality  |                |                 |                 | R20 000            |
| Solidarity Grant Funding  |                |                 |                 | R116 400           |
| <b>TOTAL</b>  | <b>R95 286</b> | <b>R101 000</b> | <b>R540 909</b> | <b>R 2 138 625</b> |

The table above provides a summary of contributions received in the last three (3) financial years. It depicts that the NEF has received a total of R737 million in third party allocations in just three years – a growth of around 6% during the 2019/20 reporting year, in this important indicator was followed by a much impressive growth of over 100% in the 2020/21 reporting year. A long-term observation shows that over R1.4 billion in contributions have been received from both private and public sector partners since inception of the ESD programme in 2012. This high value of partnerships raised from diverse institutions highlights that there is a form of consensus regarding the need to accelerate transformation in South Africa. It also signifies that over the years the NEF has built a strong reputation in managing enterprise and supplier development support through partnerships with various entities across the public and private sectors.



The NEF continues to explore more ESD funding partnership opportunities to diversify its source of capital and maximisation of Empowerment Dividend. The NEF is currently in talks with between 5 and 8 potential partners to raise over R1.80 billion in the next 2 financial years. Our commitment and drive towards the empowerment agenda is fuelled by the economic exclusion, high unemployment and poverty that continue to face black people.



## **B. Alternative forms of third-party funding**

As mentioned above, SPF is a project development and Venture Capital Fund that targets projects that are in alignment with the Industrial Action Policy Plan and the National Development Plan. As per the description of venture capital given above, SPF projects typically have exponential growth potential, which is cemented by following strict project development processes to advance projects from concept stage to financial close.

Most of these projects are at financial close already and would require capital of over R1.6 billion. Due to limited funding resources at the NEF and the prudential limit of R75 million per transaction, the SPF investment team has endeavoured to identify alternative methods of raising capital for projects. The capital to be raised will supplement the funds invested by the NEF in the earlier stage to fully commercialise and grow these projects. To that effect, VCCs were identified as another form of leveraging additional funding.

### *Venture Capital Companies*

Venture Capital Companies ('VCC') are special purpose vehicles that have been identified by the South African government as tools that can stimulate economic growth by investing into small businesses. These companies are a response to Section 12J of the South African Income Tax Act, which was promulgated in 2009 by Treasury as a response to the limited equity finance pool for small and medium businesses and junior mining companies. These companies are different from standard venture capital firms in that they offer added advantages to investors. These advantages are in the form of tax breaks that are in proportion to the amount invested.

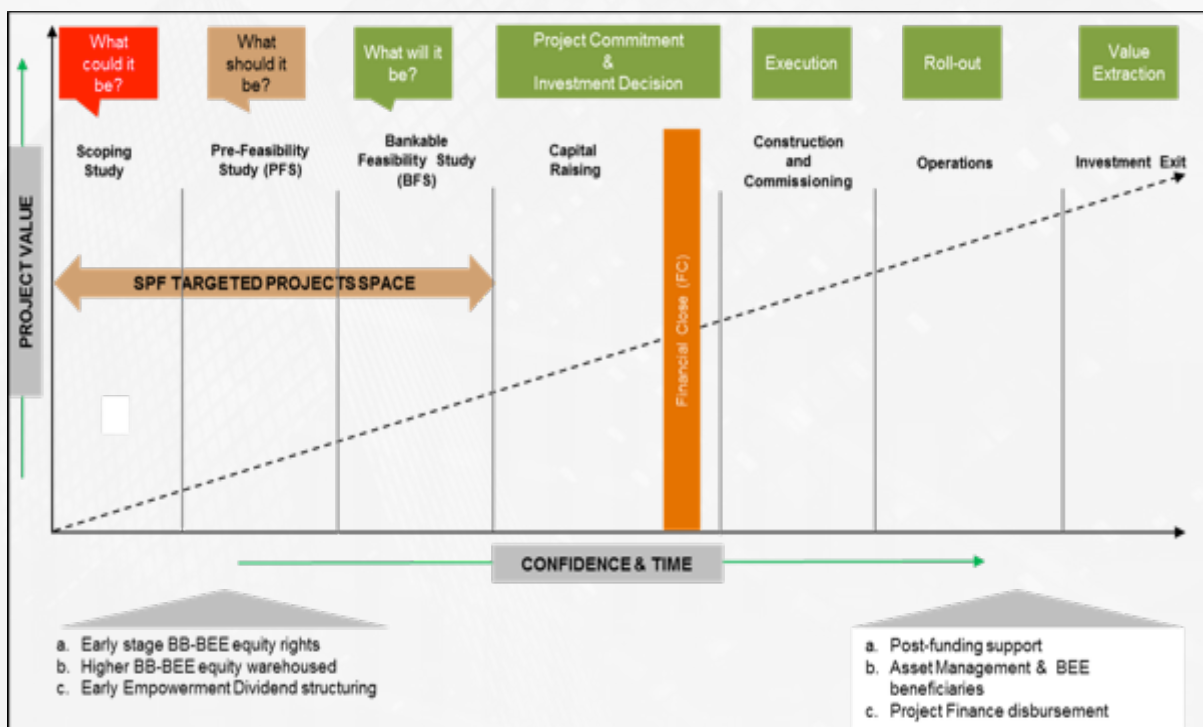
A number of regulatory conditions are in place to ensure compliance and limit abuse of these types of companies. One such condition is that a company cannot invest more than R50 million in one project.

### *Application to SPF projects*

The NEF can appoint an asset management firm that will register and manage a VCC on its behalf. The SPF investment team and asset management company can make efforts to find investors that will invest their funds into the VCC for a minimum period of 5 years. The asset management firm will receive management fees that will be a fraction of the total funds raised.

A VCC can invest R50 million in equity into any of the SPF projects that are at financial close. Should the project require more than R50 million, another VCC vehicle will be used to fund the balance. The number of VCCs managed by the asset management firm will depend on the quantum of funding required by different projects in the portfolio.

The invested funds will remain in the project until the business has grown substantially and the VCC is ready to divest to a new investor or until the business lists on a stock exchange. The retrieved funds will thereafter be disbursed back to individuals/corporates who invested into the VCC. The NEF can remain a part of the project at this point or exit following the guidelines of the Exit Framework.



### 6.2.3. Maintaining Financial Sustainability

Maintaining financial sustainability remains one of the key objectives of the NEF. In order to achieve this the NEF has to maintain a delicate balance of achieving its developmental mandate while ensuring that the key financial matrix, for example impairments to book and ROI, remain within their targeted range. In addition, the NEF will continue to evaluate exposures/assets within its balance sheet, which can be more effectively managed so as to reduce volatility in earnings.

In order to maintain financial sustainability, the NEF will focus on the following key areas:

- Reduction of impairments;
- Improved collections; and
- Enhancement of the NEF's ROI and management of the cost-to-income ratio.

## **A. Reduction of Impairments**

For the financial year 2020/21, the NEF has an impairment to book ratio of 25%, which is within the targeted range of 25% and below. It's currently at these levels as a result of a couple of events: firstly, the settlement of a significant account, which led to the reduction of the size of loan book in relation to existing impairment value; and a slowdown in economic activity in South Africa (affected by the Covid 19 pandemic), which has affected the businesses of our investee companies resulting in investees not able to service the loans resulting in accelerated impairment charge. Over the medium to long term the NEF will embark on the initiatives below in order to reduce overall impairment levels.

### **Short-to-medium term**

- Increased focus on high-value approved transactions of transactions valued above R20m;
- Monthly client management meetings to discuss challenges and solutions;
- Monthly impairments management meetings to discuss movements and high-value impairments;
- Linkage of clients and ensure market access for SME clients through various interventions;
- Revise business model if need be and ensure its successfully implemented;
- Quarterly meetings with TWR and LSU with regards to urgent interventions; and
- Revaluation of underlying collateral when clients fall into arrears or are in financial distress.

### **Long term**

- Ensure that clients are managed as per original approved terms and/or revised one;
- Seek technical equity partners for some of the transactions; and
- Reduction of the time taken to collect amounts that are in arrears.

The current NEF impairment model utilises GRAP 104 as a basis, with the introduction of the newly adopted International Financial Reporting Standard 9 expected to result in higher volatility in impairments, management will endeavour to ensure that this volatility is minimised as much as possible, when this new standard is adopted.



## **B. Collection Ratio (short-to-long term)**

The NEF intends on achieving a collections ratio of 80% and above over the MTEF. This collection target is a combination of normal collections (as a result of the natural amortisation of the loan book) and extraordinary collections as a result of the NEF proactively seeking exits/settlements where it is deemed commercially viable to do so. The collection efforts will further be enhanced through the following initiatives:

- Monthly monitoring of clients during moratorium and/or reduced instalment period;
- Encourage early settlement for amortised loans;
- Value enhancement on equity transactions and pursue dividends in equity transactions; and
- Convert patient instruments so that clients can start with repayments.

## **C. Return on Investments and Cost to Income**

The current ROI on the NEF's assets is 5.38%\*\* as at 31 December 2021, with the NEF targeting an ROI of 7%. This is owing to the fact that 14% of the NEF's loan book is interest free instruments. The remaining instruments are prime linked and were affected by the declining prime lending rates under COVID-19. The return on investments for the prime linked portion of the portfolio is 7.41%

In the short to medium term the NEF intends on maintaining its ROI within the targeted range. This will be maintained as a result of the following initiatives:

- Maintaining an appropriate risk-adjusted pricing on newly approved loans; and
- Encouraging the funds to disburse funds earlier in the financial year to enable the NEF to earn interest for a longer period during the year.

The NEF has a targeted cost-to-income ratio range of between 54% and 58%. In the short to medium term this target range is expected to be maintained through management implementing cost-saving measures, which will ensure that, from an operational perspective, the NEF continues to fulfil its mandate while ensuring that the growth in operational costs is maintained at CPI + 1%. Further, to this, efforts are being made to increase revenue streams by entering into partnerships which will provide additional income from management fees.

**\*\*Note:** The adjusted ROI excludes concessionary loans funded from the dtic allocations which are priced at 2.5% and less.

## 6.2.4. Human Capital Plan

The Human Resources (HR) department plays a critical role in supporting the business strategy, in that HR provides an enabling environment and serves as an enabler of people development and ensures that its processes and procedures sufficiently motivate staff so that they can deliver the required standards and outputs.

The HR department through various interventions, will ensure that employees are actively engaged and contribute to the refinement of its service offering and thus positioning the NEF for success in achieving its mandate. The department does this by:

- Delivering business results through an integrated people-centred strategy, that supports employees by providing training and development opportunities;
- Attracting high-calibre and suitably qualified candidates who are fit for purpose;
- Utilising a pay-for-performance remuneration structure which ensures that key and top talent is retained at the NEF; and
- Ensuring that exceptional performance and potential remains a major yardstick with which performance and ultimately succession planning and talent management is measured, albeit there are other key factors that assist in determining the suitability of the targeted employees.

Underpinned by the NEF's core values, the organisation strives to position itself as an employer of choice. Broadly, the NEF:

- Offers a rich, rewarding and fulfilling career for its employees;
- Embraces diversity in its employees by creating an environment that allows for inclusivity, thereby increasing the levels of employee engagement;
- Offers support and assistance to staff to improve their skills, qualifications and expertise;
- Offers a unique mandate that is appealing to its employees and ensures that they remain engaged all the time;
- Has employees that are young, vibrant and dynamic that go beyond the call of duty for their clients;
- Ensures that the wellbeing of its staff is taken care of and has employee-friendly HR policies; and
- Provides an enabling environment for its employees to thrive in their jobs.

The NEF has, despite operating with limited human capital in the last four years, managed to meet and exceed its annual targets. This situation is, however, unsustainable and has to be



speedily remedied as soon as the recapitalisation issues are resolved. This will ensure that the full potential of the organisation is realised as operating processes are already established and tested to allow even higher achievements.

## 6.2.5. Non-Financial Support

The NEF provides non-financial support through four of its business units, specifically:

- The Pre-Investment Unit, which provides the first line of non-financial assistance to prospective investees. The unit provides support to applicants seeking funding, in addition to entrepreneurial development training. The three key elements are:
  - Business planner tool, which is an online tool that assists users to compile business plans;
  - Business Incubation, which is aimed at providing support to clients who have an idea that is at an early stage; is not ready for funding and therefore needs nurturing.
  - Entrepreneurial training, which is targeted at entrepreneurs who require capacity building and enhancement in running their fledgling businesses.
- The Post-Investment Unit, which manages the investment portfolio management through monitoring of investee operational performance, credit control and collections and assists investees with mentorship and training.
- The Turnarounds, Workouts and Restructuring Unit, has been a key addition complementing the services of the Post-Investment Unit. Its purpose is to provide support to investee businesses that are experiencing operational and financial challenges. This team works together with the entrepreneurs in assessing and restructuring the financial and/or operational aspects of the businesses.
- The Socio-Economic Development and Asset Management Unit, which facilitates social interventions in transactions with broad-based groups or communities; fosters a culture of savings and investment among its beneficiaries through such programmes as the national investor education programme. It also identifies opportunities for beneficiaries in transactions and assists in developing market linkages.



## A. EMPOWERMENT DIVIDEND

The NEF measures and assesses its impact not only on the basis of financial return, but in accordance with what is referred to as the Empowerment Dividend which is the socio-economic impact of the NEF's investment activities, as provided for in the Broad-Based Black Economic Empowerment Act.

The elements of the Empowerment Dividend are measured as follows:

- *Contribution to Broad-Based Black Economic Empowerment* – The NEF assesses each transaction against the results of the B-BBEE scorecard, before and after funding, to ensure that each transaction contributes to the advancement of B-BBEE.
- *Participation by black women* – The NEF emphasises the empowerment of women by providing for an additional weighting for black women participation.
- *Job Creation* – Contribution towards employment creation and the number of jobs created per rand invested or jobs sustained through investment in expansion type activities.
- *Investment in Priority Growth Sectors* – The number of investments facilitating black ownership and control of existing and new enterprises in the priority sectors of the economy as identified by the IPAP and the National Development Plan.
- *Geographic Spread* – Geographic spread of investments and contribution towards increased economic activity across all provinces, particularly in areas of regional economic disadvantage.
- *Investment Return* – The real return that each Fund realises on capital employed, after the impairment ratios experienced for that fund, as a combined measure of debt, equity and quasi-equity invested.

## B. The NEF's Target market

The NEF provides funding to black entrepreneurs for start-up and expansion companies as well as for acquiring equity in existing white-owned businesses in line with the transformation objectives of B-BBEE. The target market is further segmented into the following tiers:

- Black individuals and groups with significant operational experience and an extensive investment portfolio and accumulated capital (Tier 1).

- Black individuals and groups with operational experience, which could include having concluded a limited number of BEE transactions. This sector typically has limited accumulated capital with existing Investments still encumbered / “not in the money yet” (Tier 2).
- Black individuals and groups with limited business or entrepreneurial experience (Tier 3).

### **C. Challenges faced by the target market**

In bridging the economic divide, the NEF strives to address the following market failures:

- Limited own capital;
- Poor quality of business plans;
- Lack of accurate and reliable financial information;
- Limited management skills, including financial, marketing and technical expertise;
- Lower bargaining power and strong competition from established businesses with entrenched market dominance;
- Inadequate access to affordable capital; and
- Lack of access to international markets.

In response to these challenges, the NEF's financial and non-financial services assist the target market.





## 7.NEF SITUATIONAL ANALYSIS

### 7.1. External factors

The policy making environment has been challenging as the priority of government has been altered due to the emergence and persistence of the pandemic. It's devastating effects on households and businesses were laid bare before us as it has changed the way we plan and live. Our government was not an exception to the effect of the disruption, especially planning sphere as the pandemic has severely set back the implementation of Medium Term Strategic Framework (2020 – 2024) priorities. In this challenging environment, the NEF will continue to focus on the priorities of the MTSF particularly priority number two which seeks to ensure economic transformation and job creation while being guided by the government and **the dtic**.

Global economic growth is projected at 6.0% in 2021 before declining to 4.9% in 2022 (International Monetary Fund, 2021). However, the paths of economic recoveries are diverging amongst regions and countries. Major developed countries are the main source of global economic recovery due to their supportive policy environment coupled with the successful vaccination program which culminated in half of their population being vaccinated. These steps have enabled opening of their economies, at the same time also facilitated demand.

The United States growth is expected to reach a level last seen nearly four decades ago, 7% at the end of 2021. Although growth is projected to subside in 2022, it will remain above the pre-pandemic levels. It appears that the US is set for a more sustained economic boom as strong fiscal allocation will support many industries and jobs. In addition, the lifting of Covid-19 restrictions is expected to stimulate massive demand for the tertiary sector as restaurants and event facilities reopen. The United Kingdom, Canada and Spain are also expected to record growth rates of 7%, 6.3% and 6.2% respectively in 2021.

According to IMF, growth in major emerging and developing economies have been revised down, China's growth forecast went down by 0.3 percentage points while more notably India reported reduction of 3.0 percentage points between April and July 2021. The significant decline in India's economy reflects the second wave which devastated the country. India's economy has been booming but the poor management of the pandemic has led to the loss of notable growth that could have been realised. Sub-Saharan Africa is projected to grow at 3.4% in 2021 and 4.1% in the following year. The lower projections in the region are attributable to poor management of the pandemic, relying heavily on lockdown restrictions which curtail economic activities and undesirable vaccination coverage.

## 7.2. Internal factors

The outstanding performance of the NEF has always been underpinned by its tenacious governance structure which is comprised of the Board, Exco and Manco. The Board is responsible for providing strategic direction and overseeing the management of the Trust and performance of the Executives with the assistance of various committees. These include: audit committee, risk and portfolio monitoring committee, board investment committee, social and ethics committee and human and capital retention committee. The NEF has been operating without a fully constituted Board between April 2020 and August 2021 but the entrenched values of good corporate governance under the stewardship of CEO, Exco and Manco has seen the organisation continue recording good results.

In undertaking its day-to-day activities, the NEF has a fund management investment policy and a standardised rigorous review processes of applications to fund black businesses that are commercially sustainable and deserving to increase the empowerment dividend. Financial resource rank as the top enabler for the Trust to deliver on its mandate of promoting and facilitating ownership of income generating assets by previously disadvantaged people. **the dtic** has recently (2020/21FY) allocated R150 million for Economic Distress Fund, R141 million Women Empowerment Fund and R150 million Black Business Manufacturing Fund. Coupled with NEF's finances, this funding has benefited over 110 businesses owned and managed by black people, women and youth.

The ability of NEF to attract and retain employees with suitable skills is vital in implementing our mandate. The Trust has continued to be efficient even though operating with a total of only 162 personnel, compared to the approved staff complement of 175. The gender breakdown shows that more than 60% of the employees are women and over 55% are people who are less than 40 years age. These show the NEF's commitment to transformation, particularly on youth and women empowerment.

