



Annual Performance Plan 2023/24

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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.
the dtic	:	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
MTSF	:	Medium Term Strategic 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>Name: Ms Philisiwe Mthethwa</p> <p>Signature: </p> <p>Rank: CEO</p> <p>Date: 31 / 01 / 2023</p>	<p>Name: Dr Nthabiseng Moleko</p> <p>Signature: </p> <p>Rank: Chairperson</p> <p>Date: 31 / 01 / 2023</p>



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



Mr Ebrahim Patel - Minister of Trade, Industry and Competition

The 2023/24 Annual Performance Plan of the NEF reflects the continued efforts of **the dtic**

Group to align our financing activities around a common purpose; grounded in efforts to support **Industrialisation** to promote jobs and rising incomes, drive **Transformation** to build an inclusive economy, and build a **Capable State** to ensure improved impact of public policies.

The APP contains an ambitious set of targets aimed at working with other financiers in **the dtic** to provide a common pool of industrial development funding that can empower a larger number of South Africans to contribute towards our shared prosperity. In the year ahead, the NEF will play a critical role in driving growth and job creation, and advancing our strategic objective of creating opportunities for small and medium enterprises and black-, women- and youth-owned companies. While companies face a challenging global economic environment, the work of the NEF will help create the conditions for sustained growth that are most needed when times are hardest.

Since the start of the Sixth Administration, the Department of Trade, Industry and Competition and all entities in **the dtic** Group have begun a process of adopting a revised output-driven planning system – grounded in the objective of combining all our efforts towards creating real impact for South Africans.

In 2023/24, **the dtic** concluded this process by introducing 45 output targets, to which the NEF makes a critical contribution. These include supporting 1 million jobs, mobilising R200 billion in investment, supporting R700 billion in manufacturing exports, and helping Black Industrialists to create 20,000 jobs and R36,8 billion in output. The attached table sets out the

45 outcomes. While the NEF has incorporated many of these objectives into the APP, our next steps will be to further align the work of NEF with these common targets.

Within one month of tabling this version of the plan, NEF and **the dtic** will provide me with a revised APP to further align with these joint outcomes. This will require revisions to the APP, which will be submitted to the Executive Authority for review. These efforts form part of a process of continuous evolution of **the dtic** Group's work, which combined make for a step-change in connecting our work to real impact that matters to South Africans.

Implementation of this plan must take account of the challenging fiscal environment in which government is operating, and as such as I have instructed all entities to undertake a further review of their spending plans for the period of the plan, and to submit a final, revised financial plan within one month of tabling this version of the plan. This plan should aim to reduce unnecessary spending, and redirect these resources to better serve our core objectives.

The APP 2022/23 is hereby submitted in accordance with the Revised Framework on Strategic and Annual Performance Plans.

Output targets within the dtic-group of entities

Investment

Output
R200 billion in investment pledges secured across the state
100 Investor facilitation and unblocking interventions provided
2 new SEZs designated and support work with provinces related to industrial parks

Industrial production

Output
R40 billion in additional local output committed or achieved
R40 billion in Black Industrialist output achieved

Exports and trade

Output
R700 billion in manufacturing exports
R300 billion in manufacturing exports to other African countries
R2.5 billion in exports of Global Business Services (GBS)
1 Implementation of the AfCFTA
10 High impact trade interventions completed
4 Protocols finalised under the AfCFTA

Industrial support

Output
R30 billion in support programmes administered by or in partnership with the dtic group
R15 billion support programmes to enterprises in areas outside the 5 main metros
R8 billion in financial support programmes to SMMEs, and women and youth-empowered businesses
R7.5 billion in financial support programmes to enterprises in labour absorbing sectors
Promotion of a transparent and just adjudication process for incentive applications

Transformation

Output
R800 Million in Equity Equivalent Investment Programme agreements agreed or administered
20 000 additional workers with shares in their companies
10 high-impact outcomes on addressing market concentration, at sector or firm level.

Jobs

Output
1 million jobs supported or covered by Master Plans
100 000 jobs to be created (50 000 social economy fund part-time or temporary job opportunities and 50 000 full-time jobs)

Output
23 000 jobs in Black Industrialists firms

Energy

Output
R1.3 billion in financial support to enterprises including SMMEs to mitigate impact of load shedding through energy resilience fund
1 400 Megawatts of energy from projects facilitated
550 Megawatts of energy available for the grid
1 Energy One-stop Shop operational
Expedited regulatory amendments and flexibility, to promote energy efficiency

Green economy targets

Output
1 Strategy and advocacy finalised responding to green non-tariff barriers (Carbon Border Adjustment Mechanism (CBAM)
1 EV Strategy finalised
1 Finalisation of green hydrogen commercialisation framework

Stakeholder engagement and impacts

Output
10 Business Forums hosted aimed at supporting increased FDI, exports and outward investment.
1 000 Case studies of firms, workers, entrepreneurs, professionals or communities impacted by the dtic measures: including 12 local films/documentaries telling the SA story
52 Community outreach programmes by the dtic group
5 Conferences, summits, and international forums hosted
10 Successful actions completed on price monitoring and excessive pricing or price gouging

Addressing crime

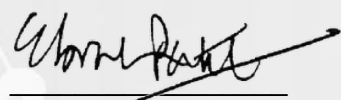
Output
Grey-listing: Publication of 'Know Your Shareholder' Regulations and Follow Ups
1 Metal trading system developed to identify stolen public infrastructure entering the scrap metal value-chain, export market or legitimate metal production industry

Red tape and state capability targets

Output
4 High-impact measures to improve the efficiency and/or effectiveness, of the dtic's policy or programme interventions.
10 High-impact measures to reduce red tape or improve turnaround times in administration of incentives and work of agencies
6 Impact assessments or enhancements of trade instruments or measures

Improving the capacity and responsiveness of the state and social partnership

Output
4 Pieces of priority legislation amended, tabled or submitted to Executive Authority, Cabinet or Parliament.
7 Master Plans managed and 1 new masterplan to be finalised.
Oversight of IDC, NEF and ECIC to ensure that at least 95% of planned KPIs are achieved
Oversight of other entities to ensure that at least 95% of planned KPIs are achieved
50 Mergers and acquisitions where public interest conditions have been incorporated



Mr Ebrahim Patel

Minister of Trade, Industry and Competition

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



Mobilising financial resources to cement the role of black entrepreneurs in priority and strategic sectors

The National Empowerment Fund (NEF) has a perpetual allegiance to the plight of black people. The determination to pursue the economic emancipation of black people is largely fuelled by the economic and labour market inequalities which currently exists in South Africa. The past two financial years were challenging for everyone mainly due to weak economic indicators exacerbated by Covid-19, geo-political tension (Ukraine and Russia tension causing inflation) globally and Riots in South Africa. For black people and entrepreneurs in particular, it has been a period of enormous setbacks in progress made over the last decade given the inequity in financial equity to weather storms.

Despite all the challenges, the performance of the past two and half financial years has been encouraging – the NEF reported a cumulative total approval of R2.3 billion, indicating that the five-year target is likely to be achieved at the end of the 2022/23 financial period given the R1 billion approval target set. Over the long term, since inception in 2004 up to December 2023, the Trust has approved in excess of R13.088 billion for the benefit of 1491 businesses that are owned and managed by black entrepreneurs. These transactions have supported over 118 115 jobs, of which 73 850 were new decent and sustainable jobs.

This Annual Performance Plan will mark the fourth year of the NEF's current five-year strategy. In the context of the challenging external operating environment, the next few financial years will be vital in shaping and cementing the role of black entrepreneurs in the economic mainstream as the dynamics of global economy are currently changing. To ensure greater

participation of black people, the NEF hiked the targets of approvals for the next two financial years by 20% and 25% to R1.2 billion and R1.5 billion respectively.

In line with government's call for a capable state, the NEF intends to play its part in regrouping with other government institutions and refocusing efforts to ensure that transformation of the economy takes place. Government needs to ensure that there's adequate availability of financial resources for aspiring black entrepreneurs with viable business proposal. This group is often confronted with significant barriers to enter most sectors of the economy, at the center often being capital requirements to start a business. This is equally true case for the maintenance and the growth of a business. The NEF as an implementing agency of **the dtic** will deploy the available resources with support from the parent Ministry and government broadly. This resource will be invested mainly in the township and rural economies in strategic priority and high impact sectors, especially in terms of job creation such as property, tourism, manufacturing, mining services, retail and services amongst others. The NEF has envisioned an economy where black people particularly in townships and rural areas are not only consumers, but also producers. The next financial year should mark the beginning of the significant rise of the B-BBEE in a challenge to changing the socio-economic status of black people.

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 2023/24 financial year will be to mobilise financial resources for the support of sustainable black-owned and managed entrepreneurs to exploit opportunities in various sectors of the economy as the economy regroups. In addition, the NEF will align its priorities with those of **the dtic** and government, especially those enlisted below:

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

The first draft of the APP considers 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 three 2022/23.

Management acknowledges the guidance and leadership of the Board, led by Dr Nthabiseng Moleko, in developing the Annual Performance Plan 2023/24.

Ms Philisiwe Mthethwa
Chief Executive Officer



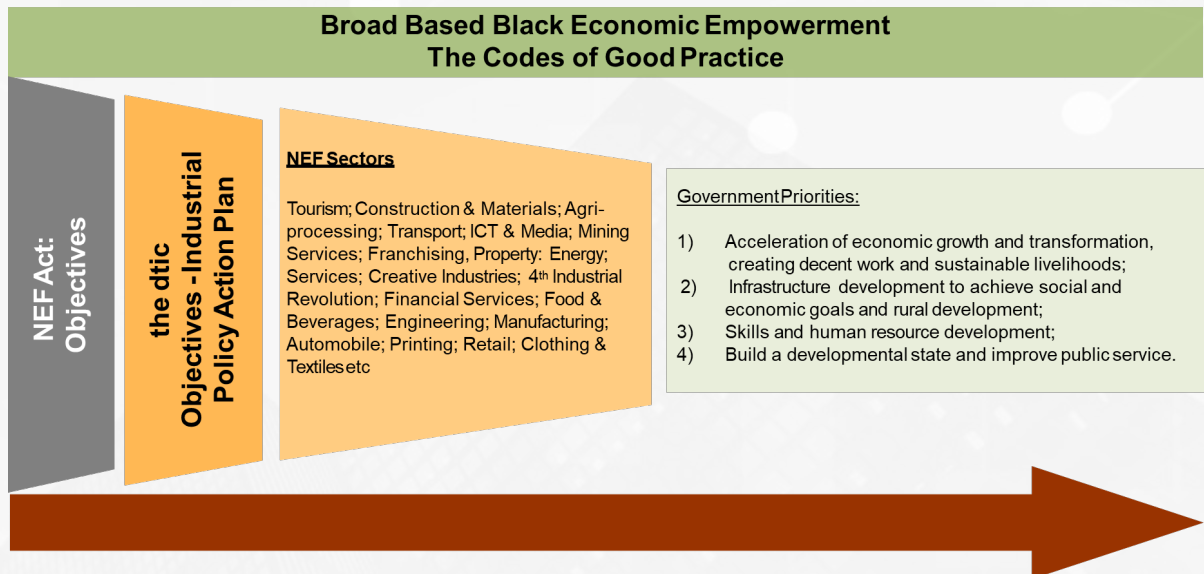
NEF, the home of hope for the black entrepreneur



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 105 of 1998 empowers the development financier "to establish structures and mechanisms to redress the inequalities brought about by apartheid and colonisation before it 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.	National Empowerment Fund Act, No. 105 of 1998	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.	Broad-Based Black Economic Empowerment Act, No. 53 of 2003	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.	The Public Finance Management Act (PFMA) Act, No.1 of 1999	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.	Companies Act No. 71 of 2008	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.	Financial Intelligence Centre Act 38 of 2001	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.	Employment Equity Act 55 of 1998	The purpose of the Act is to achieve equity in the workplace, by Promoting equal opportunity and fair treatment in employment through the elimination of unfair discrimination.
7.	Protection of Personal Information Act of 2013	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 Governance and Organisational Structures



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.

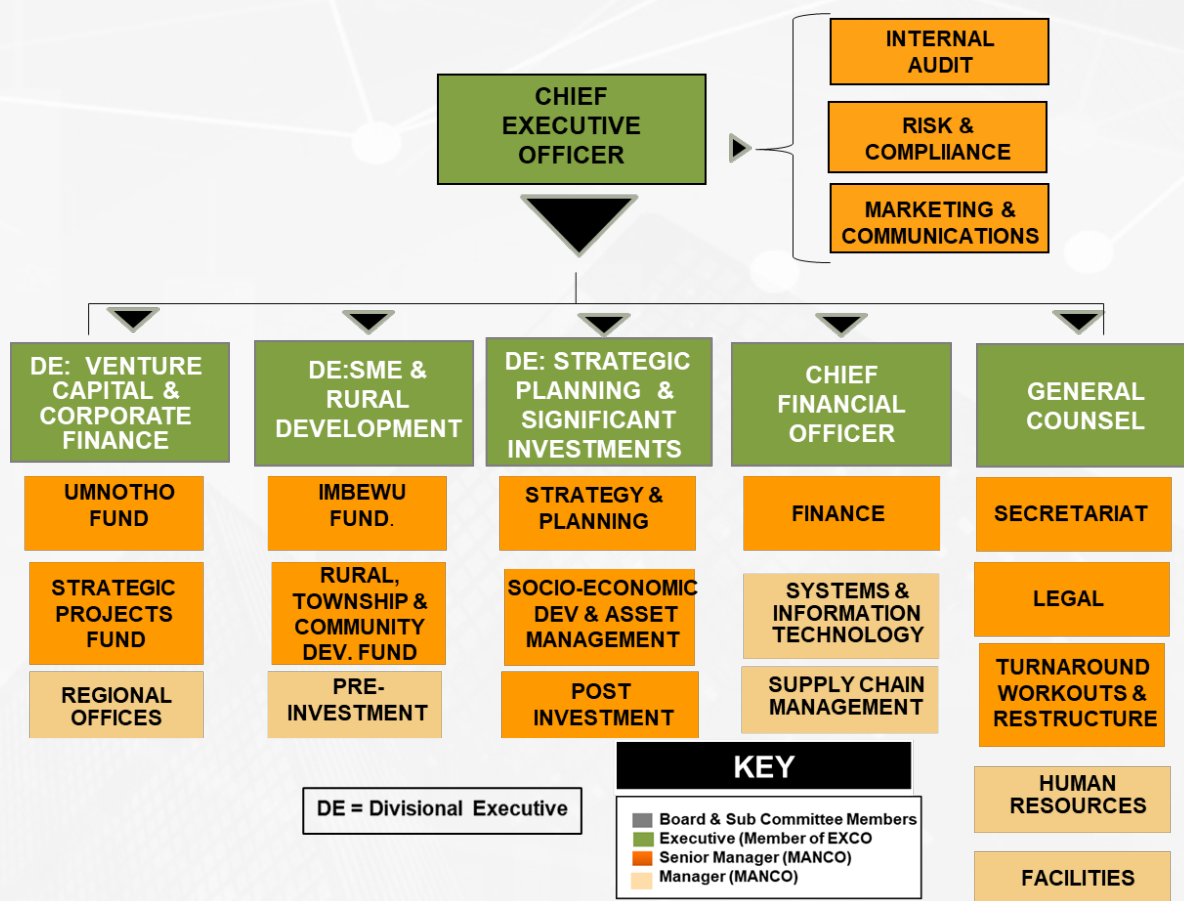
Together with the Audit Committee the Board is central in safeguarding the assets of the institution as well as developing and monitoring adequate and effective systems and control processes. The preparation of financial statements in compliance with all applicable legal and regulatory requirements and 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), the Women Empowerment Fund (which is incubated in each of the other Funds) and Regional Offices.
 - The SME & Rural Development Division, which consists of the Pre-Investment Unit; iMbewu Fund; Rural, Township & Community Development Fund.

- General Counsel, which consists of Legal support, Turnaround, Workout and Restructuring services.
- Strategy Planning and Significant Investments, which includes Post-Investment support services, as well as Socio-Economic Development and Asset Management Units.

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

Since inception, the NEF has developed robust systems and processes to deploy funds across the geography and the sectors of the South African economy. With each milestone achieved, the bar has risen and continues to rise to deliver hope to black entrepreneurs.



