

Eastern  
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Renewable Energy  
Fisheries  
Construction  
Tourism  
Business Development  
Forestry

Science

Renewable Energy

+  
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Renewable Energy  
Fisheries



# CORPORATE STRATEGY 2020 - 2024

## CAPABLE AND REIMAGINED

## OFFICIAL SIGN-OFF

It is hereby certified that this Corporate Strategy:

- Was developed by the management of the Eastern Cape Development Corporation under the guidance of Board.
- Takes into account all the relevant policies, legislation and other mandates for which the Eastern Cape Development Corporation is responsible.
- Accurately reflects the Impact, Outcomes and Outputs which the Eastern Cape Development Corporation will endeavour to achieve over the period of five years covered by the Corporate Strategy.

Prepared by:



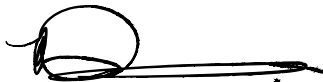
**Lesley Govender**

Executive: Corporate Services



**Sivuyile Bulube**

Chief Financial Officer



**Ndzondelelo Dlulane**

Chief Executive Officer

Approved by:



**Nandi Madiba**

Chairperson of the Board



Hon MEC for Economic Development, Environmental Affairs & Tourism

**Mlungisi Mvoko**

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## LIST OF ACRONYMS

AIDC	Automotive Industry Development Centre
APTCOD	Accelerated Professional and Trade Competency Development
BBB-EE	Broad-based Black Economic Empowerment
CDC	Coega Development Corporation
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CoGTA	Cooperative Governance and Traditional Affairs
DEDEAT	Department of Economic Development, Environmental Affairs and Tourism
DTIC	Department of Trade, Industry and Competition
DSBD	Department of Small Business Development
ECDC	Eastern Cape Development Corporation
ECRDA	Eastern Cape Rural Development Agency
ECSECC	Eastern Cape Socio-Economic Consultative Council
EPWP	Expanded Public Works Programme
EXCO	Executive Committee
FDI	Foreign Direct Investment
FPSU	Farmer Production Support Unit
GDP	Growth Domestic Product
GGDA	Gauteng Growth and Development Agency
GGP	Good Governance and Public Participation
GTAC	Government Technical Advisory Centre
HDI	Human Development Index
HOD	Head of Department
ICT	Information Communication Technology
IDC	Industrial Development Corporation
IDZ	Industrial Development Zone
IP	Industrial Park
IRPP	Industrial Park Revitalisation Programme
KPI	Key Performance Indicator
MEC	Member of the Executive Council
MOU	Memorandum of Understanding
MTSF	Medium Term Strategic Framework
NDP	National Development Plan
NGO	Non-Governmental Organisation
OTP	Office of the Premier
PDP	Provincial Development Plan
PEDS	Provincial Economic Development Strategy
SAPS	South African Police Service
SDF	Spatial Development Framework
SDI	Service Deliver and Infrastructure
SEZ	Special Economic Zone
SMME	Small Medium Micro Enterprise
UFH	University of Fort Hare

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FOR.01

ECDC BOARD  
CHAIRPERSON'S  
FOREWORD



The Eastern Cape Development Corporation (ECDC) Corporate Strategy 2020-2025 has identified a variety of empowering development instruments which are primed to build a capable and world-class organisation that adequately delivers on its stated mandate.

The strategy as translated in the Corporate Plan 2020, the first year of the strategy, recognises the need to build and promote quality human capital that lies at the centre of a fit-for-purpose organisation. The strategy is cognisant that capacitated human capital will prove pivotal in the delivery of the ECDC mandate particularly as the Corporation seeks to keep up with the demands of the fourth industrial revolution.

The socio-economic challenges which characterise the Eastern Cape Province require human resources which are able to immerse and familiarise themselves with the demands of the digital age in order to effect sustainable and viable development solutions. Therefore, a considered organisational design over the next five-year period should result in an inspired deployment of ECDC's people in order to help facilitate real socio-economic development.

