

Empowering South Africa's youth

Youth unemployment continues to be one of the biggest challenges facing South Africa. The Industrial Development Corporation is addressing this challenge by proactively promoting initiatives that encourage more youth to create jobs and build sustainable businesses.

The corporation continues to stimulate the economy by injecting millions of rands in support of young entrepreneurs. Between 2014 and 2018, the IDC funded a total of 138 youth-owned businesses to the value of R4.7-billion.

We also provide other necessary financial support to youth-owned businesses through initiatives such as:

- **The Gro-E Youth Scheme** – This fund was established in 2013 with an initial R950-million capital injection and has to date funded to the value of R600-million. This fund provides loans at prime less 3% to businesses that operate in industries falling within the IDC's mandate and that are creating new jobs.
- **The IDC Youth Pipeline Development Programme** – This programme assists entrepreneurs to improve the readiness of their applications, thus increasing the probability of consideration by the IDC. This is available for youth-owned businesses that are start-ups, as well as expansions.

The funding is available to South African citizens and the minimum amount for finance is R1-million.

Maloka Machaba Surfacing



Owners of Maloka Machaba Surfacing, Kate Machaba and Matshela Maloka, a Limpopo based IDC funded client that specializes in hot mix asphalt manufacturing

Two young and vibrant entrepreneurs, Kate Machaba and Matshela Maloka, recently launched their 100% black- and youth-owned, female-led manufacturing company based in Limpopo. Maloka Machaba Surfacing specialises in hot-mix asphalt manufacturing, cold-mix asphalt production, and road surfacing production and logistics.

These two directors saw the challenges faced in infrastructure development and were inspired to offer a lasting solution to the ever-versatile environment of asphalt manufacturing. Machaba kick-started the journey of researching the business as far back as 2008, before putting it into traction with her now business partner and fellow civil engineer, Maloka.

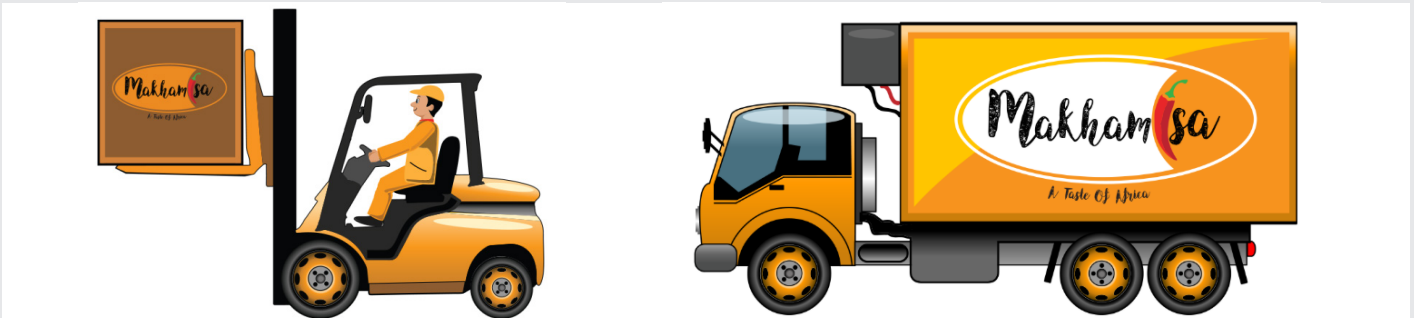
After almost eight years of research, the two entrepreneurs started the process of setting up their company in 2016 with an application for funding being approved by the IDC.

The process to get their required operating licences took another 24 months, resulting in a fully commissioned plant at the end of October 2018.

Maloka Machaba Surfacing is the largest 100% black- and youth-owned hot-mix asphalt manufacturing company in Limpopo. It also boasts one of the few technologically advanced, fully automated plants in the country. The plant not only offers clients efficient service with its batch plant operation, but is also environmentally friendly as close to 99% of emissions are kept within the plant, limiting air pollution.

For Machaba and Maloka, the future is about expanding MM Surfacing's offering by looking into other products. Most of its client base is in Limpopo and a few other provinces, and MM Surfacing is also gearing up to expand its reach.

Makhamisa Foods



Makhamisa Foods, a proudly funded IDC client that manufactures sauces and pickled vegetables

Makhamisa Foods, a 26% woman-owned, black industrialist business, was founded by Phumzile Nkomo and her husband, Terence Leluma. The company manufactures pickled vegetables and sauces, using Nkomo's mother's secret sauce recipe.

In its early days, Makhamisa Foods operated on a small scale from a kitchen, but because of the quality and taste of its products, the company attracted an increasing number of customers, stretching the capacity of the kitchen. This prompted it to outsource its production to a large industry player.

In 2016, the Edenvale-based company participated in the Gauteng Innovation Hub incubation programme, where it attracted

the attention of JSE-listed food company Famous Brands, which offered to be a contract manufacturer of Makhamisa's 15 selected sauces, amounting to 58 000 litres per month.