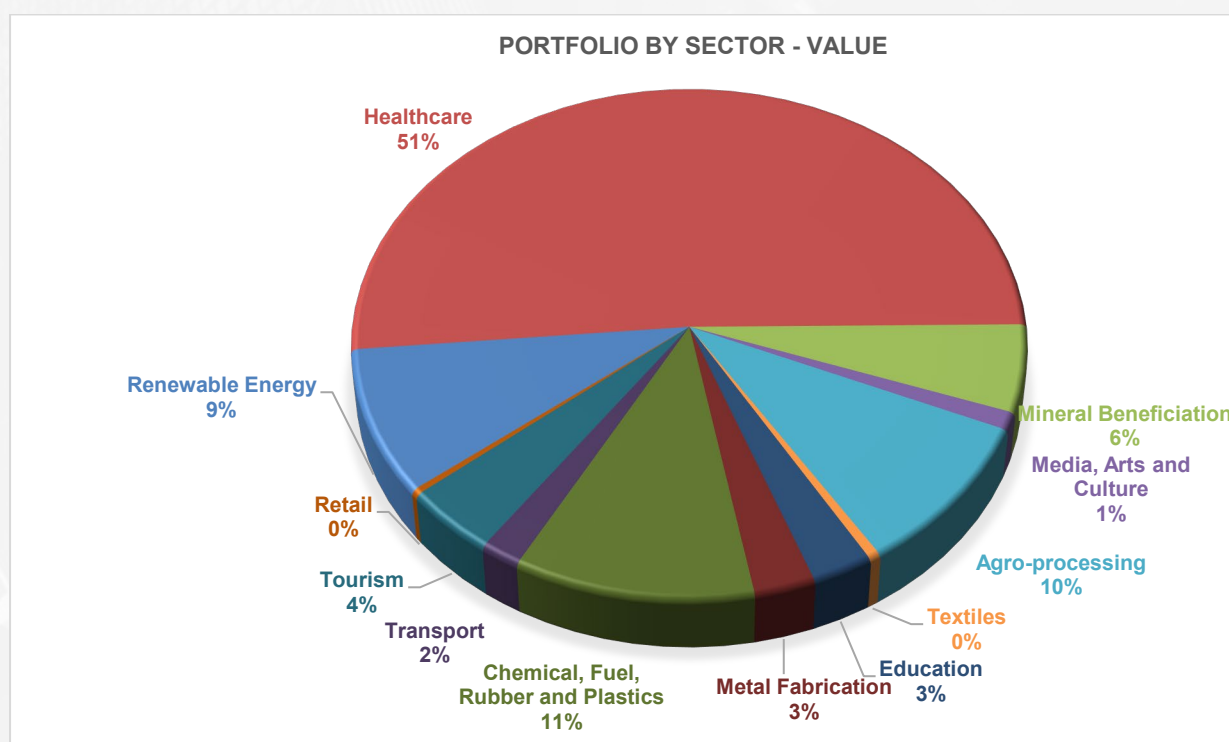
Strategies implemented have been refined and adopted over the years and have yielded the following outcomes:

	Output	Achievements as at 31 December 2022
1	Approvals	<ul style="list-style-type: none"> Approved 1 490 transactions worth more than R13.082 billion across the country with a total project value of R23.29 billion.
2	Disbursement	<ul style="list-style-type: none"> Over R9.097 billion has been disbursed to these companies since inception.
3	Collections	<ul style="list-style-type: none"> Over R4.6 billion has been repaid by investees
4	Integrity	<ul style="list-style-type: none"> Secured clean external audit opinions for 19 years running.
5	Supporting jobs	<ul style="list-style-type: none"> Since inception, the number of job opportunities supported is 119 045 jobs, of which 73 850.
6	Industrialisation	<ul style="list-style-type: none"> 24 strategic and industrial projects worth R12.6 billion, with the potential to support over 52 000 jobs. 87% of the transactions are at an advanced development stage. Since inception 3 600 job opportunities have been created.
7	A culture of savings & investment	<ul style="list-style-type: none"> In a transaction worth over R1 billion the NEF Asonge Share Scheme made available more than 12 million MTN shares to over 87 000 investors comprising black individuals and groups. 49% of investors were women.
8	Investor education	<ul style="list-style-type: none"> Reached approximately 8 678 658 people in villages and townships through 723 community seminars on how to save and invest, personal financial discipline, shares, dividends, bonds, the property and money markets
9	Entrepreneurship training / incubation	<ul style="list-style-type: none"> Business skills training provided to over 6 814 potential entrepreneurs who attended 895 seminars from 2012 to date.

The NEF over the last two years has proven itself to be an agile agency through the successful deployment of special funds which were allocated over the last two years for: the strengthening of the local value chain during the Covid-19 lockdown (**R200 million**); the subsequent Economic Distressed Fund in support of business adversely affected by the lockdown (**R150 million**); the Economic Relief funds subsequent to the July 2021 civil unrest that transpired mostly in KwaZulu-Natal and Gauteng Province administering both funds received from **the dtic** and The Solidarity Fund as well as a contribution from the NEF (**R1.023 billion**).

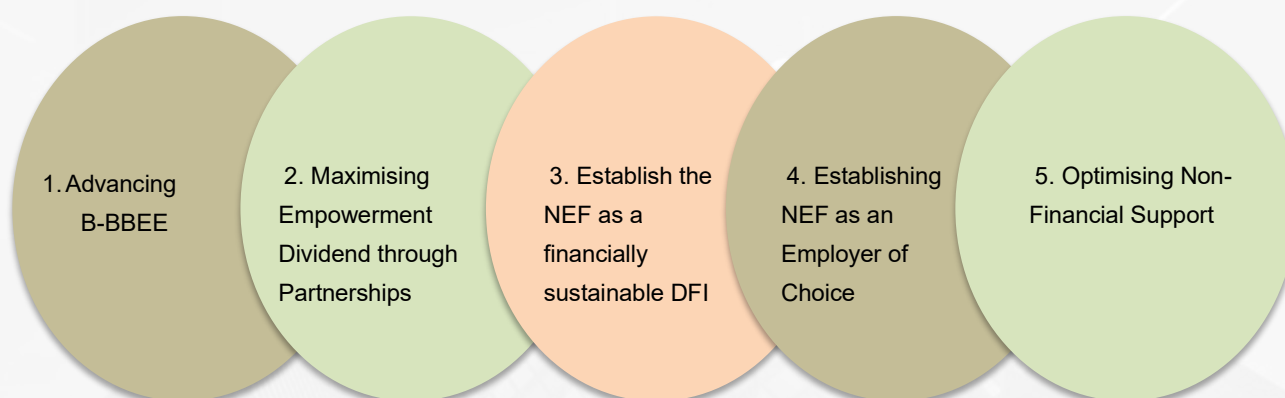
With the success of dynamic support provided over the last few years of crisis after crisis, the NEF looks towards a regrouping and redirecting of efforts towards the delivery of the Strategic Plan. While the noteworthy support to a significant number of black businesses and thus jobs have been created and sustained through NEF's initiatives, the economic disparities remain glaring. Using the stock market as a litmus test of the extent of funding required to accomplish the minimum 25% black shareholding, **R4.5 trillion** is required. This inevitably necessitates the recapitalisation of the only agency established for the delivery of funds and services to black entrepreneurs and business.

The NEF has invested over R8.945 billion since inception. In the current financial year ending 31 December 2022, the NEF invested in the following sectors:



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 NEF Act No. 105 of 1998 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 Reconstruction and Recovery Plan tabled in parliament in October 2020 by the President
- New district development as an integration of development efforts at local level.

This APP for 2023/24 is designed in line with the *Revised Framework for Strategic Plans and Annual Performance Plans* issued by the Department of Planning Monitoring and Evaluation (DPME), which is the custodian of planning and reporting frameworks following National Treasury Instruction 10 of 2020/21. The document also aims to highlight programmes in place to achieve the NEF's strategic objectives.

The strategic objective targets and programme performance indicator targets will be identified using medium term targets, quarterly cumulative and annual target of 2023/24.

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 are expected within their mandate contribute towards the achievement of the J-KPI).

The following is a consolidated summary of the NEF's key performance against its cumulative targets. The quarterly performance in the below table is non-cumulative for the respective quarter in the 2022/23 year.

Output Indicator	Annual Target												
	Audited Actual Performance				Quarterly Performance			YTD Performance	YTD Target (Q3)	Annual Target	MTEF		
	2018/19	2019/20	2020/21	2021/22	Quarter 1	Quarter 2	Quarter 3				2023/24	2024/25	2025/26
1. Value of approved deals by NEF	R576m	R727m	R520m	R1333m	R306m	R157m	R160m	R623m	R774m	R1000m	R1200m	1500m	R1600m
2. Value of new commitments	R513m	R567m	R520m	R1053m	R193m	R157m	R137m	R487m	R546m	R750m	R900m	R1100m	R1200m
3. Value of Disbursements	R437m	R304m	R425m	R1050m	R170m	R286m	R152m	R608m	R479m	R675m	R810m	R900m	R1080m
4. Number of job opportunities expected to be supported or created	3 713 new and existing job supported	1 738 new and existing job supported	2 488 new and existing job supported	11 429 new and existing job supported	1 292 new and existing job supported	1 777 new and existing job supported	878 new and existing job supported	3 926 new and existing job supported	2 945 new and existing job supported	4 154 new and existing job supported	4 985 new and existing job supported	5 294 new and existing job supported	5 294 new and existing job supported
5. Percentage of portfolio disbursed to businesses owned by black women	32% (of annual disbursement ents).	38% (of annual disbursement ents)	35% (of annual disbursement ents)	28% (of annual disbursement ents)	39% of disbursement ent	34% of disbursement ent	35% of disbursement ent	35% (of YTD disbursements)	35% of portfolio disbursed	35% of portfolio disbursed	37% (of annual disbursement ents)	40% (of annual disbursement ents)	40% (of annual disbursement ents)
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 disbursement ents	A total of 16 deals worth R81,7m was invested . This represents 27% of annual disbursement ents	R76.2m of disbursed funds comprising of 27 deals, translating to 18% of total disbursement ent	R191m of disbursed funds comprising of 35 deals, translating to 18% of total disbursement ent	R15m of disbursed funds comprising of 9 deals, translating to 25% of total disbursement ent	R54m translating into 20% of disbursement ent	R37m translating into 24% of disbursement ent	18% of disbursement target to be invested in EC, NC, NW, MP, FS and LP albeit it though that excl. ERF, achievement is 37%	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	35% of disbursement ents to be invested in NC, FS, LP, MP, EC and NW	40% of disbursement ents to be invested in NC, FS, LP, MP, EC and NW	40% of disbursement ents to be invested in NC, FS, LP, MP, EC and NW

In addition to other programmes dealt with herein, the NEF has established an alternative energy fund to support businesses which have been affected by the current energy shortages in the country. Since inception, the NEF has funded its investees to acquire diesel generators as a backup or mitigant to the risk of downtime due to loadshedding or other electricity cuts. The use of generators has recently become unaffordable by SMEs due to the frequency of loadshedding which have led to increased maintenance costs and costs of diesel utilised by these generators. This has necessitated the change of focus to the use of green energy sources such as solar energy systems. The NEF has also changed its focus from funding, mostly, generators to funding installation of solar energy systems. An amount of R150 million has been set aside for funding installation of solar energy systems by NEF current investees including new applicants.

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>1. Growing black economic participation in the South African Economy</p> <ul style="list-style-type: none"> • iMbewu – focus on SME funding • uMnotho Fund – transformation and black business expansion • SPF – support meaningful participation in industrial projects by black people • RTCDF – stimulation of economic activities in rural areas and township through entrepreneurship • WEF – entrenching participation of black women in the economy 	<p>2. Growing BEE through partnerships</p> <ul style="list-style-type: none"> • ED Funds – raising 3rd party funding to offer comprehensive affordable financing solutions to black entrepreneurs • Venture Capital Companies ('VCC') – partnering with various players to leverage the incentive for growth of venture capital funding for the benefit of black entrepreneurs • Co-funding – using the NEF network to assist entrepreneurs fund their businesses
<p>3. Maintaining Financial Sustainability</p> <ul style="list-style-type: none"> • Impairments – maintain the impaired portion of the loan book below 25% • Returns – endeavour to achieve Return on Investments (ROI) of 7% (ring fenced to the loan book funded from the NEF balance sheet) • Efficiency – manage the operational expenses and generate income to achieve Cost to Income ratio within an acceptable range over the period • Return of Capital – implement close post-investment monitoring and interventions to achieve on average 80% collections on instalments raised 	<p>4. Human Capital</p> <ul style="list-style-type: none"> • Attraction: Attracting high-calibre and suitably qualified candidates who are fit for purpose • Skills Development: Provide training and development opportunities to enable employees to thrive in their role • Retention: Utilising a pay-for-performance remuneration structure which will ensure that key and top talent is retained at the NEF • Employer of Choice: Provide a compelling employee value proposition that captivates the employment experience from entry to exit

5. Non-Financial support

- Pre-investment – provide meaningful interventions to support entrepreneurs wanting to access funding
- Post-Investment – provide intensive monitoring, support and mentorship to NEF investees to ensure sustainability of the businesses
- Intensive Care & Turnarounds – provide in-depth support to business under strain through the Turnarounds, Workouts and Restructures unit
- 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
- Legal – through legal we will entrench our rights and security in transactions to ensure sustainability

6.2.1.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:

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

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 118 black-owned service stations amounting to R673 million and an excess of R379 million has been collected. Out of these 118 stations 70 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 3 845 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 R6.2 million 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 R8.431 million 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:

Milkway Transport (Pty) Ltd is a 100% black-woman-owned and managed transport and logistics company based in Joubertina, Eastern Cape. The business offers transport for the fruit, dairy, bottling and forestry industries.

The company was founded in 2016 and started as a subcontractor to established distribution companies. It was from these activities that the owners of Milkway identified opportunities in transport and begun approaching companies for direct orders and contracts.

The applicant secured two contracts from Woodlands and Coca Cola Southern Africa. The business also services the fruit, fertiliser manufacturers and dairy farmers for the distribution of their products. Due to high demand for their services, the business has been subcontracting a part of their business to other transportation companies. The two contracts on hand from Coca Cola and Woodlands have the following estimated values:

- Contract from Woodland R25 million per annum; and
- Contract from Coca Cola Southern (Pty) Ltd R18.5 million per annum.

The company was funded by the NEF for the acquisition of 4 new trucks to the value of R10 million in order to build capacity to meet customer demands.



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 consisted 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 R3.3 million 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 her own funds. The entrepreneur approached the NEF in early 2021 to fund the completion of the medical centre. The NEF approved funds of R8 million to assist with the completion of the building project, including funding for equipment, fittings, stock and working capital. The medical centre

houses 3 consulting rooms, 2 admission rooms, 1 casualty room, 3 specialist rooms, offices and records room, bathroom facilities and kitchen facilities. The business staff compliment increased from 22 to 34 once the medical centre became 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 numbers 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 R18 billion, which only **made up about 4% of the total market capitalisation of the sector**, which was approximately R400 billion.

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 3 000 000 student bed shortage in South Africa, and the number is expected to increase given the increase in enrollments 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 a striking portion of the student population and there is a growing demand for purpose-built student accommodation (PBSA) as demonstrated by the Table below reflecting the net effective demand per public institutions:



	2020 Enrolments (Contact Students)	Public PBSA	Private PBSA (2km radius)	Total PBSA	PBSA Ratio	Effective Demand	Net Effective Demand
Cape Peninsula							
University of Technology	32,876	5,843	10,253	16,096	49%	16,87	6,26
Central University of Technology	19,762	1,118	405	1,523	8%	18,239	11,915
Durban University of Technology	32,122	2,611	19,369	21,98	68%	10,142	-137
Mangosuthu University of Technology	13,733	1,886	0	1,886	14%	11,847	7,452
Nelson Mandela							
University	29,253	3,295	2,249	5,544	19%	23,709	14,348
North West University	50,664	9,215	5,713	14,928	29%	35,736	19,523
Rhodes University	7,791	3,657	120	3,777	48%	4,014	1,521
Sefako Makgatho Health Science University	7,599	1,573	0	1,573	21%	6,026	8,594
Sol Plaatjie University	3,527	978	0	978	28%	2,549	1,421
Tshwane University of Technology	65,738	10,164	8,762	18,926	29%	46,812	25,776
University of Cape Town	27,873	6,579	6,317	12,896	46%	14,982	6,061
University of Fort Hare	18,431	5,089	2,539	7,628	41%	10,803	4,905
University of Free State	42,037	5,978	2,258	8,236	20%	33,801	20,349
University of Johannesburg	46,937	6,481	30,091	36,572	78%	10,365	-4,655
University of KwaZulu- Natal	49,542	7,384	1,715	9,099	18%	40,443	24,589
University of Limpopo	22,728	7,316	320	7,636	34%	15,092	7,819
University of Mpumalanga	6,624	1,373	0	1,353	20%	5,291	3,151
University of Pretoria	49,875	8,044	27,078	35,122	70%	14,753	-1,207
University of South Africa	0	0	0	0	0%	0	0
University of Stellenbosch	32,706	7,931	3,776	11,707	36%	20,999	10,533
University of the Western Cape	24,366	3,656	0	3,656	15%	20,710	12,913
University of Venda	19,000	2,036	0	2,036	11%	16,964	10,884
University of Witwatersrand	39,436	6,336	28,620	34,956	89%	4,480	-8,139
University of Zululand	16,916	4,354	0	4,354	26%	12,562	7,149
Vaal University of Technology	20,39	3,081	1,838	4,919	24%	15,471	8,946
Walter Sisulu University of Technology	33,219	5,354	2,463	7,817	24%	25,402	14,772
Total	713,15					437,952	209,744

South Africa's post-high school education and training sector comprises of 26 public universities, 50 public technical and vocational education and training colleges, nine community education and training colleges and numerous private universities and private colleges. It is estimated that there were approximately 2.55 million students enrolled across all tertiary institutions in South Africa. Public universities account for 45% of the total enrollments, followed by Technical, Vocational, Education and Training (TVET) Colleges at

39%. The number of enrollments is anticipated to increase by 1.3 million for public universities and 1.03 million for TVET colleges by 2023 whilst Government intends to grow public university enrollments to 1.6 million and TVET enrollments to 2.5 million by 2030. The increase in student enrollments implies increasing demand for student accommodation.

