



Sunday, July 1 2018 BUSINESS REPORT

NEF confident of securing IDC funding soon

The National Empowerment Fund (NEF) says it is confident that it will soon secure much-needed capitalization from the Industrial Development Corporation (IDC) as soon as Cabinet grants approval for the purpose and National Treasury approves the application for limited borrowing rights by the NEF under the Public Finance Management Act (PFMA), says NEF Chief Executive, Ms Philisiwe Mthethwa.

Ms Mthethwa was speaking today before Parliament's Select Committee on Trade & International Relations, where she delivered the NEF's Strategic Plan, Annual Performance Plan and Budget as required because of its role as an agency of the dti at the beginning of every financial year. The NEF's delegation comprised the Chairman of the Board of Trustees, Mr Rakesh Garach, as well as the Divisional Executive for Venture Capital and Corporate Finance,



NEF CEO: Ms Philisiwe Mthethwa

Ms Hlengiwe Makhathini.

"The Committee is impressed with the fine work being done by the National Empowerment Fund (NEF) and we recognize the impact which the development financier is driving in the quest

for inclusive growth. That is why we are anxious that the recapitalization of the NEF should happen speedily so that the mandate of the NEF is not compromised," said Committee Chairperson, Hon. Eddie Makue, on Wednesday.

Mandate

The NEF was mandated by the NEF Act No 105 of 1998 to drive the implementation of Broad-Based Black Economic Empowerment through the provision of financial and non-financial support to black-owned businesses, as well as to promote a culture of savings and investment among black people in South Africa.

Huge demand for funding by black entrepreneurs

Having achieved a diverse range of historic milestones since operations began in 2005, the NEF has now reached a critical point where its funding mandate requires urgent recapitalisation for the development financier to be able to respond to the overwhelming demand for funding by black entrepreneurs across the country.

In 2004 Government made the undertaking in the State of the Nation Address that it would capitalise the NEF to the amount of R10 billion. The NEF was eventually capitalised through transfers from National

Treasury in 2004 to the value of R2.47 billion, all of which was fully disbursed by 2010 as planned. "Since then, the NEF has been self-financed with proceeds from dividends and interests from its investments and R1 billion proceeds from the sale in 2007 through the Asonge Share Scheme of a portion of the NEF's holding in the MTN Group. Collections amounting to R6.3 billion have been generated from loan repayments, which continues in the normal course," adds Ms Mthethwa.

"Having been capitalized by R2.47 billion the NEF has been able to more than double the capital base to about R5 billion through prudence and good governance. The NEF has been able to collect from the loans and re-invested this to allow a total of R6.3 billion to be injected into the economy. This shows that if the NEF had received the full capital allocation of R10 billion as announced, more could have been achieved in the transformation of the country".

The NEF says in the current financial year over 1400

black businesses approached the development financier to seek funding of over R10.6 billion in order to fund start up, expansion and acquisition of businesses. This is double the volume of transactions the NEF had to assess in the year prior. Although over 50% of the value was declined at screening, transactions worth about R5bn went further in the approval processes, and in most instances the NEF had to refer these entrepreneurs to other potential funders due to limited capital available for investment. This shows that black entrepreneurs are eager to play an active role in the economy and with adequate resources the NEF can make a huge difference".

Cash at hand

"The NEF's actual cash as at 31 March stands at R1.1 billion," says Ms Mthethwa, "with uncommitted cash at hand amounting to R94 million. Upon approval of a transaction the NEF does not disburse the entire amount, and will do so in tranches only

upon the fulfilment of agreed milestones. This then explains how part of the NEF's cash at hand has already been committed, and will continue to be disbursed into the economy as entrepreneurs gradually take their businesses to the next level. The funds that are awaiting disbursement manifest across various sectors of the economy, with manufacturing comprising the lion's share".

NEF milestones

She says since operational inception in 2005 to date the NEF has approved 927 transactions worth more than R9.3 billion across the country, having supported 95 798 jobs, of which 65 359 were new. As a well-run development financier the NEF has secured clean external audit opinions for 12 years running. The recapitalisation of the NEF will also help propel the full commercialisation of all the 26 strategic and industrial projects that the NEF has developed in partnership with local and international partners. These are valued at R29

billion, with the potential to support a further 85 000 jobs.

