

Annual Performance Plan 2020/2021

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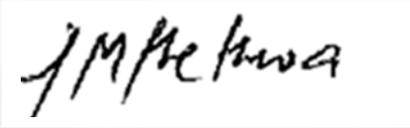
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ACRONYMS AND ABBREVIATIONS

| | | |
|---------------|---|---|
| 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 Precedent may not have been met yet. |
| COSO | : | Committee of Sponsoring Organisations of the Tread way Commission |
| DFIs | : | Development Finance Institutions |
| Disbursements | : | Total cash advancements made against all approved deals (deals may have been approved in current and previous financial periods) subject to all Conditions Precedent 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 |
| 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 Unit |
| SME | : | Small and Medium Enterprise |
| SOCE | : | State Owned Commercial Enterprise |
| SPF | : | Strategic Projects Fund |
| TC | : | Technical Completion |
| WC | : | Western Cape |

1. OFFICIAL SIGN-OFF

| Recommended by the CEO for endorsement | Endorsement by the Accounting Authority |
|--|---|
| <p>Name: Philisiwe Mthethwa</p>  <p>Signature: -----</p> <p>Rank: CEO</p> <p>Date: 29 / 06 / 2020</p> | <p>Name: Rakesh Garach</p>  <p>Signature: -----</p> <p>Rank: Chairman</p> <p>Date: 29 / 06 / 2020</p> |



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



Mr Ebrahim Patel - Minister of Trade, Industry and Competition

The Revised Annual Performance Plan 2020/21, is hereby submitted in accordance with the Revised Framework on Strategic and Annual Performance Plans.

A handwritten signature in black ink, appearing to read 'Ebrahim Patel', written over a horizontal line.

MR EBRAHIM PATEL

MINISTER OF TRADE, INDUSTRY AND COMPETITION

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

Deepening the axis of excellence

The participation of South Africa's black majority in the economic mainstream remains a critical national imperative for justice, stability, cohesion and sustainable growth. 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 black people, the NEF has grown into a credible and effective development finance institution. Having approved 1 030 transactions worth R10.35 billion to date, and which have supported in excess of 100 000 jobs, the NEF will continue to make a meaningful contribution to the transformation and growth of the economy.

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.

The NEF is pleased to report that the IDC board has approved a R500 million off balance sheet facility on lending facility for the NEF. This facility will be comprised of the following salient terms:

- Facility amount: R500 million
- Facility Tenure: seven years, two-year disbursement period and a five-year disinvestment period;
- Pricing: Prime;
- Return to the IDC/NEF: 50% of the net margin after impairments, write off's and fees;
- Management fee receivable by the NEF: 0.6% per annum;

- Eligible funding instruments: Debt

The IDC facility is subject to board and Ministerial approval.

NEF strategy and alignment to DTIC outcomes

The NEF's strategy is aligned to the following DTIC strategic priorities or outcomes, which align with 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
- Township and rural economies development initiatives facilitated

In addition, the NEF's strategy, over the next five years, is based on the following key objectives:

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

Necessary adjustments will be made to this APP at the end of the first quarter of FY2020/21 after considering the changes to the operating environment. In addition, the updated plan will provide details in respect of how the NEF will support key developmental policy interventions of government such as the implementation of:

- a. Sector Master Plans;
- b. the African Continental Free Trade Agreement;
- c. the South African Investment Conference; and
- d. other government initiatives that seek to increase investment activity into the economy aligned to the NEF mandate.

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 the values of the NEF,

all three of which are part of the axis of excellence that has seen the organisation achieving clean external audit opinions for 16 years running.

An academy of excellence

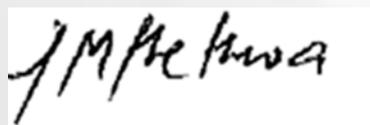
The NEF's operational milestones, since inception to date, have been made possible by the fact that the organisation is an academy of excellence employing young and seasoned black professionals with expertise across various spheres. We are pleased that 61% of the employee complement is female, and 44% of the management committee 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, 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.



Ms Philisiwe Mthethwa

Chief Executive Officer



NEF, the home of hope for the black entrepreneur



Part A:

APP Overview

4. LEGISLATIVE AND POLICY MANDATE

4.1. Constitutional Mandate

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

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

4.2. Legislative Mandate

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

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

5. OUR STRATEGIC OVERVIEW

5.1. VISION

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

5.2. MISSION

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

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

5.3. VALUES

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



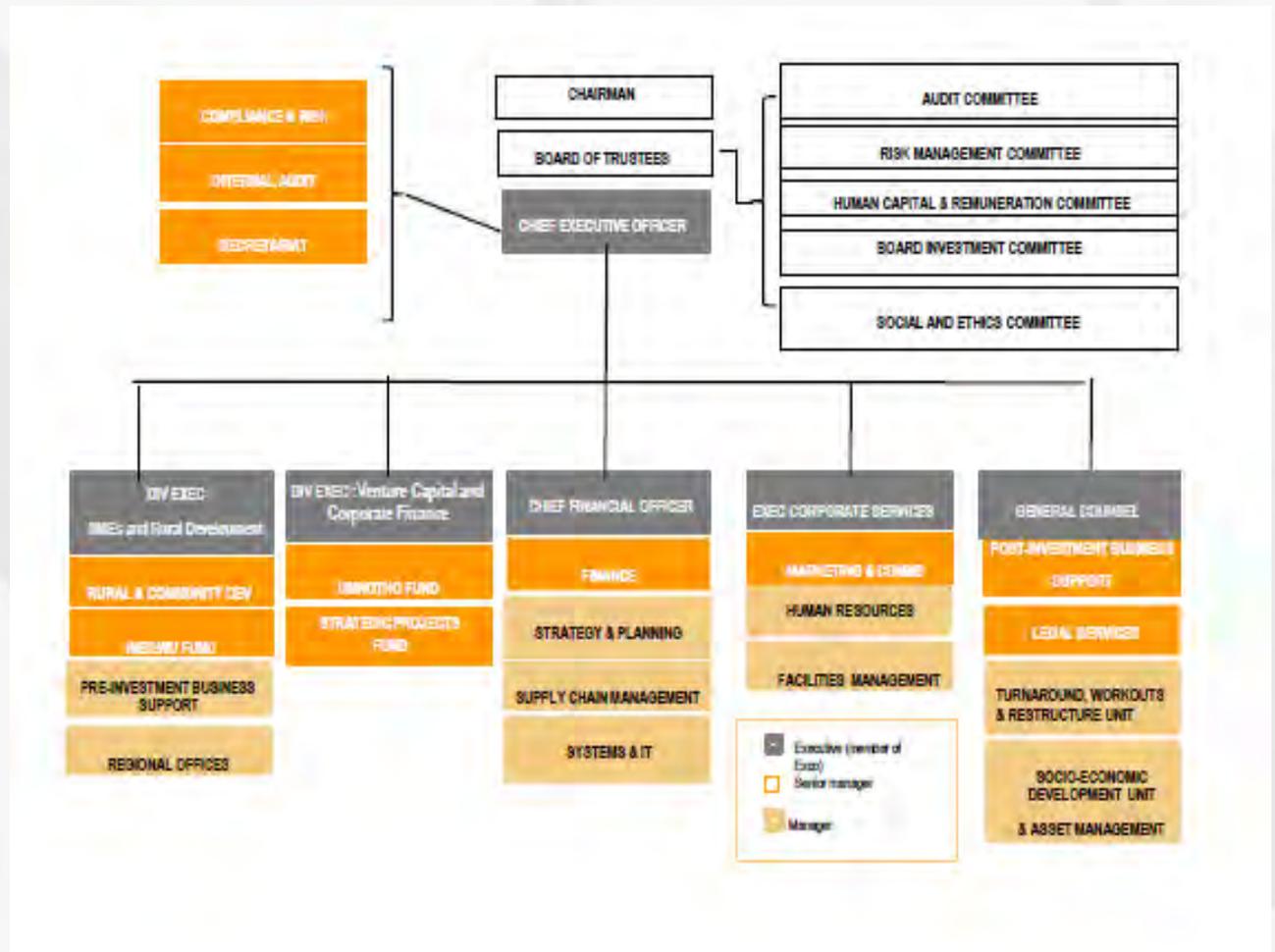
These values are the emblem of the NEF's service to the nation. They stand as a living testament of the NEF's commitment to integrity. Launched in September 2014, the values are accompanied by a pledge that all at the NEF, from Trustees, Executives, managers and all staff, make, as outlined below:

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

”

empathy and dedication to excellence, inspired by the vision of a growing and inclusive economy. This is my oath, my vocation, my contract with the nation.

5.4. NEF Organisational Structure



In accordance with international best practice, and as outlined in the NEF Act, the NEF reports to 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; 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 |
|---|--|--|
| 1 | Approvals | ❖ Approved 1058 transactions worth more than R10.61 billion across the country. |
| 2 | Disbursement | ❖ Over R7 billion has been disbursed to these companies since inception. |
| 3 | Integrity | ❖ Secured clean external audit opinions for 16 years running. |
| 4 | Supporting jobs | ❖ Since inception, the number of job opportunities supported is 101 183 of which 68 989 were new. |
| 5 | Industrialisation | <ul style="list-style-type: none"> ❖ 24 strategic and industrial projects worth R12.5 billion, with the potential to support over 52 000 jobs. 75% of the transactions are at an advanced development stage. ❖ Since inception 3 600 job opportunities have been created. |
| 6 | A culture of savings & investment | ❖ In a transaction worth over R1 billion the NEF Asongwe Share Scheme made available more than 12 million MTN shares to over 87 000 investors comprising black individuals and groups. 49% of investors were women. |
| 7 | Investor education | <ul style="list-style-type: none"> • Reached approximately 87 632 people in villages and townships through 322 community seminars on how to save and invest, personal financial discipline, shares, dividends, bonds, the property, and money markets. |
| 8 | Entrepreneurship training / incubation | 10 Business skills training provided over 3808 potential entrepreneurs who attended 398 seminars from 2012 to date. |

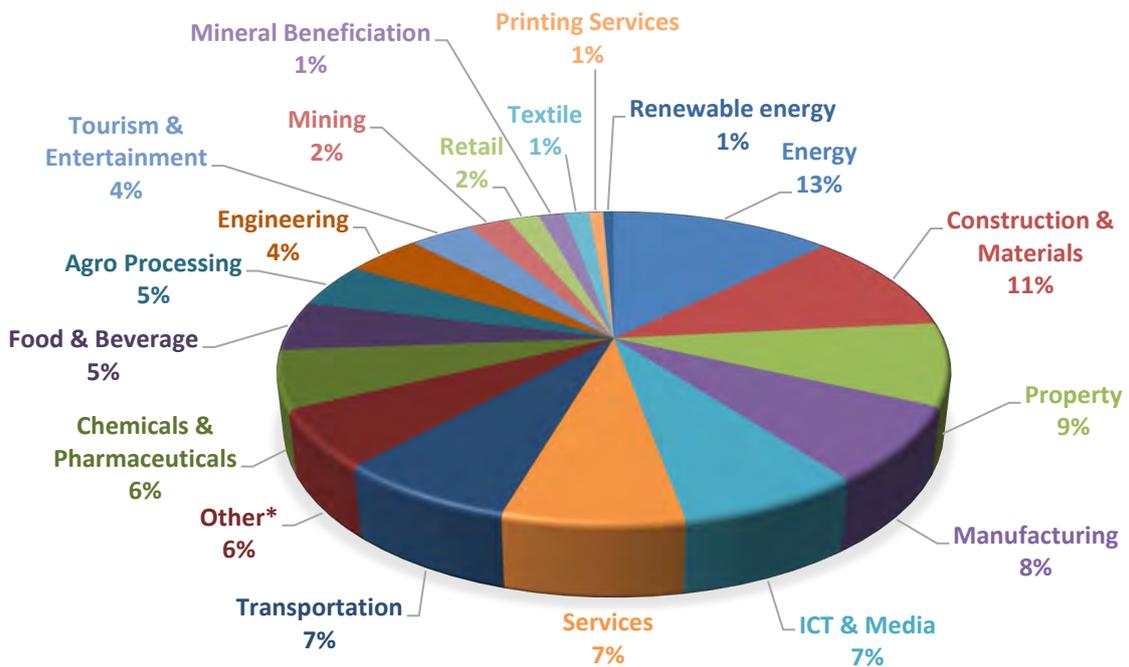
The NEF has built strong systems and processes to grow its portfolio, and is able to continue to increase deal activity once the fund is recapitalised. In doing so, the NEF would be able to continue making a meaningful contribution to the economy as demonstrated in the above Table.