These challenges include an acute skills shortage, inadequate business acumen and developed infrastructure, a shrinking economy as well as a dependency syndrome which contradicts the user pay principle. Furthermore, government spend continues to drive economic activity instead of small business driven economic growth and development trajectory. In addition, the cost of doing business in the Eastern Cape results in investors taking their business to other provinces due to being overly bureaucratic processes, underdeveloped economic infrastructure especially the efficiency of ports and the road network and the unavailability of skills.

ECDC's strategic conversations have therefore identified a variety of strategic pillars or themes which will respond to these varied socio-economic challenges. These strategic instruments will form the basis of its strategic thrust over the next five years. These pillars are economic transformation, inclusive growth and competitiveness, customer-focused solutions, pioneering innovation in the key growth sectors, operational efficiency and financial viability as well as attracting and retaining the best talent in the sector.

Similarly, over the next five years, a special focus will be placed on ensuring that women, youth and people with disabilities are brought into the mainstream economy to ensure their meaningful participation. This group bears the brunt of the scourge of unemployment and inadequate access to economic opportunities. As such, ECDC apparatus will be directed at this group which should bolster SMME support interventions which should translate in the creation of sustainable small businesses and job opportunities.

This posture finds expression with the dictates of the National Development Plan (NDP) which seek to reduce unemployment to 6% by 2030. In finding alignment with the aspirations of the NDP, ECDC

will place additional focus on creating an environment for sustainable employment and economic growth, promoting employment in labour-absorbing industries and promoting exports and competitiveness. This work will be underpinned by strong industry and enterprise support and a rapid development of high-potential economic sectors which include, film, tourism, creative industries, construction and real estate especially the development of industrial parks, implementation of the oceans economy masterplan, manufacturing particularly the automotive masterplan, agro-processing mainly in the areas of cannabis and deepening investment and exports across the sector and the knowledge economy.

Furthermore, ECDC will place significant emphasis on collaborations and the leveraging of third-party partnerships. These partnerships are aimed at augmenting ECDC's limited capacity in order to expand the extent and reach of the Corporation's programmes. These partnerships will include collaborations with other development finance and research institutions, government, state-owned companies, institutions of higher learning, private sector partnerships as well as civil society.

The measurement of the efficacy of the ECDC corporate strategy will thus be based on demonstrable impact and in the lived collective experience of the province's populace.

Finally, I extend my sincere appreciation to the ECDC Board, Executive Management and employees who have provided valuable inputs in the strategy development process. I am grateful to the executive authority the Honourable Mlungisi Mvoko for his continued support. I am also equally grateful to unwavering stakeholder and partner support which will prove a central cog in the mandate delivery process over the next five years.



**Nandi Madiba**  
Chairperson of the Board



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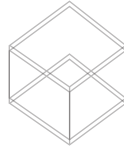
Renewable Energy

# FOR.02

CHIEF EXECUTIVE  
OFFICER'S STRATEGIC  
REFLECTION







The strategy development process has culminated in the adoption of a 2020-2025 corporate strategy which provides a set of tools and instruments that serve to provide guidance to the mandate delivery function over the next five years.

The strategy development process was preceded by an incisive review of ECDC's internal and external delivery environment which culminated in the development of high level priorities and parameters that are meant to direct and lead the Corporation for the next five years. As such, ECDC has developed key strategic priorities which will aid and direct the Corporation's business.

The elaborate strategy development process provided critical inputs into shaping an ECDC of the future in which its people will form a critical pillar in reshaping the Eastern Cape's socio-economic architecture. The strategy identifies the recruitment and retention of the best talent in order to ensure inspired mandate delivery as well as the overall viability and sustainability of the Corporation. This work will necessitate a reconfigured Corporation in form and function which is designed for an improved development impact.

In addition to attracting the best people, the strategy prioritises the promotion of trade and investment by packaging projects which promote value chains for small business development. This should include leveraging trade and investment opportunities for ECDC equity participation. Linked to this priority, is the establishment of customised SMME development and support programmes which are designed to improve the global competitiveness of Eastern Cape businesses. This should include development finance tools which are specifically focussed on the very small and micro levels of the SMME sector as well as co-operative enterprises. There will also be a deliberate focus on the training and support of SMMEs to allow the sector to contribute effectively to employment creation.

