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Department:  
Trade and Industry  
REPUBLIC OF SOUTH AFRICA

# National Empowerment Fund (NEF)

## Mpumalanga Bio-Energy Workshop



Presented by

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**Mpumalanga Provincial Office**

Friday, 10 November 2012

# 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



# Unpacking the NEF Mandate ...

## NEF Mandate

Grow black economic participation

**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

# SME Market Failures

The NEF seeks to address the following market failures:

- Lack of access to finance
- Lack of access to markets
- Lack of specific industry-knowledge and/or management experience
- Limited or no equity contribution
- SMEs have low bargaining power with suppliers and customers (they are price-takers)
- SMEs compete with well-established businesses
- They are often undercapitalized and have low asset base
- SMEs are characterised by lack of accurate and reliable information, and lack of business-planning skills
- Lack of management depth – small and multifunctional, and often lack a range of business-management skills



# NEF Funding

## R250 000 – R75 million

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



# 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	R250 000 – R10 million
Procurement Finance	For tenders and contracts	R250 000 – R10 million
Franchise Finance	For pre-approved franchise licenses	R250 000 – R10 million
Acquisition Finance	For black investors acquiring a stake in medium to large companies	R2 million – R75 million
Expansion Capital	For growing an existing business	R250 000 – R75 million
*New Ventures Finance	Participation in green-field projects	R5 million – R75 million
Capital Markets	Listing on the JSE or its junior AltX markets	R2 million – R75 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	R2 million – R75 million
*Rural and Community Development Fund	for agri-processing, tourism, mining & beneficiation, manufacturing etc	R1 million – R50 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.	R1 million – R75 million

# 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,
- 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.



# Successes To Date

**Over R3.7 billion approved for black businesses**

**More than R2,7 billion disbursed**

**Over R680m approved for 233 SMEs**

**R108m approved for 7 rural community deals**

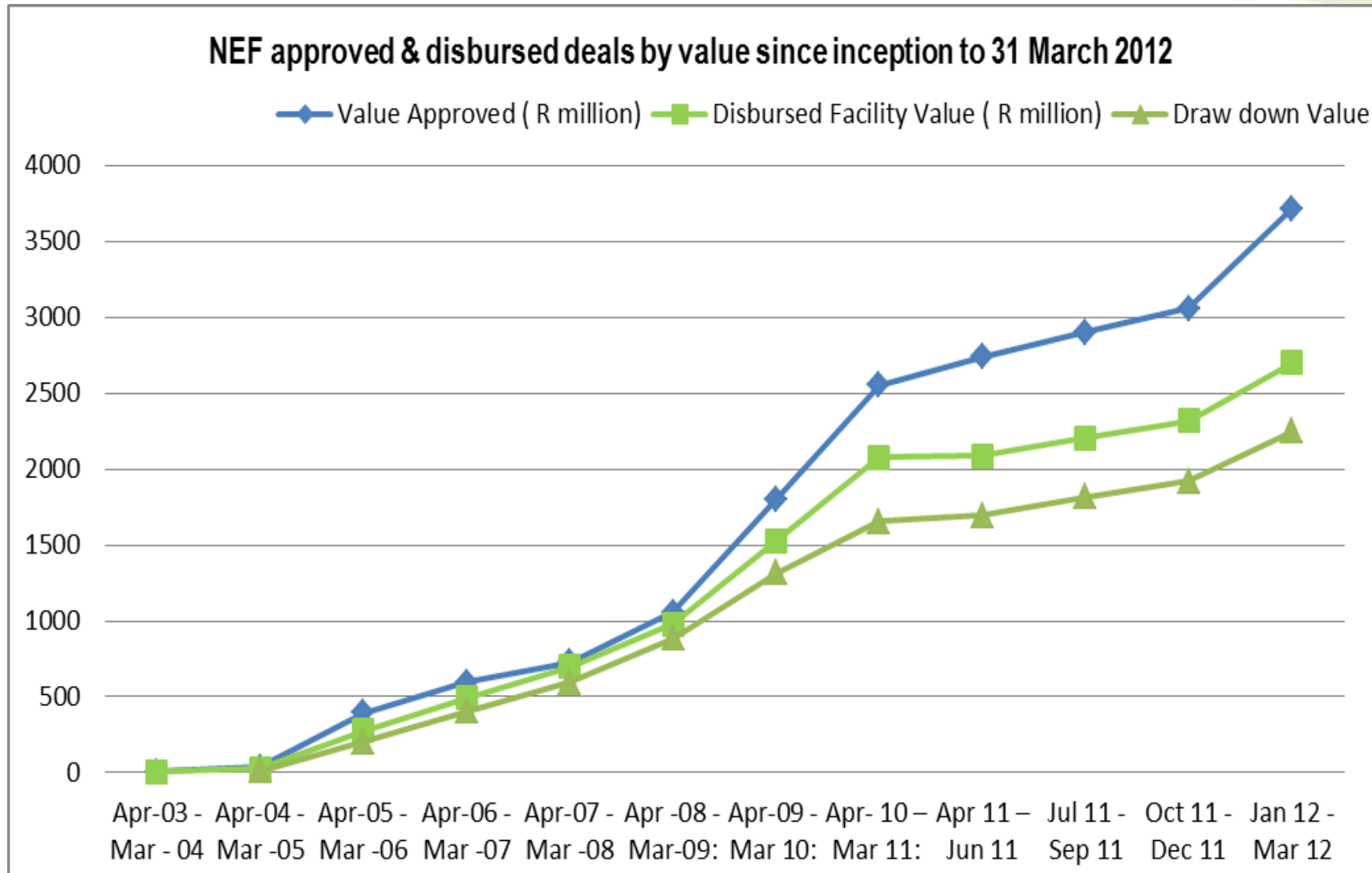
**Over 29 000 jobs supported and created**