### 7.3. Analysis of Strengths, Weaknesses, Opportunities and Threats (SWOT)

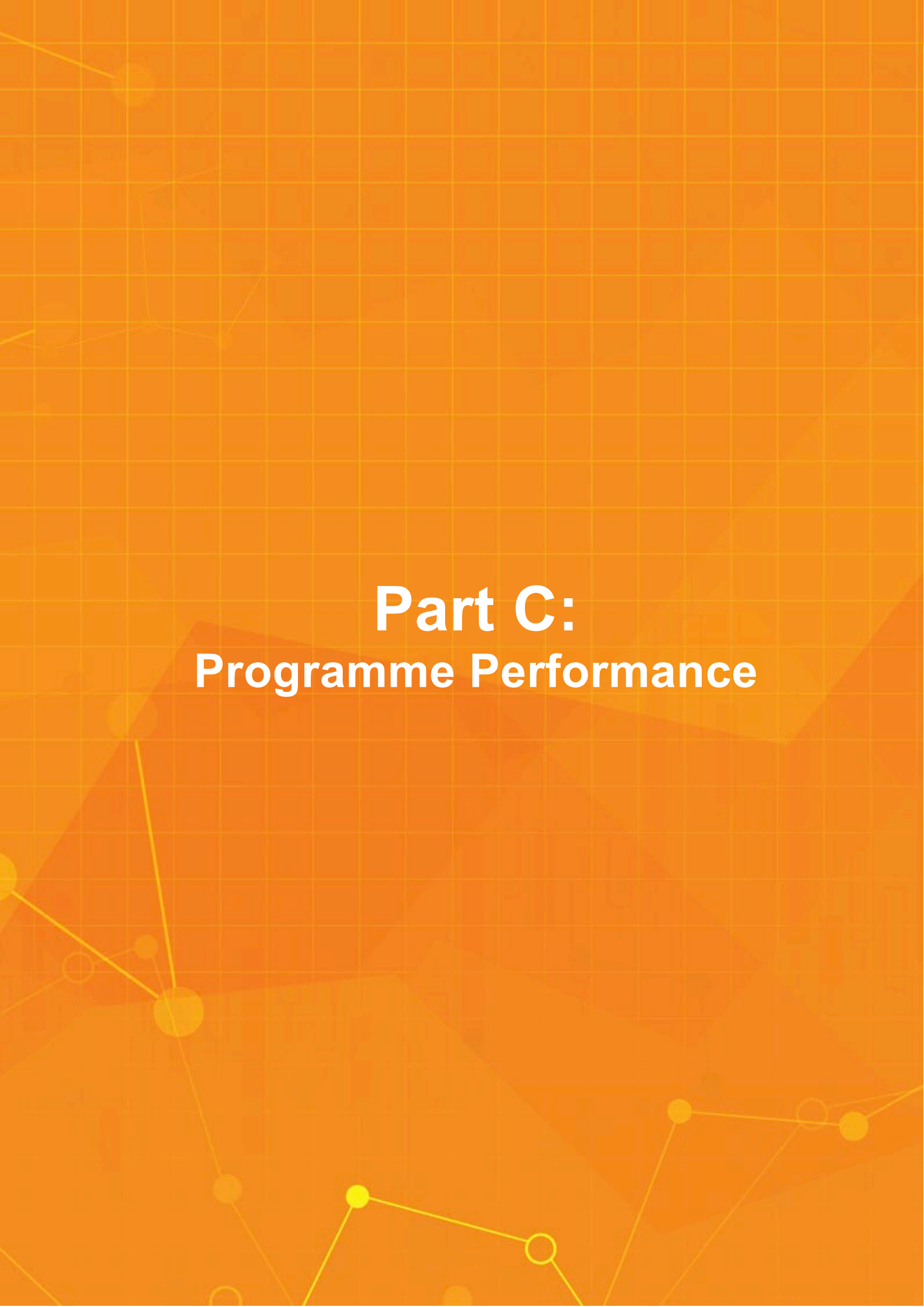
A brief summary of the NEF’s strengths, weaknesses, opportunities, and threats is listed below:

|  |  |
|--|--|
| <p><b>STRENGTHS</b></p> <ul style="list-style-type: none"> <li>• Innovative and solutions-based products.</li> <li>• Institutional and operational maturity.</li> <li>• Maintenance of high standards of corporate governance.</li> <li>• Rigorous accounting and sound financial management systems.</li> <li>• Strong internal control processes.</li> <li>• High performance-orientated organisational culture.</li> <li>• Technically strong and committed staff.</li> <li>• Track record in BEE funding.</li> <li>• Established portfolio with lessons learnt database.</li> <li>• Improving return on investments.</li> <li>• Thought leader in B-BBEE.</li> </ul> | <p><b>OPPORTUNITIES</b></p> <ul style="list-style-type: none"> <li>• Rising demand for national economic transformation.</li> <li>• Ability to contribute even more towards job support and creation.</li> <li>• Contribute to closing the gaps in the economic value chain.</li> <li>• Agriculture and other priority sectors need financial support.</li> <li>• Low cost of funding.</li> <li>• Expansion into other parts of Africa.</li> <li>• Scope to increase NEF footprint and visibility</li> <li>• Raise money through partnerships</li> <li>• Amendment of section 25 of the constitution (expropriation of land)</li> <li>• Growing sectors (townships and rural economy, renewable energy, tourism, agro-processing, automotives, metals, chemicals, infrastructure and human settlement, clothing, textile, leather and footwear).</li> <li>• Amendment to Schedule 2 of the Electricity Regulation, which will improve production efficiency and increase further industrialisation prospects.</li> </ul> |
| <p><b>WEAKNESSES</b></p> <ul style="list-style-type: none"> <li>• Need to rebuild staff capacity.</li> <li>• Need to improve sustainability and quality of deal.</li> </ul>  | <p><b>THREATS</b></p> <ul style="list-style-type: none"> <li>• Sluggish economic growth</li> <li>• Recapitalisation</li> <li>• Lower consumer and investor confidence.</li> <li>• Rising cost of funding investees.</li> </ul>   |



- Low approval rate on number of applications.
- Need to improve efficiency of information systems.
- Lack of financial resources.
- High impairment rate
- Low collection rate

- Growing population.
- Rising unemployment.
- High debt level.
- Poor quality of applications.
- Covid-19 infections and lockdowns
- Infrastructure – inconsistent supply of electricity

The background is a solid orange color with a light yellow grid pattern. Overlaid on the grid are several abstract network diagrams consisting of yellow lines connecting various sized yellow circles and squares. The text is centered in the middle of the page.

# **Part C: Programme Performance**

**Strategic Objective:  
Growing Black Economic  
Participation in the South African  
Economy**



## 8. Programme Performance

### 8.1 Programme 1: uMnotho Fund

#### Purpose of the programme

This Fund is designed to improve access to BEE capital and has six products: Acquisition Finance, New Ventures Finance, Expansion Finance, Capital Markets Fund, Liquidity and Warehousing, and Property. These products provide capital to black-owned and-managed enterprises, black entrepreneurs who are buying equity shares in established white-owned enterprises, new ventures finance and BEE businesses that are or wish to be listed on the JSE. Funding ranges from R2 million to R75 million. The Fund pricing is to achieve returns that are in line with the level of risk taken by the NEF.



## Description of the programme

Details of the six products provided by uMnotho Fund are provided below:

|                             | Acquisition Finance   | New Venture Finance  | Expansion Capital  | Capital Markets  | Liquidity & Warehousing   | Property Fund   |
|-----------------------------|---|--|--|--|---|---|
| <b>Investment threshold</b> | R2 million to R75million  | R5 million to R75 million  | R5 million to R75 million  | R2 million to R75 million  | R2 million to R75 million   | R5 million to R75 million   |
| <b>Product purpose</b>      | BEE applicants seeking to fund equity purchases of between R2 million and R75 million in existing businesses. | BEE parties seeking to participate in medium-sized Greenfields projects with total funding requests of between R10 million and R200 million. | Funding provided to entities that are already black-empowered but seek expansion capital to grow the business. | This product invests in BEE enterprises, particularly those owned by black women that seek to list on the JSE or its junior AltX market. The uMnotho Fund will also help listed BEE companies to raise additional capital for expansion. | This product assists BEE shareholders who need to sell a portion or all of their shares (as minority stakes in unlisted firms are hard to sell). Also acquires and temporarily warehouses these shares before on-selling those to new BEE shareholders, and | This product seeks to cater for BEE groups seeking to buy equity in existing property businesses; develop new property ventures; and to provide expansion finance to entities that are already empowered. |

|  | Acquisition Finance   | New Venture Finance   | Expansion Capital  | Capital Markets   | Liquidity & Warehousing   | Property Fund   |
|--|---|---|--|---|---|---|
|  |   |   |  |   | refinances BEE shareholdings where existing financing structures are costly and/or inefficient. |   |
|  | <ul style="list-style-type: none"> <li>• Medium to large companies</li> </ul> | <ul style="list-style-type: none"> <li>• Medium-sized greenfield projects with total funding</li> </ul> | <ul style="list-style-type: none"> <li>• Active BEE involvement in investee companies</li> </ul> | <ul style="list-style-type: none"> <li>• Medium to large companies</li> </ul> | <ul style="list-style-type: none"> <li>• Medium to large companies</li> </ul>                   | <ul style="list-style-type: none"> <li>• Medium to large companies</li> </ul> |

|  | Acquisition Finance   | New Venture Finance   | Expansion Capital | Capital Markets  | Liquidity & Warehousing  | Property Fund   |
|--|---|---|-------------------|--|--|---|
|  | <ul style="list-style-type: none"> <li>Focus on partnerships with existing management teams and other equity investors</li> <li>Active BEE involvement in investee companies</li> <li>BEE financial contribution on a case-by-case basis</li> </ul> | <ul style="list-style-type: none"> <li>requests of between R10 million and R200 million.</li> <li>BEE-specific financial contribution assessed on a case-by-case basis</li> <li>NEF exposure to the product generally not to exceed 50% of the total project costs</li> <li>Proven management experience within the consortium</li> </ul> |                   | <ul style="list-style-type: none"> <li>Focus on partnerships with existing management teams and other equity investors</li> <li>Active BEE management participation</li> <li>Active BEE involvement in investee companies</li> <li>BEE financial contribution on a case-by-case basis</li> </ul> | <ul style="list-style-type: none"> <li>Focus on partnerships with existing management teams and other equity investors</li> <li>Active BEE management participation</li> <li>Active BEE involvement in investee companies</li> <li>BEE financial contribution on a case-by-case basis</li> </ul> | <ul style="list-style-type: none"> <li>Alignment with priority sectors</li> <li>Active BEE involvement in investee companies</li> <li>BEE financial contribution on a case-by-case basis</li> </ul> |



|                               | Acquisition Finance   | New Venture Finance  | Expansion Capital  | Capital Markets  | Liquidity & Warehousing  | Property Fund  |
|-------------------------------|---|--|--|--|--|--|
|                               |   | Active BEE involvement in investee companies   |  |  |  |  |
| <b>Types of instrument</b>    | Investment instrument can include a combination of debt, equity and mezzanine finance.                                    | Investment instrument can include a combination of debt, equity and mezzanine finance. | Investment instrument can include a combination of debt, equity and mezzanine finance. | Investment instrument can include a combination of debt, equity and mezzanine finance. | Investment instrument can include a combination of debt, equity and mezzanine finance. | Investment instrument can include a combination of debt, equity and mezzanine finance. |
| <b>Black equity threshold</b> | <b>Minimum of 25.1%</b>   | <b>Minimum of 25.1%</b>  | <b>Minimum of 50.1%</b>  | <b>Minimum of 25.1%</b>  | <b>Minimum of 25.1%</b>  | <b>Minimum of 50.1%</b>  |
| <b>Pricing</b>                | <b>Influenced by Empowerment Dividend or Development Impact. Debt linked to prime rate and equity based on target IRR</b> |  |  |  |  |  |

|  | Acquisition Finance                        | New Venture Finance                          | Expansion Capital                          | Capital Markets                            | Liquidity & Warehousing                    | Property Fund   |
|--|--|--|--|--|--|---|
| <b>Terms of Investment and other terms</b> | Typical investment horizon of 4 to 7 years | Typical investment horizon of 5 to 10 years. | Typical investment horizon of 4 to 7 years | Typical investment horizon of 4 to 7 years | Typical investment horizon of 4 to 7 years | Typical investment horizon of up to 10 years on senior debt and up to 15 years on mezzanine debt and equity instruments |

## Performance indicators and performance targets per programme:

| Outcome   | Output            | Output indicator                                     | Audited Actual Performance |         |         | Estimated Performance (including WEF)  | Medium Term Targets |         |         |
|---|-------------------|--|----------------------------|---------|---------|--|---------------------|---------|---------|
|   |                   |  | 2018/19                    | 2019/20 | 2020/21 | YTD<br>31<br>December<br>21<br>2021/22 | 2022/23             | 2023/24 | 2024/25 |
| Growing black economic participation in the South Africa Economy and job creation | Approval of Deals | Value of deals approved by uMnotho Fund (R million)  | R317m                      | R251m   | R232m   | R425m                                  | R323m               | R387m   | R484m   |
|   |                   | Value of new Commitments by uMnotho Fund (R million) | R266m                      | R232m   | R218m   | R301m                                  | R242m               | R290m   | R363m   |

| Outcome | Output | Output indicator                                   | Audited Actual Performance |         |         | Estimated Performance (including WEF)  | Medium Term Targets |         |         |
|---------|--------|--|----------------------------|---------|---------|--|---------------------|---------|---------|
|         |        |  | 2018/19                    | 2019/20 | 2020/21 | YTD<br>31<br>December<br>21<br>2021/22 | 2022/23             | 2023/24 | 2024/25 |
|         |        | Value of Disbursements by uMnotho Fund (R million) | R263m                      | R121m   | R153m   | R399m                                  | R218m               | R232m   | R290m   |



**Quarterly milestones:**

| Outcome   | Output            | Output indicator  | Baseline<br>2021/22                      | 2022/23 Annual<br>Target | Cumulative<br>Quarterly Milestones |                         |                         |                         |
|---|-------------------|---|--|--------------------------|------------------------------------|-------------------------|-------------------------|-------------------------|
|   |                   |   | YTD<br>Performance<br>31<br>December2021 |                          | 1 <sup>st</sup> Quarter            | 2 <sup>nd</sup> Quarter | 3 <sup>rd</sup> Quarter | 4 <sup>th</sup> Quarter |
| Growing black economic participation in the South Africa Economy and job creation | Approval of Deals | Value of deals approved by uMnotho Fund<br><br>(R million)  | R425m                                    | R323m                    | R32m                               | R126m                   | R248m                   | R323m                   |
|   |                   | Value of new Commitments by uMnotho Fund<br><br>(R million) | R301m                                    | R242m                    | R17m                               | R73m                    | R162m                   | R242m                   |

| Outcome | Output | Output indicator   | Baseline<br>2021/22                      | 2022/23 Annual<br>Target | Cumulative<br>Quarterly Milestones |                         |                         |                         |
|---------|--------|--|--|--------------------------|------------------------------------|-------------------------|-------------------------|-------------------------|
|         |        |  | YTD<br>Performance<br>31<br>December2021 |                          | 1 <sup>st</sup> Quarter            | 2 <sup>nd</sup> Quarter | 3 <sup>rd</sup> Quarter | 4 <sup>th</sup> Quarter |
|         |        | Value of<br>Disbursements<br>by uMnotho<br>Fund<br><br>(R million) | R399m                                    | R218m                    | R11m                               | R61m                    | R139m                   | R218m                   |

#### Financial Plan (Expenditure estimates for Programme 1: uMnotho Fund)

Due to the way the NEF manages its business, most administrative and capital expenses are centralised. We are therefore not in a position to provide the required cost split per programme.

## 8.2 Programme 2: Strategic Projects Fund

### Purpose of the programme

The Strategic Projects Fund will facilitate the acquisition of equity in large strategic projects where the NEF assumes the role of BEE partner.

### Description of the programme

The fund aims to play a central role in early stage projects by identifying, initiating, scoping and developing projects that are in sectors identified by government as the key drivers to South Africa's economic growth. These projects will be taken through 6-stages of the project development phases.

The phases being the following:

Scoping and Concept Study; Pre-Feasibility Study; Bankable Feasibility Study; Financial Closure; Construction Phase and Technical Completion.

Through the Strategic Projects Fund, NEF will facilitate B-BBEE in the following ways:

- Warehouse equity for B-BBEE in early stage projects at valuations with little or no premium paid to access the projects. This enables NEF to distribute its warehoused equity to B-BBEE at lower valuations once the project is operational;
- Take early stage risk on behalf of black people as early stage projects have higher execution risks compared to operational companies. The NEF will assume most of the financing risk and devise instruments to carry or transfer equity to B-BBEE once project fatal flaws have been mitigated;
- Manage the project and venture capital finance structuring complexities as it is more complex and difficult to raise capital for new ventures as compared to uMnotho finance deals where valuations can be ascertained based on historical performance and risks are clearly understood;

- Enable project promoters to focus on making projects bankable and operational by giving the B-BBEE status as NEF is the only DFI gazetted as a B-BBEE facilitator; and
- Once the initial project risks have been reduced, the NEF will transfer its shareholding to selected B-BBEE groups through a transparent process.



## Performance indicators and performance targets per programme:

| Outcome   | Output            | Output indicator  | Audited Actual Performance |         |         | Estimated Performance (including WEF) | MTEF Period |         |         |
|---|-------------------|---|----------------------------|---------|---------|---------------------------------------|-------------|---------|---------|
|   |                   |   | 2018/19                    | 2019/20 | 2020/21 | YTD<br>31 December<br>2021/22         | 2022/23     | 2023/24 | 2024/25 |
| Growing black economic participation in the South Africa Economy and job creation | Approval of Deals | Value of deals approved by Strategic Project Fund<br>(R million)  | R79m                       | R116m   | R46m    | R67m                                  | R90m        | R108m   | R135m   |
|   |                   | Value of new Commitments by Strategic Project Fund<br>(R million) | R79m                       | R97m    | R47m    | R55m                                  | R68m        | R81m    | R101m   |

| Outcome | Output | Output indicator  | Audited Actual Performance |         |         | Estimated Performance (including WEF) | MTEF Period |         |         |
|---------|--------|---|----------------------------|---------|---------|---------------------------------------|-------------|---------|---------|
|         |        |   | 2018/19                    | 2019/20 | 2020/21 | YTD<br>31 December<br>2021/22         | 2022/23     | 2023/24 | 2024/25 |
|         |        | Value of Disbursements by Strategic Project Fund<br>(R million) | R42m                       | R44m    | R38m    | R50m                                  | R61m        | R65m    | R81m    |

## Quarterly milestones:

| Outcome   | Output            | Output indicator  | Baseline 2021/22                    | 2022/23<br>Annual<br>Target | Cumulative<br>Quarterly Milestones |                            |                            |                            |
|---|-------------------|---|-------------------------------------|-----------------------------|------------------------------------|----------------------------|----------------------------|----------------------------|
|   |                   |   | YTD Performance<br>31 December 2021 |                             | 1 <sup>st</sup><br>Quarter         | 2 <sup>nd</sup><br>Quarter | 3 <sup>rd</sup><br>Quarter | 4 <sup>th</sup><br>Quarter |
| Growing black economic participation in the South Africa Economy and job creation | Approval of Deals | Value of deals approved by Strategic Projects Fund (R million)  | R67m                                | R90m                        | R27m                               | R54m                       | R72m                       | R90m                       |
|   |                   | Value of new Commitments by Strategic Projects Fund (R million) | R55m                                | R68m                        | R20m                               | R41m                       | R54m                       | R68m                       |
|   |                   | Value of Disbursements by Strategic Projects Fund (R million)   | R50m                                | R61m                        | R18m                               | R36m                       | R49m                       | R61m                       |

**Financial Plan (Expenditure estimates for Programme 2: Strategic Projects Fund)**

Due to the way the NEF manages its business, most administrative and capital expenses are centralised. We are therefore not in a position to provide the required cost split per programme.



