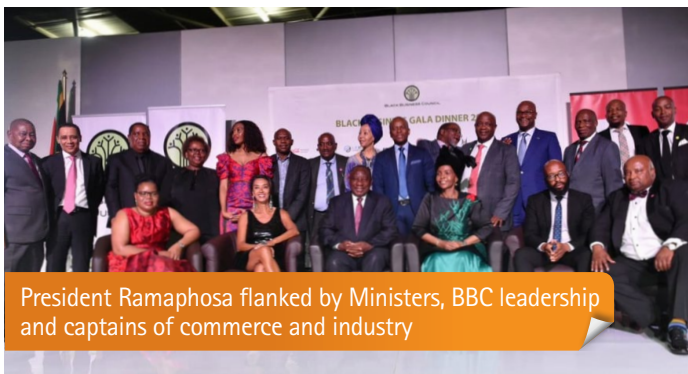


# BEE is the fundamental task of our time

**JOHANNESBURG:** On Friday, 01 March 2019, President Cyril Ramaphosa addressed the Black Business Council (BBC) Summit Dinner at the Gallagher Convention Centre in Midrand, where he asserted that “black economic empowerment is the fundamental task of our time”.

The BBC is a confederation of professionals, business associations, chambers and corporates with more than two million members. It advocates for national economic transformation through the attainment of meaningful participation by black business in the economic mainstream.



President Ramaphosa flanked by Ministers, BBC leadership and captains of commerce and industry

The two-day summit commenced on Thursday, 28 February, and was an interaction between government, labour, civil society and business on matters relating to the country's economy. Amongst the issues the summit discussed were land reform, South Africa's readiness for the 4th Industrial Revolution, comprehensive socio-economic transformation as well as mechanisms to increase the number of new entrants into the economy thus creating much needed jobs and reducing unemployment.

## Remove the barriers

Addressing more than 750 delegates present, President Ramaphosa said transformation “requires not only that we remove the barriers that for generations have kept black South Africans from meaningful participation in the economy, but also that we remove the structural, cultural, social and other constraints that continue to constrain the participation of women”.



President Cyril Ramaphosa

BBC President, Mr Sandile Zungu, told delegates that “the National Empowerment Fund (NEF) is one of the most powerful weapons that we have in our arsenal to deliver real broad-based black economic

empowerment. The NEF has been very consistent in its support for the Black Business Council, and we in turn are very proud of the record of the NEF. We are absolutely sure that with the right level of resources at its disposal, the NEF can move the needle and ensure that the empowerment of black people, women and youth takes centre stage in the mainstream economy.”



Mr Sandile Zungu,  
BBC President

The President also acknowledged the NEF, saying: “Over 20 products have been designated for local production and content, ranging from rail rolling stock to valves and pumps, from certain pharmaceutical products to furniture. Importantly, there have been improvements in the participation of black industrialists in the production of some of these products. Philisiwe Mthethwa, through the NEF, has also been supporting quite a number of entrepreneurs and moving them, nurturing them to go forward along the manufacturing route”.



Ms Philisiwe Mthethwa  
Chief Executive Officer

## NEF milestones

Speaking at the event NEF CEO Ms Philisiwe Mthethwa said: “Mr President, the black enterprises that we have since funded as the NEF, convey their gratitude because together they are contributing towards inclusive economic growth. They are aware that for 9 consecutive years the NEF has been self-sustaining under strain and difficulty. With

original capitalisation from the fiscus to the tune of R2.4 billion in 2004, the NEF has now approved over R9.5 billion for 957 black companies and has disbursed more than R6.5 billion into these businesses”

Below are some of the milestones she highlighted:

- The NEF has leveraged over R17 billion in third party funding primarily from the private sector.
- Over R3 billion has been repaid by investees and this continues even though as a patient-capital lender the NEF's investment horizons are typically up to 8 years for regular businesses and up to 10 years for rural and industrial funding. “This shows that black entrepreneurs do pay back the money,” added the CEO.
- More than R3.4 billion has been approved for the empowerment of black women entrepreneurs.
- A total 535 businesses constituting 77% of the portfolio is still active. “We believe that given the constrained operating environment where the global economic contagion has wiped out

## **BEE is the fundamental task of our time** *Continued.*

many businesses across the developed and emerging markets, this is indeed an appreciable showing," added Ms Mthethwa.

