

# Relaunched finance fund geared for growth

Garth Johnstone

**F**IRST established in 2008 by the KwaZulu-Natal government, the KZN Growth Fund was relaunched recently after being restructured.

The fund was initiated as a private-public partnership with funding from the Department of Economic Development, Tourism and Environmental Affairs and major lenders to invest in financially viable initiatives that would boost economic development and create jobs.

"It is the first of its kind in South Africa," said chief executive Siddiq Adam. "We are a private-public partnership in the space of project finance."

Adam said the fund became operational in 2009 and enjoyed notable successes, but had gone through a steep learning curve in which its complex structure needed to be revised. "High operational costs and relatively uncompetitive lending rates also had to be addressed."

The fund also initially struggled to attract and retain the talent required, and needed to boost operational capacity.

"We felt that, after the restructuring, it was the right time for the relaunch and to make the fund known to the market," said Adam.

A unitary governance structure, new board of trustees, reduced cost base and more competitive rates signalled a healthier operation better geared to do business.

Today, he said, the KZN Growth Fund was able to offer competitive pricing starting at below prime (depending on the client's risk profile), debt finance up to R200 million and an interest and capital repayment holiday of up to two years.

More than R500m remains available for disbursement until March 2016. Manufacturing, transport and logistics, power and energy telecommunications, private health and education infrastructure, agro-processing, and mining and mineral beneficiation were some of the sectors targeted.

One of the fund's key mandates is to seek out initiatives that have a knock-on effect, helping drive job creation and promote black economic empowerment.

"We are interested in social and developmental returns, with a fairly



KZN Growth Fund chief executive Siddiq Adam, speaking at the relaunch event for the fund at the Dube TradePort Conference Centre.

high appetite for risk, but only as long as a project is commercially viable," said Adam.

His two major success stories thus far have been the Dark Fibre Africa initiative, for which the fund committed R238m as part of a syndicate of lenders, and Southern African Shipyards, in which the fund invested R42.7m. The Dark Fibre cable ducting infrastructure, which is leased to licensed operators (including Vodacom, MTN, Cell C, MWeb, Telkom and Internet Solutions) has created thousands of jobs and covers all major cities and many smaller centres in South Africa.

Southern African Shipyards recently secured a massive contract from Transnet to build nine tugs for the country's ports system. The shipbuilder and repair company was established in the 1980s. Job creation and skills development were a key aspect of this project, with the hope of securing more contracts with African countries.

"We have a healthy deal pipeline," said Adam. "I am hopeful that by August next year we will have allocated our total remaining fund of R550m."

New projects on the horizon include a major expansion for a listed company in the packaging, plastics and recycling field, with the first

phase of the expansion worth about R200m.

Then there are plans for private health-care facilities and other telecommunications project worth about R65m. The fund was also in negotiations about logistics and renewable energy deals.

"We've had a relatively quiet start and all our projects, for now, take place in KZN, but the ultimate vision of the MEC for Economic Development, Tourism and Environmental Affairs, Mike Mashayakhulu, is for a fund that operates in the SAIDC (Southern African Development Community) region," said Adam.