Access to quality affordable student accommodation in South Africa forms an integral part of the higher education system. However, demand for such student accommodation presently outweighs supply. This demand gap has resulted in the development of the PBSA sector, mainly buoyed by the development of private student accommodation. Incidentally, the development of private accommodation created another gap between affordable accommodation and mid-level student accommodation, thus, resulted in rising demand for affordable student accommodation – particularly for students that are funded by the National Student Financial Aid Scheme (NSFAS)

Consequently, the public and private sectors have sought to find ways of reducing development costs to provide more affordable beds to the market. The government has put in place initiatives such as the Student Housing Infrastructure Programme Management Office which is set to facilitate the construction of about 38 000 beds. Together with new private developments and government initiatives, there has been an emergence of property developers that have sought to rejuvenate city center properties across the country by turning old and not so profitable buildings into those that are suitable for student accommodation. Such buildings are often within walking distance of the universities and provide a secured, clean, and affordable alternative to the on-campus accommodation.

In 2020, there were approximately 223 000 purpose-built student beds available in South Africa for public universities and TVET college students and an estimated supply gap of 511 600 beds. The supply gap is estimated to grow to around 781 000 beds in 2025. Of this estimated demand by 2025, 84 000 beds will be driven by students funded by NSFAS. A1 Management plays in the affordable student housing sector providing accommodation to students that are largely funded by NSFAS or other bursary schemes.

There is a wide gap between affordable and mid-level student accommodation in particular, as the South African government aims to increase the number of students enrolled at universities and TVET colleges to 4.1 million by 2030. This in itself is an opportunity for investors looking to break into the student accommodation as part of a buy-to-let portfolio.

The World Bank Group's International Finance Corporation (IFC) estimated that in 2020, that number was just over 2.55 million. The IFC's Market Assessment: The Student Housing Landscape in South Africa research suggests PBSA is already in scarce supply, with 2020's

estimated supply-demand gap of approximately 511 600 beds expected to grow to around 781 000 by 2025, 84 000 of those beds are needed by NSFAS students.

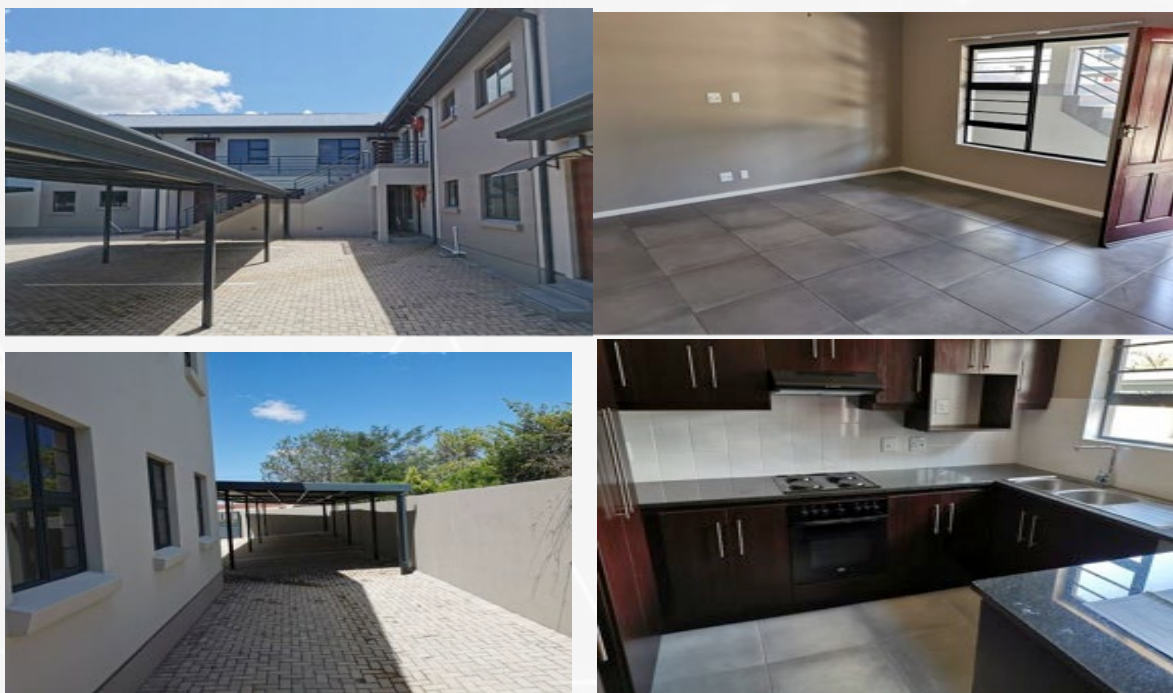
The development of private accommodation has mainly driven the PBSA sector in the last decade. However, private developers have, to date, mainly been catering to the mid (R 3 000 – R 4 500 per month) and high-end (R 5 000 – R 8 000 per month) markets.

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 University of Johannesburg (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, NSFAS & 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 Nomga 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.

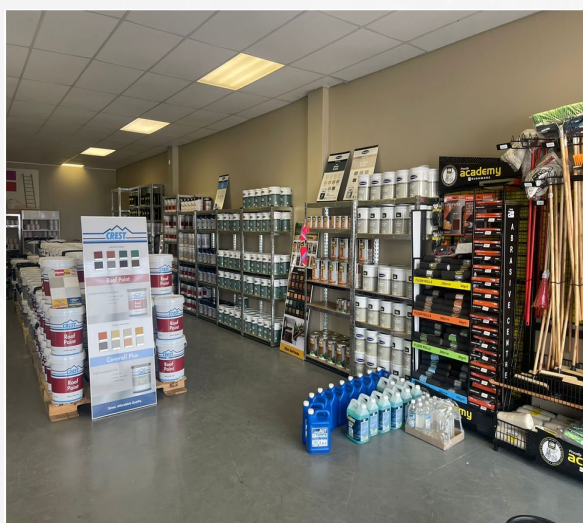
An example is **Brazen Algar**, a wholly owned and managed rail logistics company that was affected by the riots in July 2021. The company operates in the railway logistics sector and is

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 as follows:

SA Paint Distributors ("SAPD") is a 100% black-owned paint distribution entity established in 2018 by Mr. Sibusiso Thabethe. The company retails from Diepkloof and Roodepoort, and services hardware stores, contractors and specialty paint stores in townships and rural areas. The company employs 23 people. Both stores were affected by the riots and lootings that took place in July 2021. The NEF approved R17.35 million for purposes of funding SAPD's working capital requirements and capex for fixtures & fittings.

In line with the Build Back Better principle, the NEF linked SAPD with Stevensons Paint (an existing NEF client) for SAPD to source their paint stock from Stevensons. Stevensons is an existing NEF client that was funded through the Covid Relief Fund and received funding of R10 million in 2020 for working capital to manufacture and distribute sanitizers and disinfectant products to its retail network.

Stevensons Paints' core business is paint manufacturing, and they distribute their products to well established retail brands such as Jacks Paint and Hardware Group (over 60 stores nationwide), Du Paints, Steinweg Logistics and Hardware group, Build it group. Through the market linkages, Stevensons Paint has since become the preferred supplier for SAPD's paint stock.

Other linkages created:

NEF has also facilitated the engagement between **BuildMart Kwamashu** and Stevensons Paint. BuildMart is a hardware store based in Kwamashu and was one of the businesses affected by the riots and lootings. They NEF approved R10 million funding to assist the business with working capital requirements and capex for fixtures & fittings. Through NEF funding, Stevensons Paint has since become the preferred supplier for BuildMart.



YG Property was approved for funding of R32 million by the NEF for the development of Social Housing units with the following dynamics: 3 buildings, 1 four storey, 1 five storey and 1 Seven storey in Kempton Park Central. The Social Housing Regulatory Authority provided grant funding of R85 million. At the time of approval, the DHS had consolidated the grant and subsidy into once instrument through SHRA. The development was named 1 Kempton Place. The total project cost is R126 million. Location has the following attractions and amenities: OR Tambo International – 6 min (2km) via Long St and Voortrekker Rd, Rhodesfield Gautrain Station – 10 min (3,9 km) via Anson St, Festival Mall - 4 min (1,4 km) via Pretoria Rd/M57, Arwyp Medical Centre – 3 min (900m) via Long St, Kempton Park CBD centre – 3 min (850m) via Long St and Monument Rd.



Per the NEF requirements, the appointed construction company had to be majority black owned. As part of the value add and market linkages, NEF linked YG Properties with Enza Construction (existing NEF client). Enza Construction is the construction arm of Crowie Holdings, an NEF client that was initially funded in 2010, in which the NEF is still a 26.19%

shareholder. The estimated value paid to Enza Construction for the development of 1 Kempton Place equates to circa R80 million.

The NEF has also in the past assisted Enza Construction by providing other market Linkages. Enza Construction has also provided services to MMQSMace, an NEF client that received R10 million funding through the Covid Relief Fund in 2020, for the construction of isolation wards at the Ngwelezane Hospital in Empangeni, KZN. Enza was appointed to construct the isolation wards comprising of 113 beds for R16 million.



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

Quickloc8 (Pty) Ltd is a 100% black-owned entity that was established in 2015. 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 \$2.250 trillion. 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 R90.5 billion 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.

Between 2016 and 2018 the South Africa's cultural and creative industry contributed R74.4 billion to the country's GDP according to a new study titled "Economic Mapping of the Cultural and Creative Industries in South Africa 2020", the study that was released by the South African Cultural Observatory (Saco) suggested that the creative industry's direct contribution to GDP was 1.7% in that period. The pandemic has brought about some adverse impact on the film industry and a level of disruption in the way things are done. The most perceptible changes are in the way that filming on location and in studio is done, distribution and exhibition of the content and cancellations/postponements of major film markets and festivals which are key in securing international movie deals.

The contribution of the creative economy to the country's GDP is not reflected as it remains the most underappreciated economic driver 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 R39 million 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.

UBettina Wethu Company (Pty) Ltd is a 75% Black woman owned entity (“SPV”) which was incorporated to produce a 52-episode television series called “uBettina Wethu”, an adaptation of the international hit series “Yo Soy Betty La Fea”, adapted in 19 territories across the world including USA’s “Ugly Betty”. The NEF had approved R5 million, and the total project size was R52 million co-funded with other funders. The film unlocked over 596 temporary jobs. The location where the shooting took place was Hammanskraal Soweto and Sandton in Gauteng.



Thabo Mphelo Films is a 100% black owned film and TV production company that was founded 2012. It is based in Braamfontein. TMF's productions include several well-known local productions including *Jika Majika*, *Zaziwa*, *One Mic* and the *Daily Thetha*. Clients include SABC, MNet and other independent production companies. TMF had previously been renting both the studio and the production equipment, paying inflated rental fees that were eroding margins.

The NEF approved funding of R33 million for the purchase of the studio and the production equipment. This was a blended finance whereby TMF was approved for funding of R8.7 million by **the dtic**'s Economic Distress Fund ("EDF") and the balance came from the NEF's balance sheet. Both the NEF and **the dtic** EDF unlocked the following socio-economical developmental impact:

- TMF employs 28 predominantly black film production professionals.
- Diversification Strategy in order to reduce risk and boost sales growth.
- Ownership of the studio will ensure that TMF produces more licensed shows
- Licensing is when a show is sold to a broadcaster for a specified period. Rights remain with the producer, which means that the producer can move the same show between broadcasters or extend its showing over multiple periods of time.
- Improved margins.
- Retention of ownership rights.
- Venue rental: TMF started subletting studio space in July 2019.
- Based on current orders, TMF can make revenues of between ca. R60k and R100k for a 2-day space rental, going up R1 million over 11 days.
- Outdoor advertising. Shine Studios is located prominently to face the Nelson Mandela Bridge and major routes flowing through Braamfontein. It is a prime location for mounted top of the roof digital adverts using LED screens.



Another example is Gauteng's newest radio station, **Power 98.7**. Nine 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.

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.

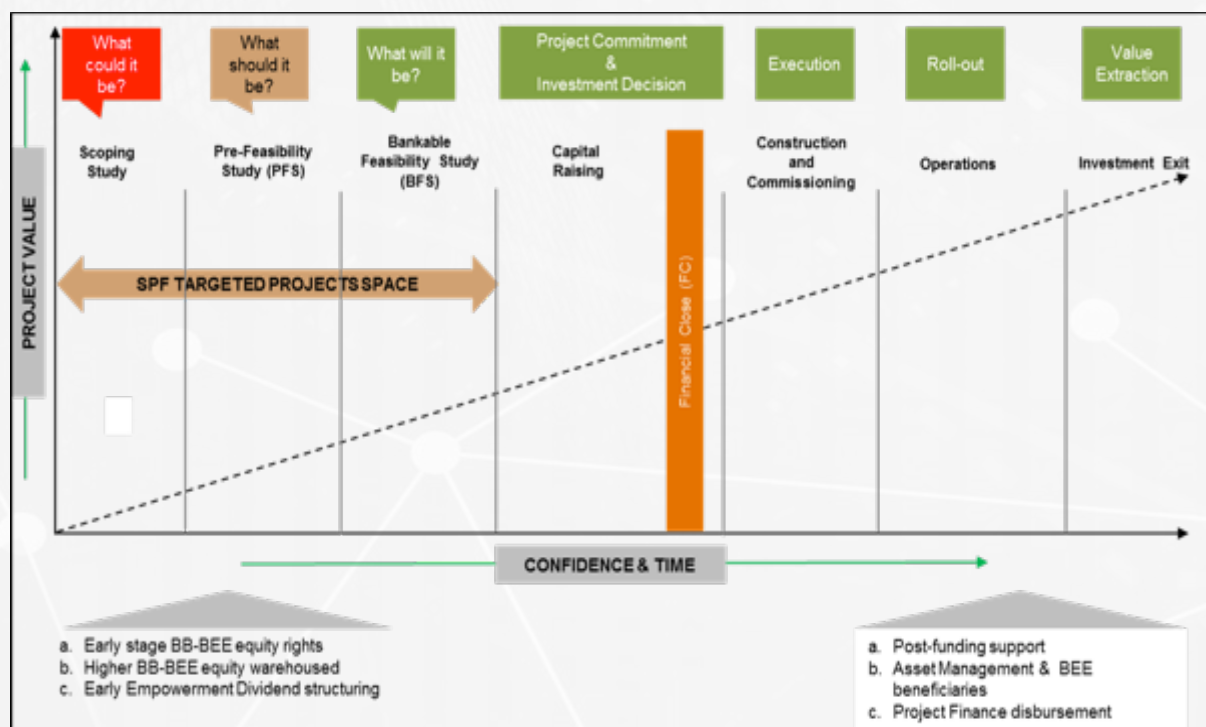
In essence, in this area the NEF aims to:

- 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 increases.



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 R900 million in developing projects (with a total of 24 projects currently under development); businesses that have created over 3 600 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 business, male condom manufacturing plant to be based in the East London SEZ. The project will enable a reduction of imported condoms and the creation of new jobs in the poor province of the Eastern Cape. The project is currently in the capital-raising stage, with the Public Investment Corporation conducting a due diligence to consider co-funding. To date the NEF has invest **R13 million** and approved a further **R37 million** for financial close requirements. The project has also been approved R37 million from the Black Industrialist Scheme.



Mohlalefi Pilot Project

The NEF was approached by Martin Masitise funding of a feasibility study and to develop a pilot plant. The business is **100% black owned** and the pilot was to determine the viability of manufacturing mining roof structures.

The NEF funded the feasibility study and setting up of the pilot plant to the value of **R15 million**. The Pilot Plant was constructed and commissioned on time and within budget in the year ending Feb 2020.

