

National Empowerment Fund

Funding for Black Business



the dti

Department
Trade and Industry
REPUBLIC OF SOUTH AFRICA



 NATIONAL
EMPOWERMENT
FUND
Growing Black Economic Participation

Presented by
Fund Manager
Rural & Community Development Fund

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May 2011

NEF Mandate ...

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



Rural & Community Development Fund

Aim and Objective

In accordance with the BB-BEE Act, the aim of this fund is to facilitate skills transfer and operational involvement by community groups therefore promoting social and economic upliftment.

Product Offering

- Project Finance
- Business Acquisition
- Start-up/ Greenfields

Defining Criteria

- Community based organisations
 - Consortiums & Co-operatives
- Rural based structure
 - Co-operatives (Acquisition, Start-ups and Greenfield).

Target Market

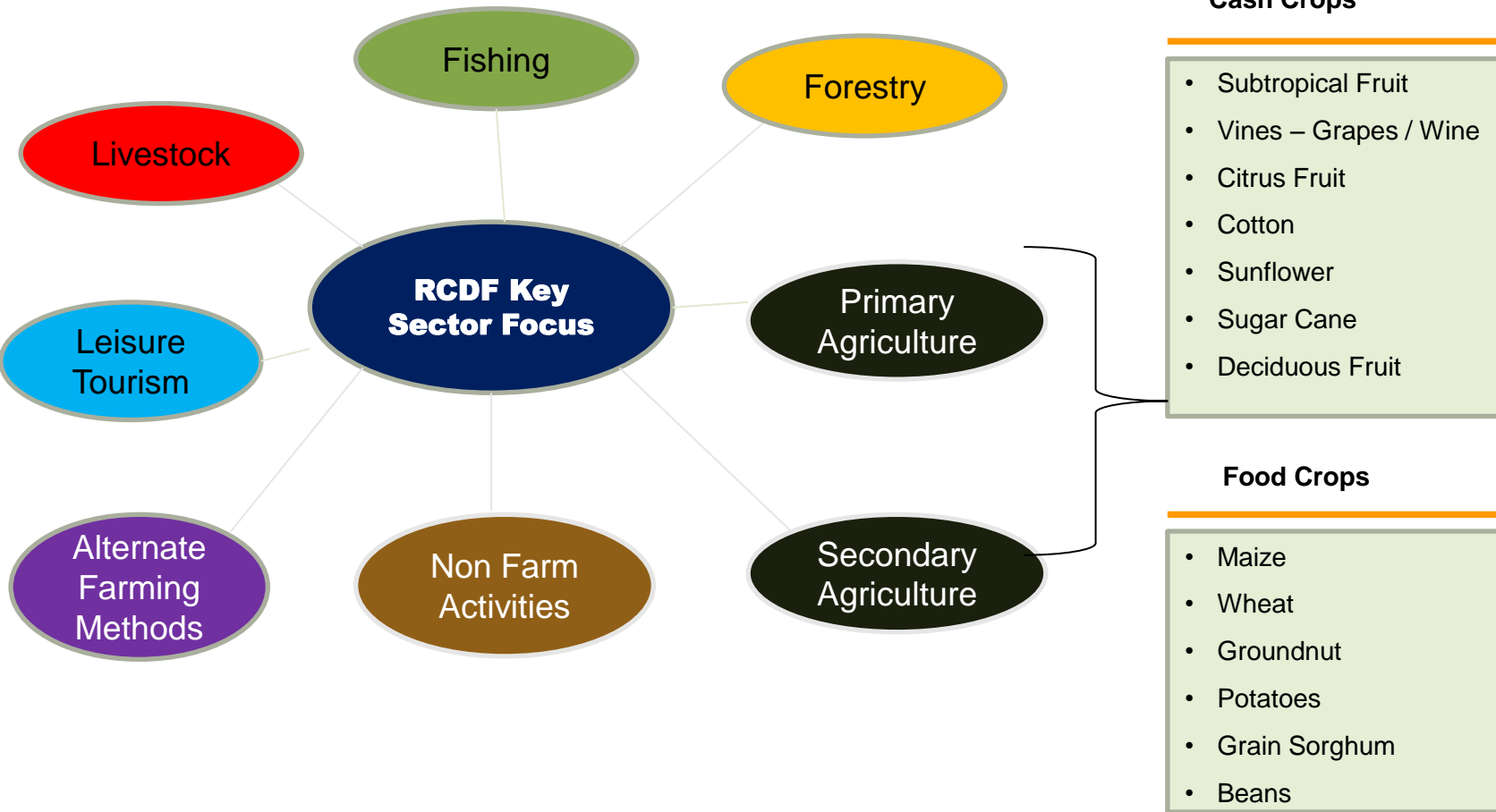
- The RCDF targets transactions that are rural based and have an element of community participation. The target market is Black people (as defined by the BEE Act) who do not have access to funding via normal banking channels.