### 8.3 Programme 3: iMbewu Fund

#### Purpose of the programme

The iMbewu Fund seeks to address market failures experienced by black-owned SME's. The fund has three products, namely, Franchise, Contract and Entrepreneurship products. An overview of the products is outlined below.

#### Description of the programme

|                    | Franchise   | Contract/procurement  | Entrepreneurship   |
|--------------------|---|---|--|
| <b>Description</b> | For securing franchise licenses                               | For SMEs that have secured contracts, orders or short-term bridging finance   | To provide capital to SMEs that seek to provide product or service to a specific niche market      |
| <b>Instruments</b> | <ul style="list-style-type: none"> <li>• Term Loan</li> </ul> | <ul style="list-style-type: none"> <li>• Term Loan</li> <li>• Bridging Loan</li> <li>• Revolving Credit</li> <li>• Debtor Finance</li> <li>• Reverse Factoring</li> </ul> | <ul style="list-style-type: none"> <li>• Structured loans</li> <li>• Equity instruments</li> </ul> |

|                          | Franchise   | Contract/procurement  | Entrepreneurship   |
|--------------------------|---|---|--|
|                          |   | <ul style="list-style-type: none"> <li>• Suspensive Sale</li> <li>• Leasing</li> </ul>  |  |
| <b>Amount</b>            | <ul style="list-style-type: none"> <li>• R250k – R10m</li> </ul>  | <ul style="list-style-type: none"> <li>• R250k – R15m</li> </ul>  | <ul style="list-style-type: none"> <li>• R250k to R10m (for start-up and expansion)</li> <li>• R1m to R10m (for acquisition capital)</li> </ul>  |
| <b>Investment period</b> | <ul style="list-style-type: none"> <li>• Up to five years but can go up to 7 years in some instances</li> </ul>   | <ul style="list-style-type: none"> <li>• Matched to the duration of the contract</li> </ul>   | <ul style="list-style-type: none"> <li>• Up to 7 years</li> </ul>  |
| <b>Criteria</b>          | <ul style="list-style-type: none"> <li>• Client must have been approved by the franchisor</li> <li>• NEF will only do business with credible franchisors with strong track record</li> <li>• Site must have been identified</li> <li>• Operational involvement</li> </ul> | <ul style="list-style-type: none"> <li>• There must be a viable contract or order</li> <li>• The contract must be awarded by a credible entity with strong track record</li> <li>• Operational involvement</li> </ul> | <ul style="list-style-type: none"> <li>• Commercial viability</li> <li>• Secured markets</li> <li>• Clear value proposition</li> <li>• NEF will not support acquisition of businesses that are making losses</li> <li>• Operational involvement</li> </ul> |
| <b>Pricing</b>           | <ul style="list-style-type: none"> <li>• Prime linked</li> </ul>  | <ul style="list-style-type: none"> <li>• Prime linked</li> </ul>  | <ul style="list-style-type: none"> <li>• Prime linked</li> </ul>   |

## Performance indicators and performance targets per programme:

| Outcome   | Output            | Output indicator                                    | Audited Actual Performance |         |         | Estimated Performance (including WEF) | Medium Term Targets |         |         |
|---|-------------------|---|----------------------------|---------|---------|---------------------------------------|---------------------|---------|---------|
|   |                   |   | 2018/19                    | 2019/20 | 2020/21 | YTD<br>31 December<br>2021/22         | 2022/23             | 2023/24 | 2024/25 |
| Growing black economic participation in the South Africa Economy and job creation | Approval of Deals | Value of deals approved by iMbewu Fund (R million)  | R161m                      | R255m   | R192.5m | R424m                                 | R240m               | R288m   | R360m   |
|   |                   | Value of new Commitments by iMbewu Fund (R million) | R150m                      | R161m   | R188m   | R287m                                 | R180m               | R216m   | R270m   |
|   |                   | Value of Disbursements by iMbewu Fund (R million)   | R122m                      | R118m   | R188m   | R242m                                 | R162m               | R173m   | R216m   |

## Quarterly milestones:

| Outcome   | Output            | Output indicator                                    | Baseline<br>2021/22<br>YTD<br>Performance<br>31 December<br>2021 | 2022/23 Annual<br>Target | Cumulative<br>Quarterly Milestones |                            |                            |                            |
|---|-------------------|---|--|--------------------------|------------------------------------|----------------------------|----------------------------|----------------------------|
|   |                   |   |  |                          | 1 <sup>st</sup><br>Quarter         | 2 <sup>nd</sup><br>Quarter | 3 <sup>rd</sup><br>Quarter | 4 <sup>th</sup><br>Quarter |
| Growing black economic participation in the South Africa Economy and job creation | Approval of Deals | Value of deals approved by iMbewu Fund (R million)  | R424m  | R240m                    | R36m                               | R94m                       | R168m                      | R240m                      |
|   |                   | Value of new Commitments by iMbewu Fund (R million) | R287m  | R180m                    | R25m                               | R70m                       | R124m                      | R180m                      |
|   |                   | Value of Disbursements by                           | R242m  | R162m                    | R18m                               | R63m                       | R112m                      | R162m                      |



| Outcome | Output | Output indicator           | Baseline<br>2021/22<br>YTD<br>Performance<br>31 December<br>2021 | 2022/23 Annual<br>Target | Cumulative<br>Quarterly Milestones |                            |                            |                            |
|---------|--------|----------------------------|--|--------------------------|------------------------------------|----------------------------|----------------------------|----------------------------|
|         |        |                            |  |                          | 1 <sup>st</sup><br>Quarter         | 2 <sup>nd</sup><br>Quarter | 3 <sup>rd</sup><br>Quarter | 4 <sup>th</sup><br>Quarter |
|         |        | iMbewu Fund<br>(R million) |  |                          |                                    |                            |                            |                            |

**Financial Plan (Expenditure estimates for Programme 3: iMbewu Fund)**

Due to the way the NEF manages its business, most administrative and capital expenses are centralised. We are therefore not in a position to provide the required cost split per programme.

## 8.4 Programme 4: Rural, Township & Community Development Fund

### Purpose of the programme

The Rural, Township and Community Development Fund (RTCDF) facilitates community involvement in projects by supporting the B-BBEE Act objectives of empowering local and rural communities. In accordance with the B-BBEE Act, it aims to increase the extent to which workers, cooperatives and other collective enterprises own and manage business enterprises.

### Description of the programme

|  | Acquisition  | New Venture Capital  | Expansion Capital  |
|--|--|--|--|
| <b>Investment threshold</b>            | <b>R1m to R50m</b>   | <b>R1m to R50m</b>   | <b>R1m to R50m</b>   |
| <b>Trigger for RTCDF participation</b> | Co-operatives, community groupings arranged as Trust or any legal entity, and workers trust. | Co-operatives, community groupings arranged as Trust or any legal entity, and workers trust. | Co-operatives, community groupings arranged as Trust or any legal entity, and workers trust. |
| <b>Principal goal</b>                  | To cater for rural entrepreneurs or communities seeking to buy equity in                     | To assist rural entrepreneurs and co-operatives and communities with equity                  | To facilitate involvement and ownership by   |

|  |  |   |   |
|--|--|---|---|
|  | existing rural and community enterprises.  | contribution towards establishment of sustainable new ventures in agri-sector.  | communities in projects promoting social upliftment.                                    |
| <b>Types of companies/projects</b>         | Focus on small to large ventures where partnerships between NEF, BEE parties or community entity, and technical partner is involved. | Medium sized new venture projects with total funding requirements of between R1m and R50m   | Rural and community projects using entities such as cooperatives and private companies. |
| <b>Types of instrument</b>                 | Debt, equity, quasi equity and preference shares.  | Debt, equity, quasi equity and preference shares.   | Debt, equity, quasi equity and preference shares.                                       |
| <b>Black equity threshold</b>              | <b>Minimum of 50.1%</b>  |   |   |
| <b>Pricing</b>                             | <b>Prime (+/-) Empowerment Dividend or Development Impact Influenced</b>   |   |   |
| <b>Terms of Investment and other terms</b> | <ul style="list-style-type: none"> <li>• 5 to 10 years</li> <li>• Clear exit Strategy</li> </ul>                                     | <ul style="list-style-type: none"> <li>• Up to 10 years</li> <li>• Total project equity <math>\geq</math> 40%</li> <li>• NEF Exposure <math>\leq</math> 50% of project costs</li> </ul> | Up to 10 years  |

## Performance indicators and performance targets per programme:

| Outcome   | Output            | Output indicator   | Audited Actual Performance |         |         | Estimated Performance (Including WEF) | Medium Term Targets |         |         |
|---|-------------------|--|----------------------------|---------|---------|---------------------------------------|---------------------|---------|---------|
|   |                   |  | 2018/19                    | 2019/20 | 2020/21 | YTD<br>31<br>December<br>2021/22      | 2022/23             | 2023/24 | 2024/25 |
| Growing black economic participation in the South Africa Economy and job creation | Approval of Deals | Value of deals approved by Rural, Township and Community Development Fund (R million)  | R18m                       | R105m   | R49.5m  | R304m                                 | R98m                | R117m   | R146m   |
|   |                   | Value of new Commitments by Rural, Township and Community Development Fund (R million) | R18m                       | R77m    | R67m    | R159m                                 | R73m                | R88m    | R110m   |



| Outcome | Output | Output indicator   | Audited Actual Performance |         |         | Estimated Performance (Including WEF) | Medium Term Targets |         |         |
|---------|--------|--|----------------------------|---------|---------|---------------------------------------|---------------------|---------|---------|
|         |        |  | 2018/19                    | 2019/20 | 2020/21 | YTD<br>31 December<br>2021/22         | 2022/23             | 2023/24 | 2024/25 |
|         |        | Value of Disbursements by Rural, Township and Community Development Fund (R million) | R11m                       | R20m    | R46m    | R150m                                 | R66m                | R70m    | R88m    |

## Quarterly milestones:

| Outcome   | Output            | Output indicator   | Baseline<br>2021/22                              | 2022/23<br>Annual<br>Target | Cumulative<br>Quarterly Milestones |                            |                            |             |
|---|-------------------|--|--|-----------------------------|------------------------------------|----------------------------|----------------------------|-------------|
|   |                   |  | YTD<br>Performance<br><br>31 December<br>2021/22 |                             | 1 <sup>st</sup> Quarter            | 2 <sup>nd</sup><br>Quarter | 3 <sup>rd</sup><br>Quarter | 4th Quarter |
| Growing black economic participation in the South Africa Economy and job creation | Approval of Deals | Value of deals approved by Rural, Township and Community Development Fund (R million)  | R304m  | R98m                        | R19m                               | R73m                       | R88m                       | R98m        |
|   |                   | Value of new Commitments by Rural, Township and Community Development Fund (R million) | R159m  | R73m                        | R9m                                | R38m                       | R64m                       | R73m        |

| Outcome | Output | Output indicator   | Baseline<br>2021/22                          | 2022/23<br>Annual<br>Target | Cumulative<br>Quarterly Milestones |                            |                            |             |
|---------|--------|--|--|-----------------------------|------------------------------------|----------------------------|----------------------------|-------------|
|         |        |  | YTD<br>Performance<br>31 December<br>2021/22 |                             | 1 <sup>st</sup> Quarter            | 2 <sup>nd</sup><br>Quarter | 3 <sup>rd</sup><br>Quarter | 4th Quarter |
|         |        | Value of Disbursements<br>by Rural, Township and<br>Community<br>Development Fund<br>(R million) | R150m  | R66m                        | R7m                                | R32m                       | R54m                       | R66m        |

#### Financial Plan (Expenditure estimates for Programme 4: Rural, Township & Community Development Fund)

Due to the way the NEF manages its business, most administrative and capital expenses are centralised. We are therefore not in a position to provide the required cost split per programme.

## 8.5 Programme 5: Women Empowerment Fund

### Purpose of the programme

To accelerate the provision of funding to businesses owned by black women.

### Description of the programme

Finance to be provided from R250, 000 to R75 million across the entire NEF existing product suite.

Depending on type of funding the horizon of funding provided ranges between 4 and 10 years.

Minimum of 51% black female ownership.

Black women have to be operationally involved at the managerial and board levels.

Other empowerment dividend pillars have to be considered.





## Performance indicators and performance targets per programme:

| Outcome   | Output            | Output indicator   | Audited Actual Performance |         |         | Estimated Performance (Including WEF) | Medium Term Targets |         |         |
|---|-------------------|--|----------------------------|---------|---------|---------------------------------------|---------------------|---------|---------|
|   |                   |  | 2018/19                    | 2019/20 | 2020/21 | YTD<br>31 December<br>2021/22         | 2022/23             | 2023/24 | 2024/25 |
| Growing black economic participation in the South Africa Economy and job creation | Approval of Deals | Value of deals approved by Women Empowerment Fund (R million)  | R178m                      | R252m   | R185m   | R359m                                 | R250m               | R300m   | R375m   |
|   |                   | Value of new Commitments by Women Empowerment Fund (R million) | R205m                      | R212m   | R157m   | R149m                                 | R188m               | R225m   | R281m   |

| Outcome | Output | Output indicator   | Audited Actual Performance |         |         | Estimated Performance (Including WEF) | Medium Term Targets |         |         |
|---------|--------|--|----------------------------|---------|---------|---------------------------------------|---------------------|---------|---------|
|         |        |  | 2018/19                    | 2019/20 | 2020/21 | YTD<br>31 December<br>2021/22         | 2022/23             | 2023/24 | 2024/25 |
|         |        | Value of Disbursements by Women Empowerment Fund (R million) | R140m                      | R109m   | R149m   | R230m                                 | R169m               | R180m   | R225m   |


## Quarterly milestones:

| Outcome   | Output         | Output indicator   | Baseline<br>2021/22                          | 2022/23<br>Annual<br>Target | Cumulative<br>Quarterly Milestones |                         |             |             |
|---|----------------|--|--|-----------------------------|------------------------------------|-------------------------|-------------|-------------|
|   |                |  | YTD<br>Performance<br>31 December<br>2021/22 |                             | 1 <sup>st</sup> Quarter            | 2 <sup>nd</sup> Quarter | 3rd Quarter | 4th Quarter |
| Growing black economic participation in the South Africa Economy and job creation | Approval Deals | Value of deals approved by Women Empowerment Fund (R million)  | R354m  | R250m                       | R48m                               | R133m                   | R198m       | R250m       |
|   |                | Value of new Commitments by Women Empowerment Fund (R million) | R149m  | R188m                       | R28m                               | R86m                    | R143m       | R188m       |
|   |                | Value of Disbursements by Women Empowerment Fund (R million)   | R230m  | R169m                       | R20m                               | R74m                    | R124m       | R169m       |

**Financial Plan (Expenditure estimates for Programme 5: Women Empowerment Fund)**

Due to the way the NEF manages its business, most administrative and capital expenses are centralised. We are therefore not in a position to provide the required cost split per programme.





**Strategic Objective:  
Non-Financial Support**

## 8.6 Programme 6: Entrepreneurship Development

### Purpose of the programme

Applicants for funding may be excellent entrepreneurs, but often struggle to navigate the necessary application procedures and to manage their businesses and this is often evident during the initial assessment of the funding application. The NEF's Pre-Investment Unit (PIU) therefore assists with funding advice, business planning and general assistance to help ensure that applications are of sufficient quality to complete all steps in the application process.

### Description of the programme

As the first point of contact for many potential clients, the PIU's primary functions are to:

- Provide information on NEF products and procedures;
- Control and assist in drawing up funding applications;
- Identify applications that will qualify for funding;
- Keep clients informed on the progress of their applications;
- Advise applicants and assist with drawing up business plans.



### **Entrepreneurship Development Strategy**

By 2010 the NEF through its Fund Management Division faced a number of challenges in delivering on its Mandate. These challenges included:

- The number of applications received, of up to 100 per month.
- The quality of these applications, as evidenced by an approval ratio of less than 3% of applications received.
- The sophistication of the target market in terms of the ability to package bankable business plans.
- The skills of the target market in terms of business experience and industry knowledge.
- High impairments (especially in the SME Fund) where a total impairments ratio (including write offs) of about 40% was experienced.
- The limited own contribution and lack of collateral prevalent in the typical NEF application.

The NEF's Pre-Investment Unit then developed the Entrepreneurship Development Strategy in order to better assess and support the development of black entrepreneurs. The Rationale for this strategy was to take cognisance of the NEF mandate and operating environment with a view to:

- Enhancing the NEF's interventions to aspirant black entrepreneurs in order to mitigate financial risk for the NEF whilst supporting sustainable black businesses;
- Identify potential tools that can be used by the NEF to better assess the entrepreneurial readiness of potential applications;
- Propose refinements to the NEF's investment process in order to provide a more efficient investment process particularly in the case of SME's whilst maintaining sound investment methodologies i.e. provision of SMART capital;
- Explore additional financial interventions aimed at providing black entrepreneurs with early stage funding to address limited own capital;
- Enhance NEF impact in developing entrepreneurship in South Africa more broadly with focus on Financial and Non-Financial Support as well as advocacy on issues pertaining to entrepreneurship;

The Pre-Investment Unit has implemented a business incubation model in order to support the development of aspirant black entrepreneurs. The NEF realises the value and impact that can be made through incubation and has established partnerships with various incubation service providers.