Business development efforts have since seen the business grow to a **R41 million** per annum turnover business. Three patents have been developed and filed with Spoor and Fischer. This means Mohlalefi is the only black owned OEM within the mining industry.

Three new roof support products and installations components have been added to Mohlalefi's products as a result of the success of pilot.

The business has now concluded its pilot Bankable Feasibility Study (BFS) process and is in the process of raising a further R110 million for its phase 2 expansion programme.

In August 2022 Mohlalefi was awarded the Job Creator award recently at the inaugural Black Industrialist and Exporters' Conference.



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 hospital licenses 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 healthcare market. This was kick-started with the commercialisation of 4 hospital licenses for 630 hospital beds, spread over four provinces, namely Western Cape, Gauteng, KwaZulu-Natal, and the Free State. The first hospital (a cardiothoracic centre of excellence) is based in Strand and commenced operations in May 2015. The second and third hospitals were launched in November 2016 in Modderfontein and Harrismith respectively. The

fourth hospital, based in Bloemfontein, began operations in 2018. To date Busamed Group has seven hospital licenses, with the added three hospitals acquired in Gateway, Nelspruit and Hillcrest. This brought the total beds to 950, directly employing ca. 1 200 people. 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. Primarily, tourism is expected to foster economic growth through the provision of foreign exchange earnings and increase of national revenue, and secondary 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, 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 50% 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:

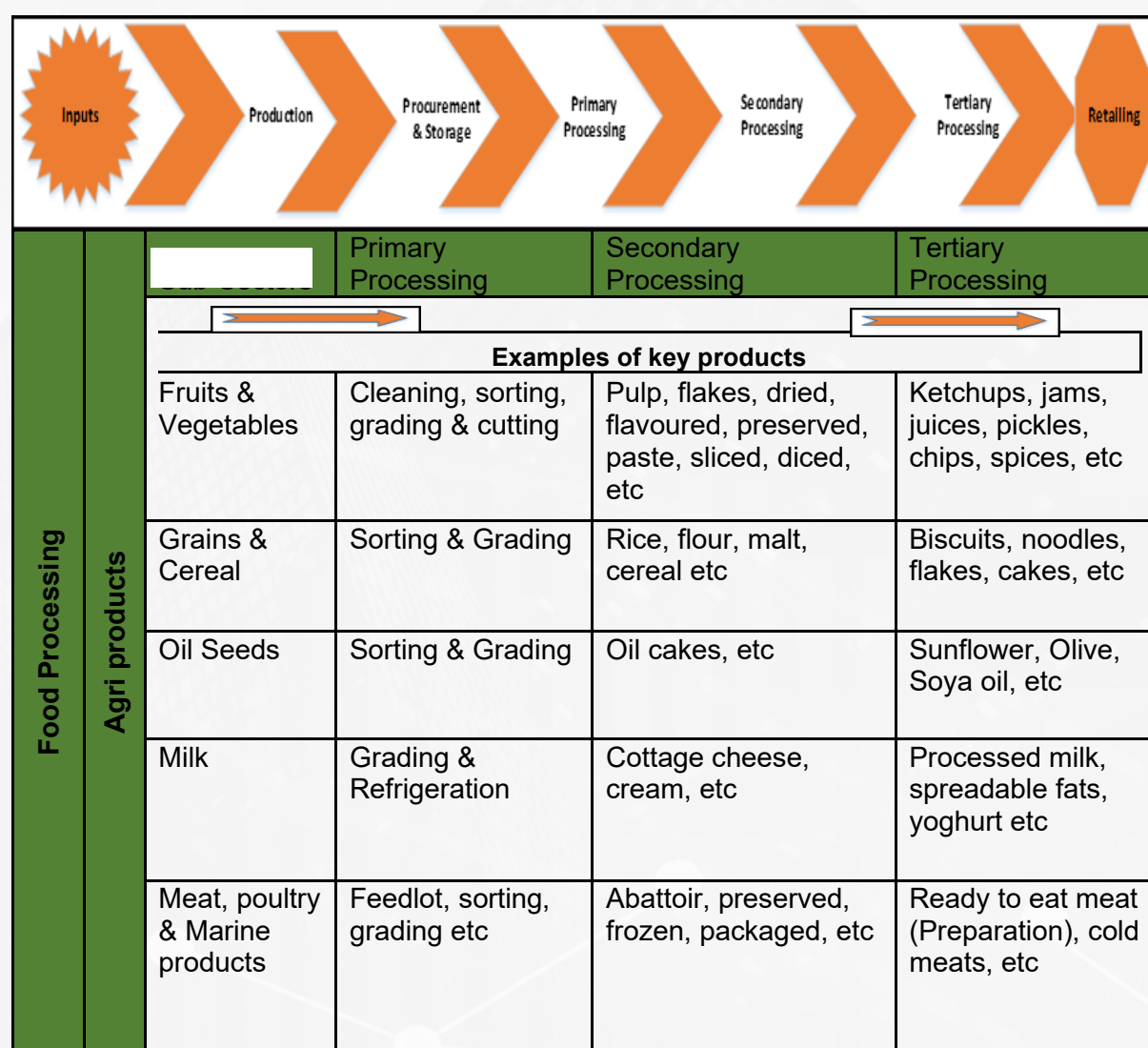
Tourism Sector						
Name of Investee	Location	Total Project Cost	NEF Investment	Star Grading	Jobs Created/Supported	Women Shareholding
Golden Valley	Magaliesburg	17 800 000	11 700 000	3*	10	60%
Lux Boutique	Upington	15 134 235	14 523 629	4*	49	100%
Miami Lodge	Limpopo	6 200 000	4 300 000	4*	29	70%
Hayani 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%
Total		78 254 235	59 523 629		286	

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 funding institutions 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		Linkages
					Male	Female	
Forever mushroom	Agribusiness	Horticulture	R6 229 295	Private entity	12	10	Forward Linkages
Kasidev (Pty) Ltd	Agribusiness	Field Crops Vegetables	R6 415 407	Private entity	12	15	Forward Linkages
Green Terrace	Agribusiness	Field Crops Vegetables	R1 700 000	Private entity	5	11	Forward Linkages
Matumaini Farming (Pty) Ltd	Agribusiness	Livestock Poultry	R9 236 000	Private entity	35	61	Backward and Forward linkages
Lebowakgomo Poultry (Pty) Ltd	Agribusiness	Livestock Poultry	R32 166 000	Private entity	355	532	Backward and Forward linkages
Vaphi and Mnomana (Pty) Ltd	Agribusiness	Livestock Poultry	R13 850 000	Private entity	8	13	Backward and Forward linkages
Busani Solutions Group Pty Ltd	Agribusiness	Field Crops Vegetables	R762 358	Private entity	6	6	Forward Linkages
Azowel Projects	Agribusiness	Field Crops Vegetables	R3 500 000	Private entity	11	12	Forward Linkages
Loyisa Consulting and Projects	AgroProcessing	Livestock Dairy	R7 450 000	Private entity	43	42	Backward and Forward linkages
Total Amount			R81 309 060,00		487,00	702,00	

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 effort 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 the Department of Small Business Development, Tourism and Environmental Affairs (DESTEA) providing a grant of R320 000 (will be used to reduce NEF facility).



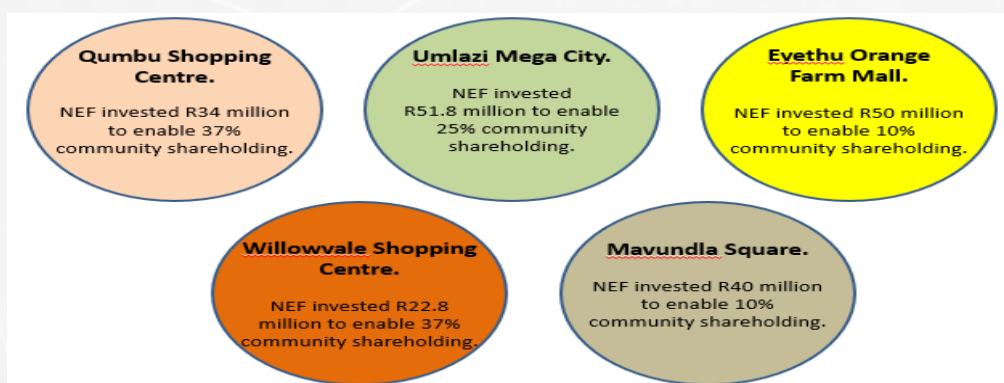
KasiDeve is a start-up Horticultural Farm located in the rural area of Koningkrantz, Ga-Maponto in the Molemole District Municipality of the Limpopo province. This 100% black youth-owned farming business currently produces five (5) hectares of spinach, tomatoes and butternuts to help sustain itself. 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 R908 million and R224 million has been committed.



The Hill Boutique Hotel – The Hill Boutique Hotel is 100% black woman owned and managed business. The Hotel is a start-up 3 star, 17 room hotel, with two conference facilities (63 people capacity) located in the rural area of Tsolo, Eastern Cape province. The business is involved in the tourism and hospitality sector required a total of R14.5 million from NEF, with R8 million coming from the Women Empowerment Fund and R5 million for Tourism Transformation Fund while the Entrepreneur's contribution was R2 million. The funds were used for the construction, furniture and fittings, vehicle and working capital. 15 new permanent jobs will be created, with 50 temporary jobs created during construction. The business is a start-up with its projections showing positive results to be a sustainable business that will service the required facility. The funding from NEF will enable the participation of a black woman in the hospitality industry.

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 000m². 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 is 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:

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

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.

Black Minds is a 100% black female owned and managed entity. The founders of the business identified the opportunity to become a transporter to Pretoria Portland Cement (PPC) in 2020 when the Department of Mineral Resources and Energy (DMRE) was determined to usher in transformation in the cement manufacturing sub-sector. This included the logistics service providers. In light of that, PPC tasked its transport management company to identify and prioritise black owned businesses, preferably women owned, and youth owned entities. The shareholders approached PPC to have their company be considered as one of the transporters in Dwaalboom , Thabazimbi in the Limpopo Province.

The founding shareholder is a Strategic Supply Chain Management graduate. She also possesses a Bachelor of Science, Advanced Program in Project Management and a certificate for BBBEE Management Development Program.

Opportunity to transform the untransformed industry particularly in less transformed areas as well as areas with low economic activity was appealing to the NEF investment: The project is in Dwaalboom, Limpopo province.

Black Minds was approved by the NEF for the Women Empowerment Funding to the tune of R9.7 million to acquire the assets. Through the NEF financing Black Minds will create 4 jobs.

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 R11.32 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 2021/22 reporting period:

PRIVATE SECTOR CONTRIBUTIONS				
No.	Funder	Actual Funds Received	Primary Objective	Sector
1	Sun City	R2 925 000	Empower SMMEs in Sun City value chain & tourism sector.	Tourism
	Total Private Sector Contributions	R2 925 000		
PUBLIC SECTOR CONTRIBUTIONS				
No.	Funder	Actual Funds Received	Primary Objective	Sector
2	Steve Tshwete Local Municipality	R20 000 000	Co-funding black entrepreneurs domiciled in Steve Tshwete Local Municipality.	All
3	Department of Transport	R1 135 000 000	Establish the Taxi Relief Fund.	Transport
4	the dtic- Black Manufacturers Fund	R150 000 000	Establishment of the Black Business Manufacturing Fund to promote local manufacturing and exports.	Manufacturing
5	the dtic- Economic Recovery	R650 000 000	Establish fund to alleviate the effects of Covid 19 on majority Black owned and managed businesses.	All
6	Solidarity Fund	R273 000 000	Support businesses affected by civil unrest in KZN and Gauteng	All
7	Northern Cape Department of Economic Development, Environment and Tourism	R27 225 000	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	All
	Total Public Sector Contributions	R2 255 225 000		
	Total Contributions received	R2 258 150 000		

The post-pandemic era ushered a great deal of socio-economic dissatisfaction especially by the unemployed, black people in particular. This led to the July 2021 KwaZulu Natal and Gauteng unrest – which saw hundreds of business sites looted and damaged. The NEF partnered with **the dtic** in an effort to restore supplies of stock and revive affected businesses, availing a total of R800 million to businesses owned by black people through the Economic Recovery and Black Manufacturing Funds. The Solidarity Fund availed R273 million to be disbursed as grants to the affected businesses.

During the prior financial year, the NEF also implemented the Taxi Relief Fund (TRF) on behalf of the Department of Transport (DoT). This following a successful appointment by DoT, the NEF is executing payments of a R1.135 billion ex-gratia allocation to qualifying taxi operators following the negative effects of Covid-19 pandemic on the taxi industry.

The NEF also partnered with Sun City, Steve Tshwete Local Municipality and Northern Cape Department of Economic Development, Environment and Tourism (DEDaT). The Sun City partnership raised R2.9 million to empower SMMEs in Sun City value chain & tourism sector whilst the Steve Tshwete Local Municipality raised R20 million for co-funding of black entrepreneurs domiciled in the said Municipality. The DEDaT partnership led to the availability of about R27 million for co-funding of black entrepreneurs domiciled in the Northern Cape. Establishment of the Northern Cape Blended SMME Fund to empower SMME's in the Northern Cape.

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	
the dtic 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				R273 000
Sun City				R2 925
TOTAL	R95 286	R101 000	R540 909	R2 255 150

The table above provides a summary of contributions received in the last four (4) financial years. It depicts that the NEF has received a total of R2.9 billion in third party allocations in just four years – a growth of around 6% during the 2019/20 reporting year, was followed by a

much impressive growth of over 100% in the 2021/22 reporting year. 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. 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.

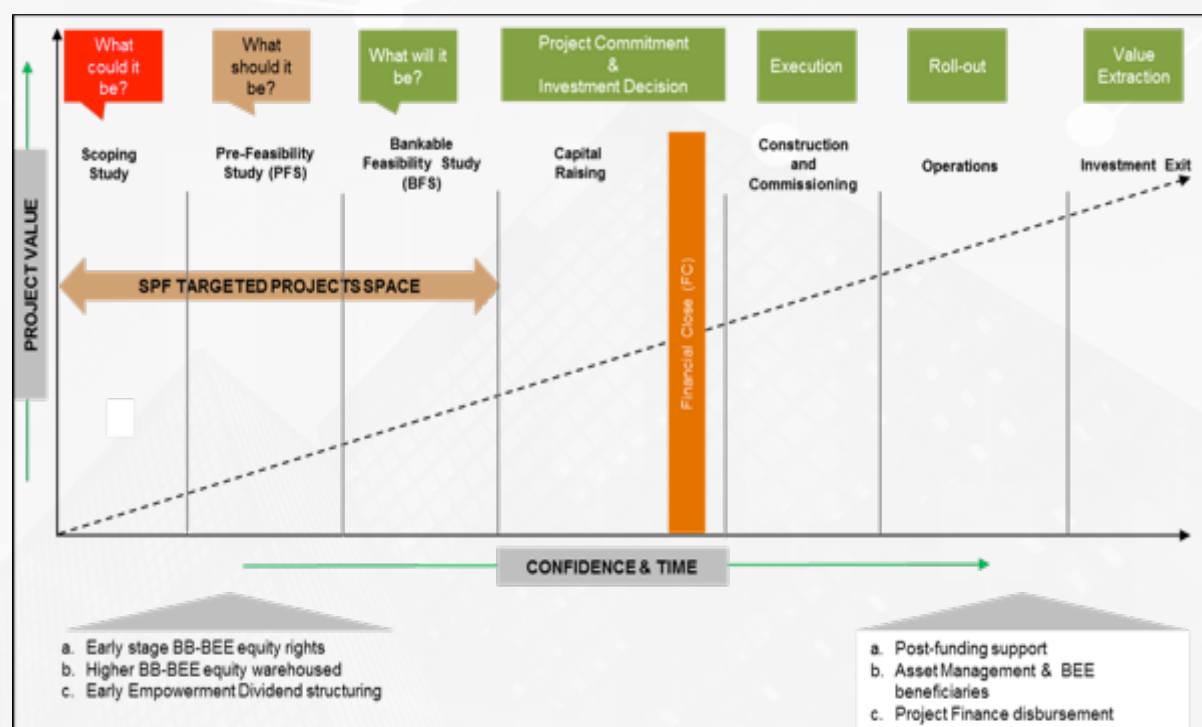
Application to SPF projects

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 2021/22, the NEF has an impairment to book ratio of 29%, which is within the upper limit of 30%. 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;
- Revaluation of underlying collateral when clients fall into arrears or are in financial distress; and
- Secure additional collateral wherever possible to balance portfolio.