Sectoral Focus

- Tourism, Manufacturing, Farming beneficiation, Agro-processing and Agro business



RCDF Sector Focus



Some of the Funding Products?

Rural & Community Development

Franchising

Procurement

Entrepreneurship

Expansion

Acquisition



NEF Funding Products in detail

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

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

NEF Funding Criteria

Each application is assessed in terms of the following criteria:

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





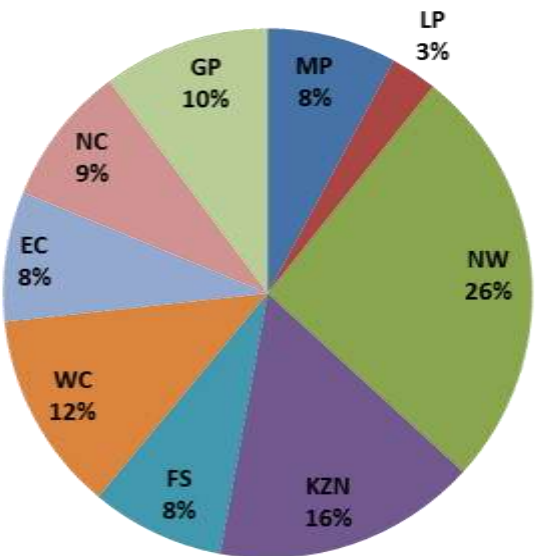
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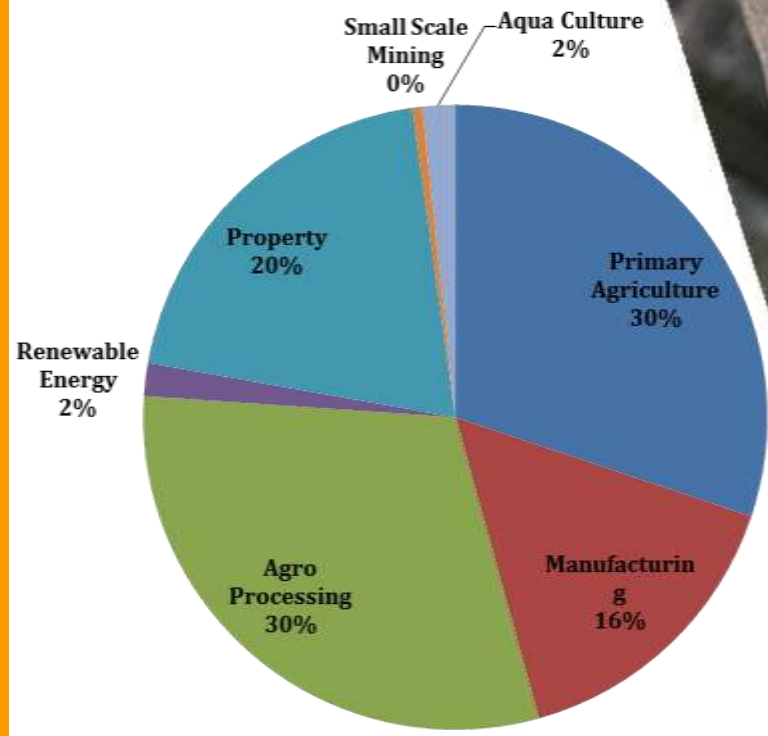
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Portfolio Performance 2010/11