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

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

The NEF has invested a total of R6.92 billion since inception in the following sectors:

NEF INVESTED PORTFOLIO BY SECTOR BY VALUE SINCE INCEPTION - DECEMBER 2019



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

| | |
|---|--|
| <ul style="list-style-type: none"> • Returns – endeavour to achieve Return on Investments (ROI) of between 9% and 10% • Efficiency – manage the operational expenses and generate income to achieve Cost to Income ratio within an acceptable range over the period • Return of Capital – implement close post-investment monitoring and interventions to achieve on average 80% collections on instalments raised | <ul style="list-style-type: none"> • Skills Development: Provide training and development opportunities to enable employees to thrive in their role • Retention: Utilising a pay-for-performance remuneration structure which will ensure that key and top talent is retained at the NEF • Employer of Choice: Provide a compelling employee value proposition that captivates the employment experience from entry to exit |
| <p>5. Non-Financial support</p> <ul style="list-style-type: none"> • Pre-investment – provide meaningful interventions to support entrepreneurs wanting to access funding • Post-Investment – provide intensive monitoring, support and mentorship to NEF investees to ensure sustainability of the businesses • Intensive Care & Turnarounds – provide in-depth support to business under strain through the Turnarounds, Workouts and Restructures unit • Social Impact – through the Socio-Economic Development Unit we will provide training for broad-based groups and communities thereby deepening understanding of business • Legal – through legal we will entrench our rights and security in transactions to ensure sustainability | |

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

A. iMbewu Fund

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

- Franchise;
- Procurement; and
- Entrepreneurship.

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

The strategic rationale for the iMbewu Fund:

support the creation of new sustainable black-owned enterprises;

promote and enable meaningful participation of black people in the economy; and

contribute towards the creation of employment opportunities, given the importance and contribution of SMEs in the development of the economy.



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.



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 104 black-owned service stations amounting to R545 million. Out of these 104 stations 60 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, crashing 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 000 000 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.

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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.

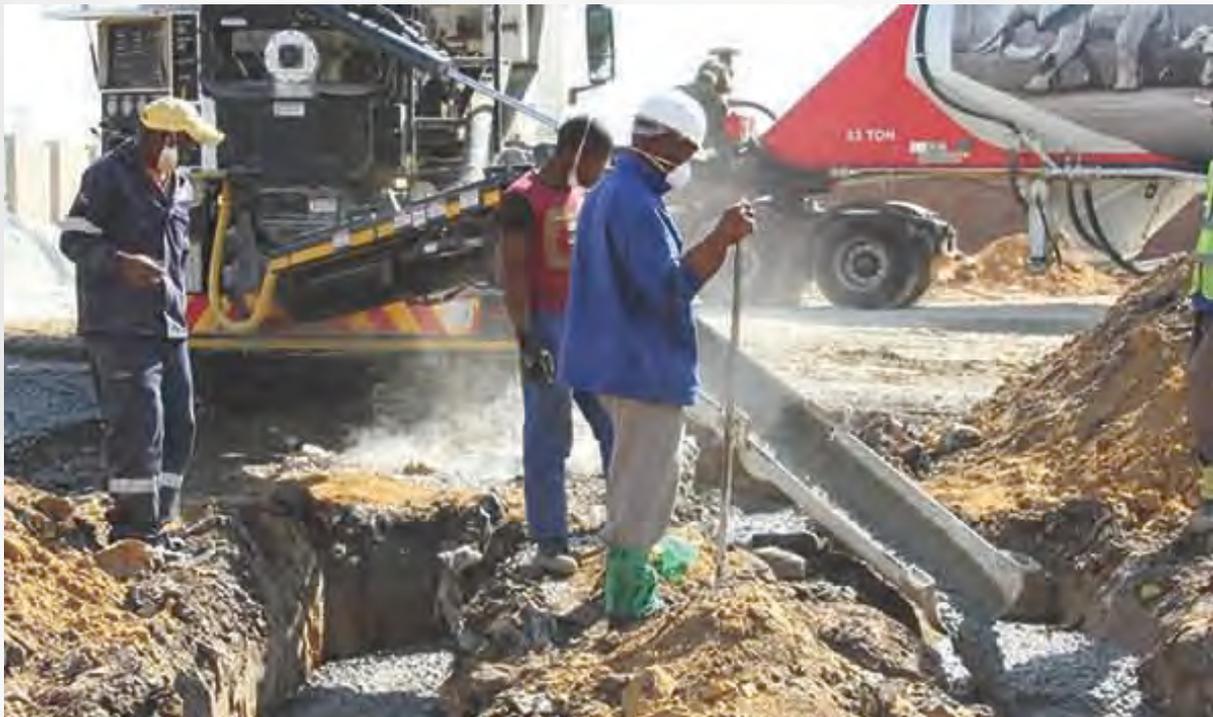
III. Construction and Materials

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 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:

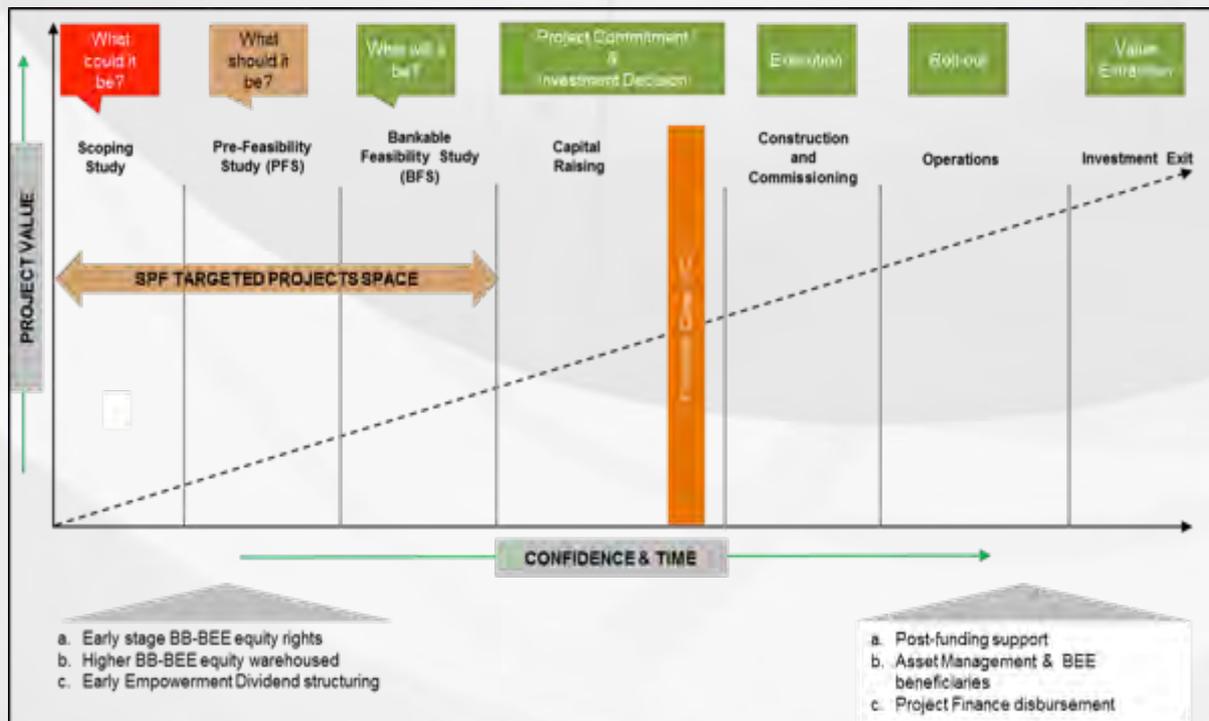
- Create new manufacturing and industrial capacity.

- 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.



Mendirail & Engineering's vision is to become a leading firm specialising in railway infrastructure ("perway") products manufacturing, supply and installation. The company wishes to take advantage of the growing rail infrastructure demand in Southern Africa. The project has just recently successfully completed a pilot phase which has seen their four (4) sleepers receiving accreditation by Transnet after a long testing process. The project is in advanced stages of completing a bankable feasibility study.



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.