The strategy identifies the reconfiguration of the property portfolio into a financially and operationally independent stand-alone division. The redesign of the property business will also focus on the establishment of development leases for the portfolio's properties which possess a high economic potential. This will include leveraging third-party funding which should aid in the refurbishment of properties that have a high demand and high income potential across the spectrum. The disposal of non-core and non-performing assets remains a key focus area. The funds released from the dis-

posal process will be used in funding the development agenda and in leveraging for the refurbishment of the retained portfolio as well as development of strategic vacant land.

Linked to this is the continued revitalisation of industrial parks into special industrial zones (SIZs). The revival of the parks should improve regional economic activity while facilitating the creation and retention of sustainable employment opportunities. The ECDC will work with the Department of Trade, Industry and Competition (thedtic) to strengthen the efforts to revitalise the industrial parks in the Eastern Cape. The ECDC will also play a leading role in working with the private sector to package projects for funding through the various incentive grants available through thedtic and its entities.

These interventions should be based on the improvement of the customer experience, the leveraging of strategic and high value partnerships and the use of procurement tools for economic empowerment purposes.

However, the strategy acknowledges that the current fiscal framework focuses government resources on the social aspects with minimal resources reserved for economic considerations. Similarly, the Corporation is dependent on government for survival. This is not sustainable and the Corporation continues to lobby the shareholder for capitalisation in order to address the historical and structural challenges which prevent the ECDC from assuming its leading role in driving the economic trajectory of the province. Adequate capitalisation should allow the ECDC to leverage partner and other resources for a marked development impact.

The sustainability of the ECDC is critical in driving economic development in the province. In order to achieve this outcome, a paradigm shift is required in the service delivery model of the Corporation. This is elaborated in the Corporate Plan 2020.

All these development imperatives will be achieved with the participation of and collaboration with relevant development partners, and with the support of the shareholder. ECDC intends to sharpen its internal instruments to ensure that they are poised to deliver the required dividend.



**Ndzondelelo Dlulane**  
Chief Executive Officer

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# SEC-A

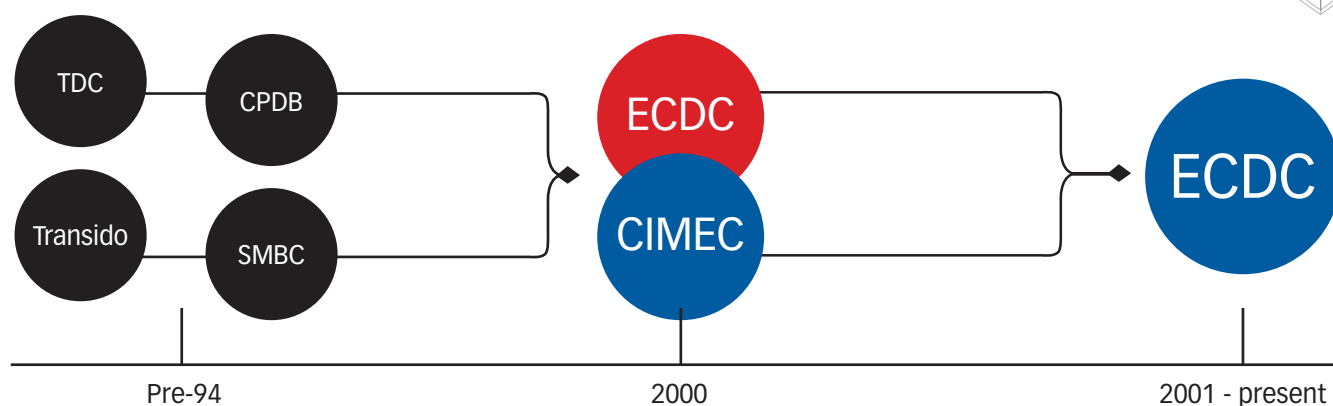
EASTERN CAPE  
DEVELOPMENT CORPORATION  
MANDATE



# 1. Constitutional mandate

The constitution says that the government has an obligation to transform the economy into one that doesn't discriminate that protects and respects the dignity of each person and steadily improves the standards of living. ECDC's mandate is to plan, finance, co-ordinate, market, promote and implement development of the Province and its people in the fields of industry, commerce, agriculture, transport and finance. ECDC, in its current form, emerged due to the merger of the following development finance institutions:

Figure 1: ECDC's transition



- The Transkei Development Corporation (TDC), Transkei Small Industries Development Organisation (Transido), Ciskei Small Business Corporation (CSBC) and Ciskei People's Development Bank (CPDB) into the previous Centre for Investment and Marketing in the Eastern Cape (CIMEC) in the year 2000.
- In 2001, ECDC was promulgated as a single legal entity with the enactment of the Provincial Proclamation 1 of 2001 and its enabling legislation, the Eastern Cape Development Corporation Act 2 of 1997.

When it was established, ECDC inherited several issues, including poor financial information, inaccurate or missing data on properties and loans, limited development impact, and declining state financial support. Currently, ECDC's property portfolio is spread across industrial, commercial, residential and leisure categories throughout the Eastern Cape, with the majority of the portfolio located in the former Ciskei and Transkei areas.

## 2. Legislative and policy mandates

In fulfilling its mandate, the ECDC is guided by the following legislation and policy framework amongst others:

- Eastern Cape Development Corporation Act No. 2 of 1997.
- White paper on SMME promotion
- National Small Business Act 29 of 2004, as amended
- Co-operatives Act No. 14 of 2005, as amended
- Co-operatives Bank Act No. 40 of 2007
- Preferential Procurement Policy Framework Act No. 5 of 2000
- Broad Based Black Economic Empowerment Act No. 46 of 2013, as amended
- Companies Act No. 71 of 2008, as amended
- National Credit Act No. 34 of 2005, as amended
- Prescription Act No. 68 of 1969
- Public Finance Management Act No. 1 of 1999



## The ECDC Act is undergoing a review process by DEDEAT.

The current Act under Section 5 stipulates the duty of the corporation:

1) It shall be the duty of the corporation so to exercise its powers that:

- a. every application or proposal dealt with is considered strictly on its economic merits, irrespective of all other considerations whatsoever;
- b. all matters relating to the raw materials necessary for carrying on the industry or undertaking or proposed industry or undertaking, to the labour supply available for the carrying on thereof, to the rates of wages proposed to be paid and to the markets available for the disposal of the products thereof are carefully reviewed;
- c. generally, the activities of the corporation are directed towards guiding and assisting others in financing the establishment or development of industries or undertakings and that, so far as may be practicable, the corporation shall not be required to provide an unduly large proportion of the capital which is necessary for such establishment or development;
- d. all income, property and profits of the corporation shall be used for the promotion and attainment of its objects: Provided that dividends may be paid to the shareholders of the corporation.

2) Notwithstanding the provisions of subsection (1)(a) the corporation may undertake tasks on behalf of government which are in the public interest and have little or no economic merit for the corporation if instructed to do so by the responsible Member, subject to its being adequately remunerated by the government of the Province for fulfilling such tasks.

The outcome of the legislative review of the ECDC Act may result in changes in the mandate of the company which necessitate a review of this strategy document and the Corporate Plan.

## 3. Institutional Policies and Strategies over the five-year planning period

The matrix below highlights the linkages between the MTSF Priorities as per National Development Plan 2030 in relation to the Provincial Development Plan.

Priority	MTSF 2020-2025	Provincial Development Plan	Detail of Focus Area Per Goal/Priority
Priority 1	Economic Transformation and Job Creation	Goal 1: Innovative and inclusive growing economy	<b>1. Create enabling environment that support economic enterprise development</b> <b>2. Rapid development of high-potential economic sectors.</b> <b>3. Spatially balanced economic development, Urban Development and Small-Town Revitalisation</b> <b>4. Drive digital transformation and development of ICT sector</b>
		Goal 3: Rural development and an innovative and high-value agriculture sector	1. Create sustainable diversified livelihoods through sustainable community agriculture 2. Development of agricultural value chains 3. Land reform and land rehabilitation programmes
		Goal 5: Environmental Sustainability	1. Safeguarding ecosystems and existing natural resources 2. Respond to climate change and green technology innovations 3. Environmental governance