Provincial Spread



Sector Exposure



Orange Farm Shopping Centre



Orange Farm Shopping Centre t/a Towns Square Mall - R273 m

Project Description:

- Located in Ext 4 in Orange Farm
- Regional Shopping Centre measuring 39,000 m²
- Anchored by Pick'n Pay, Shoprite, JD Group, Edcon and Thusong Services(Home Affairs, SARS, Department of Labour)
- 46% of shops let to BEE tenants
- Management Company CityNet Properties

Shareholders:

- **Pre Investment**
 - 50% Mr. David Lieberman
 - 50% Mr. Vusi Tshabalala
- **Post Investment**
 - 19% Community Trust (approx. 380k people)
 - 19% National Empowerment Fund
 - 62% Promoters (shared equally)

Funding Structure

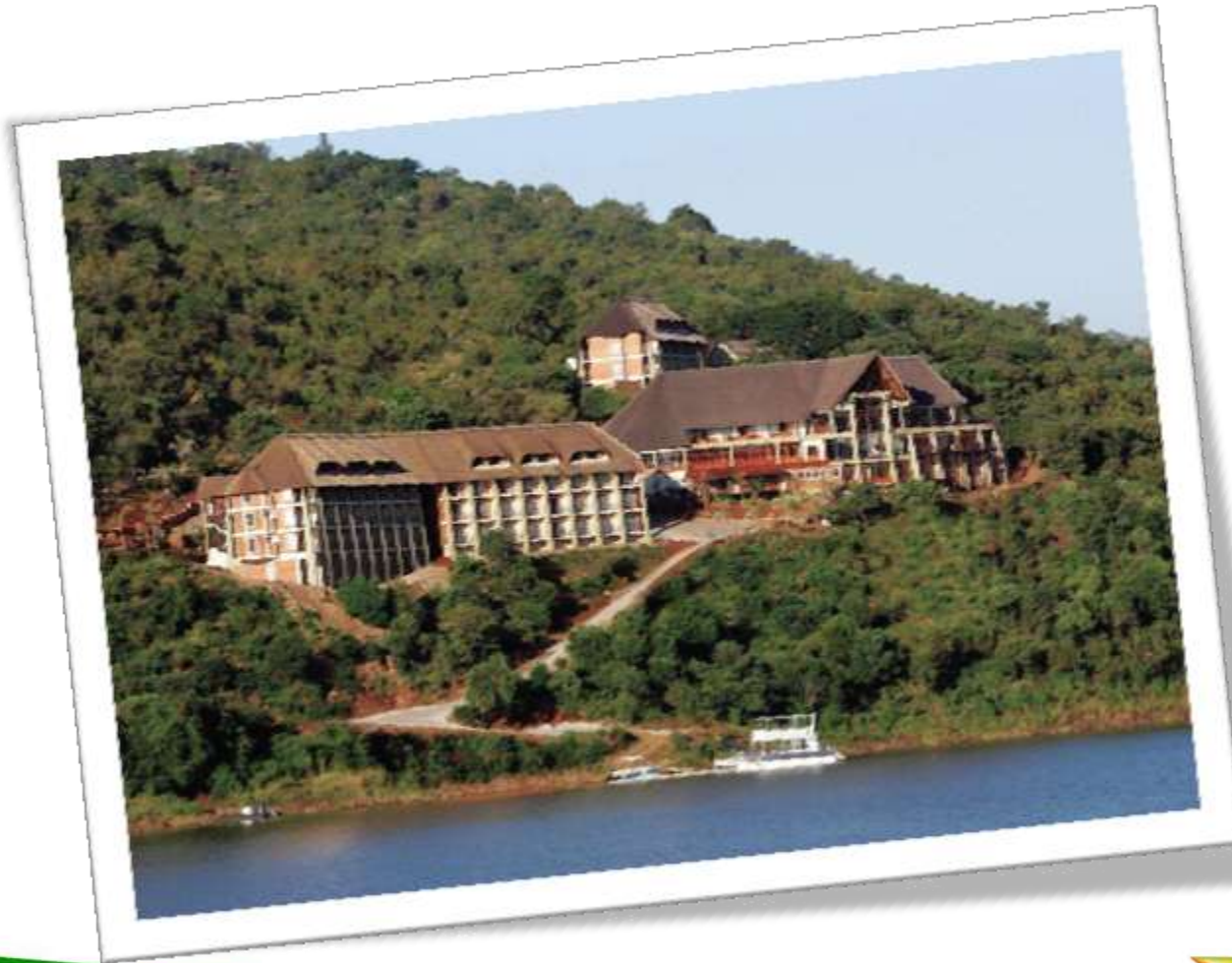
- **Equity**
 - NEF Shareholders Loans R20 million
 - Promoters Equity valued at R58 million
- **Senior Debt**
 - Nedbank Senior debt of R273 million
 - 10 years term, prime less 1%
 - NEF Senior debt of R30 million
 - 10 years term, prime less 1%

