

# Annual Performance Plan 2021/2022

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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 (deals)	:	Total or part cash advancements made against all approved deals may have been approved in current and previous financial periods) subject to all Conditions Precedents having been satisfied by the investee.
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
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
RCDF	:	Rural 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



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



Mr Ebrahim Patel - Minister of Trade, Industry and Competition

This Annual Performance Plan (APP) of the National Empowerment Fund (NEF) has been prepared by the management for consideration by the Executive Authority and tabling in Parliament. The Annual Performance Plans (APP) of public entities identify the outputs, output indicators and targets that an entity aims to achieve in the new financial year. The Executive Authority is responsible to ensure that APP's are aligned with the Strategic Plan, the institution's mandate and government's priorities and to provide direction on the development and implementation of strategic priorities and policies.

The Covid-19 pandemic changed the landscape within which DTIC-entities operate and they are therefore expected to adjust their operations to address the new environment and new priorities. There is an urgent need to boost levels of economic growth and economic recovery, support transformation and build a capable state.

In particular, the APP for the 2021/22 financial year will need to reflect the policy priorities set out in Budget Vote statements tabled in Parliament during this Administration and those that arise from:

- 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
- 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.

This APP is tabled and updates to the Plan – when these are effected – will be tabled in Parliament in due course, taking account of the above.

As the practical means to ensure alignment between APPs and policy priorities, the Annual Performance Plan for the DTIC itself sets out the requirement to ensure integration between the work of the department and all public entities that report to it. Seven new Joint-Indicators (J-KPIs) have been developed for the DTIC that contain the major policy priorities and these are expected to be included in the work of the NEF, with progress against these to be reported to the Ministry on a quarterly basis.

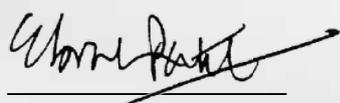
The NEF will be expected to show how, within its legal mandate, it has contributed to the achievement of the outcomes for the following seven Joint Indicators (details of which are contained in more detail in the APP of the department itself):

- Joint Indicator 1: Integrated Support to Drive Industrialisation
- Joint Indicator 2: Contribution to the development of an AfCFTA Export Plan
- Joint Indicator 3: Investment Facilitation and Growth
- Joint Indicator 4: Development Model and Spatial Equity
- Joint Indicator 5: Actions to Promote Transformation
- Joint Indicator 6: The Green Economy and Greening the Economy
- Joint Indicator 7: Strengthening and Building a Capable State

In this way, the combined efforts of all public entities will begin to be aligned to the national priorities in a more explicit manner. The Joint-Indicators cover, among others, the work of sector masterplans, initiatives to boost levels of investment and localisation in the economy, expanding trade within the continent, enabling better local economic development, supporting the growth of new industries (in the green economy and through beneficiation) and building a capable state. In respect of Joint-Indicator 7 for example, all public entities will be required to review their procedures, timeframes for delivery, forms to be filled in and public communication of services to simplify these, make processes expeditious where possible, remove unnecessary red-tape where these exist and make it easier for users to access services.

This APP is therefore not about many new objectives but rather on a new way of implementation, with the focus on integration, to enhance the development impact of the work. I therefore endorse the work to align the APP of the NEF with the national priorities and accordingly table the APP for the NEF in accordance with the request by the Speaker.

I would like to thank Mr Rakesh Garach, Chairperson of the Board, Ms Philisiwe Mthethwa, the Chief Executive Officer and the staff of the NEF for their work, particularly during the challenging period under the COVID-19 pandemic, and wish them well in executing their mandate over the year.



**Mr Ebrahim Patel**

**Minister of Trade, Industry and Competition**

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

## **Accelerating inclusion in the midst of the pandemic**

The vast majority of black South Africans remain excluded from the economic mainstream. As a driver and thought leader in promoting and facilitating black economic empowerment through the provision of financial and non-financial support as well as the entrenchment of a culture of savings and investment among historically disadvantaged people, the National Empowerment Fund (NEF) has grown into a solid and effective development finance institution, having approved 1 120 transactions worth R10.981 billion since inception to 31 December 2020, and which have supported 103 081 jobs. The NEF aspires to alter the economic fortunes of black South Africans and will continue to make a meaningful contribution to the transformation and growth of the economy.

#### **Proposed targets for 2021-22**

The strategic positioning and importance of the NEF in championing Broad-Based Black Economic Empowerment in South Africa is set to assume far greater significance given the severe impact of the coronavirus pandemic on the economy in general and on black business in particular. Black women entrepreneurs, especially, have had to contend with the dire lack of financial support in the marketplace and the NEF's Women Empowerment Fund will be more purposeful and determined in the resolve to place this group at the forefront of the economy. The fight against poverty, unemployment, and inequality, rests on this spirited tenacity.

The mission of the NEF which is to “enable, develop, promote and implement innovative investment and transformation solutions to advance sustainable black economic participation in the economy”, locates the organisation in the trenches of the recently announced South African economic reconstruction and recovery plan of stimulating equitable and inclusive growth.

During the 2021/22 financial year the Trust remains positive that it will utilise its own generated cash and secure partnerships.

### **Recapitalisation**

Accordingly, it remains critical that adequate funding is secured to ensure the long-term sustainability of the organisation and the continued fulfilment of this historic mandate. Recapitalisation remains a key strategic focus of both management and the Board of Trustees. Challenges in securing recapitalisation have consistently resulted in reduction of annual targets in order to ensure that the provision of financial and non-financial support to black entrepreneurs is executed prudently and sustainably. These reductions have impeded the impact that the NEF could have registered across the economy to advance transformation, create value and facilitate the creation of decent job opportunities. The continued reductions will render the institution unable to meet its mandate in the coming years due to lack of capital to fulfil its mandate.

### **NEF strategy and alignment to the dtic outcomes**

The NEF's strategy is aligned to the following **dtic** strategic priorities or outcomes, which undergird the mandate of the NEF:

- Implement transformation through EE and B-BBEE;
- Increased number of black people who participate in the mainstream economy;
- Grow the manufacturing sector to promote industrial development, job creation, investment and exports, and
- Support the development of township and rural economies.

In addition, the strategy of the NEF over the next five years will be based on the following key objectives:

- Growing black economic participation in the South African Economy,
- Growing BEE through partnerships,
- Maintaining Financial Sustainability,
- Human Capital, and
- Non-Financial support.

### **A commitment to integrity**

As a patriotic corporate citizen, a track-record that the NEF intends to maintain is the unstinting commitment to integrity, sound financial management and a robust, patriotic value system

internally and among investees, all three of which are part of the axis of excellence that has seen the organisation achieving clean external audit opinions for 17 years running.

### **An academy of excellence**

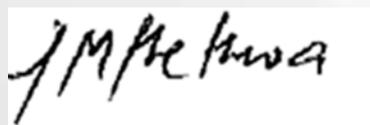
The NEF's operational milestones since inception to date have been made possible by the fact that the organisation is an academy of excellence employing young and seasoned black professionals with expertise across various spheres. We are pleased that 60% of the employee complement is female, and 41% of the senior management are women. A key focus of the NEF going forward will be the retention of this breed of outstanding human capital as the organisation continues to contend with the sceptre of aggressive poaching by organisations with deeper pockets, and to stem the potential brain drain precipitated by the alarm in respect of recapitalisation challenges.

### **Success of investees**

The central tenet of the Strategic Plan 2020/21-2025 is the faithful commitment of the NEF to ensuring the success and sustainability of the investee companies that the development financier supports. It is for this reason that the suite of non-financial interventions that the NEF provides, inclusive of business planning, incubation, entrepreneurial training, investor education, mentorship as well as turnaround, workouts and restructuring, will continue to be benchmarked against international best practice so that we continuously improve and refine our product offering and operational impact.

In the implementation of this strategy the NEF will hold supreme the Ministerial injunction for "all public entities to work with a greater sense of urgency to support Government in achieving its ambitions for the new administration. This is what has been called the spirit of khawuleza, and it must define our approach both with Government and public entities to addressing the structures in the economy which impede growth, economic inclusion and job creation"

Management acknowledges the guidance and leadership of the Board, led by Mr Rakesh Garach, in implementing the Annual Performance Plan.



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**Ms Philisiwe Mthethwa**

**Chief Executive Officer**



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

The image shows a circular architectural structure, possibly a dome or a large circular room, with a grid pattern on the ceiling. The scene is illuminated with a strong orange glow, creating a warm and dramatic atmosphere. The perspective is from below, looking up at the circular structure.

# **Part A:**

## **APP Overview**

## 4. LEGISLATIVE AND POLICY MANDATE

### 4.1. Constitutional Mandate

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

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

### 4.2. Legislative Mandate

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

Number	Act	Purpose of Act
1.	<b>National Empowerment Fund Act, No. 105 of 1998</b>	To establish a trust and its objects for the promotion and facilitation of economic ownership of income-generating assets by historically disadvantaged persons; to establish mechanisms to redress historic inequalities and structures to attain the objects of the trust; to provide for the control, management and the dissolution of the trust; and to provide for matters incidental thereto.
2.	<b>Broad-Based Black Economic Empowerment Act, No. 53 of 2003</b>	To establish a legislative framework for the promotion of black economic empowerment; to empower the Minister to issue codes of good practice and to publish transformation charters; to establish the Black Economic Empowerment Advisory Council; and to provide for matters connected therewith.
3.	<b>The Public Finance Management Act (PFMA) Act, No.1 of 1999</b>	To regulate financial management in the national government and provincial governments; to ensure that all revenue, expenditure, assets and liabilities of those governments are managed efficiently and effectively; to provide for the responsibilities of persons entrusted with financial management in those governments; and to provide for matters connected therewith.
4.	<b>Companies Act No. 71 of 2008</b>	To create flexibility and simplicity in the formation and maintenance of companies; encouraging transparency and high standards of corporate governance as appropriate, given the significant role of enterprises within the social and economic life of the nation.

## 5. OUR STRATEGIC OVERVIEW

### 5.1. VISION

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

### 5.2. MISSION

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

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

### 5.3. VALUES

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

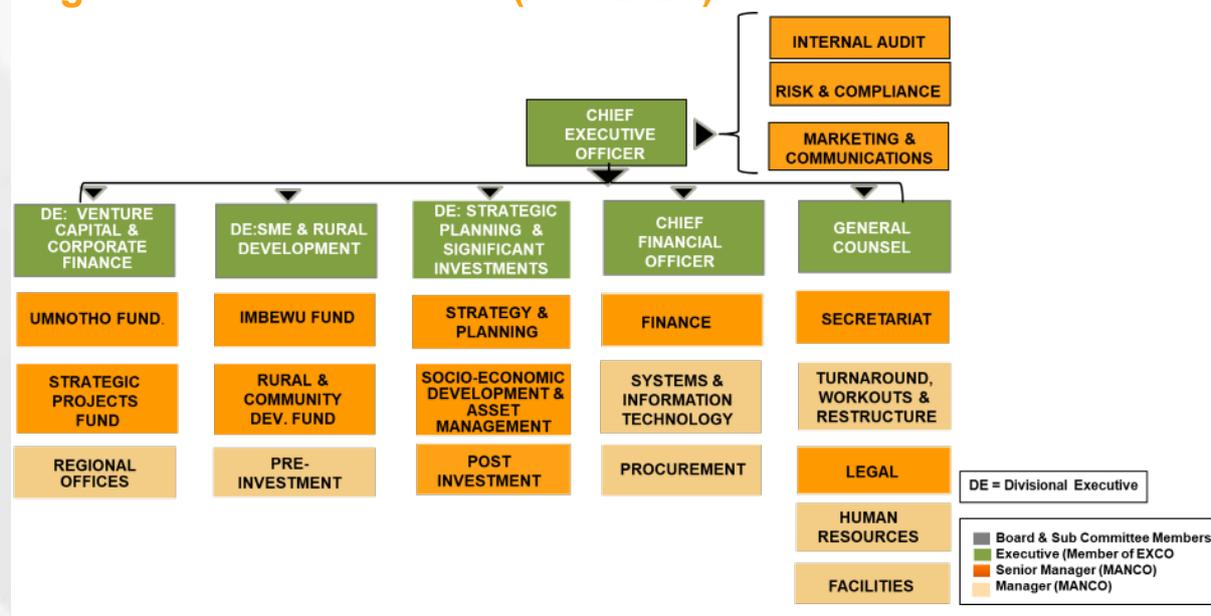


These values are the emblem of the NEF's service to the nation. They stand as a living testament of the NEF's commitment to integrity. Launched in September 2014, the values are accompanied by a pledge that all at the NEF, from Trustees, Executives, managers and all staff, make, as outlined below:

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

## 5.4. NEF Organisational Structure

### Organisational Structure (Feb 2021)



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

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

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

Together with the Audit Committee the Board is central in safeguarding the assets of the institution as well as developing and monitoring adequate and effective systems and control

processes. The preparation of financial statements in compliance with all applicable legal and regulatory requirements and accounting standards, is yet another key function of the Board.

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

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

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

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

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

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

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

- Fund Management, which comprises:
  - The Venture Capital & Corporate Finance Division, which comprises the uMnotho Fund, the Strategic Projects Fund (SPF) and the Women Empowerment Fund.

- The SME & Rural Development Division, which consists of the Pre-Investment Unit, iMbewu Fund, Rural & Community Development Fund and Regional Offices.
- General Counsel, which consists of Legal support, Post-Investment support services, Turnaround, workout and restructuring services and 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

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

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

	Output	Achievements as of 31 December 2020
1	Approvals	<ul style="list-style-type: none"> <li>Approved <b>1 120 transactions</b> worth more than <b>R10.981 billion</b> across the country</li> </ul>
2	Disbursement	<ul style="list-style-type: none"> <li>Approximately <b>R7.34 billion</b> has been disbursed to these companies since inception</li> </ul>
3	Integrity	<ul style="list-style-type: none"> <li>Secured <b>clean external audit</b> opinions for 17 years running</li> </ul>
4	Supporting jobs	<ul style="list-style-type: none"> <li>Since inception, the number of job opportunities supported is <b>103 081</b> of which <b>69 322</b> were new</li> </ul>
5	Industrialisation	<ul style="list-style-type: none"> <li>24 strategic and industrial projects worth <b>R13.2 billion</b>, with the potential to support over 52 000 jobs. 75% of the transactions are at an advanced development stage.</li> <li>Since inception <b>3 600 jobs</b> opportunities have been created</li> </ul>
6	A culture of savings & investment	<ul style="list-style-type: none"> <li>In a transaction worth over <b>R1 billion</b> the NEF <b>Asonge Share</b> Scheme made available more than 12 million MTN group shares to over 87 000 investors comprising black individuals and groups. 49% of investors were women</li> </ul>
7	Investor education	<ul style="list-style-type: none"> <li>Reached approximately <b>2 925 504 people</b> in villages and townships through <b>552</b> community seminars on how to save and invest, personal financial discipline, shares, dividends, bonds, the property and money markets</li> </ul>

8	Entrepreneurship training / incubation	<ul style="list-style-type: none"> <li>• Business skills training provided over <b>4 459 potential entrepreneurs</b> who attended <b>475</b> seminars from 2012 to date</li> </ul>
9	Collections	<ul style="list-style-type: none"> <li>• <b>Over R3.7 billion has been repaid by investees</b></li> </ul>

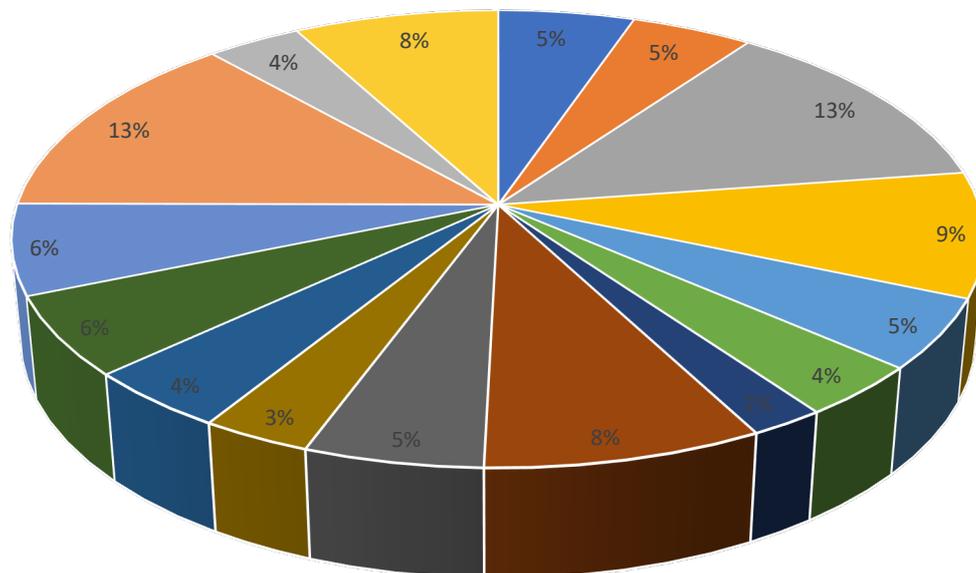
The NEF has built strong systems and processes to grow its portfolio, and is able to continue to increase deal activity once the fund is recapitalised. In doing so, the NEF would be able to continue making a meaningful contribution to the economy as demonstrated in the above Table.

