

Bold Steps to grow Industrial Output and support Greater Economic Inclusion

A bold set of actions to grow industrial output and support greater economic inclusion was announced by Minister of Trade, Industry and Competition, Minister Ebrahim Patel in Parliament, during his Department's Budget Vote on Tuesday, 18 May 2021.



Minister of Trade, Industry and Competition, Minister Ebrahim Patel

It included a timeframe for a draft law to provide for worker participation in company boards, steps to achieve higher levels of local industrialisation, a draft roadmap for producing electric vehicles and working on green hydrogen opportunities, boosting investment levels, and strengthening export platforms through the new Africa-wide trade agreement.

Speaking at a press conference today with Deputy Ministers Nomalungelo Gina and Fikile Majola, Minister Patel unpacked the action plans of the Department for the next 12 months.

Key work that the Department will do are to finalise:

- Two new Companies Amendment Bills, dealing with worker representation on corporate boards; and with wage gaps in companies and transparency on disclosure of information;
- The development of a roadmap for electric vehicles in South Africa;
- A Social and Solidarity Economy policy, which can assist with the rebuilding of the economy in the wake of the number of formal businesses that have been devastated and to support township and rural enterprises;
- The development of two new sector growth strategies drawn from the portfolio of work covering among others global business services, film animation, the chemical and plastic sectors, green industry, medical products and capital goods
- The establishment of a panel of CEO champions to drive localisation and a fund to appoint technical experts to drive localisation, bringing together industrial engineers, supply-chain managers, experts in dealing with illegal imports, and project managers;
- A DTIC investment target of R100 billion over the next year, which together with other efforts in the state, can help to achieve the goal for the next Investment Conference;
- The appointment of a panel to finalise a report on the practical actions to be taken to realise Green Hydrogen opportunities for SA;
- The appointment of an expert panel to review the current BEE Framework in order to address these legitimate public concerns on the extent of transformation and reporting by firms;

Contents in this edition

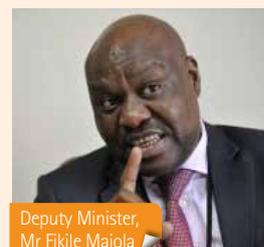
- Pg1. The dtic Budget Vote
- Pg1. Deputy Minister Majola pays tribute to the NEF
- Pg2. NEF exceeds R11 billion in funding approvals
- Pg2. The NEF Women Empowerment Fund
- Pg5. NEF funds distressed business for economic recovery

- Support the competition Market Inquiry into online platforms, like e-commerce market places; and
- Further engagements with major trading partners to build export markets and address illegal imports.

Continued on page2

NEF a catalyst for growth, Deputy Minister Majola

Speaking at Parliament during the dtic's Budget Vote on Tuesday, 18 May 2021, Deputy Minister Fikile Majola paid tribute to the National Empowerment Fund as follows:



"In terms of the need to advance the quest for inclusive growth across our economy, we acknowledge the catalytic role the National Empowerment Fund (NEF) has championed as the agency of government mandated to grow meaningful black economic participation.

Government is pleased with the strides the NEF has made in attracting over R8.8 billion in third party funding demonstrating the entity's capacity as a catalyst for unlocking economic value.



Over the past year the dtic allocated over R640 million to the NEF for the support of businesses that have been at the forefront of fighting the COVID-19 pandemic, for women empowerment, for economic distress and for manufacturing enhancement."

NEF funding of black business now above R11 billion

The operational performance of the National Empowerment Fund has continued to soar, having reached over R11 billion since operational inception in 2004 up the 31st of March 2021, says NEF CEO, Ms Philisiwe Mthethwa.

“Despite the peculiarities of a difficult year marked by the arrival of a deadly global pandemic, the NEF worked remotely and continued to be open for business and has now approved funding of over R11 billion for the benefit of 1146 black-owned and managed businesses countrywide. In this way the NEF has helped bring dignity and stability to thousands of households through provision of 103 299 decent jobs,” says CEO Mthethwa.



Ms Philisiwe Mthethwa, NEF CEO

“We are grateful to Minister Ebrahim Patel and the dtic broadly for having allocated the NEF in excess of the R640 million over the past year, to enable the development financier to contribute

towards the country’s efforts to flatten the coronavirus pandemic, and to support the recovery of businesses in distress. This has enabled the NEF to support black women in business, while responding to the need to drive jobs and growth. We are confident that the NEF will continue to be equal to the task. The solid performance of



Mr Rakesh Garach, Chairman, Board of Trustees

the NEF is in large measure as a result of the trust and support that Government, Parliament and various other stakeholders, continue to have in the organisation’s ability to discharge its mandate of growing black economic participation,” says Mr Rakesh Garach, Chairman of the NEF’s Board of Trustees.

