



the dti

Department:
Trade and Industry
REPUBLIC OF SOUTH AFRICA

National Empowerment Fund Funding Support Packages for SMEs

PRASA Rolling Stock Fleet Renewal Programme
BB BEE Market Engagement



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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



Key Strategic Objectives ...

- Promote and support business ventures pioneered and run by Black people;
- Promote the understanding of equity ownership among Black people;
- Provide black people with direct and indirect opportunities to acquire share interests in State Owned and private business enterprises;
- Encourage and promote investments, savings and meaningful economic participation among Black people.



Alignment of Mandate to Government Objectives

Broad Based Black Economic Empowerment The Codes of Good Practice

NEF Act: Objectives

The dti Outputs:

Raising competitiveness
Support for co-operatives and
small business

Sectors

NEF SPF & FMD:

• BPOs; Tourism; Biofuels;
Construction; Agro-processing;
Transport; ICT & Media; Mining &
beneficiation; Franchising

Industrial Policy Action Plan:

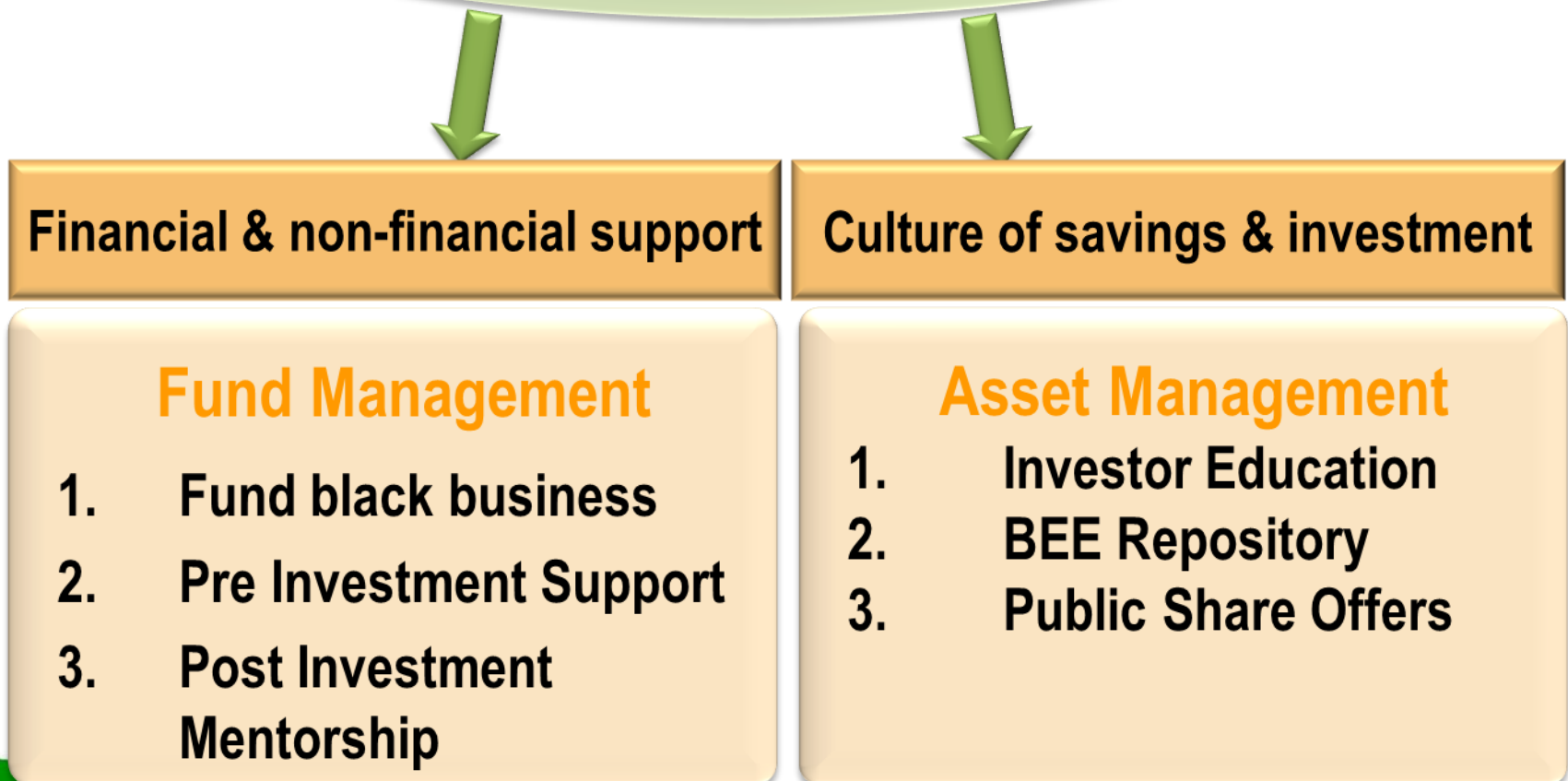
• Metals fabrication, Capital &
transport equipment, Green energy,
Agro-processing, Automotive,
components, medium and heavy
commercial vehicles, Plastics,
pharmaceuticals and chemicals,
Clothing, textiles, footwear and
leather, Biofuels, Forestry, paper,
pulp and furniture, Strengthening
linkages between cultural industries
and tourism, Business process
servicing