## Performance indicators and performance targets per programme

| Outcome               | Output   | Output indicator  | Audited Actual Performance |                       |                       | Estimated Performance            | MTEF Period   |   |   |
|-----------------------|--|---|----------------------------|-----------------------|-----------------------|----------------------------------|---|---|---|
|                       |  |   | 2018/19                    | 2019/20               | 2020/21               | YTD<br>31<br>December<br>2021/22 | 2022/23   | 2023/24   | 2024/25   |
| Non-Financial Support | Facilitate non-financial support to black owned businesses | 6.1. Number of entrepreneurs training sessions provided with an average score of 60% required in the post-training assessment | 103 training sessions      | 134 training sessions | 141 training sessions | 118 training sessions            | 135 training sessions per year, with an average score of 60% required in the post-training assessment | 145 training sessions per year, with an average score of 60% required in the post-training assessment | 155 training sessions per year, with an average score of 60% required in the post-training assessment |

|                       |  |  |  |  |   |  |  |  |   |
|-----------------------|--|--|--|--|---|--|--|--|---|
| Non-Financial Support |  | 6.2. Number of entrepreneurs referred for business incubation; and number of entrepreneurs who successfully complete business incubation | Referred 141 entrepreneurs for incubation: and 23 entrepreneurs in the final incubation stage. | Referred 151 entrepreneurs for incubation: and 16 entrepreneurs in the final incubation stage. | Referred 440 entrepreneurs for incubation: and 124 entrepreneurs in the final incubation stage. | Refer 230 entrepreneurs for incubation: and 58 entrepreneurs in the final incubation stage | Refer 150 entrepreneurs for incubation: and 30 entrepreneurs in the final incubation stage | Refer 180 entrepreneurs for incubation: and 36 entrepreneurs in the final incubation stage | Refer 210 entrepreneurs for incubation: and 42 entrepreneurs in the final incubation stage. |
|-----------------------|--|--|--|--|---|--|--|--|---|

## Quarterly milestones

| Outcome               | Output   | Output indicator  | Baseline<br>2021/22                              | Annual<br>Target<br>2022/23   | Cumulative<br>Quarterly Milestones |                         |                         |                         |
|-----------------------|--|---|--|---|------------------------------------|-------------------------|-------------------------|-------------------------|
|                       |  |   | 31 December<br>2021/22<br><br>YTD<br>Performance |   | 1 <sup>st</sup> Quarter            | 2 <sup>nd</sup> Quarter | 3 <sup>rd</sup> Quarter | 4 <sup>th</sup> Quarter |
| Non-Financial Support | Facilitate non-financial support to black owned businesses | 6.1. Number of entrepreneurs training sessions provided with an average score of 60% required in the post-training assessment | 118 training sessions                            | 135 training sessions per year, with an average score of 60% required in the post-training assessment | 34 training sessions               | 68 training sessions    | 101 training sessions   | 135 training sessions   |

|                       |  |   |  |   |   |  |   |   |
|-----------------------|--|---|--|---|---|--|---|---|
| Non-Financial Support |  | 6.2. Number of entrepreneurs referred for business incubation; and number of entrepreneurs who successfully complete business incubation. | Refer 230 entrepreneurs for incubation: and 58 entrepreneurs in the final incubation stage | Refer 150 entrepreneurs for incubation: and 30 entrepreneurs in the final incubation stage. | Refer 38 entrepreneurs for incubation: and 8 entrepreneurs in the final incubation stage. | Refer 75 entrepreneurs for incubation: and 15 entrepreneurs in the final incubation stage. | Refer 113 entrepreneurs for incubation: and 23 entrepreneurs in the final incubation stage. | Refer 150 entrepreneurs for incubation: and 30 entrepreneurs in the final incubation stage. |
|-----------------------|--|---|--|---|---|--|---|---|

### Financial Plan (Expenditure estimates for Programme 6: Entrepreneurship Development)

Due to the way the NEF manages its business, most administrative and capital expenses are centralised. We are therefore not in a position to provide the required cost split per programme.



A perspective view of a long, narrow corridor with a green floor and dark walls, leading towards a bright light at the end. The corridor is flanked by dark, textured walls and a dark ceiling. The floor is a solid green color. The lighting is dramatic, with a strong light source at the far end of the corridor, creating a bright glow and casting long shadows. The overall atmosphere is one of depth and focus.

**Strategic Objective:  
Non-Financial Support**

## 8.7 Programme 7: Social Facilitation (Investor Education)

### Purpose of the programme

This programme is in direct fulfilment of the mandate of the NEF which is aimed at promoting a culture of savings and investment among black people.

### Description of the programme

The NEF's Investor Education campaign is planned to reach localities across the country, providing information necessary to make prudent savings and investment decisions.

### Performance indicators and performance targets per programme

| Outcome               | Output                           | Output indicator                                | Audited Actual Performance  |                             |  | Estimated Performance                | MTEF Period                 |                             |                             |
|-----------------------|----------------------------------|---|-----------------------------|-----------------------------|--|--------------------------------------|-----------------------------|-----------------------------|-----------------------------|
|                       |                                  |   | 2018/19                     | 2019/20                     | 2020/21  | YTD<br>31<br>December<br>2021/22     | 2022/23                     | 2023/24                     | 2024/25                     |
| Non-Financial Support | Facilitate non-financial support | 7.1. Number of investor education seminars held | 84<br>Investor<br>Education | 74<br>Investor<br>Education | 95 Investor<br>Education<br>seminars<br>per year | 72 Investor<br>Education<br>seminars | 45<br>Investor<br>Education | 45<br>Investor<br>Education | 45<br>Investor<br>Education |

|  | to black owned businesses | across the country per year.   | seminars per year               | seminars per year               |                                 |  | seminars per year        | seminars per year        | seminars per year        |
|--|---------------------------|--|---------------------------------|---------------------------------|---------------------------------|--|--------------------------|--------------------------|--------------------------|
|  |                           | 7.2. Percentage of Social Facilitation Sessions held for NEF investees per year. | 42 Social Facilitation sessions | 36 Social Facilitation sessions | 28 Social Facilitation sessions | 110% (32) Social Facilitation sessions | 90% of the SEDU pipeline | 90% of the SEDU pipeline | 90% of the SEDU pipeline |

## Quarterly milestones

| Outcome               | Output   | Output indicator   | Baseline                                | 2022/23 Annual Target                   | Cumulative                     |                                |                                |                                |
|-----------------------|--|--|---|---|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
|                       |  |  | 31 December                             |   | Quarterly Milestones           |                                |                                |                                |
|                       |  |  | 2021/22 Performance                     |   | 1 <sup>st</sup> Quarter        | 2 <sup>nd</sup> Quarter        | 3 <sup>rd</sup> Quarter        | 4 <sup>th</sup> Quarter        |
| Non-Financial Support | Facilitate non-financial support to black owned businesses | 7.1. Number of investor education seminars held across the country per year.     | 72 Investor Education seminars per year | 45 Investor Education seminars per year | 11 Investor Education seminars | 23 Investor Education seminars | 34 Investor Education seminars | 45 Investor Education seminars |
|                       |  | 7.2. Percentage of Social Facilitation Sessions held for NEF investees per year. | 110% (32) Social Facilitation sessions  | 90% of the SEDU pipeline                | 23% of the SEDU pipeline       | 45% of the SEDU pipeline       | 68% of the SEDU pipeline       | 90% of the SEDU pipeline       |



**Financial Plan (Expenditure estimates for Programme 7: Investor Education)**

Due to the way the NEF manages its business, most administrative and capital expenses are centralised. We are therefore not in a position to provide the required cost split per programme.

## 9. Performance Plan Matrices

### 9.1 Consolidated Performance Plan Matrix 2022/23 – 25:

| Outcome   | Output            | Output indicators                                 | Annual Targets             |         |         |                                       |             |         |         |
|---|-------------------|---|----------------------------|---------|---------|---------------------------------------|-------------|---------|---------|
|   |                   |   | Audited Actual Performance |         |         | Estimated Performance (including WEF) | MTEF Period |         |         |
|   |                   |   | 2018/19                    | 2019/20 | 2020/21 | YTD<br>31 December<br>2021/22         | 2022/23     | 2023/24 | 2024/25 |
| <b>ADVANCING B-BBEE FOR TRANSFORMATION</b>  |                   |   |                            |         |         |                                       |             |         |         |
| Growing black economic participation in the South Africa Economy and job creation | Approval of Deals | 1. Value of deals approved by the NEF (R million) | R576m                      | R727m   | R520m   | R1 222m                               | R1bn        | *R1.2bn | *R1.5bn |
|   |                   | 2. Value of new Commitments (R million)           | R513m                      | R567m   | R520m   | R803m                                 | R750m       | *R900m  | *R1.1bn |

| Outcome   | Output             | Output indicators  | Annual Targets                                     |  |  |   |  |  |  |
|---|--------------------|--|--|--|--|---|--|--|--|
|   |                    |  | Audited Actual Performance                         |  |  | Estimated Performance (including WEF)     | MTEF Period                                      |  |  |
|   |                    |  | 2018/19  | 2019/20  | 2020/21  | YTD<br>31 December<br>2021/22             | 2022/23  | 2023/24  | 2024/25  |
|   |                    | 3. Value of Disbursements (R million)                              | R437m  | R304m  | R425m  | R841m                                     | R675m  | *R720m   | *R900m   |
| <b>MAXIMISING THE EMPOWERMENT DIVIDEND FOR SOCIO-ECONOMIC IMPACT</b>              |                    |  |  |  |  |   |  |  |  |
| Growing black economic participation in the South Africa Economy and job creation | Employment Created | 4. Number of job opportunities expected to be supported or created | Supported 3 713 new and existing job opportunities | Supported 1 738 new and existing job opportunities | Support 2 488 new and existing job opportunities | 10 145 new and existing job opportunities | Support 4 154 new and existing job opportunities | Support 4 235 new and existing job opportunities | Support 5 294 new and existing job opportunities |

| Outcome   | Output                | Output indicators   | Annual Targets                 |                               |                               |                                       |                               |                               |                               |
|---|-----------------------|---|--------------------------------|-------------------------------|-------------------------------|---------------------------------------|-------------------------------|-------------------------------|-------------------------------|
|   |                       |   | Audited Actual Performance     |                               |                               | Estimated Performance (including WEF) | MTEF Period                   |                               |                               |
|   |                       |   | 2018/19                        | 2019/20                       | 2020/21                       | YTD<br>31 December<br>2021/22         | 2022/23                       | 2023/24                       | 2024/25                       |
| Growing black economic participation in the South Africa Economy and job creation | Disbursement of Deals | 5. Percentage of portfolio disbursed to businesses owned by black women | 32% (of annual disbursements). | 38% (of annual disbursements) | 35% (of annual disbursements) | 27% (of annual disbursements)         | 35% (of annual disbursements) | 37% (of annual disbursements) | 40% (of annual disbursements) |



| Outcome   | Output                | Output indicators  | Annual Targets   |  |   |  |  |  |  |
|---|-----------------------|--|--|--|---|--|--|--|--|
|   |                       |  | Audited Actual Performance   |  |   | Estimated Performance (including WEF)  | MTEF Period  |  |  |
|   |                       |  | 2018/19  | 2019/20  | 2020/21   | YTD<br>31 December<br>2021/22  | 2022/23  | 2023/24  | 2024/25  |
| Growing black economic participation in the South Africa Economy and job creation | Disbursement of Deals | 6. 25% of disbursement to be invested in Northern Cape, Free State, Limpopo, Mpumalanga, Eastern Cape and North-West | A total of 17 deals worth R83m was invested. This represents 19% of annual disbursements | A total of 16 deals worth R81,7m was invested. This represents 27% of annual disbursements | R76.2m of disbursed funds comprising of 27 deals, translating to 18% of total disbursement. | R148m of disbursed funds comprising of 23 deals, translating to 18% of total disbursement. | 25% of disbursements to be invested in Northern Cape, Free State, Limpopo, Mpumalanga, Eastern Cape and North-West | 25% of disbursements to be invested in Northern Cape, Free State, Limpopo, Mpumalanga, Eastern Cape and North-West | 25% of disbursements to be invested in Northern Cape, Free State, Limpopo, Mpumalanga, Eastern Cape and North-West |
| <b>OPTIMISING NON-FINANCIAL SUPPORT FOR EMPOWERMENT</b>                           |                       |  |  |  |   |  |  |  |  |

| Outcome               | Output   | Output indicators  | Annual Targets             |   |   |   |   |   |   |
|-----------------------|--|--|----------------------------|---|---|---|---|---|---|
|                       |  |  | Audited Actual Performance |   |   | Estimated Performance (including WEF)   | MTEF Period                             |   |   |
|                       |  |  | 2018/19                    | 2019/20                                 | 2020/21                                 | YTD<br>31 December<br>2021/22           | 2022/23                                 | 2023/24                                 | 2024/25                                 |
| Non-Financial Support | Facilitate non-financial support to black owned businesses | 7. Number of investor education seminars held across the country per year. | 84 Sessions completed      | 74 Investor Education seminars per year | 95 Investor Education seminars per year | 72 Investor Education seminars per year | 45 Investor Education seminars per year | 45 Investor Education seminars per year | 45 Investor Education seminars per year |

| Outcome               | Output | Output indicators   | Annual Targets             |                                |  |  |   |   |   |
|-----------------------|--------|---|----------------------------|--------------------------------|--|--|---|---|---|
|                       |        |   | Audited Actual Performance |                                |  | Estimated Performance (including WEF)  | MTEF Period   |   |   |
|                       |        |   | 2018/19                    | 2019/20                        | 2020/21  | YTD<br>31 December<br>2021/22  | 2022/23   | 2023/24   | 2024/25   |
| Non-Financial Support |        | 8 Number of entrepreneur training sessions provided with an average score of 60% required in the post-training assessment | 103 training sessions      | 134 training sessions per year | 141 Entrepreneurial training sessions conducted with an average of 70% post training assessment. | 118 Entrepreneurial training sessions conducted with an average of 70% post Training assessment. | 135 training sessions per year, with an average score of 60% required in the post-training assessment | 145 training sessions per year, with an average score of 60% required in the post-training assessment | 155 training sessions per year, with an average score of 60% required in the post-training assessment |

| Outcome | Output | Output indicators  | Annual Targets  |  |   |  |   |   |   |
|---------|--------|--|---|--|---|--|---|---|---|
|         |        |  | Audited Actual Performance  |  |   | Estimated Performance (including WEF)  | MTEF Period   |   |   |
|         |        |  | 2018/19   | 2019/20  | 2020/21   | YTD<br>31 December<br>2021/22  | 2022/23   | 2023/24   | 2024/25   |
|         |        | 9. Number of entrepreneurs referred for business incubation; and number of entrepreneurs who successfully complete business incubation | Refer 141 entrepreneurs referred for incubation; and 23 entrepreneurs in the final incubation stage | Refer 151 entrepreneurs for incubation; and 16 entrepreneurs in the final incubation stage | Refer 440 entrepreneurs were referred to business incubation partners. 124 entrepreneurs are fully incubated. | Refer 230 Entrepreneurs were referred to business incubation partners. 58 Entrepreneurs are fully incubated. | Refer 150 entrepreneurs for incubation; and 30 entrepreneurs in the final incubation stage. | Refer 180 entrepreneurs for incubation; and 36 entrepreneurs in the final incubation stage. | Refer 210 entrepreneurs for incubation; and 42 entrepreneurs in the final incubation stage. |



| Outcome   | Output                                       | Output indicators   | Annual Targets                  |   |  |   |                          |                                 |   |
|---|--|---|---------------------------------|---|--|---|--------------------------|---------------------------------|---|
|   |  |   | Audited Actual Performance      |   |  | Estimated Performance (including WEF)                 | MTEF Period              |                                 |   |
|   |  |   | 2018/19                         | 2019/20                                   | 2020/21  | YTD<br>31 December<br>2021/22                         | 2022/23                  | 2023/24                         | 2024/25                                   |
|   |  | 10. Percentage of Social Facilitation Sessions held for NEF investees per year. | 42 Social Facilitation sessions | 36 Social Facilitation sessions           | 28 Social Facilitation sessions were conducted | 117% (34) Social Facilitation sessions were conducted | 90% of the SEDU pipeline | 90% of the SEDU pipeline        | 90% of the SEDU pipeline                  |
| Maintaining Financial Sustainability                                      | Maintain positive brand awareness of the NEF | 11. Maintain brand awareness of 90%   | 93%                             | N/A<br>Survey performed every second year | N/A  | N/A   | N/A                      | Maintain brand awareness of 90% | N/A<br>Survey performed every second year |
| <b>ESTABLISHING THE NEF AS A FINANCIALLY SOUND DFI FOR SUSTAINABILITY</b> |  |   |                                 |   |  |   |                          |                                 |   |

| Outcome                              | Output  | Output indicators   | Annual Targets             |         |         |                                       |             |         |         |
|--------------------------------------|---|---|----------------------------|---------|---------|---------------------------------------|-------------|---------|---------|
|                                      |   |   | Audited Actual Performance |         |         | Estimated Performance (including WEF) | MTEF Period |         |         |
|                                      |   |   | 2018/19                    | 2019/20 | 2020/21 | YTD<br>31 December<br>2021/22         | 2022/23     | 2023/24 | 2024/25 |
| Maintaining Financial Sustainability | Obtain an overall real return on fund investments through equity returns, interest on loans and interest on cash balances with minimised impairments and write-offs | 12. Percentage of portfolio impaired                        | 18%                        | 27%     | 29%     | **25%                                 | 25%         | 25%     | 25%     |
|                                      |   | 13. Target ROI before impairments (to be reviewed annually) | 9%                         | 9.04%   | 7.33%   | 7.41%                                 | ***7%       | ***7%   | ***7%   |
|                                      |   | 14. Collection ratio  | 128.43%                    | 143.81% | 74.7%   | 74.33%                                | 80%         | 80%     | 80%     |

| Outcome                         | Output  | Output indicators  | Annual Targets             |         |         |                                       |             |         |         |
|---------------------------------|---|--|----------------------------|---------|---------|---------------------------------------|-------------|---------|---------|
|                                 |   |  | Audited Actual Performance |         |         | Estimated Performance (including WEF) | MTEF Period |         |         |
|                                 |   |  | 2018/19                    | 2019/20 | 2020/21 | YTD<br>31 December<br>2021/22         | 2022/23     | 2023/24 | 2024/25 |
| Growing BEE through partnership | Establish partnerships for increased economic investments | 15. Value of concluded partnerships per year (or value of mobilised resources) | R95m                       | R97m    | R541m   | R1.594bn                              | R100m       | R100m   | R100m   |

***\*Stretch targets for 2023/24 and 2024/25 have been increased by 33% and 25% respectively to demonstrate the NEF's ability to do more with sound financial backing.***

***\*\*NEF's investments have been adversely affected by the COVID-19 pandemic hence a higher impairment rate.***

***\*\*\*The NEF Pricing is linked to Prime lending rate and the ROI is ring fenced to the loan booked funded from the NEF balance sheet.***

## 9.2. Joint Key Performance Indicators (J-KPIs)

For the financial year 2022/23, **the dtic** is working on a new concept of '*Joint-KPIs*'; namely indicators of performance designed to increase the level of coordination and alignment of efforts between different programmes of the Department and all its entities. This has been done to ensure appropriate alignment between the work of the Department and:

- the Economic Recovery and Reconstruction Plan tabled in Parliament in October 2020 by President Ramaphosa;
- the priorities set out in the 2021 State of the Nation Address (SONA);
- the new performance compacts between members of the Executive and the Presidency signed in November 2020; and
- The New District Development Model as an integration of development efforts at local level.

The Joint KPIs also envisage greater coordination between financial and non-financial measures, and between the resources on-budget and those that can be leveraged across society. The joint indicators are as follows:

Joint Indicator 1: Industrialisation

Joint Indicator 2: Transformation

Joint Indicator 3: Capable State

It is in this regard that the Minister requested all entities to include the above-stated Joint KPIs in their APP's and outline how each entity will contribute to the achievement of the outcomes for these indicators.

The National Empowerment Fund (NEF) is expected to report on a quarterly basis as practice to the Executive Authority on progress regarding the Joint – KPI's below. The National Empowerment Fund has outlined in detail how each of the Joint-KPI's will be supported through its strategic objectives in Programmes 1 through to Programme 7 as outlined under Consolidated Performance Matrix (Item 9 above)



For ease of reference, the NEF's KPI's under 9.1 above are as follows:

- KPI 1 – Value of deals approved in Rands and volumes;
- KPI 2 - Value of New Commitments;
- KPI 3 – Value of Disbursements
- KPI 4 – Number of job Opportunities expected to be supported or created;
- KPI 5 – Percentage of Disbursements made to Black Women-owned businesses;
- KPI 6 – Percentage of Disbursements invested in rural provinces;
- KPI 7 – Number of Investor Education Seminars held across the country;
- KPI 8 – Number of Entrepreneurs Training sessions provided;
- KPI 9 – Number of Entrepreneurs referred for Business Incubation and those that successfully completed the Incubation programme;
- KPI 10 – Percentage of Social Facilitation held for NEF Investees;
- KPI 11 – Brand Audit Survey;
- KPI 12 – Portfolio of Portfolio Impaired;
- KPI 13 – Target of Return on Investments achieved;
- KPI 14 – Collections ratios;
- KPI 15 – Value of Partnerships concluded.

