



trade, industry  
& competition

Department:  
Trade, Industry and Competition  
REPUBLIC OF SOUTH AFRICA

## Presentation to the Portfolio Committee on Trade, Industry and Competition

NEF Performance Report for Q1 and Q2 2022/23 FY



NEF CEO  
Ms Philisiwe Mthethwa  
22 February 2023

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# Positioning black entrepreneurs to drive recovery and growth post Covid-19

## NEF Mandate...

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

**The only DFI exclusively mandated to grow B-BBEE**

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

this threshold has been reduced to R40 million

## Non-Financial Support



### **Pre-investment**

As the first-point-of-contact the unit provides product advisory services, manages the online business-plan solution, manages the administration of applications, incubation and entrepreneurial training.



### **Socio Economic Development**

Empower black people in existing NEF transactions and other broad based groups through various interventions such as promotion of saving and investments, social facilitation, entrepreneurial training, investor education, corporate governance training and market access for the acceleration of meaningful participation.



### **Post-investment support**

Monitor investments, provide ongoing portfolio management, manage mentorship support and collections as well as legal compliance



### **Turnarounds. Workouts and Restructuring**

Rehabilitate distressed transactions and reduce impairments Through a combination of measures including balance sheet restructuring, equity and /or working capital injection, operational restructuring, introduction of a strategic equity partner and / or turnaround specialist and business rescue.



## NEF's Performance and Investment Criteria...

### “The Empowerment Dividend”

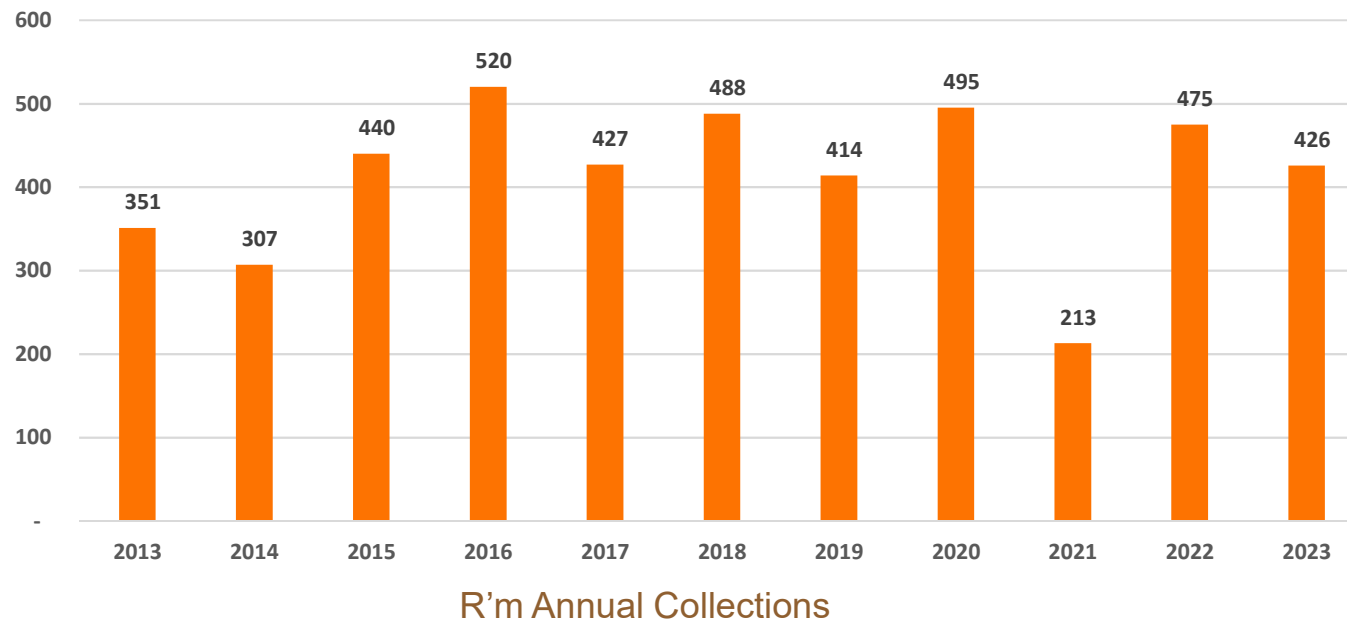
*The assessment of impact is not driven only by financial returns but by measurement in terms of “The Empowerment Dividend” made up as follows:*

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

# Life to Date Performance Milestones

	Output	Achievements
1	Approvals	<ul style="list-style-type: none"> <li>Approved <b>1 490 transactions</b> worth more than <b>R13.082 billion</b> across the country.</li> </ul>
2	Disbursement	<ul style="list-style-type: none"> <li>Over <b>R9.097 billion</b> has been disbursed to these companies since inception.</li> </ul>
3	Collections	<ul style="list-style-type: none"> <li>Over <b>R4.6 billion</b> has been repaid by investees.</li> </ul>
4	Integrity	<ul style="list-style-type: none"> <li>Secured <b>clean external audit</b> opinions for <b>19 years</b> running.</li> </ul>
5	Supporting jobs	<ul style="list-style-type: none"> <li>Since inception, the number of job opportunities supported is <b>119 045</b> of which <b>73 850</b> were new.</li> </ul>
6	Industrialization	<ul style="list-style-type: none"> <li><b>24</b> strategic and industrial projects worth <b>R12.6 billion</b>, with the potential to support over <b>52 000</b> jobs. 87% of the transactions are at an advanced development stage.</li> <li>Since inception <b>3 600</b> job opportunities have been created.</li> </ul>
7	A culture of savings & investment	<ul style="list-style-type: none"> <li>In a transaction worth over R1 billion the NEF Asonge Share Scheme made available more than 12 million MTN shares to over 87 000 investors comprising black individuals and groups. 49% of investors were women.</li> </ul>
8	Investor education	<ul style="list-style-type: none"> <li>Reached approximately <b>8 678 658</b> people in villages and townships through <b>723</b> community seminars on how to save and invest, personal financial discipline, shares, dividends, bonds, the property and money markets</li> </ul>
9	Entrepreneurship training / incubation	<ul style="list-style-type: none"> <li>Business skills training provided to over <b>6 814</b> potential entrepreneurs who attended <b>895</b> seminars from 2012 to date.</li> </ul>
10	National footprint	<ul style="list-style-type: none"> <li>Approximately 72% of the number (76% by value) of approved transactions emanated from the regional offices and Pre-Investment Unit.</li> </ul>

## Annual Collections over 11 years (R'm)



Since inception over R5bn has been paid by investees, with more than 80% collected over the past 11 years because of:

- Effective portfolio management
- Culture of loan payments entrenched

**R5bn  
repaid**





the dtic

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REPUBLIC OF SOUTH AFRICA

## Maximising Deal Activity

# How We Are Organised

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

## Funding across sectors of the economy

	Government Sector Focus	Examples of NEF Investment Breakthroughs
1	<b>Black industrialists</b>	Create new manufacturing and industrial capacity alongside local and international partners. To date the NEF has invested about R900m in developing projects (with a total of 24 projects currently under development) with a total of 5 operational businesses that have created over 3600 jobs and leveraged over R4 billion of third party funding. The projects have a combined economic value of <b>R12.6 billion</b> .
2	<b>Support SMEs</b>	A dedicated fund that has supported entrepreneurship, procurement & franchise funding, as well as business planning, incubation, training and mentorship support. To date, NEF disbursed over <b>R2.8 billion</b> in the support of <b>705 small and medium enterprises</b> .
3	<b>Township &amp; Rural Economy</b>	A dedicated fund that supports businesses in rural areas and townships. The businesses are in various sectors including property (shopping malls), petroleum sector (petrol stations) and tourism. To date the NEF disbursed just under <b>R2.4 billion</b> in support of over <b>380 entities</b> in rural and township economies.
4	<b>Property</b>	To respond to the market failures of low ownership of property by black businesses, the NEF introduced the property funding product to contribute to transformation of the sector. To date the NEF has disbursed over <b>R684 million</b> in the property sector. These investments are expected to contribute in job creation, infrastructure development, addressing the lack of student accommodation and supporting government's economic stimulus and recovery plan.
5	<b>Tourism</b>	The NEF continues to invest in community-owned hotels and lodges to drive the growth of the tourism sector. This includes investments in tourist attraction projects like the Graskop Gorge Lift, a flagship project that will drive tourism development in the Panorama Tourist Route in Mpumalanga, and is the first of its kind in Africa. To date the NEF has disbursed over <b>R251 million</b> into this sector and continues to identify opportunities in partnership with the Department of Tourism.
6	<b>Affordable housing</b>	In partnership with various industry stakeholders, supported the construction of several social housing, student accommodation and related projects. To date, NEF invested over <b>R375 million</b> in this sector.
7	<b>Agro-processing</b>	Supported beneficiation investments across the agricultural value chain such as processing of castor oil, fruit juices, condiments etc. To date, NEF invested over R373 million in this sector. To date, NEF invested over <b>R478 million</b> in the agriculture and agro-processing value chain sector.
8	<b>Energy</b>	Invested over <b>R673 million</b> in service stations countrywide, of which 44% are owned and managed by black women. These investment has supported at least <b>3 845 jobs</b> to date.