**21.5% of the NEF's portfolio comprises  
women-owned businesses**



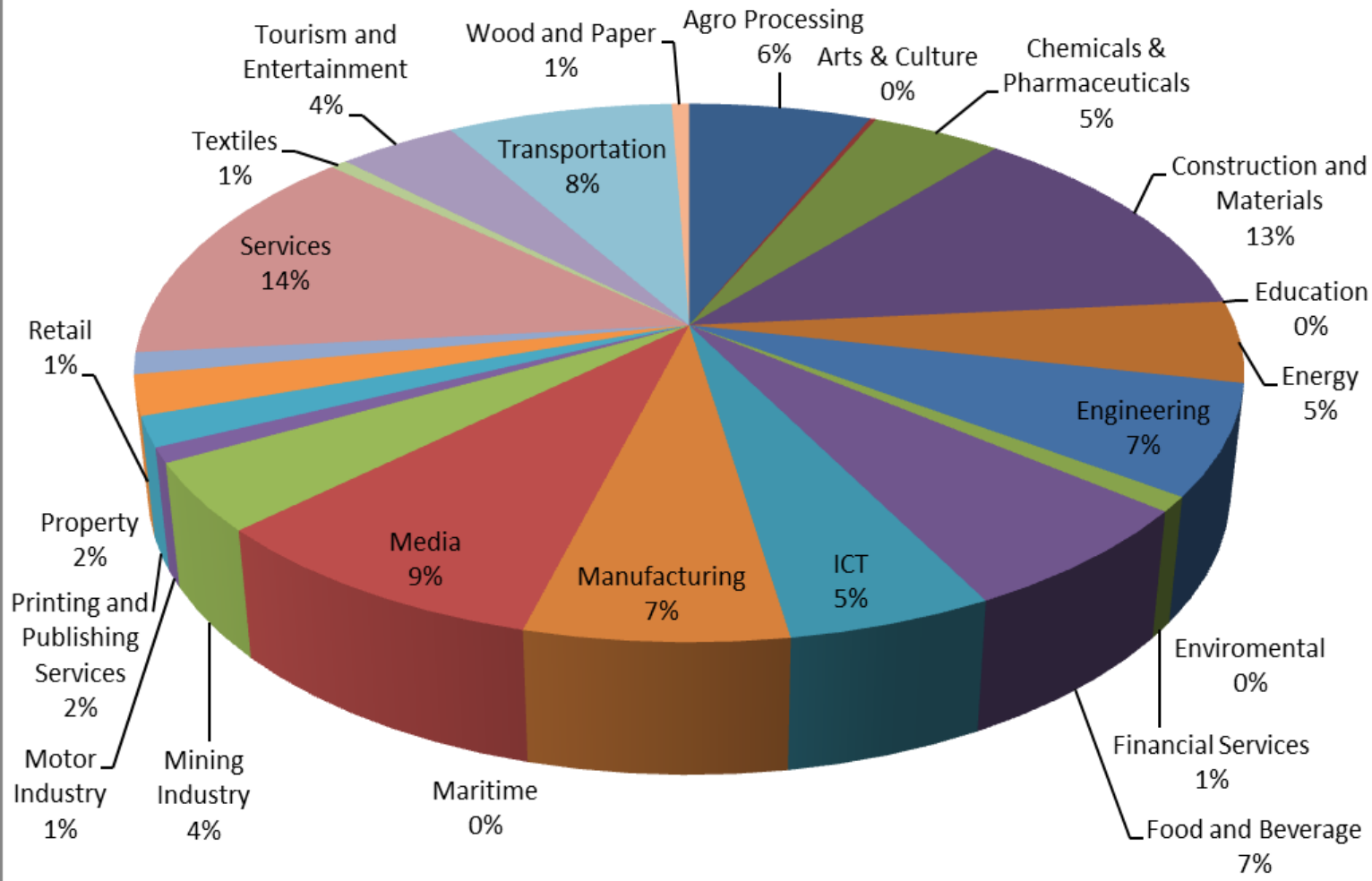


# NEF Approvals & Disbursements by Value



# NEF Portfolio by Sector by Value ...

**NEF Invested portfolio by sector by value since inception -  
31 March 2012**



# Business Planning?

[www.nefbusinessplanner.co.za](http://www.nefbusinessplanner.co.za)

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- **Simple to use**
- **Free to the public**
- **Step by step question & answer process**
- **Helps with financial projections**
- **Formats into a Word document**
- **Confidential (password-protected)**
- **Download and print**
- **Submit to any funder**



# Mentorship

## Ongoing mentorship support across the country

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- 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



# Examples of NEF funding

## R13,7 million Limpopo Province



**Mohale Agricultural Cooperative** approached the NEF for funding assistance to the tune of R 13,7 million for the purchase of poultry and vegetable farm. Their product line includes chickens, cabbages and maize. The farm is located in Soekmekaar, Limpopo Province. Supporting operationally involved entrepreneurship, the growth prospects of the land will yield 15 additional jobs and saving 30 current permanent jobs.

