

Together Driving Inclusive Growth

Launch of the Northern Cape SMME Blended Fund



economic development & tourism

Department:
Economic Development and Tourism
NORTHERN CAPE
REPUBLIC OF SOUTH AFRICA

Presentation by
Ms Philisiwe Mthethwa
NEF CEO

Wednesday, 14 April 2021

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-owned and managed businesses, as well as by promoting a culture of savings and investment among black people.

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

Life to date performance milestones

| | Output | Achievements |
|----|--|--|
| 1 | Approvals | • Approved 1 120 transactions worth more than R10.98 billion across the country. |
| 2 | Disbursement | • Over R7.34 billion has been disbursed to these companies since inception. |
| 3 | Integrity | • Secured clean external audit opinions for 17 years running. |
| 4 | Supporting jobs | • Since inception, the number of job opportunities supported is 103 081 of which 69 322 were new. |
| 5 | Industrialisation | <ul style="list-style-type: none"> • 24 strategic and industrial projects worth R13.2 billion, with the potential to support over 52 000 jobs. 75% of the transactions are at an advanced development stage. • Since inception 3 600 job opportunities have been created. |
| 6 | A culture of savings & investment | • In a transaction worth over R1 billion the NEF Asonge Share Scheme made available more than 12 million MTN shares to over 87 000 investors comprising black individuals and groups. 49% of investors were women. |
| 7 | Investor education | • Reached approximately 2 925 505 people in villages and townships through 552 community seminars on how to save and invest, personal financial discipline, shares, dividends, bonds, the property and money markets. |
| 8 | Entrepreneurship training / incubation | • Business skills training provided over 4 459 potential entrepreneurs who attended 475 seminars from 2012 to date. |
| 9 | National footprint | • Approximately 72% of the number (76% by value) of approved transactions emanated from the regional offices and Pre-Investment Unit. |
| 10 | Collections | • Over R3.7 billion has been repaid by investees. |

Non-Financial Support

Pre-investment



As the first-point-of-contact the unit provides product advisory services, manages the online business-plan solution, manages the administration of applications, incubation and entrepreneurial training.

Socio Economic Development



Empower black people in existing NEF transactions and other broad based groups through various interventions such as promotion of saving and investments, social facilitation, entrepreneurial training, investor education, corporate governance training and market access for the acceleration of meaningful participation.

Post-investment support



Monitor investments, provide ongoing portfolio management, manage mentorship support and collections as well as legal compliance

Turnarounds, Workouts and Restructuring



Rehabilitate distressed transactions and reduce impairments Through a combination of measures including balance sheet restructuring, equity and /or working capital injection, operational restructuring, introduction of a strategic equity partner and / or turnaround specialist and business rescue.



Challenges/ Market Failures

| 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. Non-prescriptive on % of own contribution. |
| Limited management skills, including financial, marketing and technical expertise | Entrepreneurship development training, incubation 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) remove the need for collateral payment. |
| Lack of accurate and reliable financial information | Dedicated pre-investment, mentorship support and technical assistance with our partners. |
| Poor Quality Business Plans | Collaboration with other Government agencies like seda , incubation, entrepreneurial training and general pre-investment support and NEF Online Business Plan-Tool Kit. |
| Lower bargaining and strong competition power from established businesses with entrenched market dominance | Linkages and emphasis on the implementation of the codes of good practice (B-BBEE). Wholesale Franchisor Facilities (Engen, BP, Shell, Nandos, etc.) |
| Lack of access to local and international markets | Linkages with off-takers. Relationships with franchisors and corporates for access to markets. |

Funding Criteria for the NC SMME Blended Fund

The NCBSF is for the exclusive benefit of businesses that are domiciled in the province which meet the following funding criteria:

- Majority ownership by black entrepreneurs,
- Black women participation,
- Job creation,
- An entity of any size of turnover, which is 51% (fifty one percent) or more Black-owned or Black-women owned;
- An entity of any size or turnover, which is 30% (thirty percent) or more Black-owned or Black-women owned with a BEE status of between 1 and 3 as defined in the B-BBEE Codes of Good Practice, and
- Commercial sustainability.