New Growth Path Priorities:

- 1) Accelerate employment
- 2) Support labour creating activities in agriculture, light manufacturing and services
- 3) Support knowledge and capital intensive sectors to remain competitive
- 4) Target: infrastructure, agriculture, mining value chain, green economy, manufacturing, tourism & high level sectors
- 5) Rural development, education & skills, enterprise development, BB BEE

NEF mandate & funding in line with national growth and industrial objectives

Unpacking the NEF Mandate ...



NEF'S PERFORMANCE CRITERIA –

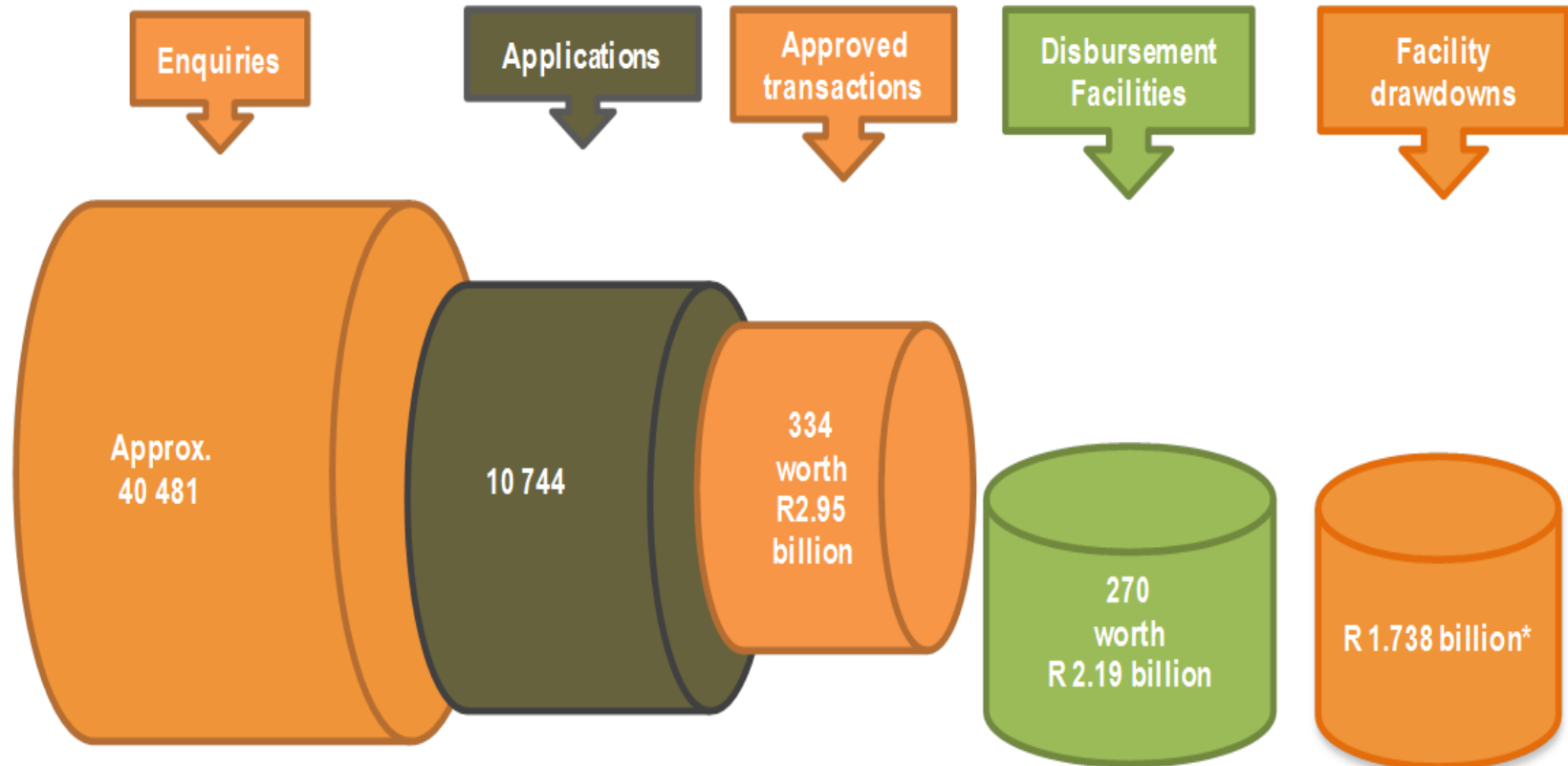
“The Empowerment Dividend”

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

1. Broad Based Black Economic Empowerment
Ownership, management control, employment equity, skills etc
2. Black Women Empowerment
3. Job Creation
4. Growth Sectors
5. Geographic Spread
6. Investment Return
7. Transactions concluded

Performance to date:

NEF INVESTED PROCESS Since Inception - 30 September 2011



* Facility drawdowns excluding write-offs since inception

Market Failures

- Constraints and Market Failures
 - ❑ Lack of collateral/security
 - ❑ Lack of specific industry knowledge and/or management experience
 - ❑ Limited or no equity contribution
 - ❑ Limited knowledge of financial markets, financing structures and financial instruments
 - ❑ SMEs have low bargaining power
 - ❑ They face strong rivalry from other SMEs
 - ❑ They compete with well established companies
 - ❑ They have weak financial position due to undercapitalization and low asset base
 - ❑ They are characterized by lack of accurate, reliable financial information and lack of business planning skills
 - ❑ Lack of management depth – small and multifunctional and often lacks range of business management skills
 - ❑ Lack of access to markets

NEF Funding

R250 000 – R75 million

- **Start-up**
- **Expansion**
- **Equity Acquisition**



Some of the Funding Products?

Rural & Community Development

Franchising

Procurement

Entrepreneurship

Expansion

Acquisition



NEF Focused Funds

SME and Rural & Community Development

The NEF iMbewu Fund

provides debt finance from R250 000 to R10million (in exceptional cases up to R20 million for procurement contracts)

The NEF Rural & Community Development Fund

provides investment from R1 million to R50 million to commercially viable projects that seek to economically benefit communities in rural and peri-urban areas

Corporate Finance & Venture Capital

The NEF Umnotho Fund

provides investment debt and equity solutions from R5m to R75m focusing mainly on providing capital to finance acquisitions, expansions and new ventures.