Makhamisa Foods approached the IDC for funding for property, plant, equipment, working capital and business support to enable it to manufacture its sauces in-house. This resulted in the building of a 12 000m² custom-built facility with new industrial equipment and the latest food-processing technology.

The transaction also supported the IDC's strategy of increasing industrial capacity, enhancing processing and adding value to fresh produce. Furthermore, it provided market access to an emerging sauces and pickles producer. In the

medium to long term, Makhamisa Foods has the potential to source critical raw materials from black farmers, thus contributing to agricultural development.

The demand for products in the sauces, dressings and condiments food category, under which Makhamisa Foods' products are categorised, is expected to remain high because of the increasing number of middle-class consumers in the market, increasing levels of urbanisation, busy lifestyles of consumers, and the increasing demand for convenience food, supported by innovative and tastier products influenced by the exposure to international cuisines.

Spotlight on African Corridor



In 2014, young Cape Town entrepreneur Ji Min Son established African Corridor, a start-up plastic recycling and pelletiser, processing plastics such as polystyrene and polypropylene. The pellets are sold to plastics converters and are available in various grades and pellet colours.

The Wynberg-based company started off as a manufacturer of polystyrene cornices and frames. The Industrial Development Corporation funded the machinery for the new recycling facility, located in an accessible, established and well-served recycling hub, in close proximity to waste-plastic suppliers and consumers of recycled plastics. The recycled plastics are used for downstream processes in the plastics value chain, such as the manufacturing of flexible films such as refuse and carrier bags, rigid plastic products such as plastic chairs, home decor products, portable school desks, home appliances, and automotive applications.

Key to Ji Min's business success was the fact that he identified an opportunity and a niche for his business: recycling flexible low-density polyethylene and woven polypropylene. Flexible and woven packaging variants are often not recycled by mainstream recyclers.

Funding the business supported the IDC's strategy to enhance competitiveness in the plastics industry by improving the productive capacity and technology to process waste. Plastic recycling also extends the life span of virgin polymers derived from crude oil and coal to liquid technology, thus promoting a circular economy.

SONA – implications for business

ECONOMIC OVERVIEW

In his State of the Nation Address, President Cyril Ramaphosa asserted the government's commitment to a confidence- and investment-boosting macroeconomic and fiscal policy framework, underpinned by "prudent borrowing and stringent expenditure management to stabilise our public finances and lower the debt trajectory". In the current difficult environment, steps are being taken to restore confidence in South Africa's future, economy and people.

Implications:

- The IDC should ramp up its role in contributing to the development of master plans in industries such as clothing and

textiles, chemicals and plastics, gas, renewables, steel and metals fabrication, as prioritised by the government

- The Corporation should leverage on the activity levels that will emanate from the associated initiatives. The government's special focus on the development of agricultural and agro-processing value chains, as well as on targeted minerals beneficiation, should translate into demand for IDC funding
- A potential reduction in interest rates should partly alleviate the hardship faced by financially constrained businesses and households

- Companies with activities closely aligned to the investment cycle, or that could benefit from a more effective application of product designations in public sector procurement, should prepare to tap into the associated business opportunities
- Business confidence should improve gradually as the year unfolds, resulting in a relatively more conducive investment and business environment
- Spatial interventions such as the development of special economic zones, the revitalisation of local industrial parks and the establishment of digital hubs will benefit from enhanced public sector focus
- The spectrum-licensing process is imminent, opening up business opportunities for the IDC in the sector by introducing competition and contributing to its transformation
- The president highlighted the importance of the tourism sector – aiming to attract more than double the number of international tourist arrivals by introducing a world-class visa system, revamping the country's brand and providing a safer environment

New regional manager of IDC Western Cape



Regional Manager; Western Cape Region

Ganief Bardien was recently appointed as the IDC Western Cape regional manager.

Ganief started his professional journey with the IDC 11 years ago as an industry analyst in the Research and Information Department. He then moved to the Presidential Infrastructure Coordinating Commission Department as a project manager, where he later became a senior manager, he then joined the Machinery and Equipment Business Unit as a senior industry development manager.

Ganief has identified a couple of quick wins in the region, one of which is tourism. He believes more could be done to attract tourists, as the region has beautiful natural scenery and beaches. He also sees a need to stabilise the Western Cape's clothing and textiles industry which is going through a tough

time. The dti, provincial government and the City of Cape Town, supported by the IDC, other DFIs and stakeholders, are collaborating to find short- and long-term solutions for the industry.

Expanding the scope of agricultural value addition beyond just wine and juices in the region is another long-term objective. For example, there is a lot of focus on the Halal export economy, given the concentration of Muslim-compliant food-processing businesses. If these exports grow substantially, we could have the beginnings of an emergent sector with high growth potential, particularly in terms of employment.