Afri-Devo (Pty) Ltd – R15 million

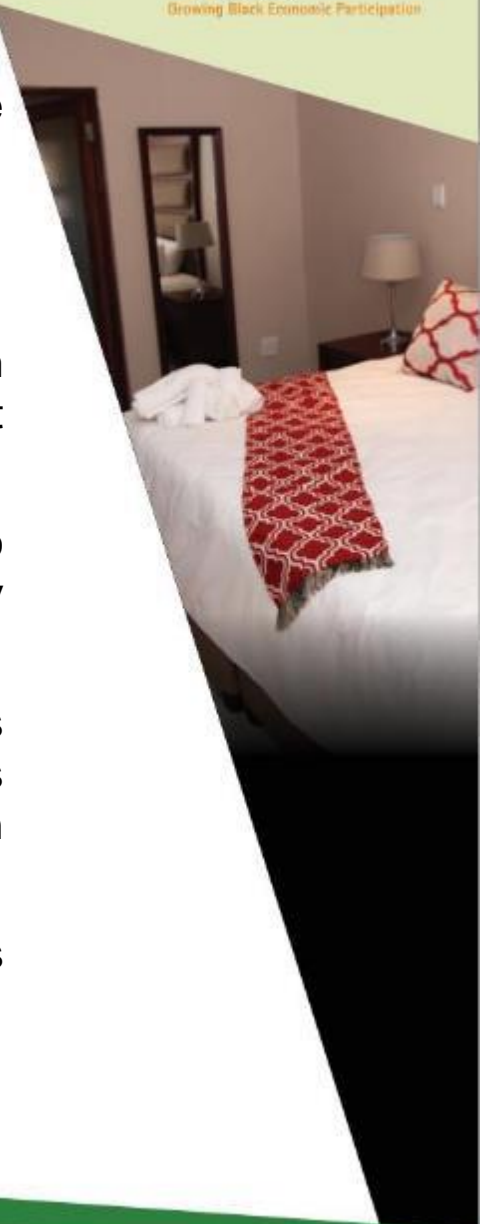
- Afri-Devo (Pty) Ltd is a 100% black-owned company that operates within the construction and property development sector.
- The business is actively involved in property development and civil construction works.
- Their property development projects range from commercial, residential and affordable housing projects.
- The company is based in Kimberly.
- Afri-Devo has created 322 jobs since it was established in 2004.
- The NEF funded the completion of phase 1 of Afridevo latest development, The Palms in Kimberly, to the tune of R15 million.
- With the financial assistance from the NEF, Afri-Devo managed to complete this luxurious development and is currently finished with the construction of phase two (2) of the development.



Nare Leisure Investment (Pty) Ltd

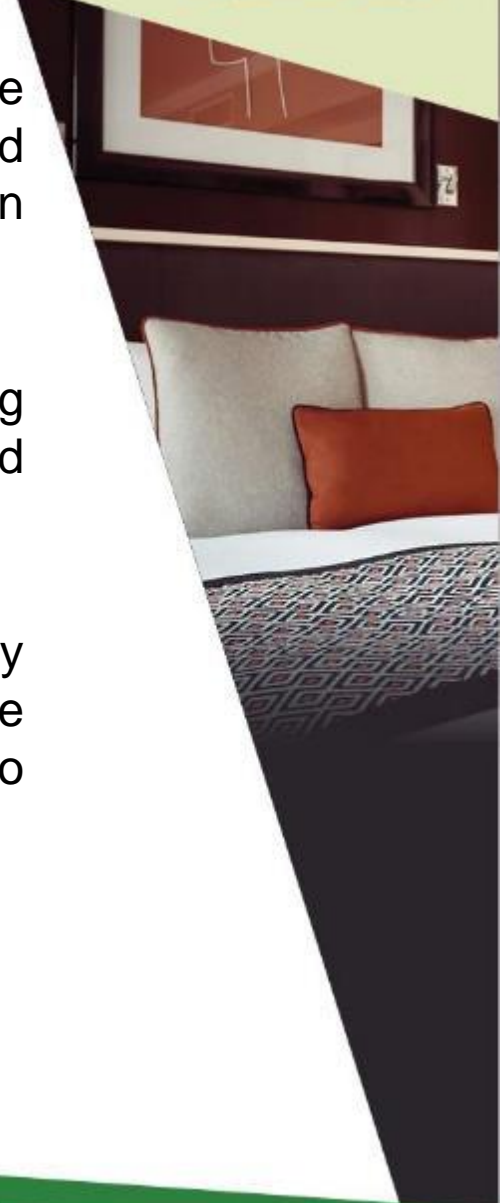
– Boutique hotel R9.6 million

- Nare Leisure Investment (Pty) Ltd was established in 2018 with the purpose of establishing a 4-star top-end Boutique Hotel in Kimberly, Northern Cape.
- The hotel currently under construction is 100% black women-owned.
- The owner identified the opportunity through her involvement with International Convention Solution (ICS), a related company, that managed Mittah Seperepere Convention Centre for the past six years.
- Through the years the convention centre needed to build capacity to host big events such as Sports Awards, Metro FM Awards and many more due to a lack of proper accommodation in the region.
- Furthermore, Kimberly as the capital city of the Northern Cape hosts various local and provincial Government events and colloquiums extending over more than one day which results in accommodation being required for out of town guests.
- The new hotel will host events that are too small for the ICS, which has a capacity of 2500.



