

# INTRODUCTION AND HIGHLIGHTS BY THE CHIEF EXECUTIVE OFFICER

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The strategic intent mapped out by executive management for the year 2008/09 was two-fold. First, to improve our delivery on the mandated mission of the Corporation, which is to plan, finance, co-ordinate, market, promote and implement the development of the Eastern Cape and its people in the fields of industry, commerce, agriculture, transport and finance. This we have pursued in line with the core strategic goals of the Provincial Growth and Development Plan and broader national and local policy interventions designed to deliver economic growth, creation of employment, and poverty eradication.

In channelling our energies and resources into the accomplishment of this mission, we have also purposed to refine our internal processes and efficiencies to eliminate those elements of our operations that were encumbering our sustainable success as an organisation. Hence we summarise the period as one of internal efficiency for sustainable external delivery, and we are pleased to report on a year that will position us accordingly for expansive growth in the next five years, starting 2009.



## ECONOMIC LANDSCAPE

The global economic crisis has had a notable impact on the economic wellbeing of South Africa, and indeed the province. As a result, growth estimates for South African gross domestic product have been revised down to 3.5% per annum, which falls short of the PGDP target to maintain growth of 5-8%. While the province's growth rate has been marginally higher than the national average in recent years, it is unlikely to fall within this range. Particular pressure has been placed on our automotive and manufacturing sectors as companies have been forced to slash overhead costs in order to survive. The other contributors to this trend have been inflated fuel prices, volatile interest rates, the electricity crisis, and reduced customer orders. Ultimately, the disposable income of households, particularly the 4.3 million poorer households in the province, has decreased while food prices have increased dramatically in the same time period. The medium-term trickledown effect of this trend is likely to manifest in the fiscus as depleted financial resources impact negatively on the government funding required by the Corporation to deliver on its developmental mandate.

The emphasis of PGDP, being value addition and beneficiation to existing sectors of the economy, is strategically relevant when one considers the negative impact of the economic downturn on household income. Food security refers to the availability of food even in the midst of financial poverty. For this reason the agricultural production and agro-processing industries have received specific emphasis in the review period (as evidenced in the Ndlambe pineapple industry turnaround and the berry corridor project). Another important focus is the renewable energy sector, converting agro-processing waste into energy.

ECDC faces the task of creating sustainable jobs and alleviating poverty in the province, regardless of the global economic situation. The sectors most likely to deliver these returns, and hence those that will receive our most urgent attention and investment, are the agriculture and agro-processing, automotive, tourism and general manufacturing sectors. Bringing more rural people into the formal economy remains an imperative, and we also remain determined to facilitate Foreign Direct investment (FDI) into the province. There are, however, tremendous prospects in emerging sectors such as Business Process Outsourcing and Off-shoring (BPO&O) and ICT, which the ECDC, together with its strategic partners will aggressively pursue. Our experience in the period under review has been that it pays well to look after existing companies as the potential for expansion abounds.

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While the Corporation has been, and will be, presented with formidable challenges to its ongoing efforts to ensure the economic upliftment of Eastern Cape communities, our steadfast response to these circumstances has been to consistently employ a fine balance of courage and financial prudence as we persist in our objective to develop the province and to complete the Corporation's three year turnaround process. Despite glaring internal challenges surrounding the changes at Board level, as well as those external challenges we have discussed, we are pleased to present another impressive set of financial results this year despite the economic crisis, and stand by our rationale as we advance into the next financial year.

## REFINED INTERNAL EFFICIENCY

In the previous review period, time was spent in the benchmarking and analysis of the Corporation and its performance against its mandate. The findings of that analysis were that we had not reached the critical mass required to secure sustainable operations through the disbursement of development investments, the provision of development properties, and the provision of development support services. We then embarked on a structural revision that saw a solid executive management force being restored to these three areas.