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

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

The NEF has invested over R6.76 billion since inception in the following sectors:

### NEF Invested Portfolio by Sector by Value since Inception - December 2020



- Agro Processing
- Energy
- ICT
- Mining Industry
- Retail
- Transportation
- Chemicals & Pharmaceuticals
- Engineering
- Manufacturing
- Other
- Services
- Construction and Materials
- Food and Beverage
- Media
- Property
- Tourism and Entertainment

**Other: Arts & Culture; Distributors, dispatchers, processors; Education; Environmental; Financial Services; Marine; Motor; Wood & Paper**

## 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.

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

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

<p><b>1. Growing black economic participation in the South African Economy</b></p> <ul style="list-style-type: none"> <li>• iMbewu – focus on SME funding</li> <li>• uMnotho Fund – transformation and black business expansion</li> <li>• SPF – support meaningful participation in industrial projects by black people</li> <li>• RCDF – stimulation of economic activities in rural areas and township through entrepreneurship</li> <li>• WEF – entrenching participation of black women in the economy</li> </ul>	<p><b>2. Growing BEE through partnerships</b></p> <ul style="list-style-type: none"> <li>• ED Funds – raising 3<sup>rd</sup> party funding to offer comprehensive affordable financing solutions to black entrepreneurs</li> <li>• Venture Capital Companies ('VCC') – partnering with various players to leverage the incentive for growth of venture capital funding for the benefit of black entrepreneurs</li> <li>• Co-funding – using the NEF network to assist entrepreneurs fund their businesses</li> </ul>
<p><b>3. Maintaining Financial Sustainability</b></p> <ul style="list-style-type: none"> <li>• Impairments – maintain the impaired portion of the loan book below 18%</li> <li>• Returns – endeavour to achieve Return on Investments (ROI) of between 9% and 10%</li> </ul>	<p><b>4. Human Capital</b></p> <ul style="list-style-type: none"> <li>• Attraction: Attracting high-calibre and suitably qualified candidates who are fit for purpose</li> <li>• Skills Development: Provide training and development opportunities to enable employees to thrive in their role</li> </ul>

<ul style="list-style-type: none"> <li>• Efficiency – manage the operational expenses and generate income to achieve Cost to Income ratio within an acceptable range over the period</li> <li>• Return of Capital – implement close post-investment monitoring and interventions to achieve on average 80% collections on instalments raised</li> </ul>	<ul style="list-style-type: none"> <li>• Retention: Utilising a pay-for-performance remuneration structure which will ensure that key and top talent is retained at the NEF</li> <li>• Employer of Choice: Provide a compelling employee value proposition that captivates the employment experience from entry to exit</li> </ul>
<p><b>5. Non-Financial support</b></p> <ul style="list-style-type: none"> <li>• Pre-investment – provide meaningful interventions to support entrepreneurs wanting to access funding</li> <li>• Post-Investment – provide intensive monitoring, support and mentorship to NEF investees to ensure sustainability of the businesses</li> <li>• Intensive Care &amp; Turnarounds – provide in-depth support to business under strain through the Turnarounds, Workouts and Restructures unit</li> <li>• Social Impact – through the Socio-Economic Development and Asset Management Unit, the NEF provides training for broad-based groups and communities thereby deepening understanding of business</li> <li>• Legal – through legal we will entrench our rights and security in transactions to ensure sustainability</li> </ul>	

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

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

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

## A. iMbewu Fund

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

- Franchise;
- Procurement; and
- Entrepreneurship.

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

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



## I. Franchise Finance

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

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

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

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



## Energy sector – Petroleum



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



Together fuelling transformation and growth

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

Since inception the NEF has funded 111 black-owned service stations amounting to R603 million. Out of these 104 stations 67 are active, 34 have settled in the NEF facilities and 10 are in the Legal service unit. 66% of the active stations are in the low risk category and service the NEF monthly obligations without defaults. This sector has created approximately 1 625 permanent jobs in South Africa. The sector has 39% women shareholding, which is a quantum leap in this industry.

### *Examples of transactions funded in the Energy Sector:*



In conjunction with the BPSA Supplier Development Fund, the NEF funded Makwande, a black female-owned and -run enterprise, to purchase (3) three trucks for fuel delivery. The company has successfully paid off the NEF. At its exit it had over 30 trucks and over 74 employees in a space of three years.

One other investee is Kgahlisa General Supplies, which approached the NEF for funding in 2015 to acquire an existing Caltex filling station in Botshabelo, which was run down. The NEF approved a total investment of R3 140 000. The Investee is 100% owned and managed by Mr Stephen Phalatse.

The Department of Mineral Resources and Energy (DMRE) has realised that since this sector has not been transformed, they are putting pressure on the oil majors to transform, hence most licences are issued to black entrepreneurs. Through the formal relationships that the NEF has with BPSA, Engen and Shell, it will continue its efforts to transform the sector. Regular meetings are held with the oil majors to discuss new deal origination for black entrepreneurs.

## **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:*

**Mmutle Mining Projects (Pty) Ltd t/a MMP is a 100% black-owned and -managed entity established in 2016 by Mr John Mmutle.** MMP based in Middelburg, Mpumalanga, providing mining services in the form of material handling, crushing, and screening services, mining rehabilitation, drilling, and blasting services and plant hire services. MMP has grown significantly from March 2018 when the NEF facility of R13 million was approved. They had only one contract with Anglo American Greenside generating a monthly revenue of R1.2 million. To date, the scope of work has increased, resulting in the increase in the revenue in excess of R6 million per month as per the latest management accounts. The number of employees to be employed were going to be 24 and to date they have employed a total of 116 employees. MMP has since secured 4 additional contracts with Impala Plats, Zizwe Opencast Mining and Anglo-American Coal, which necessitated the company to open a second office in Rustenburg.



### 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:*

**Mianzo Asset Management is a 100% black-owned and -managed asset management company co-owned by Mr Luvo Tyandela, who is the 55% shareholder and Managing Director.** The remaining 45% shares are owned by the Employees Trust, whose beneficiaries are employees of Mianzo Asset Management (“Mianzo”). Mianzo comprises a staff complement of 12 employees who are based in their office in Century City in the Western Cape.

Mianzo is an authorised discretionary Financial Services Provider in terms of Section 8 of the Financial Advisory and Intermediary Services (FAIS) Act, 37 of 2002. Mianzo’s core focus is the management of assets on behalf of institutional clients. With R5.7 billion in Assets under Management (“Aum”), from 14 institutional clients, Mianzo’s offering includes Equity (Active, Enhanced and Index Trackers) and Absolute Return Funds. Mianzo’s Assets under Management grew from R475 million in 2010 to R5.7 billion in 2019. Having fully repaid their first NEF loan in July 2017, Mianzo approached the NEF in 2018 for a second round of funding of R3.4 million, which unlocked further asset allocations from various pension funds.



## B. uMnotho Fund

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

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

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

### I. Property Sector



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

industry. The true empowerment in the property sector is still lagging; black people are still largely excluded from the entire value chain, which is unacceptable and unsustainable 26 years into our democracy.

According to the Department of Public Works' 2018 Annual Report, the national government spent about R4 billion per annum. Property leases are, on average, concluded at costs that are above the market rates; hence the high rental expenditure of approximately R4 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 Rebois, with a combined market capitalisation of R18bn, which only **makes up about 4% of the total market capitalisation of the sector**, which is approximately R400bn.

The NEF in playing its catalytic role in transforming the property sector has approved and committed 30 transactions worth over R593 million. Seven of these were retail properties, while ten were tourism properties; seven were in the construction of affordable & social housing; two in the industrial and lastly four in 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 is over 750 000 student bed shortage in South Africa, and the number is expected to increase given the increase in enrolments at all universities in SA. 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 are battling to accommodate more than 20% of the student population as demonstrated by the Table below:

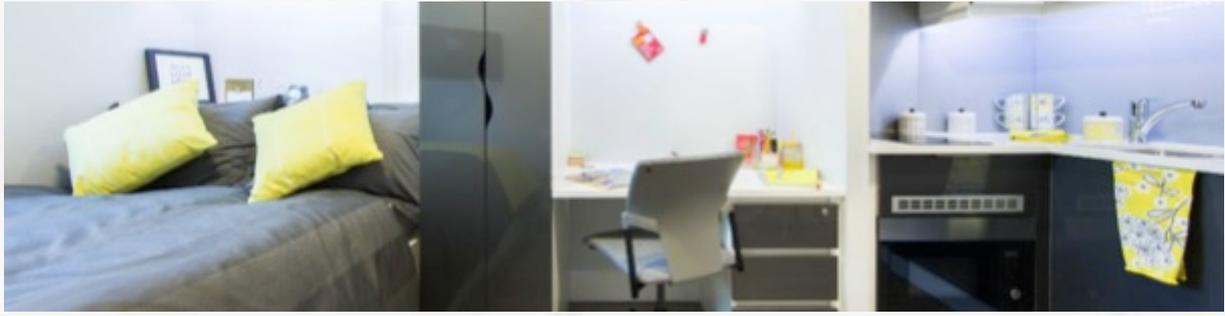
University	# of Students (2016)	# of Beds(2016)	% beds
University of Johannesburg	51669	6600	13%
University of Pretoria	53232	10000	19%
Tshwane University of Technology	58 901	12000	20%
University of Witwatersrand	37448	7400	20%
University of Stellenbosch	30161	6500	22%
University of Cape Town	29232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

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

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

*Examples of Investments in Student Accommodation:*

An example of investments in this sector is **Ordicode, a 100% black-owned and -managed business**; a property development worth R50 million in the Johannesburg CBD which has received R27 million funding from the NEF. The project creates 343 construction jobs and will create 15 permanent jobs. It is 80% woman owned and 20% owned by a student trust. In February 2020, Ordicode will avail 106 units of 2 bedrooms each to University students.



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

Having gained the operational experience of five years and keen to own property, Tshellaine approached the NEF for funding of R37.5 million to purchase a piece of land in Winchester, Johannesburg for the development and construction of 66 units that would accommodate a maximum of 264 students.

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

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

## 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.

Examples of these include **African People Movers (APM)**, whose mission is to unlock and deliver value by consistently ensuring that the intercity passenger service remains relevant to the commuters through comfort, safety and service. APM started its operations with four rented buses before obtaining NEF funding. The company received R45m expansion finance from the NEF. APM has 32 operating licences for all the routes envisaged in the business plan. It is 100% black owned. Through this investment, 30 jobs were retained and 33 new jobs were created. Lately the company has 158 jobs and looks to create additional 45 jobs. All NEF-funded buses were assembled in South Africa.

In driving empowerment, the NEF has demonstrated the courage and tenacity to enter sectors where there are established giants with considerable market share. APM is one of many such breakthroughs that best exemplify the spirit, the courage and the mettle of a funder who will stop at nothing to make the dreams of black entrepreneurs, a living reality.

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 R730 million in the sector, which comprises 11% of the invested portfolio. NEF investment has supported over 6205 jobs, and an average of 29% has benefitted black women entrepreneurs.

*Examples of support for black economic empowerment in the sector are **Go 2 Market (G2M)** and Motheo Construction.*



**G2M is a 100% black-women-owned and -managed concrete mixing company.** The core product of the company is to provide onsite concrete mixing using the mobile OMEGA Volumetric Concrete Mixer (VCM). These mixers are capable of producing a wide range of volumetric mix designs, including standard concrete, high-specification concrete, grout mixes, pump mixes efficiently according to complex construction specification. G2M is committed to revolutionizing the industry with new innovations while maintaining the highest quality standards.

G2M systems allow for a quick set up and erection of the batch plant, reducing the costs of transport as compared to the conventional drum mixer. G2M has an exclusive contract to supply the VCM within the continent. Among the active projects that the company has completed in the south of Gauteng are 9 600 residential units in Fleurhof Ext. 1, an integrated

housing project in South Hills Moffit Park and the Jabulani central business district. G2M has supported 80 jobs on full-time basis.

**Motheo Construction Group (Pty) Ltd** is a black-women controlled construction company focused primarily in the in general building (namely schools, offices, clinics, retail centres, etc.), civil engineering (namely construction of roads, water reticulation and sewer reticulation) and rail infrastructure (renewal/replacement of rail track and construction of railway station) with 8GB PE and 8CE PE CIDB ratings when the NEF initially funded the business.

The company has grown significantly over the years and has undertaken a number of key projects; the skills within the management and shareholder base as well as good leadership of Dr Ndlovu (who sadly passed away in August 2019) are mainly responsible for the success of the company. The company through the funding of the NEF has obtained the 9 CIDB rating. Motheo supported over 1 150 jobs.

#### *Outlook of the sector going forward*

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

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

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

#### **IV. Fourth Industrial Revolution**

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

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

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

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

#### *Examples of NEF investments in the Fourth Industrial Revolution*

**Rikatec (Pty) Ltd** focuses on information management systems for vehicles. The company uses big data and machine learning to detect vehicle breakdowns, predictive maintenance, vehicle wear and tear, vehicle resale value, driver profiling and driver ratings. Rikatec is 60% black-owned, 63% black-youth-owned and -youth-managed. The NEF approved R15m and disbursed R10m. The NEF owns 10% of Rikatec. Rikatec has created 10 jobs with 37 more expected in the next year. Proof of concept will unlock agreements with SA Taxi, Constantia Insurance, fleet management and other insurance companies.



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

The product offering is tracking devices with complete mobile capabilities for both individuals and businesses.

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



## V. Creative Industries & Media

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

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

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

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

**The NEF continues to work in partnership with the Department of Arts and Culture (DAC);** this brought about the establishment of the Enterprise Development Fund (ED) worth of **R250 million** as intervention in the sector. The DAC has embarked on a strategy to reposition the arts, culture, and heritage sector as key players in government's programme of action for social cohesion, creation of sustainable jobs and ensuring social and economic development. The Mzansi Golden Economy (MGE) Strategy drives strategic investments to optimise the economic benefit of the Arts in South Africa. By improving investment in key areas of the creative economy, it is anticipated that job creation and productivity will be enhanced and the sector's global competitiveness will be increased.



*Examples of NEF funding in this space include:*

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

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



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

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

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

This business employs 10 permanent people and consistent with the nature of the industry, the temporary staff will vary in accordance with the size and scale of productions.

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

Since the launch, Power 98.7 was named the second most influential media platform in business in an analysis of the Agenda Setting Media (ASM), which was commissioned by Media Tenor SA.

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

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

The phases being the following:

Scoping and Concept Study, Pre-Feasibility Study, Bankable Feasibility Study, Financial

Closure, Construction Phase, and Technical Completion.

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

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

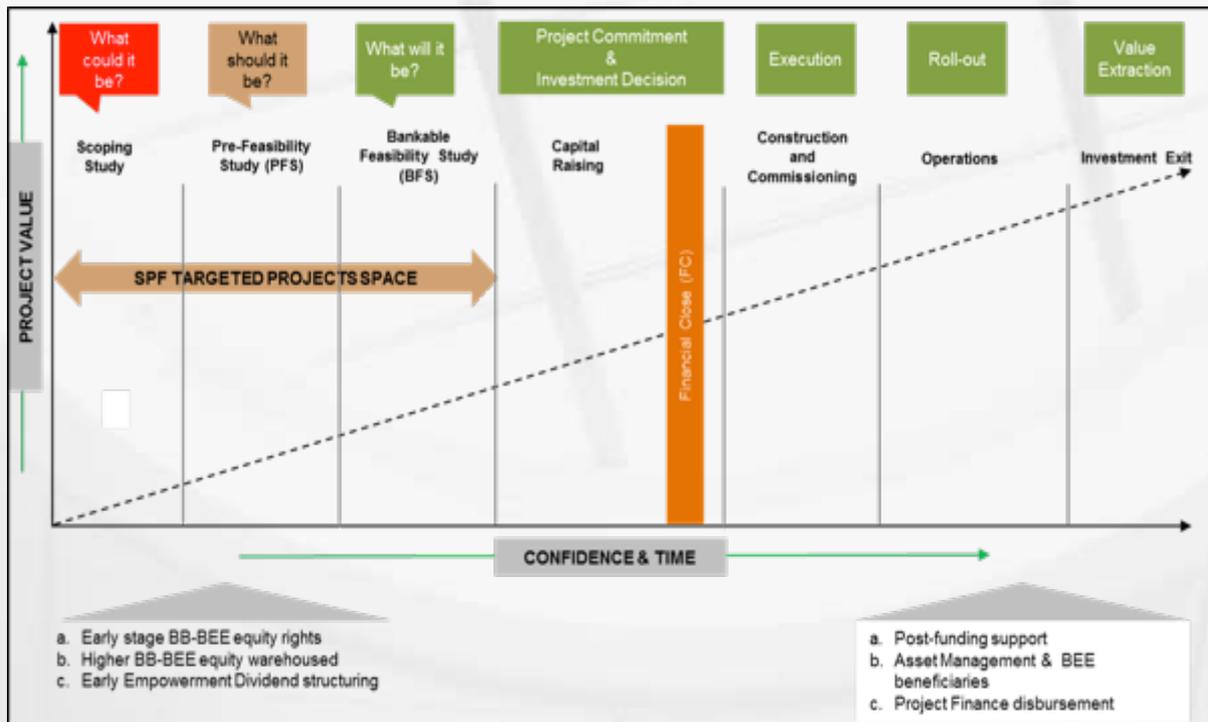
In essence, in this area the NEF aims:

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

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

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

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



The typical project development stages include;

1. *Scoping & concept* – this is the initial stage of project development used to generate, refine and short-list ideas for further development.
2. *Pre-feasibility Study (PFS)* – this is the second stage of project development during which business models developed during the scoping phase are assessed for commercial viability, developed in more detail with qualifying assumptions, and a project risk matrix drawn up to conclude the potential commercial viability of business concepts.
3. *The Bankable Feasibility Study (BFS)* is the final project development stage wherein the material project contracts are executed, minimising or eliminating project implementation and viability uncertainty in order to permit capital raising for project execution.
4. *The Capital-Raising Stage* is reached when project execution capital is raised from equity investors and/or debt providers.
5. *Financial Close (FC)* is the stage at which all project capital is raised, potentially unconditionally in readiness for fund drawdown and project implementation, subject to fulfilment of any Conditions Precedent (CPs).
6. And lastly, *Project Implementation* is execution stage of the project e.g. construction phase, followed by set up of the operational company.