Continued on page4

Libombo Cotton Development (Pty) Ltd



Agro-processing: A cotton lint manufacturing plant to be developed as a partnership between Nkomazi Cotton Development and Lebombo Secondary Cooperative. The estimated project size is R300 million. The business is owned 51% by the Lebombo Secondary Co-op and has received NEF funding of R50 million.

It is estimated that the Mpumalanga-based business will create 100 permanent factory jobs and 16 500 jobs in agriculture, respectively. 200 jobs will also be created during the 12-month construction phase.

It takes a black woman to grow an economy

NATIONAL EMPOWERMENT FUND
Growing Black Economic Participation

Driving growth beyond the pandemic

With new capital injection of R141 million from the dtic, the NEF invites black women entrepreneurs to come forward for start-up or expansionary business loans to help take South Africa forward.

The NEF **Women Empowerment Fund** can help make your dreams come true whether it is for agro-processing, beneficiation, construction, energy, franchising, manufacturing, property, services, tourism, transportation or any other sector of the economy.

As South Africa strives to recover from the effects of the COVID-19 pandemic, it is important to place black women entrepreneurs at the forefront of an inclusive economic recovery. To Fund a woman is to fund a nation.

0861 843 633 (THE NEF)

info@nefcorp.co.za

www.nefcorp.co.za



@theNEF



National Empowerment Fund



National Empowerment Fund



@theNEF



Continued from page 1, Bold Steps to grow Industrial Output and support Greater Economic Inclusion

Building local industrial capacity

Minister Ebrahim Patel outlined a series of key strategies to speed up economic recovery and 'build back better' in the wake of the COVID-19 pandemic. In doing so, deeper integration of efforts to galvanise inclusive growth and build local industrial capacity has been identified as key strategic focuses in achieving this.

"We will achieve this by uniting growth with transformation; boosting local production; growing exports; securing new investment, and expanding the green economy," said Minister Patel.



He highlighted the importance of building a new model of growth and economic inclusion that unites South Africans in the economy and promotes transformation, including a focus on worker ownership arrangements, particularly those accompanied by mechanisms for worker representation on company boards.

Clarity on broad-based empowerment

He announced the publication on the same day of a Practice Note under the B-BBEE Act to provide guidance to regulators and clarity in the market on the treatment of broad-based empowerment vehicles, so that worker ownership schemes, community trusts and union investment vehicles are properly recognised for BEE ownership purposes.

Another key component of the department's strategy for growth in the period ahead centres around localisation.

"South Africa's import to GDP ratio is too high for an economy that desperately needs more jobs. We import goods worth 25% of our GDP – our propensity to import is out of line with peer countries and developed economies and more can sensibly and sustainably be produced locally. Our economy needs a production boost. Our deeper integration strategy recognises that we must build local industrial capability, both for the domestic and export markets," Minister Patel said.

"The local industrial effort – what we call localisation for shorthand - must be rooted in building both dynamic firms and an inclusive economy. Competitiveness and industrial agility are critical to longer-run localisation efforts. Sector master plans developed and implemented in partnership with business and unions contain the details of how to do this. We also need practical steps to promote, where sustainable, a greater level of beneficiation of our natural resources here in SA," he said.

Localisation for Jobs and Industrial Growth



Greyline Holdings



Property: This is a new student accommodation development that will be located in Soshanguve East, in Pretoria, Gauteng. The estimated capital cost is R65 million and construction is expected to take 12 months.

This is a greenfield project comprising a 339-bed student accommodation facility. This project is expected to create an estimated 120 jobs during construction and 9 jobs post construction. It is 100% black-owned with 50% woman ownership.

As part of the Budget Vote in Parliament, his department earlier released a policy statement on Localisation for Jobs and Industrial Growth, outlining the strategy for building local industrial capacity for the domestic market and for export markets.

To support economic growth and industrial development in the face of climate change, Minister Patel noted the importance of expanding efforts to green the economy and position South Africa as a centre for advanced green manufacturing.

"Climate change will impact on industrial development as well as human development and security, in a number of ways: through new opportunities for industrial processes and products, constraints to access to export markets and capital markets; and through disruptions to existing business-models based on carbon-intensive technologies," said Minister Patel.

"We must step up efforts to build full electric vehicles in SA, to maintain our capacity to export to key markets such as the EU and UK, both of which have set new targets and deadlines to reduce the number of fossil fuel reliant vehicles on their roads," he said.

