IDC’s SUPPORT TO BLACK INDUSTRIALISTS

BLACK INDUSTRIALISTS INDABA

25 – 26 MARCH 2015
Long-term trends in the SA economy
SA economy grew by 3.3% p.a., on average, from 1994 to 2012 compared to 3.6% p.a. for world economy.

Manufacturing sector’s share of GDP declined from 20.9% in 1994 to 12.4% in 2013. This can be highly attributed to de-industrialisation of the economy.

Global demand has been substantially reduced.

Furthermore, local factors such as infrastructure constrains, high energy and operating costs, as well as labour unrest in various sectors further aggravated the situation.

Textiles & clothing, furniture and other manufacturing lost substantial market shares since 1994. However, sectors (chemicals, metals & machinery) with linkages to mining experienced relatively high growth rates post 1994.

Labour intensity of manufacturing sector (1.22 jobs per R1m output) is well below that of agriculture (7.4), mining (2.78) and services (3.97).

Europe, USA and RoA are important destination for our local manufacture exports (commodity export : China & Japan).

Policy formulation (IPAP, NGP & NDP) aimed at assisting in developing the manufacturing sector.

Proper implementation of these policies is crucial in assisting the sector to re-industrialise.
Commodity exports feature strongly in countries such as China and Japan, whilst Europe, USA and Africa are important destinations for SA's manufactured exports.

**South Africa's exports to selected countries/regions in 2012**

<table>
<thead>
<tr>
<th>Broad sector</th>
<th>World (Total exports)</th>
<th>USA</th>
<th>European Union</th>
<th>Japan</th>
<th>China</th>
<th>Africa</th>
<th>Rest of World</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>4.2</td>
<td>1.4</td>
<td>7.4</td>
<td>1.3</td>
<td>2.0</td>
<td>2.8</td>
<td>4.9</td>
</tr>
<tr>
<td>Mining</td>
<td>44.2</td>
<td>25.8</td>
<td>32.9</td>
<td>68.6</td>
<td>77.7</td>
<td>4.0</td>
<td>59.7</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>51.6</td>
<td>72.8</td>
<td>59.7</td>
<td>30.1</td>
<td>20.2</td>
<td>93.2</td>
<td>35.4</td>
</tr>
<tr>
<td>Total exports</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>
### Global markets for SA manufactured exports (cont.)

