

NEF and ENGEN join forces to boost BBBEE in petroleum industry

Ten black-owned service stations to be financed and developed over two years

Leading empowerment funder the National Empowerment Fund (NEF) and Engen Petroleum, South Africa's leading fuel marketer, today jointly unveiled an initiative aimed at increasing black entrepreneurial ownership of Engen service stations.

The NEF, an agency of The Department of Trade and Industry (the dti), is a Development Finance Institution mandated with promoting sustainable black economic empowerment. It provides financial and non-financial support to black entrepreneurs for purposes of starting a new business, business expansion or the acquisition of equity in existing businesses, explains NEF Chief Investment Officer, Mr Frenzel Gillion.

He says franchising remains a key means for gaining access to economic opportunities whilst reducing investment risk, due to the training, marketing and general entrepreneurial support typically provided by franchisors. "NEF franchise funding, generally limited to R5 million with an investment horizon of five to seven years, is available to black entrepreneurs who have prequalified with franchisors".

As part of the agreement the NEF has made R50 million available in affordable loans to suitable candidates over a period of two years. Engen, in turn, will provide the financial surety and the business support necessary for the new members of its retail service station network to thrive. "This is the first deal of its kind in the petroleum industry, and we see it as an important move towards fostering empowerment in a sector that, by its nature, presents high barriers to entry," adds Gillion.

At present, 39% of ENGEN's service stations are black-owned. The goal is to increase this to 45% by 2016. "While our empowerment demographics in Gauteng, KwaZulu Natal and Western Cape are impressive, we are lagging behind in other provinces such as the Eastern Cape, Mpumalanga and Limpopo," says Portia Mpofo ENGEN's, BEE and Government Relations Manager. "This is mainly due to the fact that potential owners in these regions have had great difficulty accessing the financing required to purchase businesses within this sector."

This is where the NEF will play a strategic role, she adds. "Engen has identified viable sites that are pumping an average of more than 250 000 litres of fuel monthly and have a turnover of R250 000 in their Quickshops."

Potential black entrepreneurs will be required to put up between 10% and 20% of the purchase price, and the NEF will provide financing for the balance. Engen will stand surety for half of the average R5 million purchase price, and will cover training, evaluation and business support costs.

Commonly, Engen requires that entrepreneurs put up 60% of the purchase price. Lowering the level of their contribution in this instance is aimed at making service-station-ownership more accessible for black entrepreneurs, says Mpofo.

"As a market leader Engen takes its role as a change agent seriously," says Mpofo. "This initiative follows on such earlier initiatives as the sale of an unprecedented 20% shareholding in Engen Petroleum to Worldwide Africa Investments in 2000."

The first of the new NEF-financed Engen franchises is now open in City Deep in Johannesburg, and further deals are in the pipeline.

“This is a perfect example of how public-private partnerships can support the country’s socio-economic development,” says the NEF’s Frencl Gillion. “We’re hoping this model will be so successful in breaking down the barriers to entry in the petroleum industry that we’ll be able to extend it on an on-going basis at the end of the initial two-year period. It’s a win-win for everyone involved.”

About the National Empowerment Fund

- The NEF was established by the National Empowerment Fund Act No 105 of 1998 in order to promote and facilitate black economic equality and transformation. Its mandate and mission is to be a catalyst for Broad-Based Black Economic Empowerment (BBBEE) in South Africa.
- The objectives of the NEF are to finance and support business enterprises owned and managed by black entrepreneurs, as well as to promote savings and investment schemes for black people and, in so doing, to develop an understanding of equity ownership and a culture of savings amongst its beneficiaries.
- Until the Asonge Share Scheme was launched in June 2007, the activities of the NEF centred principally on providing financing and support for black empowered business and entrepreneurs.
- The establishment and promotion of a savings and investment culture amongst all black people, supported by clear and accessible savings and investment products, is key to assisting South Africans to move to full participation in the first economy.

About ENGEN Petroleum

ENGEN Petroleum Limited is an African petroleum multinational with market leadership in its country of origin, South Africa, as well as Namibia and selected other countries across the continent. As of mid-2008, ENGEN’s African footprint comprised 17 operations, amassed over 12 years. Its vision is to be a market leader in Sub Saharan Africa with expansion planned either through organic growth or strategic acquisitions. ENGEN is owned 80% by PETRONAS, the national oil company of Malaysia, and 20% by BEE energy group Worldwide Africa Investment Holdings.

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