## R9,9 million in Middledrift



The community of Middledrift formed the Gwebindlala Trust, through which they provided land for dairy farming. Through funding provided by the NEF to the value of R9, 920, 000, **Middledrift Dairy** established a commercial dairy farm. The funds have been utilised for start-up costs, acquisition of assets, machinery and working capital. Middledrift Dairy has an off-take agreement with Clover.

# Franchises Funded to Date

## Pre-approved Franchise Agreements



CIAO BABY CUCINA



DEBONAIRS PIZZA



KAROO  
CATTLE AND LAND



Nando's



# Come to the NEF today

- Are you black?
- 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?
- Will you be directly, operationally involved?



# Thank you

## Contact Details

	WHERE	TELEPHONE
1	Head Office, Johannesburg	011 305 8000 or 0861 843 633 / 0861 THE NEF
2	<b>Eastern Cape</b>	<b>0861 633 327 / 0861 NEF ECP</b>
3	Free State	0861 633 377 / 0861 NEF FSP
4	<b>KwaZulu Natal</b>	<b>0861 633 596 / 0861 NEF KZN</b>
5	Limpopo	0861 633 546 / 0861 NEF LIM
6	Mpumalanga	0861 633 678/ 0861 NEF MPU
7	<b>Western Cape</b>	<b>0861 633 927 / 0861 NEF WCP</b>

**Northern Cape and North West offices to be opened during 2012**

**[www.nefcorp.co.za](http://www.nefcorp.co.za)**