#### Major exports to select regions/countries in 2012 (% share of exports)

<table>
<thead>
<tr>
<th>Sector</th>
<th>Sector % share</th>
<th>European Union</th>
<th>Sector</th>
<th>Sector % share</th>
<th>China</th>
<th>Sector</th>
<th>Sector % share</th>
<th>Africa</th>
</tr>
</thead>
<tbody>
<tr>
<td>Motor vehicles, parts and accessories</td>
<td>21.3</td>
<td>1</td>
<td>Iron ore</td>
<td>47.0</td>
<td></td>
<td>Non-electrical machinery</td>
<td>14.9</td>
<td></td>
</tr>
<tr>
<td>Platinum</td>
<td>10.1</td>
<td>2</td>
<td>Non-ferrous metal ores (excl. gold &amp; PGMs)</td>
<td>17.2</td>
<td></td>
<td>Motor vehicles, parts and accessories</td>
<td>12.4</td>
<td></td>
</tr>
<tr>
<td>Basic iron and steel products</td>
<td>9.0</td>
<td>3</td>
<td>Coal mining</td>
<td>11.2</td>
<td></td>
<td>Processed food</td>
<td>8.8</td>
<td></td>
</tr>
<tr>
<td>Agriculture</td>
<td>7.4</td>
<td>4</td>
<td>Basic iron and steel products</td>
<td>7.5</td>
<td></td>
<td>Basic iron and steel products</td>
<td>7.7</td>
<td></td>
</tr>
<tr>
<td>Coal mining</td>
<td>6.4</td>
<td>5</td>
<td>Industrial chemicals</td>
<td>2.4</td>
<td></td>
<td>Other chemical products</td>
<td>7.1</td>
<td></td>
</tr>
<tr>
<td>Non-ferrous metal ores (excl. gold &amp; PGMs)</td>
<td>6.2</td>
<td>6</td>
<td>Non-ferrous metal products</td>
<td>2.3</td>
<td></td>
<td>Industrial chemicals</td>
<td>6.9</td>
<td></td>
</tr>
<tr>
<td>Iron ore</td>
<td>5.4</td>
<td>7</td>
<td>Other manufacturing</td>
<td>2.1</td>
<td></td>
<td>Metal products, excl. machinery</td>
<td>6.6</td>
<td></td>
</tr>
<tr>
<td>Other manufacturing</td>
<td>5.0</td>
<td>8</td>
<td>Platinum</td>
<td>2.1</td>
<td></td>
<td>Petroleum and petroleum products</td>
<td>4.7</td>
<td></td>
</tr>
<tr>
<td>Other mining</td>
<td>4.7</td>
<td>9</td>
<td>Motor vehicles, parts and accessories</td>
<td>2.0</td>
<td></td>
<td>Electrical machinery</td>
<td>4.1</td>
<td></td>
</tr>
<tr>
<td>Industrial chemicals</td>
<td>4.0</td>
<td>10</td>
<td>Agriculture</td>
<td>2.0</td>
<td></td>
<td>Coal mining</td>
<td>2.8</td>
<td></td>
</tr>
<tr>
<td>Beverages</td>
<td>2.8</td>
<td>11</td>
<td>Paper and paper products</td>
<td>1.7</td>
<td></td>
<td>Agriculture</td>
<td>2.8</td>
<td></td>
</tr>
<tr>
<td>Processed food</td>
<td>2.6</td>
<td>12</td>
<td>Processed food</td>
<td>0.8</td>
<td></td>
<td>Paper and paper products</td>
<td>2.3</td>
<td></td>
</tr>
<tr>
<td><strong>Cumulative % of above</strong></td>
<td><strong>85.1</strong></td>
<td></td>
<td><strong>Cumulative % of above</strong></td>
<td><strong>98.3</strong></td>
<td></td>
<td><strong>Cumulative % of above</strong></td>
<td><strong>81.1</strong></td>
<td></td>
</tr>
</tbody>
</table>

*Source: SARS, IDC calculations*  
*Note: Items in red refer to mining*
**Mandate of The IDC**

**Section 3 of the IDC Act**

The objects of the corporation shall be—

a) with the approval of the Minister to **establish and conduct any industrial undertaking**;

b) to facilitate, promote, guide and assist in the financing of—
   
   i. new industries and **industrial, or ancillary or related economic, undertakings**; and

   ii. schemes for the **expansion, better organization and modernization** of and the more **efficient** carrying out of operations in existing industries and industrial, or ancillary or related economic, undertakings, to the end that the economic requirements of the Republic may be met and industrial development within the **Republic, the Southern African region and the rest of Africa** may be planned, expedited and **conducted on sound business principles**;

   c) to **promote the economic empowerment** of the historically disadvantaged communities and persons;

   d) to foster the development of **small and medium enterprises and cooperatives**;

   e) to promote **employment creating activities**, particularly in underdeveloped areas;

   f) to **leverage foreign direct investment** in South Africa, the Southern African region and the rest of Africa through the use of its international network and presence;

   g) to encourage the creation of new **knowledge based industries and services** and the establishment and growth of new **technology based firms**; and

   h) to enhance corporate governance so as to achieve business excellence.