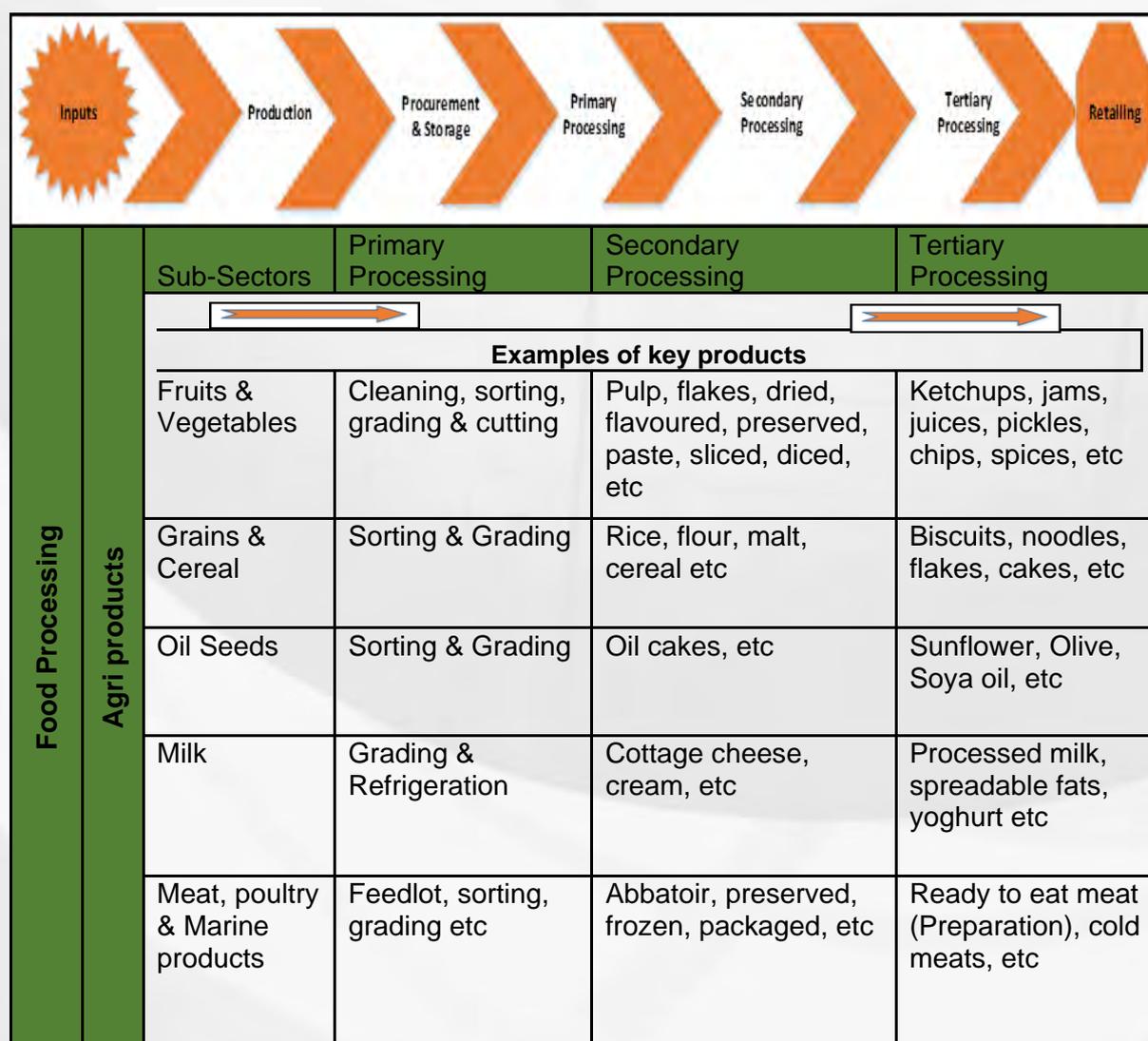
The NEF and the Department of Tourism (“DT”) entered into an MOU to establish the Tourism Transformation Fund (TTF) that focuses exclusively on the transformation of the South African tourism sector. The DT has contributed a total of R120 million towards the fund, which was transferred to the NEF over 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.



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 | |
| Middeldrift 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 |
| | | | 199 112 | | 216 265 | 325 269 | |

Examples of transactions in the agro-processing sector:

Middeldrift Dairy (Pty) Ltd is a joint venture initiative between Amadlelo Agri (Pty) Ltd and the Middeldrift 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 Middeldrift 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.



Pytrade (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.



Greenbuds Logistics (Pty) Ltd (“Greenbuds”) is a fresh produce processor and distributor that was founded in 2007 and began operating in 2012. It is located in Valkop Luka-Phokeng, North West Province. The business provides processed fruit and vegetables to over 13 active clients primarily within the North West region, including hotels, mining companies and schools in the region. They source raw materials from approximately 200 emerging and commercial farmers in the North West and Gauteng, as well as from the Joburg and Tshwane markets. Greenbuds approached the NEF (through the Black Industrialist Funding Forum) to fund the

upgrade of its factory in Rustenburg in order to comply with the requirements of the Hazard Analysis and Critical Control Points (“HACCP”) system and to purchase new plant and equipment. The total project size amounts to R36 million. The anticipated total number of jobs post-funding will amount to 52 direct jobs and 2 000-3 600 indirect jobs

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.



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

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

Orange Farm – In the peri-urban area of Orange Farm, in Gauteng’s Johannesburg south, the NEF has approved R50 million to support 19% upfront community ownership of a regional shopping centre measuring 39 000m². 46% of the shops will be let to black tenants in a mall whose commercial viability is based on 80% confirmed leases. Between 20% and 30% of the project value will be spent in the Orange Farm area, and retail store opportunities.

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

| Pick 'n Pay Conversion Programme | | | | |
|----------------------------------|---------------|-----------------|--------------|--------------------|
| Name of Investee | Location | Amount Invested | Jobs Created | Women Shareholding |
| Something Nice | Cape Town, WC | 1 730 000 | 22 | 49% |
| BVN Market Store | Mohlakeng, GP | 1 430 000 | 16 | 0% |
| Matlala's Market Store | Thokoza, GP | 1 550 000 | 22 | 0% |

| | | | | |
|------------------------|--------------|------------------|-----------|------|
| Eden Park Market Store | Edenpark, GP | 1 395 000 | 14 | 100% |
| TOTAL | | 6 105 000 | 74 | |

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

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

E. Women Empowerment Fund

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

Examples of transactions funded under this Fund include:

The NEF is currently developing a project 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. To date the NEF has leveraged third party funding amounting to R8.8 billion (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: -

| No. | Funder | Launch Date | Total Funds Received | Primary Objective of Fund |
|-----|---|----------------|----------------------|---|
| 1 | Daimler Chrysler SA | September 2011 | R4 800 431 | To empower two former employees of Chrysler to start their own business |
| 2 | Dept. of Economic Development (WC) | August 2012 | R40 302 775 | Co-funding black entrepreneurs in the Western Cape |
| 3 | Bakwena Ba Mogopa | November 2012 | R5 000 000 | Co-funding black SMMEs in the North West |
| 4 | Evrax Highveld | December 2012 | R2 000 000 | Co-funding black SMMEs participating in the steel and Vanadium value chain in Mpumalanga |
| 5 | Transalloy | December 2012 | R250 000 | NEF to provide funding on a 60:40 ratio to black suppliers participating in the ED Gas supply chain in Emalahleni |
| 6 | Intersurgical | December 2012 | R400 000 | Co-funding black entrepreneurs in the Intersurgical value chain |
| 7 | ED Gas | December 2012 | R350 000 | Co-funding black entrepreneurs in the ED Gas value chain |
| 8 | BPSA | February 2017 | R53 000 000 | Support black entrepreneurs to acquire filling stations |
| 9 | Bakgatla Ba Kgafela | March 2013 | R5 000 000 | Provide financial and non-financial support for SMMEs and entrepreneurs in the community |
| 10 | Department of Rural Development and Land Reform | March 2016 | R583 222 4245 | Support farmworkers to become landowners |
| 11 | Department of Arts and Culture | September 2016 | R75 000 000 | Unlocking business opportunities in the arts and heritage sectors |
| 12 | Department of Tourism | March 2017 | R80 000 000 | Tourism Transformation Fund (TTF) |
| 13 | Nissan South Africa | March 2016 | R5 305 900 | Allocate business vehicles to black entrepreneurs |
| 14 | Transnet Port Terminals | April 2019 | R15 000 000 | To empower SMEs operating within the Transnet value chain |
| | Total | | R869 631 531 | |

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.

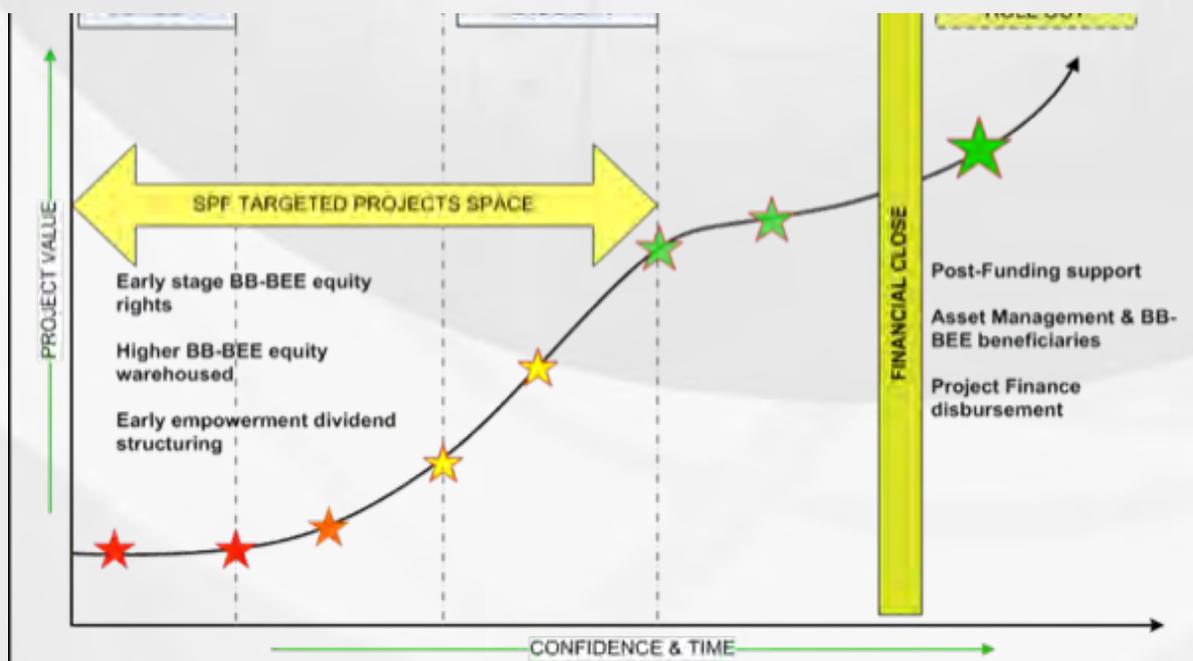
A number of regulatory conditions are in place to ensure compliance and limit abuse of these types of companies. One such condition is that a company cannot invest more than R50 million into any project.

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 9.34%, with the NEF targeting a ROI of between 9% and 10%. 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

South Africa's business conditions have deteriorated significantly over the recent years. This is reflected by the Business Confidence Index (BCI), which plummeted to 5 in the second quarter of 2020 – a historic level, not seen since the beginning of this survey in 1975. The country has been in economic distress for some time, well before the advent of the Covid-19 pandemic. GDP is expected to plunge by about 7.2% in 2020 - the largest contraction in nearly a century. The downward sharp revision of GDP can be attributed to muted domestic economic activities as South Africa implements the lockdown - shutting both major supply and demand side of the economic.

South Africa's GDP contracted during the fourth quarter of 2019 by 1.4 percent in GDP after shrinking by (0.6 percent revised) 0.8 percent in the third quarter of 2019. Further slump in economic activities trail downward trajectory of the global economy and low local consumer sentiments which is being reflected by consecutive drops in real domestic expenditure. The 2020 supplementary budget shows revenue collected in the first two months of the year was below forecast by R35.3 billion. This has necessitated a downward tax revenue revision for 2020/21 fiscal year to R1.12 trillion from R1.43 trillion while consolidated budget spending, including debt service cost will be over R2 trillion. The economic inequality gap has widened 25 years into the democratic dispensation. It is clearly reflected in the high unemployment rate as it stood at 33.8% for Blacks, 24% for Coloureds, 13% for Asians and 8.1% for Whites while for youth is at 59%.