Funding NEF through the IDC Since July 2014 the NEF has been in discussion with the IDC in a process supported by both the dti and the Department of Economic Development. The objective was to find a sustainable and long-term recapitalisation solution for the NEF.

On 14 February last year Minister Rob Davies and Minister Ebrahim Patel signed the Memorandum for incorporating the NEF as an IDC subsidiary. Subsequently, the Board of the IDC approved a facility of R500 million for the NEF in March 2017.

The IDC's conditions precedent before the facility may be disbursed to the NEF include Cabinet approval, which the NEF is confident will soon materialise. Secondly, disbursement will require a Section 66 approval by National Treasury in terms of the PFMA for the NEF to be accorded limited borrowing rights, which is presently precluded by the classification of the NEF under the Act.

R15m loan for Black Woman-Owned Construction Company

Strategies to transform South Africa's construction sector received a major boost recently through a R15 million loan to a wholly black woman-owned company to deliver success in a mega infrastructure project.

The loan from the NEF underpins the entity's ability to help build a capable, developmental state and drive economic inclusivity, a major tenet of the National Development Plan 2030.

Gauteng-based L&R Building and Civils Construction received the loan to be able to complete the multi-million-rand Savanna City project in the province and other critical infrastructure works. These include the Nokeng project also in Gauteng in partnership with Group Five.

L&R Building and Civils Construction accountant Bright Nagocha confirms that the R15 million capital injection has helped with the company's cashflow and its ability to continue with the projects.

"The loan enabled us to pay our creditors in time and avoid legal action in some instances for our outstanding debts. The capital injection also enabled us to continue with projects where we were paid late be-



cause we could afford to pay our staff from some of the reserves it gave us," Nagocha says, adding that they are able to embark on new projects, especially in civil works.

L&R Building and Civils Construction was founded by Lebo Aaron who is involved in the day to day operations of the business as the managing director. Since its inception in 2003 the company has been involved in projects to the value of R322 million. These include contracts by the Eastern Cape Provincial Department of Human Settlement to build 1000 units in Rhodes and 500 units in Qumbu in terms of the government's rural housing program.

As an award-winning entity L&R Building and Civils Construction has been the recipient of the Govan Mbeki Best Woman Contractor Award in the North West Province and Countrywide in 2013. The company has also been awarded Best Women Contractor for 2015 and 2016 in the Western Cape.

NEF says L&R Building and Civils Construction is an example of the kind of black-owned business that needs its support in its drive to change the complexion of the construction industry.

"L&R Building and Civils Construction is an example of the kind of business initiative that the NEF is geared to support to ensure success of women

- more especially black women - in this largely untransformed industry," NEF Imbewu Fund Manager Nhlanhla Nyembe.

Meanwhile, Zodwa Tshabalala a businesswoman from Gauteng, says through such interventions and assistance packages, the NEF continues to prove itself as the standard-bearer for the empowerment of black businesses and initiatives.

"Through such sustained packages the NEF is proving its worth in breaking monopolies, transforming key sectors of the economy and advancing the broad participation of black owned enterprises in the mainstream economy," Tshabalala says.

NEF's R3.5m lifeline to local blockbuster

MUSA NDLANGAMANDLA

In its quest to unlock the full potential of cultural and creative industries (CCIs) as a catalyst for socio-economic transformation across all sectors of the South African economy, the National Empowerment Fund (NEF) has extended a R3.5 million lifeline towards the making of another gem in the local film industry.

"Sew the Winter to my Skin" is a thrilling, operatic ride into the heart of Pre-Apartheid South Africa and is touted to achieve world-acclaim like other South African produced films Sarafina and Tsotsi.

Set in the rural Great-Karoo region in the 1950's this epic existential-adventure film is produced by Yellowbone Entertainment, a black-owned film production which is a beneficiary of the NEF Arts and Culture Venture Capital Fund.

The funding has been able to create about 100 jobs, with 21 as cast members and 77 as crew.

The project's total cost is R16 million and was crowd funded by the NEF and other local and international organisations.

