



SMME Opportunity Roadshow

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**NATIONAL
EMPOWERMENT
FUND**
Growing Black Economic Participation

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.

The NEF is an agency of the dti and is the only DFI exclusively mandated to grow B-BBEE

Unpacking the NEF Mandate



Financial & non-financial support

Fund Management

1. Fund black-empowered businesses
2. Business plan toolkit
3. Mentorship support
4. Early-stage investments

Culture of savings & investment

Asset Management

1. Investor Education
2. Public Share Offers
3. Enterprise Development
4. BEE Repository



NEF's Performance and Investment Criteria...

“The Empowerment Dividend”

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

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

Graduate SME's to Industrialists



Market Failures & Non-Financial Support

Market Failures Facing SMEs

MARKET FAILURES	NEF SOLUTIONS
Limited own capital	Funding of between R250 000 and R75 million for start-up, expansion and equity transformation purposes as well as use of concessionary facilities
Limited management skills, including financial, marketing and technical expertise	Online business planning solution and dedicated mentorship support
Access to affordable capital	Competitive cost of finance with a higher risk appetite as well as requirement for operational involvement (sweat-capital) reduces the need for collateral payment
Lack of accurate and reliable financial information	Online business-planning solution, dedicated mentorship support and technical assistance

Market Failures Continued

MARKET FAILURES	NEF SOLUTIONS
Poor quality of business plans	Online business planning solution with a module for financial projections, incubation, entrepreneurial training and mentorship support
Lower bargaining power and strong competition from established businesses with entrenched market dominance	Linkages and emphasis on the implementation of the Codes of Good Practice (B-BBEE)
Lack of access to local and international markets	Linkages with off-takes



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	R 250 000 – R 10 million
Procurement Finance	For tenders and contracts	R 250 000 – R 10 million
Franchise Finance	For pre-approved franchise licenses	R 250 000 – R 10 million
Acquisition Finance	For black investors acquiring a stake in medium to large companies	R 2 million – R 75 million
Expansion Capital	For growing an existing business	R 250 000 – R 75 million
*Project Finance	Participation in green-field projects	R 5 million – R 75 million
Capital Markets	Listing on the JSE or its junior AltX markets	R 2 million – R 75 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	R 2 million – R 75 million
*Rural and Community Development Fund	for agri-processing, tourism, mining & beneficiation, manufacturing etc	R 1 million – R 50 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.	R 1 million – R 75 million



NEF Funding Criteria

Each application is assessed in terms of the following criteria:

- **commercial viability of the business,**
- minimum percentage of black ownership or interest,
- black women empowerment,
- black managerial and operational involvement,
- job creation,
- specific product criteria,
- 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.





Women Empowerment Fund

NEF Women Empowerment Fund

Objective

- To deliberately facilitate the participation of Black women in the main stream of the economy

Strategy

- Leverage existing relationships to drive a pipeline of women lead transactions
- Partner with government departments to facilitate opportunities provided by those departments
- Project development of opportunities identified from deficiencies in the market highlighted in investment approval processes (e.g. Local manufacturing of beads)
- Sponsor identification through women lead businesses and associations, incubator, business schools and funding competitions

Fund a Woman, Fund a Nation



Non-Financial Support

Pre-Investment Support

- Product Advisory Services
- Business Incubation
- Entrepreneurial Skills Training

Mentorship Support

- Globally, 30% of start-ups fail in the first 2 years,
- Less than 50% survive beyond 4 years
- Mentors across the country to help businesses
- Expert advice on strategy and operations
- Improve the chances of the business succeeding
- Provided for free to NEF investees



Funding Petroleum Sector

R7,9 million Desert Oil

R7,9 million to fuel black economic participation in the Northern Cape

Desert Oil is a fuel branding and marketing company. The company came about as a result of Chevron divesting in retailing in the industry in line with applicable regulations. The company began its operations in March 2010 before securing full funding. The assets acquired include supply agreements for 28 sites, pumps and tanks on all sites, and land and buildings for four sites.

The entrepreneurs are strong individuals with 40 years' collective experience in the industry, indicating firm commitment to the transaction through a R2 million own contribution, and two of the three directors moving from the Western Cape to the Northern Cape in compliance with the NEF's requirement for direct operational involvement.

Examples of NEF funding

R12 million Civil



Mag e b a P r o j e c t s C C K Z N This is a 100% women owned civil construction business that further provides project management services. The NEF approved an investment of R12 million Senior Debt instrument. The business currently has a staff complement of 45 employees. The NEF funding will result with 30 additional jobs. The company has managed and completed projects worth over R591,9million.

LA C r u s h e r s (P t y) L t d is a mining contracting company based in Phalaborwa with operations in Limpopo and Mpumalanga. Having operated for more than 20 years, their client base includes blue chip companies like Phalaborwa Mining, BHP Billiton, Foskor and Exaro. LAC's Head Office is in Phalaborwa, and the company employs some 500 personnel. The NEF's R45 million investment was to enable an acquisition of a 46% by a BEE Consortium, including the surrounding communities as well as for the business' working capital requirements.

R45 million in Limpopo



Examples of NEF funding

R4 million Senior loan



Lizin Transport Services & Mdokweni Tours

The NEF funded two SME's to a total of R4 million to service contracts awarded by the Nkomati Mine to transport staff and visitors. Lizin is a registered business owned by Mr Paulos K Malaza and had secured a R2,1 million contract. While Mdokweni Transport is a registered transport and tours cc. founded in 2007. the company employed 4 employees prior to NEF investment. Post the NEF funding 12 more jobs have been created

R30 000 000 in the Western Cape

The NEF has supported the introduction of a consortium of black women and the Nozala Trust as shareholders in the Ma-Afrika business, and funded the production of 2 films, namely *A Million Colours* and *Winnie*. Through this investment the NEF is supporting transformation in a key industry and has assisted in the facilitation of more than 350 jobs for crew and cast positions.



Examples of NEF funding



R51.8 million for 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 R52,8 million. This genuine BB-BEE deal is delivering substantial social returns to community beneficiaries at large, including job creation and skills development.

R50 million for Orange Farm Shopping Centre

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 project value will be spent in the Orange Farm area, and retail store opportunities



Franchises Funded to Date



Come to the NEF today

Are you a black entrepreneur?

- **Do you have a viable business idea and a business plan?**
- **Does it have financial projections?**
- **Do you need funding of between R250 000 and R75 million?**
- **Have you registered a company?**
- **Do you have a valid RSA ID and did you obtain your citizenship before 27 April 1994?**
- **Will you be directly, operationally involved?**



Thank you

Contact Details

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4	Kwa-Zulu Natal Regional Office	031 301 1960 0861 633 596 0861 NEF KZN	0861 633 329
5	Western Cape Regional Office	021 431 4760 0861 633 927/ 0861 NEF WCP	0861 633 329
6	Limpopo Regional Office	015 299 4085 0861 NEF LIM 0861 633 327	0861 633 329
7	North West Regional Office	014 592 9220 0861 NEF NWP 0861 633 697	0861 633 329

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