With the subdued economic performance, SMEs suffer the most impact as they are confronted with reduced demand for their products/services and extended payment delays from their customers, resulting in cashflow constraints for the business. The downfall of SMEs will exacerbate the unemployment crisis in South Africa as SMEs are known providers of high employment. Thus, for NEF and other DFIs, it can no longer be business as usual and it has become paramount to employ rigorous strategies to assist with the sustainability of SMEs. Concerted efforts need to be made by the NEF and other DFIs to stimulate increasing levels of entrepreneurship through extending affordable and patient capital to both existing and potential NEF clients. Further to this, there is a need to intensify non-financial support such as

creating market linkages and assisting SMEs in negotiations for better payment terms with larger customers (especially government institutions) to yield faster settlement of invoices.

7.2. Internal factors

The National Empowerment Fund (NEF) is plagued with lack of capital, prohibiting the previously disadvantaged to enter into industries with high capital requirements, such as revitalisation of township and rural economies, tourism, property and student accommodation, agro-processing, the fourth industrial revolution, and the media and creative industries. Financial resources rank as the top enabler for the Trust to deliver on its mandate of promoting and facilitating ownership of income-generating assets by previously disadvantaged people.

The NEF was established with the intention of being capitalised with additional funds over the first few years of operation, however, the Trust only received a once-off R2.4 billion and no additional funds over the past 10 years. Lack of sufficient financial resources has put a huge constraint on the ability of the Trust to function at optimal level, resulting in a slow pace of transformation on the production side and ownership of the economy. This has also been exacerbated by the high-risk nature of clients that the Trust services – the risk is evident by the resistance of commercial banks to finance such business ventures.

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:

| Strengths | Opportunities |
|--|---|
| <ul style="list-style-type: none"> • Pioneering SME finance. • Innovative and solutions-based products. • Institutional and operational maturity. • Non-financial support provided. Deliberate intensive post-investment interventions. • Provision of tools that stimulates entrepreneurship. • Ability to structure retail offers. | <ul style="list-style-type: none"> • Opportunity to contribute towards job support and creation. • Contribute to closing the gaps in the economic value chain. • Support of agriculture and other priority sectors. • Facilitating FDI into South Africa through SPF projects. • Facilitation of Exports from SA into the continent. |

| | |
|--|---|
| <ul style="list-style-type: none"> • Ability to develop and conclude early-stage projects. • Technically strong, experienced and committed staff. • Established portfolio with lessons learnt database. • Continual implementation and maintenance of a strong environment of corporate governance and ethical culture. • Maintenance of clean (over 16 years) annual audit reports from the Auditor General. • Championing advocacy and thought leadership on B-BBEE. | <ul style="list-style-type: none"> • Potential to contribute to localisation through new venture development. • Leading public discourse on transformation. |
| <p>Weaknesses</p> <ul style="list-style-type: none"> • 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. | <p>Threats</p> <ul style="list-style-type: none"> • Inability to secure additional capital. • 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 floating or falling from the top right towards the bottom left. These shapes are reflected on a dark, rippling surface at the bottom, creating a sense of depth and movement. The overall color palette is dominated by black, dark brown, and vibrant 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 |
|-----------------------------|---|--|--|--|---|---|
| Investment threshold | R2 million to R75million | R5 million to R75 million | R5 million to R75 million | R2 million to R75 million | R2 million to R75 million | R5 million to R75 million |
| Product purpose | BEE applicants seeking to fund equity purchases of between R2 million and R75 million in existing businesses. | BEE parties seeking to participate in medium-sized Greenfields projects with total funding requests of between R10 million and R200 million. | Funding provided to entities that are already black-empowered but seek expansion capital to grow the business. | This product invests in BEE enterprises, particularly those owned by black women that seek to list on the JSE or its junior AltX market. The uMnotho Fund will also help listed BEE companies to raise additional capital for expansion. | This product assists BEE shareholders who need to sell a portion or all of their shares (as minority stakes in unlisted firms are hard to sell). Also acquires and temporarily warehouses these shares before on-selling those to new BEE shareholders, and refinances BEE shareholdings where existing financing structures are costly and/or inefficient. | 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 |
|--|--|---|--|---|---|--|
| | <ul style="list-style-type: none"> • Medium to large companies • Focus on partnerships with existing management teams and other equity investors • Active BEE involvement in investee companies • BEE financial contribution on a case-by-case basis | <ul style="list-style-type: none"> • Medium-sized greenfield projects with total funding requests of between R10 million and R200 million. • BEE-specific financial contribution assessed on a case-by-case basis • NEF exposure to the product generally not to exceed 50% of the total project costs • Proven management experience within the consortium • Active BEE involvement in investee companies | <ul style="list-style-type: none"> • Active BEE involvement in investee companies | <ul style="list-style-type: none"> • Medium to large companies • Focus on partnerships with existing management teams and other equity investors • Active BEE management participation • Active BEE involvement in investee companies • BEE financial contribution on a case-by-case basis | <ul style="list-style-type: none"> • Medium to large companies • Focus on partnerships with existing management teams and other equity investors • Active BEE management participation • Active BEE involvement in investee companies • BEE financial contribution on a case-by-case basis | <ul style="list-style-type: none"> • Medium to large companies • Alignment with priority sectors • Active BEE involvement in investee companies • BEE financial contribution on a case-by-case basis |

| | Acquisition Finance | New Venture Finance | Expansion Capital | Capital Markets | Liquidity & Warehousing | Property Fund |
|--|---|--|--|--|--|---|
| Types of instrument | Investment instrument can include a combination of debt, equity and mezzanine finance. | Investment instrument can include a combination of debt, equity and mezzanine finance. | Investment instrument can include a combination of debt, equity and mezzanine finance. | Investment instrument can include a combination of debt, equity and mezzanine finance. | Investment instrument can include a combination of debt, equity and mezzanine finance. | Investment instrument can include a combination of debt, equity and mezzanine finance. |
| Black equity threshold | Minimum of 25.1% | Minimum of 25.1% | Minimum of 50.1% | Minimum of 25.1% | Minimum of 25.1% | Minimum of 50.1% |
| Pricing | Influenced by Empowerment Dividend or Development Impact. Debt linked to prime rate and equity based on target IRR | | | | | |
| Terms of Investment and other terms | Typical investment horizon of 4 to 7 years | Typical investment horizon of 5 to 10 years. | Typical investment horizon of 4 to 7 years | Typical investment horizon of 4 to 7 years | Typical investment horizon of 4 to 7 years | Typical investment horizon of up to 10 years on senior debt and up to 15 years on mezzanine debt and equity instruments |

Performance indicators and performance targets per programme

| Outcome | Output | Output indicator | Audited Actual Performance | | | Estimated Performance (including WEF contribution) | Medium Term Targets | | |
|---|-------------------|---|----------------------------|---------|---------|--|---------------------|---------|---------|
| | | | 2016/17 | 2017/18 | 2018/19 | YTD 2019/20 | 2020/21 | 2021/22 | 2022/23 |
| Growing black economic participation in the South Africa Economy and job creation | Approval of Deals | Value of deals approved by uMnotho Fund (R million) | R286m | R239m | R317m | R251m | R161m | R194m | R210m |
| | | Value of new Commitments by uMnotho Fund (R million) | R174m | R169m | R266m | R232m | R121m | R145m | R157m |
| | | Value of Disbursements by uMnotho Fund (R million) | R155m | R111m | R263m | R121m | R97m | R116m | R126m |

Quarterly milestones

| Outcome | Output | Output indicator | Baseline 2019/20 | 2020/21 Annual Target | Cumulative Quarterly Milestones | | | |
|---|-------------------|--|------------------|-----------------------|---------------------------------|-------------------------|-------------------------|-------------------------|
| | | | YTD Performance | | 1 st Quarter | 2 nd Quarter | 3 rd Quarter | 4 th Quarter |
| Growing black economic participation in the South Africa Economy and job creation | Approval of Deals | Value of deals approved by uMnotho Fund (R million) | R251m | R161m | R16m | R63m | R124m | R161m |
| | | Value of new Commitments by uMnotho Fund (R million) | R232m | R121m | R8m | R36m | R81m | R121m |
| | | Value of Disbursements by uMnotho Fund (R million) | R121m | R97m | R5m | R27m | R62m | R97m |

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 | | |
|---|-------------------|---|----------------------------|---------|---------|--|-------------|---------|---------|
| | | | 2016/17 | 2017/18 | 2018/19 | YTD 2019/20 | 2020/21 | 2021/22 | 2022/23 |
| Growing black economic participation in the South Africa Economy and job creation | Approval of Deals | Value of deals approved by Strategic Project Fund (R million) | R108m | R44m | R79m | R116m | R45m | R54m | R59m |
| | | Value of new Commitments by Strategic Project Fund (R million) | R116m | R44m | R79m | R97m | R34m | R41m | R44m |
| | | Value of Disbursements by Strategic Project Fund (R million) | R98m | R26m | R42m | R44m | R27m | R32m | R35m |

Quarterly milestones

| Outcome | Output | Output indicator | Baseline 2019/20 | 2020/21 Annual Target | Cumulative Quarterly Milestones | | | |
|---|-------------------|--|------------------|-----------------------------|------------------------------------|-------------------------|-------------------------|-------------------------|
| | | | YTD Performance | | 1 st Quarter | 2 nd Quarter | 3 rd Quarter | 4 th Quarter |
| Growing black economic participation in the South Africa Economy and job creation | Approval of Deals | Value of deals approved by Strategic Projects Fund (R million) | R116m | R45m | R14m | R27m | R36m | R45m |
| | | Value of new Commitments by Strategic Projects Fund (R million) | R97m | R34m | R10m | R20m | R27m | R34m |
| | | Value of Disbursements by Strategic Projects Fund (R million) | R44m | R27m | R8m | R16m | R22m | R27m |

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

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

Performance indicators and performance targets per programme

| Outcome | Output | Output indicator | Audited Actual Performance | | | Estimated Performance (including WEF contribution) | Medium Term Targets | | |
|---|-------------------|--|----------------------------|---------|---------|--|---------------------|---------|---------|
| | | | 2016/17 | 2017/18 | 2018/19 | YTD 2019/20 | 2020/21 | 2021/22 | 2022/23 |
| Growing black economic participation in the South Africa Economy and job creation | Approval of Deals | Value of deals approved by iMbewu Fund (R million) | R184m | R339m | R161m | R255m | R120m | R144m | R156m |
| | | Value of new Commitments by iMbewu Fund (R million) | R219m | R295m | R150m | R161m | R90m | R108m | R117m |
| | | Value of Disbursements by iMbewu Fund (R million) | R173m | R250m | R122m | R118m | R72m | R86m | R94m |