# Annual Performance Headlines

- 1  Approvals
- 2  Commitments
- 3  Disbursements
- 4  Jobs
- 5  Disbursements to Women

2022/23*	2021/23	202/21	2019/20	2018/19	2017/18
R616m	R1.333bn	R520m	R727m	R576m	R634m
R487m	R1.052bn	R520m	R567m	R513m	R521m
R608m	R1.050bn	R425m	R304m	R437m	R411m
3926	11,429	2,488	1,738	3,713	3,609
35%	28%	35%	38%	32%	35%

\* Up to 31 December 2022

# 2022/23 Q3 Performance Results

1



## Approvals

Approved 141 deals worth R616 million.

2



## Commitments

Commitments of R487 million.

3



## Disbursements

Disbursements of R608 million.

4



## Jobs

Supported 3,926 job opportunities.

5



## Disbursement to Women

35% disbursed to businesses that have black women ownership.



*KPI achieved*



*KPI not achieved*



# 2022/23 Q3 Performance Results

6



## Targeted Provinces

A total of R106 million was invested in NC, NW, FS, LP, MP and EC representing 18% of annual disbursements.

7



## Investor Education

84 Investor education sessions held.

8



## Entrepreneurial Training

162 entrepreneurial training sessions held across the country.

9



## Business Incubation and referrals

141 entrepreneurs were referred for incubation and 41 entrepreneurs were fully incubated.



*KPI achieved*



*KPI not achieved*

# 2022/23 Q3 Performance Results Cont'd

10



## Social Facilitation

119% Social facilitation sessions held during the period.

11



## Return on Investment

ROI at \*9.6% against a target of 7%.

13

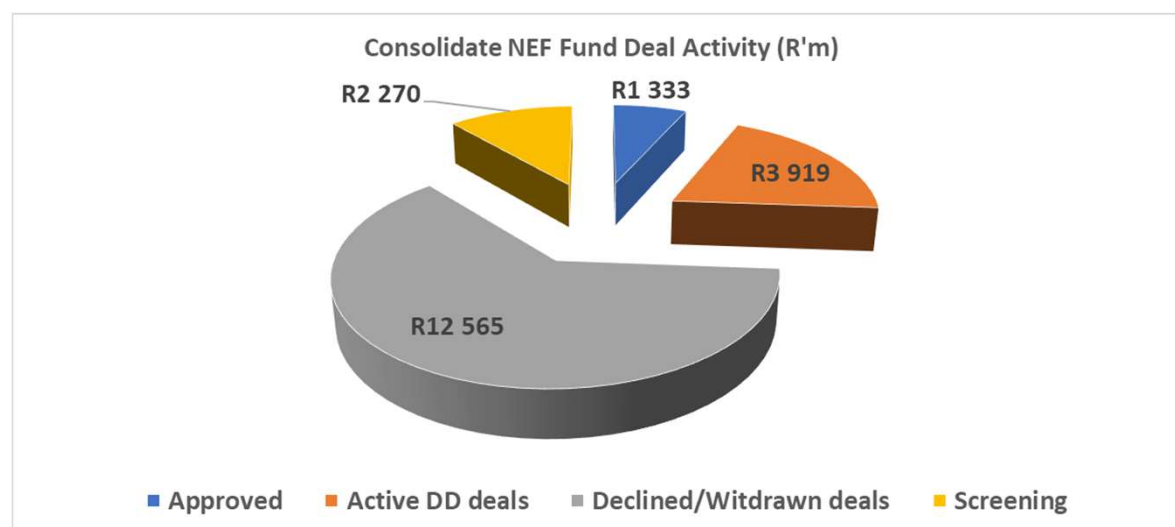


## Collections

Collections at 80.7%.

## Consolidated Fund Deal Activity Summary

NEF Fund Deal Activity 2021/2022				
Deal Stage	Volume	%	Value (R'm)	%
Approved	203	15%	R1 333	7%
Active DD deals	43	3%	R3 919	20%
Declined/Witdrawn deals	1030	76%	R12 564	63%
Screening	86	6%	R2 270	11%
<b>Total</b>	<b>1 362</b>	<b>100%</b>	<b>R20 087</b>	<b>100%</b>



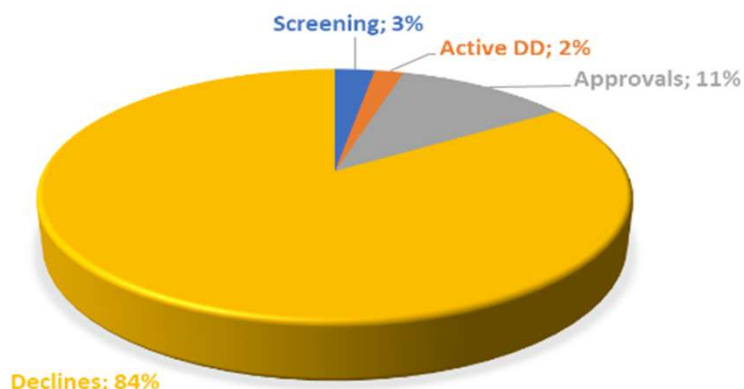
- Funds (including the Regions) screened a total of 1,362 applications worth R20.1 billion (768 applications worth R11 billion were screened during 2020/21 financial year)
- 76% volumes and 63% value of applications were declined during 2021/22 financial year
- The approval rate was 15% volumes and 7% value of applications in 2021/22 financial year
- The approval rate in the previous year (2020/21) was 8% volumes and 4% value
- The improvement in the approval rate was due to the ERF and other special ED funds under management

## Deals Assessed in 2021/2022 - iMbewu

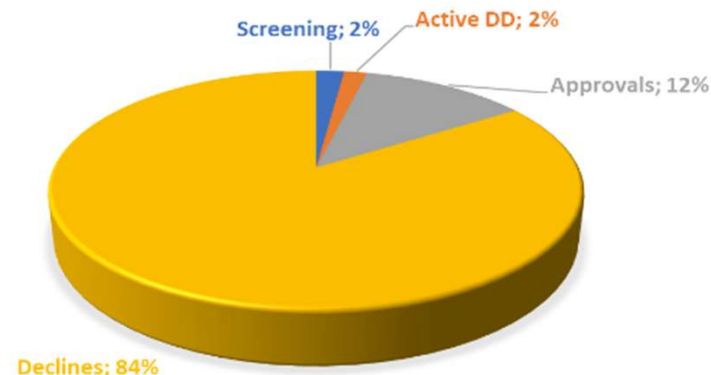
iMbewu Deal Activity Summary - FYE 2022				
Deal Stage	Amount		Number	
	R'm	(%)	Number	(%)
Screening stage	102,3	3%	16	2%
Active DD deals	74,1	2%	13	2%
Approved deals	445,7	11%	96	12%
Declines	3 296,0	84%	661	84%
<b>Totals</b>	<b>3 918,1</b>	<b>100%</b>	<b>785</b>	<b>100%</b>