"The Arts and Culture Ven-



ture Capital Fund is designed to promote and develop the arts, culture and heritage sector by providing affordable loans to start-up or expanding small businesses such as Yellowbone Entertainment. The fund also targets companies with limited operating history which do not have access to capital markets," says NEF Umthotho Fund Manager: Zama Khanyile.

"The Fund has been created in line with the realisation that in order to achieve radical economic transformation access to funding must not be limited to few businesses. The Fund also assists businesses with potential to be self-sufficient and not rely only on government for grant funding." Even before production had

begun, the film had already

been invited to Cannes Film Festival, the inimitable global platform for celebrating film excellence.

"We believe this transaction best exemplifies the grandeur, the ambition and word-class magnificence which the Venture Capital fund seeks to unearth and to unleash the unused of the country's creative industry."

Yellowbone Entertainment is 100% black-owned with Xolani Qubeka and Layla Swart each owning 50% of the company respectively. As a team Qubeka and Swart have extensive knowledge in the key components of film-making including development, pre-production, produc-

tion and post-production. While the two and their team played a key role in carving the company's growth path, they credit the NEF for helping in turning around the Yellowbone Entertainment's fortunes. "In our interaction with NEF we found it to be an open and honest institution that understands our needs as entrepreneurs and is willing to take our input on board in a two-way process. We also found NEF personnel to have expertise on issues that are relevant to our business," says Qubeka.

Yellowbone has recently completed the high-end Xhosa science fiction film called "Stillborn" which premiered at the second annual BRICS Film Festival in June 2017. The production took place in the Eastern Cape as well as Gauteng. The company has four other feature films set to go into production in the next 18 months.

Meanwhile, the NEF is an important agent for the development of black entrepreneurs and job creation. Since its inception in 2005 the NEF has approved more than R10 billion for black entrepreneurs supporting in excess of 92 000 jobs.

A lifeline for young, black industrialist

The NEF continues to be the exponent of empowering black owned businesses and promoting entrepreneurship as powerful tools to ensure sustainable job creation, economic freedom and social stability.

A case in point is a R15 million loan the organisation granted to a wholly black youth-owned construction company, Shota Engineering, for it to be able to hold its own in the largely untransformed construction sector.

Managing Director of Shota Engineering Lara Mulaudzi says through such financial assistance the company will be able to complete two mega construction projects in the Gauteng province.

The company has infrastructure-built contracts with the Johannesburg Roads Agency and the Gauteng Department of Infrastructure. It was also charged with the refurbishing of the 60-year-old Bafikile Primary School in Senaone and the extension of the Florida Clinic West of Johannesburg.

The company currently em-



employs 16 people on permanent basis and generally employs additional people as and when required. It was gathered that up to 160 people will be employed on a short-term basis as part of the two projects listed above.

NEF Divisional Executive f for SME and Rural Development: Setlakalane Molepo, says Shota Engineering fits squarely with the organisation's commitment to promote black participation in the largely untransformed construction industry.

"Supporting such businesses is also in tandem with the government's commitment to

driving socio-economic transformation, empowerment of small and medium sized enterprises and the promotion of local industrial development," says Molepo.

"We believe that increasing the participation of black professionals and companies in the construction industry will inevitably transform the dynamics across the whole project-cycle of project preparation, design and specifications, tender preparation, procurement and construction management, construction, construction, handover and training operators and operations maintenance thereby

enhancing the skills of black professional in the industry."

The NEF says another factor that played in Shota Engineering's favour is that the company is a well-established business with a proven track record.

"The business has a team of highly qualified individuals with years of experience in the industry. In its nine years of operation Shota Engineering has accumulated vast knowledge and experience in the entire value chain of the construction industry.

Records show that in those nine years of existence the company has successfully completed large projects.

These include two projects of R69 million and R202 million done for the Coega Development Corporation, the state-owned company mandated to develop and operate the 11 500 hectares industrial land of the Coega Special Economic Zone in the Eastern Cape.

Besides enabling Shota Engineering to deliver on the two contracts, the loan enhances the company's contribution to job creation.

