

PARASTATALS

# Empowerment fund in talks to access PIC capital

Linda Ensor

The National Empowerment Fund (NEF) is in talks with the Public Investment Corporation (PIC) and the Unemployment Insurance Fund for a possible R1bn capital injection to fund its work financing black economic empowerment.

This is in addition to the R500m facility approved by the Industrial Development Corporation (IDC). The NEF, which has been lobbying for a recapitalisation for several years, is in the process of becoming an arm's-length subsidiary of the IDC.

Chairman Rakesh Garach said in its annual report tabled in

Parliament that the NEF "has been in discussions with the PIC in order to secure a R1bn facility from the funds the PIC manages on behalf of the Unemployment Insurance Fund".

The jobless fund supports this initiative as the NEF's work contributes to job creation.

CEO Philisiwe Mthethwa said in the report that the NEF required an annual allocation of

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R2.5bn over the next five years – a total of R12.5bn – "to be able to address the sizeable demand for funding among black entrepreneurs".

She noted that to receive funding from the IDC and the PIC, the NEF would have to be granted limited borrowing powers by Finance Minister Malusi Gigaba under the Public Finance Management Act.

The fund's current classification under the act precludes it from any form of borrowing in capital markets.

For the year to March, the NEF posted a loss of R328m on revenue of R362.5m. Impairments amounted to R213m and



Philisiwe Mthethwa

investment write-offs to R26.7m, while the decline in the fair value of investments totalled R269.4m. The fund has assets of R5bn.

Despite the tough economic conditions, there was a 46% (R205m) reduction year on year in impairment provisions and write-off charges.

The impairment ratio of 17.5% was 6.5 percentage points down on the 2016 figure.

"Based on our assessment of the portfolio, we believe 2016 was the peak of the impact of this tough environment unless economic conditions get worse than anticipated in the short- to medium-term," chief financial

officer Innocentia Pule said.

She noted that the return on investment at 7.8% was lower than the prior year, an indication of "the increased vulnerability to market factors faced by our investees".

A total of R1.1bn in funding was approved during the year, bringing the total since inception to R8.6bn, which was granted to 852 black entrepreneurs.

Another indication of the difficult economic environment, Mthethwa said, was the number of requests by investee companies for moratoria on repayments, reduced instalments and loan extensions.

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