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

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

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

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

## **II. Growing Black Industrialists**

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

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

The SPF seeks to create new manufacturing and industrial capacity alongside local and international partners. To date the NEF has invested approximately R900m in developing projects (with a total of 24 projects currently under development); businesses that have created over 3600 jobs and leveraged over R4.3 billion of third-party funding.



*Examples of transactions funded under this Fund include:*

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



#### **Nkomazi Cotton Development Project**

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

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

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

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

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



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



**Busamed** is a proudly South African black-owned private hospital group with six bed licences currently across South Africa, offering friendly, cost-effective and innovative healthcare service in a safe and caring environment. Busamed's vision is to be a consolidator of the fragmented health care market. This has been kick-started with the commercialisation of 4 hospital licences for 630 hospital beds, spread over four provinces, namely Western Cape, Gauteng, KwaZulu-Natal, and the Free State. The first hospital (a cardiologic centre) is based

in Somerset West and commenced operations in May 2015. The second hospital was launched in Johannesburg's Modderfontein in November 2016, while the third was launched in Harrismith at the same time. The fourth hospital, based in Bloemfontein, began operations in 2018.



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 and Community Development Fund (RCDF)**

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

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

## II. Tourism



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

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

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

(R40 million per annum). Through this partnership, the NEF finances the senior debt and shareholder's loan portion of the transactions while the DT funds are applied as grant funding. The TTF grant component is capped at 30% of the total funding approved by the NEF up to a maximum of R5 million per applicant.

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

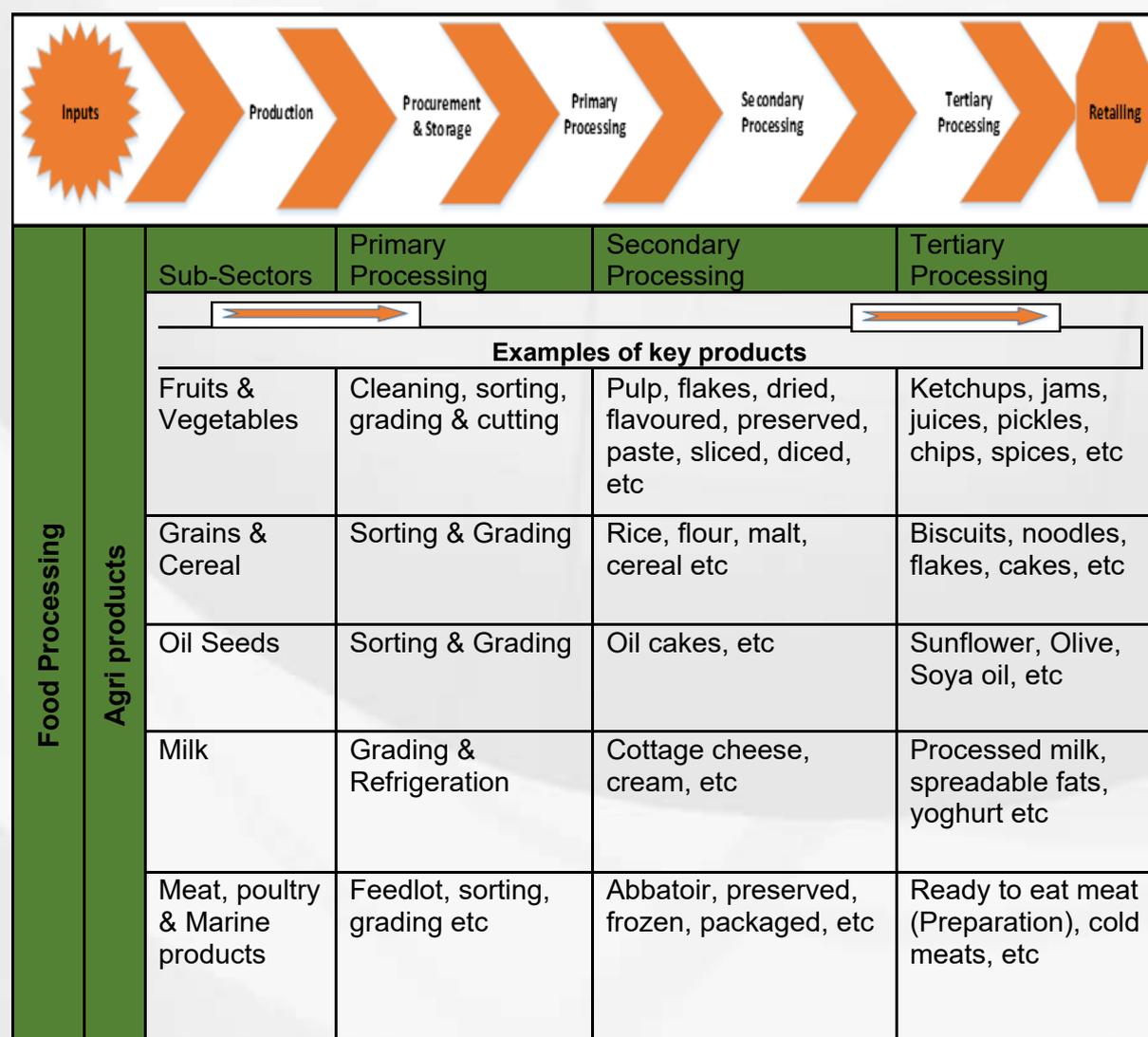


Below is summary of other transactions that have been funded by the NEF through TTF:



### III. Agro-processing

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



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

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

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

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

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

**Middledrift Dairy (Pty) Ltd** is a joint venture initiative between Amadlelo Agri (Pty) Ltd and the Middledrift community through their Gwebindlala Trust. It is a commercial dairy farming operation on the agricultural land owned by 51 beneficiaries belonging to the Gwebindlala Trust. The core of the business is conducted on the Middledrift Dairy Farm measuring 150ha in extent through irrigated pastures. This is a successful community partnership transaction where Gwebindlala Trust owns 20% of the business, NEF 40% as well as Amadlelo Agri owning 40%. The NEF will transfer all its shares to Gwebindlala Trust upon exiting the transaction, which will make the trust 60% owners of the business.

The business boasts of a forward agro-processing linkage with Coega Dairy (Pty) Ltd. Coega Dairy is situated near the Coega Harbour in the Coega Industrial Development Zone and takes pride in being an environmentally friendly dairy with a focus on local farmers and the community's wellbeing. Coega Dairy combines farm freshness with eco-friendly technology to bring consumers quality dairy products straight from the farms of the Eastern Cape countryside. Its ultra-high temperature (UHT) processing plant also plays a role in reducing carbon footprint. Founded by a group of 13 farmers in 2010.

Middledrift supplies approximately 4.2 million litres of fresh milk to Coega dairy on a yearly basis and turns over about R19 million per annum. The business benefits 2 140 beneficiaries from the local community. The milk is processed into UHT milk as well as butter products.



**Pyratrade (Pty) Ltd** is a company that has erected a castor oil processing plant. The factory is located in Hammarsdale, KwaZulu-Natal in Sperwing Industrial Park. An existing building has been converted to the specification of the processing plant.

The business is owned by the Sandstone Trust (70%) and the Emerging Castor Bean Producers Trust (30%). The factory has a capacity to process 4 200 tons of oil per year (350 tons of oil per month). This equates to approximately 8 000 tons of castor beans per year (660 tons per month) supplied by the black emerging farmers in KZN. At full capacity, the factory employs 22 people per shift and runs two shifts at full capacity.

The business exports all its semi-processed oil to the UK and has signed an off-take agreement with WS Lloyds and sold at R15 000 per ton. The oil is then processed into a final castor oil product ready for consumption.



**Khabokedi Waste Management (Pty) Ltd** is an existing company that focuses on providing solid waste management services to public and private sector clients located throughout the country. They provide various services relating to waste management, however, their core focus has been landfill operations management. They have started processes to diversify their service offering to include waste recycling services in support of the green economy. Through the years, Khabokedi's quality of work, experienced resources, and good track record for

timeous execution has resulted in a strong reputation in the market, giving them a competitive advantage over some of the industry players.

The business has been in existence since 2009 and is 100% Black-owned, 59% of which is women- and youth-owned. The business is managed by an experienced team of individuals with vast industry experience and professional expertise. They manage 13 landfill sites which are located in six provinces across the country, thus contributing to job creation in those provinces. Through NEF funding of R39million (blended with City of Ekurhuleni Fund), the business has retained 342 jobs, and has the opportunity to grow the staff compliment by additional 158 jobs through the expansion of the business.



#### IV. Real Estate



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

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



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

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

**Orange Farm** – In the peri-urban area of Orange Farm, in Gauteng’s Johannesburg south, the NEF has approved R50 million to support 19% upfront community ownership of a regional shopping centre measuring 39 000m<sup>2</sup>. 46% of the shops will be let to black tenants in a mall whose commercial viability is based on 80% confirmed leases. Between 20% and 30% of the project value will be spent in the Orange Farm area, and retail store opportunities.

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

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

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

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

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

**E. Women Empowerment Fund**

The purpose of the Women Empowerment Fund established in the financial year 2014/15 is to accelerate the women economic empowerment through the provision of funding to businesses owned by black women. Finance will be provided from R250 000 to R75 million across the whole of the NEF existing product suite described above. A minimum of 51% black female ownership is a main criterion. Black women have to be operationally involved at the managerial and board levels. Other empowerment dividend pillars have to be considered.

*Examples of transactions funded under this Fund include:*

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

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



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

## **6.2.2. Growing BEE Through Partnerships**

The NEF has been growing, and will continue to make an effort to grow BEE, by partnering with various stakeholders to leverage on funding opportunities to fund NEF investees. The

stakeholders include, but are not limited to, Enterprise Development (ED) funders and Venture Capital Companies (VCCs) as discussed below:

## A. Enterprise Development (ED)

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 R 950 325 631 (made up of both the ED funds and funds from commercial lenders/other DFIs).



The NEF is currently in partnership with various stakeholders, which are from both private and public sectors, for the purpose of crowding in capital. The ED partners are tabled below:

The ED partners are tabled below: -

ESD FUNDS RAISED (3 year analysis)				
	FUND CONTRIBUTOR	2018	2019	2020
1.	DRDLR	R9,000,000	R19,614,299	R0
2.	WCDEDAT	R0	R7,000,000	R10,000,000
3.	DAC	R30,000,000	R25,000,000	R0
4.	NISSAN	R0	R1,404,400	R0

5.	NDT	R40,000,000	R40,000,000	R40,000,000
6.	PICK N PAY	R1,100,000	R2,266,872	R0
7.	TRANSNET	R0	R0	R15,000,000
8.	BAKUBUNG	R0	R0	R3,000,000
9.	EKURHULENI	R0	R0	R33,000,000
	<b>TOTAL</b>	<b>R80,100,000</b>	<b>R95,285,571</b>	<b>R101,000,000</b>

On 6 December 2019 the NEF launched a partnership agreement with the City of Ekurhuleni (CoE) through which the two institutions will commit a total R300 million over the next 3 years, for the purpose of providing financial and non-financial support to black entrepreneurs conducting business within the City and those conducting business with the City. This historic partnership comes on the back of the great work the NEF has undertaken over a period of time as a partner trusted by many across the public and private sectors to help propel enterprise and supplier development.

The Municipality and the NEF will each contribute R150 million to the partnership. Through the “Fetola Enterprise Development Fund”, whose name derives from the Setswana word for transformation, the two institutions will provide funding from a minimum of R250 000 to black-owned SMEs as well as potential industrialists for employment-generating inclusive growth. The Fund will be administered by the NEF. Under the Fetola Fund, entrepreneurs will receive 50% of their funding requirement through the regular NEF funding criteria and the balance through the contributions received from CoE. CoE contributions will be priced at concessionary rates of between zero and 5% fixed interest rate. Funding under the partnership will be provided to applicants qualifying for NEF financial support where commercial viability of the project has been proven. The Fund will focus specifically on majority black-owned enterprises that are commercially viable and sustainable, as guided by the NEF due diligence processes, unlocking investment support in key sectors for new and established black-owned businesses.



The NEF continues to explore more ED funding partnership opportunities to diversify its source of capital and maximisation of Empowerment Dividend. The NEF is currently in talks with 5 partners to raise over R180 million.

## 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 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.

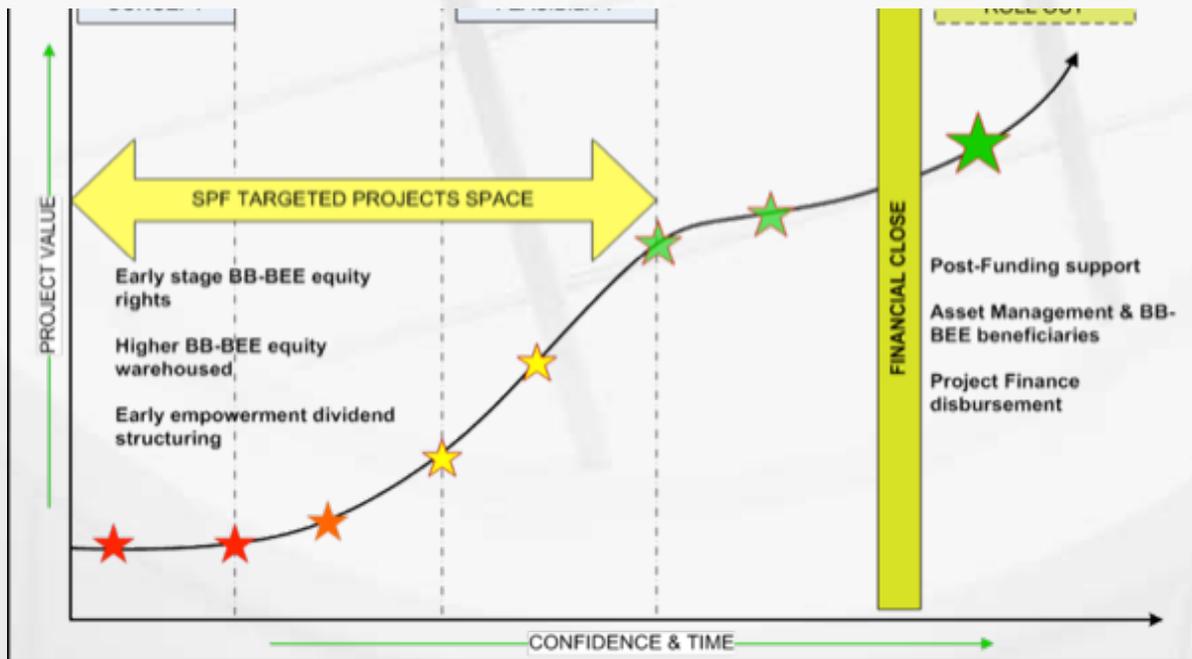
A number of regulatory conditions are in place to ensure compliance and limit abuse of these types of companies. One such condition is that a company cannot invest more than R50 million into any project.

### *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
- Enhancement of the NEF's ROI and management of the cost-to-income ratio

#### A. Reduction of Impairments

Currently the NEF has an impairment to book ratio of 24%, which is outside the targeted range of 18%. It's currently at these levels as a result of a settlement of a significant account, which led to the reduction of the loan book and a slowdown in economic activity in South Africa, which has affected the businesses of our investee companies. 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 + 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

### **Long term**

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

The current NEF impairment models utilise International Accounting Standards 39 as a basis, with the introduction of the newly adopted International Financial Reporting Standard 9 expected to result in higher volatility in impairments, management will endeavour to ensure that this volatility is minimised as much as possible, when this new standard is adopted.