Long term

- Ensure that clients are managed as per original approved terms and/or revised one;
- Establishment of "Value Add" division – where equity transactions are nurtured and exit strategies are planned;
 - Independent directors for investee,
 - Exploiting synergies between investees,
 - Unlocking value via other stakeholders – the DTIC, SHRA, Gov't Depts/SOE's,
 - Procurement aggregation on key business inputs e.g. fuel, construction materials, marketing initiatives, etc;
- Seek technical equity partners for some of the transactions;
- Establish construction incubation partnership with entities awarding contracts in public/private sector, SEDA and CIDB;
- Strengthen strategic relationships with contract issuers – direct alert prior to cancellation of contract, scope and rate changes;
- Proactive diversification of client base to avoid concentration risk;
- Continuous analysis of lessons learnt on successful exits; and

- Reduction of the time taken to collect amounts that are in arrears.

The current NEF impairment model utilises GRAP 104 as a basis.

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:

1. Monthly monitoring of clients during moratorium and/or reduced instalment period;
2. Encourage early settlement for amortised loans;
3. Value enhancement on equity transactions and pursue dividends in equity transactions;
4. Convert patient instruments so that clients can start with repayments; and
5. Employment of a collections/debtors' clerk to follow up on non-payments/returned debit orders immediately.

C. Return on Investments and Cost to Income

The current ROI on the NEF's assets is 9.6% as at 31 December 2022, with the NEF targeting an ROI of 7%. This is owing to a return rate of 5.2% received on surplus cash .

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:

- o Maintaining an appropriate risk-adjusted pricing on newly approved loans; and
- o 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 rate.

****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 first half of 2022 was challenging for the global economy, pointing to a bleak outlook in the short to medium term as the world grappled with a sharp rise in inflation and a deceleration in growth. The International Monetary Fund (IMF) forecasted global growth to decelerate to 3.2 and 2.9% in 2022 and 2023 respectively from a monetary and fiscal policy induced growth of 6.1% in 2021. Advanced economies are expected to shed more than half of the growth recorded in the previous year. The United States reported weak consumer demand in the first two quarters of this year largely due to tightening monetary policy and the erosion of consumer purchasing power while in Europe, the energy challenge is fueling inflation and expected to significantly reduce industrial activities.

Emerging market and developing economies growth momentum is expected to be disrupted by global events as they trail growth patterns of advanced economies. As a group, growth is projected to slow down to 3.6% in 2022 from 6.8% in 2021. Although emerging economies are projected to decelerate, China and Russia are expected to experience some of the worst economic declines in decades. China's growth forecast was affected by the zero Covid strategy which disrupted economic activities and supply chain flow whilst Russian economy will be primarily affected by the sanctions between Russia, US and EU which arise due to the invasion of Ukraine. Growth in Sub-Saharan Africa is expected to slow down from 4.6% in 2021 to 3.8% and 4.0% in 2022 and 2023 respectively. The negative outlook for Sub-Saharan Africa could be attributed largely to the Russia/Ukraine war, weak demand, as well as tightening monetary and fiscal policy support.

The domestic economy contracted during the second quarter of 2022 by 0.7% after growing by 1.7% in the first quarter of 2022. Nearly all major sectors reported significant negative growth in the second quarter of this year except for Transport, storage and communication as well as Finance, real estate and business services. Sectors that reported major declines included Agriculture, forestry and fishing (-20.9%), Mining and quarrying (-9.6%) and Manufacturing (-3.8%). This lackluster economic performance can be attributed to the spill-off effects of the Russia and Ukraine war on inflation, flooding in KwaZulu Natal, recent high frequency loadshedding and record low consumer confidence translating to weak domestic demand. As such, growth forecast for 2022 is revised downward to 1.9% and 1.4% in 2023.

With the year-on-year increase in population growth, the number of economically active population without jobs is also on the rise while the South African economy is not creating sufficient jobs. The unemployment rate remains exorbitantly high at 33.9% as at the end of the second quarter of 2022. Black people are the only race group whose unemployment level is over the same in 2022, at 37.8%. A total number of 14.691 million people were employed in South Africa at the end of quarter three of 2020, up from 15.562 million in the previous quarter. The largest employers are Trade industry accounting for 3.163 million, followed by finance (2.460 million) and manufacturing (1.507 million) industries.

The problem of unemployment and poverty especially amongst black people is being exacerbated by low level of participation in the mainstream of the economy. This group is often confronted with enormous barriers to enter most sectors of the economy, at the centre is capital requirements to start a business. The last decade has seen a shift in the strategy of big businesses, entering townships and rural areas – marking the end of hope for most black entrepreneurs. The government needs to regulate and channel more financial resource to stimulate economic participation of black people through SMMEs in the township and rural economies. These areas barely produce any goods or services, people are consumers. The government should instill hope by acting with urgency to change the socio-economic status of black people.

7.2. Internal factors

The past two years have been taxing for businesses, government and households, the NEF was not an exception. As a thought leader in the empowerment space, the NEF rose above the prevailing challenging conditions as evidenced by the outstanding performance delivered. At the center of excellent performance, are NEF employees under the leadership of the Board of Trustees and the Executive Committee. The leadership in partnership with the shareholder and other key stakeholders introduced specialized Funds to resuscitate businesses affected by covid-19 and routs. This speaks volume of the human resources capabilities of the NEF as an enabler to deliver outcomes in short period of time.

The NEF Board and Exco are fully capacitated and operational. 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. In undertaking its day-to-day activities, the NEF depend heavily on employees, Information Systems Technology and fund management

investment policy and a standardised rigorous review processes of applications to fund black businesses that are commercially sustainable and able to increase the empowerment dividend. Financial resource ranks 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.

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

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

STRENGTHS	OPPORTUNITIES
<ul style="list-style-type: none"> • Innovative and solutions-based products. • Institutional and operational maturity. • High standards of corporate governance. • Offices across all provinces to execute mandate nationally. • Rigorous accounting and sound financial management systems. • Strong internal control systems and processes. • High performance-orientated organisational culture. • Technically strong and committed staff. • Proven track record in BEE funding. • Established portfolio with lessons learnt. • Improving return on investments. • Thought leader in B-BBEE. • Low cost of funding or credit. 	<ul style="list-style-type: none"> • Rising demand for national economic transformation. • Ability to contribute even more towards job support and creation. • High number of township and rural capable entrepreneurs need capital. • Contribute to closing the gaps in the economic value chain. • Priority sectors need financial support. • Expansion into other parts of Africa. • Scope to increase NEF footprint and visibility. • There are third parties requiring partners to execute their enterprise development programmes. • There are growing economies and sectors (township and rural economy, renewable energy, tourism, agro processing, automotives, metals, chemicals, infrastructure and human settlement, clothing, textile, leather and footwear).

	<ul style="list-style-type: none"> Amendment to Schedule 2 of the status of NEF in terms of PFMA to allow for borrowing.
WEAKNESSES <ul style="list-style-type: none"> Insufficient staff capacity that may require rebuilding. Low approval rate on number of applications. Need to improve information systems. Lack of financial resources. High impairment rate. Need to improve collection rate. 	THREATS <ul style="list-style-type: none"> Sluggish economic growth. Lack of recapitalisation. Geopolitical conflict. High inflation. Lower consumer and investor confidence. Rising cost of funding investees. Growing population. Rising unemployment. High debt level. Poor quality of applications. Infrastructure – high frequency loadshedding and aging rail network.

7.4. Analysis of Political, Economic, Social, Technological, Environmental, and Legal (PESTEL) Risks

STRATEGIC ISSUES	PROPOSED NEF'S RESPONSE
Political Factors	
<ul style="list-style-type: none"> Change in Executive Authority often results to changes in the way of working. Negative perception towards black economic empowerment policies. 	<ul style="list-style-type: none"> The Mandate is legislated and thus the NEF Act 105 of 1998 thus continues to guide the organization. The NEF will continue to implement the mandate with high level of transparency and comply consistently with good corporate governance guidelines, maintaining its immaculate track record.

<ul style="list-style-type: none"> Government institutions perceived as corrupt. 	<ul style="list-style-type: none"> The NEF will continue upholding the high-level good governance and good control environment which have led to the 19 years of clean external audit opinion.
Economic Factors	
<ul style="list-style-type: none"> Global and domestic growth is projected to decline to 2.7% and 1.1%, respectively, in 2023. Excessive inflation and high interest rates led to challenging environment for businesses and households. The NEF requires recapitalization. 	<ul style="list-style-type: none"> The NEF will prioritise investment in priority sectors with growth potential and crowd-in private capital to stimulate overall economic activities. The NEF will monitor closely investees' performance and identify those greatly affected by weak consumer demand and high cost of operating their businesses to explore measures to support these investees. The leadership of the NEF will continue engaging the dtic and National Treasury to allocate funding from fiscus or granting of borrowing right. In the interim, the NEF will continue to raise funding for black entrepreneurs through partnerships.
Social Factors	
<ul style="list-style-type: none"> Rising population growth estimated at 60.6 million. Unemployment rate is high at 32.9%, especially amongst youth. Limited access to basic goods and services resulting in social instability and violent strikes. 	<ul style="list-style-type: none"> The rise in population growth increases the market and continue to support investees that will service the growing demand for various goods and services. The NEF will prioritise investments in businesses that create more jobs per rand investment to support the government's call for mass job creation. Internally, the NEF will continue to create jobs through the internship program. The current social dissatisfaction, especially due to inadequate service

<ul style="list-style-type: none"> Alternative media options offer access to information through social media. 	<p>delivery and loadshedding, may lead to damage to properties and those of NEF investees. The NEF will continue providing access to finance to boost manufacturing of goods locally and provision of services such as alternative energy source in the form of solar panels and accompanying batteries.</p> <ul style="list-style-type: none"> The NEF will continue to utilize online platforms to communicate and engage South Africans especially regarding the available funding opportunities.
Technological Factors	
<ul style="list-style-type: none"> Technological advancement made it possible for meetings to be held online. Information systems technology enable the automation of work throughout the organization. Rise in cyber security threats which may results in loss of data and finances. 	<ul style="list-style-type: none"> The NEF will continue exploring these technological tools to improve efficiency in rendering our service. For example, the employees continue to work through a hybrid structure remotely. The NEF is currently embarking on a journey to move to a paperless working environment and intends to automate most of the tasks that needs to be done manually. This is vital in improving efficiency. The NEF will continue to invest in systems that secure data throughout the organization.
Environmental Factors	
<ul style="list-style-type: none"> Frequent extreme weather conditions resulting in damages to crops and animals. 	<ul style="list-style-type: none"> The NEF will continue supporting investees affected by extreme weather conditions. The NEF is fully engaged in the global warming discourse and has endeavoured to support applicants operating in the green

<ul style="list-style-type: none"> Increases in environmentally friendly practices. Rise in water scarcity likely to disrupt operation of some businesses. 	<p>economy to reduce carbon print of the country.</p> <ul style="list-style-type: none"> The NEF promote the adherence and preservation of environment by strictly supporting business activities that are environmentally friendly. The environmental risk assessment forms part of due diligence before an application is supported. The NEF encourages investees to use water sparingly and seek to explore measures that ensure uninterrupted business operation. Applications with potential high-water usage are required to be supported by water use licenses as a condition for disbursement.
Legal Factors	
<ul style="list-style-type: none"> The NEF is mandated to empower black people in the spirit of BBBEE policy which is often challenged. Practices of fronting – businesses that appear to be legally owned by black people. 	<ul style="list-style-type: none"> The NEF will continue to support businesses owned and managed by black people as per the NEF Act which legally allows the focus on black people. The NEF will continue to look beyond ownership and consider the level of involvement of owners in the operation of business.

The background is a solid orange color with a subtle grid pattern. There are several faint, light-colored geometric shapes and lines scattered across the page, including a large triangle in the upper left, a smaller triangle in the lower right, and various lines and dots forming a network-like structure.

Part C:

Programme Performance

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

8.PROGRAMME PERFORMANCE

The NEF implements its mandate through the following programmes:

Programme 1: uMnotho Fund

Programme 2: strategic Projects Fund

Programme 3: iMbewu Fund

Programme 4: Rural, Township and Community Development Fund

Programme 5: Women Empowerment Fund

Programme 6: Entrepreneurship Development

Programme 7: Social Facilitation

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.



Annual Performance Plan for 2023/24

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
Investment threshold	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
Product purpose	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"> • Medium to large companies 	<ul style="list-style-type: none"> • Medium-sized greenfield projects with total funding 	<ul style="list-style-type: none"> • Active BEE involvement in investee companies 	<ul style="list-style-type: none"> • Medium to large companies 	<ul style="list-style-type: none"> • Medium to large companies 	<ul style="list-style-type: none"> • Medium to large companies

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

	Acquisition Finance	New Venture Finance	Expansion Capital	Capital Markets	Liquidity & Warehousing	Property Fund
		Active BEE involvement in investee companies				
Types of instruments	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.
Black equity threshold	Minimum of 25.1%	Minimum of 25.1%	Minimum of 50.1%	Minimum of 25.1%	Minimum of 25.1%	Minimum of 50.1%
Pricing	Influenced by Empowerment Dividend or Development Impact. Debt linked to prime rate and equity based on target IRR					

	Acquisition Finance	New Venture Finance	Expansion Capital	Capital Markets	Liquidity & Warehousing	Property Fund
Terms of Investment and other terms	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		
			2019/20	2020/21	2021/22	YTD 31 December 2022/23	2023/24	2024/25	2025/26
Growing black economic participation in the South Africa Economy and job creation	Approval of Deals	Value of deals approved by uMnotho Fund	R251m	R232m	R445m	R328m	R387m	R484m	R688m
		Value of new Commitments by uMnotho Fund	R232m	R218m	R452m	R261m	R290m	R363m	R516m
		Value of Disbursements by uMnotho Fund	R121m	R153m	R422m	R324m	R261m	R290m	R464m

Quarterly milestones:

Outcome	Output	Output indicator	Baseline 2022/23 YTD Performance 30 September 2022	2022/23 Annual Target	Cumulative Quarterly Milestones			
					1 st Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter
Growing black economic participation in the South Africa Economy and job creation	Approval of Deals	Value of deals approved by uMnotho Fund	R328m	R387m	R39m	R151m	R298m	R387m
		Value of new Commitments by uMnotho Fund	R261m	R290m	R20m	R87m	R194m	R290m
		Value of Disbursements by uMnotho Fund	R324m	R261m	R13m	R73m	R167m	R261m

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. The NEF's organisational income statement in Annexure A, provides the split of expenses.

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		
			2019/20	2020/21	2021/22	YTD 31 December 2022/23	2023/24	2024/25	2025/26
Growing black economic participation in the South Africa Economy and job creation	Approval of Deals	Value of deals approved by Strategic Project Fund	R116m	R46m	R68m	R11.7m	R108m	R135m	R192m
		Value of new Commitments by Strategic Project Fun	R97m	R47m	R55m	R2.4m	R81m	R101m	R144m

Outcome	Output	Output indicator	Audited Actual Performance			Estimated Performance (including WEF)	MTEF Period		
			2019/20	2020/21	2021/22	YTD 31December 2022/23	2023/24	2024/25	2025/26
		Value of Disbursements by Strategic Project Fund	R44m	R38m	R55m	R10.9m	R73m	R81m	R130m

Quarterly milestones:

Outcome	Output	Output indicator	Baseline 2022/23 YTD Performance 30 September 2022	2023/24 Annual Target	Cumulative Quarterly Milestones			
					1 st Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter
Growing black economic participation in the South Africa Economy and job creation	Approval of Deals	Value of deals approved by Strategic Projects Fund	R11.7m	R108m	R32m	R65m	R86m	R108m
		Value of new Commitments by Strategic Projects Fund	R2.4m	R81m	R24m	R49m	R65m	R81m
		Value of Disbursements by Strategic Projects Fund	R10.9m	R73m	R22m	R44m	R58m	R73m

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. The NEF's organisational income statement in Annexure A, provides the split of expenses.

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
Description	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
Instruments	<ul style="list-style-type: none"> • Term Loan 	<ul style="list-style-type: none"> • Term Loan • Bridging Loan • Revolving Credit • Debtor Finance • Reverse Factoring 	<ul style="list-style-type: none"> • Structured loans • Equity instruments

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

Performance indicators and performance targets per programme:

Outcome	Output	Output indicator	Audited Actual Performance			Estimated Performance (including WEF)	Medium Term Targets		
			2019/20	2020/21	2021/22	YTD 31 S December 2022/23	2023/24	2024/25	2025/26
Growing black economic participation in the South Africa Economy and job creation	Approval of Deals	Value of deals approved by iMbewu Fund	R255m	R192.5m	R452m	R199m	R288m	R360m	R510m
		Value of new Commitments by iMbewu Fund	R161m	R188m	R308m	R148m	R216m	R270m	R384m
		Value of Disbursements by iMbewu Fund	R118m	R188m	R283m	R200m	R173m	R216m	R346m

Quarterly milestones:

Outcome	Output	Output indicator	Baseline 2022/23 YTD Performance 31 December 2022	2023/24 Annual Target	Cumulative Quarterly Milestones			
					1 st Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter
Growing black economic participation in the South Africa Economy and job creation	Approval of Deals	Value of deals approved by iMbewu Fund	R199m	R288m	R43m	R112m	R202m	R288m
		Value of new Commitments by iMbewu Fund	R148m	R216m	R30m	R84m	R149m	R216m
		Value of Disbursements by iMbewu Fund	R200m	R194m	R21m	R76m	R134m	R194m

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. The NEF's organisational income statement in Annexure A, provides the split of expenses.

