

NEF launches an Economic Distress Fund

The National Empowerment Fund (NEF) in partnership with the Department of Trade, Industry and Competition (the dtic) has established an Economic Distress Fund to provide concessionary business loans to Black-owned and managed enterprises that are under financial distress as a result of the Covid-19 pandemic "to aid their recovery, sustain existing jobs and improve productive capacity", says CEO, Philisiwe Mthethwa.



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“The Covid-19 pandemic has devastated the South African economy and placed the livelihoods of businesses and employees at stake. Black businesses, which historically have been constrained by the lack of access to affordable capital, have been dealt a particularly heavy blow. That is why the Economic Distress Fund will support black companies in accordance with the legislated mandate of the NEF, to mitigate the challenges that have been caused by the ongoing pandemic. Funding will be in the form of loan and equity and a maximum interest rate of 2.5% will apply,” explains Mthethwa.

Mthethwa adds that the NEF has dedicated teams of seasoned investment professionals comprising Chartered Accountants, engineers, corporate lawyers and various other expertise to help make the Economic Distress Fund a success.

Criteria for funding of between R250 000 and R10 million

NEF General Counsel, Mzi Dayimani, says to access the Economic Distress Fund of between R250,000 and a maximum R10 million, eligible Black businesses must provide proof of commercial viability and must demonstrate the need for economic relief as a result of distress from Covid-19.

Further, applicants must prove that the business is financially distressed by demonstrating the following:

- The business is unlikely to pay all its debts as they become due and payable for the upcoming six months,
- The business is unable to fund its operating activities within the immediate ensuing six months,
- With the support provided, the company must prove that it has a fair chance of recovery and job retention,
- The business must have been in existence for at least 3 years at application date with proper historical financial records demonstrating a track-record of honouring debt obligations, except during the period since the Covid-19 pandemic began, and
- The business must have at least 10 employees.

Successful past NEF Covid-19 funding

When the Covid-19 pandemic broke out in South Africa in March 2020, the dtic entrusted the NEF with an allocation of R200 million to establish a Covid-19 Black Business Fund that would support the manufacture of essential healthcare products and the production of priority food items that were in short supply at the time.

By September 2020 the NEF had “approved 33 transactions valued in excess of R207 million, with part of the funding topped up from the NEF’s balance sheet. These businesses manufacture products as diverse as hospital beds, frail care facilities, stretchers, trolleys, surgical masks, personal protective clothing such as bodysuits and isolation gowns. Other products are disinfectants, medical gloves, face shields, safety goggles and shoe covers, non-contact thermometers, plastic moulds, bottles, dispensers, hand sanitizers, detergents and soap, among others. With this track-record we are confident that the new Economic Distress Fund will also be a memorable success,” says Mthethwa.

Applicants are advised to visit the NEF website, www.nefcorp.co.za, or send inquiries to distressfund@nefcorp.co.za.

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