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

The NEF intends on collecting a total of R2.1 billion over the MTEF. This collection target is a combination of normal collections (as a result of the natural amortisation of the loan book) and extraordinary collections as a result of the NEF proactively seeking exits/settlements where it is deemed commercially viable to do so. The collection efforts will further be enhanced through the following initiatives:

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

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

The current ROI on the NEF's assets is 5.32% as at December 2020, with the NEF targeting an ROI of 7% . This is owing to the fact that 14% of the NEF's loan book is interest free instruments. The remaining instruments are prime linked and were affected by the declining interest rates under COVID-19.

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

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

The NEF has a targeted cost-to-income ratio range of between 54% and 58%. In the short to medium term this target range is expected to be maintained through management implementing cost-saving measures, which will ensure that, from an operational perspective, the NEF continues to fulfil its mandate while ensuring that the growth in operational costs is maintained at CPI + 1%.

## 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 Turnaround, Workout 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 year 2020 has been mired by a great deal of policy uncertainty arising primarily from the advent and persistent COVID-19 pandemic. The unusually high level of uncertainty is still present with us, making it extremely difficult for government institutions, businesses and households to plan for the year ahead. A key policy decision was made when the South African government first declared the pandemic mid-March 2020 as a National State of Disaster and it has been extended to the 15<sup>th</sup> January 2021. As a result, the President announced a series of plans, including the Economic Recovery and Reconstruction Plan which has a direct bearing on NEF's focus area. In the midst of uncertainty, the NEF, as a development financier, will continue to align its actions and efforts towards the main goal of the Plan of creating jobs, stimulating equitable and inclusive growth as this has also drawn inspiration from NDP and MTSF.

The state of the global economy remains hugely constrained by the persistent pandemic as we enter the year 2021, this is despite recent high frequency economic data that is pointing to the upside of earlier than expected recovery. However, renewed uptick in the number of reported daily/weekly cases in some major countries (UK, US, Spain and France) that have initially passed their peak paint a diverging picture. These and other countries across the globe have once again announced COVID-19 economic and social restrictions at the beginning of December to contain the second and/or third wave of infections. Global growth is projected to contract by 4.4% (-0.5 difference from June projection) in 2020. The IMF indicates that the revision reflects better-than anticipated second quarter GDP outturns particularly in advanced economies where lockdown regulations were relaxed. However, the last two months of this year are pointing to the contrary as the path of the pandemic have shown strong signs of resurgence and progress with vaccine remain slow.

Most small emerging market and developing economies are in precarious position as their fiscal capacity are depleted while debt level continues to rise, commodity and tourism demand remains well below desired levels. The overall picture does not bode well for millions of people already inflicted with heightened unemployment, poverty, and inequality in these countries across the global pre-coronavirus. Economic output is set to contract by 10.3% in India (an additional -5.8 percentage points as compared to prior forecast) while Mexico and South Africa are now expected to decline by 9% and 8% respectively at the end of 2020. China is an

exception as it remains the only country expected to report positive output and this is primarily due to the quicker resumption of economic and social activities, their health capacity and response, as well as coordinated policy support and strong manufacturing export. For advanced economies, growth is now projected to be 2.3 percentage points stronger relative to the prior WEO. The notable improved prospects for most of these countries can be attributed to their capacity to offer large financial support to household and business in general owing to lower debt levels. For example, advanced economies reported discretionary revenue and spending measures of about 9 percent of GDP and an additional 11 percent in various forms of liquidity support, including equity injections, asset purchases, loans, and credit guarantees.

South Africa's real GDP rebounded strongly by reporting an annualised rate of 66.1% in the third quarter of 2020 from an unprecedented decrease of 51.7% in the prior quarter. This historic turnaround in economic performance can be attributed mainly to the lifting of nearly all COVID-19 economic and social restrictions in South Africa and around the world during the period under review. The report shows that all key industries posted positive growth during this quarter – positive performance by all industries were last reported in the third quarter of 2004, over a decade and half later. Although the mining and quarrying industry recorded the largest increase (288.3%), the manufacturing industry (16.2%) contributed the most percentage points to GDP in quarter three 2020. Growth in the manufacturing sector is largely due to the impressive bounce back in key sub-sectors such as basic iron and steel as well as petroleum and chemical products, rubber and plastic products; and motor vehicles, parts and accessories.

Household final consumption expenditure shows a strong recovery after rising by 69.5% in the third quarter of 2020 from -52.4% in the previous quarter. This reflects mainly the lifting of COVID-19 restrictions and the positive impact of the social relief packages announced by the honourable President of the Republic during April 2020 as they started effecting changes in demand and supply during this quarter. It remain to be seen whether this will be enough to stimulate production which lead to job creation and sustain this demand. On the other hand, changes in inventories in the third quarter contributed -20.5 percentage points to total growth – reflecting largely the pessimistic view of Purchasing Managers as the second wave of infection looms and the uncertainties of policies thereof. Looking ahead, average growth projections for South Africa by the IMF and SARB for 2020 and 2021 stood at -8% and 3.5% respectively. Outlook for 2021 is extremely uncertain and difficult forecast as we enter another wave of resurgence, which was followed by economic and social restrictions.

The medium term budget policy statement (MTBPS) has once again reiterated South Africa's worsening economic and fiscal positions as debt to GDP ratio continues to climb. The conundrum of poor economic growth and COVID-19 in South Africa have been exacerbated by the widening budget deficit and the rising national debt-to-GDP ratio which is projected to peak at about 95.3% in the 2025/26 budget year. The National Treasury reported that 2020/21 gross tax revenue is now projected to be 17.9% down as compared to prior year or decline by R312 billion relative to the 2020 Budget forecast. Declining revenue collection is largely due to reduction in taxable population base and household consumption which lowers both personal income and value added taxes after the country implemented hard lockdown during the first half of 2020. On the other hand, government expenditure is projected to increase in the current financial year owing to COVID-19 fiscal relief packages. However, government aims to reducing spending on the main budget non-interest by R62.9 billion in 2021/22, R92.9 billion in 2022/23 and R150.9 billion in 2023/24 as compared to the 2020/21 reporting year mainly due to anticipated reduction in compensation of government employees.

South Africa's 2020 mid-year population is estimated at 59.62 million and females account for approximately 30.5 million (about 51.1%), representing a 1.3% growth in the last twelve months. Black people now account for 80.8%, representing a 0.1 percentage point increase as compared to the prior year whilst Coloured and Whites stood at 8.8% and 7.8% respectively. High birth rate, improving life expectancy and high migration rate, particularly from African countries remains the leading causes of growth in population. Gauteng is still responsible for the largest share of the South African population, with approximately 15.5 million people (26%) followed by KwaZulu-Natal at 19.3%. Northern Cape remains the province with the smallest share of the population with approximately 1.29 million people

The Quarterly Labour Force Survey shows that the country experienced a quarter-on-quarter increase of 2.7 million or 15.1% in the number of labour force between the second and third quarters of 2020. During the same period, the number of employed persons increased slightly by 543 thousand whilst the number of unemployed persons also were up by a notable 2.2 million or 52.1%. The unusually large proportion of people entering the unemployed circle are mainly due to the readjustment of people from the "economically not active" as nearly all economic and social activities are now permitted and people are active job seekers. As a results, official (strict definition) unemployment rate also normalised at 30.8% from 23.3% in the prior quarter.

South Africa's overall unemployment rate remains stubbornly high but a further assessment shows that Black South African are worse affected by the scourge of unemployment after

reaching 34.6% – the only race whose unemployment rate is above the 30% and national rate. More worryingly, Black people also recorded fastest positive growth in percentage points between quarter two and three of 2020. Unemployment rate for Whites, Indian and Coloured were reported at 8.6%, 18.4% and 23.5% respectively during the same period.

A total number of 14.691 million people were employed in South Africa at the end of quarter three of 2020, up from 14.148 million in the previous quarter. The largest employers are Trade industry accounting for 3.008 million, followed by finance (2.434 million) and manufacturing (1.460 million) industries. The Utility sector shed 20% of the during this quarter as compared to the prior quarter while Mining, Private Households and Finance reported notable increases in the number of people employed after growing by 12%, 11% and 9% respectively. Although nearly all countries across the globe are faced with the challenge of retaining jobs in the midst of low economic activities, South Africa always needed to reskill some of the labour force to fit in the construction, agriculture and manufacturing as well as transport industries. At the same time intensifying investments in these industries as they have enormous potentials to create jobs in township and rural economies were majority of our youth and women live in dire conditions.

Given the above background as well as current uncertainties pertaining to the path of the pandemic and reinstatement of some COVID-19 economic and social restriction in the country – more businesses owned and managed by Black people will not be able to withstand the second wave without meaningful financial support. The NEF experienced first-hand, the influx of applications for COVID-19 and distressed small business funds from SMEs owned by Black people. We believe that the collapse of small businesses will hinder the aspiration of the economic reconstruction and recovery plan of creating jobs and ensuring inclusive growth and reverse the transformative effort gained since the establishment of the NEF and BBBEE act.

## **7.2. Internal factors**

The leadership of the NEF has demonstrated over the years their unwavering commitment to ethical leadership. The seventeenth consecutive clean external audit report for the 2019/20 financial year confirms the high standard the development financier has elected to uphold in terms of corporative governance. This was not only possible because of the oversight and guidance rendered by the Board, Committees and EXCO – but also due to shared goals and respect for international best practices of corporate governance by individual members of these structures. In the current financial year to date, the NEF has been operating with only

one Board member (Chairperson) excluding the CEO, following the expiry of the terms of up to five Board of Trustees on the fourth of April 2020. The absence of a fully functional Board is generally expected to have negative ramifications in terms of good corporate governance and need to be addressed quickly. In spite of this challenge, we have noted that the entrenched culture of good ethics and integrity amongst the staff has carried the NEF through in the absence of the Board – this was aided by strong internal audit and risk management systems as well as standardised fund management investment policy.

In terms of skilled and suitable human resources, the organisation is well capacitated, with a total staff complement of approximately 158 and having reported only three resignations as at the end of quarter two of the 2020/21 reporting year. Women account for approximately 60% of the total number of employees of the NEF – this is in line with the call of the South African government of giving preference to women and youth. In the last twelve months, the NEF was allocated R200 million to fight the pandemic and an additional R150 million SME distressed fund. This form of capital injection has assisted and provided much needed relief to many black entrepreneurs who were having challenges accessing the R200 billion administered by commercial banks.

However black people account for approximately 80% of the total South African population and are mainly affected by high unemployment and poverty due to decades of economic exclusion. In the absence of a notable targeted capital injection ranging in billions of rands exclusively for this group, majority of Black people will remain spectators in the land of their forefathers. The leadership of the NEF has managed to secure R500 million off lending balance sheet facility from IDC in the previous financial year but this is awaiting Minister's approval. We believe once access to this capital is granted, the NEF will be able to extend loans to a much larger number of Black entrepreneurs and consequently make important strides in getting our people as active participants in the mainstream economy.

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

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

<b>Strengths</b>	<b>Opportunities</b>
<ul style="list-style-type: none"> <li>• Pioneering SME finance.</li> </ul>	

<ul style="list-style-type: none"> <li>• Innovative and solutions-based products.</li> <li>• Institutional and operational maturity.</li> <li>• Non-financial support provided. Deliberate intensive post-investment interventions.</li> <li>• Provision of tools that stimulates entrepreneurship.</li> <li>• Ability to structure retail offers.</li> <li>• Ability to develop and conclude early-stage projects.</li> <li>• Technically strong, experienced and committed staff.</li> <li>• Established portfolio with lessons learnt database.</li> <li>• Continual implementation and maintenance of a strong environment of corporate governance and ethical culture.</li> <li>• Maintenance of clean (over 16 years) annual audit reports from the Auditor General.</li> <li>• Championing advocacy and thought leadership on B-BBEE.</li> </ul>	<ul style="list-style-type: none"> <li>• Opportunity to contribute towards job support and creation.</li> <li>• Contribute to closing the gaps in the economic value chain.</li> <li>• Support of agriculture and other priority sectors.</li> <li>• Facilitating FDI into South Africa through SPF projects.</li> <li>• Facilitation of Exports from SA into the continent.</li> <li>• Potential to contribute to localisation through new venture development.</li> <li>• Leading public discourse on transformation.</li> <li>• Minimise operating cost by working from home.</li> </ul>
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**Weaknesses**

- Need to be recapitalised in order to continue fulfilling mandate.
- Low approval rate due to need to balance between the development mandate and the need for sustainability.
- Need to improve efficiency of information systems.

**Threats**

- Inability to secure additional capital.
- Resurgence of the global pandemic
- Lower consumer and investor confidence.
- Slow pace of transformation across the economy.
- B-BBEE being viewed as a stand-alone policy with organisations only complying with minimum requirements.
- Potential gearing of the balance sheet could increase the cost of funding for investees.
- Potential loss of key staff.

The background features a series of diagonal, elongated orange shapes that appear to be light reflecting off a dark, reflective surface. The shapes increase in size and brightness from left to right, creating a sense of depth and movement. The overall color palette is dominated by black and various shades of orange.

**Part C:**  
**Programme Performance**

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

## 8. Programme Performance

### 8.1 Programme 1: uMnotho Fund

#### Purpose of the programme

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



**Description of the programme**

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

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

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

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

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

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

## Performance indicators and performance targets per programme:

Outcome	Output	Output indicator	Audited Actual Performance			Estimated Performance (including WEF contribution)	Medium Term Targets		
			2017/18	2018/19	2019/20	YTD 31 Dec 20 2020/21	2021/22	2022/23	2023/24
Growing black economic participation in the South Africa Economy and job creation	Approval of Deals	Value of deals approved by uMnotho Fund  (R million)	R239m	R317m	R251m	R148m	R282m	R290m	R387m
		Value of new Commitments by uMnotho Fund  (R million)	R169m	R266m	R232m	R101m	R201m	R218m	R290m

Outcome	Output	Output indicator	Audited Actual Performance			Estimated Performance (including WEF contribution)	Medium Term Targets		
			2017/18	2018/19	2019/20	YTD 31 Dec 20 2020/21	2021/22	2022/23	2023/24
		Value of Disbursements by uMnotho Fund (R million)	R111m	R263m	R121m	R89m	R181m	R174m	R232m

## Quarterly milestones:

Outcome	Output	Output indicator	Baseline 2020/21	2021/22 Annual Target	Cumulative Quarterly Milestones			
			YTD Performance 31 Dec 20		1 <sup>st</sup> Quarter	2 <sup>nd</sup> Quarter	3 <sup>rd</sup> Quarter	4 <sup>th</sup> Quarter
Growing black economic participation in the South Africa Economy and job creation	Approval of Deals	Value of deals approved by uMnotho Fund  (R million)	R148m	R282m	R28m	R110m	R217m	R282m
		Value of new Commitments by uMnotho Fund  (R million)	R101m	R201m	R14m	R60m	R135m	R201m

Outcome	Output	Output indicator	Baseline 2020/21	2021/22 Annual Target	Cumulative Quarterly Milestones			
			YTD Performance 31 Dec 20		1 <sup>st</sup> Quarter	2 <sup>nd</sup> Quarter	3 <sup>rd</sup> Quarter	4 <sup>th</sup> Quarter
		Value of Disbursements by uMnotho Fund (R million)	R89m	R181m	R9m	R51m	R116m	R181m

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

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

## 8.2 Programme 2: Strategic Projects Fund

### Purpose of the programme

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

### Description of the programme

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

The phases being the following:

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

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

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

- Enable project promoters to focus on making projects bankable and operational by giving the B-BBEE status as NEF is the only DFI gazetted as a B-BBEE facilitator; and
- Once the initial project risks have been reduced, the NEF will transfer its shareholding to selected B-BBEE groups through a transparent process.
- Targets for 2020/21 have decreased significantly owing to financial constraints in the organisation.