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
Investment threshold	R1m to R50m	R1m to R50m	R1m to R50m
Trigger for RTCDF participation	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.
Principal goal	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.
Types of companies/projects	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.
Types of instruments	Debt, equity, quasi equity and preference shares.	Debt, equity, quasi equity and preference shares.	Debt, equity, quasi equity and preference shares.
Black equity threshold	Minimum of 50.1%		
Pricing	Prime (+/-) Empowerment Dividend or Development Impact Influenced		
Terms of Investment and other terms	<ul style="list-style-type: none"> • 5 to 10 years • Clear exit Strategy 	<ul style="list-style-type: none"> • Up to 10 years • Total project equity \geq 40% • NEF Exposure \leq 50% of project costs 	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		
			2019/20	2020/21	2021/22	YTD 31 December 2022/23	2023/24	2024/25	2025/26
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	R105m	R49.5m	R366m	R80m	R117m	R146m	R208m
		Value of new Commitments by Rural, Township and Community Development Fund	R77m	R67m	R238m	R75m	R88m	R110m	R156m

Outcome	Output	Output indicator	Audited Actual Performance			Estimated Performance (Including WEF)	Medium Term Targets		
			2019/20	2020/21	2021/22	YTD 31 December 2022/23	2023/24	2024/25	2025/26
		Value of Disbursements by Rural, Township and Community Development Fund	R20m	R46m	R291m	R74m	R70m	R88m	R140m

Quarterly milestones:

Outcome	Output	Output indicator	Baseline 2022/23 YTD Performance 31 December 2022/23	2023/24 Annual Target	Cumulative Quarterly Milestones			
					1 st Quarter	2 nd Quarter	3 rd Quarter	4 th 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	R80m	R117m	R22m	R88m	R105m	R117m
		Value of new Commitments by Rural, Township and Community Development Fund	R75m	R88m	R11m	R46m	R76m	R88m

Outcome	Output	Output indicator	Baseline 2022/23 YTD Performance 31 December 2022/23	2023/24 Annual Target	Cumulative Quarterly Milestones			
					1 st Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter
		Value of Disbursements by Rural, Township and Community Development Fund	R74m	R79m	R8m	R39m	R65m	R79m

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. The NEF's organisational income statement in Annexure A, provides the split of expenses.

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		
			2019/20	2020/21	2021/22	YTD 31 December 2022/23	2023/24	2024/25	2025/26
Growing black economic participation in the South Africa Economy and job creation	Approval of Deals	Value of deals approved by Women Empowerment Fund	R252m	R185m	R378m	R479m	R300m	R375m	R400m
		Value of new Commitments by Women Empowerment Fund	R212m	R157m	R296m	R408m	R225m	R281m	R300m
		Value of Disbursements by Women Empowerment Fund	R109m	R149m	R258m	R216m	R180m	R225m	R270m

Quarterly milestones:

Outcome	Output	Output indicator	Baseline 2022/23 YTD Performance 301December 2022/23	2023/24 Annual Target	Cumulative Quarterly Milestones			
					1 st Quarter	2 nd 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	R479m	R300m	R57m	R159m	R237m	R300m
		Value of new Commitments by Women Empowerment Fund	R408m	R225m	R34m	R104m	R171m	R225m
		Value of Disbursements by Women Empowerment Fund	R216m	R203m	R24m	R89m	R150m	R203m

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. The NEF's organisational income statement in Annexure A, provides the split of expenses.

A low-angle, upward-looking photograph of several tall skyscrapers against a bright orange and yellow sky at sunset or sunrise. The buildings are dark silhouettes with many windows reflecting the warm light. The perspective creates a sense of height and grandeur.

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

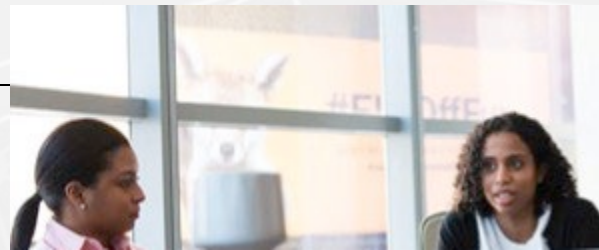
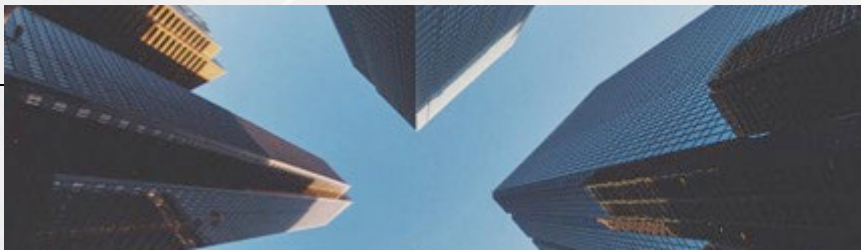
By 2010 the NEF through its Fund Management Division faced a number of challenges in delivering on its Mandate. These challenges included:

- The low number of applications received per month.
- The undesirable quality of these applications, as evidenced by an approval ratio of less than 3% of applications received.
- The limited exposure 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 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:

- Enhance 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		
			2019/20	2020/21	2021/22	YTD 31 December 2022/23	2023/24	2024/25	2025/26
Non-Financial Support	Facilitate non-financial support to black owned businesses	6.1. Number of entrepreneurs training sessions provided with an average score of 70% required in the post-	134 training sessions	141 training sessions	174 training sessions	162 training sessions	145 training sessions per year, with an average score of 70% required in the post-training assessment	155 training sessions per year, with an average score of 70% required in the post-training assessment	155 training sessions per year, with an average score of 70% required in the post-training assessment

		training assessment							
Non-Financial Support		6.2. Number of entrepreneurs referred for business incubation; and number of entrepreneurs who successfully complete business incubation	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.	Referred 332 entrepreneurs for incubation: and 86 entrepreneurs in the final incubation stage.	Refer 186 entrepreneurs for incubation: and 57 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.	Refer 210 entrepreneurs for incubation: and 42 entrepreneurs in the final incubation stage.

Quarterly milestones

Outcome	Output	Output indicator	Baseline 2022/23 31 December 2022/23 YTD Performance	Annual Target 2023/24	Cumulative Quarterly Milestones			
					1 st Quarter	2 nd Quarter	3 rd Quarter	4 th 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 70% required in the post-training assessment	162 training sessions	145 training sessions per year, with an average score of 70% required in the post-training assessment	36 training sessions	73 training sessions	109 training sessions	145 training sessions

Non-Financial Support		6.2. Number of entrepreneurs referred for business incubation; and number of entrepreneurs who successfully complete business incubation.	Refer 186 entrepreneurs for incubation: and 57 entrepreneurs in the final incubation stage	Refer 180 entrepreneurs for incubation: and 36 entrepreneurs in the final incubation stage.	Refer 45 entrepreneurs for incubation: and 9 entrepreneurs in the final incubation stage.	Refer 90 entrepreneurs for incubation: and 18 entrepreneurs in the final incubation stage.	Refer 135 entrepreneurs for incubation: and 27 entrepreneurs in the final incubation stage.	Refer 180 entrepreneurs for incubation: and 36 entrepreneurs in the final incubation stage.
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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. The NEF's organisational income statement in Annexure A, provides the split of expenses.



**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		
			2019/20	2020/21	2021/22	YTD 30 September 2023/24	2022/23	2023/24	2024/25
Non-Financial Support	Facilitate non-financial support	7.1. Number of investor education seminars held	74 Investor Education	95 Investor Education	84 Investor Education	79 Investor Education seminars	45 Investor Education	45 Investor Education	45 Investor 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	seminars per year
		7.2. Percentage of Social Facilitation Sessions held for NEF investees per year.	36 Social Facilitation sessions	28 Social Facilitation sessions	119% of the SEDU pipeline concluded in social facilitation sessions	76% 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 31 December 2022/23 Performance	2023/24 Annual Target	Cumulative Quarterly Milestones			
					1 st Quarter	2 nd Quarter	3 rd Quarter	4 th 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.	84 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.	119% 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. The NEF's organisational income statement in Annexure A, provides the split of expenses.

9. PERFORMANCE PLAN MATRICES

9.1 Consolidated Performance Plan Matrix 2023/24 – 26:

Outcome	Output	Output indicators	Annual Targets						
			Audited Actual Performance			Estimated Performance (including WEF)	MTEF Period		
			2019/20	2020/21	2021/22	YTD 31 December 2022/23	2023/24	2024/25	2025/26
ADVANCING B-BBEE FOR TRANSFORMATION									
Growing black economic participation in the South	Approval of Deals	1. Value of deals approved by the NEF	R727m	R520m	R1 333m	R623m	*R1.2bn	*R1.5bn	*R1.6bn

Outcome	Output	Output indicators	Annual Targets						
			Audited Actual Performance			Estimated Performance (including WEF)	MTEF Period		
			2019/20	2020/21	2021/22	YTD 31 December 2022/23	2023/24	2024/25	2025/26
Africa Economy and job creation		2. Value of new Commitments	R567m	R520m	R1 053m	R487m	*R900m	*R1.1bn	*R1.2bn
		3. Value of Disbursements	R304m	R425m	R1 050m	R608m	*R810m	*R900m	*R1.08m
MAXIMISING THE EMPOWERMENT DIVIDEND FOR SOCIO-ECONOMIC IMPACT									

Outcome	Output	Output indicators	Annual Targets						
			Audited Actual Performance			Estimated Performance (including WEF)	MTEF Period		
			2019/20	2020/21	2021/22	YTD 31 December 2022/23	2023/24	2024/25	2025/26
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 1 738 new and existing job opportunities	Support 2 488 new and existing job opportunities	Support 11 429 new and existing job opportunities	3 926 new and existing job opportunities	Support 4 985 new and existing job opportunities	Support 5 294 new and existing job opportunities	Support 5 575 new and existing job opportunities

Outcome	Output	Output indicators	Annual Targets						
			Audited Actual Performance			Estimated Performance (including WEF)	MTEF Period		
			2019/20	2020/21	2021/22	YTD 31 December 2022/23	2023/24	2024/25	2025/26
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	38% (of annual disbursements)	35% (of annual disbursements)	28% (of annual disbursements)	35% (of annual disbursements)	37% (of annual disbursements)	40% (of annual disbursements)	40% (of annual disbursements)

Outcome	Output	Output indicators	Annual Targets						
			Audited Actual Performance			Estimated Performance (including WEF)	MTEF Period		
			2019/20	2020/21	2021/22	YTD 31 December 2022/23	2023/24	2024/25	2025/26
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 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 disbursements.	R191m of disbursed funds comprising of 35 deals, translating to 18% of total disbursements.	A total of R106 million was invested in NC, FS, LP, MP and EC representing 18% of annual disbursements against a target of 25%.	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
OPTIMISING NON-FINANCIAL SUPPORT FOR EMPOWERMENT									

Outcome	Output	Output indicators	Annual Targets						
			Audited Actual Performance			Estimated Performance (including WEF)	MTEF Period		
			2019/20	2020/21	2021/22	YTD 31 December 2022/23	2023/24	2024/25	2025/26
Non-Financial Support	Facilitate non-financial support to black owned businesses	7. Number of investor education seminars held across the country per year.	74 Investor Education seminars per year	95 Investor Education seminars per year	73 Investor Education seminars per year	84 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		
			2019/20	2020/21	2021/22	YTD 31 December 2022/23	2023/24	2024/25	2025/26
Non-Financial Support		8 Number of entrepreneur training sessions provided with an average score of 70% required in the post-training assessment	134 training sessions per year	141 Entrepreneurial training sessions conducted with an average of 70% post training assessment.	174 Entrepreneurial training sessions conducted with an average of 70% post training assessment.	162 Entrepreneurial training sessions conducted with an average of 70% post Training assessment.	145 training sessions per year, with an average score of 70% required in the post-training assessment	155 training sessions per year, with an average score of 70% required in the post-training assessment	155 training sessions per year, with an average score of 70% required in the post-training assessment

Outcome	Output	Output indicators	Annual Targets						
			Audited Actual Performance			Estimated Performance (including WEF)	MTEF Period		
			2019/20	2020/21	2021/22	YTD 31 December 2022/23	2023/24	2024/25	2025/26
		9. Number of entrepreneurs referred for business incubation; and number of entrepreneurs who successfully complete business incubation	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 332 entrepreneurs were referred to business incubation partners. 86 entrepreneurs are fully incubated.	Refer 186 Entrepreneur were referred to business incubation partners. 42 Entrepreneur s are fully incubated.	Refer 180 entrepreneurs for incubation; and 57 entrepreneurs in the final incubation stage.	Refer 210 entrepreneurs for incubation; and 42 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		
			2019/20	2020/21	2021/22	YTD 31 December 2022/23	2023/24	2024/25	2025/26
		10. Percentage of Social Facilitation Sessions held for NEF investees per year.	36 Social Facilitation sessions	28 Social Facilitation sessions were conducted	134% Social Facilitation sessions were conducted	119% 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 Survey performed every second year	N/A	N/A	N/A	Maintain brand awareness of 90%	N/A Survey performed every second year

Outcome	Output	Output indicators	Annual Targets						
			Audited Actual Performance			Estimated Performance (including WEF)	MTEF Period		
			2019/20	2020/21	2021/22	YTD 31 December 2022/23	2023/24	2024/25	2025/26
ESTABLISHING THE NEF AS A FINANCIALLY SOUND DFI FOR SUSTAINABILITY									
Maintaining Financial Sustainability	Obtain an overall real return on fund	12. Percentage of portfolio impaired	27%	30%	29%	**29%	25%	25%	25%

Outcome	Output	Output indicators	Annual Targets						
			Audited Actual Performance			Estimated Performance (including WEF)	MTEF Period		
			2019/20	2020/21	2021/22	YTD 31 December 2022/23	2023/24	2024/25	2025/26
	investments through equity returns, interest on loans and interest on cash balances with minimised impairments and write-offs	13. Target ROI before impairments (to be reviewed annually)	9.04%	7.33%	8.3%	9.6%	***7%	***7%	***7%
		14. Collection ratio	143,81%	74.7%	83.71%	81%	80%	80%	80%

Outcome	Output	Output indicators	Annual Targets						
			Audited Actual Performance			Estimated Performance (including WEF)	MTEF Period		
			2019/20	2020/21	2021/22	YTD 31 December 2022/23	2023/24	2024/25	2025/26
Growing BEE through partnership	Establish partnerships for increased economic investments	15. Value of concluded partnerships per year (or value of mobilised resources)	R97m	R541m	R1 771b	R12.175m	R90m	R100m	R105m

****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 2023/24, **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 7 as provided outlined under Section 8.

The NEF contributes towards the achievement of the outcomes of the JKPIs through the fulfilment of it's existing KPIs through the linkages provided below from section 9.2.1 to 9.2.3.

For ease of reference, the NEF's KPIs 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 Portfolio to Businesses owned by Black-women;
- KPI 6 – 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 Impaired;
- KPI 13 – Target of Return on Investments achieved;
- KPI 14 – Collections ratios;
- KPI 15 – Value of Partnerships concluded.

9.2.1 JOINT INDICATOR 1

New Joint Key Performance Indicator	Intention	Outputs	NEF Programme(s)	APP Performance Indicator
Industrialisation	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"> • Sector Partnerships – Master Plans • Localisation outcomes • Beneficiation initiatives • Covid-19 industrial production • Africa and Global Exports • Green economy initiatives 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"> • Approval value (KPI 1) • Commitments (KPI 2) • Disbursement Value (KPI 2) • Jobs (KPI 4) • Value of Partnerships (KPI 15)

Contribution by the NEF

The NEF's contribution will be linked to KPIs 1 to 4 and KPI 15 indicated 1 above.

In the 2023/24 FY, the NEF plans to approve 104 deals worth R1.2 billion, with a commitment and disbursement of R900 million and R810 million 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 R810 million plans to boost black owned businesses and in addition support 4 985 jobs.

1. Strategic Projects Fund (SPF) Programme

Through SPF, the NEF plans 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.