**Emphasis on industrial development with specific reference to economic empowerment of the historically disadvantaged among other areas of focus.**
## IDC Strategy

### Leadership in Industrial Development

<table>
<thead>
<tr>
<th>Increasing Industrial Development Impact</th>
<th>Ensuring Long-Term Sustainability</th>
<th>Human, Social, Natural and Manufactured Capital</th>
</tr>
</thead>
</table>
| • Prioritise sectors in which IDC will play a proactive role and strengthen sector development objectives and strategies | • Improved management of the IDC investment portfolio | • Human resources  
• Ensure appropriately skilled and capacitated human resources |  
• Align IDC with the sector objectives of the NDP, NGP and IPAP | • Plan investment return and risk profile to ensure sufficient growth to replace existing cash generators | • Strengthen culture of performance and development  
• Increased project development and implementation | • Structure investments to increase direct equity returns | • Stakeholders  
• Provide industrial finance to further achievement of sector development objectives | • Manage risk through appropriate investments, pricing and management of the portfolio | • Improve customer service  
• Increase regional industrial integration through the development of value chains |  
• Ensure effective and efficiently operating sefa | • Build partnerships with other financiers to leverage off different strengths and mandates  
• Increase engagement with sector players to identify opportunities |  
• Natural environment  
• Reduce IDC’s negative environmental impact  
• Reduce industry’s negative environmental impact | • Develop black industrialists  
• Strengthen IDC expertise to shape and influence policy  
• Build strong communities around projects that IDC funds | • Utilisation of resources  
• Improve efficiencies through improved systems and processes |
To take greater leadership, forging strategic partnerships for developing the most important parts of the productive economy

To decide how to actively engage with other sectors of the economy to drive outcomes
## IDC Sector approach

<table>
<thead>
<tr>
<th>Value Chains</th>
<th>New Industries</th>
<th>Special High Impact Sectors</th>
<th>High Impact Sectors</th>
<th>Industrial Infrastructure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proactive industry development by:</td>
<td></td>
<td></td>
<td></td>
<td>Unlock industrial development outcome through or by:</td>
</tr>
<tr>
<td>- Developing and implementing strategies to achieve industry development goals to guide strategies for industries</td>
<td>- New Industries are nascent industries or technologies that the IDC will nurture to become sizeable, relevant industries of the future.</td>
<td>- Identified by exception</td>
<td>- Fund high volume of applications offering high impact return on effort</td>
<td></td>
</tr>
<tr>
<td>- Play a proactive role to identify and develop opportunities in support of strategies</td>
<td>- IDC will do regular reviews to identify new Potential Stars and those which should graduate or exit</td>
<td>- May require sector strategies and specialist skills</td>
<td>- Create jobs and deliver against IDC’s other developmental outcomes in sectors outside the value chains</td>
<td></td>
</tr>
<tr>
<td>- Reactively fund applications from entrepreneurs falling within the value chains</td>
<td>- IDC will be involved in early stage sector and technology development as well as enabling environment.</td>
<td>- Will graduate/exit out of these sectors as strategies facilitate a conducive environment</td>
<td>- Limited sector skills with the exception of mining</td>
<td></td>
</tr>
<tr>
<td>- Taking advantage of economic linkages between sectors</td>
<td>- There is expected to be a range of activities at various stages of development and funding with a relatively high failure rate</td>
<td><strong>Drive achievement of development outcomes</strong> e.g. B-BBEE, Black Industrialists.</td>
<td><strong>Drive achievement of development outcomes</strong> e.g. B-BBEE, Black Industrialists.</td>
<td></td>
</tr>
<tr>
<td>- Playing an active role in influencing policies to enhance development of the industries</td>
<td>- Promote transformation e.g. black technopreneurs.</td>
<td></td>
<td>- Investing selectively in strategic, economy wide, large scale interventions</td>
<td></td>
</tr>
<tr>
<td>- Support mining projects that support a new mining model and substantially exceed development impact of current mines</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Facilitate achievement of transformation e.g. Black Industrialists and women.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
IDC’s funding by sector - (Base approvals 2015 - 2019)

IDC 5 year approvals base = R86.7 billion
IDC Funding for Black Empowered Companies

- IDC’s initial approach to BEE was to fund acquisitions of shares in existing companies by black shareholders.
- Some transactions funded up to 2008 included acquisitions of shares included
  - Metropolitan Life, MTN, Tourvest, Protea Hotels, The Reclamation Group, Foodcorp, KWV, FirstRand Exxaro, and Life Healthcare
- Value of IDC funding for black enterprises has been increasing steadily over the past 20 years.
- The number of BEE transactions peaked in 2002, at close to 200
- Over the last 20 years the IDC has provided R28 billion to black-owned businesses and funded over R53 billion to black empowered in total
- Despite moving away from funding pure acquisitions, IDC maintained high levels of BEE funding.
### Businesses Funded by IDC