South Hill Trading – Boutique hotel R15 million in Upington

- South Hill Trading (Pty) Ltd was established with the purpose of acquiring, renovating, and operating a 4-star top-end Boutique Hotel trading as Luxe Boutique Hotel based in Upington, Northern Cape.
- It is owned by Zuri Concepts and Projects (Pty) Ltd, an existing travel agency that predominantly services corporates and state-owned entities regarding their travel requirements.
- Through the travel agency, the owner identified the opportunity to establish a Boutique Hotel in Upington as they are experiencing substantial travel requests for that area due to the vast business activity.

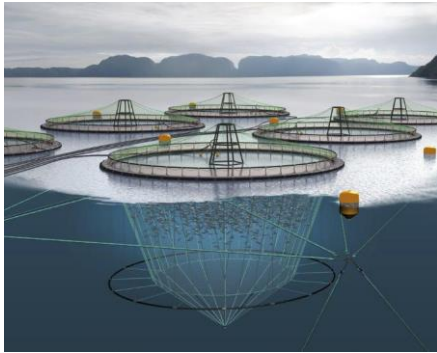


Waste Management and Spill FTT – R6 million in Upington

- Waste Management and Spill Response FTT (Pty) Ltd was established for the purpose of providing general and chemical/hazardous waste management services to businesses and municipalities.
- The company is 100% black owned and operates in a highly competitive industry. The company currently has a contract with NOMAC a subsidiary of ACWA Power at its Bokpoort Concentrated Solar Plant and it entails the provision of general and hazardous waste management services.
- The company was approved for the purchase of specialized vehicles and waste management equipment to enhance the performance and sustainability of the business.



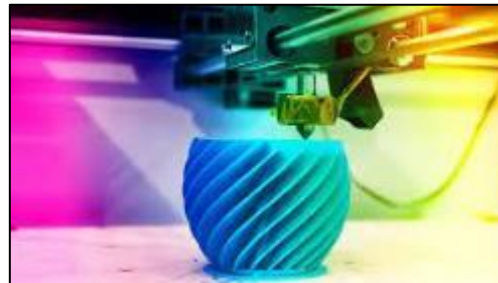
What we want to do in the NC (1)



“ In line with **the dtic's** IPAP policies, we wish to see the Northern Cape SMME Blended Fund supporting black entrepreneurs across all sectors, including agro-processing, tourism, petroleum, construction, manufacturing, transportation, retail, services, franchising, property, creative industries, the 4th Industrial Revolution, printing, clothing, textiles and others.

NEF CEO, Ms Philisiwe Mthethwa ”

What we want to do in the NC (2)



NEF Investments in the Fuel Sector

- Within the NEF's franchise portfolio, service stations rank as the most vibrant and successful both commercially and in terms of the repayment trends to the NEF.
- Relationships have been created with the various petroleum companies in line with the NEF SME Strategy that seeks to leverage the technical expertise provided by the oil companies for the benefit of black and women-owned enterprises.



R885 million



110 fuel stations



3 473 jobs



31% successful exits



44% women-owned



R100 million guaranteed

- Success attributes:**
- ❖ Hands-on approach by the owner
 - ❖ Location is very critical
 - ❖ Branding – new and revamped sites
 - ❖ Continuous marketing with stakeholders
 - ❖ High volume-based forecourt
 - ❖ New developments in the area
 - ❖ Non-financial support
 - ❖ NEF personnel continuous monitoring & advice

Student Accommodation



The NEF has invested in excess of R223 million creating a total of 3220 beds while supporting 2711 jobs. Hon. Premier it is important to note that 35% of these investments are owned and managed by black women.

Sol Plaatjie University?

Franchises funded to date



BOSCH




Thank you



April 2021

A funding solution for black SMMEs in the Northern Cape

Are you a black entrepreneur?



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