

REPORT OF THE CHAIRMAN OF THE BOARD OF TRUSTEES



"No-one can dispute that the economy's performance, especially as regards the pace of job creation, the quality of jobs, and reduction of poverty and inequality, has fallen far short of our expectations and aspirations. Our efforts have not sufficiently addressed severe structural imbalances and constraints that impede the economy from developing to its full potential. It is clear that these imbalances and constraints cannot be overcome by the market on its own, and requires an appropriate strategic role for the state."

The Hon. Dr Rob Davies – Minister of Trade and Industry

The African Context

Our history and our future as a society, as an economy, are inextricably bound to the African continent. As we continue to lead the quest for the restoration of the economic citizenship of Black South Africans, it might enrich our wisdom to borrow from Africa's experiences in this regard. As the recent political history of our continent has shown, the cold reality is that as Africans we are on our own. No foreign persons, institution or nation will come to our rescue. Our story shows that whenever they have said they will, they have been merely pursuing their own interest, an interest seldom aligned to our own. This view must not be interpreted as an argument against cooperation among nations. It simply means that unless and until we Africans have the courage to do the things we must do in order to construct ourselves economically, we will never be taken seriously in the global trade and investment arena. We must accept that we shall never plead ourselves out of mass poverty and into our rightful and equitable place in the trade and investment world.

As demonstrated by global history, productive enterprise continues to be the single-most viable foundation upon which all modern economies are built. If the architecture of any future economy on the continent is to be viable, it will have to be set on the plan to develop and entrench employment-generating and diverse domestic industries, both small and large.

Critical mass will be important if we are to sustain the development of Africa's economies. Our leaders must accept that certain borderlines as demarcated today



Mr Ronnie Ntuli

will only serve to hinder the development of our economies. Although desirable, the integration of the entire continent into a single market is not practical in the foreseeable future, but there are ready foundations for integration of regions within the continent.

In the medium term, the single most important matter for resolution by Africa's leadership is sustainable livelihoods for the citizens of the continent. As young Africans, we must insist on a future beyond poverty alleviation, and strive for a future of prosperity. This is part and parcel of the NEF's role in the South African Economy, and thus its purpose and the task for our generation, a pursuit in which we dare not fail.

As the current board of the NEF reaches the end of its tenure, it is opportune to reflect on the challenges and achievements of the past four years, and look to the future, and to the NEF's role in a dynamic and ever-changing society. We have learned from our experiences, and as new challenges such as

the global financial crisis present themselves, our greatest strength will lie in being alert to the changes taking place around us, and in being able to deliver on our objectives by being focused yet flexible.

Reviewing the Mandate

When this Board was constituted in November 2005 the immediate challenge was to stabilise the NEF after its particularly challenging early years.

The primary objective was to put the NEF on a solid operational footing, to regain stakeholder and public trust, and to restore credibility for it to be in a sound position to deliver on its strategic goals. This involved a three-year process of redefining strategy, of reviewing and reconstituting infrastructure, systems, policies and procedures, and of ensuring that the right teams were in place to deliver on the NEF's far-reaching mandate.

The hard work involved in doing that has paid off. The NEF has regained its stature, credibility and effectiveness and, having refined its definition of target audiences, is disbursing capital more effectively and efficiently than it had ever done before. This has been achieved largely through the development of improved planning and implementation processes, and also by instituting reliable methodologies for monitoring and evaluation. Just as important, both our stakeholder relationships and balance sheet are now on firm ground. Net asset value, for instance, has grown from just over R2.1 billion at the end of the 2006 financial year to R4.6 billion at the end of 2009.

The Core Challenge

In this last year of the current Board's tenure, however, the core challenge has remained the same as it has always been - the fact that the NEF is a small organisation with a big mandate. Tasked with facilitating the ideals of BB-BEE, partly through engendering a culture of savings and investment among Black people, and partly through enabling Black entrepreneurship through financial and non-financial support, ours is indeed a historic mission, which is nothing less than to continue the liberation struggle on the economic front. It is a mission to contribute to our nation's growth by propelling the economic participation of Black people, so that they too can own, manage and develop sustainable enterprises, contributing to the creation of employment, rural development, skills acquisition, savings and investment solutions for the vast majority who live across the length and breadth of our beautiful land.

