



the dti

Department:
Trade and Industry
REPUBLIC OF SOUTH AFRICA

National Empowerment Fund (NEF)

Incentives Road Show

Presented by

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Product Advisor

Pre-investment



NEF Mandate ...

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



Unpacking the NEF Mandate ...

NEF Mandate

Grow black economic participation

Financial & non-financial support

Culture of savings & investment

Fund Management

1. Fund black-empowered businesses
2. Business plan toolkit
3. None Financial support
4. Early-stage investments

Asset Management

1. Investor Education
2. Public Share Offers
3. Enterprise Development
4. BEE Repository

Market Failures Facing Black Business

The NEF seeks to address the following market failures:

- Lack of access to finance
- Lack of access to markets
- Lack of specific industry-knowledge and/or management experience
- Limited or no equity contribution
- SMEs have low bargaining power with suppliers and customers (they are price-takers)
- SMEs compete with well-established businesses
- They are often undercapitalized and have low asset base
- SMEs are characterised by lack of accurate and reliable information, and lack of business-planning skills
- Lack of management depth – small and multifunctional, and often lack a range of business-management skills



NEF Funding

R250 000 – R75 million



- **Start-up**
- **Expansion**
- **Equity Acquisition**



NEF Funding Products in detail

On average, the NEF's business loans are repayable over 4 to 7 years, and up to 10 years where marked with an asterisk (*) below:

Product / Fund	Description	Funding amounts
Entrepreneurship Finance	For starting a new business	R250 000 – R10 million
Procurement Finance	For tenders and contracts	R250 000 – R10 million
Franchise Finance	For pre-approved franchise licenses	R250 000 – R10 million
Acquisition Finance	For black investors acquiring a stake in medium to large companies	R2 million – R75 million
Expansion Capital	For growing an existing business	R250 000 – R75 million
*New Ventures Finance	Participation in green-field projects	R5 million – R75 million
Capital Markets	Listing on the JSE or its junior AltX markets	R2 million – R75 million
Liquidity and Warehousing	The NEF has Black Facilitator status, which can help black shareholders and companies wishing to sell a stake while keeping the shareholding black	R2 million – R75 million
*Rural and Community Development Fund	for agri-processing, tourism, mining & beneficiation, manufacturing etc	R1 million – R50 million
*Strategic Projects Fund	Venture-capital fund investing in early-stage projects for the purpose of developing strategic industrial capacity in poverty nodes, in renewable energy, business process outsourcing, tourism, manufacturing, mining and mineral beneficiation etc.	R1 million – R75 million

NEF Funding Criteria

Each application is assessed in terms of the following criteria:

- minimum percentage of black ownership or interest,
- black women empowerment,
- black managerial and operational involvement,
- commercial viability of the business,
- job creation,
- specific product criteria,
- geographic location of the business (rural/urban/disadvantaged areas),
- community involvement,
- compliance with all the relevant laws and regulations,
- return on investment, and
- the possibility of co-funding with another public or private sector institution.