Special Economic Zones and Industrial Parks

Deputy Minister Gina provided details on the department's work on Furniture, Sugar and R-CTFL Master Plans, Special Economic Zones and Industrial Parks, the District Development Model, Consumer Protection Work and Transformation.



Deputy Minister
Nomalungela Gina

"We are on a path to reconstruct our economy. We might have taken a knock but our economy has proven to be resilient, and this becomes an important aspect to build on. The setback notwithstanding, our head as a country has remained above the parapet. We are calling for the private sector to join hands with government and cooperate in reigniting growth in our economy. South Africa is a country of enormous resilience and we are confident that we will weather the storm." said Deputy Minister Gina.

Continued on page 4



Continued from page 3, Bold Steps to grow Industrial Output and support Greater Economic Inclusion

Intra-African trade

Deputy Minister Majola provided details on the department's work in response to the COVID-19 pandemic, Steel, Poultry and Auto Masterplans, the Black Industrialist programme, Localisation and the implementation of African Continental Free Trade Area.



Deputy Minister Fikile Majola

"The AfCFTA provides opportunities for South Africa/SACU to export to North, West and East Africa. Intra-African trade is largely in value-added manufactured products and over three quarters of intra-African trade takes place within regional trading blocs. South Africa will benefit from the opening of trade in east, west and north Africa as a result of the operationalisation of the AfCFTA." said Deputy Minister Majola.



Luxe Boutique Hotel on Schroder



Property / tourism: The NEF funded South Hill Trading (Pty) Ltd to acquire, renovate, and operate a 4-star, top-end Boutique Hotel based in Upington, Northern Cape. Funded by the NEF to the value of R15 million, the hotel will cost R16.1 million and will consist of 13 bedrooms.

South Hill acquired the property of an existing 4-star graded guesthouse, namely the Silver Bull Manor Guesthouse. The property is being renovated after which it will be renamed Luxe Boutique Hotel on Schroder. It is 100% black woman-owned. It will create 37 jobs during the construction phase and 12 permanent jobs post construction.

Continued from page 2, NEF funding of black business now above R11 billion

Funding women and youth:

In pursuit of maximising what the NEF refers to as the Empowerment Dividend, the provision of financial and non-financial support for black women and youth is at the centre of the organisation's empowerment philosophy. In this regard, over the past decade close to 40% of the NEF's total disbursements have benefited businesses that are partially or wholly owned by black women entrepreneurs, explains CEO Mthethwa.

The strides made thus far are primarily due to the indefatigable efforts of the NEF's Women Empowerment Fund (WEF),

established in 2014 to affirmatively drive the value and volume of approvals for and disbursement to businesses that are owned and managed by black women.

Youth-owned businesses are at the forefront of the NEF's entry into the 4th Industrial Revolution, as well as the creative industries, particularly in film and television production.

Funding across all sectors

The NEF funds across all sectors of the economy because the Constitution upholds the right of black people to participate in every sphere of the economy. It is for this reason that the NEF has dedicated specialist units to support SMEs, women-owned businesses, rural and community-owned enterprises, medium-sized entities as well as potential industrial players

She says "in the **energy sector** the NEF has approved funding of over R885 million for the ownership and management of service stations countrywide, 48% of which are owned and managed by black women entrepreneurs. Together these 111 service stations have enabled close to 3 500 jobs. The success of these enterprises is buttressed on relationships with the various petroleum companies in line with the NEF's 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's support for **rural and township businesses**, which is championed through a dedicated specialist Fund, has seen the development financier investing over R2.1 billion in various sectors including property, housing, transportation and tourism. What this means is that across the country, communities in townships and villages are shareholders in shopping malls, busses, hotels and lodges. The entrepreneurs are provided meaningful investor education as well as entrepreneurship training inclusive of corporate governance and market access for the acceleration of meaningful participation.

In the **tourism sector**, the NEF's partnership with the Department of Tourism through the Tourism Transformation Fund. Through this Fund the NEF's investment of over R250 million will see more and more black entrepreneurs, inclusive of women and communities, becoming operationally involved in the ownership and management of unique assets in the tourism sector.



Partnerships for growth

"The NEF's consistent achievement of clean audits over the past 17 years has made it eminently attractive to supplier and enterprise development partners. Whether in the private or public sectors, the NEF is a partner that is trusted by many to support black entrepreneurs across various sectors to pursue supply chain, entrepreneurial and related opportunities. Together these entities have entrusted in excess of R2.5 billion for the NEF to manage and deploy into the economy", concludes Ms Mthethwa.