- 785 applications with the total value of R3,9 bn (1,4 bn in 2021) were assessed by iMbewu team
- 96 deals or 12% (29 or 8% in 2021) of the total number assessed with the value of R445.7m or 11% (R183 m or 12% in 2021) of total value assessed, were approved.
- Average deal size is R4.6m per approval**, which is the lowest among the funds and consistent of the Fund's target market which is SMMEs
- 84% (86% in 2021) of **value** of deals assessed were declined
- 84% (91% in 2021) of the **number** of deals assessed were declined
- iMbewu has the highest volumes (785) of applications received and assessed during the year, with the **lowest average deal size of R5m per application**

IMBEWU FYE 2022 DEAL ACTIVITY - VALUES



IMBEWU FYE 2022 DEAL ACTIVITY - VOLUMES

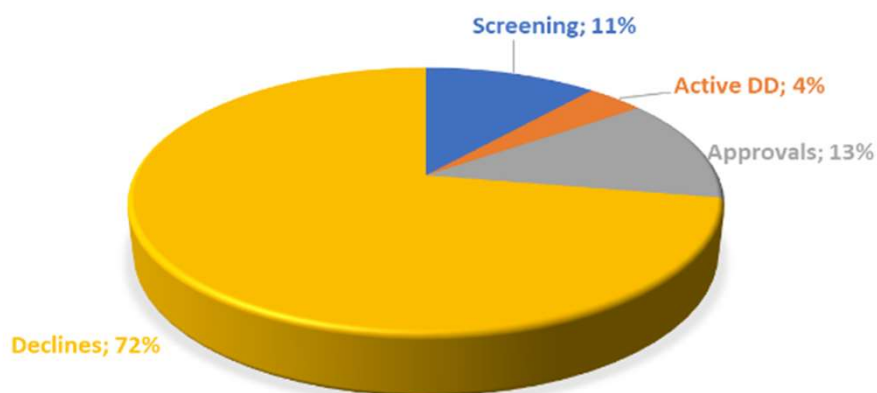


## Deals Assessed in 2021/2022 - RTCDF

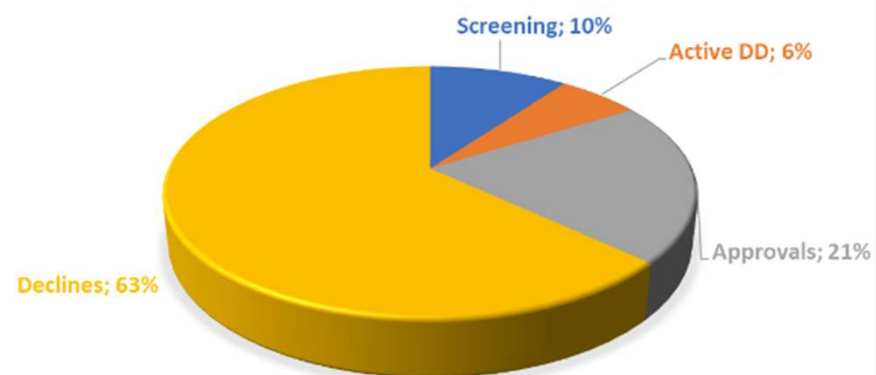
RTCDF Deal Activity Summary - FYE 2022				
Deal Stage	Amount		Number	
	R'm	(%)	Number	(%)
Screening	296,0	11%	15	10%
Active DD deals	99,1	4%	9	6%
Approved deals	331,5	13%	31	21%
Declines	1 894,3	72%	94	63%
<b>Totals</b>	<b>2 620,9</b>	<b>100%</b>	<b>149</b>	<b>100%</b>

- 149 applications with the total value of R2.6 bn (3.2 bn in 2021) were assessed by the RTCDF team
- 31 deals or 21% (8 or 5% in 2021) of the total number assessed with the value of R331.5m or 13% (R49 m or 2% in 2021) of total value assessed, were approved.
- Average deal size is R10.7m per approval,**
- 72% (89% in 2021) of **value** of deals assessed were declined
- 63% (74% in 2021) of the **number** of deals assessed were declined
- average deal size per application received is R17.6m**, which is between uMnotho (with the highest R27.5m) and iMbewu (with the lowest R5m)

RTCDF FYE 2022 DEAL ACTIVITY - VALUES



RTCDF FYE 2022 DEAL ACTIVITY - VOLUMES



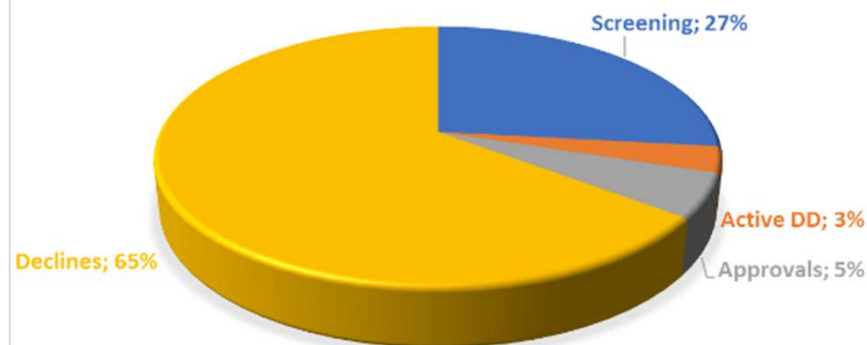


## Deals Assessed in 2021/2022 - uMnotho

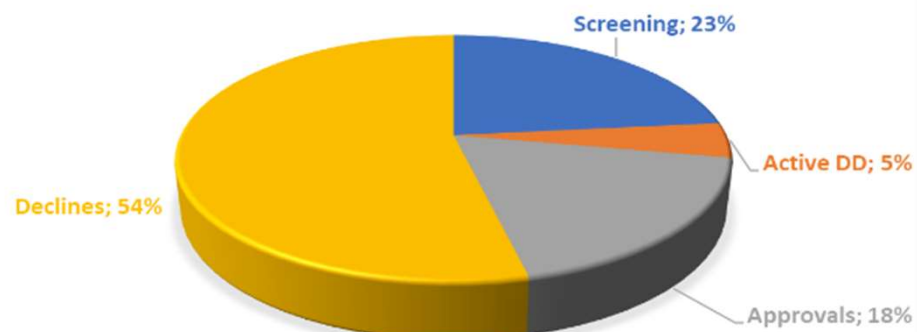
uMnotho Deal Activity Summary - FYE 2022				
Deal Stage	Amount		Number	
	R'm	(%)	Number	(%)
Screening	2 242,5	27%	71	23%
Active DD deals	270,9	3%	14	5%
Approved deals	453,1	5%	56	18%
Declines	5 401,7	65%	163	54%
<b>Totals</b>	<b>8 368,1</b>	<b>100%</b>	<b>304</b>	<b>100%</b>

- 304 applications with the total value of R8,4 bn (R6.3 bn in 2021) were assessed by the uMnotho team
- 56 deals or 18% (17 or 5% in 2021) of the total number assessed with the value of R453.1m or 5% (R223 m or 4% in 2021) of total value assessed, were approved.
- Average deal size is R8.1 million per approval – due to Solidarity and ERF deals – it was R13.1m in 2021
- 65% (77% in 2021) of **value** of deals assessed were declined
- 54% (83% in 2021) of the **number** of deals assessed were declined
- uMnotho has the highest total value (R8.4bn) of the applications received and assessed during the year, which means the **higher average deal size of R27.5m** per application received

UMNOTHO FYE 2022 DEAL ACTIVITY - VALUES



UMNOTHO FYE 2022 DEAL ACTIVITY - VOLUMES



## Co-operatives

Number of co-operatives supported	Value	Other empowerment Interventions
19 Cooperatives	R12m	Entrepreneurship Training

- ❖ **19** cooperatives were provided with financial and non-financial support operating in various sectors, benefitting **95** co-operative members.
- ❖ The NEF has further provided entrepreneurship training as part of non-financial support to all 19 co-operatives to assist with capacity building.
- ❖ **98%** of all the supported cooperatives are women-owned and managed.
- ❖ The co-operatives created **253** jobs.
- ❖ They operate in the following sectors: agribusiness, clothing and textiles, arts and crafts, confectionary & baking as well as recycling.