#### Some examples of BEE transactions funded by IDC

<table>
<thead>
<tr>
<th>COMPANY</th>
<th>Detail</th>
<th>BEE Shareholding</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kalagadi Manganese Project</td>
<td>A manganese mine that will produce 3 million tonnes once in operation, beneficiation plant and sinter complex that will beneficiate 2.4 Million tonnes p.a. in Hotazel in the Northern Cape. The project will create an estimated 25 000 jobs</td>
<td>40%</td>
</tr>
<tr>
<td>Chic Shoes</td>
<td>Chic Shoes manufactures genuine leather ladies footwear with the highest selling footwear item for Woolworths</td>
<td>100%</td>
</tr>
<tr>
<td>Amka Products</td>
<td>Established in 1965 to manufacture a wide range of FMCG including a cosmetics range and personal care and household cleaning products for the local market, as well as for export to the rest of Africa, Europe, North America and Australia. IDC involvement began in 2005</td>
<td>100%</td>
</tr>
<tr>
<td>Busmark</td>
<td>A black held company which has manufactured over 200 for the City of Cape Town. IDC funded the BEE acquisition and expansion</td>
<td>69%</td>
</tr>
<tr>
<td>Commuter Transport Engineering</td>
<td>A black woman owned company contracted to PRASA for the refurbishment of coaches</td>
<td>100%</td>
</tr>
<tr>
<td>Masana Lodge</td>
<td>3 star lodge in Polokwane established in 2007 by a black couple offering seven en-suite rooms, a restaurant, a 130 seater conference room and a 20 seater meeting room.</td>
<td>100%</td>
</tr>
<tr>
<td>Tourvest Holdings</td>
<td>In 2008, IDC facilitated the acquisition of Tourvest by a BEE consortium</td>
<td>51%</td>
</tr>
<tr>
<td>Croydon Motel and Holiday Apartments</td>
<td>A 32 unit 3 star self-catering establishment targeting business travellers and tourists coming into Johannesburg</td>
<td>100%</td>
</tr>
<tr>
<td>Cape Town Film Studios</td>
<td>Film studios established in 2010 and has facilitated the filming of many Hollywood blockbusters (Safe House, Chronicle, Judge Dredd, Mad Max 4).</td>
<td>57%</td>
</tr>
<tr>
<td>MSG Afrika Group</td>
<td>IDC has funded MSG Afrika to establish Capricon FM in 2008 and Power FM in 2013</td>
<td>100%</td>
</tr>
<tr>
<td>Synthecon Sutures Manufacturing</td>
<td>A local sterile surgical sutures manufacturer and distributor based in Isando</td>
<td>100%</td>
</tr>
</tbody>
</table>
Summary
- Power FM is a black-owned and operated talk commercial radio station based and broadcasting in the Gauteng province, whose major shareholder is MSG Afrika Investments Holdings (a company owned by Given Mkhari and Andile Khumalo).
- The radio station was launched in June 2013 and is a year old after an MSG Afrika led consortium won the FM radio frequency commercial license from ICASA in December 2011.
- Already, the station has managed to secure 106,000 listeners and is growing.
- The station has established itself as an alternative voice in the very competitive radio market in Gauteng.
- IDC supported Power FM with a facility of R34.8 million to part fund Power FM's total funding requirement of ca R79.3m for start-up capex and operational costs. The balance of the funding was contributed by the shareholders and National Empowerment Fund.

Location
- Gauteng, Johannesburg

Job creation
- At the time of approval it was expected that the project would employ 67 people. Currently, the station employs 77 people.

