

# ABOUT THE NEF

## Vision

The NEF vision is to become the leading provider of innovative transformation solutions for an economically inclusive South Africa.

## Mission

The NEF is a catalyst for Broad-Based Black Economic Empowerment (B-BBEE) in South Africa. We promote, enable, implement and develop innovative investment and transformation solutions to advance sustainable black economic participation in the economy.

## Mandate of the NEF

Established by the National Empowerment Fund Act (NEF Act), Act No.105 of 1998, the NEF is a driver and thought leader in promoting and facilitating black economic participation. Government created and mandated the NEF through the NEF Act to grow black participation in South Africa's national economy. Subsequently, Parliament passed the Broad-Based Black Economic Empowerment Act in order to guide the process of crafting a growing, inclusive and employment-generating economy.

Government discharges the implementation of B-BBEE through **the dti**, and specifically through its BEE Unit, which drafts and monitors policy and legislation, and provides practical guidelines for the implementation of B-BBEE for industry.

## Policy and Regulatory Framework

The NEF's strategy and operations are informed by various government policies, and especially by the NEF Act. Other policies to which the NEF's strategy and operations are aligned include the various policies and legislation directing macro-economy and governance. These include:

- The National Development Plan
- Broad-Based Black Economic Empowerment Act, Act No. 53 of 2003, and
- the B-BBEE Codes of Good Practice
- Industrial Policy Action Plan (IPAP)
- Public Finance Management Act, No. 1 of 1999 (PFMA)
- National Treasury regulations
- King Report on Governance for South Africa 2009 (King III)
- Protocol on Corporate Governance in the Public Sector, 2002
- Preferential Procurement Policy Framework Act No. 5, 2000

In order to ensure the NEF's ability to deliver a social and economic impact as broadly outlined in the NEF Act, the Executive and Board of Trustees have translated these policy objectives into strategic objectives which represent the NEF's priorities for the future. The strategic objectives are used to monitor and review the performance of the NEF.

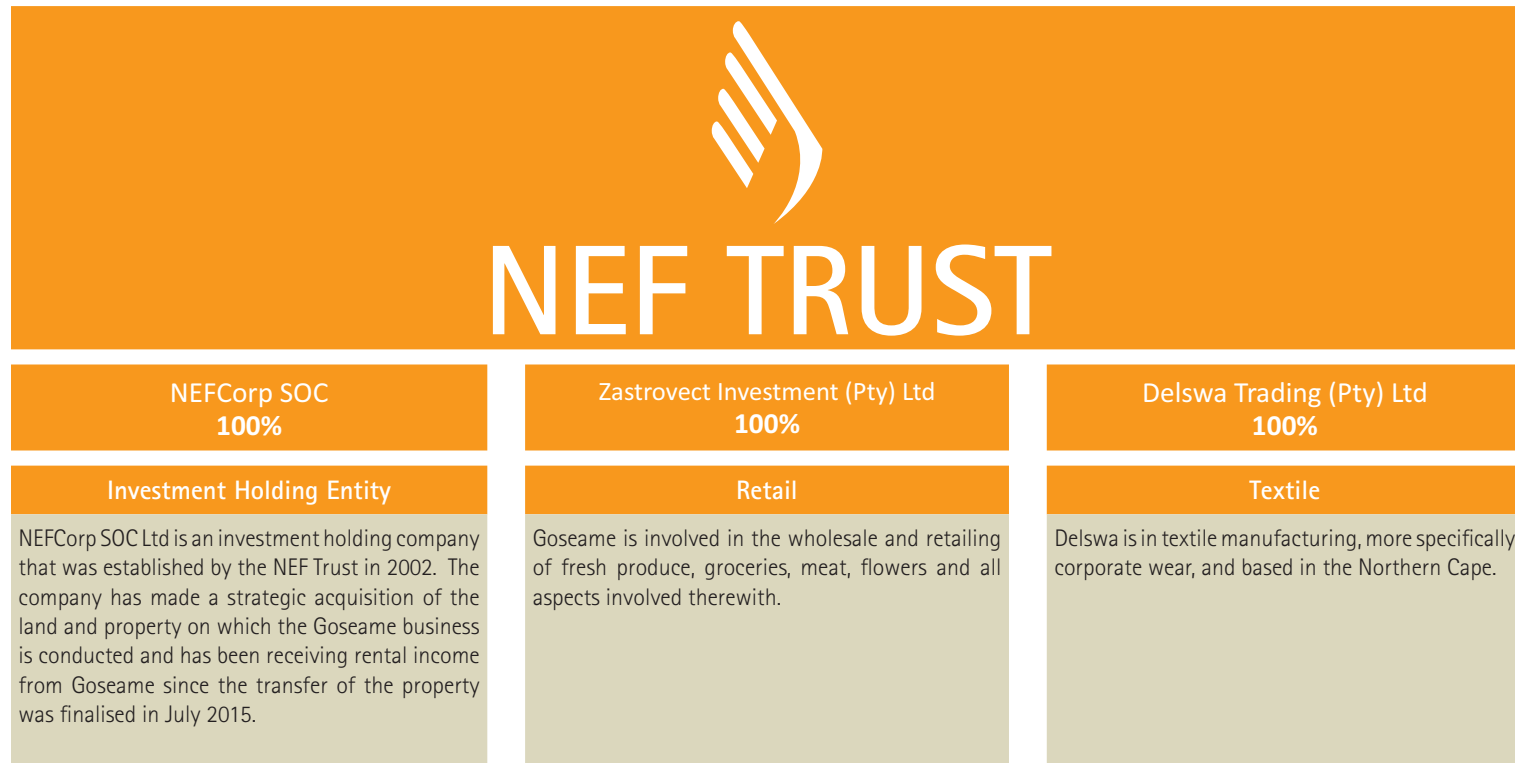
E<sub>THICS</sub> M<sub>OTIVATION</sub> P<sub>ERFORMANCE</sub> O<sub>WNSHIP</sub> W<sub>ORTHY</sub> E<sub>XCELLENCE</sub> R<sub>ESPECT</sub>

“To accelerate inclusive growth we must expand investments. The focus must be to provide venture capital-type funding and monitoring to these target groups – especially black entrepreneurs.”

