

## Chief Executive's Report



After 17 years of sustained growth, the South African economy has entered a recession. The domestic economy began to experience a slowdown in the second quarter of last year as the economy felt the effects of the fall-out from the international finance crisis. In this difficult operating environment, the IDC's counter-cyclical role in developing the country's industrial capacity and building sustainable small and medium enterprises has become even more relevant.

Central to our operating model is stakeholder engagement. This includes fulfilling our mandate in a way that is compatible with meeting the needs of our employees, our clients, and our shareholder, **the dti**. It's also becoming clear that if our projects and investments are to yield sustainable results, our decisions need to take into account our immediate environment. Environmental issues such as climate change inform our decision making processes and as far as possible we try to promote the responsible and sustainable use of natural resources.

Since the adoption of our Leadership in Development strategy, the IDC has worked hard to continue to ensure the sustainable development of projects across South Africa and the rest of Africa. Our investments aim to create jobs, develop new entrepreneurs, further black economic empowerment and develop rural areas, townships and

provinces – creating a backbone for sustainable economic growth.

Over the past year, we have continued to have a positive effect at all levels of the economy, with a 27% increase in the value of funding approvals to R10,8 billion and a 39% increase in the number of approvals to 231. Most of these approvals (69%) were to fund SMEs. IDC funding will facilitate the creation of 24 200 new direct jobs in South Africa and 5 000 in the rest of Africa.

Our integrated approach to assisting companies to withstand the impact of the economic crisis saw IDC funding of R500 million approved to assist distressed companies. About 2 500 jobs are expected to be saved by these programmes and R6,1 billion has been set aside to assist distressed businesses over the next two years.

In addition, we launched and extended several schemes to support industrial and entrepreneurial development including:

- the Transformation and Entrepreneurial Scheme (R1 billion);
- the Textiles, Clothing, Leather and Footwear Competitiveness Scheme (R250 million);
- the Pro-Forestry Scheme (R100 million); and
- the Pro-Orchard II Scheme (R200 million).



## Chief Executive's Report \_continued

The improvement we have made on all fronts of implementing a sustainable approach to doing business could not have been achieved without the dedication of the men and women who make up the staff at the IDC.

As sustainability issues continue to become more mainstream, the IDC strives to lead the way. When the IDC introduced the Cleaner Production Scheme in 1998 to finance businesses that wished to upgrade their technology and processes to reduce their impact on the environment, the scheme was the first of its kind in the country. Although there was not much appetite for this type of product then, times have changed and environmental and social risks are no longer considered peripheral issues. There is increased demand for innovative solutions and opportunities for funding greener and more sustainable technologies. This informed part of our motivation for establishing the Environmental Finance function in the Wood, Paper and Other SBUs during the past year. The department will create opportunities to develop the environmental services industry, with positive spin-offs for industry including developing competitive advantage for our companies from cleaner production.

Our partnership with the United Nations Environmental Programme – Financial Initiatives highlights our commitment to positive corporate citizenry sensitive to the world's diminishing natural capital. The programme highlights the need to identify not only the risks, but opportunities in this constantly evolving field by sharing ideas and information on environmental and social issues.

The IDC continues to strive to uphold the BBBEE Codes of Good Practice. We continue to ensure that our BBBEE financing has a positive impact and where necessary draw on all the resources at our disposal to ensure that we truly are a partner in development finance.

On the CSI front, amongst other highlights, we are proud to report that the Nguni Cattle project, which is our flagship CSI project that is aimed at turning emerging farmers into commercial Nguni breed farmers, has been rolled out to five provinces in the country and 95 farms have been established.

An important part of ensuring that sustainability is entrenched within the IDC is ensuring interaction with all our stakeholders. During the period under review, the IDC once again undertook a survey to determine where we could improve our stakeholder communication. This yielded useful information about our interactions with our stakeholders and our impact among key stakeholder groups. In addition, through the internal Eyethu process review project, we hope to achieve a greater reach with our stakeholders.

A number of internal stakeholder engagements have been concluded during the year. The review of our Code of Business Ethics was concluded to ensure that it is relevant and current. This highlights the importance of our internal



stakeholders but also our continued belief in our robust corporate governance and risk management processes. Due to the recognition of our role of capacity building, another important stakeholder group that benefited from this during the year is a number of African DFIs who built their competency through stakeholder engagements with the IDC.

The improvement we have made on all fronts of implementing a sustainable approach to doing business could not have been achieved without the dedication of the men and women who make up the staff at the IDC, directors and the shareholder. I would like to thank them for their input.

The IDC welcomes feedback from all its stakeholders in order to improve our processes and reporting. We hope that you will be encouraged to engage with us.

A handwritten signature in black ink, appearing to be 'MG Qhena'.

**MG Qhena**  
*Chief Executive*

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