Successes To Date

Over R3.7 billion approved for black businesses

More than R2,7 billion disbursed

Over R680 approved for 233 SMEs

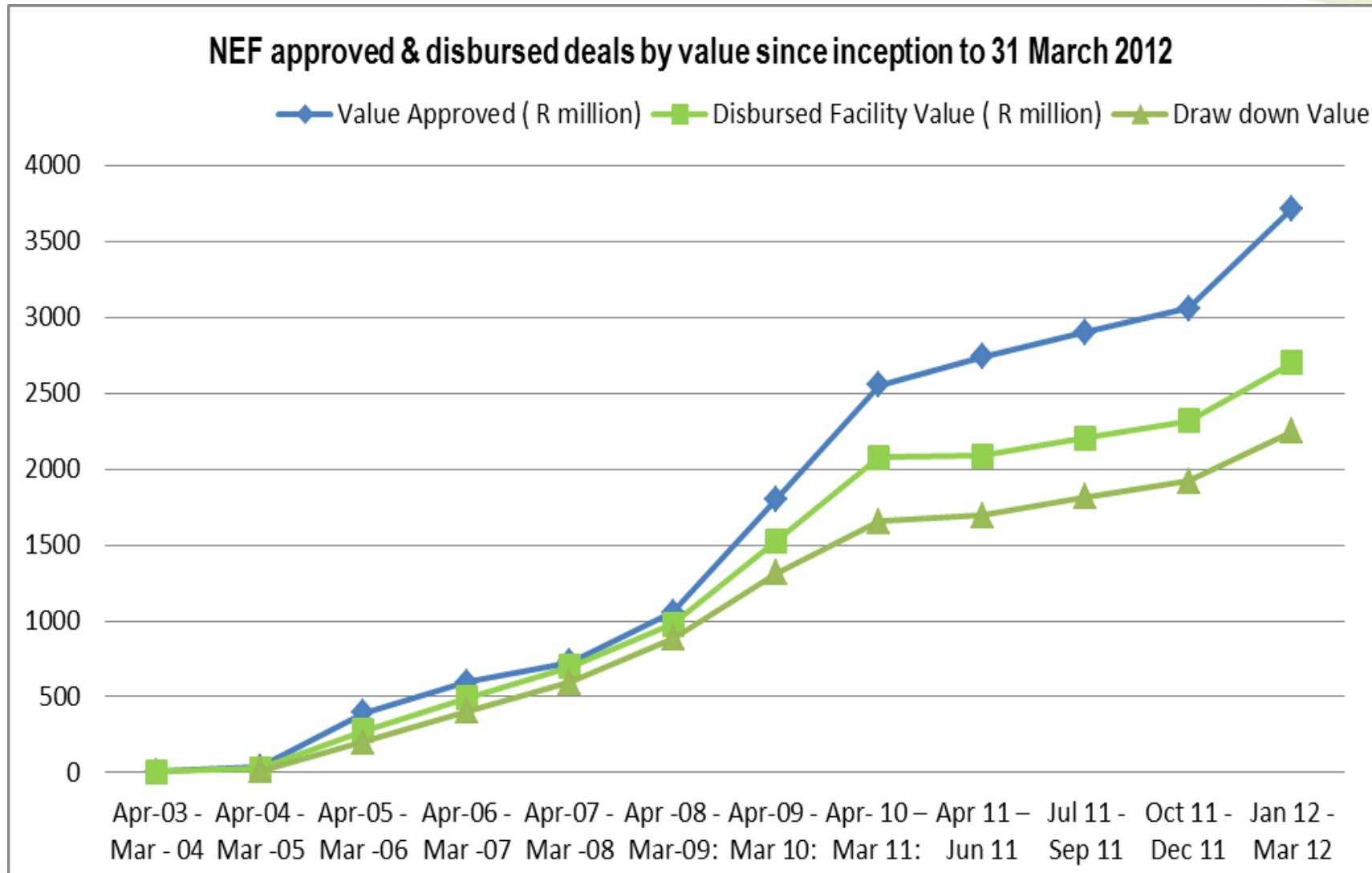
R108m approved for 7 rural community deals