## JOINT INDICATOR 1

| New Joint Key Performance Indicator | Intention  | Outputs   | NEF Programme(s)  | APP Performance Indicator  |
|-------------------------------------|--|---|---|--|
| <b>Industrialisation</b>            | Building dynamic firms through a combination of efforts in partnership with the private sector, focusing on opportunities to grow in the domestic market (through localization-promotion policies, sector partnerships, beneficiation, promoting the green economy and fostering higher levels of investment) fostering higher levels of African economic integration through the African Continental Free Trade Area (AfCFTA) and building a wider export market for South African products, with supply-side reforms to build competitiveness. | Report documenting NEF's KPIs that identifies within its mandate programmes that will cover all or some of the below areas: <ul style="list-style-type: none"> <li>• Sector Partnerships – Master Plans</li> <li>• Localisation outcomes</li> <li>• Beneficiation initiatives</li> <li>• Covid-19 industrial production</li> <li>• Africa and Global Exports</li> <li>• Green economy initiatives</li> </ul> Investment expansion/promotion | All the five programmes support industrialisation. The Black Industrialist programme housed by the SPF programme is the main champion of this output. | <ul style="list-style-type: none"> <li>• Approval value</li> <li>• Disbursement Value</li> <li>• Jobs</li> </ul> |

### Contribution by the NEF

The NEF's contribution will be linked to KPIs 1 to 4, 15 under 9.1 above.

In the 2022/23 FY, the NEF plans to approve 86 deals worth R1bn, with a commitment and disbursement of R750m and R675m respectively. Our approvals will constitute both on balance sheet and off-balance sheet funds that we manage on behalf of the dtic and other third-party partners. Our disbursement of R675m plans to boost black owned businesses and in addition support 4 154 jobs.

### **1. Strategic Projects Fund (SPF) Programme**

Through SPF, we plan to support Black Industrialist through developing industrial projects from pre-feasibility studies, all the way through to financial close. These projects are typically in sectors aligned to the government's macro-economic policies such as manufacturing, energy, green economy, mineral beneficiation, etc. Such projects are often capital intensive and thus require funding partnerships which the NEF often spearheads.

The rest of the Industrialisation J-KPI with all most of the outputs outlined in the table above, are covered in more details under section 6.2.1 of the Annual Performance Plan (APP) with some salient details noted below:

### **2. uMnotho**

Focus has gone into job intensive and absorptive sectors such as manufacturing, transport and logistics, construction materials, fourth industrial revolution, creative industries and media, tourism, mining services, and mineral beneficiation.

### **3. RTCDF**

By virtue of proximity to vast land in rural economies, there is a strong focus on agriculture, agro processing, and tourism. The focus on the development of the township economy contributes towards the development of the domestic economy.

#### **4. iMbewu**

The focus on the development of the township economy contributes towards the development of the domestic economy. This is encouraged through use of the franchise model funding in townships. The NEF fosters the public-private partnership to realise these transactions.

#### **5. Master plans, Localisation, Green economy, Africa and global exports**

Focus on these strategic sectors will prioritise localising content, improving local capacity to produce goods and services, promote exports and drive the green economy. In addition, we will work on strategic approach on a number of masterplans that are directly related to our programmes like the Clothing, Textile, Footwear and Leather (CTFL), Poultry Industry, Draft Petroleum/Liquid Fuels and Tourism Sectors Recovery Plans.



## JOINT INDICATOR 2

| New Joint Key Performance Indicator | Intention  | Outputs  | NEF Programme(s)   | • APP Performance Indicator   |
|-------------------------------------|--|--|--|---|
| <b>Transformation</b>               | Building economic inclusion through transformation programmes in three broad areas: first, addressing structural challenges to growth, mainly through competition policies; second, policies that promote spatial transformation, enabling more balanced growth between rural and urban and between provinces, and third strengthening the inclusive/ transformation in the quality of growth, including broadening ownership and more inclusive corporate governance models | <ul style="list-style-type: none"> <li>• BEE promotion and review (black industrialists, women, youth).</li> <li>• B-BBEE structures, like workers, community empowerment measures/ outcomes where applicable.</li> <li>• Structure of the economy – addressing economic concentration and/ or SME promotion.</li> <li>• Township and rural economies – measure to promote opportunities in the Township and Rural economies.</li> <li>• District Development Model, with key outputs and outcomes to report on the framework of the 52 districts</li> </ul> | All the five programmes at the NEF contribute to driving an inclusive economy through transformative programmes. | <ul style="list-style-type: none"> <li>• Approval value.</li> <li>• Disbursement value.</li> <li>• Percentage of portfolio disbursements to businesses (partially/wholly) owned by women.</li> <li>• Percentage of disbursement to be invested in EC, NC, NW, MP, FS and LP.</li> <li>• Number of investor education seminars.</li> <li>• Number of entrepreneurship training sessions.</li> <li>• Number of entrepreneurs referred for incubation and those</li> </ul> |

|  |  |  |  |  |
|--|--|--|--|--|
|  |  | (8 metros and 44 district municipalities) including work in SEZs and Industrial Parks. |  | who've completed incubation.<br><ul style="list-style-type: none"> <li>• Number of social facilitation sessions held for investees.</li> </ul> |
|--|--|--|--|--|

**Contribution by the NEF**

The NEF’s contribution will be linked to KPIs 1 to 4, 5, 6, 8, 9, 10,15 under 9.1 above.

As the J-KPI indicates, the transformational mandate of the NEF ensures that we contribute towards inclusive economy by amongst others address structural challenges to growth through active investment in viable projects by supporting amongst others black women and youth including broadening ownership amongst black people and communities where NEF projects are based. In addition we promote investments in rural and townships in the quest to promote spatial transformation.

In the 2022/23 FY, the NEF plans to approve 86 deals worth R1bn, with a commitment and disbursement of R750m and R675m respectively. Our approvals will constitute both on balance sheet and off-balance sheet funds that we manage on behalf of the dtic and other third-party partners. Our disbursement of R675m plans to boost black owned businesses and in addition support 4 154 jobs

**1. SPF**

The programme aims to contribute to the transformation of the economy by identifying, initiating, scoping, and developing projects owned and managed by black industrialists that are in sectors identified by government as the key drivers to South Africa’s economic growth. The early

participation preserves capital that would have been paid for a premium for fully fledged projects or businesses. In addition, black industrialists will be supported to create new manufacturing, and industrial capacity of alongside local and international partners.

## **2. uMnotho**

The focus of the programme is to support black entrepreneurs at different stages of a business lifecycle, names: new venture; expansion; acquisition of established white enterprises; and listing of black owned businesses or liquidating and warehousing listed shares of black shareholders on the JSE. Essentially, this programme is intended to ensure that economic growth is driven by transformation and broadened participation by black people in the mainstream economy.

## **3. RTCDF**

The programme supports the goals of growth and development in the rural and township economies, through financing of black-owned and managed enterprises. This is key for black entrepreneurs to participate in the broader economic activities and realize the economic transformation goals in rural South Africa.

## **4. iMbewu**

The programme products used in delivering the financial solutions have been designed to address market failures that limit meaningful economic participation by black-owned SMEs. Among these market failures are access to capital, lack of information, lack of access to markets and lack of technical skills.

### **5. Women Empowerment Fund**

25% of the annual budget is set aside specifically for black women owned businesses.

### **6. District Development Model**

The dissemination of funds across all provinces, particularly to districts that are in dire need of development, is a key factor in the consideration of the prioritization of projects. Further, regional offices have been established across all provinces to ensure accessibility of the services offered by the NEF.



### JOINT INDICATOR 3

| New Joint Key Performance Indicator | Intention   | Outputs   | NEF Programme(s)                                    | APP Performance Indicator  |
|-------------------------------------|---|---|---|--|
| <b>Delivery – Capable State</b>     | Building a new culture of partnership in the economy, characterized by greater responsiveness and nimbleness by the Department and entities, which includes reviewing internal processes and legislation/regulations. | <ul style="list-style-type: none"> <li>• Building the entity staffing and governance capacity and quick response.</li> <li>• Shared services with <b>the dtic</b> and between entities.</li> <li>• Addressing red-tape and compliance in internal processes, including targets on turnaround times.</li> <li>• Coordinating with other parts of the state to ensuring effective outcomes on mandates and industrialization/ transformation agenda.</li> </ul> | Marketing, Post Investment Unit, Finance, and SEDU. | <ul style="list-style-type: none"> <li>• Maintain positive brand awareness of the NEF</li> <li>• Minimize impairments</li> <li>• ROI</li> <li>• Collection ratio</li> <li>• Value of public partnership funds</li> </ul> |

#### Contribution by the NEF

The intention is to ensure greater coordination and cooperation between state institutions to enable them to support and complement each other for improved delivery of service. Building a new culture of partnerships in the economy should be characterized by greater responsiveness and nimbleness by the NEF.

The programme (departments) will support the quest for a capable state through partnerships with government departments, entities, and municipalities.

1. NEF has introduced new ways of doing business. We have been able to achieve lots of traction in the implementation of various Funds because at the beginning, we shortened our turnaround times for assessing transactions to ensure disbursement within 2 weeks of approval. The agility will stand us in good stead going forward being responsive to applicants that need quicker turnaround times.
2. In response to the need to utilising shared services with the dtic and its entities, instead of the NEF building its own capacity for an internal Travel Agency, we have outsourced this service from the Industrial Development Corporation of South Africa Limited (IDC) since 2018. In addition, our HR's Training and Development is looking at utilising IDC's training capacity through its Academy for provision of technical training to all NEF's Investment Professionals. We will also work close with the IDC in utilising its well-resourced Research and Information instead of developing our own. In the past during strategic sessions, etc. we have requested IDC's Economists to present at our sessions.
3. NEF's Online Business Planner tool will allow clients access to a tool that will help them in putting together their plans efficiently using a familiar official language.
4. Lastly, online platforms are utilised to ensure that large number of people is reached for Investor Education sessions and Entrepreneurship Training as outlined in KPI 7 and 8. In addition, most of our Social Facilitation meetings (KPI 10) are held virtually. These platforms helped us to continue giving our clients much needed services even during hard lockdown as we were not allowed to have face-to-face interactions.

## 9.2. Performance Plan Matrix – Quarterly Milestones 2022/23:

Targets for 2022/23 have been reviewed based on discussions at Management, Executive and Board level. Quarterly targets have been updated to align with the annual targets as outlined in the Performance Plan above.

| Outcome   | Output Indicator                                    | Performance as at 31 December 2021 | Target 2022/23 | Cumulative Quarterly Milestones |       |       |       |
|---|---|------------------------------------|----------------|---------------------------------|-------|-------|-------|
|   |   |                                    |                | 1st                             | 2nd   | 3rd   | 4th   |
| <b>ADVANCING BBBEE</b>  |   |                                    |                |                                 |       |       |       |
| 1. Growing black economic participation in the South Africa Economy and job creation. | 1.1. Value of deals approved by the NEF (R million) | R1 228m                            | R1bn           | R161m                           | R479m | R774m | R1bn  |
|   | 1.2. Value of new Commitments (R million)           | R803m                              | R750m          | R99m                            | R308m | R546m | R750m |
|   | 1.3. Value of Disbursements (R million)             | R841m                              | R675m          | R74m                            | R267m | R479m | R675m |

| Outcome  | Output Indicator  | Performance as at 31 December 2021                | Target 2022/23                                   | Cumulative Quarterly Milestones                |  |  |  |
|--|---|---|--|--|--|--|--|
|  |   |   |  | 1st  | 2nd  | 3rd  | 4th  |
| <b>MAXIMISING THE EMPOWERMENT DIVIDEND</b>   |   |   |  |  |  |  |  |
| 2. Growing black economic participation in the South Africa Economy and job creation | 1.4. Number of job opportunities expected to be supported or created.     | Support 10 247 new or existing job opportunities. | Support 4 154 new or existing job opportunities. | Support 454 new or existing job opportunities. | Support 1 643 new or existing job opportunities. | Support 2 945 new or existing job opportunities. | Support 4 154 new or existing job opportunities. |
| 3. Growing black economic participation in the South Africa Economy and job creation | 1.5. Percentage of portfolio disbursed to businesses owned by black women | 27%   | 35% of disbursements                             | 35% of disbursements                           | 35% of disbursements                             | 35% of annual disbursements                      | 35% of annual disbursements                      |



| Outcome  | Output Indicator   | Performance as at 31 December 2021   | Target 2022/23                          | Cumulative Quarterly Milestones |                                |                                |                                |
|--|--|--|---|---------------------------------|--------------------------------|--------------------------------|--------------------------------|
|  |  |  |   | 1st                             | 2nd                            | 3rd                            | 4th                            |
| 4. Growing black economic participation in the South Africa Economy and job creation | 1.6. 25% of disbursement to be invested in Northern Cape, Free State, Limpopo, Mpumalanga, Eastern Cape and North-West | R148m of disbursed funds comprising of 23 deals, translating to 18% of total disbursement. | 25% of disbursements                    | 25% of disbursements            | 25% of disbursements           | 25% of disbursements           | 25% of disbursements           |
| <b>OPTIMISING NON-FINANCIAL SUPPORT</b>  |  |  |   |                                 |                                |                                |                                |
| 5. Non-Financial Support   | 1.7. Number of investor education seminars held across the country per year.   | 72 Investor Education seminars per year  | 45 Investor Education seminars per year | 11 Investor Education seminars  | 23 Investor Education seminars | 34 Investor Education seminars | 45 Investor Education seminars |

| Outcome                  | Output Indicator   | Performance as at 31 December 2021  | Target 2022/23  | Cumulative Quarterly Milestones   |  |   |   |
|--------------------------|--|---|---|---|--|---|---|
|                          |  |   |   | 1st   | 2nd  | 3rd   | 4th   |
| 6. Non-Financial Support | 1.8. Number of entrepreneur training sessions provided with an average score of 60% required in the post-training assessment             | 118 Entrepreneurial training sessions conducted.  | 135 training sessions per year, with an average score of 60% required in the post-training assessment | 34 training sessions  | 68 training sessions   | 101 training sessions   | 135 training sessions   |
|                          | 1.9. Number of entrepreneurs referred for business incubation; and number of entrepreneurs who successfully complete business incubation | 230 Entrepreneurs were referred to business incubation partners.<br><br>58 Entrepreneurs are fully incubated. | Refer 150 entrepreneurs for incubation; and 30 entrepreneurs in the final incubation stage.           | Refer 38 entrepreneurs for incubation; and 8 entrepreneurs in the final incubation stage. | Refer 75 entrepreneurs for incubation; and 15 entrepreneurs in the final incubation stage. | Refer 113 entrepreneurs for incubation; and 23 entrepreneurs in the final incubation stage. | Refer 150 entrepreneurs for incubation; and 30 entrepreneurs in the final incubation stage. |

| Outcome  | Output Indicator  | Performance as at 31 December 2021                     | Target 2022/23           | Cumulative Quarterly Milestones |                          |                          |                          |
|--|---|--|--------------------------|---------------------------------|--------------------------|--------------------------|--------------------------|
|  |   |  |                          | 1st                             | 2nd                      | 3rd                      | 4th                      |
|  | 1.10. Percentage of Social Facilitation Sessions held for NEF investees per year. | 110% (32) Social Facilitation sessions were conducted. | 90% of the SEDU pipeline | 23% of the SEDU pipeline        | 45% of the SEDU pipeline | 68% of the SEDU pipeline | 90% of the SEDU pipeline |
| 7. Maintaining Financial Sustainability          | 1.11. Brand audit survey findings   | N/A  | N/A                      | N/A                             | N/A                      | N/A                      | N/A                      |
| <b>FINANCIAL EFFICIENCY &amp; SUSTAINABILITY</b> |   |  |                          |                                 |                          |                          |                          |
| 8. Maintaining Financial Sustainability.         | 1.12. Percentage of portfolio impaired  | 25%  | 25%                      | 25%                             | 25%                      | 25%                      | 25%                      |
|  | 1.13. Target ROI before impairments (to be reviewed annually)                     | *7.41%   | *7%                      | *7%                             | *7%                      | *7%                      | *7%                      |
|  | 1.14. Collection ratio  | 74.33%   | **80%                    | **80%                           | **80%                    | **80%                    | **80%                    |

| Outcome                             | Output Indicator                      | Performance as at 31 December 2021 | Target 2022/23 | Cumulative Quarterly Milestones |      |      |       |
|-------------------------------------|---------------------------------------|------------------------------------|----------------|---------------------------------|------|------|-------|
|                                     |                                       |                                    |                | 1st                             | 2nd  | 3rd  | 4th   |
| 9. Growing BEE through partnerships | 1.15. Value of partnerships concluded | R1.594bn                           | R100m          | R25m                            | R50m | R75m | R100m |

***\*Note: ROI is ring fenced to transactions funded from the NEF balance sheet.***

***\*\*Note: The current economic climate and that in the foreseeable future as reflected in the SWOT analysis (pg 82) pose significant challenges for business in South Africa. The collections ratio in 2020/2021 (74.7%) and year to date 2021/22 (74.33%) serve as a reference for reduced collections rates. The collections rate is thus propose to be maintained at 80\* for the MTEF.***





# Part C: Link to Other Plans

## 10. FINANCIAL PLAN

The NEF's strategic objectives are detailed in section 6 of this Plan, and detailed Financial Projections are provided in Appendix A.

The financial projections were compiled on the back of the reduced core targets (approvals, commitments, and disbursements), with the intention of ensuring that the NEF continues to be a going concern. In addition, the projections were based on the following key assumptions:

- CPI inflation forecast of 5.6% in FY2023, and an average CPI forecast of 4.4% over the forecast period. These are as per the National Treasury's MTEF guidelines;
- Portfolio impairment provisions on average of 20% from FY2023 to FY2025;
- Interest earned on investments is prime;
- Interest earned on surplus cash 3.00%;
- Approvals of R3.5 billion between FY2023 and FY2025;
- Collection rate of 80%; and
- Capital raising fee of 1% on disbursements.

### 10.1. Projections of revenue, expenditure, and borrowings

The NEF is currently engaged in a recapitalisation discussion with its Shareholder Ministry, Government, and other relevant stakeholders. The projections in this section have been revised in line with available resources.

Revenue projections include interest on loans and investments, interest on cash in bank, dividend income from listed and unlisted equity investments, raising / origination fees and enterprise and supplier development contributions received. The interest on loans is projected at rates based on the pricing policies of each fund and the interest rate projections over the entire investment portfolio. The majority of the NEF's loan instruments are priced utilising prime as a reference rate, with the current return on investment on these loans being 7.33% as at 31 March 2021. Capital raising fee is projected at 1% of approved transactions to be disbursed in each financial year during MTEF.