R120m of Tourism Fund to boost entrepreneurs, fuel transformation

As part of ongoing efforts to ensure meaningful transformation of South Africa's tourism industry, a staggering R120 million of the recently launched Tourism Transformation Fund (TTF) will be channelled towards assisting black-owned enterprises and initiatives play a meaningful role in the mainstream economy. Placing emphasis on empowerment of the historically disadvantaged, destination development, job creation and skills development, the Fund was launched in a partnership between the Department of Tourism together with the National Empowerment Fund (NEF).

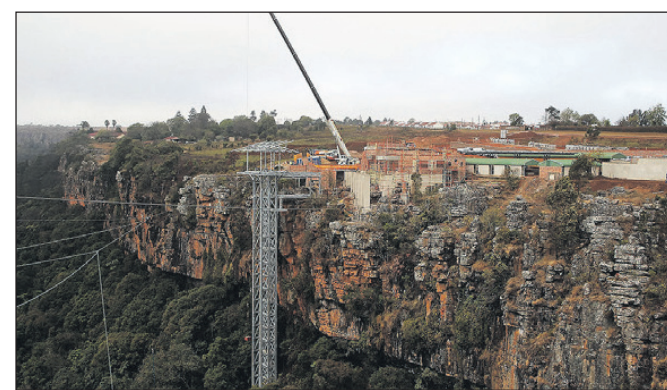
Overall the Department allocated R2.1 billion for the promotion and growth of tourism across South Africa, with the R120 million specifically being allocated over the next three years to support emerging black-owned businesses. Businesses that are predomi-

nately owned and run by black women, youth and people with disabilities will be given preference, with each applicant standing the chance of securing up to R5 million.

Seja Kekana, Manager Strategic Project Fund, says the Fund will provide financial and non-financial support to black investors and communities investing in capital projects that will transform the tourism sector.

"The Fund will be capitalised to the tune of R120 million annually, over a period of three financial years through annual grant funding of R40 million from the Department of Tourism and R80 million loan funding from the NEF. We will offer grant funding of up to R5 million to qualify small and micro tourism enterprises to unlock investment by black investors in the tourism sector," she says.

Nkomo notes that Pillar Five of the National Tourism Sector Strategy promotes the empowerment of black enter-



prises and rural communities to ensure inclusive growth of the sector.

"It is with this in mind that the fund aims to drive transformation in the tourism sector in a more direct and impactful manner that will not only assist black-owned tourism enterprises to expand and grow, but also catalyse the rise of a new generation of youth, women and black owned tourism enterprises to take the tourism sector to new heights," she says.

Following are steps to access money from the Fund:

- Complete, sign and submit a NEF application form, a TTF application checklist together with a business plan, financial projections and related supporting documents.
- Following the initial compliance with the eligibility criteria, applications received by the NEF will

undergo a standard due diligence review and assessed for business viability before qualifying for funding support.

● A window period for applications is open from 17 May 2018 to 31 August 2018 for prospective applicants to submit applications for the Tourism Transformation Fund.

Peter Tlou, a businessman from Polokwane paid tribute to NEF for its efforts saying the tourism sector has the added advantage of being one of the areas expected to continually contribute to the development of rural areas and the culture industries, among other benefits. Meanwhile, since inception the NEF has invested R167million within the tourism sector throughout the country. Among their flagship projects being the Graskop Gorge Lift Company in Mpumalanga.

Joy is in the air as Power98.7 turns five-years old

As one of the investors in Power98.7, the National Empowerment Fund (NEF) "is proud of the Gauteng radio station's meteoric growth,

and looks forward to a long and fruitful partnership following the station's 5th year on air this month," says NEF Divisional Executive for Venture Capital

and Corporate Finance, Ms Hlengiwe Makhathini.

MSG Afrika founder and chairman, Mr Given Mkhari, says "the primary reason for

Power987's existence is to sponsor black progress, where black people can be celebrated and black leaders challenged".

He says "the undying human

spirit that lives in black people, that defies all sorts of efforts that came with the engineering of colonialism, of imperialism and apartheid encapsulates the energy

behind the Power manifesto".

The NEF first approved funding for the startup in 2012, investing a total R75 million in a journey that has seen Power98.7

"grow in listenership, influence and stature as a platform for debate, a source of inspiration and a yardstick for the nation's aspirations," adds Ms Makhathini.

