

## SHOWCASING KWAZULU-NATAL'S LEADING FINANCIAL INSTITUTIONS

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Project Funded: Link Africa – Telecommunication infrastructure



Project Funded: South African Shipyards – Ship building and repairs

## KZN Growth Fund Trust – creating legacies through bold investment

In the past seven years the KZN Growth Fund Trust has created more than 7 700 job opportunities in KwaZulu-Natal, a trajectory that has escalated since 2014, effectively boosting provincial

empowerment and economic growth. KZN Growth Fund Trust CEO Siddiq Adam says the R1,1 billion fund has the mandate to support sustainable growth by financing private sector projects that drive economic success, stimulate job creation, promote broad-based black economic empowerment and reduce inequality. It is the platform from which to facilitate and promote the development of black industries.

The Fund has disbursed and committed R882 million to investments in the healthcare, manufacturing, telecommunication and transport and logistics sectors and is currently appraising potential investment tracks that will generate another 3 000 job opportunities. Established in 2008 as an initiative of the KwaZulu-Natal Provincial Department of Economic Development, Tourism and Environmental Affairs, the KZN Growth Fund Trust is a first for South Africa, where a provincial government entity partnered with Standard Bank, the Infrastructure Finance Corporation (INCA) and the Development Bank of southern Africa to establish a public-private partnership in the space of project finance.

Today the Fund is fully unencumbered and its strategies and policies align to the National Development Plan,

Provincial Growth and Development Strategy, Industrial Policy Action Plan II, Provincial Spatial and Economic Development Strategy and New Growth Path.

Initially the fund was mandated to fund projects only within KwaZulu-Natal, but Adam says it is now also looking to finance projects nationally.

Currently, the fund value is split between R500m in debt funding and R300m in equity funding, but Adam says the first steps are underway for an institutional investor to bring another R300m into the Equity Fund – taking it to R600m in Equity Fund size with a combined fund value of R1,4bn.

Adam says the Equity Fund was established in line with a dire need for filling this gap in KwaZulu-Natal and in the market in general. Working on an R200m gesting, the understanding is that a R600m equity fund has the potential to unlock more than R3bn worth of investments, with the commercial banks providing the required debt financing.

This too was a South African first whereby a provincially-owned entity established a private equity fund through an an-comparable partnership.

Adam says the Trust boasts its reputation of operating as a self-sustaining entity of government without the reliance of funding for its operational expenditures as well as an unqualified audit for the last three financial years.

The KZN Growth Fund Trust works closely with its sister organisations such



KZN Growth Fund Trust CEO: Siddiq Adam

as Dube Tradeport and the Richards Bay Industrial Development Zone (IDZ) when seeking investment opportunities, particularly when greenfield projects can be sited in the IDZ or special economic zones.

They are initiatives gaining market momentum, with the equity fund being used to grow businesses or establish start-up projects.

"We are constantly striving to forge a better future in which businesses are more profitable, people are employed and the province's economy grows – and we firmly believe it takes bold people, bold action and bold investment to transform the future. The KZN Growth Fund represents our commitment to growth and seeing the province move forward," adds Adam.

He says in pursuing growth, management leverages off its provincial

networks, using its insight and knowledge to ensure highly was not compromised while demonstrating globally what KwaZulu-Natal can achieve.

The long-term focus will be expanding the fund's reach into the Southern African Development Community (SADC) region with capitalisation over R200, but the essence will always remain on KwaZulu-Natal. Adam says the national and international exposure provides the ability for the KZN Growth Fund to grow its asset base and generate development returns that then allows for additional capital to be ploughed back into the fund.

The Fund seeks sound job creating opportunities, and project investments are based on good investment strategies where the cash injection can unlock growth and the fund can realise its investment via an exit strategy seven to 10 years down the line. The objective is developmental, for as long as it makes commercial and financial sense.

However, there is also the recognition that in growing a black industrialised base, the entrepreneurs cannot be bound to provincial boundaries when expanding their businesses.

"We are here to serve and never lose sight of the fact that we are public servants using taxpayers' money for development. However, we are also unapologetic about transforming the capital structure of South Africa's economy," he concludes.