Quarterly milestones

| Outcome | Output | Output indicator | Baseline 2019/20 | 2020/21 Annual Target | Cumulative Quarterly Milestones | | | |
|---|-------------------|--|------------------|-----------------------|---------------------------------|-------------------------|-------------------------|-------------------------|
| | | | YTD Performance | | 1 st Quarter | 2 nd Quarter | 3 rd Quarter | 4 th Quarter |
| Growing black economic participation in the South Africa Economy and job creation | Approval of Deals | Value of deals approved by iMbewu Fund (R million) | R255m | R120m | R18m | R47m | R84m | R120m |
| | | Value of new Commitments by iMbewu Fund (R million) | R161m | R90m | R13m | R35m | R62m | R90m |
| | | Value of Disbursements by iMbewu Fund (R million) | R118m | R72m | R8m | R28m | R50m | R72m |

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 |
|---------------------------------------|--|--|---|
| Investment threshold | R1m to R50m | R1m to R50m | R1m to R50m |
| Trigger for RCDF participation | Co-operatives, community groupings arranged as Trust or any legal entity, and workers trust. | Co-operatives, community groupings arranged as Trust or any legal entity, and workers trust. | Co-operatives, community groupings arranged as Trust or any legal entity, and workers trust. |
| Principal goal | To cater for rural entrepreneurs or communities seeking to buy equity in existing rural and community enterprises. | To assist rural entrepreneurs and co-operatives and communities with equity contribution towards establishment of sustainable new ventures in agri-sector. | To facilitate involvement and ownership by communities in projects promoting social upliftment. |

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

Performance indicators and performance targets per programme

| Outcome | Output | Output indicator | Audited Actual Performance | | | Estimated Performance (Including WEF contribution) | Medium Term Targets | | |
|---|-------------------|---|----------------------------|---------|---------|---|---------------------|---------|---------|
| | | | 2016/17 | 2017/18 | 2018/19 | YTD 2019/20 | 2020/21 | 2021/22 | 2022/23 |
| 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) | R278m | R13m | R18m | R105m | R49m | R59m | R63m |
| | | Value of new Commitments by Rural and Community Development Fund (R million) | R218m | R13m | R18m | R77m | R37m | R44m | R48m |
| | | Value of Disbursements by Rural and Community Development Fund (R million) | R75m | R23m | R11m | R20m | R29m | R35m | R38m |

Quarterly milestones

| Outcome | Output | Output indicator | Baseline 2019/20 YTD Performance | 2020/21 Annual Target | Cumulative Quarterly Milestones | | | |
|---|-------------------|---|---|-----------------------------|------------------------------------|-------------------------|-------------------------|-------------------------|
| | | | | | 1 st Quarter | 2 nd Quarter | 3 rd Quarter | 4 th Quarter |
| Growing black economic participation in the South Africa Economy and job creation | Approval of Deals | Value of deals approved by Rural and Community Development Fund (R million) | R105m | R49m | R9m | R37m | R44m | R49m |
| | | Value of new Commitments by Rural and Community Development Fund (R million) | R77m | R37m | R4m | R19m | R32m | R37m |
| | | Value of Disbursements by Rural and Community Development Fund (R million) | R20m | R29m | R3m | R14m | R24m | R29m |

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 | | |
|---|-------------------|---|----------------------------|---------|---------|--|---------------------|---------|---------|
| | | | 2016/17 | 2017/18 | 2018/19 | YTD 2019/20 | 2020/21 | 2021/22 | 2022/23 |
| 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) | R210m | R221m | R178m | R252m | R125m | R150m | R163m |
| | | Value of new Commitments by Women Empowerment Fund (R million) | R255m | R157m | R205m | R212m | R94m | R113m | R122m |
| | | Value of Disbursements by Women Empowerment Fund (R million) | R202m | R136m | R140m | R109m | R75m | R90m | R98m |

Quarterly milestones

| Outcome | Output | Output indicator | Baseline 2019/20 YTD Performance | 2020/21 Annual Target | Cumulative Quarterly Milestones | | | |
|---|----------------|---|---|-----------------------------|------------------------------------|-------------------------|-------------|-------------|
| | | | | | 1 st Quarter | 2 nd Quarter | 3rd Quarter | 4th Quarter |
| Growing black economic participation in the South Africa Economy and job creation | Approval Deals | Value of deals approved by Women Empowerment Fund (R million) | R252m | R125m | R24m | R66m | R99m | R125m |
| | | Value of new Commitments by Women Empowerment Fund (R million) | R212m | R94m | R14m | R43m | R71m | R94m |
| | | Value of Disbursements by Women Empowerment Fund (R million) | R109m | R75m | R9m | R33m | R56m | R75m |

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 | | |
|-----------------------|--|---|--|--|--|---|---|---|---|
| | | | 2016/17 | 2017/18 | 2018/19 | YTD 2019/20 | 2020/21 | 2021/22 | 2022/23 |
| 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 | 21 training sessions per year, with an average score of 73% 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 | 35 training sessions per year, with an average score of 60% required in the post-training assessment. | 40 training sessions per year, with an average score of 60% required in the post-training assessment. | 45 training sessions per year, with an average score of 60% required in the post-training assessment. |
| Non-Financial Support | | 7.1. Number of entrepreneurs referred for business incubation; and number of entrepreneurs who successfully complete | Referred 159 entrepreneurs for incubation; and 30 entrepreneurs in the final incubation stage | 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 130 entrepreneurs for incubation; and 20 entrepreneurs in the final incubation stage. | Refer 135 entrepreneurs for incubation; and 25 entrepreneurs in the final incubation stage. | Refer 140 entrepreneurs for incubation; and 30 entrepreneurs in the final incubation stage. |

| | | | | | | | | | |
|-----------------------|--|--|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| | | business incubation | | | | | | | |
| Non-Financial Support | | 8.1. Number of Social Facilitation Sessions for NEF investees. | 42 Social Facilitation sessions | 49 Social Facilitation sessions | 42 Social Facilitation sessions | 36 Social Facilitation sessions | 20 Social Facilitation sessions | 30 Social Facilitation sessions | 32 Social Facilitation sessions |

Quarterly milestones

| Outcome | Output | Output indicator | Baseline 2019/20 YTD Performance | Annual Target 2020/21 | Cumulative Quarterly Milestones | | | |
|-----------------------|--|---|---|--|--|--|---|--|
| | | | | | 1 st Quarter | 2 nd Quarter | 3 rd Quarter | 4 th Quarter |
| Non-Financial Support | Facilitate non-financial support to black owned businesses | 6.2. Number of entrepreneurs training sessions provided with an average score of 60% required in the post-training assessment | 134 training sessions per year | 35 training sessions per year, with an average score of 60% required in the post-training assessment | 9 training sessions, with an average score of 60% required in the post-training assessment | 18 training sessions per year, with an average score of 60% required in the post-training assessment | 27 training sessions, with an average score of 60% required in the post-training assessment | 35 training sessions per year, with an average score of 60% required in the post-training assessment |
| Non-Financial Support | | 7.2. Number of entrepreneurs referred for business incubation; and number of entrepreneurs who successfully complete business incubation. | Refer 151 entrepreneurs for incubation; and 16 entrepreneurs in the final incubation stage. | Refer 130 entrepreneurs for incubation; and 20 entrepreneurs in the final incubation stage | Refer 31 entrepreneurs for incubation; and 2 entrepreneurs in the final incubation stage | Refer 62 entrepreneurs for incubation; and 4 entrepreneurs in the final incubation stage | Refer 93 entrepreneurs for incubation; and 7 entrepreneurs in the final incubation stage | Refer 130 entrepreneurs for incubation; and 20 entrepreneurs in the final incubation stage |

| | | | | | | | | |
|-----------------------|--|---|----------------------------------|---------------------------------|--------------------------------|---------------------------------|---------------------------------|---------------------------------|
| | | | | | | | | |
| Non-Financial Support | | 8.3 Number of Social Facilitation Sessions for NEF investees. | 36 Social Facilitation sessions. | 20 Social Facilitation sessions | 5 Social Facilitation sessions | 10 Social Facilitation sessions | 15 Social Facilitation sessions | 20 Social Facilitation sessions |

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: Asset Management (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 | | |
|-----------------------|--|--|---|---|---|---|---|---|---|
| | | | 2016/17 | 2017/18 | 2018/19 | YTD 2019/20 | 2020/21 | 2021/22 | 2022/23 |
| Non-Financial Support | Facilitate non-financial support to black owned businesses | 9.1. Number of seminars held across the country. | 48 Investor Education seminars per year | 58 Investor Education seminars per year | 84 Investor Education seminars per year | 74 Investor Education seminars per year | 45 Investor Education seminars per year | 45 Investor Education seminars per year | 45 Investor Education seminars per year |

Quarterly milestones

| Outcome | Output | Output indicator | Baseline 2019/20 YTD Performance | 2019/20 Annual Target | Cumulative Quarterly Milestones | | | |
|-----------------------|--|---|---|---|------------------------------------|--------------------------------|--------------------------------|--------------------------------|
| | | | | | 1 st Quarter | 2 nd Quarter | 3 rd Quarter | 4 th Quarter |
| Non-Financial Support | Facilitate non-financial support to black owned businesses | 9.2. Number of seminars held across the country | 74 Investor Education seminars per year | 45 Investor Education seminars per year | 11 Investor Education seminars | 22 Investor Education seminars | 33 Investor Education seminars | 45 Investor Education seminars |

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 | | |
| | | | 2016/17 | 2017/18 | 2018/19 | YTD 2019/20 | 2020/21 | 2021/22 | 2022/23 |
| ADVANCING B-BBEE FOR TRANSFORMATION | | | | | | | | | |
| Growing black economic participation in the South Africa Economy and job creation | Approval of Deals | 1.1. Value of deals approved by the NEF (R million) | R1067m | R634m | R576m | R727m | R500m | R600m | R650m |
| | | 1.2. Value of new Commitments (R million) | R982m | R521m | R513m | R567m | R375m | R450m | R488m |
| | | 1.3. Value of Disbursements (R million) | R699m | R411m | R437m | R304m | R300m | R360m | R390m |
| MAXIMISING THE EMPOWERMENT DIVIDEND FOR SOCIO-ECONOMIC IMPACT | | | | | | | | | |

| Outcome | Output | Output indicators | Annual Targets | | | | | | |
|---|-----------------------|--|--|---|--|--|---|---|---|
| | | | Audited Actual Performance | | | Estimated Performance (including WEF contribution) | MTEF Period | | |
| | | | 2016/17 | 2017/18 | 2018/19 | YTD 2019/20 | 2020/21 | 2021/22 | 2022/23 |
| Growing black economic participation in the South Africa Economy and job creation | Employment Created | Number of job opportunities expected to be supported or created | Supported 5069 (of which 2841 are new) | Supported 3609 (of which 2 359 are new) | Supported 3713 (of which 3432 are new) | Supported 1 738 new or existing job opportunities | Support 1 846 new or existing job opportunities | Support 2 215 new or existing job opportunities | Support 2 400 new or existing job opportunities |
| Growing black economic participation in the South Africa Economy and job creation | Disbursement of Deals | Percentage of portfolio disbursed to businesses owned by black women | 34% (on annual disbursements) | 35% (on annual disbursements) | 32% (on annual disbursements). | 38% (on annual disbursements) | 40% (on annual disbursements) | 40% (on annual disbursements) | 40% (on annual disbursements) |