## Growing BEE Through Partnerships

## Unlocking Third-Party Funds

In partnership with other stakeholders, the NEF has unlocked a total investment of **R3.6bn** having leveraged a total of **R2.2 bn** in third party funding during the last 4 financial years

	2018/19	2019/20	2020/21	2021/22	Total
Total value of funded projects	R1,116m	R607m	R556m	R1,333m	R3,612m
NEF funding	R383m	R326m	R397m	R314m	R1,420m
Third party funding	R782m	R281m	R157m	*R1,019m	<b>R2,192m</b>
% funding leveraged	67%	46%	28%	75%	61%

- In the last four years the NEF has leveraged another 61% across the Funds, with higher leverage in SPF and uMnotho (78% and 41% respectively).
- NEF is a catalyst for unlocking economic value.

**Life to date the NEF has leveraged third-party funding amounting to R10.12 billion.**



\* 3<sup>rd</sup> party funding has been driven by significant allocations in an effort to recover lost capacity post the July 2021 Unrest

## Driving Transformation through Partnerships



**R141m**

**Women  
Empowerment  
Fund**

**2020/21F  
Y**



**R200m**

**NEF COVID- 19  
Black Business Fund**

**2020/21F  
Y**



**R150m**

**Economic  
Distress Fund**

**2020/21F  
Y**



**R150m**

**Black Business  
Manufacturing  
Enhancement**

**2021/22FY**



**R1.135bn**

**Taxi Relief  
Fund**

**2021/22FY**



**R650m**

**Economic  
Recovery Fund**

**2021/22FY**



**R273m**

**Unrest Relief  
Fund**

**2021/22FY**

**R2.7bn**

**Total**



# Fund a Woman Fund a Nation

1

- R2.4 billion from Gov in 2005
- Over R12 billion approved

40%

Over the past 12 years  
40% approved for black  
women entrepreneurs

2

- Supporting Township & Rural Economy
- R2.1 billion invested to date

50%

50% of the investments  
have benefited black  
women entrepreneurs

3

- Supporting SMEs
- disbursed over R1.6 billion towards 454 SMEs

45%

50% of the investments  
have benefited black  
women entrepreneurs

4

- Over R885 million in more than 100 service stations countrywide
- Supported 2 937 jobs

44%

44% of the service stations  
are owned and managed  
by black women  
entrepreneurs



# NEF Economic Distressed Fund Milestones



the **dtic** entrusted NEF with R150 million to support black-owned businesses under financial distress as a result of the COVID-19 pandemic, for recovery, to sustain existing jobs and improve productive capacity. The funding threshold was from R250k to R10 million with a maximum interest rate of 2.5%.



The **R150 million was fully utilised to supporting 22 businesses**



Shortened turnaround times to ensure disbursement within 2 weeks of approval.



The NEF contributed both financial and non-financial support to the programme.

# NEF Women Empowerment Fund Milestones



Received a R141 million allocation from **the dtic** for concessionary funding of black women-owned businesses based in rural and township areas to encourage women participation in the mainstream of the economy. The NEF is to provide loan funding from this specialised fund from R250k to R10 million with a funding interest rate of 1.5%.



Approximately **R180 million approved to 20** businesses. **The fund has been fully committed**



Shortened turnaround times to ensure disbursement within 2 weeks of approval.



The NEF partners with **the dtic** by also providing funds from its own balance sheet as well as non-financial support.



# NEF Black Business Manufacturing Fund



Received a R150 million allocation from **the dtic** for concessionary funding of black businesses in manufacturing in order to promote localisation of content. The funding size begins at R250k and ends at R10 million with a fixed interest rate at 2%.



Over **R93 million approved for 15** businesses.



Shortened turnaround times to ensure disbursement within 2 weeks of approval.



The NEF provided capital to blend with funds from **the dtic** and further offered non-financial support.



# Solidarity Fund Partnership

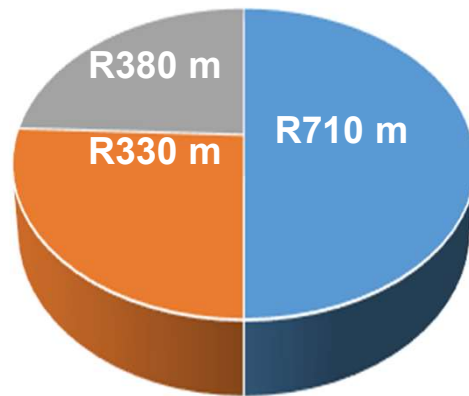
- Collaborated with the Solidarity Fund to support businesses affected by unrests in KZN and Gauteng
- Solidarity Fund allocated R273 million towards partnership and NEF allocated over R1 billion
- The Solidarity Fund allocation was used as follows:
  - R210 was used as blended finance to allocate grants of up to R5 million per project whilst the loan portion came from NEF balance sheet;
  - R20 million was used to support pharmacy and medical businesses which were destroyed by unrests to ensure availability of medical care in the affected places
  - R43 million was used to support co-operatives and subsistence businesses





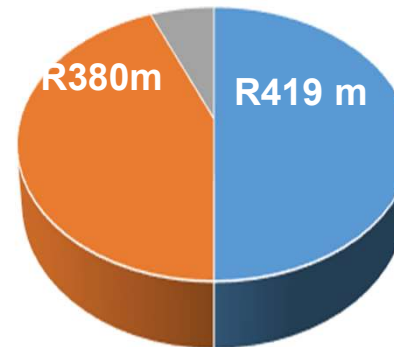
## Taxi Relief Fund

Budget vs Payment



■ Budget ■ Payment ■ Remaining balance ■ % Completion

Application received vs Paid



■ Applications received ■ Payment  
■ Remaining balance ■ % Completion

### R1.135 billion allocated for the Taxi Industry

- The NEF has finalised over 85% of applications received
- NEF and DoT in a campaign to ensure that applications are dealt with by the end of March 2023