Priority	MTSF 2020-2025	Provincial Development Plan	Detail of Focus Area Per Goal/Priority
Priority 4	Spatial Integration, Human Settlements and Local Government	Goal 2: An enabling infrastructure network & Goal 6: Capable democratic institutions	<ol style="list-style-type: none"> <li>1. Build resilient economic infrastructure that promotes economic activity.</li> <li>2. Universal access to basic infrastructure</li> <li>3. Sustainable energy and electricity provision</li> <li>4. Develop sustainable and integrated settlements</li> <li>5. Improve infrastructure planning, delivery, operations and maintenance &amp;</li> <li>6. 6.2: Transformed, Integrated and Innovative Service Delivery</li> </ol>
Priority 6	A Capable, Ethical and Developmental State	Goal 6: Capable democratic institutions	<ol style="list-style-type: none"> <li>1. Building the Capability of the State to deliver</li> <li>2. Transformed, Integrated and Innovative Service Delivery</li> <li>3. Instilling a culture of good corporate governance&amp;</li> <li>4. 6.4: Build multi-agency partnerships</li> </ol>
Priority 7	A Better Africa and World	Goal 6: Capable democratic institutions	6.4: Build multi-agency partnerships



## 4. Strategic Themes

In order to achieve our Strategic Goals, the following strategic pillars or themes, form the basis of our strategy, and will be pursued thorough collaborations and partnerships with various stakeholders, including our shareholder, other DFIs, state-owned companies, institutions of higher learning, private sectors partners and civil society. In pursuit of its mandate, the ECDC has the following strategic thrusts to align to the MTSF, NDP2030 and the Provincial Development Plan. These thrusts are filtered into the targets and functional areas as contained in the Corporate Plan 2020-21.

Figure 2: Strategic Themes



## 5. Relevant Court Rulings and Legislation

The case law relating to the following pieces of legislation have an impact on the achievement of goals but not necessarily on the operations of ECDC:

- a. Land Restitution/Land Claims which excludes property under development.
- b. Land Tenure Issue
- c. Landlord being responsible for all debts incurred by tenants
- d. Procurement Act
- e. Alienation of Land Act 68 of 1981
- f. Black Economic Empowerment Act
- g. Borrowing Powers of Provincial Governments Act 48 of 1996
- h. Companies Act 71 of 2008 (Workout)
- i. Companies Amendment Act 3 of 2011 (workout)
- j. Companies Regulations 2011 (Workout)
- k. Co-operatives Act 14 of 2005
- l. Debt Collectors Act 114 of 1998-Dept of Justice
- m. Electronic Communication Act
- n. Intellectual Property Laws Amendment Act 28 of 2013
- o. Labour Relations Act
- p. Labour Relations Act 66 of 1995 as amended
- q. Matrimonial Property Act 88 of 1984
- r. National Archives and Records Services of South Africa Act 43 of 1996-Section 13
- s. National Credit Act 34 of 2005, as amended
- t. Occupational Health and Safety Act 85 of 1993
- u. PFMA 1999 as amended March 2017
- v. Preferential Procurement Policy Framework 5 of 2000
- w. Prescription Act 68 of 1969
- x. Prevention of Illegal Eviction from Unlawful Occupation of Land Act 19 of 1998
- y. Protection of Information Act 84 of 1982

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# SEC-B

## OUR STRATEGIC FOCUS

Renewable Energy

## 6. Vision

"A leader in facilitating inclusive sustainable economic growth"

## 7. Mission

"To promote and coordinate inclusive economic development through innovative finance and investment solutions".

## 8. Values

In pursuit of its vision and mission the ECDC is committed to and guided by the following values:

### Customer Centrim

We place maximum value on the centrality of customer in delivering our mandate

### Accountability

We are answerable for our actions

### Professionalism

We are defined by our positive, presentable demeanour and our quest for continuous improvement.

### Integrity

In all our dealing with people we are known for our spirit of honour, reliability, ethical and moral standards.

### Teamwork

None of us is as productive as all of us when we complement each other to achieve a common goal.