Sad end of an era as Ms Makhathini soars to new vistas

As the month of May draws to a close, the NEF will soon bid a reluctant farewell to one of its longest-serving officials, Ms Hlengiwe Makhathini, the outgoing Divisional Executive for Venture Capital and Corporate Finance.



A Chartered Accountant who also holds a Master of Commerce degree, Ms Makhathini has previously worked in various divisions of Investec Bank and Standard Bank, and rose in the ranks of the NEF over the past 16 years. She first served as an Investment Associate in 2005, head of Pre Investment Unit in 2006, uMnotho Fund Manager in 2009, and culminating in her Executive role in 2011. In 2012 she was appointed by Cabinet as a Director of Air Traffic and Navigation Services, among her many accolades.

“As one of the many and valued instruments of the empowerment dividend, in her inexorable rise Ms Makhathini has continued to inspire, ignite and empower the highest aspirations among those whose vocation is to build and develop our beloved republic, through entrepreneurship and the esteemed vocation of development finance. We wish her well in her next patriotic call of duty, assured in the knowledge that she will continue to uphold the highest values of the funder with a soul, and in her stride, taking excellence to the skies,” said CEO, Ms Philisiwe Mthethwa.

In order to ensure a smooth transition the NEF has appointed uMnotho Fund Manager, Ms Zama Khanyile, as the Acting Divisional Executive: Venture Capital and Corporate Finance.

Major boost for NEF funding of black women entrepreneurs

The commitment of the National Empowerment Fund (NEF) to empowering businesses owned and managed by black women entrepreneurs has been given a major boost following an allocation of R141 million by the dtic, the shareholder ministry of the development financier, for investment across the key sectors of the economy, says Chief Executive Officer, Ms Philisiwe Mthethwa.



Ms Philisiwe Mthethwa, NEF CEO

Concessionary funding with 6-month interest holiday

“This is an important development that will see the NEF Women Empowerment Fund (WEF) doing more to place black women at the forefront of the economy. This is aimed at enhancing the participation of black women-owned businesses in the South African economy to accelerate job creation and increase the productive capacity of the South African economy. Thanks to the dtic, concessionary funding will be provided from R250 000 up to R10 million for each transaction. This concessionary funding will allow for an interest moratorium of up to 6 months. After the moratorium or interest-free period, the funding will accrue interest at a fixed rate of 1.5% for the remainder of the term. The NEF will provide pre-investment and post-investment support through monitoring the progress of the businesses and will provide free mentorship to improve the chances of business success. Alongside the concessionary funding, NEF will co-invest for amounts required above R10 million,” says Ms Mthethwa. financial support for black women and youth is at the centre of the organisation’s empowerment philosophy. In this regard, over the past decade close to 40% of the NEF’s total disbursements have benefited businesses that are partially or wholly owned by black women entrepreneurs, explains CEO Mthethwa.

Funding criteria

The WEF will provide funding for businesses in various sectors including agro-processing, beneficiation, construction, franchising, manufacturing, property, renewable energy, services, tourism, transportation, among others. The NEF will blend the funds available under the WEF with its regular loan funding. This means no transaction may be solely funded from the dtic portion of the WEF.

Continued on page 6

Tyre Energy Extraction (Pty) Ltd

Renewable Energy: Waste Tyre Recycling is a renewable energy project that will produce oil, scrap metal and char. The project, to be located in the Coega IDZ in the Eastern Cape, will create 60 direct jobs in Gqeberha. The project is led by a black industrialist and is fully funded by the NEF. Funded by the NEF to the tune of R38 million, the project size is anticipated to be R73,1 million.

The Bankable Feasibility Study (BFS) has been successfully carried out and capital raising is now completed, with contracting in progress. Construction is expected to start as soon as the funds have been disbursed. The NEF is co-funding the project with international funders and will create 60 direct jobs.



Continued from page 5, Major boost for NEF funding of black women entrepreneurs

It is therefore a condition for accessing WEF funding that there must be another portion of the funding from other sources within the NEF. Funding will be assessed in accordance with the following criteria:

- Majority ownership, control and management by black women;
- Must be registered and recognised under South African law (company, close corporation, co-operative, collective investment scheme, NPO's and community trusts);
- Be registered for tax, be in good standing with SARS and have a valid tax clearance certificate;
- Be involved in primary, secondary and tertiary sectors of the economy (with the exclusion of purely alcohol businesses, purely tobacco businesses, arms and ammunitions and related sectors);
- be located in rural areas and/or townships;
- Sustain and create employment;
- Have a viable businesses case;
- Be a start-up or an existing business seeking expansionary capital.