| Outcome | Output | Output indicators | Annual Targets | | | | | | |
|---|--|---|---|--|--|---|--|--|--|
| | | | Audited Actual Performance | | | Estimated Performance (including WEF contribution) | MTEF Period | | |
| | | | 2016/17 | 2017/18 | 2018/19 | YTD 2019/20 | 2020/21 | 2021/22 | 2022/23 |
| Growing black economic participation in the South Africa Economy and job creation | Disbursement of Deals | 25% of disbursement to be invested in Northern Cape, Free State, Limpopo, Mpumalanga, Eastern Cape and North-West | A total of 40 deals worth R224m is invested as follows: NC: 2 worth R7m FS: 6 worth R15m LP: 9 worth R56m MP: 9 worth R21m NW:8 worth R185m EC: 6 worth R21m This represents 32% of annual disbursements | A total of 35 deals worth R162 m is invested as follows: NC: 3 worth R14m FS: 6 worth R16m LP: 5 worth R25m MP: 8 worth R68m NW:4 worth R12m EC: 9 worth R27m This represents 36% of annual disbursements | A total of 17 deals worth R83m is 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 EC: 7 worth R31,1m This represents 19% of annual disbursements | A total of 16 deals worth R81,7m is invested as follows: NW: 1 worth R3.2m FS: 3 worth R19,4m LP: 2 worth R4,7m MP: 6 worth R26.3m NC:1 worth R7,2m EC: 3 worth R19,4m This represents 27% 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 |
| OPTIMISING NON-FINANCIAL SUPPORT FOR EMPOWERMENT | | | | | | | | | |
| Non-Financial Support | Facilitate non-financial support to black owned businesses | Number of seminars held across the country | 48 Sessions completed | 58 Sessions completed | 84 Sessions completed | 74 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 | | |
| | | | 2016/17 | 2017/18 | 2018/19 | YTD 2019/20 | 2020/21 | 2021/22 | 2022/23 |
| Non-Financial Support | | 6.1. Number of entrepreneurs Training sessions provided with an average score of 60% required in the post-training assessment | 21 training sessions per year, with an average score of 73% 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 | 35 training sessions per year, with an average score of 60% required in the post-training assessment | 40 training sessions per year, with an average score of 60% required in the post-training assessment. | 45 training sessions per year, with an average score of 60% required in the post-training assessment |
| | | 6.2. Number of entrepreneurs referred for business incubation; and number of entrepreneurs who successfully complete business incubation | 159 entrepreneurs referred for incubation; and 30 entrepreneurs in the final incubation stage | 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 130 entrepreneurs for incubation; and 20 entrepreneurs in the final incubation stage | Refer 135 entrepreneurs for incubation; and 25 entrepreneurs in the final incubation stage | Refer 140 entrepreneurs for incubation; and 30 entrepreneurs in the final incubation stage. |
| | | 6.3. Number of Social Facilitation sessions for NEF investees | 42 Social Facilitation sessions | 49 Social Facilitation sessions | 42 Social Facilitation sessions | 36 Social Facilitation sessions | 20 Social Facilitation sessions | 30 Social Facilitation sessions | 32 Social Facilitation sessions |

| Outcome | Output | Output indicators | Annual Targets | | | | | | |
|---|---|--|----------------------------|---|---------|--|---------------------------------|---|---------------------------------|
| | | | Audited Actual Performance | | | Estimated Performance (including WEF contribution) | MTEF Period | | |
| | | | 2016/17 | 2017/18 | 2018/19 | YTD 2019/20 | 2020/21 | 2021/22 | 2022/23 |
| Maintaining Financial Sustainability | Maintain positive brand awareness of the NEF | Maintain brand awareness of 90% | 86% | N/A Survey performed every second year | 93% | N/A Survey performed every second year | Maintain brand awareness of 90% | N/A Survey performed every second year | Maintain brand awareness of 90% |
| ESTABLISHING THE NEF AS A FINANCIALLY SOUND DFI FOR SUSTAINABILITY | | | | | | | | | |
| Maintaining Financial Sustainability | Obtain an overall real return on fund investments through equity returns, interest on loans and interest on cash balances with minimised impairments and write-offs | 8.1. Percentage of portfolio impaired | 17.55% | 15.4% | 18% | 27% | 18% | 18% | 18% |
| | | 8.2. Target ROI before impairments (to be reviewed annually) | 7.8% | 8.3% | 9% | 9.04% | *7% | 7% | 7% |
| | | 8.3. Collection ratio | 101.79% | 142.5% | 128.43% | 143,81% | 80% | 80% | 80% |

| Outcome | Output | Output indicators | Annual Targets | | | | | | |
|----------------------------------|---|--|----------------------------|---------|---------|--|-------------|---------|---------|
| | | | Audited Actual Performance | | | Estimated Performance (including WEF contribution) | MTEF Period | | |
| | | | 2016/17 | 2017/18 | 2018/19 | YTD 2019/20 | 2020/21 | 2021/22 | 2022/23 |
| Growing BEE through partnerships | Establish partnerships for increased economic investments | Value of concluded partnerships per year (or value of mobilised resources) | N/A | N/A | R95m | R97m | R50m | R80m | R90m |

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



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.

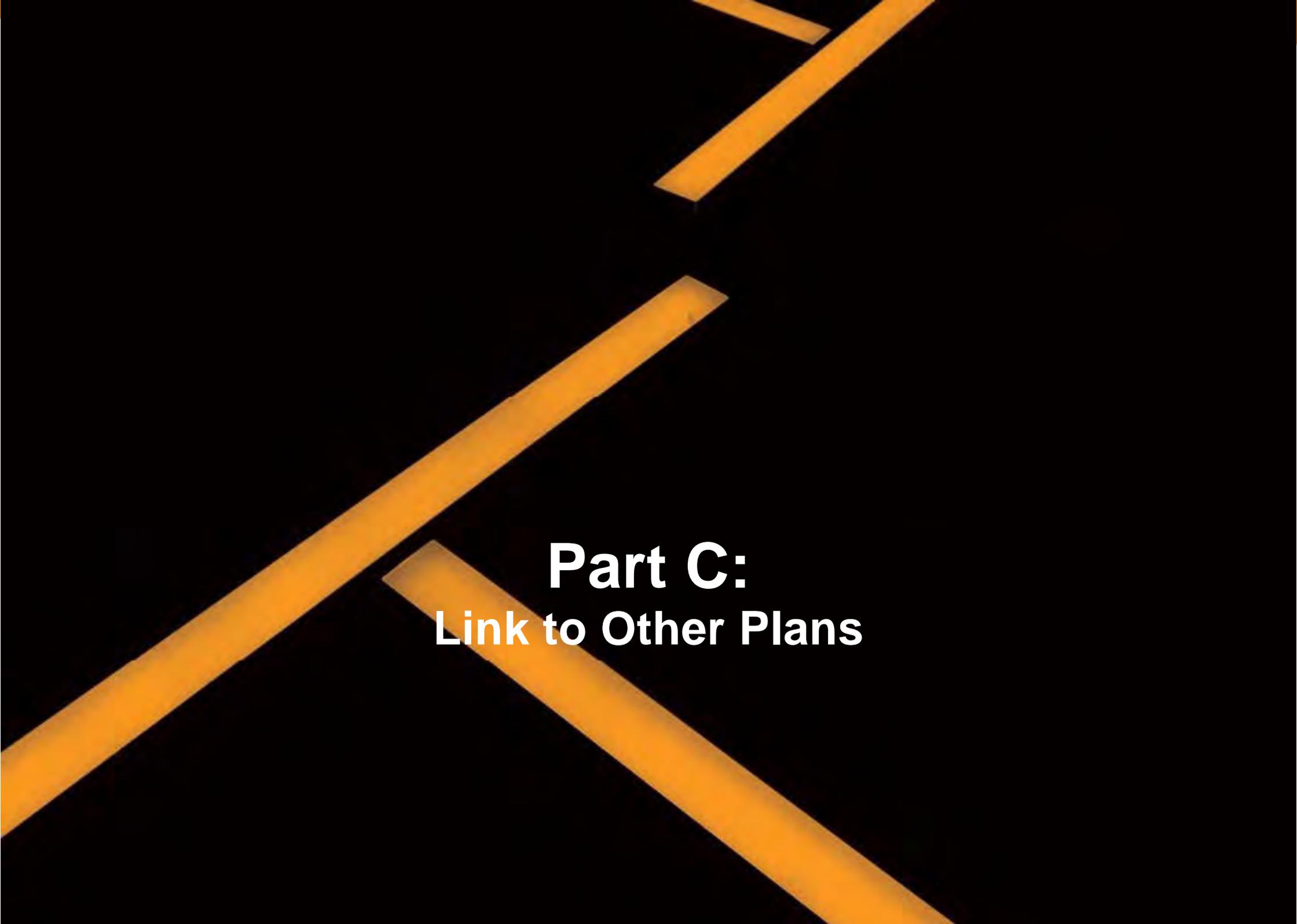
| Outcome | Output Indicator | Performance as at 31 March 2020 | Target 2020/21 | Cumulative Quarterly Milestones | | | |
|---|---|--|--|--|--|--|--|
| | | | | 1st | 2nd | 3rd | 4th |
| ADVANCING BBEE | | | | | | | |
| 1. Growing black economic participation in the South Africa Economy and job creation. | 1.1. Value of deals approved by the NEF (R million) | R727m | R500m | R81m | R240m | R387m | R500m |
| | 1.2. Value of new Commitments (R million) | R567m | R375m | R50m | R154m | R273m | R375m |
| | 1.3. Value of Disbursements (R million) | R304m | R300m | R33m | R119m | R213m | R300m |
| MAXIMISING THE EMPOWERMENT DIVIDEND | | | | | | | |
| 2. Growing black economic participation in the South Africa Economy and job creation | 2.1. Number of job opportunities expected to be supported or created. | Support 1 738 new or existing job opportunities. | Support 1 846 new or existing job opportunities. | Support 202 new or existing job opportunities. | Support 730 new or existing job opportunities. | Support 1 309 new or existing job opportunities. | Support 1 846 new or existing job opportunities. |

| Outcome | Output Indicator | Performance as at 31 March 2020 | Target 2020/21 | Cumulative Quarterly Milestones | | | |
|--|--|---|--------------------------------|---------------------------------|--------------------------------|--------------------------------|---|
| | | | | 1st | 2nd | 3rd | 4th |
| 3. Growing black economic participation in the South Africa Economy and job creation | 3.1. Percentage of portfolio disbursed to businesses owned by black women | 38% (on annual disbursements) | 40% (on disbursements) | 40% (on disbursements) | 40% (on disbursements) | 40% (on annual disbursements) | 40% (on annual disbursements) |
| 4. Growing black economic participation in the South Africa Economy and job creation | 4.1. 25% of disbursement to be invested in Northern Cape, Free State, Limpopo, Mpumalanga, Eastern Cape and North-West | 27% of disbursements | 25% of disbursements | 25% of disbursements | 25% of disbursements | 25% of disbursements | 25% of disbursements |
| OPTIMISING NON-FINANCIAL SUPPORT | | | | | | | |
| 5. Non-Financial Support | 5.1. Number of seminars held across the country | 74 Investor Education seminars per year | 45 Investor Education seminars | 11 Investor Education seminars | 22 Investor Education seminars | 33 Investor Education seminars | 45 Investor Education seminars per year |