Other impacts
- The station has provided an alternative voice for debating national and regional issues in the Gauteng province.
Summary

- Established towards the end of 2004, Chic Shoes manufactures genuine leather ladies footwear.
- Since inception, the IDC’s assistance has supported the company’s business development significantly. The funding stabilised business growth and contributed to an increased product range for the company.
- Their pump shoes (flat ballet style shoe) were the highest selling footwear item for Woolworths during the past year and indications are that this is a sustainable future trend.
- Due to a growing demand for its products, Chic Shoes entered a second phase of expansion, which will create approximately 236 new jobs. The latest expansion will also attract skilled shoe makers and provide opportunities to nurture young talent in the shoe manufacturing industry through a Chic Shoes training programme.
- Chic Shoes used the expansion finance to source significant volumes of leather locally through value chain integration - a development which will assist the ailing footwear leather tannery sub-sector.
- Local footwear manufacturing is one of the more successful subsectors within the Clothing, Textiles, Footwear and Leather industry and the IDC’s investment in Chic Shoes is aligned with industry prospects.

Location

- Parow, Western Cape

Job creation

- The company employed c.a. 260 people in December 2013 compared to c.a. 30 when IDC first became involved. The latest funding, approved in December 2013 is expected to create an additional 236 jobs bringing total employment to almost 500.

Other impacts

- Beneficiation of leather.

Status

- Company is operating and expanding.
Summary
• Thula Sindi, a local fashion designer, started developing his own fashion range which hit the runway at South African Fashion Week 2006. He has been nominated as a finalist in numerous designer contests and showcased his collections in New York, Paris, Beijing, Hong Kong, and throughout Africa.
• Thula has developed very strategic working relationships with cut, make and trim (CMT) operators in the Johannesburg CBD. The largest of these CMT operators developed from a cooperative of 6-8 highly skilled ladies who produce the majority of the garments for the brand.
• IDC approved funding to Thula Sindi to enable the company to make the most of the increasing demand. Products are available through various leading retailers and boutiques around the country.
• Thula Sindi was crowned South African Designer of the Year 2012 by SA Tourism and received the title Best Youth Entrepreneur for 2012 from the Small Enterprise Development Agency. In 2013, he was listed in the Mail & Guardian as one of the top 200 young South Africans who are making a mark in their respective field and industries. Forbes also named Thula in their “30 under 30: Africa’s best young entrepreneurs” list in May 2013.

Location
• Johannesburg, Gauteng

Job creation
• The design company employs 9 permanent employees, but the company is having a larger impact on job creation through CMT operators making the garments.

Other impacts
• Youth entrepreneurship
Summary

- Amka Products was established in 1965 by Mr AM Kalla to manufacture a wide range of fast-moving consumer goods. These include a cosmetics range and personal care and household cleaning products for the local market, as well as for export to the rest of Africa, Europe, North America and Australia. The products are manufactured at Amka’s premises in Centurion, Pretoria.
- The IDC’s initial funding of R5.4 million in 1988 enabled the company to purchase plant machinery and expand its manufacturing premises.
- As its production base grew, Amka received additional IDC funding (R90 million by 2005). In 2006, the IDC approved R39.5 million for Amka’s acquisition of part-equity in Black Like Me and a company in the nutraceutical market, as well as further factory expansion to extend its product range.
- In 2013, the IDC approved additional funding to help Amka increase its manufacturing capacity with a state-of-the-art factory. The investment will enable the company to create a health and beauty manufacturing hub in South Africa and remain globally competitive.
- The IDC/Amka partnership of more than two decades embodies the way in which the IDC is supporting the creation of internationally competitive companies, developing black industrialists, establishing new industrial capacity and spurring job creation, as well as increasing exports. This is having a positive impact on communities and the development of the consumer chemicals sector in South Africa.

Location

- Centurion, Gauteng

Job creation

- The company employed c.a. 1 000 people at the end of 2013. The latest expansion for which funding was approved earlier in 2014 was expected to create 354 new permanent jobs with an additional 420 temporary jobs during construction.