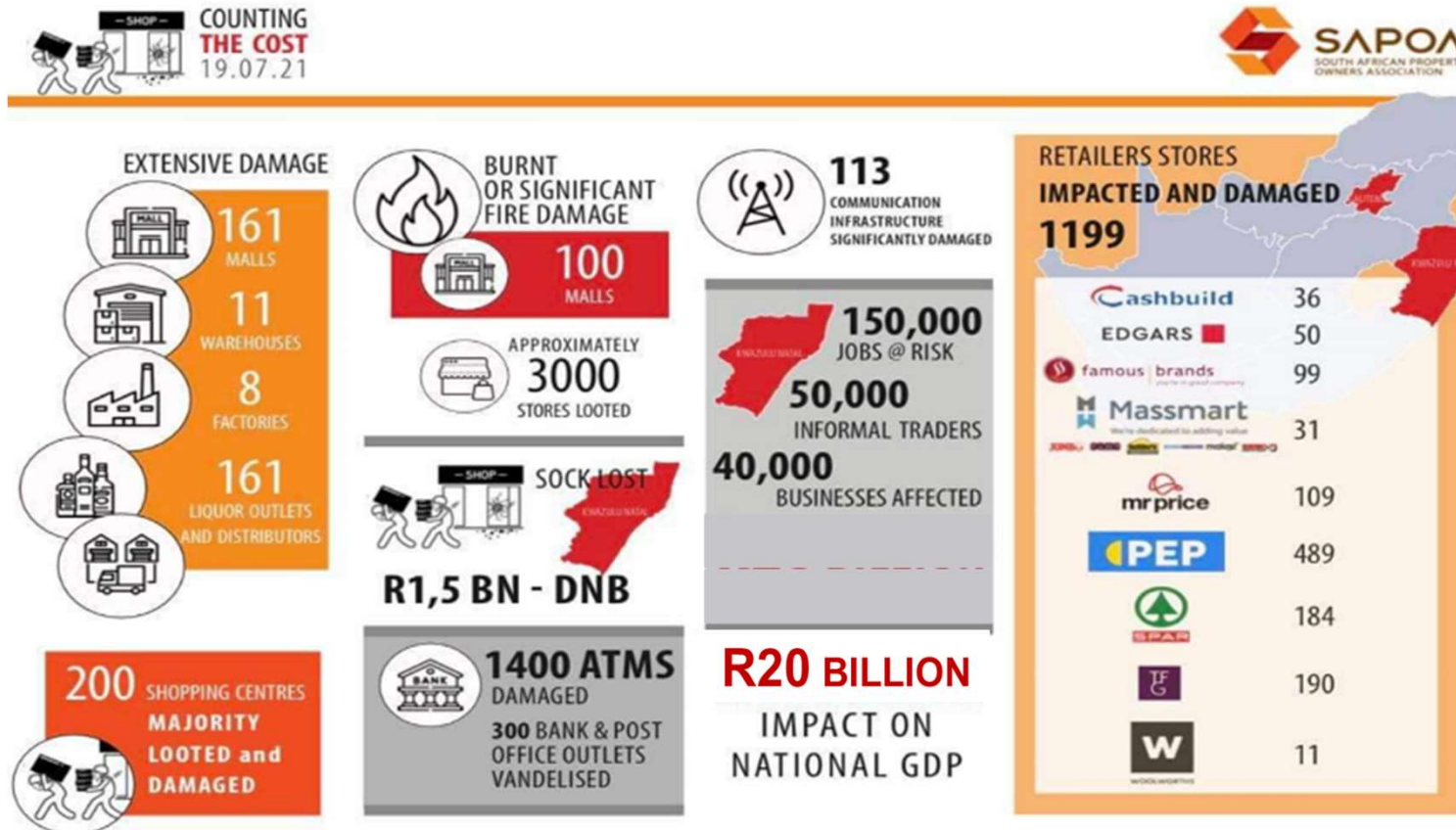
## Young Persons Training Programme

- The NEF recruited **65** unemployed graduates who possess various qualifications as Trainees
- The graduates will be provided different kinds of training that are part of the operations of the NEF
- **63%** are female and **37%** are male and are based in the nine Provinces
- All trainees are youth and were recruited from all 9 provinces



# Economic Recovery Fund

## Economic Impact of the Social Unrest



- Impact: Over **R20 billion** on GDP
- Manufacturing and retail sectors hardest hit
- Major shopping centres hit hard

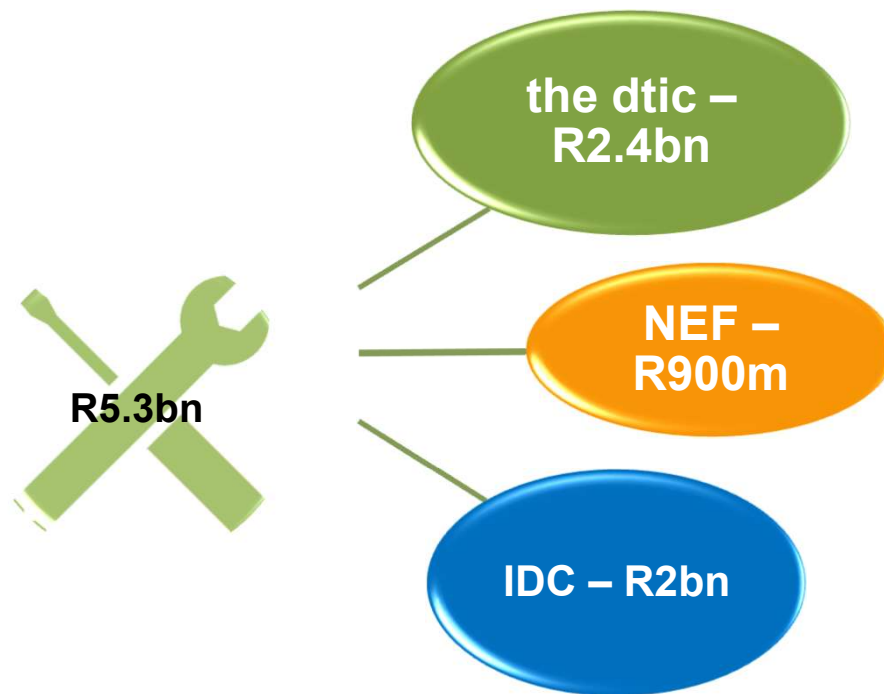


## July 2021 Social Unrest Cont'd

- During the month of July 2021 South Africa saw an escalation of civil unrest which resulted in destruction of property and closure of many businesses.
- The NEF undertook an assessment of the impact of the unrests on its existing portfolio within the affected areas (mainly in Gauteng and KZN).
- The destruction resulted in job losses, business closures, destruction of property and loss of stock and reversal of gains like loss of customers and revenue.
- The unrest exacerbated the adverse situation the businesses were in, which was caused by COVID-19.
- Immediately after the unrest, **the dtic** conducted a survey to assess the severity of the unrest on businesses and to assist Government in crafting a response to the challenge.
- The results of the survey assisted **the dtic**, NEF and IDC and other spheres of Government to appreciate the situation and hence the interventions embarked upon.
- **the dtic's understanding of the plight of entrepreneurs** led to the deployment of Investment Professionals into the affected areas to address funding needs of businesses to resume operations.



## Interventions by the dtic Family



the dtic war room was established and met twice weekly in order to look at workflows and discuss progress on implementation.



## Economic Recovery Fund (Destinations Reached)

Name	Teams	Deployment Schedule
Lungile Gasa	Team 1	Amajuba, Umzinyathi and Uthukela
Noluthando Khambule	Team 1	Amajuba, Umzinyathi and Uthukela
Thabo Ngwenya	Team 1	Amajuba, Umzinyathi and Uthukela
Yonela Mashida	Team 1	Amajuba, Umzinyathi and Uthukela
Mpumezo Mathibe	Team 2	Ethekwini and Umgungudlovu
Nokuthula Nkomo	Team 2	Ethekwini and Umgungudlovu
Themba Mashini	Team 2	Ethekwini and Umgungudlovu
Sonwabo Mnyanda	Team 2,3&7	Ethekwini and Umgungudlovu
Karishma Maharaj	Team 3	Ethekwini and Umgungudlovu
Mohau Mokhele	Team 3	Ethekwini and Umgungudlovu
Nhlanganiso Mthombeni	Team 4	Ilembe and King Cetshwayo
Nomazizi Siphondo	Team 4	Ilembe and King Cetshwayo
Justice Mushwana	Team 4 & 5	Zululand and Umkhanyakude, Ilembe and Umkhanyakude
Bongani Qokose	Team 5	Zululand and Umkhanyakude
George Phiri	Team 6	Ugu and Harry Gwala
Nomcebo Mpembe	Team 6	Ugu and Harry Gwala
Xolisile Mkwana	Team 6	Ugu and Harry Gwala
Avisha Sookul	Team 7	Ethekwini and Umgungudlovu
Morokolo Ramakgapola	Team 7	Ethekwini and Umgungudlovu
Eric Zwane	Team 8	Gauteng
Mashirane Matheba	Team 8	Gauteng
Debrah Kgosi	Team 8	Gauteng
Gugu Mailula	Team 8	Gauteng
Ismael Mgoboya	Team 8	Gauteng
Kgauleo Sibuyi	Team 8	Gauteng
Lehlohonolo Malebo	Team 8	Gauteng
Lerato	Team 8	Gauteng



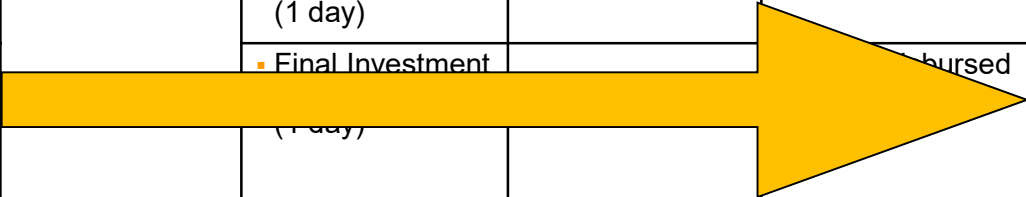
The NEF allocated various teams of **29** staff in the affected areas in order to expedite implementation.