## Performance indicators and performance targets per programme:

Outcome	Output	Output indicator	Audited Actual Performance			Estimated Performance (including WEF contribution)	MTEF Period		
			2017/18	2018/19	2019/20	YTD 31 Dec 20 2020/21	2021/22	2022/23	2023/24
Growing black economic participation in the South Africa	Approval of Deals	Value of deals approved by Strategic Project Fund  (R million)	R44m	R79m	R116m	R35m	N/A	R81m	R108m

Outcome	Output	Output indicator	Audited Actual Performance			Estimated Performance (including WEF contribution)	MTEF Period		
			2017/18	2018/19	2019/20	YTD 31 Dec 20 2020/21	2021/22	2022/23	2023/24
Economy and job creation		Value of new Commitments by Strategic Project Fund (R million)	R44m	R79m	R97m	R36m	R56m	R61m	R81m
		Value of Disbursements by Strategic Project Fund (R million)	R26m	R42m	R44m	R27m	R51m	R49m	R65m

## Quarterly milestones:

Outcome	Output	Output indicator	Baseline 2020/21	2021/22 Annual Target	Cumulative Quarterly Milestones			
			YTD Performance 31 Dec 20		1 <sup>st</sup> Quarter	2 <sup>nd</sup> Quarter	3 <sup>rd</sup> Quarter	4 <sup>th</sup> Quarter
Growing black economic participation in the South Africa Economy and job creation	Approval of Deals	Value of deals approved by Strategic Projects Fund  (R million)	R35m	N/A	N/A	N/A	N/A	N/A
		Value of new Commitments by Strategic Projects Fund  (R million)	R36m	R56m	R17m	R34m	R45m	R56m

Outcome	Output	Output indicator	Baseline 2020/21	2021/22 Annual Target	Cumulative Quarterly Milestones			
			YTD Performance 31 Dec 20		1 <sup>st</sup> Quarter	2 <sup>nd</sup> Quarter	3 <sup>rd</sup> Quarter	4 <sup>th</sup> Quarter
		Value of Disbursements by Strategic Projects Fund  (R million)	R27m	R51m	R15m	R30m	R40m	R51m

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

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

### 8.3 Programme 3: iMbewu Fund

#### Purpose of the programme

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

#### Description of the programme

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

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

## Performance indicators and performance targets per programme:

Outcome	Output	Output indicator	Audited Actual Performance			Estimated Performance (including WEF contribution)	Medium Term Targets		
			2017/18	2018/19	2019/20	YTD 31 Dec 20 2020/21	2021/22	2022/23	2023/24
Growing black economic participation in the South Africa Economy and job creation	Approval of Deals	Value of deals approved by iMbewu Fund (R million)	R339m	R161m	R255m	R148m	R216m	R216m	R288m
		Value of new Commitments by iMbewu Fund (R million)	R295m	R150m	R161m	R155m	R150m	R162m	R216m

Outcome	Output	Output indicator	Audited Actual Performance			Estimated Performance (including WEF contribution)	Medium Term Targets		
			2017/18	2018/19	2019/20	YTD 31 Dec 20 2020/21	2021/22	2022/23	2023/24
		Value of Disbursements by iMbewu Fund (R million)	R250m	R122m	R118m	R163m	R135m	R130m	R173m

## Quarterly milestones:

Outcome	Output	Output indicator	Baseline 2020/21  YTD Performance  31 Dec 20	2021/22 Annual Target	Cumulative Quarterly Milestones			
					1 <sup>st</sup> Quarter	2 <sup>nd</sup> Quarter	3 <sup>rd</sup> Quarter	4 <sup>th</sup> Quarter
Growing black economic participation in the South Africa Economy and job creation	Approval of Deals	Value of deals approved by iMbewu Fund  (R million)	R148m	R216m	R32m	R84m	R151m	R216m
		Value of new Commitments by iMbewu Fund  (R million)	R155m	R150m	R21m	R58m	R103m	R150m

	Value of Disbursements by iMbewu Fund (R million)	R163m	R135m	R15m	R53m	R93m	R135m
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**Financial Plan (Expenditure estimates for Programme 3: iMbewu Fund)**

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

## 8.4 Programme 4: Rural & Community Development Fund

### Purpose of the programme

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

### Description of the programme

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

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

## Performance indicators and performance targets per programme:

Outcome	Output	Output indicator	Audited Actual Performance			Estimated Performance (Including WEF contribution)	Medium Term Targets		
			2017/18	2018/19	2019/20	YTD 31 Dec 20 2020/21	2021/22	2022/23	2023/24
Growing black economic participation in the South Africa Economy and job creation	Approval of Deals	Value of deals approved by Rural and Community Development Fund  (R million)	R13m	R18m	R105m	R37m	R102m	R88m	R117m

Outcome	Output	Output indicator	Audited Actual Performance			Estimated Performance (Including WEF contribution)	Medium Term Targets		
			2017/18	2018/19	2019/20	YTD 31 Dec 20 2020/21	2021/22	2022/23	2023/24
		Value of new Commitments by Rural and Community Development Fund (R million)	R13m	R18m	R77m	R55m	R61m	R66m	R88m

Outcome	Output	Output indicator	Audited Actual Performance			Estimated Performance (Including WEF contribution)	Medium Term Targets		
			2017/18	2018/19	2019/20	YTD 31 Dec 20 2020/21	2021/22	2022/23	2023/24
		Value of Disbursements by Rural and Community Development Fund (R million)	R23m	R11m	R20m	R44m	R55m	R53m	R70m

## Quarterly milestones:

Outcome	Output	Output indicator	Baseline 2020/21	2021/222 Annual Target	Cumulative Quarterly Milestones			
			YTD Performance 31 Dec 20		1 <sup>st</sup> Quarter	2 <sup>nd</sup> Quarter	3 <sup>rd</sup> Quarter	4 <sup>th</sup> Quarter
Growing black economic participation in the South Africa Economy and job creation	Approval of Deals	Value of deals approved by Rural and Community Development Fund  (R million)	R37m	R102m	R19m	R77m	R92m	R102m
		Value of new Commitments by Rural and Community Development Fund  (R million)	R55m	R61m	R7m	R32m	R53m	R61m

Outcome	Output	Output indicator	Baseline 2020/21	2021/222 Annual Target	Cumulative Quarterly Milestones			
			YTD Performance 31 Dec 20		1 <sup>st</sup> Quarter	2 <sup>nd</sup> Quarter	3 <sup>rd</sup> Quarter	4 <sup>th</sup> Quarter
		Value of Disbursements by Rural and Community Development Fund  (R million)	R44m	R55m	R5m	R27m	R45m	R55m

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

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

## 8.5 Programme 5: Women Empowerment Fund

### Purpose of the programme

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

### Description of the programme

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

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

Minimum of 51% black female ownership.

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

Other empowerment dividend pillars have to be considered.



## Performance indicators and performance targets per programme:

Outcome	Output	Output indicator	Audited Actual Performance			Estimated Performance (Including WEF contribution)	Medium Term Targets		
			2017/18	2018/19	2019/20	YTD 31 Dec 20 2020/21	2021/22	2022/23	2023/24
Growing black economic participation in the South Africa Economy and job creation	Approval of Deals	Value of deals approved by Women Empowerment Fund  (R million)	R221m	R178m	R252m	R151m	R200m	R225m	R300m

Outcome	Output	Output indicator	Audited Actual Performance			Estimated Performance (Including WEF contribution)	Medium Term Targets		
			2017/18	2018/19	2019/20	YTD 31 Dec 20 2020/21	2021/22	2022/23	2023/24
		Value of new Commitments by Women Empowerment Fund (R million)	R157m	R205m	R212m	R143m	R156m	R169m	R225m

Outcome	Output	Output indicator	Audited Actual Performance			Estimated Performance (Including WEF contribution)	Medium Term Targets		
			2017/18	2018/19	2019/20	YTD 31 Dec 20 2020/21	2021/22	2022/23	2023/24
		Value of Disbursements by Women Empowerment Fund (R million)	R136m	R140m	R109m	R107m	R140m	R135m	R180m

## Quarterly milestones:

Outcome	Output	Output indicator	Baseline 2020/21	2021/22 Annual Target	Cumulative Quarterly Milestones			
			YTD Performance 31 Dec 20		1 <sup>st</sup> Quarter	2 <sup>nd</sup> Quarter	3rd Quarter	4th Quarter
Growing black economic participation in the South Africa Economy and job creation	Approval Deals	Value of deals approved by Women Empowerment Fund  (R million)	R151m	R200m	R38m	R106m	R158m	R200m
		Value of new Commitments by Women Empowerment Fund  (R million)	R143m	R156m	R23m	R72m	R118m	R156m

Outcome	Output	Output indicator	Baseline 2020/21	2021/22 Annual Target	Cumulative Quarterly Milestones			
			YTD Performance 31 Dec 20		1 <sup>st</sup> Quarter	2 <sup>nd</sup> Quarter	3 <sup>rd</sup> Quarter	4 <sup>th</sup> Quarter
		Value of Disbursements by Women Empowerment Fund  (R million)	R107m	R140m	R16m	R62m	R104m	R140m

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

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



**Strategic Objective:  
Non-Financial Support**

## 8.6 Programme 6: Entrepreneurship Development

### Purpose of the programme

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

### Description of the programme

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

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



### **Entrepreneurship Development Strategy**

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

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

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

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

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



## Performance indicators and performance targets per programme

Outcome	Output	Output indicator	Audited Actual Performance			Estimated Performance	MTEF Period		
			2017/18	2018/19	2019/20	YTD 31 Dec 20 2020/21	2021/22	2022/23	2023/24
Non-Financial Support	Facilitate non-financial support to black owned businesses	6.1. Number of entrepreneurs training sessions provided with an average score of 60% required in the post-training assessment	19 training sessions per year, with an average score of 77% required in the post-training assessment	103 training sessions	134 training sessions per year	74 training sessions per year, with an average score of 74% required in the post-training assessment	135 training sessions per year, with an average score of 60% required in the post-training assessment	145 training sessions per year, with an average score of 60% required in the post-training assessment	145 training sessions per year, with an average score of 60% required in the post-training assessment

Non-Financial Support		6.2. Number of entrepreneurs referred for business incubation; and number of entrepreneurs who successfully complete business incubation	Referred 101 entrepreneurs for incubation; and 13 entrepreneurs in the final incubation stage	Referred 141 entrepreneurs for incubation; and 23 entrepreneurs in the final incubation stage.	Refer 151 entrepreneurs for incubation; and 16 entrepreneurs in the final incubation stage.	Refer 257 entrepreneurs for incubation; and 80 entrepreneurs in the final incubation stage	Refer 150 entrepreneurs for incubation; and 30 entrepreneurs in the final incubation stage	Refer 180 entrepreneurs for incubation; and 36 entrepreneurs in the final incubation stage	Refer 210 entrepreneurs for incubation; and 42 entrepreneurs in the final incubation stage.
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## Quarterly milestones

Outcome	Output	Output indicator	Baseline 2020/21	Annual Target 2021/22	Cumulative Quarterly Milestones			
			31 Dec 20  YTD Performance		1 <sup>st</sup> Quarter	2 <sup>nd</sup> Quarter	3 <sup>rd</sup> Quarter	4 <sup>th</sup> Quarter
Non-Financial Support	Facilitate non-financial support to black owned businesses	6.1. Number of entrepreneurs training sessions provided with an average score of 60% required in the post-training assessment	74 training sessions per year, with an average score of 74% required in the post-training assessment	135 training sessions per year, with an average score of 60% required in the post-training assessment	34 training sessions	68 training sessions	101 training sessions	135 training sessions

Non-Financial Support	6.2. Number of entrepreneurs referred for business incubation; and number of entrepreneurs who successfully complete business incubation.	Refer 257 entrepreneurs for incubation; and 80 entrepreneurs in the final incubation stage	Refer 150 entrepreneurs for incubation; and 30 entrepreneurs in the final incubation stage.	Refer 38 entrepreneurs for incubation; and 8 entrepreneurs in the final incubation stage.	Refer 75 entrepreneurs for incubation; and 15 entrepreneurs in the final incubation stage.	Refer 113 entrepreneurs for incubation; and 23 entrepreneurs in the final incubation stage.	Refer 150 entrepreneurs for incubation; and 30 entrepreneurs in the final incubation stage.
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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. We are therefore not in a position to provide the required cost split per programme.



**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		
			2017/18	2018/19	2019/20	YTD 31 Dec 20 2020/21	2021/22	2022/23	2023/24
	Facilitate non-financial	7.1. Number of investor	58 Investor	84 Investor	74 Investor	71 Investor Education	45 Investor	45 Investor	45 Investor Education

Non-Financial Support	support to black owned businesses	education seminars held across the country per year.	Education seminars per year	Education seminars per year	Education seminars per year	seminars per year	Education seminars per year	Education seminars per year	seminars per year
		7.2. Percentage of Social Facilitation Sessions held for NEF investees per year.	49 Social Facilitation sessions	42 Social Facilitation sessions	36 Social Facilitation sessions	23 Social Facilitation sessions	70% of the SEDU pipeline	75% of the SEDU pipeline	80% of the SEDU pipeline

## Quarterly milestones

Outcome	Output	Output indicator	Baseline	2021/22 Annual Target	Cumulative			
			31 Dec 20		Quarterly Milestones			
			2020/21 Performance		1 <sup>st</sup> Quarter	2 <sup>nd</sup> Quarter	3 <sup>rd</sup> Quarter	4 <sup>th</sup> Quarter
Non-Financial Support	Facilitate non-financial support to black owned businesses	7.1. Number of investor education seminars held across the country per year.	71 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.	23 Social Facilitation sessions	70% of the SEDU pipeline	18% of the SEDU pipeline	35% of the SEDU pipeline	53% of the SEDU pipeline	70% of the SEDU pipeline

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

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

## 9. Performance Plan Matrices

### 9.1 Consolidated Performance Plan Matrix 2020/21 – 24:

Outcome	Output	Output indicators	Annual Targets						
			Audited Actual Performance			Estimated Performance (including WEF contribution)	MTEF Period		
			2017/18	2018/19	2019/20	YTD 31 Dec 2020 2020/21	2021/22	2022/23	2023/24
<b>ADVANCING B-BBEE FOR TRANSFORMATION</b>									
Growing black economic participation in the South Africa	Approval of Deals	1. Value of deals approved by the NEF (R million)	R634m	R576m	R727m	R368m	R800m	R900m	*R1.2bn

Outcome	Output	Output indicators	Annual Targets						
			Audited Actual Performance			Estimated Performance (including WEF contribution)	MTEF Period		
			2017/18	2018/19	2019/20	YTD 31 Dec 2020 2020/21	2021/22	2022/23	2023/24
Economy and job creation		2. Value of new Commitments (R million)	R521m	R513m	R567m	R318m	R624m	R675m	*R901m
		3. Value of Disbursements (R million)	R411m	R437m	R304m	R323m	R562m	R540m	*R720m
<b>MAXIMISING THE EMPOWERMENT DIVIDEND FOR SOCIO-ECONOMIC IMPACT</b>									

Outcome	Output	Output indicators	Annual Targets						
			Audited Actual Performance			Estimated Performance (including WEF contribution)	MTEF Period		
			2017/18	2018/19	2019/20	YTD 31 Dec 2020 2020/21	2021/22	2022/23	2023/24
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 3609 (of which 2359 are new)	Supported 3713 (of which 3432 are new)	Supported 1738 new or existing job opportunities	Support 2270 new or existing job opportunities	Support 3456 new or existing job opportunities	Support 3323 new or existing job opportunities	Support 4431 new or existing job opportunities

Outcome	Output	Output indicators	Annual Targets						
			Audited Actual Performance			Estimated Performance (including WEF contribution)	MTEF Period		
			2017/18	2018/19	2019/20	YTD 31 Dec 2020 2020/21	2021/22	2022/23	2023/24
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	35% (on annual disbursements)	32% (on annual disbursements).	38% (on annual disbursements)	33% (on annual disbursements)	40% (on annual disbursements)	40% (on annual disbursements)	40% (on annual disbursements)

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 35 deals worth R162 m was invested as follows: NC: 3 worth R14m FS: 6 worth R16m LP: 5 worth R25m MP: 8 worth R68m NW:4 worth R12m	A total of 17 deals worth R83m was invested as follows: NC: 1 worth R15m FS: 0 worth R0m LP: 2 worth R5,2m MP: 5 worth R17,9m NW:2 worth R13,8m	A total of 16 deals worth R81,7m was invested as follows: NW: 1 worth R3.2m FS: 3 worth R19,4m LP: 2 worth R4,7m MP: 6 worth R26.3m	A total of 18 deals worth R56,3m was invested as follows: NW:2 worth R12.6m FS: 3 worth R8.7m LP: 4 worth R9.6m NC:1 worth R1.4m MP: 4 worth R12.3 EC: 4 worth R11.7m This represents 17% of annual disbursements	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
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Outcome	Output	Output indicators	Annual Targets						
			Audited Actual Performance			Estimated Performance (including WEF contribution)	MTEF Period		
			2017/18	2018/19	2019/20	YTD 31 Dec 2020 2020/21	2021/22	2022/23	2023/24
			EC: 9 worth R27m  This represents 36% of annual disbursements	EC: 7 worth R31,1m  This represents 19% of annual disbursements	NC:1 worth R7,2m EC: 3 worth R19,4m  This represents 27% of annual disbursements				

Outcome	Output	Output indicators	Annual Targets						
			Audited Actual Performance			Estimated Performance (including WEF contribution)	MTEF Period		
			2017/18	2018/19	2019/20	YTD 31 Dec 2020 2020/21	2021/22	2022/23	2023/24
<b>OPTIMISING NON-FINANCIAL SUPPORT FOR EMPOWERMENT</b>									
Non-Financial Support	Facilitate non-financial support to black owned businesses	7. Number of investor education seminars held across the country per year.	58 Sessions completed	84 Sessions completed	74 Investor Education seminars per year	71 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 contribution)	MTEF Period		
			2017/18	2018/19	2019/20	YTD 31 Dec 2020 2020/21	2021/22	2022/23	2023/24
Non-Financial Support		8 Number of entrepreneur training sessions provided with an average score of 60% required in the post-training assessment	19 training sessions per year, with an average score of 77% required in the post-training assessment	103 training sessions	134 training sessions per year	74 training sessions per year, with an average score of 74% required in the post-training assessment	135 training sessions per year, with an average score of 60% required in the post-training assessment	145 training sessions per year, with an average score of 60% required in the post-training assessment	145 training sessions per year, with an average score of 60% required in the post-training assessment

Outcome	Output	Output indicators	Annual Targets						
			Audited Actual Performance			Estimated Performance (including WEF contribution)	MTEF Period		
			2017/18	2018/19	2019/20	YTD 31 Dec 2020 2020/21	2021/22	2022/23	2023/24
		9. Number of entrepreneurs referred for business incubation; and number of entrepreneurs who successfully complete business incubation	101 entrepreneurs referred for incubation ; and 13 entrepreneurs in the final incubation stage	141 entrepreneurs referred for incubation ; and 23 entrepreneurs in the final incubation stage	Refer 151 entrepreneurs for incubation; and 16 entrepreneurs in the final incubation stage	Refer 257 entrepreneurs for incubation; and 80 entrepreneurs in the final incubation stage	Refer 150 entrepreneurs for incubation; and 30 entrepreneurs in the final incubation stage	Refer 180 entrepreneurs for incubation; and 36 entrepreneurs in the final incubation stage	Refer 210 entrepreneurs for incubation; and 42 entrepreneurs in the final incubation stage.