9.2.2 JOINT INDICATOR 2

New Joint Key Performance Indicator	Intention	Outputs	NEF Programme(s)	• APP Performance Indicator
Transformation	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"> • BEE promotion and review (black industrialists, women, youth). • B-BBEE structures, like workers, community empowerment measures/ outcomes where applicable. • Structure of the economy – addressing economic concentration and/ or SME promotion. • Township and rural economies – measure to promote opportunities in the Township and Rural economies. • District Development Model, with key outputs and outcomes to report on the framework of the 52 districts 	All the five programmes at the NEF contribute to driving an inclusive economy through transformative programmes.	<ul style="list-style-type: none"> • Approval value (KPI 1) • Commitments (KPI 2) • Disbursement value (KPI 3) • Percentage of portfolio disbursements to businesses (partially/wholly) owned by women (KPI 5) • Percentage of disbursement to be invested in EC, NC, NW, MP, FS and LP (KPI 6) • Number of investor education seminars. • Number of entrepreneurship training sessions (KPI 8) • Number of entrepreneurs referred

		(8 Metros and 44 district municipalities) including work in SEZs and Industrial Parks.		for incubation and those who've completed incubation (KPI 9) <ul style="list-style-type: none"> • Number of social facilitation sessions held for investees (KPI 10) • Value of Partnerships (KPI 15)
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Contribution by the NEF

The NEF's contribution will be linked to KPIs 1 to KPI 6, KPI 8 to KPI 10 and KPI 15 indicated 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 2023/24 FY, the NEF plans to approve 104 deals worth R1.2bn, with a commitment and disbursement of R900m and R810m 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 R900m plans to boost black owned businesses and in addition support 4 985 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.

9.2.3 JOINT INDICATOR 3

New Joint Key Performance Indicator	Intention	Outputs	NEF Programme(s)	APP Performance Indicator
Delivery – Capable State .	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"> • Building the entity staffing and governance capacity and quick response. • Shared services with the dtic and between entities. • Addressing red-tape and compliance in internal processes, including targets on turnaround times. • Coordinating with other parts of the state to ensuring effective outcomes on mandates and industrialization/ transformation agenda. 	Marketing, Post Investment Unit, Finance, and SEDU.	<ul style="list-style-type: none"> • Investor Education (KPI 7) • Entrepreneurial Training (KPI 8) • Social Facilitation (KPI 10) • Maintain positive brand awareness of the NEF (KPI 11) • Minimize impairments • ROI (KPI 12) • Collection ratio (KPI 14) • Value of public partnership funds (KPI 15)

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 2023/24:

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 2022	Target 2023/24	Cumulative Quarterly Milestones			
				1st	2nd	3rd	4th
ADVANCING BBBEE							
1. Growing black economic participation in the South Africa Economy and job creation.	1.1. Value of deals approved by the NEF	R623m	R1.2bn	R194m	R575m	R928m	R1.2bn
	1.2. Value of new Commitments	R487m	R900m	R119m	R369m	R656m	R900m
	1.3. Value of Disbursements	R608m	R810m	R89m	R320m	R574m	R810m

Outcome	Output Indicator	Performance as at 31 December 2022	Target 2023/24	Cumulative Quarterly Milestones			
				1st	2nd	3rd	4th
MAXIMISING THE EMPOWERMENT DIVIDEND							
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 3 926 new or existing job opportunities.	Support 4 985 new or existing job opportunities.	Support 545 new or existing job opportunities.	Support 1 972 new or existing job opportunities.	Support 3 534 new or existing job opportunities.	Support 4 985 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	35%	37% of disbursements	37% of disbursements	37% of disbursements	37% of annual disbursements	37% of annual disbursements

Outcome	Output Indicator	Performance as at 31 December 2022	Target 2023/24	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	R106m of disbursed funds comprising of 36 deals, translating to 18% of total disbursement.	25% of disbursements	25% of disbursements	25% of disbursements	25% of disbursements	25% of disbursements
OPTIMISING NON-FINANCIAL SUPPORT							
5. Non-Financial Support	1.7. Number of investor education seminars held across the country per year.	84 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 2022	Target 2023/24	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	162 Entrepreneurial training sessions conducted.	145 training sessions per year, with an average score of 70% required in the post-training assessment	36 training sessions	73 training sessions	109 training sessions	145 training sessions
	1.9. Number of entrepreneurs referred for business incubation; and number of entrepreneurs who successfully complete business incubation	186 Entrepreneurs were referred to business incubation partners. 57 Entrepreneurs are fully incubated.	Refer 180 entrepreneurs for incubation; and 36 entrepreneurs in the final incubation stage.	Refer 45 entrepreneurs for incubation; and 9 entrepreneurs in the final incubation stage.	Refer 90 entrepreneurs for incubation; and 18 entrepreneurs in the final incubation stage.	Refer 135 entrepreneurs for incubation; and 27 entrepreneurs in the final incubation stage.	Refer 180 entrepreneurs for incubation; and 36 entrepreneurs in the final incubation stage.

Outcome	Output Indicator	Performance as at 31 December 2022	Target 2023/24	Cumulative Quarterly Milestones			
				1st	2nd	3rd	4th
	1.10. Percentage of Social Facilitation Sessions held for NEF investees per year.	119% 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
FINANCIAL EFFICIENCY & SUSTAINABILITY							
8. Maintaining Financial Sustainability.	1.12. Percentage of portfolio impaired	29%	25%	25%	25%	25%	25%
	1.13. Target ROI before impairments (to be reviewed annually)	*9.6%	*7%	*7%	*7%	*7%	*7%
	1.14. Collection ratio	81%	**80%	**80%	**80%	**80%	**80%

Outcome	Output Indicator	Performance as at 31 December 2022	Target 2023/24	Cumulative Quarterly Milestones			
				1st	2nd	3rd	4th
9. Growing BEE through partnerships	1.15. Value of partnerships concluded	R12.175m	R80m	R20m	R40m	R60m	R80m

***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 2021/22 (83.71%) serve as a reference for reduced collections rates. The collections rate is thus proposed 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 4.42% in FY2023, and an average CPI forecast of 4.5% over the forecast period. These are as per the National Treasury's MTEF guidelines;
- Portfolio impairment provisions of 25% for FY2023 to FY2024, 23% for FY2025 and 20% for FY2026;
- Interest earned on investments is prime related;
- Interest earned on surplus cash estimated on average 6.73% over the period;
- Approvals of R5.3 billion between FY2023 and FY2026;
- 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 8.3% as

at 31 March 2022. 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 6.73%, 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 R5.1 billion as at financial year end 2021/2. 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. There has been decline in MTN's share price from a high of R240 per share, on the 24th of April 2015, to R190 per share on the 31st of March 2022. This represents a 21% decline in the value of MTN, over the seven-year period, which is a significant asset on the NEF's balance sheet, comprising 26% of the total assets. It is worth noting that the MTN share price has significantly improved from FY2021 from R86.85 per share to R190 per share in FY2022. Year-to-date performance of the shares since April 2022 has declined to R127.30 per share as at 31 December 2022.

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 using an incremental budget principles. 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 R11.3 million 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.

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.

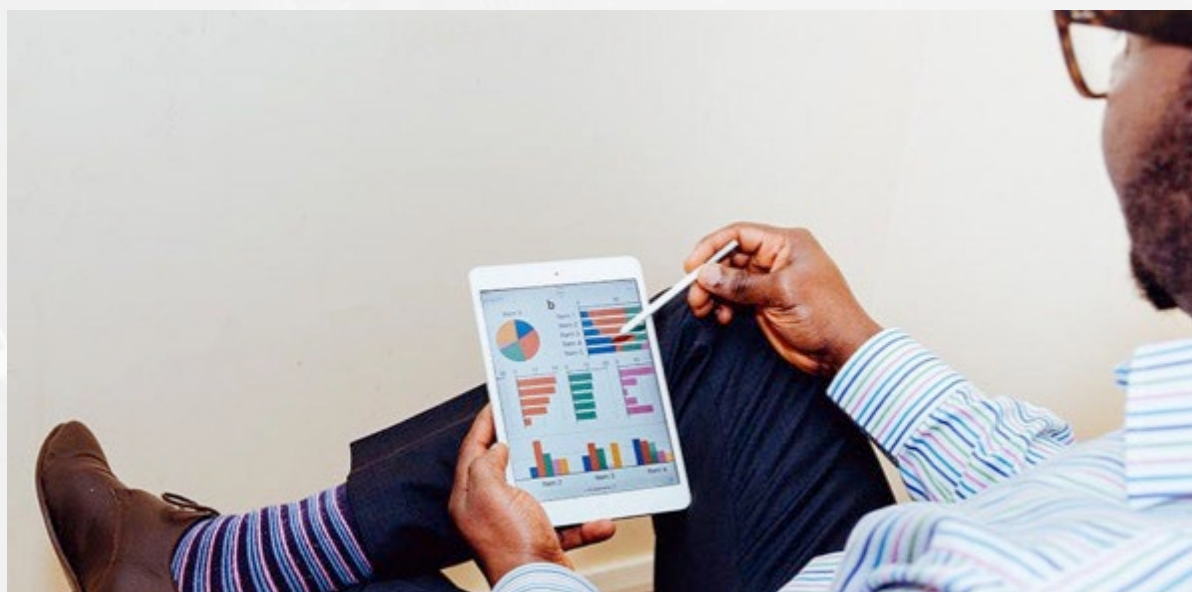
10.4. Capital expenditure and infrastructure plans

Annual capital expenditure allocation is mostly related to replenishment of existing capital expenditure items such as computers, furniture, office equipment and acquisition of the property for Head Office instead of renting. 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 R45.1 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. 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 Geo-political events, rising inflation, rising fuel prices, increasing interest rate environment, and impact of extended periods of loadshedding is negatively impacting on clients that the NEF funds. In addition, household personal finances are under financial strain due to rising living costs. This is negatively impacting on business conditions and has placed strain on some of the clients in the NEF's 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.

B. 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 tough international and local economic conditions 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
-

C. Ability to attract & retain relevant skills

Increased opportunities in the job market for skilled individuals has resulted in the level of resignations increasing at the NEF. Employees joining the NEF are relatively junior and obtain relevant experience while working for the NEF and are sought after by other financial institutions. These individuals are offered higher remuneration and leave the NEF as the NEF cannot always match these higher salary packages. Various initiatives are currently being explored by the Human Resource department of the NEF and are being discussed at the HCRC committee of the NEF.

D. Concentration risk in MTN

The shareholding in MTN comprises a significant component of the NEF's Balance sheet. The volatility in share price of MTN has a significant impact on the NEF's asset base. Management has evaluated possible options to manage the volatility of this strategic asset and will be presenting options to the relevant governance structure in the organisation

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 in the medium term. 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.

Various 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 as well as engaging our key stakeholders regarding funding requirements. The NEF is also undertaking fundraising initiatives for the Strategic Projects Fund transactions.

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.
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	An awareness campaign has been run to ensure knowledge of the programme which has been managed through Marketing and Communications. Site visits at Taxi Associations are also scheduled to assist potential applicants with applications.

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"> Recapitalisation Risk. 	<ul style="list-style-type: none"> Engagements with key stakeholder regarding funding requirements Co funding of transactions 3rd party funding sought for SPF transactions
Financial sustainability	<ul style="list-style-type: none"> Concentration risk MTN 	<ul style="list-style-type: none"> Appointment of Corporate Finance advisors to explore options available in respect of the exposure to MTN
Financial Sustainability	<ul style="list-style-type: none"> Business/market risk: external conditions have a negative impact on funded transactions 	<ul style="list-style-type: none"> Thorough due diligence (DD) investigations on transactions Transaction structuring and modelling which takes into account DD investigation findings Initiatives to assist clients to deal with impact of Covid-19
Financial sustainability	<ul style="list-style-type: none"> Credit risk: unsustainable levels of impairments 	<ul style="list-style-type: none"> Short-term and long-term impairment intervention measures put in place Thorough due diligence (DD) investigations on transactions Appropriate governance in place in respect of credit granting/approval, monitoring Initiatives to assist clients to deal with impact of Covid-19

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 2021

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.

12. INDICATOR PROFILES

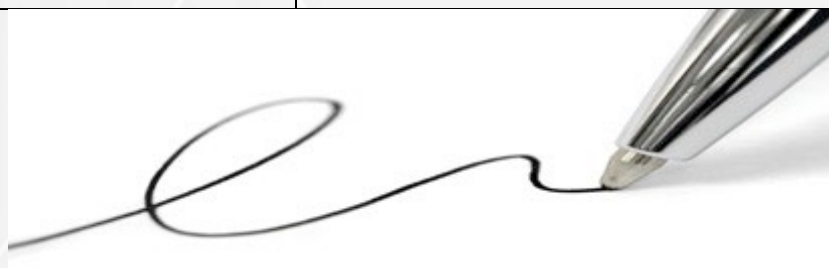
Performance Indicator 1: Value of deals approved by the NEF

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



Performance Indicator 2: Value of New Commitments

1. Indicator title	Value of Commitments made by the NEF
2. Definition	The total cash which the NEF has agreed to advance to investees in signed legal agreements
3. Source/collection of data	Legal Services Department
4. Method of calculation / Assessment	Commitments value as per Commitments Register from Legal Services Department
5. Means of Verification	Reports, Signed Agreements by both parties, Completed Templates
6. Assumptions	N/A
7. Disaggregation of Beneficiaries (Where applicable)	N/A
8. Spatial Transformation (Where applicable)	9 Provinces
9. Calculation Type	Cumulative
10. Reporting Cycle	Quarterly and Annually
11. Desired Performance	Committed deals to the value of R900 million, at 75% of annual Approval target
12. Indicator Responsibility	Unit Executive Directors



Performance Indicator 3: Value of Disbursements

1. Indicator title	Value of Disbursement made by the NEF
2. Definition	Indicates the total or part cash which the NEF has advanced to investees (this includes Enterprise Development grants)
3. Source/collection of data	Finance Department; Funds
4. Method of calculation / Assessment	Total disbursement as per the disbursement schedule
5. Means of Verification	Disbursement schedule from the finance department
6. Assumptions	N/A
7. Disaggregation of Beneficiaries (Where applicable)	N/A
8. Spatial Transformation (Where applicable)	9 Provinces
9. Calculation Type	Cumulative
10. Reporting Cycle	Quarterly and Annually
11. Desired Performance	Disbursed funds valued at R810 million, at 90% Commitment target
12. Indicator Responsibility	Unit Executive Directors



Performance Indicator 4: Number of job opportunities supported or created

1. Indicator title	Number of job opportunities supported or created
2. Definition	Number of job opportunities supported
3. Source/collection of data	Funds
4. Method of calculation / Assessment	Simple count
5. Means of Verification	CRM System reports, Completed Templates
6. Assumptions	Reliable Data
7. Disaggregation of Beneficiaries (Where applicable)	N/A
8. Spatial Transformation (Where applicable)	9 Provinces
9. Calculation Type	Cumulative
10. Reporting Cycle	Quarterly and Annually
11. Desired Performance	4 985 new jobs created and supported, at Annual disbursement target / R162 500 cost per job
12. Indicator Responsibility	Unit Executive Directors



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

1. Indicator title	Percentage of annual disbursements owned by black women
2. Definition	Percentage of the portfolio disbursed to businesses owned by black women
3. Source/collection of data	Funds
4. Method of calculation / Assessment	Total Disbursements amount to Business owned by Black women / Total Disbursements amount
5. Means of Verification	CRM System Reports, Completed Templates
6. Assumptions	N/A
7. Disaggregation of Beneficiaries (Where applicable)	Target for Women: 37% of Total disbursements per annum
8. Spatial Transformation (Where applicable)	9 Provinces
9. Calculation Type	Non-cumulative
10. Reporting Cycle	Quarterly and Annually
11. Desired Performance	37% of total disbursements to businesses owned by Black women (R300 million)
12. Indicator Responsibility	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

1. Indicator title	Percentage of annual disbursements to be invested in Northern Cape, Free State, Limpopo, Mpumalanga, Eastern Cape and North-West
2. Definition	Increase portfolio size in under-represented provinces (number of deals and total amount disbursed)
3. Source/collection of data	Funds, Finance
4. Method of calculation / Assessment	Total amount disbursement to disadvantaged provinces (NC, LP, EC, MP, NW, FS) / Total Disbursements amount
5. Means of Verification	CRM System Reports, Completed Templates, Spreadsheet
6. Assumptions	N/A
7. Disaggregation of Beneficiaries (Where applicable)	N/A
8. Spatial Transformation (Where applicable)	6 Provinces
9. Calculation Type	Non-cumulative
10. Reporting Cycle	Quarterly and Annually
11. Desired Performance	25% of total disbursements to disadvantaged provinces (R202 million)
12. Indicator Responsibility	Unit Executive Directors

