

# Impact of transformation measures – some examples from the IDC

Portfolio Committee Presentation  
27 November 2018



economic  
development

Economic Development Department  
REPUBLIC OF SOUTH AFRICA

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# Transformation

**Economic transformation** embraces a number of elements, including through

- Transforming the structure of the economy to grow faster and more inclusively
- Shifting the dependence on export of raw materials and build a more balanced economy
- Promoting the participation of black South Africans, women and young people in the economy, to broaden the base of entrepreneurship and promote fairness

**EDD and Agencies** promote transformation in a number of ways, including:

- Enabling greater competition and dynamism in the economy
- Supporting infrastructure and investment efforts to improve growth and inclusivity
- Advancing entry or expansion of black South Africans, youth and women in the economy through new enterprises or equity in companies

# Equity in new and existing companies

**Examples of the equity/new enterprise efforts** include the following:

- IDC funding to entrepreneurs from designated groups
- Development Funds set up through merger agreements that support localisation and new enterprise development (eg Walmart, AB InBev)
- Expanding equity by black South Africans in companies

The next section focusses mainly on IDC funding to entrepreneurs from designated groups

In May 2015, the Ministry set a 5-year target for the IDC to promote economic inclusion through providing industrial funding as follows:

- R23 bn for Black Industrialists
- R4.5 bn for Women-empowered enterprises
- R4.5 bn for Youth-empowered enterprises

The 5-year period ends in March 2020

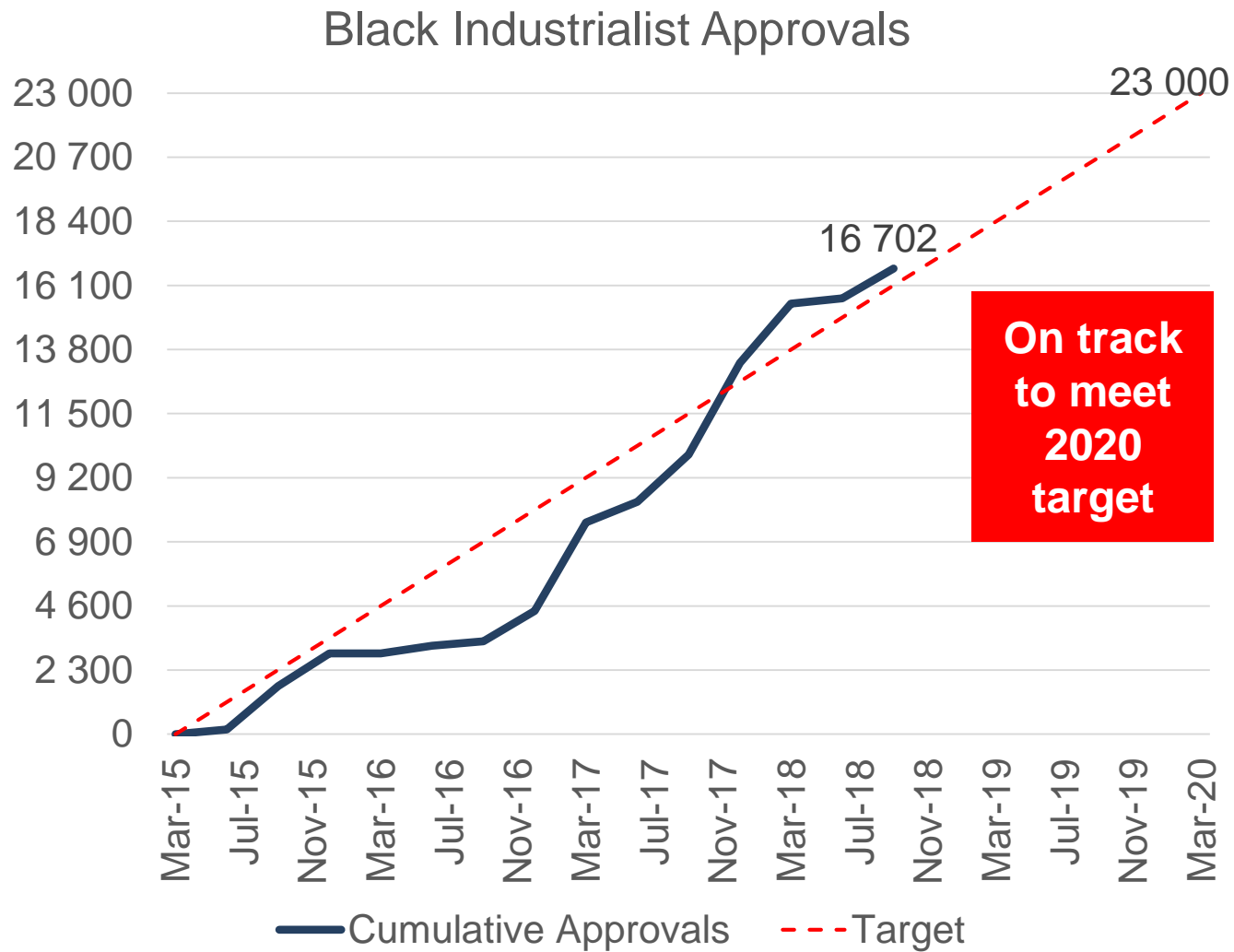
This Report covers progress to date

# From 1 April 2015 to 30 September 2018 (70% of the target period), the following has been achieved:

- R16.7 bn funding to Black Industrialists – 295 deals
- 73% of target
- R4.6 bn funding to youth - 137 deals
- 101% of target
- R7.1 .bn funding to women – 159 deals
- 159% of target

