MEDIA STATEMENT

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**NEF temporarily suspends new funding for B-BBEE**

Leading black development financier, the National Empowerment Fund (NEF), has announced a Board resolution “to temporarily suspend approval of new transactions while the Government and the NEF assess and eventually conclude a drive to reposition and to recapitalize the NEF to better meet the growing needs of black entrepreneurs,” says Chairman of the Board of Trustees, Mr Thando Mhlambiso.

He says the NEF was capitalised in 2005 by Government to the value of R2.4 billion, all of which was fully disbursed by 2010. Since then, the NEF has been self-financed with proceeds from dividends and interests from its investments and proceeds from the sale in 2007 through the Asonge Share Scheme of a portion of the NEF’s holding in MTN Group. This arrangement resulted in 87,000 black South Africans becoming investors in one of the country’s leading cellular operators.

Mr Mhlambiso says “our decision to cease new investments will enable the NEF to remain strong for a considerable period of time, and will provide the Government and the NEF sufficient space to find a suitable long-term funding arrangement for the NEF’s future activities. We are confident that a resolution will soon be found.”

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.

Explains Chief Executive Officer, Ms Philisiwe Mthethwa: “The NEF has achieved a litany of historic and significant milestones since operational inception in 2005 to date, having approved over 500 transactions worth more than R5 billion for black-empowered businesses across the country, with R3,6 billion committed to 417 of these companies. Over 60% of our beneficiaries are SMEs, and these are in virtually all sectors of the economy. As a well-run organisation the NEF has consistently secured an unqualified external audit opinion. The NEF focuses on sustainable black enterprises and job creation, and is constantly striving for transactions in employment-intensive sectors, as identified by IPAP and the New Growth Path. To date the NEF has supported in excess of 40 000 jobs”.

“As a development finance institution that seeks to mitigate a range of market failures confronting black entrepreneurs, among which are the lack of access to finance and stiff competition against well-established businesses, the bulk of the NEF’s investments are still operating in the economy. As a patient-capital lender the NEF’s business loans and equity investments are repayable over 4 to 7 years, and up to 10 years for rural and community development projects and new ventures in green field operations,” adds the NEF’s CEO.

Black people, says Ms Mthethwa, constitute over 90% of South Africa’s population yet still own around 3% of market capitalisation on the JSE. As a development financier that addresses the legacies of an unequal and unjust past whose vestiges continue to this day,
the NEF balances the desire to generate reasonable investment returns with the imperative to deliver meaningful social impact.

With its Strategic Projects Fund, says Ms Mthethwa, the NEF has developed over 30 early-stage infrastructure projects valued in excess of R33 billion, which have the potential to generate between 150 000 and 200 000 decent jobs over the next 3 years in key economic sectors. These industrial projects enable black participation at the outset of projects, as opposed to at a later stage when the projects are operational.

**Board Chairman, Mr Mhlambiso,** notes that several reasons explain an exponential increase in the NEF’s investment pipeline over the last few years, namely:

- Over the years, the NEF’s internal systems and processes have matured, and its productivity has risen substantially.
- With the IDC having exited from SME and transferred its entire SME portfolio to the newly-established Small Enterprise Finance Agency (Sefa), and having narrowed the scope of its B-BBEE funding exclusively for black industrialization, the NEF has truly become the home of hope for the black entrepreneur, and has seen growing volumes of funding applications and approvals.
- The NEF’s decision to open offices in provinces across the country has extended the organization’s geographic footprint to (and its access to black entrepreneurs in) all but one province, with 30% of the number of approved transactions having emanated from the regional offices, in the past financial year (2012/13).
- A substantial increase in the nation’s awareness and public understanding of the NEF’s products and services, as shown by successive brand audits.

“As is the case with early-stage investing across the world,” adds Mr Mhlambiso, “a large percentage of start-ups in South Africa tend to fail in the first 2 years of their existence, and even fewer survive beyond the first 4 years of their inception. Through its mentorship programme, and with the support of the NEF’s post-investment team, the NEF monitors the performance of its large number of investees for opportunities to enhance the values of those firms and to better manage risks within the enterprises. Our business mentors are deployed across the country, and possess a wide spectrum of business expertise, which was invaluable to NEF investees at the height of the global economic downturn”.

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