

**ADDRESS BY THE CIO OF THE NATIONAL EMPOWERMENT FUND,
Mr FRENCEL GILLION,
ON THE OCASSION OF THE LAUNCH OF THE MIDDLEDRIFT DAIRY FARM**

05 March 2010 in East London, 10H00

- The Hon. Minister of Agriculture and Land Affairs, Mr Gugile Nkwinti,
- The Hon. Premier of the Eastern Cape, Ms Noxolo Kiviet,
- His Majesty King Sandile,
- Distinguished Chief, Mrs Kama,
- The shareholders of Middlesdrift Dairy Farm,
- Respected members of the community, leaders of commerce and industry, and members of the media here present,
- Programme Director,
- **Distinguished Guests,**

On behalf of the Board and management of the National Empowerment Fund, the NEF, my delegation and I are truly pleased to be part of this important community investment initiative, the Middledrift Dairy farm, whose launch we are celebrating here today.

Programme Director, as you are aware, the NEF is an agency of the Department of Trade and Industry mandated to promote and facilitate Black economic participation through the provision of financial and non-financial support to Black empowered businesses, on the one hand, and by promoting a culture of savings and investment among Black people, on the other. With regard to the urgent need to entrench this culture of savings and investment, many will remember the highly successful NEF Asonge Share Scheme, which will soon be followed by an Investor Education campaign that will most certainly be coming home to the Eastern Cape in due course.

Hon. Minister what brings us here today is another important leg of the NEF's mandate, which relates to the provision of finance for start-up, expansion and equity transformation purposes. This mandate has met with many significant achievements and has seen the NEF approve over R1,8 billion for funding Black entrepreneurs across virtually all spheres of the economy.

We receive a vast number of applications from aspirant entrepreneurs who would typically not be successful in raising funds from commercial funders. While the NEF places precedence on commercial viability, our mandate also focuses on softer measures in assessing applications for funding, and these include development indicators such as compliance with all relevant laws; Black management and operational involvement; risk sharing by entrepreneurs; Black women empowerment; community involvement; Black ownership, which must comply with NEF product criteria; job creation, and the geographic location of the business.

Accordingly, as a driver of the Codes of Good Practice for Broad-Based Black Economic Empowerment, the NEF has developed finance products ranging from R250 000 up to R50-million for Black entrepreneurs, and it is in this context that the NEF has seen value and merit in providing funding and mentorship support to the Middelrdrift Dairy Farm.

One of the NEF's funding products, whose criteria were followed in assessing the funding and mentorship requirements of this farm, is Rural and Community Development Finance, whose purpose is to facilitate the increase in the extent to which workers, cooperatives and other collective enterprises own and manage business enterprises. This product supports the BB-BEE Act in empowering local and rural communities in their quest for meaningful and sustainable economic citizenship. By definition, in this context we look for entrepreneurial efforts that have strong social and community upliftment benefits.

About the transaction

Through funding provided by the NEF to the value of R9,920,000 and a further amount of R8,2 million provided by Amadlelo Agri, Middelrdrift Dairy has been able to establish a fully-fledged commercial dairy farm.

Hon. Premier, the funds were utilised for start-up costs, acquisition of assets, machinery and working capital. Development of the farm included bush-clearing, fencing and irrigations network and other infrastructure requirements.

Ladies and Gentlemen, the NEF is pleased that since beginning production in November 2008 the farm has produced 2.1m litres to date and is projected to produce 3.0m litres per year once it reaches full production. It employs 30 workers from the community and is managed by Black graduates from the Amadlelo / Fort Hare training initiative.

We are confident that this growth will no doubt be accelerated by the off-take contract which the dairy has with Clover.

The objectives that attracted the NEF to this transaction include:

- The creation of a sustainable milk producing enterprise,
- Contribution to alleviating poverty in Middledrift,
- Transformation of the milk-farming sector and the growth of Black farming expertise,
- The empowerment of community members with the ownership of a modern commercial farming operation,
- Commercial viability,
- Skills-transfer and job creation.

Hon. Minister and distinguished guests, the Black and white partnership in Middledrift Dairy is crucial to sustainability of the economy in so far as it provides important lessons in resolving land resettlement dynamics which our country is still grappling with, and for this important precedence the community and strategic partners deserve resounding applause.

The NEF is truly proud to be a part of this important and historic landmark project.

Hon. Premier the Eastern Cape is an important priority for the NEF. We are aware of the Provincial Government's efforts in attracting urgent and meaningful investment into the provincial economy, and my delegation and I have come with the mandate from the highest echelons of the organization to pledge the NEF's partnership as the development financier of choice for Black entrepreneurs in the Eastern Cape.

Non-financial support

In this regard the intervention of the NEF is not only limited to the provision of innovative finance. An important component of the NEF's support involves the provision of non-financial services.

In response to the constraints facing some Black entrepreneurs, such as the challenge in producing top-quality business plans and the lack of accurate and reliable financial information from applicants, the NEF has since launched a comprehensive online Business Plan tool, which is available for free to the public on the NEF's website.

The tool is designed to assist applicants in initiating, improving and refining the quality of their business plans, including completion of financial projections through an interactive, step-by-step question-and-answer process.

Through its Post-Investment Business Unit the NEF monitors the performance of its growing number of investees for risk, and provides ongoing business support when required, which includes free mentorship and business-coaching to its existing clients. The business mentors are deployed across the country and possess a wide spectrum of business expertise, which proved invaluable to NEF investees at the height of the global economic downturn.

Programme Director, Ladies and Gentlemen, my duty this morning would not have been done if I did not also encourage the Black entrepreneurs present here today to come forward and apply for the NEF's innovative funding solutions. I urge you as well, Ladies and Gentlemen, to help spread the word that the NEF, the National Empowerment Fund, is the home of hope for the Black entrepreneur.

We are passionate about building an economically empowered nation that will provide meaningful opportunities for all our country's people, and we are committed to providing both the financial and non-financial business support necessary to growing Black participation in the economy.

Distinguished guests, please join us in wishing the community, the workers and strategic partners behind this initiative, glowing and illimitable success in all their endeavours.

I thank you for your attention.

Mr Frenel Gillion
Chief Investment Officer
National Empowerment Fund