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.



iMbewu Product Offering

	<i>iMbewu Rapid Loan Solutions</i>	<i>iMbewu Growth Capital Solutions</i>	<i>iMbewu Equity & Structured Solutions</i>	<i>iMbewu Wholesale Solutions</i>
Instruments	<ul style="list-style-type: none"> ▪ Debt only 	<ul style="list-style-type: none"> ▪ Debt only 	<ul style="list-style-type: none"> ▪ Equity & Quasi-Equity ▪ Debt & Quasi-debt 	<ul style="list-style-type: none"> ▪ Debt only
Degree of customisation	<ul style="list-style-type: none"> ▪ Very Low 	<ul style="list-style-type: none"> ▪ Medium 	<ul style="list-style-type: none"> ▪ Very High 	<ul style="list-style-type: none"> ▪ Very Low
Products	<ul style="list-style-type: none"> ▪ Franchises ▪ Receivables finance ▪ Asset/lease finance ▪ Working capital ▪ Bridging finance ▪ Contract finance 	<ul style="list-style-type: none"> ▪ Working capital ▪ Factoring ▪ Asset/lease finance ▪ Contract financing 	<ul style="list-style-type: none"> ▪ Venture capital ▪ Expansion ▪ M&A ▪ Balance sheet financing 	<ul style="list-style-type: none"> ▪ Products under RLS and GCS
Advantage for iMbewu	<ul style="list-style-type: none"> ▪ Rapid turnaround ▪ Caters for volumes 	<ul style="list-style-type: none"> ▪ Mix of speed and customization. ▪ Lowered risk 	<ul style="list-style-type: none"> ▪ Customise risk and capital growth 	<ul style="list-style-type: none"> ▪ Rapid turnaround ▪ Caters for volumes ▪ Wholesale partners shares risk
Amounts & invested period	<ul style="list-style-type: none"> ▪ R250k< and <R3M ▪ Up to R10M ▪ 3 mths to 5 yrs 	<ul style="list-style-type: none"> ▪ R1m< and <R10M ▪ 3 to 7 yrs 	<ul style="list-style-type: none"> ▪ R1m< and <R10M ▪ 5 to 7 yrs ▪ Possible MBO extension 	<ul style="list-style-type: none"> ▪ R250k< and <R3M ▪ Up to R10M ▪ 1 to 5 yrs ▪ Up to 7 yrs

NEF Investment Criteria (Cont...)

NEF utilize various due diligence modules to assess commercial viability

Commercial

- Industry / Sector Analysis
- Target Market Analysis
- Product / Service Analysis
- Marketing Strategy
- Pricing Strategy
- Competitive analysis

Technical

- Production Process
- Technology
- Supplier Analysis
- Capex Requirements
- Operating Cost Analysis
- Labour

Legal

- Regulations
- Constitutional Documents
- Material Contracts
- Shareholders Agreements
- Probity Checks

Management / Institutional

- Assessment of Governance Structures
- Organisational structure
- Group Structure
- Assessment of Key Management

Environmental

- Health and Safety Issues
- Land Claims
- Waste Management
- EIA

Financial

- Historical Financial Analysis
- Financial Projections
- Cash Flow Analysis
- Profitability Analysis
- Capital Structure
- Working Capital
- Valuation
- Capex

Value Proposition

- NEF is a provider of risk capital and solutions for BEE business through:
 - Provision of Seed and Start-up Capital
 - Structuring of Equity and flexible loan structures
 - ✓ Provide patient capital
 - ✓ Loans charged at rates linked to prime to match cash flow affordability
 - ✓ Moratorium on interest and capital
 - ✓ Structuring of residual values/ bullet payments to make repayments affordable
 - Risk-sharing mechanisms and structures – Bulk Financing Solutions
 - Offering mentorship solutions
 - Own contribution not a percentage of investment but determined by level of commitment (e.g., salary sacrifice)
- NEF gazzetted as a black person in the BEE Codes

THANK YOU