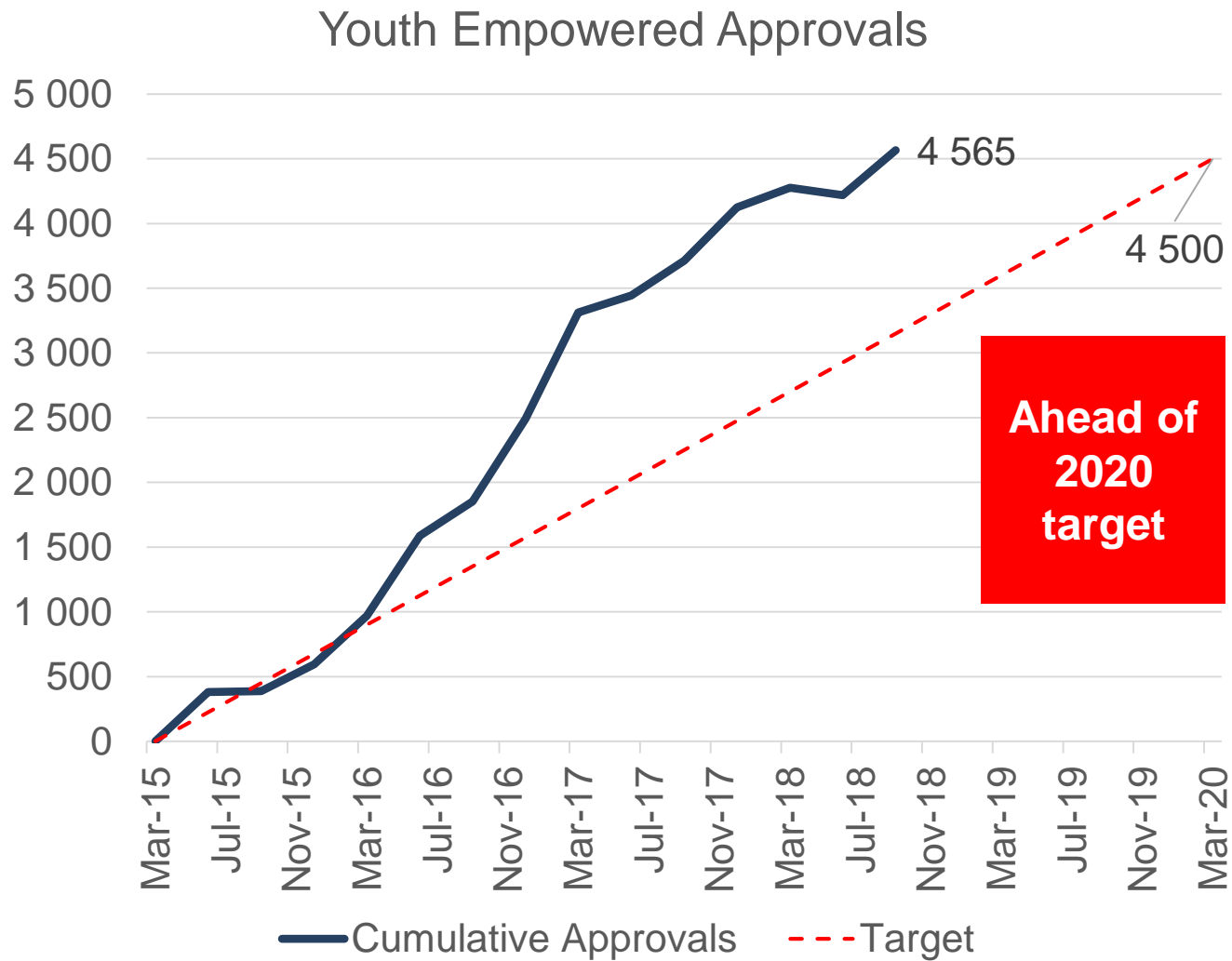
It is currently projected that the IDC will meet its target in each of the three areas.