Other impacts

- Expansion of the consumer goods manufacturing industry
Summary

- In 2011, the IDC funded a black industrialist to acquire majority shares in Busmark, which was then a fledgling family owned bus manufacturing company.
- Following the acquisition, the IDC has extended additional working capital facility to fund a contract awarded to the company to manufacture 221 buses for the City of Cape Town MyCiti bus rapid transport system. The contract required Busmark to open a new assembly plant in Cape Town which the IDC has funded through construction loan to enable Busmark to build a new state-of-the-art facility in Blackheath, Cape Town.

Location

- Randfontein, Gauteng; Blackheath, Western Cape

Job creation

- The new IDC funded plant is expected to create 200 new over the 10-month construction period and 144 permanent jobs at peak production. These new jobs add to the already existing 756 workforce at the company’s Gauteng assembly plant.

Other impacts

- Positive economic spin-offs for the supply chain of components sourced locally which include amongst others, air condition equipment, fibreglass, finishing products, windows & glass, lubricants, nuts & bolts, paints & abrasives, rivets, rubbers, safety equipment, seats, security, steel timber, tools and upholstery & trimmers. The busses comply and for certain type exceeds the dti’s 80% minimum designation on local content for bus bodies.
- Project is in line with government’s broader automotive strategy to develop a vibrant domestic MHCV manufacturing industry. This is with a view of supporting the public transport programs currently being rolled out by the various municipalities across the country.
Summary
- This company was established with a modest capital investment of R600 000 by Ms. Patricia Norris, a black woman and a loan facility of R1.5 million from IDC in 2000.
- CTE has now grown into a formidable player in the Metrorail commuter coach rebuilding and refurbishment industry generating record annual turnover levels, and providing employment to more than 1 000 people.
- With the IDC funding, the operations have expanded into KwaZulu-Natal and Gauteng.
- This company was the first and remains the only black woman wholly owned company to successfully contract with Passenger Rail Agency of South Africa (PRASA) for the refurbishment of Metrorail coaches servicing the greater Cape Town Metropolitan.
- The Gauteng operations acquired from Union Carriage and Wagon was involved in the assembling of the Gautrain coaches and manufacturing of over 1 000 electric/diesel locomotives for Transnet.

Location
- Touwsrivier, Western Cape
- Pietermaritzburg, Kwa-Zulu Natal
- Nigel, Gauteng

Job creation
- Collectively the CTE Group now employs in excess of 1 000 people.

Other impacts
- This investments facilitates increase localisation, job creation, black empowerment.
Masana Lodge

Summary
• Masana, a 3 star lodge in Polokwane, was established in 2007 by Mr and Mrs Mufamadi offering seven en-suite rooms, a restaurant, a 130 seater conference room and a 20 seater meeting room.
• IDC was approached in 2008 and provided funding of R3.5 million to expand the lodge with the construction of 12 additional rooms.
• Masana managed to add another 8 rooms on top of the 12 originally planned within the approved funding, thereby resulting in an addition of 20 rooms to the lodge’s offering.

Location
• Polokwane, Limpopo

Job creation
• Prior to IDC’s involvement, Masana employed 10 people. Currently the lodge employs 15 staff.

Other impacts
• Funding of this lodge assists IDC in strengthening an established BEE owned tourism business in a poor province.
Summary
• Tourvest was established in 1997 through incorporation of a number of established tourism companies and was listed on the JSE.
• It is Southern Africa’s number one tourism group, offering a range of products and services that encompass the needs of all visitors to Southern Africa. The group is made up of destination management, travel services, financial services, accommodation and activities, souvenirs, crafts & curios, duty free, destination restaurants and jewellery. It is a proudly South African company with a global presence spanning East and West Africa, Europe, the UK, India and the Caribbean.
• In 2008, IDC facilitated the acquisition of Tourvest by a BEE consortium led by Mr Robert Gumede. A total amount of R680m was approved for the transaction which saw Guma Tourism Holdings take control of the company and IDC also taking a 13.24% equity stake.

Location
• Head office is in Houghton, Gauteng with operations all over South Africa, Southern, East and West Africa, Europe, UK, India and the Caribbean.

Job creation
• The company currently employs over 4 000 people.
• There are well over 700 jobs created through the art and craft sector, whereby the craft and curios sold by the company are manufactured by women from the rural provinces such as Limpopo.