| Outcome | Output Indicator | Performance as at 31 March 2020 | Target 2020/21 | Cumulative Quarterly Milestones | | | |
|---|--|---|---|---|--|--|--|
| | | | | 1st | 2nd | 3rd | 4th |
| 6. Non-Financial Support | 6.1. Number of entrepreneurs training sessions provided with an average score of 60% required in the post-training assessment | 134 training sessions per year | 35 training sessions with an average score of 60% required in the post-training assessment | 9 training sessions with an average score of 60% required in the post-training assessment | 18 training sessions with an average score of 60% required in the post-training assessment | 27 training sessions with an average score of 60% required in the post-training assessment | 35 training sessions per year, with an average score of 60% required in the post-training assessment |
| | 6.2. Number of entrepreneurs referred for business incubation; and number of entrepreneurs who successfully complete business incubation | Referred 151 entrepreneurs for incubation; and 16 entrepreneurs have made the final stage of incubation | Refer 130 entrepreneurs for incubation; and 20 entrepreneurs in the final incubation stage. | Refer 31 entrepreneurs for incubation; and 2 entrepreneurs in the final incubation stage. | Refer 62 entrepreneurs for incubation; and 4 entrepreneurs in the final incubation stage. | Refer 93 entrepreneurs for incubation; and 7 entrepreneurs in the final incubation stage. | Refer 130 entrepreneurs for incubation; and 20 entrepreneurs in the final incubation stage. |
| | 6.3. Number of Social Facilitation sessions for NEF investees | 36 Social Facilitation sessions | 20 Social Facilitation sessions | 5 Social Facilitation sessions | 10 Social Facilitation sessions | 15 Social Facilitation sessions | 20 Social Facilitation sessions |
| 7. Maintaining Financial Sustainability | 7.1. Brand audit survey findings | N/A Survey performed every second year | Maintain brand awareness of 90% | 90% | 90% | 90% | 90% |

| Outcome | Output Indicator | Performance as at 31 March 2020 | Target 2020/21 | Cumulative Quarterly Milestones | | | |
|--|--|---------------------------------|----------------|---------------------------------|------|--------|------|
| | | | | 1st | 2nd | 3rd | 4th |
| FINANCIAL EFFICIENCY & SUSTAINABILITY | | | | | | | |
| 8. Maintaining Financial Sustainability. | 8.1. Percentage of portfolio impaired | 27% | 18% | 18% | 18% | 18% | 18% |
| | 8.2. Target ROI before impairments (to be reviewed annually) | 9.04% | *7% | 7% | 7% | 7% | 7% |
| | 8.3. Collection ratio | 143.81% | 80% | 80% | 80% | 80% | 80% |
| 9. Growing BEE through partnerships | 9.1. Value of partnerships concluded | R97m | R50m | R12.5m | R25m | R37.5m | R50m |

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



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 5.1% 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 17% during the total forecast period;
- Interest earned on surplus cash 6.00%
- Approvals of R3.2 billion between FY2021 and FY2025;
- 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 9.34% Fees are projected at 1% of funds disbursed each year.

Interest on cash in the bank is projected at an average rate of 6.27%, 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 R4.2 billion as at financial year end 2018/19. 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 24th of April 2015, to R82 per share on the 31st of December 2019 . This represents a 66% decline in the value of MTN, over the five-year period, which is a significant asset on the NEF's balance sheet, comprising 19% of the total assets.

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

The NEF also embarks on various projects in line with the mandate as per the NEF Act (i.e. non-financial support services) for which specific budget allocations are required. To this end an average of R16m per annum has been budgeted for over the next three 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 R15,2 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 is currently being benchmarked to the updated COSO Framework that was issued during September 2017.

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 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. 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. IDC has also approved interim funding of R500 million. 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.

B. 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 from R2.2 billion to R834 million in the last 5 years. Management is evaluating possible options to manage the volatility of this strategic asset.

C. The inability to attract and retain key skills

The risk that the NEF does not have adequate capacity and skills to deliver on its mandate. There is a risk of loss of key personnel due to the uncertainty regarding the delay in implementation of the recapitalisation process. There has recently been an increase in resignations at management and professional level, 36 personnel with an accumulated experience of 431 years.

Management and the Board are, however, currently limited on implementing viable retention strategies due to lack of certainty regarding future funding. Various non-monetary options are currently being explored as retention strategies.

D. 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

local economic environment has led to significantly lower GDP growth rates. In addition, household personal finances are under financial strain due to an increase in living costs. 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.

E. 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 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.

A Credit Risk policy has been approved by the Board to enhance the Credit vetting process at the NEF.

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

| Outcome | Key Risk | Risk Mitigation |
|--|---|--|
| Growing black economic participation in the South African Economy and job creation | <ul style="list-style-type: none"> • Recapitalisation Risk. | <ul style="list-style-type: none"> • NEF to become Arm's length IDC subsidiary • R500 million facility has been approved by the IDC • Co funding of transactions • 3rd party funding sought for SPF transactions |
| Financial sustainability | <ul style="list-style-type: none"> • Concertation risk MTN | <ul style="list-style-type: none"> • Appointment of Corporate Finance advisors to explore options available in respect of this exposure |
| Human Capital | <ul style="list-style-type: none"> • Attract and retain key skills | <ul style="list-style-type: none"> • Various non-monetary retention strategies have been implemented by management and NEF board |
| Financial Sustainability | <ul style="list-style-type: none"> • Business/market risk: external conditions have a negative impact on funded transactions | <ul style="list-style-type: none"> • Thorough due diligence (DD) investigations on transactions • Transaction structuring and modelling which takes into account DD investigation findings |
| Financial sustainability | <ul style="list-style-type: none"> • Credit risk: unsustainable levels of impairments | <ul style="list-style-type: none"> • Short-term and long-term impairment intervention measures put in place • Thorough due diligence (DD) investigations on transactions • Appropriate governance in place in respect of credit granting/approval, monitoring |

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.

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 1.1: Value of deals approved by the NEF

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



Performance Indicator 1.2: Value of Commitments

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



Performance Indicator 1.3: Value of Disbursements

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



Performance Indicator 2.1: Number of job opportunities supported or created

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



Performance Indicator 3.1: Percentage of portfolio disbursed to businesses owned by black women.

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



Performance Indicator 4.1: Percentage (25%) of disbursements to be invested in Northern Cape, Free State, Limpopo, Mpumalanga, Eastern Cape and North-West

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

Performance Indicator 5.1: Number of investor education seminars held across the country

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



Performance Indicator 6.1: Number of Training Sessions provided

| | |
|--|---|
| 1. Indicator title | Providing Business Skills (Entrepreneurial and Bootcamp) Training |
| 2. Definition | Business Skills Training with an average pass of 60% |
| 3. Source/collection of data | Pre-Investment Unit |
| 4. Method of calculation / Assessment | Simple Count |
| 5. Means of Verification | Reports, Completed Templates |
| 6. Assumptions | Reliable Data |
| 7. Disaggregation of Beneficiaries (Where applicable) | N/A |
| 8. Spatial Transformation (Where applicable) | 9 Provinces |
| 9. Calculation Type | Cumulative |
| 10. Reporting Cycle | Quarterly and Annually |
| 11. Desired Performance | Business skills training completed |
| 12. Indicator Responsibility | Unit Executive Director |



Performance Indicator 6.2: Number of entrepreneurs referred for business incubation; and number of entrepreneurs who successfully complete business incubation

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



Performance Indicator 6.3: Number of Social Facilitation Sessions provided

| | |
|--|--|
| 1. Indicator title | Number of Social Facilitation sessions provided |
| 2. Definition | Number of Social Facilitation sessions provided to NEF investees |
| 3. Source/collection of data | Socio-Economic Development Unit (SEDU) |
| 4. Method of calculation / Assessment | Simple Count |
| 5. Means of Verification | Reports, Completed Templates |
| 6. Assumptions | Reliable Data |
| 7. Disaggregation of Beneficiaries (Where applicable) | N/A |
| 8. Spatial Transformation (Where applicable) | 9 Provinces |
| 9. Calculation Type | Cumulative |
| 10. Reporting Cycle | Quarterly and Annually |
| 11. Desired Performance | Social Facilitation sessions completed |
| 12. Indicator Responsibility | Unit Executive Director |



Performance Indicator 7.1.: Brand Audit Survey findings

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



Performance Indicator 8.1: Percentage of Portfolio Impaired

| | |
|--|---|
| 1. Indicator title | Percentage of the portfolio impaired |
| 2. Definition | The total percentage of the value invested in investees that is valued at less than the original valuation, and that may have to be written off in future |
| 3. Source/collection of data | Finance Department |
| 4. Method of calculation / Assessment | IAS39 Principle |
| 5. Means of Verification | Reports, Finance Systems, Completed Templates |
| 6. Assumptions | Reliable Data |
| 7. Disaggregation of Beneficiaries (Where applicable) | N/A |
| 8. Spatial Transformation (Where applicable) | N/A |
| 9. Calculation Type | Non-cumulative |
| 10. Reporting Cycle | Quarterly and Annually |
| 11. Desired Performance | 18% impairment |
| 12. Indicator Responsibility | Unit Executive Directors and Post-Investment |



Performance Indicator 8.2: Target ROI before impairments

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



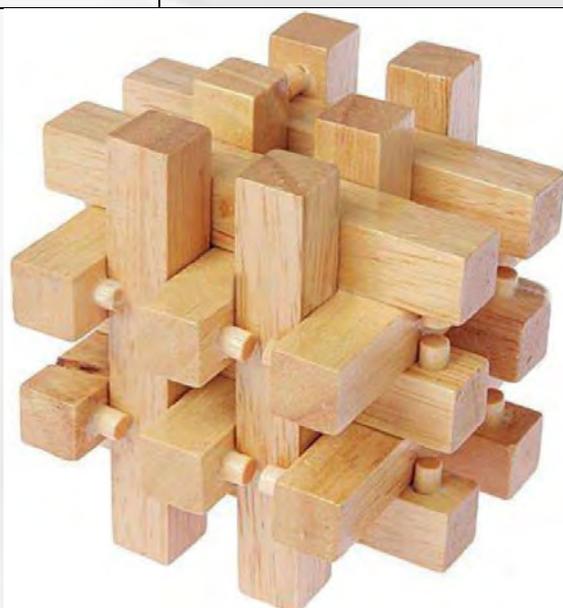
Performance Indicator 8.3: Collections ratio