# Black Industrialist Approvals v Target

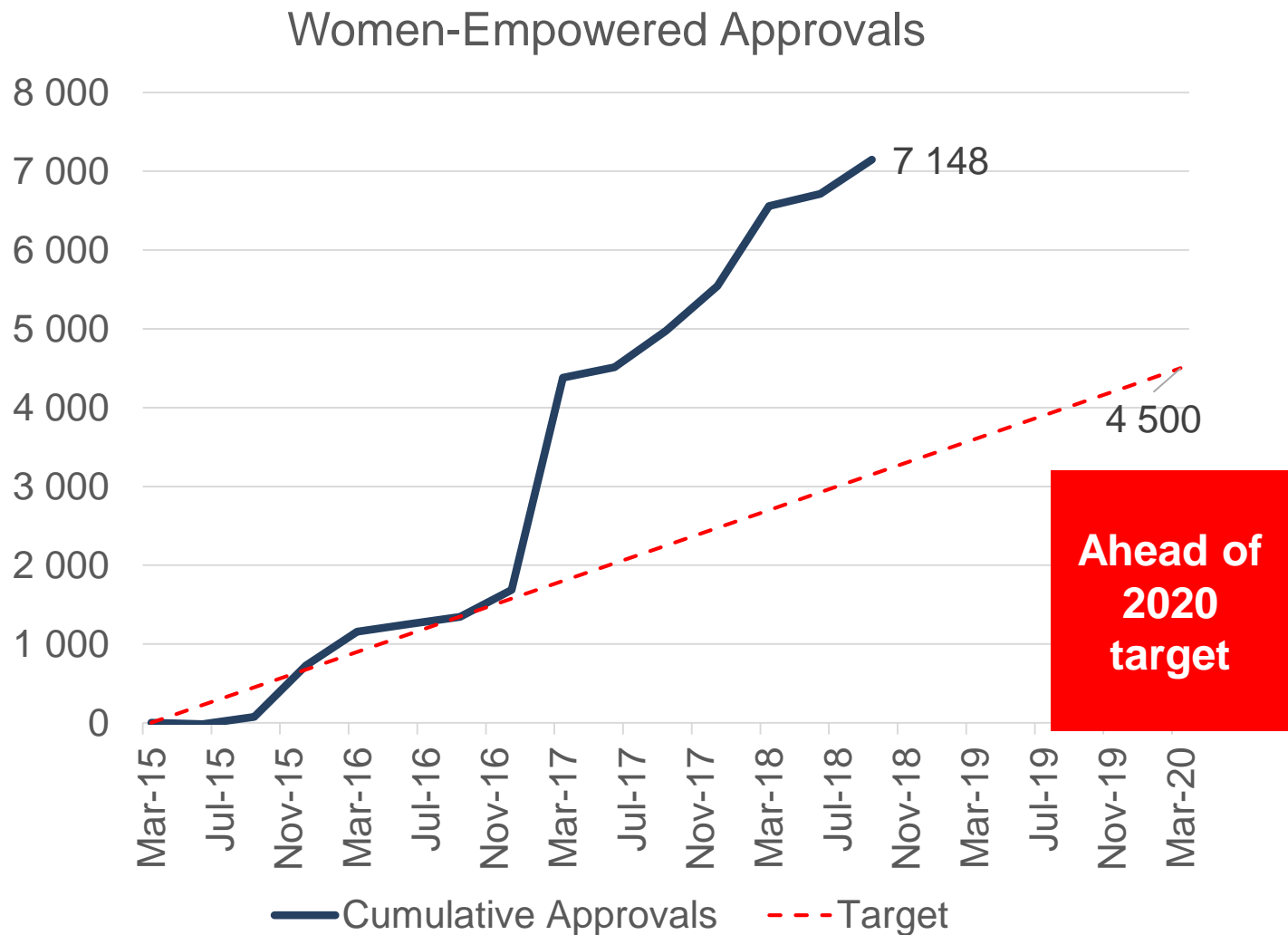




# Youth-Empowered Approvals v Target



# Women-Empowered Approvals v Target



# From 1 April 2015 to 30 September 2018

Based on the IDC projections, the following cumulative impacts have been achieved through industrial funding by the IDC for the designated groups:

- 27 539 jobs saved and created
  - 22 971 jobs created
  - 4 568 jobs saved
- R19.1 billion IDC funding approved
- R34.5 billion investment facilitated\*\*

# Fronting – measures to check the ownership

The IDC has the following measures in place to check claims about ownership in order to address fronting challenges:

- The IDC's due-diligence process includes interviews with the entrepreneurs and project promoters
- The due-diligence consists of an assessment of the management team of the company being funded, a legal review, compliance checks, and a review of shareholders' personal balance sheets
- Teams investigating transactions are thoroughly informed about fronting and that IDC will not tolerate this practice
- The teams, through the due-diligence process, ensure that transactions do not involve fronting and, where required, provide evidence to the credit approval committee
- A fraud hotline is available for anyone to report fraud, including fronting

# Case studies

The Presentation to the Committee will highlight case studies from:

- Agro-processing and agriculture
- Transport
- Creative industries
- Mining, metals, machinery and equipment
- Energy and heavy manufacturing
- Fashion manufacturing
- Tourism
- Chemicals and pharmaceuticals
- New industries and ICT
- Other initiatives