“South Africa’s history, which has seen especially black rural women relegated to the lowest rungs both socially and economically, demands no less an aspiration than to ensure women’s participation in every sector of the economy. The NEF invites applications from women who meet the requirements for funding across the various sectors,” says Ms Mthethwa.

Sector Spread of women-owned businesses

Ms Zama Khanyile, the NEF’s Acting Divisional Executive for Venture Capital and Corporate Finance, says the manufacturing sector has generated growing interest among black women entrepreneurs, examples of which are Smith Capital, which

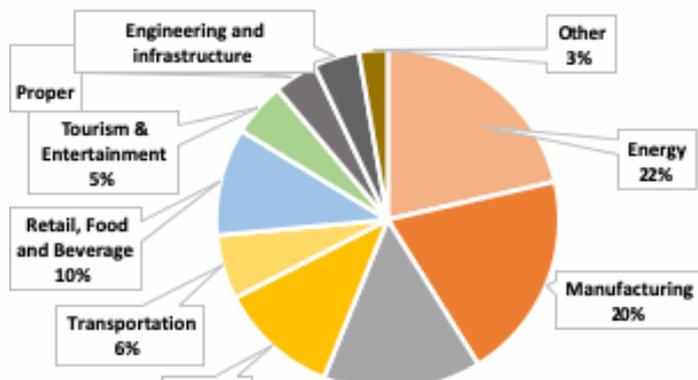


Ms Zama Khanyile, the NEF's Acting Divisional Executive for Venture Capital and Corporate Finance

manufactures aerial platforms and truck-mounted cranes, as well as businesses involved in textile and foot-ware manufacturing, among others.

In construction various businesses lead the sector through general building of houses and office parks, civil engineering, rail infrastructure and concrete mixing. The pie-chart below provides a sector breakdown of women-owned businesses funded by the NEF:

Sector Spread of women-owned businesses



“More recently the NEF has funded businesses owned by black women involved in the manufacture of healthcare products to help the country fight the COVID-19 pandemic. These products include hand sanitisers, facial masks and medical gowns, among others,” adds Ms Khanyile.



Nyamane Agro-Foods Holdings (Pty) Ltd



Agro-processing: This is a new project to be set up for the ultimate production of tomato paste for the local and export markets. The project will incorporate a tomato farming operation that will produce feedstock for the tomato paste production facility. These facilities are planned to be set up in Lebowakgomo, in the Limpopo province, following NEF funding of R50 million. The R780 million project, including the farm and plant, is black-owned. The business will support 530 new jobs whilst creating a further 133 jobs during construction.

The BFS studies currently being carried out are showing positive results. The main outstanding BFS activities include the Environmental Impact Assessment, Water Use Licence and Capital Raising for the project, the progress of which is monitored and reported on a weekly basis. The business will support 530 new jobs, whilst creating a further 133 jobs during construction.



Mohlalefi Engineering



Manufacturing: Mohlalefi is a niche engineering company that specialises in designing, patenting and manufacturing a range of underground roof support structures. The Mohlalefi plant was constructed and commissioned on time and within budget in the year ending February 2020. The NEF has invested R25 million into the Gauteng-based business. The business needs to expand its operations to industrial level. Business development efforts have seen the business grow appreciably over the previous year. Mohlalefi currently has 42 employees and once expanded is expected to create an additional 180 permanent jobs.

Red Cup Village (Pty) Ltd

Manufacturing: Red Cup is a 100% black youth-owned company formed in 2014 and based in Cape Town. The business was established to market and manufacture a unique range of environmentally-friendly drinking cups using 3D printing technology. The company manufactures biodegradable products using reusable nature-based material from sugarcane and cornstarch. Since the start of the national lockdown, Red Cup has expanded its product offering to include various medical supplies and production of food packaging. The company has approached the NEF to fund long-term manufacturing assets and for working capital. The NEF has approved R6 859 615 to support the business.

The necessary certificate has been issued and permission has been granted by SAHPRA for the manufacture of non-invasive medical devices for hospitals and distribution to the general public. Red Cup village is estimated to create a total 7 permanent jobs.



Btimbiwaminerals (Pty) Ltd



Wood and Paper: Btimbiwaminerals secured funding R7.1 million from the NEF to set up a business that manufactures processed timber used for manufacturing wood pallets, structural timber (trusses) and Broomsticks. The company's main focus will be on wet off saw timber and truss, a very popular input for companies that manufacture wood items such as pallets. BT Industrial is a 100% black-owned and managed company. The business employs 41 people. After SABS certification, the demand for the company's products has increased exponentially. NEF funding and support has resulted in substantial growth in the business and product demand.

Btimbiwaminerals has secured 3 off take agreements which will be serviced by means of the approved NEF facility.