Outcome	Output	Output indicators	Annual Targets						
			Audited Actual Performance			Estimated Performance (including WEF contribution)	MTEF Period		
			2017/18	2018/19	2019/20	YTD 31 Dec 2020 2020/21	2021/22	2022/23	2023/24
		10. Percentage of Social Facilitation Sessions held for NEF investees per year.	49 Social Facilitation sessions	42 Social Facilitation sessions	36 Social Facilitation sessions	23 Social Facilitation sessions	70% of the SEDU pipeline	75% of the SEDU pipeline	80% of the SEDU pipeline

Outcome	Output	Output indicators	Annual Targets						
			Audited Actual Performance			Estimated Performance (including WEF contribution)	MTEF Period		
			2017/18	2018/19	2019/20	YTD 31 Dec 2020 2020/21	2021/22	2022/23	2023/24
Maintaining Financial Sustainability	Maintain positive brand awareness of the NEF	11. Maintain brand awareness of 90%	N/A Survey performed every second year	93%	N/A Survey performed every second year	N/A	N/A Survey performed every second year	Maintain brand awareness of 90%	N/A Survey performed every second year
<b>ESTABLISHING THE NEF AS A FINANCIALLY SOUND DFI FOR SUSTAINABILITY</b>									
Maintaining Financial Sustainability	Obtain an overall real return on fund investments	12. Percentage of portfolio impaired	15.4%	18%	27%	30%	**25%	24%	24%

Outcome	Output	Output indicators	Annual Targets						
			Audited Actual Performance			Estimated Performance (including WEF contribution)	MTEF Period		
			2017/18	2018/19	2019/20	YTD 31 Dec 2020 2020/21	2021/22	2022/23	2023/24
	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)	8.3%	9%	9.04%	5.32%	***7%	**7%	**7%
		14. Collection ratio	142.5%	128.43%	143,81%	77%	80%	80%	80%

Outcome	Output	Output indicators	Annual Targets						
			Audited Actual Performance			Estimated Performance (including WEF contribution)	MTEF Period		
			2017/18	2018/19	2019/20	YTD 31 Dec 2020 2020/21	2021/22	2022/23	2023/24
Growing BEE through partnerships	Establish partnerships for increased economic investments	15. Value of concluded partnerships per year (or value of mobilised resources)	N/A	R95m	R97m	R219m	R50m	R80m	R90m

***\*Stretch targets for 2023/24 have been increased by 14% to demonstrate the NEF's ability to do more with a 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.***

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

For the financial year 2021/22, **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: Integrated Support to Drive Industrialisation

Joint Indicator 2: Contribution to the development of an AfCFTA Export Plan

Joint Indicator 3: Investment Facilitation and Growth

Joint Indicator 4: Development Model and Spatial Equity

Joint Indicator 5: Actions to Promote Transformation

Joint Indicator 6: The Green Economy and Greening the Economy

Joint Indicator 7: Strengthening and Building a Capable State

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

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

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

- KPI 1 – Value of deals approved in Rands and volumes;
- KPI 2 - Value of New Commitments;
- KPI 3 – Value of Disbursements
- KPI 4 – Number of job Opportunities expected to be supported or created;
- KPI 5 – Percentage of 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 of Portfolio Impaired;
- KPI 13 – Target of Return on Investments achieved;
- KPI 14 – Collections ratios;
- KPI 15 – Value of Partnerships concluded.

## JOINT INDICATOR 1

<b>Outcome:</b>	Increased industrialisation and localisation opportunities implemented	<b>Performance period</b>	2021/2022
<b>Output /s:</b>	Report documenting the integrated support to drive industrialisation through master plans in national priority sectors; increased and diversified localisation through government and private sector procurement; and promotion of beneficiation		
<b>Indicator title:</b>	Report on integrated support across DTIC to drive industrialisation that supports economic recovery, covering industry Master Plans, localisation initiatives across the economy, COVID-Industrial Interventions and beneficiation		
<b>Indicator definition</b>	Integrated support across DTIC to drive industrialisation that supports economic recovery, covering industry Master Plans, localisation initiatives across the economy, COVID-Industrial Interventions and beneficiation.		
<b>Annual dtic Target/s</b>	<b>Contribution by National Empowerment Fund</b>	<b>Resourcing (MTEF Budget Allocation)</b>	
Integrated support to drive industrialisation that supports economic recovery, covering industry Master Plans, localisation initiatives across the economy, COVID-Industrial Interventions and beneficiation	Four quarterly reports on measures enacted by National Empowerment Fund to drive industrialisation that supports economic recovery; covering industry Master Plans, localisation initiatives across the economy, COVID-Industrial Interventions and beneficiation.	This indicator will be resourced within current entity resources	

### Contribution by the NEF:

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

- a. In the 2021/22 financial year, the NEF plans to approve 74 deals worth R800m, and commit R624m.
  - i. Our approvals will constitute on-balance sheet funds, and funds that we manage on behalf of **the dtic**, namely, Economic Distressed Fund and Women Empowerment Fund in total worth R291m.
  - ii. **The dtic** in partnership with NEF are joining hands to support black owned business which are in financial distressed as a result of the impact of Covid-19 in their business.

- iii. In addition to the above the NEF manages a number of third-party funds in line with its Enterprise Development Fund mandate to support the donors/contributors strategies on Enterprise and Supplier Development initiatives
- b. The organisation plans to disburse R562m to boost black owned businesses and also support 3456 jobs.

### **SPF Strategic Objectives**

- Creation of new fixed capital in the South African economy in an equitable manner.
- Creation of new jobs as opposed to replacement capital finance.
- Creation of new manufacturing and industrial capacity.
- Creation of an inclusive economy by increasing industrial investment participation of black businesses. The NEF funding facilitates ownership and meaningful participation of black people in projects **at an early stage**.
- Increase RSA export earning potential and reduce import dependence.
- Increase co-investment and linkages with foreign direct investment.

### **Planned Implementation**

The Mandate of the SPF as such is to focus on establishing new industrial manufacturing and infrastructure focused projects. The SPF partners with its local and international promoters to commercialise the most innovative proposals to reindustrialise the economy of South Africa. Currently the portfolio boasts 24 strategic projects at the different stages of development (Scoping, Pre and Bankable Feasibility, Capital Raising and Commercial Operation).

## JOINT INDICATOR 2

<b>Outcome:</b>	Increased export-readiness by South African firms, measured by knowledge of market opportunities and firm-level actions to utilise these opportunities	<b>Performance period</b>	2021/2022
<b>Output /s:</b>	A clear plan that indicates the potential opportunities to grow exports in terms of the AfCFTA, with responsibilities assigned to facilitate implementation		
<b>Indicator title:</b>	Completed AfCFTA Export Plan to grow value-added exports to the rest of Africa, setting out the opportunities by product, sector and country.		
<b>Indicator definition</b>	AfCFTA export plan to grow value-added exports to the rest of Africa setting out the opportunities by product, sector and country		
<b>Annual dtic Target/s</b>	<b>Contribution by National Empowerment Fund</b>	<b>Resourcing (MTEF Budget Allocation)</b>	
Completed AfCFTA export plan to grow value-added exports to the rest of Africa setting out the opportunities by product, sector and country completed	Four quarterly reports on measures enacted by National Empowerment Fund to contribute to an AfCFTA export plan to grow value-added exports to the rest of Africa	This indicator will be resourced within current entity resources	

### Contribution by the NEF:

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

The NEF will support the AfCFTA plan by approving, committing, disbursing, and facilitating partnerships where there are potential opportunities to grow exports in terms of the same. Details of the work to be completed have already been outlined under J-KPI 1 above.

Socio Economic Development Unit (SEDU) facilitates Enterprise & Supplier Development Fund partnerships with measured entities, Government, SOE's and other entities in supporting the entry and/or creation of Black SMME's in accordance with Code 400 of the codes of good practice through the NEF BEE facilitator status.

## JOINT INDICATOR 3

<b>Outcome:</b>	Strategic investment by enterprises (private and public) to support growth of South African economy	<b>Performance period</b>	2021/2022
<b>Output /s:</b>	Investment projects facilitated and investment directed towards key sectors of the economy		
<b>Indicator title:</b>	Report on Investment facilitation and growth: steps taken to support new investment in key sectors		
<b>Indicator definition</b>	Investment facilitation and growth through steps taken to support new investment in key sectors		
<b>Annual dtic Target/s</b>	<b>Contribution by National Empowerment Fund</b>	<b>Resourcing (MTEF Budget Allocation)</b>	
Report on investment facilitation and growth: steps taken to support new levels of investment in key sectors developed	Four quarterly reports on measures enacted by <b>National Empowerment Fund</b> to support investment in South Africa	This indicator will be resourced within current entity resources	

### Contribution by the NEF:

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

As a development finance institution the NEF supports investment by approving, disbursing, and facilitating private and public partnerships to support growth of the South African economy. Details of the work to be completed have already been outlined under J-KPI 1 above.

## JOINT INDICATOR 4

<b>Outcome:</b>	Contribute to intergovernmental action in implementation of the District Development Model towards district economic development	<b>Performance period</b>	2021/2022
<b>Output /s:</b>	District integrated report with district development economic maps		
<b>Indicator title:</b>	Report on District Development Model and Spatial equity including incorporating all work within the District Model		
<b>Indicator definition</b>	District Development Model and Spatial equity including incorporating all work within the District Model District Development Model and Spatial equity including incorporating all work within the District Model.		
<b>Annual dtic Target/s</b>	<b>Contribution by National Empowerment Fund</b>	<b>Resourcing (MTEF Budget Allocation)</b>	
District Development Model and Spatial equity including incorporating all work within the District Model.	Four quarterly reports by National Empowerment Fund which set out how their work has contributed to the economic development in each of the Districts and Metropolitan Areas of South Africa	This indicator will be resourced within the current entity resources.	

### **Contribution by the NEF:**

The NEF's contribution will be linked to KPIs 1,3, 6, 8, 9, 10, under 9.1. above.

The NEF will support government's District Development Model across the 44 districts and the metros in the country.

Implementation of our KPIs (i.e. approvals, disbursements, creation of jobs, support to black women owned businesses & a target to disburse funds into rural provinces, entrepreneur training, referrals & Incubation, investor education as well as social facilitation) to transform the economy is vital to this process. Some of the highlights that will be undertaken to support J-KPI 4 are:

- a. In line with the NEF's mandate founded in the NEF Act of 1998, as outlined in the 2021/22 APP, we plan to facilitate 45 investor education sessions that will include women and youth. The Investor Education campaign is planned to reach communities across the country, providing information necessary to make prudent savings and investment decisions. In addition, the NEF will conduct

social facilitation sessions to ensure understanding and meaningful participation of beneficiaries in transactions and to fast-track NEF's transformation agenda of broad-based black empowerment and development.

- b. As the first point of contact for many potential clients across the country, the Pre-Investment Unit's 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.
- c. Furthermore, the NEF through its Pre-Investment Unit has implemented an entrepreneurship development strategy that provides incubation and entrepreneur training in order to support the development of aspirant black entrepreneurs with the focus on rural and township enterprises. The NEF realises the value and impact that can be made through business and has established partnerships with various service providers in order to provide incubation and entrepreneurship training to SMEs.

## JOINT INDICATOR 5

<b>Outcome:</b>	Promoting a growing and inclusive economy	<b>Performance period</b>	2021/2022
<b>Output /s:</b>	Report on actions to promote transformation through structural changes in the economy to enable greater inclusion and growth; and empowerment of designated groups, using the range of public tools such as procurement, incentives, technical support and enabling opportunities		
<b>Indicator title:</b>	Report on actions to promote transformation through structural changes in the economy to enable greater inclusion and growth; and empowerment of designated groups, using the range of public tools such as procurement, incentives, technical support and enabling opportunities		
<b>Indicator definition</b>	Actions to promote transformation through structural changes in the economy to enable greater inclusion and growth; and empowerment of designated groups, using the range of public tools such as procurement, incentives, technical support and enabling opportunities		
<b>Annual dtic Target/s</b>	<b>Contribution by National Empowerment Fund</b>	<b>Resourcing (MTEF Budget Allocation)</b>	
Actions to promote transformation through both structural changes in the economy to enable greater inclusion and growth; and empowerment of designated groups, using the range of public tools such as procurement, incentives, technical support and enabling opportunities	Four quarterly reports on the contributions made by National Empowerment Fund to promote transformation through structural changes in the economy to enable greater inclusion and growth; and empowerment of designated groups	This indicator will be resourced within the current entity resources	

### **Contribution by the NEF:**

The NEF's contribution will be linked to KPIs 1,3, 4, 5, 6 under 9.1. above.

#### a. Transformation

The indicator speaks to the “*transformation*” mandate of the NEF. Our core KPIs (i.e. approvals, disbursements, creation of jobs, support to black women owned businesses, and targeted provinces) are designed to transform the economy. In the 2021/22 financial year, the NEF will approve and report on 74 deals valued at R800m, commit R624m, disburse R562m to create 3456 jobs in support of black owned

businesses. The NEF set a target of disbursing 40% (of total value of disbursements) to black women-owned businesses and 25% of total value of disbursements to targeted provinces.

b. Women Empowerment Fund

The **Women Empowerment Fund (WEF)** was established in 2014 to support businesses that are more than 50% owned and managed by black women entrepreneurs. It is for this reason that the NEF's Women Empowerment Fund is set to grow, and **the dtic** has allocated R141m in the current financial year so that we continue making great strides from our previous years contributions towards inclusive economy.

Youth-owned businesses are also supported and creative industries and the 4<sup>th</sup> Industrial Revolution have proven to be a significant space for unlocking broad-based impact with the number of jobs created per funds invested proving to be a great catalytic factor for the NEF.

c. Targeted Sectors Approach

In support of government's macro-economic policies, the NEF continues to invest in various sectors to enable black people to meaningfully participate in the economy. We would outline sectors that have been identified by different Funds as instruments to increase black inclusion, transformation, and contribution to the economic growth of South Africa. For example, the RCDF will look at revitalisation of the Rural and Township economies, Tourism, and Agro-processing. The uMnotho fund, will look at student accommodation and affordable and social housing. The SPF will concentrate on new industrial manufacturing and infrastructure focused projects like renewable energy, healthcare, agro-processing and mineral beneficiation in the economy.

d. Procurement

Furthermore, the organisation plans to utilise 30% of its procurement budget (R60m) to support black women-owned businesses and with 65% going to black owned businesses. In addition, the NEF is part of the Presidential Women Owned Business Task Team, which seeks to empower women through Public Procurement. Its objective is to accelerate economic participation and empowerment of women by

creating economic opportunities for women-owned businesses through Public preferential procurement targeted at 40% of public procurement.

## JOINT INDICATOR 6

<b>Outcome:</b>	Growing the Green Economy and greening the economy	<b>Performance period</b>	2021/2022
<b>Output /s:</b>	Report on growing the Green Economy and greening the economy		
<b>Indicator title:</b>	Report on growing the Green Economy and greening the economy through actions to support project facilitation, policy development, investment promotion, new product development or industrial processes		
<b>Indicator definition</b>	Actions to green the economy		
<b>Annual dtic Target/s</b>	<b>Contribution by National Empowerment Fund</b>	<b>Resourcing (MTEF Budget Allocation)</b>	
Actions to grow the Green Economy and greening the economy, through measures such as support for project facilitation, policy development investment promotion, new product development or industrial processes	Four quarterly reports on measures enacted by National Empowerment Fund to support the green economy or the greening of the economy	This indicator will be resourced within current entity resources	

### **Contribution by the NEF:**

Of the 24 strategic and industrial projects developed to date, with 75% thereof at an advanced, we expect to further develop two projects in the Green and greening economy.