## ERF NEF Pipeline –R3.52 Billion

Pipeline Stage Analysis	Number of Businesses	Number of Sites	Weighting	Amount	Weighting	Jobs supported
Approved	212	277	37.64%	R1 081.43 m	30.75%	9 495
DD	9	9	1.22%	R6.84 m	0.19%	76
Pre-DD	72	73	9.92%	R65.98 m	1.88%	84
Enquiry	111	112	15.22%	R70.65 m	2.01%	885
Referred	7	11	1.49%	R641.36 m	18.24%	2 333
Withdrawn	208	229	31.11%	R1 579.67 m	44.92%	14 370
Declined	25	25	3.40%	R70.47 m	2.00%	222
<b>Total</b>	<b>644</b>	<b>736</b>	<b>100.00%</b>	<b>R3 516.41 m</b>	<b>100.00%</b>	<b>27 465</b>

- The July unrest brought widespread Economic uncertainty and necessitated a broad-spectrum response from the Government, which included all DFI's
- The NEF's response was thus led by Exco who appointed SPF as the overall project managers of the roll-out
- To this end a number of outcomes were yielded from an agile response
  - Approvals of **277 transactions** valued at **R1.1 billion**
  - A pipeline of over 27 465 jobs of which the NEF converted **9 495 jobs** supported
  - Abridged but robust DD processes that enabled effective conversion of the pipeline
  - **Clean external audit opinion on the implementation processes followed and utilisation of funds.**

## Streamlining NEF Investment Process

Deal Origination	Screening	Due Diligence	Approval Stage	Legal Stage	Post Investment
<ul style="list-style-type: none"> <li>Proactive Marketing</li> </ul>	<ul style="list-style-type: none"> <li>Pre-Investment basic evaluation</li> </ul>	<ul style="list-style-type: none"> <li>Screened Report referred to Funds'</li> <li>Due Diligence Committees</li> </ul>	<ul style="list-style-type: none"> <li>Approval by IC (3 meetings per week. Mon, Wed &amp; Fri)</li> </ul>	<ul style="list-style-type: none"> <li>Loan Agreements drafted in-house (1 day)</li> </ul>	<ul style="list-style-type: none"> <li>Files handed to POIU– Allocated to Post IA</li> <li>Initial hand over site visit thereafter at least quarterly</li> </ul>
<ul style="list-style-type: none"> <li>Investment team networks</li> </ul>	<ul style="list-style-type: none"> <li>Detailed screening by IA's</li> </ul>	<ul style="list-style-type: none"> <li>Electronic DD performed based on of deal (1 day)</li> </ul>		<ul style="list-style-type: none"> <li>Collection of conditions precedent</li> </ul>	<ul style="list-style-type: none"> <li>Regular risk ratings performed by POIA, minimum once a year.</li> </ul>
<ul style="list-style-type: none"> <li>Referrals from external stakeholders (e.g. deal originators, business incubation centers &amp; other government agencies)</li> </ul>				<ul style="list-style-type: none"> <li>Funds disbursed</li> </ul>	<ul style="list-style-type: none"> <li>Mentorship provided</li> <li>Collection of monies due by Finance Dept.</li> <li>Monthly PMC Meetings</li> <li>Distressed investments transferred to TWR</li> </ul>
<ul style="list-style-type: none"> <li><b>Walk-in Clients (NEF Head Office &amp; Regions offices – in 7 provinces)</b></li> </ul>				<ul style="list-style-type: none"> <li>Funds disbursed</li> </ul>	
<b>On-going</b>	2 day	6 days	4 days	2 day	<b>On-going</b>

Turnaround of ca 14 days up to legal agreements for ready deals

## Governance and Compliance

### NEF RECEIVED **CLEAN EXTERNAL AUDIT** BY AUDITOR GENERAL

- National Treasury request for external audit on ERF transactions
- In Response, Internal Audit performed an “audit readiness” review on ERF which involved review of all information for ERF and preparing it for submission to the external auditors
- Performed 100% review of all approved and disbursed applications for compliance to funding requirements and NEF policies and performed 100% **use of funds** reviews
- 1 Minor audit finding raised for the whole audit.

**NEF appointed a 100% Black-owned and 50% Black Women-owned external audit firm**

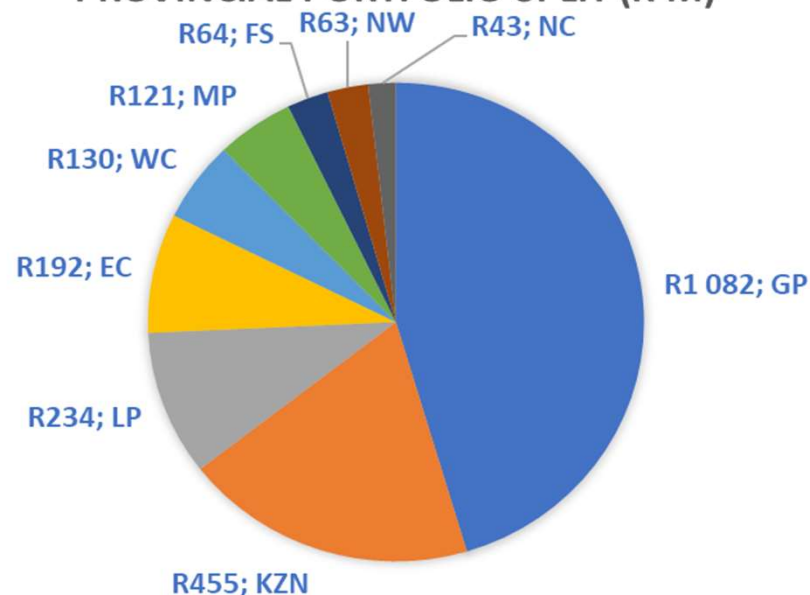
**SCM achieved 34,37% procurement spend on women-owned businesses against an annual target of 30%**

**SCM achieved 80,43% procurement spend on black-owned businesses against an annual target of 65%**

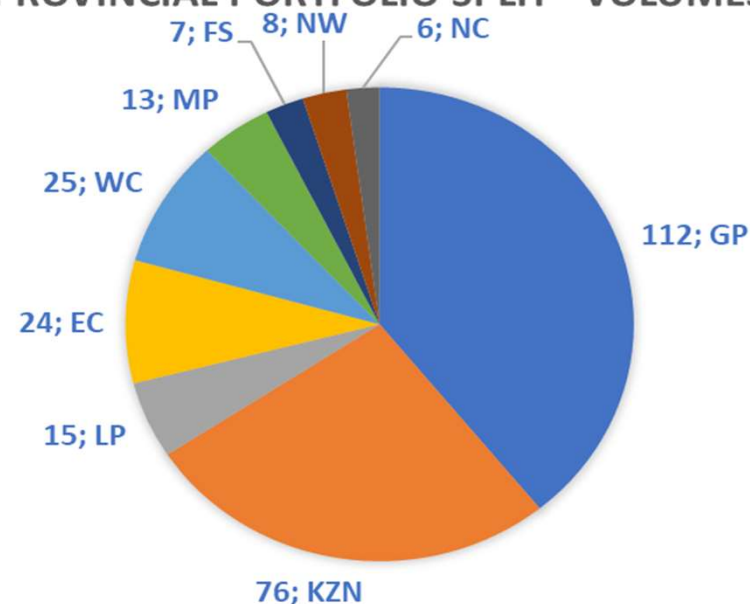


## Provincial Portfolio Split

**PROVINCIAL PORTFOLIO SPLIT (R'M)**



**PROVINCIAL PORTFOLIO SPLIT - VOLUMES**



- The total value of the portfolio as at 31 March 2022 was R2.4 billion comprising 286 investees