NEF Investment Rationale

- Commercial viability based on 80% confirmed leases
- Create 750 permanent jobs and 2000 during construction
- 19% upfront equity stake for community
- Between 20 – 30% of project value to be spent in the Orange Farm
- Retail store opportunities for hawkers and taxi owners

Turning Villagers into Shareholders

The community owns this 4-Star hotel!



- This is a R50 million project
- The NEF invested R28,3 million
- The Trust represents 22000 beneficiaries in the Jozini area (Northern Kwa-Zulu Natal)
- Overlooks the third largest lake in South Africa
- The hotel has 60 rooms

Accommodates 444



Masiza Mussel Farm (R9.9 million)



Snapshot of approved deals : Masiza Mussel Farm

R9.9m

Project Description

- The commercialisation and an expansion of The Masiza Mussel Farm Pilot Project
- Masiza produces 739 tons p.a. of black mussels in Saldanha Bay, Western Cape
- Has a 100% off-take agreement with LaVie Seafood (the only processor of mussels in RSA)

Shareholders

Pre - NEF Investment

- Masiza Trust (6 farmers) & Blue Bay Aqua Farm

Pre - NEF Investment

- Masiza Trust, Blue Bay Aqua Farm, LaVie and Blue Bay Workers Trust, Technical Partner (Mentor) and NEF

Funding Structure

- NEF 7 year Senior Loan of R4.95 million @ 8% interest with a 1 year interest and capital moratorium
- NEF 7 year Shareholders Loan of R4.95 million @ 8% interest with a 1 year interest and capital moratorium
- The NEF is targeting a minimum IRR of 8%

Investment Rationale

- 62% owned by BEE and Located in poverty stricken area
- Supports economically sustainable and globally competitive marine aquaculture sector
- Retention of 6 jobs and creation of 10 new jobs at primary farming level & 90 new jobs at processing plant

Masiza Mussel Farm (R9.9 million) cont.

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What drives the NEF Mandate?

The BB-BBE Codes of Good Practice

The seven (7) elements that will assist the South African economy to grow, are:

No.	Code	Description
1.	OWNERSHIP	Measures participation of the black people in companies where they are co-owners or part-owners.
2.	MANAGEMENT CONTROL	Measures participation by black people in companies where they are Executive Board Members, Executive Directors, Senior Top Management etc.
3.	EMPLOYMENT EQUITY	Measures participation of black people in companies at junior, middle or senior management levels.
4.	SKILLS DEVELOPMENT	Measures commitment to train and develop the skills of Black employees in companies.
5.	PREFERENTIAL PROCUREMENT	Measures purchase of goods and services from BEE-compliant companies.
6.	ENTERPRISE DEVELOPMENT	Measures the assistance by large companies, Government, etc. in facilitating the entry and / creation of Black SMMEs.
7.	SOCIO-ECONOMIC DEVELOPMENT	The assistance provided by Government, State Owned Enterprises etc. in facilitating the improvement of living standards of Black people living underdeveloped areas.



Challenges / Market Failures facing black business

- ❑ 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,
- ❑ Access to affordable capital, and
- ❑ Lack of access to international markets.



Lesson Learnt

- Ensure that project awareness is created to all beneficiaries prior to implementation
- Link the transaction to a technical partner for skill transfer with clear performance outcomes for a longer period of time
- Encourage diversification of project, value addition and agro-processing

Thank you...

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