Other impacts
• The crafts sold by the company are manufactured by women in rural areas.
Summary
• Croydon Motel was established in September 2004.
• It is managed by Mr Godwin Nwigbo and Mrs Gloria Cele-Nwigbo.
• The business is a 32 unit 3 star self-catering establishment which primarily targets business travellers and tourists coming into Johannesburg.
• IDC was approached to fund a construction, furniture, fixtures, and equipment as well as working capital.

Location
• Croydon, Gauteng

Job creation
• The establishment was as start-up when IDC became involved and now employs 6 permanent staff and 1 contracting staff member. 15 full-time equivalent jobs were also created during the construction of the motel.

Other impacts
• Women empowerment.
### Funding of Black Businesses – IDC’s new framework

IDC is working towards the creation of an equal society as envisaged by South Africa’s constitution by focussing on the role that it can play by implementing its mandate of industrial development and through internal transformation.

<table>
<thead>
<tr>
<th>Objectives</th>
<th>Externally focussed initiatives</th>
<th>Internally focussed initiatives</th>
</tr>
</thead>
<tbody>
<tr>
<td>Broaden transformation of industry in all facets of B-BBEE</td>
<td>Broaden participation in economic benefits of industrial development</td>
<td>Increase participation of individuals in the country’s industrial development</td>
</tr>
<tr>
<td>Focus areas</td>
<td>B-BBEE Codes of Good Practice</td>
<td>Inclusive wealth</td>
</tr>
<tr>
<td>Strategies</td>
<td>・Driving broad-based transformation at our business partners through the Codes of Good Practice. ・IDC as a B-BBEE facilitator.</td>
<td>・Funding communities to take a stake in projects (start-ups, expansions). ・Funding workers to take a stake in businesses (start-ups, expansions). ・Increasing empowerment of black women, the youth and disabled.</td>
</tr>
</tbody>
</table>
**Black Industrialists**

**IDC Definition**

A black industrialist is defined as a black entrepreneur who creates and owns industrial capacity and provides long-term strategic and operational leadership to the business and is by definition not a portfolio or purely financial investor. The following are characteristics of a black industrialist:

- Provides strategic and operational leadership to the business;
- Has a high level of ownership (>50%) and/or exercises control over the business;
- Identifies opportunities and develops business to take advantage of these opportunities (entrepreneurial);
- Takes personal risk in the business;
- Does business in manufacturing and related sectors, with particular reference to IPAP and IDC focus areas;
- Makes a long-term commitment to the business and is not a short- to medium-term investor.

While there would be a desire to develop black industrialists that own 100% of the business, it is accepted that this is not necessarily possible since there may be a need to include other shareholders to attract relevant skills and finance.
Barriers faced by Black Industrialists

Several barriers were identified which black industrialists are faced with when attempting to start or expand businesses. These are:

• Access to capital
  o Own contribution to the business can be prohibitive.
  o Lack of track record and security can result in individuals not being able to access funding from commercial sources.

• Access to markets
  o Black industrialists do not have long-standing relationships in business that facilitate access to markets.
  o The lack of a track record and reputation in the market can also lead to opportunities not being presented.

• Capacity and skills
  o New businesses have a high rate of failure, often due to a lack of management experience and skills despite the necessary technical skills.
IDC’s strategy on Black Industrialists

Assisting black industrialists with start-ups of new businesses and expansions of existing ones
  ➢ Emphasis on business development and assistance

Acquisitions of existing businesses by black industrialists
  ➢ Ensuring >50% of funding stays within business for expansion and/or;
  ➢ Funding for strategic acquisitions >R 75 million

Addressing issues related to access of capital
  ➢ Low own contribution from black industrialist in exchange for tangible commitments and more use of direct equity instruments

Addressing issues related to access to markets
  ➢ Incubation strategies involving private partners or SOCs to support Black Industrialists

Addressing issues related to access to capacity and skills
  ➢ Strengthening of IDC’s business support programme for black industrialists
Thank you