The focus of the 2008/09 review period was to improve operational effectiveness, enhance record keeping and reporting processes, and to maintain a more rigid control of what was happening at the coalface of the Corporation's engagement with its clients, and operate our portfolio of services profitably by 2010.

The marketing and communication campaign for ECDC business finance products, together with the operational efficiency and follow through employed by the Development Investment Unit, saw overall outperformance with respect to its stated performance plan for the review period. The unit offers short- and long-term business finance solutions to enterprises within the province that present developmental value.

During the year of review, the targeted R66 million in term loan disbursements was outperformed by 17% as it disbursed R77 million, while the short-term finance disbursement goal of R62.5 million (comprised of R10 million in trade finance monies, R40 million in construction loans, and R12.5 million in micro-finance) was exceeded by 630% in the case of trade finance disbursements, 253% with regard to construction loans, and underperformance in the case of micro-finance of -12%.

The extensive drive to eliminate bottlenecks and inefficiencies within the unit, particularly in the case of short-term finance, resulted in the efficient delivery of finance to small, medium and micro enterprises requiring finance to deliver food parcels to school learners in marginalised areas, as well as the poverty stricken in the poorest regions of our province.

The vigorous efforts of the Development Property Unit to recover old outstanding rentals, and to re-order its database of tenants with accurate information resulted in the recovery of R12 million, and the collection of R42.3 million which constituted a 23% escalation from the previous year.

The refined efficiencies of the various units brought about a greater level of co-ordination amongst them. The Development Services Unit led the initiative to turn around the pineapple industry in the Ndlambe area. The project, led by the team from Project Development (a component of our Development Services Unit), reflected the synergistic value-add of the Corporation as we facilitated loan financing deals as well as providing the initiative with development and support services.

The intervention of the organisation in the industry has literally breathed hope into a situation weighed down by years of economic and social losses.

The recent review of the Provincial Growth and Development Plan's (PGDP) core strategic goals re-iterates the role of the Corporation in the implementation of the reformative strategies formulated by government. The strengthening of the implementation of PGDP can only be delivered as developmental entities rally together behind its objectives. ECDC is resolute that it will continue to champion these objectives within the province by stewarding developmental resources for maximised developmental results.

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The Corporation engaged deliberately in the fulfilment of the stated PGDP objectives during the year of review. In this regard, the projects featured in 2008/09 were as follows:

- Department of Education's school nutrition scheme: ECDC's critical role.
- Department of Health's food parcel distributions: Bridging finance to SMMEs.
- Integrated Emerging Contractors Development Model: Developmental impact and improved government delivery.
- ECDC/CIPRO registration synergy: Eastern Cape outperforms the rest.
- Project scoping in Lusikisiki area: Industrial diversification for sustainable growth.
- Independent Standards Organisation: Total quality management for SMMEs.
- Eastern Cape from Above: Photographic exhibition of the province displayed in Europe.
- Pineapple turnaround in the Ndlambe area: From primary production to beneficiation.
- The SMME Conference and Business Expo: Aligning efforts to develop SMMEs in the province.
- Pure Ocean Aquaculture and Espadon fin-fish farms: Pioneering out-of-sea production in the province.
- Amalinda Fish Farm: Project administration and development.
- Skills development within the province's creative industries: World-class craft for world markets.
- Internal alignment and improved efficiency of the Development Investments, Development Properties and Development Services Units: Preparing for growth and expansion.

## NOT WITHOUT OUR STAKEHOLDERS

The nature of our accomplishments that have been achieved during the review period are such that we would not be able to review the various milestones and project highlights without the continued value-add of our external partnerships and relationships. Constructive engagements with clients and chambers were established and improved during the period to determine areas of common interest and to formulate strategies to overcome challenges faced by these players. Close working relationships were maintained with the Companies and Intellectual Property Registration Office (CIPRO), the two Industrial Development Zones in the province, the Development Bank of South Africa, the Industrial Development Corporation, the municipalities and government departments in the province.



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