The NEF continues to take a keen interest in the continuing developments within the Renewable Energy Independent Power Producers Procurement (REIPPP) programmes, significant partnerships funding synergies are required with other public and private institutions to make large scale projects a reality.

The development of the Energy Sector in South Africa will require the NEF to strengthen the value chain focus in the industry to maximise localisation benefits. This will include supporting local raw material value add, manufactured components and local technology.

The NEF continues to leverage other strategic approaches to bring to market green interventions that are both market leading in their design and deliver effective renewable energy interventions.

## JOINT INDICATOR 7A (GENERIC)

<b>Outcome:</b>	Functional, efficient and integrated services within the DTIC to improve economic development and ease of doing business	<b>Performance period</b>	2021/2022
<b>Output /s:</b>	Actions to promote functional, efficient and integrated government and measures to reduce red tape across DTIC and entities		
<b>Indicator title:</b>	Report on strengthening and building capabilities and agility in the DTIC and its entities, to improve efficiencies in programmes and entities, to contribute to economic development and ease of doing business		
<b>Indicator definition</b>	Strengthening and building capabilities and agility in the DTIC and its entities, to improve efficiencies in programmes and entities, to contribute to economic development and ease of doing business.		
<b>Annual dtic Target/s</b>	<b>Contribution by National Empowerment Fund</b>	<b>Resourcing (MTEF Budget Allocation)</b>	
Review of unnecessary red tape and compliance reporting requirements in DTIC entities and programmes; monitoring implementation times of DTIC services	Four quarterly reports on measures enacted by National Empowerment Fund to improve the ease of clients using its services, including forms and procedures reviewed for simplicity and necessity	This indicator will be resourced within the current entity resources	

### **Contribution by the NEF:**

- a. It has been important for the NEF to introduce “*new ways*” of doing business. We were able to achieve lots of traction in the implementation of the R200m Covid-19 Black Business Fund because at the beginning we shortened our turnaround times for assessing transactions to ensure disbursement within 2 weeks of approval. This agility, we believe, will stand us in better stead going forward by being responsive to applicants that need quicker turn-around times.
- b. In addition, the 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.

- c. Lastly, Online Platforms are utilised to ensure that a large number of people is reached for investor education sessions and Entrepreneurship training. During hard lockdown as we were not permitted to have face-to-face interactions with communities, online platforms have helped us in reaching more numbers than we would have achieved through face-to-face interactions.

## 9.2. Performance Plan Matrix – Quarterly Milestones 2020/2021:

Targets for 2020/21 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 of 31 Dec 2020	Target 2021/22	Cumulative Quarterly Milestones			
				1st	2nd	3rd	4th
<b>ADVANCING BBBEE</b>							
1. Growing black economic participation in the South Africa Economy and job creation.	1.1. Value of deals approved by the NEF (R million)	R368m	R800m	R118m	R377m	R618m	R800m
	1.2. Value of new Commitments (R million)	R348m	R624m	R83m	R256m	R455m	R624m
	1.3. Value of Disbursements (R million)	R323m	R562m	R61m	R222m	R398m	R562m

Outcome	Output Indicator	Performance as of 31 Dec 2020	Target 2021/22	Cumulative Quarterly Milestones			
				1st	2nd	3rd	4th
<b>MAXIMISING THE EMPOWERMENT DIVIDEND</b>							
2. Growing black economic participation in the South Africa Economy and job creation	1.4. Number of job opportunities expected to be supported or created.	Support 2 270 new or existing job opportunities.	Support 3 456 new or existing job opportunities.	Support 378 new or existing job opportunities.	Support 1 367 new or existing job opportunities.	Support 2 450 new or existing job opportunities.	Support 3 456 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	33% (on annual disbursements)	40% (on disbursements)	40% (on disbursements)	40% (on disbursements)	40% (on annual disbursements)	40% (on annual disbursements)

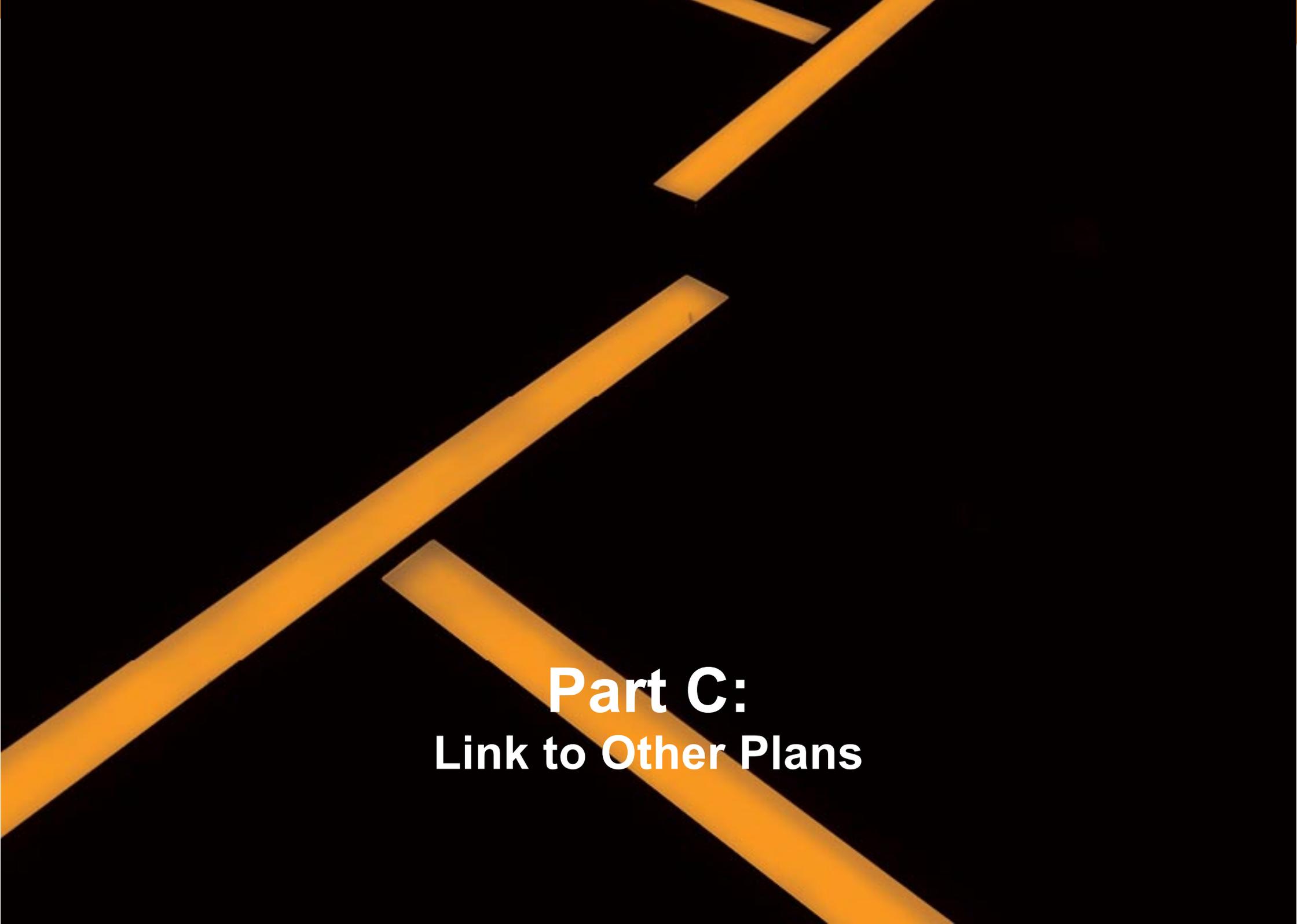
<p>4. Growing black economic participation in the South Africa Economy and job creation</p>	<p>1.6. 25% of disbursement to be invested in Northern Cape, Free State, Limpopo, Mpumalanga, Eastern Cape and North-West</p>	<p>A total of 18 deals worth R56,3m was invested as follows:</p> <p>NW:2 worth R12.6m                  FS: 3 worth R8.7m                  LP: 4 worth R9.6m                  NC:1 worth R1.4m                  MP: 4 worth R12.3                  EC: 4 worth R11.7m</p> <p>This represents 17% of annual disbursements</p>	<p>25% of disbursements</p>				
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Outcome	Output Indicator	Performance as of 31 Dec 2020	Target 2021/22	Cumulative Quarterly Milestones			
				1st	2nd	3rd	4th
<b>OPTIMISING NON-FINANCIAL SUPPORT</b>							
5. Non-Financial Support	1.7. Number of investor education seminars held across the country per year.	71 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
6. Non-Financial Support	1.8. Number of entrepreneur training sessions provided with an average score of 60% required in the post-training assessment	74 training sessions per year, with an average score of 74% required in the post-training assessment	135 training sessions per year, with an average score of 60% required in the post-training assessment	34 training sessions	68 training sessions	101 training sessions	135 training sessions

Outcome	Output Indicator	Performance as of 31 Dec 2020	Target 2021/22	Cumulative Quarterly Milestones			
				1st	2nd	3rd	4th
	1.9. Number of entrepreneurs referred for business incubation; and number of entrepreneurs who successfully complete business incubation	Referred 257 entrepreneurs for incubation; and 80 entrepreneurs in the final incubation stage	Refer 150 entrepreneurs for incubation; and 30 entrepreneurs in the final incubation stage.	Refer 38 entrepreneurs for incubation; and 8 entrepreneurs in the final incubation stage.	Refer 75 entrepreneurs for incubation; and 15 entrepreneurs in the final incubation stage.	Refer 113 entrepreneurs for incubation; and 23 entrepreneurs in the final incubation stage.	Refer 150 entrepreneurs for incubation; and 30 entrepreneurs in the final incubation stage.
	1.10. Percentage of Social Facilitation Sessions held for NEF investees per year.	23 Social Facilitation sessions	70% of the SEDU pipeline	18% of the SEDU pipeline	35% of the SEDU pipeline	53% of the SEDU pipeline	70% of the SEDU pipeline

Outcome	Output Indicator	Performance as of 31 Dec 2020	Target 2021/22	Cumulative Quarterly Milestones			
				1st	2nd	3rd	4th
7. Maintaining Financial Sustainability	1.11. Brand audit survey findings	N/A	Maintain brand awareness of 90%	N/A	N/A	N/A	N/A
<b>FINANCIAL EFFICIENCY &amp; SUSTAINABILITY</b>							
8. Maintaining Financial Sustainability	1.12. Percentage of portfolio impaired	30%	25%	25%	25%	25%	25%
	1.13. Target ROI before impairments (to be reviewed annually)	5.32%	7%	*7%	*7%	*7%	*7%
	1.14. Collection ratio	77%	80%	80%	80%	80%	80%

Outcome	Output Indicator	Performance as of 31 Dec 2020	Target 2021/22	Cumulative Quarterly Milestones			
				1st	2nd	3rd	4th
9. Growing BEE through partnerships	1.15. Value of partnerships concluded	R219m	R50m	R13m	R25m	R38m	R50m



**Part C:  
Link to Other Plans**

## 10. FINANCIAL PLAN

The NEF's strategic objectives are detailed in section **Error! Reference source not found.** of this Plan, and detailed Financial Projections are provided in Appendix A.

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

- CPI inflation forecast of 5.6% in FY2021 and an average CPI forecast of 4.9% over the forecast period. These are as per the National Treasury's MTEF guidelines;
- Portfolio provisions on average of 25% in FY2022 and 24% in FY2023 and FY2024;
- Interest earned on surplus cash 4.00%
- Approvals of R3.5 billion between FY2021 and FY2024;
- 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 9% as at 31 March 2020. Fees are projected at 1% of funds disbursed each year.

Interest on cash in the bank is projected at an average rate of 4%, which are the projected rates achieved on money invested with the South African Reserve Bank and on the call facility with Standard Bank.

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

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

The Net Asset Value of the NEF has increased from the initial R2.4 billion to just over R3.6 billion as at financial year end 2019/20. This overall increase over the period has largely been a factor of appreciation in fair value of the NEF's listed investment portfolio and retained earnings as the loan book has grown over the years; however, material unrealised fair value losses on listed investments have been reported in the last five financial years, as a result of the decline of MTN's share price from a high of R240 per share, on the 24<sup>th</sup> of April 2015, to R48.39 per share on the 31<sup>st</sup> of March 2020. This represents an 80% decline in the value of MTN, over the five-year period, which is a significant asset on the NEF's balance sheet, comprising 12% of the total assets.

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

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

Over the strategic period, the cost-to-income ratio is forecasted to breach the intended long-term range of 54%-58%. This is mainly as a result of reducing income from both investments as a result of lower available capital for investments and dividend receipts (mainly from MTN) over the period. In addition, non-financial support activities which are mandatory to the NEF are currently not subsidised. In the event that the NEF gets transfers from **the dtic** to fully fund the non-financial services we currently undertake, the cost-to-income ratio could be brought down from an average of 86% and maintained around 82% over the course of the strategic period which is closer to the long-term range.

## 10.2. Asset and liability management

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

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

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



## 10.3. Cash flow projections

Please refer to Appendix A.

## 10.4. Capital expenditure and infrastructure plans

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

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 it is not currently on the MTEF.



# 11. Risk Management and Fraud Prevention Plan

## 11.1. Risk Management Framework

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

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

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

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

## 11.2. Risk Strategy (Risk Register)

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

### A. Covid-19

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

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

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

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

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

In evaluating transactions, market conditions are considered, due diligence investigations, modelling and structuring 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.

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

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

Internally, the risk that the assessment processes of the NEF may not be able to inform appropriate investment decisions does exist, as does the risk of not collecting on amounts

due and not being able to timeously identify distressed investments, which may be able to be rescued. The risk of funding the wrong “jockeys” impacting on the performance of investments and the portfolio also exists. Inadequate controls mitigating this risk may negatively impact on the performance and quality of the portfolio.

The controls introduced to attempt to mitigate this risk include:

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

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

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

#### **E. Recapitalisation Risk**

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

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

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

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

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

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

### 11.3. Fraud Prevention Plan

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

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

#### Anti-Fraud Policy Statement

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

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

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

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

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

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

#### **Anti-Fraud Charter**

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

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

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

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

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

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

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

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

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



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

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

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

### **11.5. Relevant Court Rulings**

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

## 12. Indicator Profiles

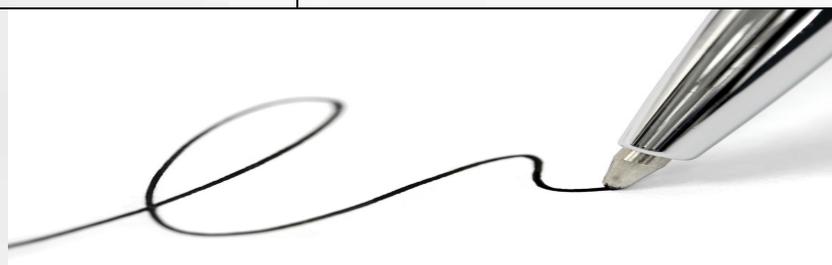
### *Performance Indicator 1: Value of deals approved by the NEF*

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



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

<b>1. Indicator title</b>	Value of Commitments made by the NEF
<b>2. Definition</b>	The total cash which the NEF has agreed to advance to investees in legal agreements signed
<b>3. Source/collection of data</b>	Legal Department
<b>4. Method of calculation / Assessment</b>	Simple Count
<b>5. Means of Verification</b>	Reports, Signed Agreements by both parties, Completed Templates
<b>6. Assumptions</b>	Reliable Data
<b>7. Disaggregation of Beneficiaries (Where applicable)</b>	N/A
<b>8. Spatial Transformation (Where applicable)</b>	9 Provinces
<b>9. Calculation Type</b>	Cumulative
<b>10. Reporting Cycle</b>	Quarterly and Annually
<b>11. Desired Performance</b>	Committed Deals
<b>12. Indicator Responsibility</b>	Unit Executive Directors



**Performance Indicator 3: Value of Disbursements**

<b>1. Indicator title</b>	Value of Disbursement made by the NEF
<b>2. Definition</b>	Indicates the total or part cash which the NEF has advanced to investees (this includes Enterprise Development grants)
<b>3. Source/collection of data</b>	Finance Department; Funds
<b>4. Method of calculation / Assessment</b>	Simple Count
<b>5. Means of Verification</b>	CRM System reports, Completed Templates
<b>6. Assumptions</b>	Reliable Data
<b>7. Disaggregation of Beneficiaries (Where applicable)</b>	N/A
<b>8. Spatial Transformation (Where applicable)</b>	9 Provinces
<b>9. Calculation Type</b>	Cumulative
<b>10. Reporting Cycle</b>	Quarterly and Annually
<b>11. Desired Performance</b>	Disbursed Funds
<b>12. Indicator Responsibility</b>	Unit Executive Directors