Interest on cash in the bank is projected at an average rate of 3%, which are the projected rates achieved on money invested with the South African Reserve Bank and on the call facility with Standard Bank.

Dividend income is particularly difficult to predict / project as these are linked to different dividend policies of the NEF's investee companies.

The NEF has a portfolio of listed and unlisted investments, the majority of which relates to the MTN shares allocated to the NEF by Government. The dividend projections included in the overall revenue is therefore based on our historic trend and best estimate of what the NEF could receive each year.

The Net Asset Value of the NEF has increased from the initial R2.4 billion to just over R3.9 billion as at financial year end 2020/21. This overall increase over the period has largely been a factor of appreciation in fair value of the NEF's listed investment portfolio and retained earnings as the loan book has grown over the years; however, material unrealised fair value losses on listed investments have been reported in the last five financial years, as a result of the decline of MTN's share price from a high of R240 per share, on the 24<sup>th</sup> of April 2015, to R86.85 per share on the 31<sup>st</sup> of March 2021. This represents a 64% decline in the value of MTN, over the five-year period, which is a significant asset on the NEF's balance sheet, comprising 19% of the total assets.

Total Expenditure (i.e. including funding for non-financial services offered by the NEF) has been in line with NEF activities and targets. Operational expenditure includes general, administration and employee costs. Apart from office rental and salaries all operational expenditures, are budgeted for from a zero base. The overall methodology applied when budgeting for operational expenditure is largely linked to the organizational targets and activities. The NEF has continued with a targeted critical role recruitment drive since the lifting of the funding moratorium in 2014.

The NEF also embarks on various projects in line with the mandate as per the NEF Act (i.e. non-financial support services) for which specific budget allocations are required. To this end an average of R9.2m per annum has been budgeted for over the next four years. These projects are Investor Education road shows entrepreneurship development and training, back office services for SMEs, mentorship support, and coaching for investees

Over the strategic period, the cost-to-income ratio is forecasted to breach the intended long-term range of 54%-58%. This is mainly as a result of reducing income from both investments as a result of lower available capital for investments and dividend receipts (mainly from MTN)

over the period. In addition, non-financial support activities which are mandatory to the NEF are currently not subsidised. In the event that the NEF gets transfers from **the dtic** to fully fund the non-financial services we currently undertake, the cost-to-income ratio could be brought down from an average of 86% and maintained around 82% over the course of the strategic period which is closer to the long-term range.

## **10.2. Asset and liability management**

The NEF, as a Schedule 3A entity under the PFMA, is required to operate fully on the basis of not budgeting for a deficit. Investment activity is funded out of cash balances and thus all liabilities will at all times be offset by cash balances.

Excess cash is managed through a cash management process where short term cash is invested in call accounts of three approved banks to meet short term cash requirements and excess cash with the South African Reserve Bank in terms of the requirements of the PFMA.

In an attempt at better managing excess cash, the NEF is exploring the option of implementing an in house or outsourced treasury function, with the intention of better managing excess liquidity held which will result in the NEF earning additional risk adjusted returns on its surplus cash. This initiative would entail implementing the necessary treasury policies, processes, and controls in order to apply for the necessary exemption from the National Treasury.





### 10.3. Cash flow projections

Please refer to Appendix A.

### 10.4. Capital expenditure and infrastructure plans

Annual capital expenditure allocation is mostly related to replenishment of existing capital expenditure items such as computers, furniture, and office equipment. The NEF further plans to enhance its IT environment and platforms over the medium period. The total allocation for capital expenditure over the forecast period is R15.8 million over MTEF.

The NEF does not directly fund infrastructure for itself or the country as part of its mandate though there may be an element of infrastructure funding provided through projects funded by the Strategic Projects Fund that is a specific requirement of that project and in line with national targeted strategic sectors.

## 10.5. Dividend policies

The NEF does not have a dividend policy with respect to any surplus reported. Surpluses are retained following a section 53(3) application to the National Treasury each year in order to meet further capitalisation needs of the NEF since in the absence of recapitalisation.



# 11. Risk Management and Fraud Prevention Plan

## 11.1. Risk Management Framework

The NEF's Risk Management Framework is based on Committee of Sponsoring Organizations of the Treadway Commission (COSO), Institute of Risk Management Standards of South Africa (IRMSA) Code of Practice and PFMA & Treasury regulations.

The ERM (Enterprise-wide risk management) methodology of the NEF consists of the following interrelated components: internal environment, objective setting, risk identification, risk assessment, risk control and response, risk monitoring and reporting, and risk performance measurement. These components are derived from best practice with respect to ERM governance.

The Framework is continuously benchmarked against best practice such as the International standard on Risk Management (ISO 31000) and KING IV; and where required, relevant changes are made to the Framework. The Framework was updated during 2018 and is currently being reviewed to determine if further updates are required.

The Risk assessment process results in the output of the risk universe, allowing key risks to be identified. The Risk assessment exercise is completed on an annual basis and divisional risk registers are updated on a quarterly basis on a rotational basis to identify any emerging risks and track progress.

## 11.2. Risk Strategy (Risk Register)

The realisation of the strategic objectives presented by the NEF may be affected by the following key risks:

### A. Covid-19

A Coronavirus that originated in China in December 2019 and that spread to the rest of the world including South Africa. Covid-19 has impacted on people's health and lead to a nationwide lockdown that resulted in a negative impact on the global and South African economy. Business funded by the NEF who are generally more vulnerable to external events are



experiencing challenges during this time. Various initiatives such as payment holiday's additional funding to clients who require working capital etc are being implemented by the NEF's Post Investment and TWR business units.

**B. Business/Market Risk: The risk that changes in external market conditions have a negative impact on the viability of funded transactions.**

The investment portfolio of the NEF consists of businesses in the commercial environment that are susceptible to normal business risks in a volatile economic environment, fluctuations in commodity prices and foreign exchange rates amongst other variables. The current volatile global and local economic environment due to Covid-19 will lead to a decline in GDP for the 2020 year and will negatively impact on clients that the NEF funds. In addition, household personal finances are under financial strain due to impact of Covid-19 on personal finances. This is negatively impacting on business conditions and has placed strain on some of the clients in the portfolio.

The NEF portfolio is arguably more susceptible to these variations given the nature of the businesses being supported i.e. early-stage business, inexperienced entrepreneurs, geared balance sheets and hence not as able to absorb the impact of these fluctuations as well as more established businesses.

In evaluating transactions, market conditions are considered (such as the risk of power supply), due diligence investigations, risks and mitigant identification (in the example of power, alternate sources of power identified), modelling and structuring (including the cost of implementing mitigating factors) of transactions by the deal teams. In addition, a regular micro- and macro-economy sensitivity is undertaken by our Post-Investment Unit and NEF-appointed mentors are used to promptly advise NEF investees on appropriate course of action.

The following are risks and mitigating factors identified in relation to the Taxi Relief Fund:

| Risk                          | Mitigating Factor   |
|-------------------------------|---|
| Fraud Risk/Duplicate Payments | A verification system prohibits duplicate use of an identity number and operating license number. |



|  |   |
|--|---|
| Dealing with sector disagreements – Disgruntled applicants | Collaboration with the DoT through a specialised call centre to address all queries.  |
| Covid-19 infections (recruitment of trainees)              | The trainees have already been recruited across all 9 provinces. Further, all trainees are trained up on covid protocols to ensure observation. Observation is also ensured through management.   |
| Cost of managing scheme exceed amounts received            | Monthly budgets and cost management is conducted to ensure containment of costs in relation to the budget.  |
| Take-up of scheme – Over/Under subscriptions               | <p>An awareness campaign has been run to ensure knowledge of the programme which has been managed through Marketing and Communications.</p> <p>The calculation of the R1.135b was based on the total valid operating license holders as at the 26<sup>th</sup> of March 2020. Further, the programme has a cut off date and this together with it's fixed budget have been publicly communicated by the Minister of Transport amongst other communication channels.</p> |

### **C. Credit Risk: Unsustainable levels of impairments**

The NEF is mandated to intervene in the economy through the provision of funding to black-owned enterprises, which due to past economic imbalances, may be of a higher credit risk. This risk is exacerbated by the current tough economic climate due to Covid-19 that may impact on funded businesses and their cashflows leading to the inability to honour loan repayments and possible defaults on loans to the NEF.

Internally, the risk that the assessment processes of the NEF may not be able to inform appropriate investment decisions does exist, as does the risk of not collecting on amounts due and not being able to timeously identify distressed investments, which may be able to

be rescued. The risk of funding the wrong “jockeys” impacting on the performance of investments and the portfolio also exists. Inadequate controls mitigating this risk may negatively impact on the performance and quality of the portfolio.

The controls introduced to attempt to mitigate this risk include:

- Appointment of skilled fund management teams.
- Due diligence investigation processes that include background checks.
- Adequately constituted and efficient approval structures.
- Portfolio management, monitoring and reporting processes.
- Use of pricing models according to a pricing policy which compels consideration of credit risk.
- An independent credit risk assessment process by the Risk Division.
- Credit collection process managed by collaboration between the Post-Investment Unit and the Finance Division.
- Adequate turnaround workout and restructuring process.
- Initiatives being implemented by our Post Investments and TWR business unit to assist clients during this difficult period

## **D. Concentration risk in MTN**

The shareholding in MTN comprises a significant component of the NEF’s Balance sheet. The decline in share price of MTN has a significant impact on the NEF’s asset base as it has reduced significantly in the last 5 years. Management is evaluating possible options to manage the volatility of this strategic asset.

## **E. Recapitalisation Risk**

The risk that the NEF will not be able to raise sufficient capital to fund the NEF’s short- to medium-term investment and operating activities.

Without an injection of new capital, the NEF estimates that it will run out of capital to finance new transactions within the next six months. The lack of adequate capital will also negatively impact on the NEF’s ability to follow through on participation interest or equity options for transactions within the NEF’s Strategic Projects Fund. This will have a negative impact on the achievement of the NEF’s mandate and the ability to transform the economy.

The NEF has obtained approval by the shareholder ministry to become an Arm's-length subsidiary of the IDC and is in the process of engaging with the IDC for interim funding. Various other initiatives are underway regarding resolving the issue relating to the recapitalisation of the NEF i.e. exploring strategic partnerships with other entities to co-fund transactions. The NEF is also undertaking fundraising initiatives for the Strategic Projects Fund transactions.

Below is a summary of the key risks and mitigants that the NEF faces and has put in place:

| Outcome  | Key Risk  | Risk Mitigation   |
|--|---|---|
| Growing black economic participation in the South African Economy and job creation | <ul style="list-style-type: none"> <li>Recapitalisation Risk.</li> </ul>  | <ul style="list-style-type: none"> <li>NEF to become Arm's length IDC subsidiary</li> <li>Engagements with IDC and other stakeholders for interim funding</li> <li>Co funding of transactions</li> <li>3rd party funding sought for SPF transactions</li> </ul> |
| Financial sustainability   | <ul style="list-style-type: none"> <li>Concentration risk MTN</li> </ul>  | <ul style="list-style-type: none"> <li>Appointment of Corporate Finance advisors to explore options available in respect of the exposure to MTN</li> </ul>  |
| Financial Sustainability   | <ul style="list-style-type: none"> <li>Impact of Covid-19 on the global and local economy</li> <li>Business/market risk: external conditions have a negative impact on funded transactions</li> </ul> | <ul style="list-style-type: none"> <li>Thorough due diligence (DD) investigations on transactions</li> <li>Transaction structuring and modelling which takes into account DD investigation findings</li> </ul>  |

|                          |   |   |
|--------------------------|---|---|
|                          |   | <ul style="list-style-type: none"> <li>• Initiatives to assist clients to deal with impact of Covid-19</li> </ul>   |
| Financial sustainability | <ul style="list-style-type: none"> <li>• Impact of Covid-19 on NEF's portfolio</li> <li>• Credit risk: unsustainable levels of impairments</li> </ul> | <ul style="list-style-type: none"> <li>• Short-term and long-term impairment intervention measures put in place</li> <li>• Thorough due diligence (DD) investigations on transactions</li> <li>• Appropriate governance in place in respect of credit granting/approval, monitoring</li> <li>• Initiatives to assist clients to deal with impact of Covid-19</li> </ul> |

### 11.3. Fraud Prevention Plan

The Fraud Prevention Plan is the responsibility of all staff and management at the NEF. This plan is a dynamic document and is updated regularly to reflect changes in the business operations and circumstances of the NEF. The Plan has been reviewed by management, updated and approved by the Board during October 2018 and is currently being reviewed.

The NEF has developed and implemented a Fraud Prevention Strategy and Fraud Prevention Plan to guide behaviour and to combat any fraudulent activities. Key aspects of the Fraud Prevention Strategy and Plan are listed below.

#### Anti-Fraud Policy Statement

As a first step towards implementing an anti-fraud strategy, the NEF adopts and publishes an Anti-Fraud Policy statement along the following lines:

*The NEF recognises the possibility of fraud and corruption occurring in its operations. As such it is the policy and mission of the NEF to strive for the protection of its employees and*



*its other stakeholders (such as applicants, investees, suppliers etc.) through the implementation of an effective and efficient Fraud Prevention Strategy.*

*We believe that there is only one effective way of fighting fraud and other corrupt practices and that is by instilling the reality amongst employees and other stakeholders, (such as clients (investees), suppliers of goods and services, public,) that fraud and corruption do not pay and will be detected and dealt with severely.*

*Therefore, the NEF's view on fraud and corruption is one of zero tolerance, and as such the NEF is committed to:*

- *Aggressively detecting incidents of fraud and corruption;*
- *The investigation of all allegations of misconduct by employees, clients and suppliers, said to be occasioned by fraud and corruption; and*
- *The prosecution of all offenders criminally and, where necessary, the institution of civil and disciplinary action against them.*

### **Anti-Fraud Charter**

In implementing the Fraud Prevention Policy of the NEF has adopted the following principles:

- We have a zero-tolerance attitude to fraud
- We understand and manage our risks
- We are proactive in defending our assets
- We react swiftly when a crime is uncovered

## **11.4. Fraud Risk Management Strategy**

The key objectives of the NEF's Fraud Risk Management Strategy are:

- To establish the necessary preventative, control and monitoring mechanisms/systems to minimise the defrauding of the NEF funds, resources, assets and services by any persons/organizations.
- To ensure that adequate measures are in place to protect the NEF from internal as well as external fraud (i.e. supplier, potential applicants, clients, syndicates targeting NEF i.e. false applications etc.).
- To ensure that adequate measures are in place to report fraud (whistle blowing policy and hotline).
- To ensure that all reported matters are investigated.
- To account to the Board, via the Audit Committee on all fraudulent activity within the NEF.

- To take the necessary action against all parties involved in fraudulent activities against the NEF and to punish and deter any fraudulent actions from continuing or recurring.

The focus of such a strategy is the formalisation and implementation within the NEF of a culture of zero tolerance for fraud and corruption, a high level of fraud awareness, and a management and control environment that makes it as difficult as reasonably possible to misappropriate assets or to succumb to corruption.

From the perspective of the NEF, good governance as it pertains to fraud prevention includes:

- Continuing the present focus on governance
- A robust control environment
- A strong and independent Internal Audit function
- A relevant and well-communicated Code of Conduct
- A whistleblowing policy and mechanism (fraud hotline) to report suspected fraud or corruption.



From a fraud prevention point of view it is important that:

- When management considers the strategy and direction that the organisation is taking, they take into account the environmental factors relating to fraud and that they insist that a suitably comprehensive fraud prevention strategy be put in place to address such risks, this is done via the organisational risk assessment process.
- Each manager brings his or her specialised industry knowledge or technical background to bear when considering how fraud risks are to be avoided.

- Regular monitoring of performance against pre-set objectives should take place.
- Individual operational units are held accountable for their actions.
- Constant pressure for improvement is exercised as this has a powerful impact on reducing fraudulent activity. This is done via the implementation of internal and external auditor's recommendation, which is tracked.
- The management team's awareness of the possibility of fraud is monitored, as this is also an active manner in which managers can encourage defensive strategies.
- Regular monitoring of the internal control environment takes place to ensure that it remains of sufficiently high standard.

## **11.5. Relevant Court Rulings**

There are no recent court rulings that would have an impact on the NEF's ability to implement its strategy.

## 12. Indicator Profiles

### *Performance Indicator 1: Value of deals approved by the NEF*

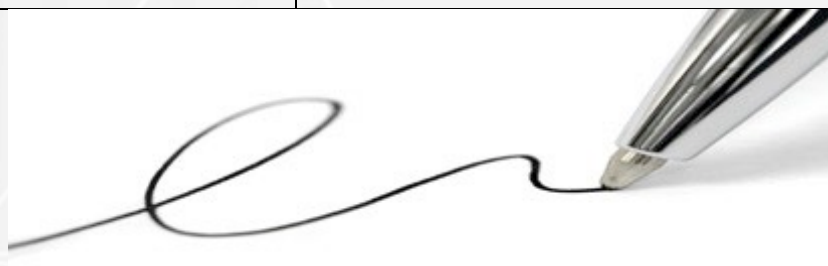
|  |  |
|--|--|
| <b>1. Indicator title</b>                                    | Value of deals approved by the NEF   |
| <b>2. Definition</b>   | Total value of deals approved by the NEF (this includes headroom facility, grants from partnerships) |
| <b>3. Source/collection of data</b>                          | Funds; CRM System; Secretariat, Post Investment and Turnaround Workout and Restructuring             |
| <b>4. Method of calculation / Assessment</b>                 | Value per Secretariate Register as per investment committee meeting approvals                        |
| <b>5. Means of Verification</b>                              | Reports, Minutes, CRM System Reports, Completed Templates  |
| <b>6. Assumptions</b>  | N/A  |
| <b>7. Disaggregation of Beneficiaries (Where applicable)</b> | N/A  |
| <b>8. Spatial Transformation (Where applicable)</b>          | 9 Provinces  |
| <b>9. Calculation Type</b>                                   | Cumulative   |
| <b>10. Reporting Cycle</b>                                   | Quarterly and Annually   |
| <b>11. Desired Performance</b>                               | R1 billion value of approved deals   |
| <b>12. Indicator Responsibility</b>                          | Unit Executive Directors   |





**Performance Indicator 2: Value of New Commitments**

|  |  |
|--|--|
| <b>1. Indicator title</b>                                    | Value of Commitments made by the NEF   |
| <b>2. Definition</b>   | The total cash which the NEF has agreed to advance to investees in signed legal agreements |
| <b>3. Source/collection of data</b>                          | Legal Services Department  |
| <b>4. Method of calculation / Assessment</b>                 | Commitments value as per Commitments Register from Legal Services Department               |
| <b>5. Means of Verification</b>                              | Reports, Signed Agreements by both parties, Completed Templates                            |
| <b>6. Assumptions</b>  | N/A  |
| <b>7. Disaggregation of Beneficiaries (Where applicable)</b> | N/A  |
| <b>8. Spatial Transformation (Where applicable)</b>          | 9 Provinces  |
| <b>9. Calculation Type</b>                                   | Cumulative   |
| <b>10. Reporting Cycle</b>                                   | Quarterly and Annually   |
| <b>11. Desired Performance</b>                               | Committed deals to the value of R750 million, at 75% of annual Approval target             |
| <b>12. Indicator Responsibility</b>                          | Unit Executive Directors   |