*His Excellency, President Jacob Zuma, during a meeting with business and labour leaders at the Union Buildings in Pretoria on 09 May 2016*

## Operational Structure

The NEF has three wholly owned operating subsidiaries, namely National Empowerment Fund Corporation SOC Limited (NEFCorp SOC Ltd), Zastrovect Investment (Pty) Ltd (trading as Goseame Open Market - Goseame) and Delswa (Pty) Ltd (Delswa).



### Goseame

The NEF invested in Goseame in June 2012. The business is involved in the wholesale and retailing of fresh produce, groceries, flowers and meat. In September 2013 the promoter that was supported through this transaction was found to be in breach of the loan terms. The breach compelled the NEF to exercise its rights in terms of the loan agreement and expel the promoter from the business, consequently temporarily taking over 100% of the entity's shareholding effective 6 September 2013 and appointing interim management in the business. The Minister of Finance has granted a section 92 PFMA compliance exemption of this entity for a period of three years, ending June 2017. The NEF is still actively pursuing avenues to dispose of this entity before the set date.

### Delswa

In April 2013 the NEF invested in Delswa, a textile manufacturing entity in the Northern Cape. Regrettably in December 2013 the business went into financial distress. The challenges the entity faced were due to various reasons which included working capital management mainly caused by ineffective decisions made by management. In January 2016 the NEF exercised its rights in terms of the shareholder agreement and stepped in to run the company in an effort to stabilise the business and save the jobs that were at risk, especially since it is located in one of the most impoverished part of our country. In July 2016, the Minister of Finance granted a section 92 PFMA compliance exemption of this entity for a period of 3 years. The NEF is however in advanced stages of negotiating an exit from this investment.

### Our Strategic Objectives and Business Model

As depicted below, our business model is premised on the four main strategic objectives, the key performance areas (KPA's) and indicators (KPI's), which advance the creation of value for the NEF.

OUR STRATEGY	Strategic Objective	Advancing BBBEE	Maximising Empowerment dividend	Financial efficiency and sustainability	Optimising non-financial support
	<i>Key Performance Area</i>	Provide finance to business ventures established and managed by black people.	<ul style="list-style-type: none"> <li>Invest in black empowered businesses that have high employment creating opportunities</li> <li>Support the participation of black women in the economy</li> <li>Facilitate investment across all provinces in South Africa</li> </ul>	<ul style="list-style-type: none"> <li>Establish the NEF as a sustainable DFI</li> </ul>	<ul style="list-style-type: none"> <li>Provision of non-financial support and training for black-owned businesses and entrepreneurs</li> <li>Conduct investor education seminars in provincial towns and increase understanding by participants</li> </ul>
<i>Key Performance Indicator</i>	<ul style="list-style-type: none"> <li>Value of deals approved</li> <li>Value of new commitments</li> <li>Value of new disbursements</li> </ul>	<ul style="list-style-type: none"> <li>Number of jobs expected to be created or supported</li> <li>Percentage of portfolio disbursement owned by women</li> <li>Percentage of committed deals partially/wholly owned by women</li> <li>Percentage of disbursement target to be invested in provinces</li> </ul>	<ul style="list-style-type: none"> <li>Percentage of portfolio impaired</li> <li>Target ROI before impairments</li> <li>Collections ratios</li> <li>Manage portfolio risk</li> </ul>	<ul style="list-style-type: none"> <li>Number of entrepreneurial training sessions provided</li> <li>Number of entrepreneurs who successfully complete business incubation</li> <li>Number of social facilitation sessions for NEF investees</li> <li>Number of investor education sessions held across the country</li> </ul>	

“After 20 years of democracy, significant challenges remain in creating an enabling environment for entrepreneurship and the creation of successful and sustainable black-owned small businesses. Levels of entrepreneurship have consistently been around only 50% of where they should be given South Africa's per capita GDP, and around 75% of emerging businesses continue to fail in the first two and a half years of their existence.”

The Hon. Deputy President Cyril Ramaphosa at the Shanduka Black Umbrellas National Development Awards, Sandton Johannesburg, 24 June 2015

## Our Strategic Objectives And Business Model

As depicted below, our business model is premised on the four main strategic objectives, which advance the creation of value for the NEF. These are as follows:

### Advancing B-BBEE

Provide finance to business ventures established and managed by black people. Through its funding activities, the NEF actively seeks to promote transformation, broad-based participation, industrialisation, and SME development.

### Maximising Empowerment dividend

Invest in black empowered businesses that have high employment creating opportunities across all provinces in South Africa. The creation of employment opportunities are assessed as part of the merit and impact of funding transactions. In addition, the focus is to support the participation of black women in the economy.

### Financial efficiency and sustainability

Establish the NEF as a sustainable DFI. This is achieved by ensuring that we invest in transactions which have economic merit, through active financial management of the NEF itself, as well as through portfolio monitoring and support activities

### Optimising non-financial support

Encourage & promote savings, investment & meaningful economic participation by black people. This is achieved via the business incubation and entrepreneurship development training.