- In excess of 98 000 jobs have been supported.

Ms Mthethwa expressed concern about "those who equate black leadership, black professionals and black business with graft, corruption and ineptitude. The NEF, as an example, has secured clean external audit opinions for 15 years running, which points to a track-record of integrity, best practice and operational excellence. We are neither an island nor an exception in this distinction, and indeed we can point to many in our portfolio, in the rollcall of the BBC and across the country, who carry the pride of black excellence with dignity, integrity and fortitude".

### **Recapitalisation of the NEF**

"We are confident, Mr President, that the recapitalisation of the NEF will soon be resolved so that usithume, Mongameli, send us to build our nation alongside the BBC and the black professionals who are second to none across the face of the earth. Among these we must locate women at the forefront of the economy, confident that once again they will lead more and more state-owned enterprises, and across the private sector as well," said CEO Mthethwa.



Leaders of business, Government, labour and civil society attending the BBC Summit Dinner at the Gallagher Convention Centre in Midrand

### **Expanding support for black industrialists**

In a wide-ranging address, President Ramaphosa said Government will expand the country's export capacity through industrial incentives, special economic zones and investment in rail and port infrastructure. The President identified the black industrialist programme as one of several instruments Government is using to ensure that emerging black business is "able both to benefit from, and contribute to, the growth of our productive economy".

He said since the programme began in 2016 over 130 black industrialists have been financially supported but that many of these are "constrained by high barriers of entry, limited marketing capacity, saturated markets, high transaction costs and poor market research. In response, government has assisted more than 100 of these industrialists with access to opportunities in the public and private sectors."

Building on the success of the programme, the President told the BBC Summit that efforts are underway to expand it beyond manufacturing, "using the same principles in sectors such as construction, property, tourism, mining and agriculture. As these and other black-owned companies succeed, there is an expectation that they will support the emergence of new black companies, that they will create employment, that they will contribute their due to the public fiscus, and that they will be good corporate citizens".

## **A glimpse into the galaxy of NEF support for black business – a sectoral view**

### **Growing Black Industrialists**

Through its Strategic Projects Fund the NEF has been hard at work to increase the number of black people participating proactively in early-stage projects, making important steps in seeking competitive opportunity for the South African economy and the inclusion of black participation in opportunities at the outset of industrial projects, as opposed to doing so during equity closure.

An example in the manufacture of medical technology is a black-woman-owned company, Jalo Enterprises, which is set to revolutionise the treatment of kidney disease by becoming the first South African company to manufacture dialysers to help filter the blood in the same way that kidneys do. The project seeks to establish a Hollow Fibre Dialyzer Manufacturing Plant.

The total portfolio that the NEF has developed in partnership with local and international investors amounts to 28 projects valued at R30 billion, with potential to support over 85 000 jobs countrywide. To date 8045 jobs have been created by projects led and owned by NEF-funded Black Industrialists.

The project will also produce other haemodialysis products such as dialysates, dialysis kits etc. The NEF has approved R50 million in to the business.

As production begins, Jalo will service both the local and export markets.



Ms Jackie Pretorius and Ms Lorraine Kunene seen here with their product.

## BEE is the fundamental task of our time *Continued.*

### Petroleum Industry



#### Together fuelling transformation and growth

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. The relationship with the various petroleum companies is 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.

The NEF has funded 89 black owned service stations to the value of R495 million. All these service stations are still operational and 28 have already settled the NEF facilities with NEF receiving an amount of R102 million from a disbursed value of R93.4million. The NEF has supported approximately 1825 permanent jobs in South Africa through this sector and 39% of the funding has benefited women shareholding.