**Performance Indicator 3: Value of Disbursements**

|  |  |
|--|--|
| <b>1. Indicator title</b>                                    | Value of Disbursement made by the NEF  |
| <b>2. Definition</b>   | Indicates the total or part cash which the NEF has advanced to investees (this includes Enterprise Development grants) |
| <b>3. Source/collection of data</b>                          | Finance Department; Funds  |
| <b>4. Method of calculation / Assessment</b>                 | Total disbursement as per the disbursement schedule  |
| <b>5. Means of Verification</b>                              | Disbursement schedule from the finance department  |
| <b>6. Assumptions</b>  | N/A  |
| <b>7. Disaggregation of Beneficiaries (Where applicable)</b> | N/A  |
| <b>8. Spatial Transformation (Where applicable)</b>          | 9 Provinces  |
| <b>9. Calculation Type</b>                                   | Cumulative   |
| <b>10. Reporting Cycle</b>                                   | Quarterly and Annually   |
| <b>11. Desired Performance</b>                               | Disbursed funds valued at R675 million, at 90% Commitment target   |
| <b>12. Indicator Responsibility</b>                          | Unit Executive Directors   |



**Performance Indicator 4: Number of job opportunities supported or created**

|  |   |
|--|---|
| <b>1. Indicator title</b>                                    | Number of job opportunities supported or created  |
| <b>2. Definition</b>   | Number of job opportunities supported   |
| <b>3. Source/collection of data</b>                          | Funds   |
| <b>4. Method of calculation / Assessment</b>                 | Simple count  |
| <b>5. Means of Verification</b>                              | CRM System reports, Completed Templates   |
| <b>6. Assumptions</b>  | Reliable Data   |
| <b>7. Disaggregation of Beneficiaries (Where applicable)</b> | N/A   |
| <b>8. Spatial Transformation (Where applicable)</b>          | 9 Provinces   |
| <b>9. Calculation Type</b>                                   | Cumulative  |
| <b>10. Reporting Cycle</b>                                   | Quarterly and Annually  |
| <b>11. Desired Performance</b>                               | 4 154 new jobs created and supported, at Annual disbursement target / R162 500 cost per job |
| <b>12. Indicator Responsibility</b>                          | Unit Executive Directors  |



**Performance Indicator 5: Percentage of portfolio disbursed to businesses owned by black women.**

|  |  |
|--|--|
| <b>1. Indicator title</b>                                    | Percentage of annual disbursements owned by black women                                  |
| <b>2. Definition</b>   | Percentage of the portfolio disbursed to businesses owned by black women                 |
| <b>3. Source/collection of data</b>                          | Funds  |
| <b>4. Method of calculation / Assessment</b>                 | Total Disbursements amount to Business owned by Black women / Total Disbursements amount |
| <b>5. Means of Verification</b>                              | CRM System Reports, Completed Templates  |
| <b>6. Assumptions</b>  | N/A  |
| <b>7. Disaggregation of Beneficiaries (Where applicable)</b> | Target for Women: 35% of Total disbursements per annum                                   |
| <b>8. Spatial Transformation (Where applicable)</b>          | 9 Provinces  |
| <b>9. Calculation Type</b>                                   | Non-cumulative   |
| <b>10. Reporting Cycle</b>                                   | Quarterly and Annually   |
| <b>11. Desired Performance</b>                               | 35% of total disbursements to businesses owned by Black women (R236 milion)              |
| <b>12. Indicator Responsibility</b>                          | Unit Executive Directors   |





**Performance Indicator 6: Percentage (25%) of disbursements to be invested in Northern Cape, Free State, Limpopo, Mpumalanga, Eastern Cape and North-West**

|  |  |
|--|--|
| <b>1. Indicator title</b>                                    | Percentage of annual disbursements to be invested in Northern Cape, Free State, Limpopo, Mpumalanga, Eastern Cape and North-West |
| <b>2. Definition</b>   | Increase portfolio size in under-represented provinces (number of deals and total amount disbursed)                              |
| <b>3. Source/collection of data</b>                          | Funds, Finance   |
| <b>4. Method of calculation / Assessment</b>                 | Total amount disbursement to disadvantaged provinces (NC, LP, EC, MP, NW, FS) / Total Disbursements amount                       |
| <b>5. Means of Verification</b>                              | CRM System Reports, Completed Templates, Spreadsheet   |
| <b>6. Assumptions</b>  | N/A  |
| <b>7. Disaggregation of Beneficiaries (Where applicable)</b> | N/A  |
| <b>8. Spatial Transformation (Where applicable)</b>          | 6 Provinces  |
| <b>9. Calculation Type</b>                                   | Non-cumulative   |
| <b>10. Reporting Cycle</b>                                   | Quarterly and Annually   |
| <b>11. Desired Performance</b>                               | 25% of total disbursements to disadvantaged provinces (R169 million)   |
| <b>12. Indicator Responsibility</b>                          | Unit Executive Directors   |

**Performance Indicator 7: Number of investor education seminars held across the country per year**

|  |  |
|--|--|
| <b>1. Indicator title</b>                                    | Number of investor education seminars held across the country per year |
| <b>2. Definition</b>   | Number of investor education seminars held                             |
| <b>3. Source/collection of data</b>                          | Socio-Economic Development Unit (SEDU)                                 |
| <b>4. Method of calculation / Assessment</b>                 | Simple Count   |
| <b>5. Means of Verification</b>                              | Reports, Completed Templates   |
| <b>6. Assumptions</b>  | N/A  |
| <b>7. Disaggregation of Beneficiaries (Where applicable)</b> | N/A  |
| <b>8. Spatial Transformation (Where applicable)</b>          | 9 Provinces  |
| <b>9. Calculation Type</b>                                   | Cumulative   |
| <b>10. Reporting Cycle</b>                                   | Quarterly and Annually   |
| <b>11. Desired Performance</b>                               | 45 investor education seminars completed                               |
| <b>12. Indicator Responsibility</b>                          | Unit Executive Director  |



**Performance Indicator 8: Number of entrepreneur training sessions provided with an average score of 60% required in the post-training assessment**

|  |  |
|--|--|
| <b>1. Indicator title</b>                                    | Number of entrepreneur sessions provided with an average score of 60% required in the post-training assessment   |
| <b>2. Definition</b>   | <ul style="list-style-type: none"> <li>• Providing Business Skills (Entrepreneurial and Bootcamp) Training</li> <li>• Business Skills Training with an average pass of 60%</li> <li>• Number of seminars held</li> </ul> |
| <b>3. Source/collection of data</b>                          | Pre-Investment Unit  |
| <b>4. Method of calculation / Assessment</b>                 | Simple Count   |
| <b>5. Means of Verification</b>                              | Reports, Completed Templates   |
| <b>6. Assumptions</b>  | N/A  |
| <b>7. Disaggregation of Beneficiaries (Where applicable)</b> | N/A  |
| <b>8. Spatial Transformation (Where applicable)</b>          | 9 Provinces  |
| <b>9. Calculation Type</b>                                   | Cumulative   |
| <b>10. Reporting Cycle</b>                                   | Quarterly and Annually   |
| <b>11. Desired Performance</b>                               | 135 business skills training completed   |
| <b>12. Indicator Responsibility</b>                          | Unit Executive Director  |



**Performance Indicator 9: Number of entrepreneurs referred for business incubation; and number of entrepreneurs who successfully complete business incubation**

|  |   |
|--|---|
| <b>1. Indicator title</b>                                    | Number of entrepreneurs referred for business incubation; and number of entrepreneurs who successfully complete business incubation |
| <b>2. Definition</b>   | Referral of Entrepreneurs and Completed Business Incubation   |
| <b>3. Source/collection of data</b>                          | Pre-Investment Unit   |
| <b>4. Method of calculation/<br/>Assessment</b>              | Simple Count  |
| <b>5. Means of Verification</b>                              | Reports, Completed Templates  |
| <b>6. Assumptions</b>  | N/A   |
| <b>7. Disaggregation of Beneficiaries (Where applicable)</b> | N/A   |
| <b>8. Spatial Transformation (Where applicable)</b>          | 9 Provinces   |
| <b>9. Calculation Type</b>                                   | Cumulative  |
| <b>10. Reporting Cycle</b>                                   | Quarterly and Annually  |
| <b>11. Desired Performance</b>                               | 150 entrepreneurs referred and 30 fully incubated   |
| <b>12. Indicator Responsibility</b>                          | Unit Executive Director   |





**Performance Indicator 10: Percentage of Social Facilitation Sessions in relation to the SEDU pipeline held for NEF investees per year.**

|  |   |
|--|---|
| <b>1. Indicator title</b>                                    | Percentage of Social Facilitation Sessions held for NEF investees per year. |
| <b>2. Definition</b>   | Percentage of Social Facilitation sessions provided to NEF investees.       |
| <b>3. Source/collection of data</b>                          | Socio-Economic Development Unit (SEDU)                                      |
| <b>4. Method of calculation / Assessment</b>                 | Percentage of SEDU Pipeline   |
| <b>5. Means of Verification</b>                              | Reports, Attendance Register, Completed Template, or email from Funds       |
| <b>6. Assumptions</b>  | N/A   |
| <b>7. Disaggregation of Beneficiaries (Where applicable)</b> | N/A   |
| <b>8. Spatial Transformation (Where applicable)</b>          | 9 Provinces   |
| <b>9. Calculation Type</b>                                   | Cumulative  |
| <b>10. Reporting Cycle</b>                                   | Quarterly and Annually  |
| <b>11. Desired Performance</b>                               | 90% of Social Facilitation sessions completed based on the SEDU pipeline    |
| <b>12. Indicator Responsibility</b>                          | Unit Executive Director   |



**Performance Indicator 11.: Maintain Brand Awareness of 90%**

|  |   |
|--|---|
| <b>1. Indicator title</b>                                    | Maintain Brand Awareness of 90%                 |
| <b>2. Definition</b>   | The findings of the Brand Audit Survey/Research |
| <b>3. Source/collection of data</b>                          | Marketing and Communications                    |
| <b>4. Method of calculation / Assessment</b>                 | Research Report                                 |
| <b>5. Means of Verification</b>                              | Research Report                                 |
| <b>6. Assumptions</b>  | N/A   |
| <b>7. Disaggregation of Beneficiaries (Where applicable)</b> | N/A   |
| <b>8. Spatial Transformation (Where applicable)</b>          | N/A   |
| <b>9. Calculation Type</b>                                   | Cumulative Year End                             |
| <b>10. Reporting Cycle</b>                                   | Every three years                               |
| <b>11. Desired Performance</b>                               | Maintain NEF brand awareness of 90%             |
| <b>12. Indicator Responsibility</b>                          | Marketing and Communications Manager            |



**Performance Indicator 12: Percentage of Portfolio Impaired**

|  |   |
|--|---|
| <b>1. Indicator title</b>                                    | Percentage of the portfolio impaired  |
| <b>2. Definition</b>   | The total percentage of the value invested in investees that is valued at less than the original valuation, and that may have to be written off in future |
| <b>3. Source/collection of data</b>                          | Finance Department  |
| <b>4. Method of calculation / Assessment</b>                 | IAS39/GRAP 104 Principle  |
| <b>5. Means of Verification</b>                              | Reports, Finance Systems, Completed Templates   |
| <b>6. Assumptions</b>  | Per IAS39/GRAP 104  |
| <b>7. Disaggregation of Beneficiaries (Where applicable)</b> | N/A   |
| <b>8. Spatial Transformation (Where applicable)</b>          | N/A   |
| <b>9. Calculation Type</b>                                   | Non-cumulative  |
| <b>10. Reporting Cycle</b>                                   | Quarterly and Annually  |
| <b>11. Desired Performance</b>                               | 25% impairment  |
| <b>12. Indicator Responsibility</b>                          | Unit Executive Directors and Post-Investment  |



**Performance Indicator 13: Target ROI before impairments (to be reviewed annually)**

|  |  |
|--|--|
| <b>1. Indicator title</b>                                    | Target return on investment before impairments   |
| <b>2. Definition</b>   | Annual return earned by the total portfolio i.e. loans and preference share portfolio before impairments |
| <b>3. Source/collection of data</b>                          | Finance Department   |
| <b>4. Method of calculation / Assessment</b>                 | Interest earned on loan(debt) investments / Debt book value excluding accounts at legal.                 |
| <b>5. Means of Verification</b>                              | Reports, Finance Systems, Completed Templates  |
| <b>6. Assumptions</b>  | N/A  |
| <b>7. Disaggregation of Beneficiaries (Where applicable)</b> | N/A  |
| <b>8. Spatial Transformation (Where applicable)</b>          | N/A  |
| <b>9. Calculation Type</b>                                   | Non-cumulative   |
| <b>10. Reporting Cycle</b>                                   | Quarterly and Annually   |
| <b>11. Desired Performance</b>                               | *7% ROI  |
| <b>12. Indicator Responsibility</b>                          | Unit Executive Directors and Post-Investment   |

**\*The NEF Pricing is linked to Prime lending rate**





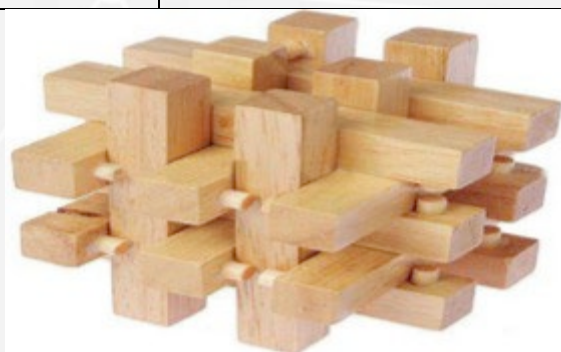
**Performance Indicator 14: Collections ratio**

|  |   |
|--|---|
| <b>1. Indicator title</b>                                    | Improve collections ratios  |
| <b>2. Definition</b>   | The NEF seeks to improve the percentage of monies collected from investees based on the total amount invoiced |
| <b>3. Source/collection of data</b>                          | Finance Department  |
| <b>4. Method of calculation / Assessment</b>                 | Total receipts / total instalments raised   |
| <b>5. Means of Verification</b>                              | Reports, Finance Systems, Completed Templates   |
| <b>6. Assumptions</b>  | N/A   |
| <b>7. Disaggregation of Beneficiaries (Where applicable)</b> | N/A   |
| <b>8. Spatial Transformation (Where applicable)</b>          | N/A   |
| <b>9. Calculation Type</b>                                   | Non-cumulative  |
| <b>10. Reporting Cycle</b>                                   | Quarterly and Annually  |
| <b>11. Desired Performance</b>                               | 80% Collections   |
| <b>12. Indicator Responsibility</b>                          | Unit Executive Directors and Post-Investment  |



**Performance Indicator 15: Value of Partnerships concluded per year**

|  |  |
|--|--|
| <b>1. Indicator title</b>                                    | Value of Partnerships concluded  |
| <b>2. Definition</b>   | Value of mobilised resources from concluded partnerships                           |
| <b>3. Source/collection of data</b>                          | Finance Department, SEDU   |
| <b>4. Method of calculation / Assessment</b>                 | Reconciliation by the Finance department of rand value received from third parties |
| <b>5. Means of Verification</b>                              | Partnership agreement  |
| <b>6. Assumptions</b>  | N/A  |
| <b>7. Disaggregation of Beneficiaries (Where applicable)</b> | N/A  |
| <b>8. Spatial Transformation (Where applicable)</b>          | N/A  |
| <b>9. Calculation Type</b>                                   | Cumulative   |
| <b>10. Reporting Cycle</b>                                   | Quarterly and Annually   |
| <b>11. Desired Performance</b>                               | Value of R100 million in partnerships concluded                                    |
| <b>12. Indicator Responsibility</b>                          | Unit Executive Directors   |



## Annexure A: Financial Projections

### Income and Expenditure

|  | <b>ACTUAL</b><br><b>Mar-21</b><br><b>R</b> | <b>BUDGET</b><br><b>Mar-22</b><br><b>R</b> | <b>BUDGET</b><br><b>Mar-23</b><br><b>R</b> | <b>BUDGET</b><br><b>Mar-24</b><br><b>R</b> | <b>BUDGET</b><br><b>Mar-25</b><br><b>R</b> |
|--|--|--|--|--|--|
| <b><u>INCOME:</u></b>                              |  |  |  |  |  |
| Dividends  | 53 845 046                                 | 46 752 000                                 | 36 788 652                                 | 47 417 528                                 | 58 060 586                                 |
| Interest Received Banks                            | 41 715 182                                 | 48 391 345                                 | 68 567 992                                 | 58 684 407                                 | 47 032 411                                 |
| Interest from Investments                          | 116 468 993                                | 158 470 655                                | 141 312 913                                | 188 227 074                                | 241 909 698                                |
| Capital raising Fees                               | 2 759 323                                  | 5 620 000                                  | 5 400 000                                  | 7 000 000                                  | 9 000 000                                  |
| Enterprise Development Fund                        | 179 096 959                                | 5 200 000                                  | 5 200 000                                  | 5 200 000                                  | 5 200 000                                  |
| Other income                                       | 450 000                                    | 42 263 000                                 | 42 263 373                                 | 21 659 382                                 | 3 652 772                                  |
| Bad Debts Recovered                                | 2 068 194                                  | 8 000 000                                  | 3 000 000                                  | 3 000 000                                  | 3 000 000                                  |
|  | <b>396 403 697</b>                         | <b>314 697 000</b>                         | <b>302 532 929</b>                         | <b>331 188 391</b>                         | <b>367 855 467</b>                         |
| <b><u>EXPENDITURE</u></b>                          |  |  |  |  |  |
| Goods & Services                                   | 46 178 795                                 | 59 658 876                                 | 63 106 100                                 | 66 764 153                                 | 70 646 720                                 |
| Compensation to employees                          | 191 979 938                                | 211 068 569                                | 226 698 615                                | 240 073 833                                | 254 238 189                                |
| Depreciation                                       | 2 364 852                                  | 1 417 071                                  | 1 417 071                                  | 1 522 108                                  | 1 733 100                                  |
| Projects/ Non-financial support                    | 11 896 826                                 | 8 933 500                                  | 9 371 242                                  | 9 830 432                                  | 10 312 124                                 |
| Impairment Provision & Write offs                  | 208 823 580                                | 33 272 000                                 | 738 799                                    | 12 249 203                                 | 30 622 364                                 |
| Total Expenditure                                  | <b>461 243 991</b>                         | <b>314 350 015</b>                         | <b>301 331 826</b>                         | <b>330 439 730</b>                         | <b>367 552 496</b>                         |
| <b><u>OPERATIONAL SURPLUS/(DEFICIT)</u></b>        | <b>(64 840 294)</b>                        | <b>346 985</b>                             | <b>1 201 103</b>                           | <b>748 661</b>                             | <b>302 971</b>                             |
| Fair value Adj - Held at fair value                | 2 025 452                                  | -  | -  | -  | -  |
| Fair value Adj - non associate equity inventments  | 272 149 322                                | -  | -  | -  | -  |
| Fair value Adj - unincorporated equity inventments | (3 228 448)                                | -  | -  | -  | -  |
| Fair value adj - investment in associates          | 37 983 805                                 | -  | -  | -  | -  |
| <b><u>TOTAL FAIR VALUE ADJUSTMENTS</u></b>         | <b>308 930 131</b>                         | <b>-</b>                                   | <b>-</b>                                   | <b>-</b>                                   | <b>-</b>                                   |
|  |  |  |  |  |  |
| Net surplus/(deficit)                              | <b>244 089 837</b>                         | <b>346 985</b>                             | <b>1 201 103</b>                           | <b>748 661</b>                             | <b>302 971</b>                             |