## Financial Performance

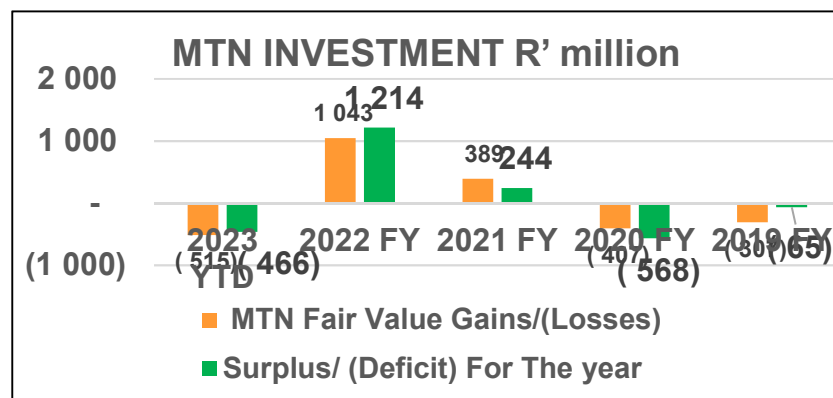
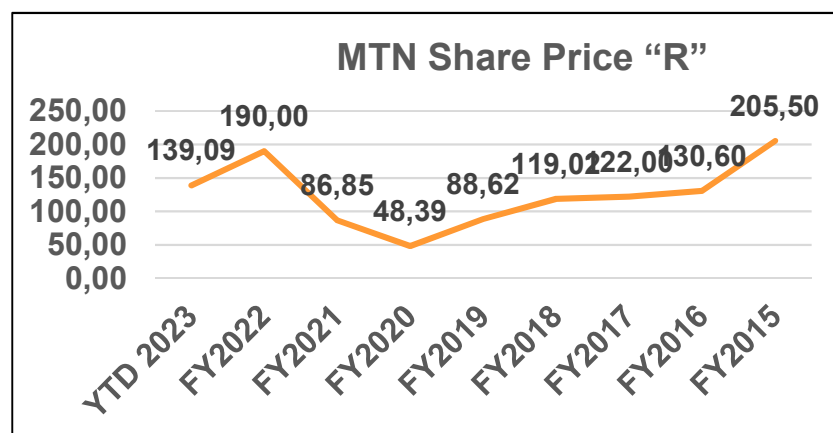


## Key Financial Indicators

Financial Indicator	2022	2021	Change
Overall Surplus	R1 214m	R 244m	397%
Cash Position	R3 025m	R1 468m	106%
Fair Value Gain	R1 055m	R 309m	241%
NAV	R5 089m	R3 893m	31%
Cost-to-Income	41%	64%	-23%
Collection Ratio	83.7%	76%	-7.7%
ROI	8.3%	7.33%	0.97%
Impairment Ratio	29%	29%	0%

- Most of the financial indicators improved year on year.
- Three of the four ratios are above the target for the year.
- The unencumbered cash as at 31 March 2022 was over R3 billion

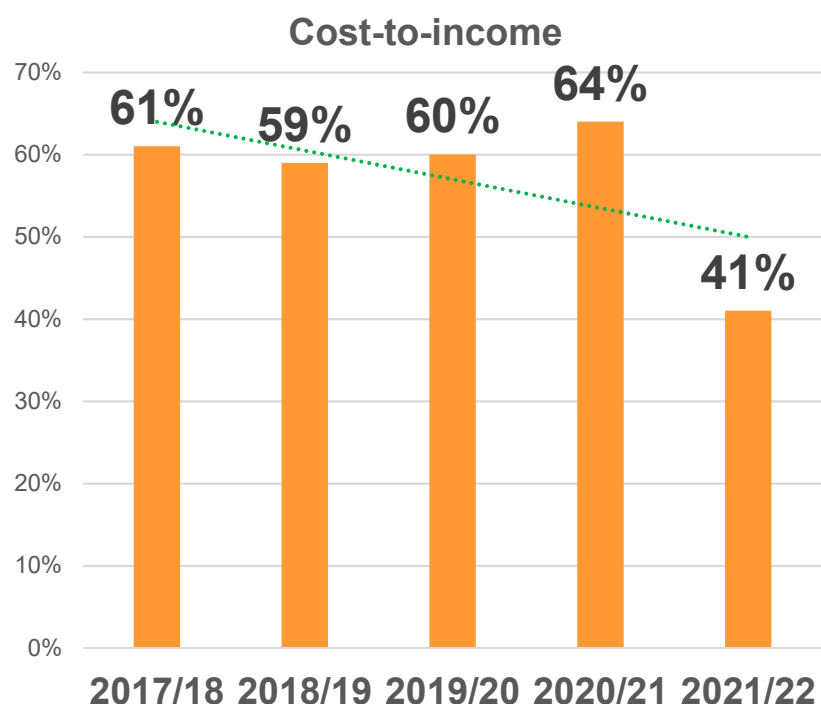
## MTN Investment



### OVERVIEW

- Value as at 31 August: **R1 257 billion**
- Total number of shares : **10 114 886**
- Portfolio size : **30%** of total NEF portfolio (R4, 6 billion)
- Market share price 15 Sep 2022 : **R139** (2022 FY R190)
- Cumulative fair value gains in 2018/19FY - YTD : **R203 million**
- Dividend received in the last 5 years (2018 FY – 2021/22 FY ) : **R136,6 million**
- Life to date dividend received: **R926 million**

## Cost-income ratio



- Target cost-to-income ratio : 54% - 58%.
- In 2020/21FY, achieved the lowest ratio (41%) since 2016/17FY.
- Implication : revenue growth pace is faster than the growth in operating costs.
- Revenue growth attributable to additional revenue streams such as admin fee on third party funding, maximisation of return on cash surplus.
- Cost savings due to cost containment measures.

## Future Plans

- NEF mandate continues to promote and facilitate black economic participation through the provision of financial and non- financial support to black-owned and managed businesses.
- It is anticipated that the NEF will approve deals and disburse deals of **R7bn** and **R4.2bn** respectively in the next 5 years.
- The weak macroeconomic indicators such as GDP rate continue to have an impact on the loan book – which is closely monitored.
- Significant contributors on total revenue are: a) revenue from grants and b) interest earned from investments.
- **Operating expenditure** is expected to grow in line with average CPI rate of 5%.
- Collection target of 80% has been forecasted in the next five years.
- **Impairment ratio** - There is a correlation between the GDP rate and the impairment ratio. GDP is estimated to grow at an average of 2,35% in the next 5 years and impairment ratio is between 25% and 18%.

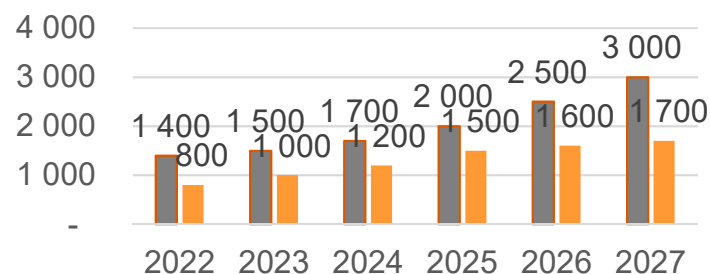
### Opportunities

- There are various capital raising initiatives that are currently being pursued which would result in the Fund increasing its approvals.

## Approvals and Disbursements targets

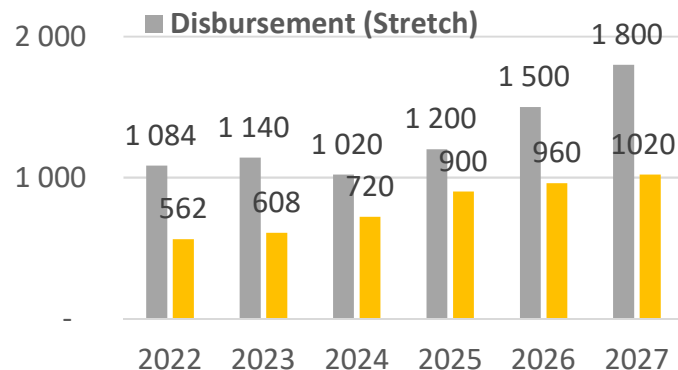
### Approvals R'm

■ Approvals (stretch)



### Disbursements R'm

■ Disbursement (Stretch)



- The tables depict the APP as well as the stretch targets for both approvals and the disbursements.
- In 2022 FY, the approvals and disbursements base targets were R800 million and R562 million respectively. However, the NEF has far exceeded both approvals and disbursements targets as a result of the additional funding received during the current year under review.
- Forecasted approvals and disbursements is R1.4billion and R1.08billion respectively for the 2022FY.
- With additional funding available, the NEF can be able to reach the cumulative stretch targets for the approvals (R11billion) and disbursements (R7billion) in the next 5 years as demonstrated in this current financial year performance. This would be approximately equivalent to the life to date approvals and disbursements
- Various capital raising initiatives are currently being explored.