Over 29 000 jobs supported and created

21.5% of the NEF's portfolio comprises women-owned businesses

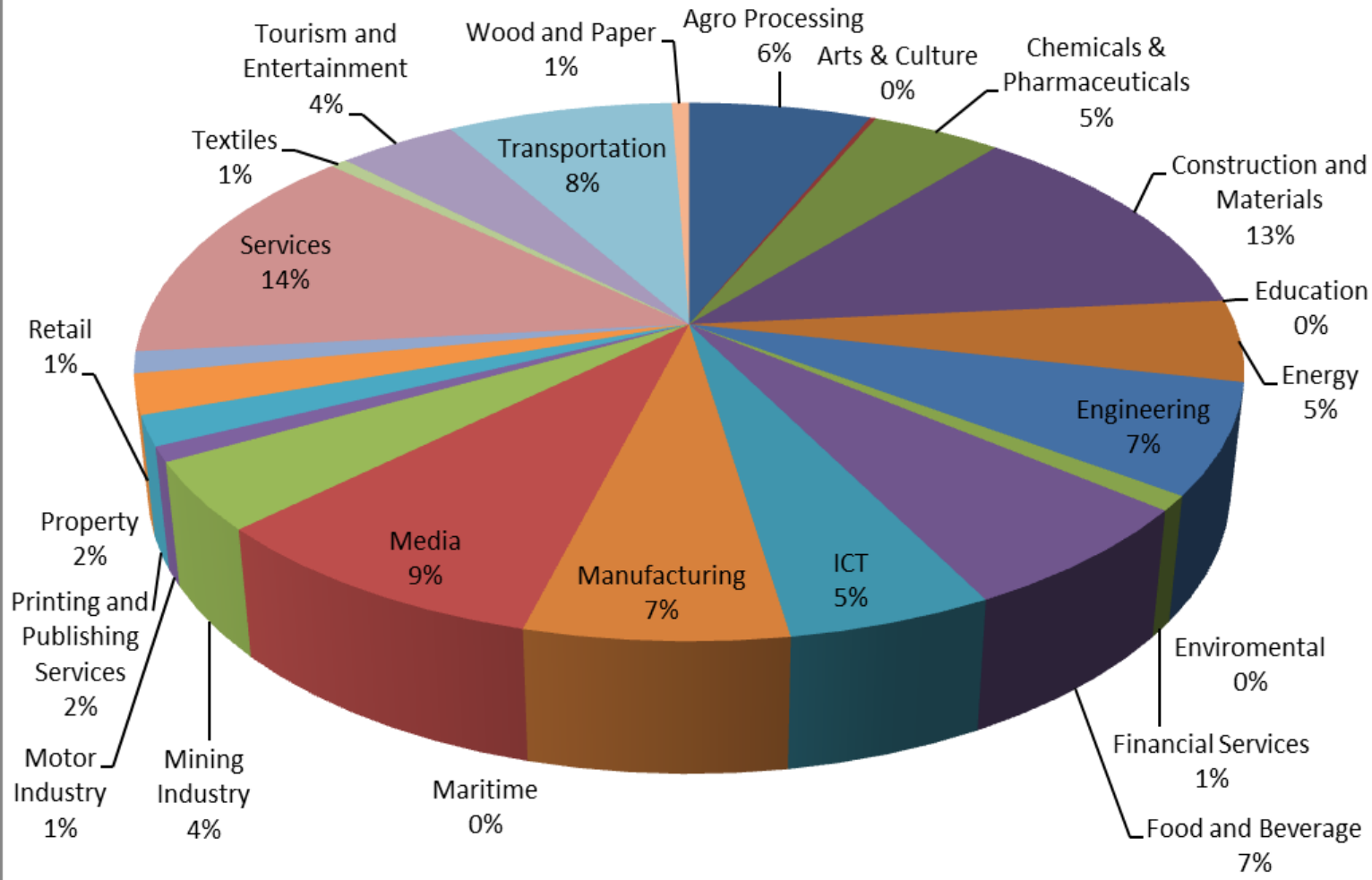


NEF Approvals & Disbursements by Value



NEF Portfolio by Sector by Value ...

**NEF Invested portfolio by sector by value since inception -
31 March 2012**



None Financial Support

- Globally, 30% of start-ups fail in the first 2 years,
- Less than 50% survive beyond 4 years
- Mentorship
- Incubation
- Business plan Toolkit on line
- Entrepreneurial Training
- Entrepreneurial Assessment

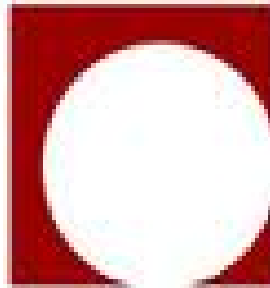


Examples of NEF funding

Colliery Dust Control – R41 million

Colliery Dust Control is a South African based business and focuses on the design, manufacturing and supply of integrated dust-suppression systems for various underground mining applications. The NEF provided acquisition funding to the two main black women partners, Ms Thembi Chagonda and Ms Babalwa Geza, the Deputy Managing Director.

The company supports 24 fulltime jobs.



**COLLIERY
DUST
CONTROL (Pty) Ltd.**
South Africa



Examples of NEF funding



Value Cement (Pty)Ltd. R35 million

Value Cement is a 73,79% black-owned entity with 43% women shareholding. The company blends, produces and sells cement to a wide range of customers. At the helm of their operations are Ms Siphidile Ngiba the Financial Director, who is an accountant, and Mr Jabulani Cekwana the Managing Director, a chartered accountant. Both are in their youth.