### Tourism



The tourism sector has received special focus because of its significant job-creation and developmental potential. The NEF has helped establish community-owned hotels and lodges, as well as infrastructure projects such as the Graskop Gorge Lift, a flagship project that will drive

tourism development in the Panorama Tourist Route. The project is the first of its kind in Africa. To date the NEF has disbursed over R190million into this sector and has leveraged a further R178million of private sector funding.

### Rural and Township Economies

As part of its mandate, the NEF is driving black economic empowerment by supporting the growth of township and rural economies and this is done purposefully to take economic empowerment where the majority of the NEF's target market resides. This grassroots revolution has seen the NEF funding black-owned shopping malls, hotels, social housing, student accommodation, procurement, franchises,

clothing and footwear manufacturers, among many others, including converting existing spaza shops into mini supermarkets that can compete with established retailers.

To date, over R2.1 billion has been invested in the development of businesses in townships and rural areas, having supported 18 989 jobs, with the majority of beneficiaries being women.



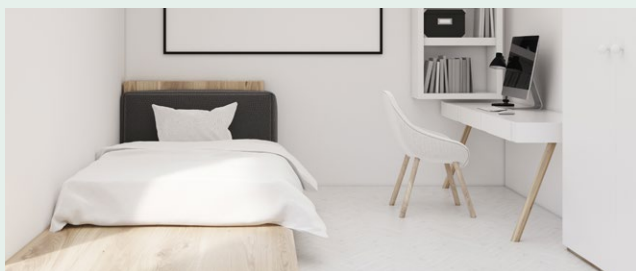
## BEE is the fundamental task of our time *Continued.*

### Student accommodation

Out of a University student population of approximately 530 000, there is currently only enough student accommodation for 100 000 students. Less than 10% of 1st year university students can be accommodated. Similarly, Technical and Vocational Education and Training (TVET) colleges have over 710 000 college students, with only 10 120 beds available. Colleges can provide accommodation for only 1.4% of students. By 2030, to meet the enrolment targets set out in the Post School Education

and Training policy and the National Development Plan, an extra 400 000 beds would be needed.

It is for this reason that the NEF has since entered this space to support black entrepreneurs to address the shortage. The NEF has approved R276 million towards student accommodation and social housing developments with a total project size of R1billion. A total 3 483 direct and indirect jobs have been created through these investments.



### Creative industries & Media

South Africa's creative economy contributed over R90.5bn to the national economy and contributed 2.9% of the GDP, exceeding, for instance, the contribution of agriculture to the GDP (2.2%). In 2014, the industry accounted for 2.9% of employment in South Africa,

equating to 443 000 jobs.

It is precisely to harness the productive potential of the sector that the NEF has continued to increase its support for black entrepreneurs in both the creative and media industries, having invested



a total R390 million and creating over 2300 jobs. Even though editorial leadership in the country's newsrooms has largely been transformed, ownership remains primarily white.

The funding of Dr Nelson Mandela's biopic, **Long Walk to Freedom**, or Gauteng's newest radio station, Power98.7, are among many other investments in these sectors.

### Logistics

For decades the country's extensive road, air, rail and sea links have underpinned economic and social development not only in the domestic market but through the region as a whole. As with all sectors of the economy, however, transportation and logistics remain largely

untransformed.

The NEF has invested R385 million in the sector, which comprises 3,27% of the invested portfolio. NEF investment has supported 3101 jobs, and 14% has benefitted black women entrepreneurs.



### Construction

Given its considerable size, the construction sector plays a powerful role in South Africa's economic growth and this is in addition to producing structures that add to productivity and quality of life. This sector is also labour-intensive and when it operates at full capacity, a sizeable number of the nation's

workforce are active.

Construction is the NEF's largest funded sector, with investments in excess of R785 million, which comprises 14.41% of the total invested portfolio. NEF investment has supported 6205 jobs, and 29% has benefitted black-women entrepreneurs.