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Department:  
Trade, Industry and Competition  
REPUBLIC OF SOUTH AFRICA

## President Ramaphosa on NEF







## Annexure:

# A Sample of NEF Beneficiaries & Investees

## Lindo's Kiosk (KwaZulu-Natal, KwaMashu)

"Mr Lindokuhle Msomi, an unemployed TV producer from KwaMashu Hostel, saved the R350 grant he received for nine months to start a fast-food stall and support his family," **His Excellency President Matamela Cyril Ramaphosa**. Inspired by Mr Lindokuhle Msomi's story of vision, courage and determination, in 2021 the National Empowerment Fund (NEF) set out to find the young hero and subsequently approved funding to the value of R400 000 for a custom-built fast-food container complete with cooking equipment and stock for his curb restaurant. The business employs two African males. These are among the many ways the funder with a soul strives to make a difference every day for the economically marginalised to contribute to South Africa's quest for inclusive economic growth.



**Mr Lindokuhle Msomi with Mr Phakamile Madonsela (NEF KZN Regional Manager) and Nokuthula Fakude (NEF Socio Economic Development Unit) at the site of Lindo's informal trade site**

### IMPACT OF INTERVENTION

Approved amount	R400 000
Build Back Better	Formalisation of business New structure to operate from
No. of jobs	2 jobs retained



## Making a R350 COVID-19 Social Grant Go A Long Way

- Mr Lindokuhle Msomi is a 27year old unemployed youngster from KwaMashu Hostel in KZN
- On the 7<sup>th</sup> of July Mr Msomi's story who had started a small food kiosk business using his R350 **social** grant was featured on eNCA.
- The kiosk started operating in May 2020 in a small wooden dilapidated shack and was unfortunately not spared during the recent unrests.
- Lindo's business sold chicken kebabs, chicken wraps, boerewors hot dogs, beef burgers, vetkoek & polony /cheese quarter, slap chips, hot and cold beverages
- The NEF searched and found Mr Msomi and provided basic yet sustainable assistance.
- NEF through its limited CSI budget intervened by providing financial support for the following :
  - ❖ Purchase of a fully equipped steel structure container
  - ❖ Cooking & grilling food equipment
  - ❖ Food and storage equipment
  - ❖ Auxiliary equipment (e.g cash till, waste bin, tables and chairs ,LPG, water equipment)
  - ❖ Start up stock







## Site visit Pics by NEF Team





## Lindokuhle Saves R350 Social Grant

- ❖ In many 2020 the South African Social Security Agency (Sassa) opened up applications for the R350 special Covid-19 Social Relief of Distress Grant for unemployed citizens.
- ❖ Lindokhule Msomi saved the R350 relief grant to start an informal kiosk in February 2021.
- ❖ The NEF tracked Mr Msomi in April 2021 to provide him assistance in light of his entrepreneurial spirit and as a potential ambassador for the NEF mandate regarding the importance of saving and investment for growth.
- ❖ The Kiosk was vandalised and destroyed in the unrest on July 2021.
- ❖ President Ramaphosa acknowledged Mr Msomi in the SONA 2022.



## NEF Winners - The Job Creator Award

### Mohlalefi Engineering & Khabokedi Waste Management



With the fall-of-ground being the leading cause of death in South African mines, Mohlalefi Engineering, has developed an innovative solution to this problem – their Anchorflex range of roofing and safety structures geared for the mining industry. Their products are exported to Zambia and Zimbabwe and are making inroads into the DRC as well. Their innovation team has generated several patents and has established technology partnerships with mining houses such as Anglo American. They have created 187 jobs in the last three years with more than 65% being youth. They are positioned to increase production by well over 8 times from the current capacity, with their turnover increasing from R12.9 Million to R41.6 Million in the last 3 years.

**They are the only black youth owned and managed OEM servicing the mining sector**

## NEF Winners - The Job Creator Award

### Mohlalefi Engineering & Khabokedi Waste Management



Khabokedi Waste Management, located in Germiston, was established in 2008 to provide waste management solutions. The services they provide includes landfill operations and management, landfill rehabilitation, waste collection, on-site waste management, waste management consulting, waste management training and waste recycling.

Khabokedi Waste Management partners with municipalities where they train local youth and create local youth employment. In addition to the sustained jobs, Khabokedi created 4500 temporary jobs for youth in KZN in the last six months with an additional 1500 to be created in Gauteng. They have grown revenue from R66 million to R136 million in 2022.





## NEF Winners - The Young Black Industrialist Award

### Tshellaine Holdings (Pty) Ltd



Young people are at the forefront of solving today and tomorrow's problems. Tshellaine Holdings (Pty) Ltd is a 100 % Black Owned company with 50% Women Ownership. It is a student accommodation company that was established in 2012. The entrepreneurs were previously renting a 200-student accommodation in the South of Johannesburg before they owned this property. Now, the student accommodation has 66 units that will accommodate 264 students.



## NEF Winners - The Local Manufacturer Award

### BT Industrial Group



Founded by Kgomotso Lekola in 2017, BT Industrial is a multi-award-winning polymer manufacturer of international quality plastic products and medical devices with a customer base spanning Africa, the EU and the Americas. This company is 100% Black owned and managed.

The products include pipes that are used in Africa as part of developing infrastructure, a key enabler to catalyse growth and development. During COVID, BT Industrial pivoted and diversified their manufacturing portfolio from Engineering into Healthcare - they manufactured PPE products needed in the market at the time demonstrating agility and versatility.

The global shortage and disruptions in the supply chain led to a shortage of a medical filters and BT Industrial produced these filters locally. The masks were exported to Europe and USA and used in the local market as well. The company currently exports into the major markets and is leveraging of the Africa Free Continental Trade Area to further export into the rest of the region with their diversified portfolio of locally manufactured products.



## EZIKAMAKOTI TEXTILE & PROJECTS PRIMARY CO-OPERATIVE LTD (Kwazulu-Natal, Ladysmith)

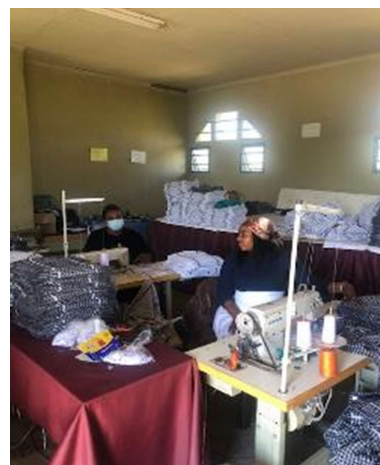
Ezikamakoti Co-Op is a **100% black-owned women owned business**. The business operates as a CMT factory and manufactures clothing for retail shops. Ezikamakoti receives orders from middlemen or buyers who supply the fabric and only pay for labour, cleaning and packaging.

Ezikamakoti employs 10 people including the members. The business is located at Ladysmith, KZN

Damages Incurred: The Co-Operative lost sewing machines and the premises were vandalized

### IMPACT OF INTERVENTION

Approved amount	R633 000
Build Back Better	A new modern structure equipment was provided The business processes were improved
No. of jobs	10 jobs retained



## Sizwe's Grill

- ❖ Mr Sekgopi a 35-year-old male founded Sizwe's Grill in 2009 from **R70.00** funds, selling chicken feet by the side of the road in Kagiso Township .
- ❖ Mr Sekgopi's business was affected by the Covid pandemic, and he was forced to close down
- ❖ Sizwe's Grill has **4** staff members for mid-week, and **2** temporal staff during weekends because of the high demand in orders.
- ❖ EXCO Ops approved the CSI financial support for the acquisition of the container with equipment worth **R268 986. 70** plus an additional **R31 063 .30** for stock and operations which comes to a total cost of **R300 000**.
- ❖ A **6m** container and equipment was installed in June however there were few challenges that were picked up post the installation;
- ❖ The business is now operational



## New Sizwe's Grill Premises



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EMPOWERMENT  
FUND  
Building Wealth & Empowering Participation



# Thank You