To date the company has secured a key 5-year renewable off-take agreement with the Mica Group which requires between 100 000 to 300 000 bags of cement per month. Value Cement products have SABS approval. The company has a strong pipeline of customers interested in their products, including within the SADC region.



The company supports a total of 50 fulltime jobs.

Examples of NEF funding

Wassa – R12,5 million

Wassa is a 100% women- owned business operating in the energy sector. The entrepreneurs are Ms Nokwanele Qonde, a 60% shareholder, and Ms Thandekile Sibisi at 40% shareholding. The business has been operational since 2008 and is based in Kya-Sands, Randburg. The core business of Wassa is to wholesale liquid petroleum gas (LPG) to Industrial and Commercial retailers.

The company buys directly from SASOL Oil, SASOL Nitro, BP and Petro SA. LPG is usually used for domestic, industrial and commercial cooking and heating purposes. Currently the company supplies across within Gauteng, and has with a long- term goal to distribute to other provinces.

The company supports a total of 14 fulltime jobs.



Examples of NEF funding

Ahanang - R8,75 million

Ahanang Hardware and Construction CC is a 100% female-owned business which was formed in 1998 by Mrs Granny Moira Seape. Its core business is in construction, hardware, retail of building products and similar activities. Among the large-scale projects that Ahanang recently completed is a R20,8 million contract to deliver on all the civil works, earthworks and structural steel works project that requires 15 months to complete.

The company supports 48 jobs.



Examples of NEF funding

Tawana - R5 million

Tawana Business Projects (Pty) Ltd is involved in the construction of low-cost residential houses. The company has two Shareholders, Ms Malebo Magasa (90% interest) and Ms Martha Toloane holding minority interest of 10%. In 2007, Ms Martha Toloane joined the company as a Shareholder and the company's Financial Director.

Among many other completed projects, in 2011 Tawana built 50 RDP houses for the Rustenburg Local Municipality in Rasimone Village in Rustenburg. The contract value was R3,6million.

The company supports 27 fulltime jobs.



Examples of NEF funding

Afripotego IT & Construction (Pty) Ltd - R2,75 million

Afripotego IT and Construction (Pty) Ltd. previously trading as Ekurhuleni Women and Youth Empowerment (Pty) Ltd. is the brainchild of Ms Tsakani Mudau, and was established in 2004 to empower women in the IT and Construction industries. The company is one of the eleven Regional Field Service Centres (RFSC's) servicing Gidani Lottery Machines. The company has diversified into construction, transportation and the supply of building material.

The company supports 37 fulltime jobs.



Examples of NEF funding

Dlamini Incorporated R880 000

Dlamini Incorporated was established in June 2009 by Ms.Nthabiseng Dlamini. Dlamini Inc. is a Law Firm with its core areas of expertise focused on Project Finance, Corporate Finance, and Structured Finance. The business has positioned itself to become the leading Africa-focused corporate law firm on the continent in the energy, finance, commercial and utilities space by providing an innovative and complete solution for all its clients. The law firm has a specific bias towards female associates and candidate attorneys.

The law firm supports a total of 9 fulltime jobs.



Franchises Funded to Date

Pre-approved Franchise Agreements



CIAO BABY CUCINA



DEBONAIRS PIZZA



Enterprise Development Fund

Broad – Based Black Economic Empowerment Codes of Good Practice – Section 9(1) Series 600 provides that companies make monetary or non monetary contributions either recoverable or non recoverable for development, sustainability and financial and operational independence of beneficiaries.