## Annexure B: Statement of Financial Position

|   | <b>Actual</b>        | <b>Budget</b>        | <b>Budget</b>        | <b>Budget</b>        | <b>Budget</b>        |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|
|   | <b>Mar-21</b>        | <b>Mar-22</b>        | <b>Mar-23</b>        | <b>Mar-24</b>        | <b>Mar-25</b>        |
|   | <b>R</b>             | <b>R</b>             | <b>R</b>             | <b>R</b>             | <b>R</b>             |
| <b>ASSETS</b>   |                      |                      |                      |                      |                      |
| <b>Non Current Assets</b>   | <b>3 082 529 196</b> | <b>3 154 571 843</b> | <b>3 591 675 354</b> | <b>3 942 617 178</b> | <b>3 905 329 923</b> |
| Property, Plant and Equipment   | 3 607 000            | 5 487 090            | 7 557 768            | 7 880 258            | 8 769 825            |
| Intangible Assets   | 1 583                | 881 393              | 3 345 226            | 6 023 799            | 7 500 943            |
| Investments in Associates   | 76 881 282           | 112 881 282          | 166 881 282          | 236 881 282          | 326 881 282          |
| Investments Held at Fair Value  | 1 147 417 428        | 1 147 417 428        | 1 147 417 428        | 1 147 417 428        | 1 147 417 428        |
| Investment in subsidiary  | 19 876 603           | 19 876 603           | -                    | -                    | -                    |
| Finance Lease receivables   | 232 540 405          | 242 412 468          | 253 268 096          | 272 619 266          | 291 654 355          |
| Loans and Preference Shares   | 1 602 204 895        | 1 625 615 579        | 2 013 205 553        | 2 271 795 144        | 2 123 106 090        |
| <b>Current Assets</b>   | <b>1 495 964 223</b> | <b>1 368 620 388</b> | <b>950 975 678</b>   | <b>311 925 858</b>   | <b>124 213 543</b>   |
| Trade and other receivables   | 17 142 812           | 17 142 812           | 17 142 812           | 17 142 812           | 17 142 812           |
| Dividends receivables   | -                    | -                    | -                    | -                    | -                    |
| Non-current assets - Held for sale  | -                    | -                    | -                    | -                    | -                    |
| Investments Held for Trading  | 10 820 484           | 10 820 484           | 10 820 484           | 10 820 484           | 10 820 484           |
| Cash and Bank   | 1 468 000 927        | 1 340 657 092        | 923 012 382          | 283 962 562          | 96 250 247           |
| <b>TOTAL ASSETS</b>   | <b>4 578 493 419</b> | <b>4 523 192 231</b> | <b>4 542 651 032</b> | <b>4 254 543 036</b> | <b>4 029 543 467</b> |
| <b>Trust Capital and Reserves</b>   | <b>3 893 253 847</b> | <b>3 893 600 832</b> | <b>3 894 801 935</b> | <b>3 895 550 596</b> | <b>3 895 853 567</b> |
| Trust Capital   | 2 468 431 472        | 2 468 431 472        | 2 468 431 472        | 2 468 431 472        | 2 468 431 472        |
| Retained Income   | 1 424 822 375        | 1 425 169 360        | 1 426 370 463        | 1 427 119 124        | 1 427 422 095        |
| - Balance at Beginning of the Year  | 1 180 732 538        | 1 424 822 375        | 1 425 169 360        | 1 426 370 463        | 1 427 119 124        |
| - Retained Income/(Deficit) for the Year  | 244 089 837          | 346 985              | 1 201 103            | 748 661              | 302 971              |
| <b>Non-Current Liabilities</b>  |                      |                      |                      |                      |                      |
| Liabilities directly associated with non-current assets classified as held for sale | 9 249 151            | 9 249 151            | -                    | -                    | -                    |
| <b>Current Liabilities</b>  | <b>675 990 421</b>   | <b>620 342 250</b>   | <b>647 849 097</b>   | <b>358 992 441</b>   | <b>133 689 901</b>   |
| Enterprise Development Fund   | 601 275 928          | 548 869 430          | 580 376 277          | 295 519 621          | 74 217 081           |
| Accounts Payable  | 74 714 493           | 71 472 820           | 67 472 820           | 63 472 820           | 59 472 820           |
| <b>TOTAL EQUITY AND LIABILITIES</b>   | <b>4 578 493 419</b> | <b>4 523 192 232</b> | <b>4 542 651 032</b> | <b>4 254 543 036</b> | <b>4 029 543 467</b> |



## Annexure C: Cash flow Statement

|   | Actual               | Budget               | Budget               | Budget               | Budget               |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|
|   | 2021                 | 2022                 | 2023                 | 2024                 | 2025                 |
|   | March                | March                | March                | March                | March                |
|   | R                    | R                    | R                    | R                    | R                    |
| <b>Cash flows from operating activities</b>       | <b>146 243 667</b>   | <b>(135 084 101)</b> | <b>(247 312 582)</b> | <b>(283 809 037)</b> | <b>(318 344 260)</b> |
| Cash receipts from customers                      | 3 227 022            | 142 956 944          | 55 863 374           | 36 859 382           | 20 852 772           |
| Cash paid to suppliers and employees              | (197 442 285)        | (278 041 045)        | (303 175 956)        | (320 668 419)        | (339 197 032)        |
| Cash received from enterprise development funders | 340 458 930          | -                    | -                    | -                    | -                    |
| <b>Cash flows from investing activities</b>       | <b>(97 756 997)</b>  | <b>7 740 265</b>     | <b>(170 332 128)</b> | <b>(355 240 783)</b> | <b>130 631 946</b>   |
| Additions to property, and equipment              | (2 492 068)          | (2 700 000)          | (3 200 000)          | (1 500 000)          | (2 200 000)          |
| Additions to intangible assets                    | -                    | (1 000 000)          | (2 920 000)          | (3 500 000)          | (2 500 000)          |
| Investment disbursements                          | (445 823 133)        | (440 701 000)        | (540 000 000)        | (700 000 000)        | (900 000 000)        |
| Dividends received                                | 89 752 718           | 46 752 000           | 36 788 652           | 47 417 528           | 58 060 586           |
| Interest receipts                                 | 41 715 182           | 48 391 345           | 68 567 992           | 58 684 407           | 47 032 411           |
| Repayments on originated loans and leases         | 218 924 804          | 356 997 920          | 270 431 229          | 243 657 282          | 330 238 949          |
| the dtic recap facility                           | -                    | -                    | -                    | -                    | 600 000 000          |
| Proceeds from sale of investments                 | 165 500              | -                    | -                    | -                    | -                    |
| <b>Decrease in cash and cash equivalents</b>      | <b>48 486 670</b>    | <b>(127 343 836)</b> | <b>(417 644 710)</b> | <b>(639 049 820)</b> | <b>(187 712 314)</b> |
| <b>Cash at beginning of the year</b>              | <b>1 419 514 257</b> | <b>1 468 000 927</b> | <b>1 340 657 092</b> | <b>923 012 382</b>   | <b>283 962 562</b>   |
| <b>Total Cash at end of year</b>                  | <b>1 468 000 927</b> | <b>1 340 657 092</b> | <b>923 012 382</b>   | <b>283 962 562</b>   | <b>96 250 247</b>    |

## Annexure D: Personnel Information

| Category  | Salary Level      | Salary Bands  | Components of Remuner | Preliminary outcomes                           |  |              | Revised Estimate                          |  |  |  |              | Projections over the MTEF                      |  |              |  |  |              |  |  |              |
|-----------|-------------------|---------------|-----------------------|--|--|--------------|---|--|--|--|--------------|--|--|--------------|--|--|--------------|--|--|--------------|
|           |                   |               |                       | 2020/21  |  |              | 2021/22                                   |  |  |  |              | 2022/23  |  |              | 2023/24  |  |              | 2024/25  |  |              |
|           |                   |               |                       | Number of posts filled on funded establishment | Expenditure on posts filled on funded establishment (R thousand) | Unit Cost    | Number of posts on approved establishment | Number of funded posts (establishment) | Number of posts filled on funded establishment | Expenditure on posts filled on funded establishment (R thousand) | Unit Cost    | Number of posts filled on funded establishment | Expenditure on posts filled on funded establishment (R thousand) | Unit Cost    | Number of posts filled on funded establishment | Expenditure on posts filled on funded establishment (R thousand) | Unit Cost    | Number of posts filled on funded establishment | Expenditure on posts filled on funded establishment (R thousand) | Unit Cost    |
|           |                   |               | Performance bonus     | -  | 48 174   | -            | -   | -                                      | -  | 52 061   | -            | -  | 54 499   | -            | -  | 57 114   | -            | -  | 59 970   | -            |
| Permanent | 1 251 184 - 1 515 | Middle Manag  | Guaranteed package    | 1  | 1 454  | 1 454        | 1   | 1                                      | 1  | 1 527  | 1 527        | 1  | 1 603  | 1 603        | 1  | 1 683  | 1 683        | 1  | 1 683  | 1 683        |
| Permanent | 869 007 - 1 050   | Middle Manag  | Guaranteed package    | 1  | 964  | 964          | 1   | 1                                      | 1  | 1 012  | 1 012        | 1  | 1 063  | 1 063        | 1  | 1 116  | 1 116        | 1  | 1 116  | 1 116        |
| Permanent | 208 584 - 257     | Semi-skilled  | Guaranteed package    | 1  | 236  | 236          | 1   | 1                                      | 1  | 248  | 248          | 1  | 260  | 260          | 1  | 273  | 273          | 1  | 273  | 273          |
| Permanent | 1 057 326 - 1 212 | Middle Manag  | Guaranteed package    | 1  | 1 203  | 1 203        | 1   | 1                                      | 1  | 1 263  | 1 263        | 1  | 1 326  | 1 326        | 1  | 1 393  | 1 393        | 1  | 1 393  | 1 393        |
| Permanent | 257 508 - 316     | Professionals | Guaranteed package    | 1  | 303  | 303          | 1   | 1                                      | 1  | 318  | 318          | 1  | 334  | 334          | 1  | 351  | 351          | 1  | 351  | 351          |
| Permanent | 733 257 - 869     | Middle Manag  | Guaranteed package    | 1  | 760  | 760          | 1   | 1                                      | 1  | 798  | 798          | 1  | 838  | 838          | 1  | 880  | 880          | 1  | 880  | 880          |
| Permanent | 733 257 - 869     | Middle Manag  | Guaranteed package    | 1  | 832  | 832          | 1   | 1                                      | 1  | 874  | 874          | 1  | 917  | 917          | 1  | 963  | 963          | 1  | 963  | 963          |
| Permanent | 257 508 - 316     | Semi-skilled  | Guaranteed package    | 1  | 269  | 269          | 1   | 1                                      | 1  | 282  | 282          | 1  | 297  | 297          | 1  | 311  | 311          | 1  | 311  | 311          |
| Permanent | 2 228 822 - 2 515 | Executive Man | Guaranteed package    | 1  | 2 357  | 2 357        | 1   | 1                                      | 1  | 2 475  | 2 475        | 1  | 2 599  | 2 599        | 1  | 2 729  | 2 729        | 1  | 2 729  | 2 729        |
| Permanent | 102 534 - 122     | Semi-skilled  | Guaranteed package    | 12   | 1 584  | 132          | 12  | 12                                     | 12   | 1 663  | 139          | 12   | 1 746  | 146          | 12   | 1 834  | 153          | 12   | 1 834  | 153          |
| Permanent | 869 007 - 1 050   | Middle Manag  | Guaranteed package    | 1  | 983  | 983          | 1   | 1                                      | 1  | 1 032  | 1 032        | 1  | 1 084  | 1 084        | 1  | 1 138  | 1 138        | 1  | 1 138  | 1 138        |
| Permanent | 145 281 - 173     | Skilled       | Guaranteed package    | 1  | 187  | 187          | 1   | 1                                      | 1  | 196  | 196          | 1  | 206  | 206          | 1  | 216  | 216          | 1  | 216  | 216          |
| Permanent | 1 057 326 - 1 212 | Middle Manag  | Guaranteed package    | 1  | 1 096  | 1 096        | 1   | 1                                      | 1  | 1 151  | 1 151        | 1  | 1 208  | 1 208        | 1  | 1 269  | 1 269        | 1  | 1 269  | 1 269        |
| Permanent | 733 257 - 869     | Professionals | Guaranteed package    | 1  | 820  | 820          | 1   | 1                                      | 1  | 861  | 861          | 1  | 904  | 904          | 1  | 949  | 949          | 1  | 949  | 949          |
| Permanent | 470 040 - 733     | Professionals | Guaranteed package    | 1  | 500  | 500          | 1   | 1                                      | 1  | 525  | 525          | 1  | 551  | 551          | 1  | 579  | 579          | 1  | 579  | 579          |
| Permanent | 869 007 - 1 050   | Professionals | Guaranteed package    | 1  | 893  | 893          | 1   | 1                                      | 1  | 938  | 938          | 1  | 985  | 985          | 1  | 1 034  | 1 034        | 1  | 1 034  | 1 034        |
| Permanent | 1 057 326 - 1 212 | Middle Manag  | Guaranteed package    | 1  | 1 239  | 1 239        | 1   | 1                                      | 1  | 1 301  | 1 301        | 1  | 1 366  | 1 366        | 1  | 1 434  | 1 434        | 1  | 1 434  | 1 434        |
| Permanent | 145 281 - 173     | Semi-skilled  | Guaranteed package    | 2  | 314  | 157          | 2   | 2                                      | 2  | 330  | 165          | 2  | 346  | 173          | 2  | 363  | 182          | 2  | 363  | 182          |
| Permanent | 173 703 - 208     | Semi-skilled  | Guaranteed package    | 1  | 205  | 205          | 1   | 1                                      | 1  | 215  | 215          | 1  | 226  | 226          | 1  | 237  | 237          | 1  | 237  | 237          |
| Permanent | 733 257 - 869     | Professionals | Guaranteed package    | 1  | 856  | 856          | 1   | 1                                      | 1  | 899  | 899          | 1  | 944  | 944          | 1  | 991  | 991          | 1  | 991  | 991          |
| Permanent | 470 040 - 733     | Skilled       | Guaranteed package    | 1  | 502  | 502          | 1   | 1                                      | 1  | 527  | 527          | 1  | 553  | 553          | 1  | 581  | 581          | 1  | 581  | 581          |
|           | <b>TOTAL</b>      |               |                       | <b>162</b>                                     | <b>191 980</b>   | <b>1 185</b> | <b>162</b>                                | <b>162</b>                             | <b>162</b>                                     | <b>211 069</b>   | <b>1 303</b> | <b>162</b>                                     | <b>223 146</b>   | <b>1 377</b> | <b>162</b>                                     | <b>235 473</b>   | <b>1 454</b> | <b>162</b>                                     | <b>246 046</b>   | <b>1 519</b> |

Personnel numbers have decreased from a staff complement of 161 at the beginning of 2020/21 to 152 as at 31 March 2021. The staff complement is projected to grow to over 162 in the short to medium term. The staff complement is mainly made up of professionals. Attrition levels decreased to 12% during 2019/20 as a result of uncertainties regarding the recapitalisation and job security, however, there has been a significant fluctuation of attrition levels since, which currently stand at 6% as at 31 March 2021. Personnel cost as a percentage of total operating expenses, averages around 76%, which is an acceptable norm in Development Finance Institute/Private Equity environments, where there is a high dependence on professional staff. The ratio of support staff to line staff is 1:2.

# HOW TO REACH THE NATIONAL EMPOWERMENT FUND

## Gauteng Province

### Head Office

West Block, 187 Rivonia Road, Morningside 2057, PO Box 31, Melrose Arch, Melrose North 2076  
Tel: +27 (11) 305 8000 | Fax: +27 (11) 305 8001 | Call Centre: 0861 843 633 | 0861 (THE NEF)  
applications@nefcorp.co.za (Funding) | info@nefcorp.co.za (General Enquiries)

### Eastern Cape Province

7b Derby Road, Berea, East London 5241 | Tel: (043) 783 4200 | 0861 NEF ECP (0861 633 327)  
Fax: 0861 ECP NEF (0861 327 633) | easterncape@nefcorp.co.za

### Free State Province

34 Fountain Towers, Corner Zaaron and Markgraaf Street, Westdene, Bloemfontein, 9300  
Tel: (051) 407 6360 | 0861 NEF FSP (0861 633 377) | Fax: 0861 FSP NEF (0861 377 633)  
freestate@nefcorp.co.za

### KwaZulu-Natal Province

4th Floor (South Side), Grindrod Bank Building (Old KPMG Building),  
5 Arundel Close, Kingsmead Office Park, Durban | Tel: (031) 301 1960 | 0861 NEF KZN (0861 633 596)  
Fax: 0861 KZN NEF (0861 596 633) | kzn@nefcorp.co.za

### Limpopo Province

Suite 8, Bliccard Park, 43 Bliccard Street, Polokwane 0699 | Tel: (015) 294 9200 | 0861 NEF LIM (0861 633 546)  
Fax: 0861 LIM NEF (0861 546 633) | limpopo@nefcorp.co.za

### Mpumalanga Province

13 Ferreira Street, Maxsa Building, 2nd floor, Nelspruit | Tel: (013) 754 9860 | 0861 NEF MPU (0861 633 678)  
Fax: 0861 MPU NEF (0861 678 633) | mpumalanga@nefcorp.co.za

### Northern Cape Province

Block Three, Ground Floor, The Montrio Corporate Park, 10 Oliver Road, Monument Heights, Kimberley  
Tel: 0861 NEF NCP (0861 633 627) | Fax: 0861 NCP NEF (0861 627 633) | northerncape@nefcorp.co.za

### North West Province

328 Heystek Street, Sunetco Office Park, Ground Floor, Rustenburg, 0299  
Tel: (014) 523 9220 | 0861 NEF NWP (0861 633 697)  
Fax: 0861 NWP NEF (0861 697 633)  
northwest@nefcorp.co.za

### Western Cape Province

Suite 2815, 28th Floor, ABSA Centre, 2 Riebeeck Street, Cape Town 8001  
Tel: (021) 431 4760 | 0861 NEF WCP (0861 633 927)  
Fax: 0861 WCP NEF (0861 927 633)  
westerncape@nefcorp.co.za



## STOP Fraud, Corruption and Theft

Contact Tip-Offs Anonymous on 0800 212 705 or email [nef@tipoffs.com](mailto:nef@tipoffs.com)

National Empowerment Fund Trust (established by Act 105 of 1998) IT: 10145/00

[www.nefcorp.co.za](http://www.nefcorp.co.za) | [www.nefbusinessplanner.co.za](http://www.nefbusinessplanner.co.za)



the dti

Department:  
Trade and Industry  
REPUBLIC OF SOUTH AFRICA