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

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



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

<b>1. Indicator title</b>	Percentage of annual disbursements owned by black women
<b>2. Definition</b>	Percentage of the portfolio disbursed to businesses owned by black women
<b>3. Source/collection of data</b>	Funds
<b>4. Method of calculation / Assessment</b>	Total Disbursements amount to Business owned by Black women / Total Disbursements amount
<b>5. Means of Verification</b>	CRM System Reports, Completed Templates
<b>6. Assumptions</b>	Reliable Data
<b>7. Disaggregation of Beneficiaries (Where applicable)</b>	Target for Women: 40% of Total disbursements per annum
<b>8. Spatial Transformation (Where applicable)</b>	9 Provinces
<b>9. Calculation Type</b>	Non-cumulative
<b>10. Reporting Cycle</b>	Quarterly and Annually
<b>11. Desired Performance</b>	Disbursements to Businesses owned by Black women
<b>12. Indicator Responsibility</b>	Unit Executive Directors



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

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

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

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



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

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



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

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



**Performance Indicator 10: Percentage of Social Facilitation Sessions held for NEF investees per year.**

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



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

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



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

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



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

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

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



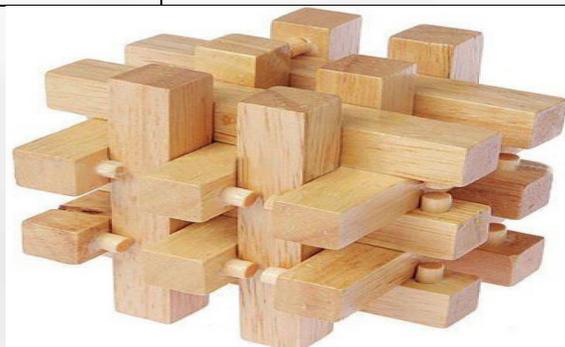
**Performance Indicator 14: Collections ratio**

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



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

<b>1. Indicator title</b>	Value of Partnerships concluded
<b>2. Definition</b>	Value of mobilised resources from concluded partnerships
<b>3. Source/collection of data</b>	Finance Department, SEDU
<b>4. Method of calculation / Assessment</b>	Simple Count
<b>5. Means of Verification</b>	Partnership agreement
<b>6. Assumptions</b>	Reliable Data
<b>7. Disaggregation of Beneficiaries (Where applicable)</b>	N/A
<b>8. Spatial Transformation (Where applicable)</b>	N/A
<b>9. Calculation Type</b>	Cumulative
<b>10. Reporting Cycle</b>	Quarterly and Annually
<b>11. Desired Performance</b>	Value of partnerships concluded
<b>12. Indicator Responsibility</b>	Unit Executive Directors



## Annexure A: Financial Projections

### Income and Expenditure

	<b>ACTUAL</b> <b>Mar-20</b> <b>R</b>	<b>BUDGET</b> <b>Mar-21</b> <b>R</b>	<b>BUDGET</b> <b>Mar-22</b> <b>R</b>	<b>BUDGET</b> <b>Mar-23</b> <b>R</b>	<b>BUDGET</b> <b>Mar-24</b> <b>R</b>
<b><u>INCOME:</u></b>					
<b>Dividends</b>	62 153 427	41 194 939	46 752 372	52 313 805	57 899 430
<b>Interest Received Banks</b>	75 103 921	48 391 345	40 741 883	33 868 936	35 494 645
<b>Interest from Investments</b>	182 842 678	138 154 902	166 119 796	183 900 178	199 549 248
<b>Capital raising Fees</b>	3 283 905	3 600 000	5 620 000	5 400 000	7 200 000
<b>Enterprise Development Fund</b>	4 250 000	5 200 000	5 200 000	5 200 000	5 200 000
<b>Other income</b>	34 158 876	16 150 000	42 263 373	52 583 284	62 385 600
<b>Bad Debts Recovered</b>	3 846 184	8 000 000	8 000 000	8 000 000	8 000 000
<b>Income from DRDLR</b>	-	-	-	-	-
	<b>365 638 991</b>	<b>260 691 186</b>	<b>314 697 424</b>	<b>341 266 203</b>	<b>375 728 924</b>
<b><u>EXPENDITURE</u></b>					
<b>Goods &amp; Services</b>	65 530 765	54 429 158	59 658 876	63 148 857	66 764 111
<b>Compensation to employees</b>	138 557 213	196 459 630	211 068 569	223 146 122	235 472 708
<b>Depreciation</b>	1 921 696	1 264 062	1 417 071	1 522 108	1 733 100
<b>Projects/ Non-financial support</b>	13 580 520	8 500 000	8 933 500	9 380 175	9 830 423
<b>Impairment Provision &amp; Write offs</b>	252 467 075	-	33 272 423	42 829 783	61 445 055
<b>Total Expenditure</b>	<b>472 057 269</b>	<b>260 652 850</b>	<b>314 350 438</b>	<b>340 027 045</b>	<b>375 245 396</b>
<b><u>OPERATIONAL SURPLUS/(DEFICIT)</u></b>	<b>(106 418 278)</b>	<b>38 336</b>	<b>346 986</b>	<b>1 239 158</b>	<b>483 527</b>
<b>Fair value Adj - Held at fair value</b>	(19 493 251)	-	-	-	-
<b>Fair value Adj - non associate equity inventments</b>	(410 312 832)	-	-	-	-
<b>Fair value Adj - unincorporated equity inventments</b>	(4 631 120)	-	-	-	-
<b>Fair value adj - investment in associates</b>	(27 811 366)	-	-	-	-
<b><u>TOTAL FAIR VALUE ADJUSTMENTS</u></b>	<b>(462 248 569)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net surplus/(deficit)</b>	<b>(568 666 847)</b>	<b>38 336</b>	<b>346 986</b>	<b>1 239 158</b>	<b>483 527</b>

## Annexure B: Statement of Financial Position

	<b>Actual</b>	<b>Budget</b>	<b>Budget</b>	<b>Budget</b>	<b>Budget</b>
	<b>Mar-20</b>	<b>Mar-21</b>	<b>Mar-22</b>	<b>Mar-23</b>	<b>Mar-24</b>
	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
<b>ASSETS</b>					
<b>Non Current Assets</b>	<b>2 637 807 086</b>	<b>2 774 482 656</b>	<b>2 567 786 216</b>	<b>2 413 807 238</b>	<b>2 404 217 763</b>
Property, Plant and Equipment	3 127 554	5 069 972	7 194 876	7 564 542	8 495 151
Intangible Assets	353 813	1 191 355	3 617 993	6 263 834	7 712 174
Investments in Associates	33 897 985	69 897 985	126 097 985	180 097 985	252 097 985
Investments Held at Fair Value	861 944 342	861 944 342	861 944 342	861 944 342	861 944 342
Investment in subsidiary	19 876 554	19 876 554	-	-	-
Finance Lease receivables	205 391 112	214 504 849	204 708 563	196 908 894	198 350 788
Loans and Preference Shares	1 513 215 725	1 601 997 598	1 364 222 456	1 161 027 641	1 075 617 323
Preference shares	-	-	-	-	-
Loans	1 513 215 725	1 601 997 598	1 364 222 456	1 161 027 641	1 075 617 323
<b>Current Assets</b>	<b>1 481 652 762</b>	<b>1 141 015 527</b>	<b>1 458 809 802</b>	<b>1 570 027 938</b>	<b>1 536 100 939</b>
Trade and other receivables	17 270 199	17 270 199	17 270 199	17 270 199	17 270 199
Dividends receivables	35 907 774	-	-	-	-
Non-current assets - Held for sale	165 500	-	-	-	-
Investments Held for Trading	8 795 032	8 795 032	8 795 032	8 795 032	8 795 032
Cash and Bank	1 419 514 257	1 114 950 296	1 432 744 571	1 543 962 707	1 510 035 708
<b>TOTAL ASSETS</b>	<b>4 119 459 847</b>	<b>3 915 498 182</b>	<b>4 026 596 018</b>	<b>3 983 835 176</b>	<b>3 940 318 702</b>
<b>Trust Capital and Reserves</b>	<b>3 648 067 661</b>	<b>3 648 105 997</b>	<b>3 648 452 983</b>	<b>3 649 692 142</b>	<b>3 650 175 669</b>
Trust Capital	2 468 431 472	2 468 431 472	2 468 431 472	2 468 431 472	2 468 431 472
Retained Income	1 179 636 189	1 179 674 525	1 180 021 511	1 181 260 670	1 181 744 197
- Balance at Beginning of the Year	1 748 303 036	1 179 636 189	1 179 674 525	1 180 021 511	1 181 260 670
- Retained Income/(Deficit) for the Year	(568 666 847)	38 336	346 986	1 239 158	483 527
<b>Non-Current Liabilities</b>					
Liabilities directly associated with non-current assets classified as held for sale	9 249 151	9 249 151	-	-	-
<b>Current Liabilities</b>	<b>462 143 035</b>	<b>258 143 035</b>	<b>378 143 035</b>	<b>334 143 035</b>	<b>290 143 035</b>
Enterprise Development Fund	440 280 234	240 280 234	364 280 234	324 280 234	284 280 234
Accounts Payable	21 862 801	17 862 801	13 862 801	9 862 801	5 862 801
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>4 119 459 847</b>	<b>3 915 498 182</b>	<b>4 026 596 018</b>	<b>3 983 835 176</b>	<b>3 940 318 702</b>

## Annexure C: Cash flow Statement

	Actual	Budget	Budget	Budget	Budget
	2020	2021	2022	2023	2024
	March	March	March	March	March
	R	R	R	R	R
<b>Cash flows from operating activities</b>	<b>(154 101 902)</b>	<b>(230 438 789)</b>	<b>(222 577 571)</b>	<b>(228 491 870)</b>	<b>(233 281 641)</b>
Cash receipts from customers	17 875 661	32 949 999	61 083 374	71 183 284	82 785 600
Cash paid to suppliers and employees	(171 977 563)	(263 388 788)	(283 660 945)	(299 675 154)	(316 067 241)
<b>Cash flows from investing activities</b>	<b>556 117 949</b>	<b>(74 125 172)</b>	<b>540 371 846</b>	<b>339 710 006</b>	<b>199 354 643</b>
Additions to property, and equipment	(1 817 134)	(2 700 000)	(3 200 000)	(1 500 000)	(2 200 000)
Additions to intangible assets	-	(1 000 000)	(2 920 000)	(3 500 000)	(2 500 000)
Investment disbursements	(269 446 344)	(360 000 000)	(562 000 000)	(540 000 000)	(720 000 000)
Dividends received	59 118 967	41 194 939	46 752 372	52 313 805	57 899 430
Interest receipts	80 169 854	48 391 345	40 741 883	33 868 936	35 494 645
Proceeds for COVID-19 relief fund	200 000 000	-	-	-	-
DTIC/IDC facilities including other partners	-	-	664 000 000	400 000 000	400 000 000
Repayments on originated loans, preference shares and leases	483 552 606	199 988 544	356 997 591	398 527 264	430 660 567
Proceeds from sale of investments	4 540 000	-	-	-	-
<b>Decrease in cash and cash equivalents</b>	<b>402 016 048</b>	<b>(304 563 961)</b>	<b>317 794 276</b>	<b>111 218 135</b>	<b>(33 926 999)</b>
<b>Cash at beginning of the year</b>	<b>1 017 498 209</b>	<b>1 419 514 257</b>	<b>1 114 950 296</b>	<b>1 432 744 571</b>	<b>1 543 962 707</b>
<b>Total Cash at end of year</b>	<b>1 419 514 257</b>	<b>1 114 950 296</b>	<b>1 432 744 571</b>	<b>1 543 962 707</b>	<b>1 510 035 708</b>

## Annexure D: Personnel Information

Category	Salary Level	Salary Bands	Components of Remuneration	Preliminary outcomes			Actuals as at 31 March 2020						Projections over the MTEF													
				2018/19			2019/20			2020/21			2021/22			2022/23			2023/24			2024/25				
				Number of posts filled on funded establishment	Expenditure on posts filled on funded establishment (R thousand)	Unit Cost	Number of posts on approved establishment	Number of funded posts (establishment)	Number of posts filled on funded establishment	Expenditure on posts filled on funded establishment (R thousand)	Unit Cost	Number of posts filled on funded establishment	Expenditure on posts filled on funded establishment (R thousand)	Unit Cost	Number of posts filled on funded establishment	Expenditure on posts filled on funded establishment (R thousand)	Unit Cost	Number of posts filled on funded establishment	Expenditure on posts filled on funded establishment (R thousand)	Unit Cost	Number of posts filled on funded establishment	Expenditure on posts filled on funded establishment (R thousand)	Unit Cost	Number of posts filled on funded establishment	Expenditure on posts filled on funded establishment (R thousand)	Unit Cost
			Performance bonus		36 606	-						49 539	-		52 061	-		54 499	-		57 042	-		59 703	-	
Permanent	1 251 184 - 1 521 589	Senior Management	Guaranteed package	21	27 394	1 304	21	21	17	28 137	1 655	21	29 228	1 392	21	31 048	1 478	21	32 848	1 564	21	34 753	1 655	21	36 769	1 751
Permanent	208 584 - 257 507	Semi-skilled	Guaranteed package	9	2 138	238	9	9	7	1 956	279	11	2 281	207	31	5 608	181	31	5 937	192	31	6 283	203	31	6 647	214
Permanent	470 040 - 733 256	Professionals	Guaranteed package	75	54 696	729	79	79	67	55 766	832	80	58 357	729	80	61 992	775	80	65 586	820	80	69 390	867	80	73 414	918
Permanent	316 791 - 376 595	Skilled	Guaranteed package	39	14 605	374	39	39	46	18 203	396	39	15 583	400	39	16 553	424	39	17 513	449	39	18 529	475	39	19 603	503
Permanent	869 007 - 1 057 325	Middle Management	Guaranteed package	19	19 118	1 006	19	19	19	20 066	1 056	19	20 397	1 074	19	21 668	1 140	19	22 924	1 207	19	24 254	1 277	19	25 660	1 351
Permanent	2 228 822 - 2 519 153	Executive Management	Guaranteed package	1	2 337	2 337	1	1	1	2 343	2 343	1	2 473	2 473	1	2 597	2 597	1	2 798	2 798	1	2 961	2 961	1	3 132	3 132
Permanent	2 228 822 - 2 519 153	Executive Management	Performance bonus		1 128	1 128				-	-		1 194	1 194		1 254	1 254		1 351	1 351		1 429	1 429		1 512	1 512
Permanent	2 228 822 - 2 519 153	Executive Management	Guaranteed package	1	2 429	2 429	1	1	1	2 402	2 402	1	2 571	2 571	1	2 699	2 699	1	2 909	2 909	1	3 077	3 077	1	3 256	3 256
Permanent	2 228 822 - 2 519 153	Executive Management	Performance bonus		1 153	1 153				-	-		1 220	1 220		1 281	1 281		1 381	1 381		1 461	1 461		1 545	1 545
Permanent	2 228 822 - 2 519 153	Executive Board Members	Guaranteed package	1	778	778	1	1	1	2 675	2 675	1	2 364	2 364	1	2 482	2 482	1	2 675	2 675	1	2 830	2 830	1	2 994	2 994
Permanent	2 228 822 - 2 519 153	Executive Board Members	Performance bonus		-	-				-	-		834	834		876	876		944	944		998	998		1 056	1 056
Permanent	3 647 110 - 4 128 882	Executive Board Members	Guaranteed package	1	4 073	4 073	1	1	1	4 272	4 272	1	4 311	4 311	1	4 526	4 526	1	4 877	4 877	1	5 160	5 160	1	5 459	5 459
Permanent	3 647 110 - 4 128 882	Executive Board Members	Performance bonus		1 994	1 994				-	-		2 110	2 110		2 216	2 216		2 388	2 388		2 526	2 526		2 673	2 673
Permanent	2 848 655 - 3 222 636	Executive Management	Guaranteed package	1	2 915	2 915	1	1	1	2 737	2 737	1	3 085	3 085	1	3 239	3 239	1	3 490	3 490	1	3 693	3 693	1	3 907	3 907
Permanent	2 848 655 - 3 222 636	Executive Management	Performance bonus		579	579				-	-		913	913		969	969		1 027	1 027		1 089	1 089		1 154	1 154
<b>TOTAL</b>				<b>168</b>	<b>171 942</b>	<b>1 023</b>	<b>172</b>	<b>172</b>	<b>161</b>	<b>138 557</b>	<b>861</b>	<b>175</b>	<b>196 460</b>	<b>1 123</b>	<b>195</b>	<b>211 069</b>	<b>1 082</b>	<b>195</b>	<b>223 146</b>	<b>1 144</b>	<b>195</b>	<b>235 474</b>	<b>1 208</b>	<b>195</b>	<b>248 485</b>	<b>1 274</b>

Personnel numbers have decreased from a staff complement of 171 at the beginning of 2013/14 to 161 as at 31 March 2020. The staff complement is projected to grow to over 195 in the short to medium term. The staff complement is mainly made up of professionals. Attrition levels increased to 14% during 2013/14 as a result of uncertainties regarding the recapitalisation and job security, however, there has been a significant fluctuation of attrition levels since, which currently stand at 12% as at 31 March 2020. Personnel cost as a percentage of total operating expenses, averages around 68%, which is an acceptable norm in Development Finance Institute/Private Equity environments, where there is a high dependence on professional staff. The ratio of support staff to line staff is 1:2.

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