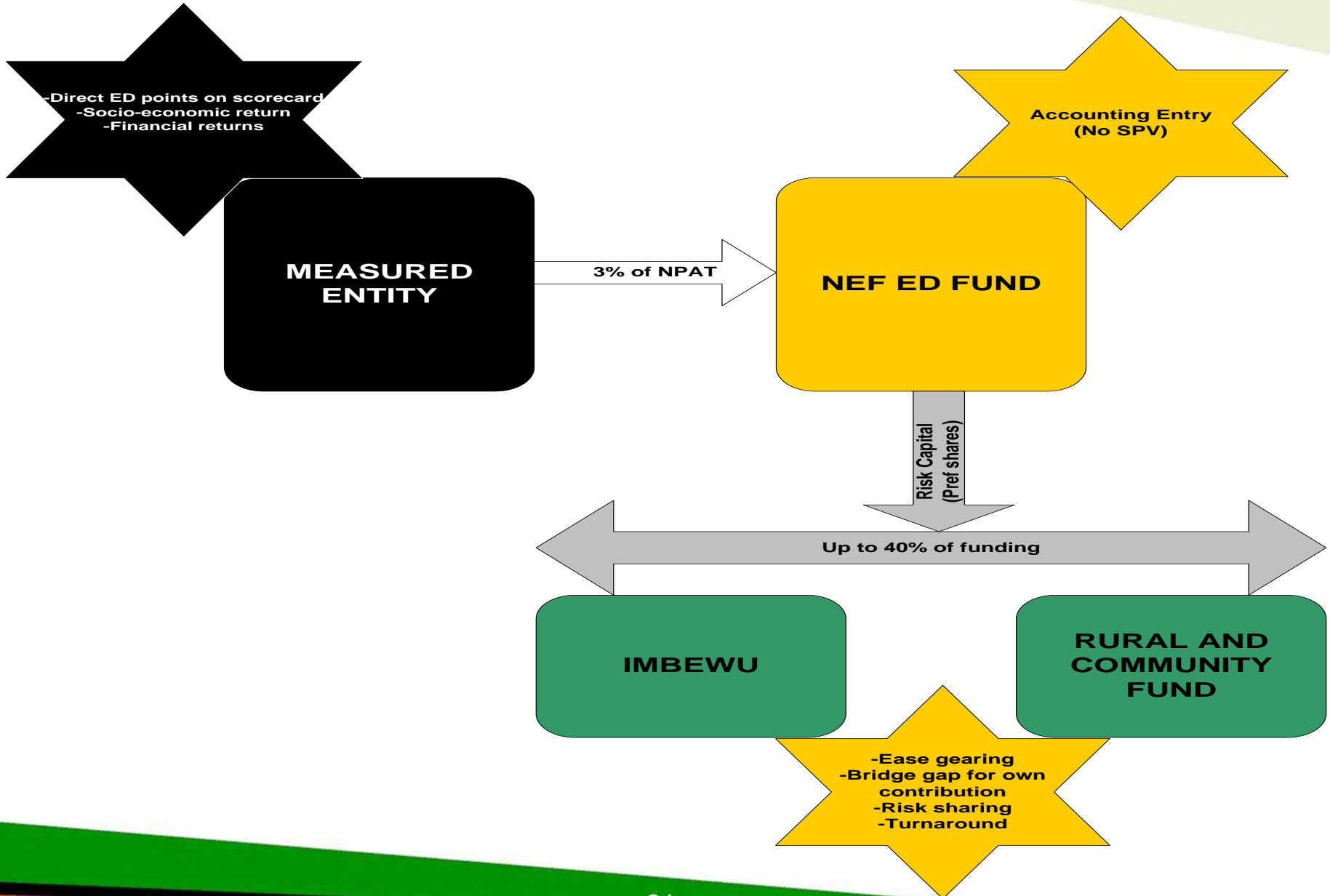


Why Enterprise Development?

- Limited management time to spend on non-core business
- Insufficient knowledge of BEE ED requirements
- Insufficient resources and skills to support BEE start-ups, which require significant skills injection to achieve economic viability
- Poor economies of scale achieved based on number of initiatives
- Lack of time and resources to identify sustainable Beneficiaries;
- Lack of a business model to maximise recognition of contribution;
- Lack of a process to monitor progress on projects and to introduce corrective measures, where necessary;
- Delaying implementation until the right partner comes along; and
- Reservation of spending lump sum due to fear that money will be wasted or misused.



Approach



Thank you

Contact Details

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5	Limpopo	0861 633 546 / 0861 NEF LIM
6	Mpumalanga	0861 633 678/ 0861 NEF MPU
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Northern Cape and North West offices to be opened soon.

www.nefcorp.co.za