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

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



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

1. Indicator title	Number of entrepreneur sessions provided with an average score of 60% required in the post-training assessment
2. Definition	<ul style="list-style-type: none"> • Providing Business Skills (Entrepreneurial and Bootcamp) Training • Business Skills Training with an average pass of 60% • Number of seminars held
3. Source/collection of data	Pre-Investment Unit
4. Method of calculation / Assessment	Simple Count
5. Means of Verification	Reports, Completed Templates
6. Assumptions	N/A
7. Disaggregation of Beneficiaries (Where applicable)	N/A
8. Spatial Transformation (Where applicable)	9 Provinces
9. Calculation Type	Cumulative
10. Reporting Cycle	Quarterly and Annually
11. Desired Performance	145 business skills training completed
12. Indicator Responsibility	Unit Executive Director



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

1. Indicator title	Number of entrepreneurs referred for business incubation; and number of entrepreneurs who successfully complete business incubation
2. Definition	Referral of Entrepreneurs and Completed Business Incubation
3. Source/collection of data	Pre-Investment Unit
4. Method of calculation/ Assessment	Simple Count
5. Means of Verification	Reports, Completed Templates
6. Assumptions	N/A
7. Disaggregation of Beneficiaries (Where applicable)	N/A
8. Spatial Transformation (Where applicable)	9 Provinces
9. Calculation Type	Cumulative
10. Reporting Cycle	Quarterly and Annually
11. Desired Performance	180 entrepreneurs referred and 36 fully incubated
12. Indicator Responsibility	Unit Executive Director



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

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



Performance Indicator 11.: Maintain Brand Awareness of 90%

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



Performance Indicator 12: Percentage of Portfolio Impaired

1. Indicator title	Percentage of the portfolio impaired
2. Definition	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
3. Source/collection of data	Finance Department
4. Method of calculation / Assessment	IAS39/GRAP 104 Principle
5. Means of Verification	Reports, Finance Systems, Completed Templates
6. Assumptions	Per IAS39/GRAP 104
7. Disaggregation of Beneficiaries (Where applicable)	N/A
8. Spatial Transformation (Where applicable)	N/A
9. Calculation Type	Non-cumulative
10. Reporting Cycle	Quarterly and Annually
11. Desired Performance	25% impairment
12. Indicator Responsibility	Unit Executive Directors and Post-Investment



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

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

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



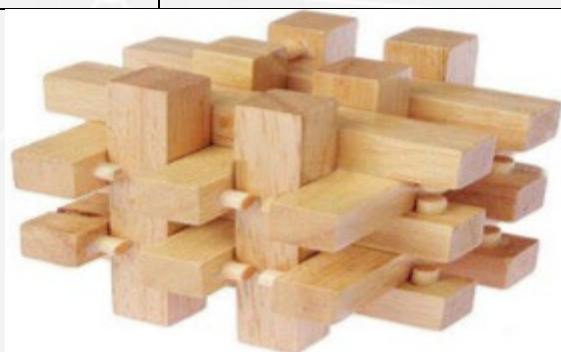
Performance Indicator 14: Collections ratio

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



Performance Indicator 15: Value of Partnerships concluded per year

1. Indicator title	Value of Partnerships concluded
2. Definition	Value of mobilised resources from concluded partnerships
3. Source/collection of data	Finance Department, SEDU
4. Method of calculation / Assessment	Reconciliation by the Finance department of rand value received from third parties
5. Means of Verification	Partnership agreement
6. Assumptions	N/A
7. Disaggregation of Beneficiaries (Where applicable)	N/A
8. Spatial Transformation (Where applicable)	N/A
9. Calculation Type	Cumulative
10. Reporting Cycle	Quarterly and Annually
11. Desired Performance	Value of R90 million in partnerships concluded
12. Indicator Responsibility	Unit Executive Directors



Annexure A: Financial Projections

Income and Expenditure

	ACTUAL Mar-22 R	BUDGET Mar-23 R	BUDGET Mar-24 R	BUDGET Mar-25 R	BUDGET Mar-26 R
INCOME:					
Dividends	63 744 598	36 788 652	47 923 461	51 475 868	59 704 090
Interest Received Banks	103 933 467	60 223 834	117 048 272	125 363 400	88 730 144
Interest from Investments	148 394 082	186 118 669	202 010 115	263 526 091	292 556 329
Capital raising Fees	2 836 929	9 000 000	12 000 000	15 000 000	16 000 000
Revenue from non-exchange	602 791 381	60 783 000	20 000 000	20 000 000	-
Other income	7 513 474	6 000 000	34 859 382	18 852 772	23 023 326
Bad Debts Recovered	383 000	2 000 000	2 000 000	2 000 000	2 000 000
Enterprise development admin fees	8 845 518	-	-	-	-
	938 442 449	360 914 155	435 841 230	496 218 131	482 013 889
EXPENDITURE					
Goods & Services	48 091 053	63 185 758	94 454 383	71 946 263	76 153 405
Compensation to employees	203 900 662	226 699 000	240 076 340	259 282 447	280 025 043
Depreciation	2 471 693	1 522 108	3 343 266	3 898 466	5 038 466
Projects/ Non-financial support	12 754 461	9 371 242	11 456 000	11 971 520	12 510 238
Deferred conversion grant expense	38 703 028	-	-	-	-
Social benefit	82 858 683	-	-	-	-
Impairment Provision & Write offs	391 278 817	50 467 000	80 000 000	140 000 000	108 090 000
Investment write-offs	361				
Total Expenditure	780 058 758	351 245 108	429 329 988	487 098 696	481 817 152
OPERATIONAL SURPLUS/(DEFICIT)	158 383 691	9 669 047	6 511 241	9 119 435	196 737
Fair value Adj - Held at fair value	6 431 043	-	-	-	-
Fair value Adj - non associate equity inventments	1 052 853 098	-	-	-	-
Fair value Adj - unincorporated equity inventments	(975 977)	-	-	-	-
Fair value adj - investment in associates	(2 859 806)	-	-	-	-
TOTAL FAIR VALUE ADJUSTMENTS	1 055 448 358	-	-	-	-
Net surplus/(deficit)	1 213 832 048	9 669 047	6 511 241	9 119 435	196 737

Annexure B: Statement of Financial Position

	Actual Mar-22 R	Budget Mar-23 R	Budget Mar-24 R	Budget Mar-25 R	Budget Mar-26 R
ASSETS					
Non Current Assets	4 228 120 353	4 202 549 176	3 876 714 005	4 181 214 004	4 472 590 004
Property, Plant and Equipment	4 682 024	7 565 000	10 165 000	42 865 000	45 641 000
Intangible Assets	-	-	-	-	-
Investments in Associates	82 021 115	88 021 115	89 221 115	91 021 115	91 621 115
Investments Held at Fair Value	2 208 126 844	1 993 672 690	1 467 914 123	1 467 914 123	1 467 914 123
Investment in subsidiary	19 876 603	19 876 603	-	-	-
Finance Lease receivables	227 942 845	240 542 845	255 662 845	274 562 845	294 722 845
Loans and Preference Shares	1 685 470 922	1 852 870 922	2 053 750 922	2 304 850 922	2 572 690 922
Current Assets	3 091 785 499	1 821 112 075	1 676 184 114	1 391 970 584	1 149 387 626
Trade and other receivables	18 335 858	17 270 000	17 270 000	17 270 000	17 270 000
Dividends receivables	30 344 598	-	-	-	-
Non-current assets - Held for sale	600 000	-	-	-	-
Investments Held for Trading	17 251 527	18 782 727	18 782 727	18 782 727	18 782 727
Cash and Bank	3 025 253 515	1 785 059 348	1 640 131 387	1 355 917 857	1 113 334 899
TOTAL ASSETS	7 319 905 851	6 023 661 251	5 552 898 119	5 573 184 589	5 621 977 630
Trust Capital and Reserves	5 107 085 896	5 116 754 942	5 123 266 184	5 132 385 619	5 132 582 356
Trust Capital	2 468 431 472	2 468 431 472	2 468 431 472	2 468 431 472	2 468 431 472
Retained Income	2 638 654 423	2 648 323 470	2 654 834 712	2 663 954 147	2 664 150 884
- Balance at Beginning of the Year	1 424 822 375	2 638 654 423	2 648 323 470	2 654 834 712	2 663 954 147
- Retained Income/(Deficit) for the Year	1 213 832 048	9 669 047	6 511 241	9 119 435	196 737
Non-Current Liabilities					
Liabilities directly associated with non-current assets classified as held for sale	9 249 151	-	-	-	-
Current Liabilities	2 203 570 806	906 906 310	429 631 936	440 798 970	489 395 274
Enterprise Development Fund	2 125 275 757	897 043 310	419 768 936	430 935 970	479 532 274
Accounts Payable	78 295 048	9 863 000	9 863 000	9 863 000	9 863 000
TOTAL EQUITY AND LIABILITIES	7 319 905 851	6 023 661 251	5 552 898 119	5 573 184 589	5 621 977 630

Annexure C: Cash flow Statement

	Actual	Budget	Budget	Budget	Budget
	2022 March R	2023 March R	2024 March R	2025 March R	2026 March R
Cash flows from operating activities	1 880 584 379	(1 333 139 653)	(309 287 255)	(323 670 519)	(338 083 039)
Cash receipts from customers	7 896 474	8 000 000	36 859 382	20 852 772	25 023 326
Cash paid to suppliers and employees	(372 382 095)	(298 190 142)	(346 146 637)	(344 523 291)	(363 106 365)
Cash received/(paid) from enterprise development funders	2 245 070 000	(1 042 949 511)	-	-	-
Cash flows from investing activities	(323 331 791)	92 945 486	164 359 294	39 456 990	95 500 081
Additions to property, and equipment	(3 554 727)	(2 000 000)	(2 600 000)	(32 700 000)	(2 776 000)
Additions to intangible assets	-	(5 000 000)	-	-	-
Investment disbursements	(932 644 138)	(608 000 000)	(720 000 000)	(900 000 000)	(960 000 000)
Dividends received	33 400 000	36 788 652	47 923 461	51 475 868	59 704 090
Interest receipts	103 933 467	60 223 834	117 048 272	125 363 400	88 730 144
Repayments on originated loans and leases	475 533 607	610 933 000	721 987 561	795 317 722	909 841 847
Proceeds from sale of investments	-	-	-	-	-
Decrease in cash and cash equivalents	1 557 252 588	(1 240 194 167)	(144 927 961)	(284 213 530)	(242 582 958)
Cash at beginning of the year	1 468 000 927	3 025 253 515	1 785 059 348	1 640 131 387	1 355 917 857
Total Cash at end of year	3 025 253 515	1 785 059 348	1 640 131 387	1 355 917 857	1 113 334 899

Annexure D: Personnel Information

				Preliminary outcomes			Revised Estimate					Projections over the MTEF								
Category	Salary Level	Salary Bands	Components of Remuneration	2021/22			2022/23					2023/24			2024/25			2025/26		
				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
	R thousand																			
			Performance bonus	-	35 276	-	-	-	-	47 532	-	-	50 761	-	-	54 821	-	-	59 207	-
Permanent	908 502 - 1 105 382	Middle Management	Guaranteed package	42	37 462	892	42	42	42	39 492	940	42	41 644	992	42	43 914	1 046	42	46 320	1 103
Permanent	331 188 - 393 710	Semi-skilled	Guaranteed package	11	3 927	357	11	11	11	4 140	376	17	4 881	287	17	5 160	304	17	5 458	321
Permanent	491 403 - 766 583	Professionals	Guaranteed package	59	42 109	714	59	59	59	44 392	752	73	52 811	723	73	55 842	765	73	58 587	803
Permanent	393 711 - 491 402	Skilled	Guaranteed package	40	16 218	405	40	40	40	17 097	427	40	18 030	451	40	19 012	475	40	20 053	501
Permanent	1 590 747 - 2 068 457	Senior Management	Guaranteed package	7	10 375	1 482	7	7	7	10 937	1 562	7	11 533	1 648	7	12 162	1 737	7	12 829	1 833
Permanent	491 403 - 766 583	Contractors	Other		38 801	456				40 904	481		37 001	435		43 680	514		51 526	606
Permanent	≥4 316 540	Executive Board Members	Guaranteed package	1	4 616	4 616	1	1	1	4 866	4 866	1	5 131	5 131	1	5 411	5 411	1	5 708	5 708
Permanent	≥4 316 540	Executive Board Members	Performance bonus		1 300	1 300				1 370	1 370		1 445	1 445		1 524	1 524		1 607	1 607
Permanent	2 633 649 - 2 978 126	Executive Board Members	Guaranteed package	1	2 743	2 743	1	1	1	2 892	2 892	1	3 049	3 049	1	3 215	3 215	1	3 382	3 382
Permanent	2 633 649 - 2 978 126	Executive Board Members	Performance bonus		700	700				738	738		778	778		821	821		866	866
Permanent	2 068 458 - 2 330 121	Executive Management	Guaranteed package	1	168	168	1	1	1	2 098	2 098	1	2 212	2 212	1	2 333	2 333	1	2 461	2 461
Permanent	2 068 458 - 2 330 121	Executive Management	Performance bonus		-	-				500	500		527	527		556	556		586	586
Permanent	2 330 122 - 2 633 648	Executive Management	Guaranteed package	1	2 380	2 380	1	1	1	2 509	2 509	1	2 646	2 646	1	2 790	2 790	1	2 943	2 943
Permanent	2 330 122 - 2 633 648	Executive Management	Performance bonus		708	708				746	746		787	787		830	830		875	875
Permanent	2 068 458 - 2 330 121	Executive Management	Guaranteed package	1	2 038	2 038	1	1	1	2 148	2 148	1	2 266	2 266	1	2 389	2 389	1	2 520	2 520
Permanent	2 068 458 - 2 330 121	Executive Management	Performance bonus		620	620				654	654		689	689		727	727		767	767
Permanent	2 978 127 - 3 369 105	Executive Management	Guaranteed package	1	2 978	2 978	1	1	1	3 139	3 139	1	3 311	3 311	1	3 491	3 491	1	3 682	3 682
Permanent	2 978 127 - 3 369 105	Executive Management	Performance bonus		516	516				544	544		574	574		605	605		638	638
TOTAL				165	202 935	1 230	165	165	165	226 699	1 374	185	240 076	1 298	185	259 282	1 402	185	280 024	1 514

Personnel numbers have slightly increased from a staff complement of 165 as at 31 March 2022 and expected to be maintained in the FY2023. The staff complement is projected to grow by over 20 in the short to medium term bringing the staff complement to over 185 in the short to medium term. The staff complement is mainly made up of professionals. Personnel cost as a percentage of total operating expenses, averages around 66%, which is an acceptable norm in Development Finance Institute/Private Equity environments, where there is a high dependence on professional staff.

HOW TO REACH THE NATIONAL EMPOWERMENT FUND

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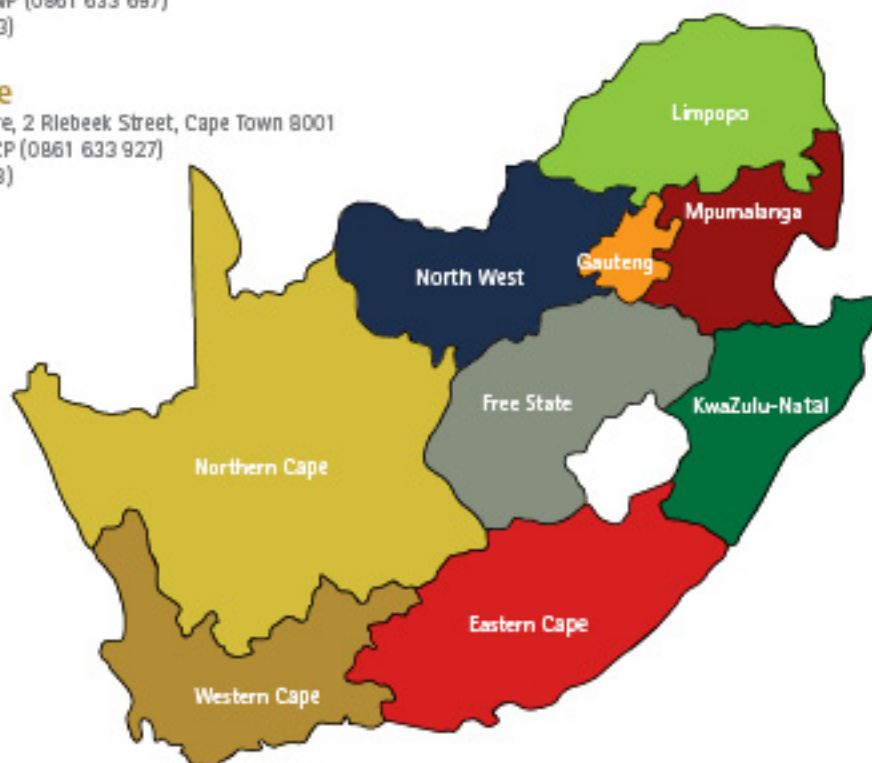
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