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



Performance Indicator 9: Value of Partnerships concluded

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



Annexure A: Financial Projections

Income and Expenditure

| | ACTUAL Mar-20 R | BUDGET Mar-21 R | BUDGET Mar-22 R | BUDGET Mar-23 R | BUDGET Mar-24 R | BUDGET Mar-25 R |
|--|--|--|--|--|--|--|
| <u>INCOME:</u> | | | | | | |
| Dividends | 62 153 427 | 41 194 939 | 46 752 372 | 52 313 805 | 57 899 430 | 63 510 409 |
| Interest Received Banks | 75 103 921 | 48 391 345 | 40 741 883 | 33 868 936 | 35 494 645 | 37 198 388 |
| Interest from Investments | 182 842 678 | 138 154 902 | 203 342 017 | 213 740 735 | 225 734 775 | 239 132 697 |
| Capital raising Fees | 3 283 905 | 3 600 000 | 3 900 000 | 4 200 000 | 4 500 000 | 4 800 000 |
| Enterprise Development Fund | 4 250 000 | 5 200 000 | 5 200 000 | 5 200 000 | 5 200 000 | 5 200 000 |
| Other income | 34 158 876 | 16 150 000 | 1 150 000 | 1 150 000 | 1 150 000 | 1 150 000 |
| Bad Debts Recovered | 3 846 184 | 8 000 000 | 8 000 000 | 8 000 000 | 8 000 000 | 8 000 000 |
| Income from DRDLR | - | - | - | - | - | - |
| | 365 638 991 | 260 691 186 | 309 086 272 | 318 473 476 | 337 978 850 | 358 991 493 |
| <u>EXPENDITURE</u> | | | | | | |
| Goods & Services | 65 530 765 | 54 429 158 | 57 658 876 | 61 048 857 | 64 563 311 | 68 293 186 |
| Compensation to employees | 138 557 213 | 196 459 630 | 207 885 569 | 219 772 142 | 231 903 037 | 244 707 961 |
| Depreciation | 1 921 696 | 1 264 062 | 1 417 071 | 1 522 108 | 1 733 100 | 1 917 518 |
| Projects/ Non-financial support | 13 580 520 | 8 500 000 | 8 933 500 | 9 380 175 | 9 830 423 | 10 302 284 |
| Impairment Provision & Write offs | 252 467 075 | - | 30 279 831 | 26 360 366 | 29 095 128 | 29 812 099 |
| Total Expenditure | 472 057 269 | 260 652 850 | 306 174 847 | 318 083 648 | 337 124 999 | 355 033 048 |
| <u>OPERATIONAL SURPLUS/(DEFICIT)</u> | (106 418 278) | 38 336 | 2 911 425 | 389 828 | 853 852 | 3 958 446 |
| Fair value Adj - Held at fair value | (19 493 251) | - | - | - | - | - |
| Fair value Adj - non associate equity inventments | (410 312 832) | - | - | - | - | - |
| Fair value Adj - unincorporated equity inventments | (4 631 120) | - | - | - | - | - |
| Fair value adj - investment in associates | (27 811 366) | - | - | - | - | - |
| <u>TOTAL FAIR VALUE ADJUSTMENTS</u> | (462 248 569) | - | - | - | - | - |
| Net surplus/(deficit) | (568 666 847) | 38 336 | 2 911 425 | 389 828 | 853 852 | 3 958 446 |
| Key ratios | | | | | | |
| <i>Return on Investment</i> | 9,04% | 7% | 7% | 7% | 7% | 7% |
| <i>Impairment ratio</i> | 25% - 27% | 18,0% | 18,0% | 18,0% | 18,0% | 18,0% |
| <i>Collection ratio</i> | 143,81% | 80% | 80% | 80% | 80% | 80% |

Annexure B: Statement of Financial Position

| | Actual | Budget | Budget | Budget | Budget | Budget |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | Mar-20 | Mar-21 | Mar-22 | Mar-23 | Mar-24 | Mar-25 |
| | R | R | R | R | R | R |
| ASSETS | | | | | | |
| Non Current Assets | 2 637 807 086 | 2 774 482 656 | 2 943 545 700 | 3 147 676 429 | 3 370 444 751 | 3 614 103 036 |
| Property, Plant and Equipment | 3 127 554 | 5 069 972 | 7 194 876 | 7 564 542 | 8 495 151 | 9 304 782 |
| Intangible Assets | 353 813 | 1 191 355 | 1 417 993 | 2 127 834 | 1 872 494 | 2 527 794 |
| Investments in Associates | 33 897 985 | 69 897 985 | 108 897 985 | 150 897 985 | 195 897 985 | 243 897 985 |
| Investments Held at Fair Value | 861 944 342 | 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 | 226 870 132 | 240 313 205 | 254 988 789 | 270 960 390 |
| Loans and Preference Shares | 1 513 215 725 | 1 601 997 598 | 1 737 220 371 | 1 884 828 520 | 2 047 245 990 | 2 225 467 743 |
| Preference shares | - | - | - | - | - | - |
| Loans | 1 513 215 725 | 1 601 997 598 | 1 737 220 371 | 1 884 828 520 | 2 047 245 990 | 2 225 467 743 |
| Current Assets | 1 481 652 762 | 1 141 015 527 | 921 614 758 | 673 873 855 | 407 959 386 | 124 259 546 |
| Trade and other receivables | 17 270 199 | 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 | 8 795 032 |
| Cash and Bank | 1 419 514 257 | 1 114 950 296 | 895 549 527 | 647 808 624 | 381 894 155 | 98 194 315 |
| TOTAL ASSETS | 4 119 459 847 | 3 915 498 182 | 3 865 160 458 | 3 821 550 284 | 3 778 404 137 | 3 738 362 582 |
| Trust Capital and Reserves | 3 648 067 661 | 3 648 105 997 | 3 651 017 423 | 3 651 407 251 | 3 652 261 103 | 3 656 219 548 |
| Trust Capital | 2 468 431 472 | 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 | 1 182 585 951 | 1 182 975 779 | 1 183 829 631 | 1 187 788 076 |
| - Balance at Beginning of the Year | 1 748 303 036 | 1 179 636 189 | 1 179 674 525 | 1 182 585 951 | 1 182 975 779 | 1 183 829 631 |
| - Retained Income/(Deficit) for the Year | (568 666 847) | 38 336 | 2 911 425 | 389 828 | 853 852 | 3 958 446 |
| Non-Current Liabilities | | | | | | |
| Liabilities directly associated with non-current assets classified as held for sale | 9 249 151 | 9 249 151 | - | - | - | - |
| Current Liabilities | 462 143 035 | 258 143 035 | 214 143 035 | 170 143 035 | 126 143 035 | 82 143 035 |
| Enterprise Development Fund | 440 280 234 | 240 280 234 | 200 280 234 | 160 280 234 | 120 280 234 | 80 280 234 |
| Accounts Payable | 21 862 801 | 17 862 801 | 13 862 801 | 9 862 801 | 5 862 801 | 1 862 801 |
| TOTAL EQUITY AND LIABILITIES | 4 119 459 847 | 3 915 498 182 | 3 865 160 458 | 3 821 550 285 | 3 778 404 137 | 3 738 362 582 |

Annexure C: Cash flow Statement

| | Actual | Budget | Budget | Budget | Budget | Budget |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | 2020 March R | 2021 March R | 2022 March R | 2023 March R | 2024 March R | 2025 March R |
| Cash flows from operating activities | (154 101 902) | (230 438 789) | (260 227 944) | (275 651 174) | (291 446 771) | (308 153 430) |
| Cash receipts from customers | 17 875 661 | 32 949 999 | 18 250 001 | 18 550 000 | 18 850 000 | 19 150 000 |
| Cash paid to suppliers and employees | (171 977 563) | (263 388 788) | (278 477 945) | (294 201 174) | (310 296 771) | (327 303 430) |
| Cash flows from investing activities | 556 117 949 | (74 125 172) | 40 827 175 | 27 910 271 | 25 532 301 | 24 453 591 |
| Additions to property, and equipment | (1 817 134) | (2 700 000) | (3 200 000) | (1 500 000) | (2 200 000) | (2 200 000) |
| Additions to intangible assets | - | (1 000 000) | (420 000) | (1 000 000) | - | (1 000 000) |
| Investment disbursements | (269 446 344) | (360 000 000) | (390 000 000) | (420 000 000) | (450 000 000) | (480 000 000) |
| Dividends received | 59 118 967 | 41 194 939 | 46 752 372 | 52 313 805 | 57 899 430 | 63 510 409 |
| Interest receipts | 80 169 854 | 48 391 345 | 40 741 883 | 33 868 936 | 35 494 645 | 37 198 388 |
| Proceeds for COVID-19 relief fund | 200 000 000 | - | - | - | - | - |
| Repayments on originated loans, preference shares and leases | 483 552 606 | 199 988 544 | 346 952 920 | 364 227 530 | 384 338 226 | 406 944 794 |
| Proceeds from sale of investments | 4 540 000 | - | - | - | - | - |
| Decrease in cash and cash equivalents | 402 016 048 | (304 563 961) | (219 400 768) | (247 740 903) | (265 914 469) | (283 699 840) |
| Cash at beginning of the year | 1 017 498 209 | 1 419 514 257 | 1 114 950 296 | 895 549 527 | 647 808 624 | 381 894 155 |
| Total Cash at end of year | 1 419 514 257 | 1 114 950 296 | 895 549 527 | 647 808 624 | 381 894 155 | 98 194 315 |

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 | | | |
| | | | 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 | 11 | 2 424 | 220 | 11 | 2 564 | 233 | 11 | 2 713 | 247 | 11 | 2 870 | 261 |
| 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 | 3 065 | 3 065 | 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 |
| TOTAL | | | | 168 | 171 942 | 1 023 | 172 | 172 | 161 | 138 557 | 861 | 175 | 196 460 | 1 123 | 175 | 207 885 | 1 188 | 175 | 219 773 | 1 256 | 175 | 231 903 | 1 325 | 175 | 244 708 | 1 398 |

National Empowerment Fund

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 172 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.

HOW TO REACH THE NATIONAL EMPOWERMENT FUND

Gauteng Province

Head Office

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

Eastern Cape Province

7b Derby Road, Berea, East London 5241 | Tel: (043) 783 4200 | 0861 NEF ECP (0861 633 327)
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Free State Province

34 Fountain Towers, Corner Zaaron and Markgraaf Street, Westdene, Bloemfontein, 9300
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KwaZulu-Natal Province

4th Floor (South Side), Grindrod Bank Building (Old KPMG Building),
5 Arundel Close, Kingsmead Office Park, Durban | Tel: (031) 301 1960 | 0861 NEF KZN (0861 633 596)
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Limpopo Province

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Mpumalanga Province

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Northern Cape Province

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Western Cape Province

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National Empowerment Fund Trust (established by Act 105 of 1998) IT: 10145/00
www.nefcorp.co.za | www.nefbusinessplanner.co.za



the dti

Department:
Trade and Industry
REPUBLIC OF SOUTH AFRICA