As an agency of **the dti**, the NEF has a key role to play in the implementation of BB-BEE, and in delivering on the key target areas set for the organisation by AsgiSA.

We are therefore clearly and unequivocally focused on overcoming the historic divide in our economy, and we can confidently declare that the NEF is implementing its mandate with a greater vigour, integrity and patriotism.

During the past four years, major NEF initiatives such as Asonge and the NEF's support for broad-based public share offers such as Sasol Inzalo have significantly increased Black participation in the economy, particularly through savings and investment, as have the many management buy-ins and buy-outs that the NEF has financed.

Increasing Black participation in the higher asset classes of the economy has been a very important undertaking for the NEF.

In the Asset Management arena, the phenomenal results of the NEF Asonge Share Scheme, which saw over 86 000 investors countrywide oversubscribing by 13%, has provided an exceptional empirical and sociological foundation upon which future strategic interventions will be devised.

These include:

- Ensuring that new products are aimed at accessible subscription levels and structures so that lower income groups are deliberately included,
- Addressing geographic access to product offerings through targeted communication campaigns, as well as engagement with provincial governments and other stakeholders in order to entrench the message of the need to save and invest,
- Obtaining the transfer of state allocated interests in State-Owned Commercial Enterprises (SOCE), a process that will no doubt see the NEF provide more equity ownership opportunities for Black people.

Similarly, Sasol Inzalo provided ordinary South Africans with the opportunity to become shareholders in a local company with global reach, operating in the strategically important energy sector. The NEF provided significant strategic advice and support to ensure that Sasol Inzalo became the success it did.

By 2005 when this Board's tenure began, the NEF had disbursed R25 million to 11 investees. On the Fund Management front, we are pleased that as at 31 March 2009 the NEF had approved 177 transactions worth in excess of R1.4 billion, which marks a significant achievement in the development and maturing of the NEF.

With these achievements behind us, it is now important to assess where the gaps are to gain greater insight into what Black participation in the economy really means, and to determine whether the path we are on remains definitive, or whether our objectives and methodologies require re-assessment.

Assessing Achievements

Facilitating empowerment through opening up channels for Black participation in the capital markets has been an important and valuable process. The historical exclusion of the Black majority from the investment market was a vital first hurdle to overcome, and will continue to remain an important focus for the NEF.

The fact remains, however, that real economic decision-making power in South Africa is still vested in the hands of a limited few, and is exercised mainly at board level. Just as significant, the gap between rich and poor in this country is one of the highest in the world, and BB-BEE has, to date, not fundamentally altered this position. It is therefore time for us to re-look at the spirit and not just the letter of BB-BEE, and to re-focus our agenda and our efforts.

The Path Ahead

What this means for us at the NEF is that we need to take a leadership role in re-defining the meaning of economic transformation and of Black participation in the economy, so that we can rapidly narrow the gap between our vision and our achievements. We are at a pivotal point in the history of the NEF, and at a time when there needs to be a paradigm shift in how we view and facilitate empowerment.

While the transfer of shares in significant corporate enterprises was an important first step, real empowerment is created organically, by ensuring that Black people not only have the ability and power to participate in the economy, but also to play a fundamental role in defining the national economic agenda.

For this reason, it is important for the NEF to constantly re-assess its focus and activities, and to ensure that they are aligned with the objectives of the developmental state. Our goal therefore should be to have a more measurable impact in terms of creating new capacity and new jobs, rather than simply redistributing existing value. It is our task now to facilitate Black participation not only in the corporate economy, but to extend that participation into new enterprises and geographies.

South Africa is indeed a country alive with possibility, and we are on the cusp of a great new beginning, despite the very real challenges we face. It is our task now to extend the value chain beyond extraction, to ensure that participation becomes a reality at all levels of the production process, and that capacity, jobs and wealth can be created by a new generation of Black entrepreneurs primed to envisage, seize and live the opportunities that new technologies and socio-economic developments are presenting.



Mr Ronnie Ntuli
Board Chairman