## 9. The guiding principles of the Strategy

The objects of the ECDC as stipulated in Section 3 of the ECDC Act 2 of 1997 - shall be to plan finance, co-ordinate, and market, promote and implement the development of the Province and all its people in the fields of industry, commerce, agriculture, transport and finance.

**The ECDC is mandated to facilitate sustainable inclusive socio-economic development & growth in the Eastern Cape Province. In terms of the ECDC Act section 5(1) (a) "every application or proposal dealt with by it is considered strictly on its economic merits, irrespective of all other considerations whatsoever;**

The ECDC through its core business units has to take into cognisance the macro and micro economic environment of the province for the Corporation to be relevant and deliver public value as expected.

Whilst the SMMEs are identified as key drivers for job creation in the Province, this cannot be achieved at the exclusion of macro/micro environmental factors. The point of departure is the recognition that socio-economic development can happen when both perspectives are taken into consideration to ensure development impact. The strategy and tactics will then differ from each province/environment depending on comparative advantages and natural endowments.

In this context the ECDC is required to deliver sustainable public value as per balance scorecard in line with the four perspectives namely (Human Capital, Systems and Processes, Customer Service and Finance feeding into an overarching development impact). Therefore it is not solely financial viability and/or financial sustainability that will create this sustainable public value.

A development state has to bear the cost of delivering sustainable public value through policies, funding and risk taking, where the return on investment will be jobs created, thriving SMMEs, poverty reduction and general improvement in the livelihood of citizens.

## 10. Strategic Outcomes

A growing diversified and inclusive economy

Competitive and sustainable SMME sector that contributes to socio-economic development of EC

Sustainable ECDC that offers competitive products and services



## 10.1 Viability vs Sustainability

Financial viability is the ability to generate sufficient income to meet operating commitments, debt commitments and, where applicable, to allow growth while maintaining acceptable service levels. The viability of a business is measured by its long-term survival and its ability to sustain profits over a period of time. A business is able to survive when it is viable because it continues to make a profit year after year. The longer a company can stay profitable, the better is its viability. Organizational viability can be defined as its strengths, capabilities and strategies to cope with the major challenges of financial management human aspects of the business. In general, viability means “capacity for survival”. More specifically, it is used to refer to a capacity for living, developing or germinating under favourable conditions.

## 10.2 Financial Sustainability

Empirical studies indicate that there is no agreed definition of what financial sustainability is, but it is about being able to be there for your beneficiaries in the long term. It is the opposite of having to cease your activities simply because you have run out of money. A financial perspective defines financial sustainability as the ability to start, grow and maintain your staffing business with short- and long-term financial stability.

Sustainability is most often defined as meeting the needs of the present without compromising the ability of future generations to meet theirs. It has three main pillars: economic, environmental, and social. (Andrew Beattie June 16, 2019).

In the context of the ECDC the sustainable public value and sustainable development, can only be achieved if the human capital continues to create a learning and working environment, Systems and processes continue to support the service delivery, while the customer continues to demand quality service. The financial management must be excellent and provide cost efficiencies, irrespective of where the financial resources are generated. (ROI for development is both qualitative and quantitative returns, that means, returns are not solely dependent on profit but on the public value as well)

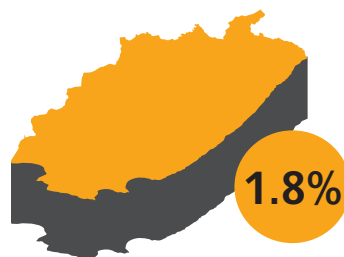
## 10.3 Role of the ECDC as a DFI

In support of the policy framework for a developmental state, DFIs were established to promote social and economic development by providing finance for job creation, low-cost housing, agricultural development, SMME development, industrial development and infrastructure development. In general terms, the basic purpose of DFIs is to pursue public policy objectives. South Africa, as a developmental state, has opted to influence the direction and pace of development by intervening in the development process, rather than to rely exclusively on private sector markets to allocate

economic resources. This has found resonance with the mandate of the ECDC which focuses on supporting existing businesses in the Province, creating opportunities for new business, growing and sustaining existing markets and developing new product lines, improving access to enterprise finance, and ensuring that skills and infrastructure are developed in the Province. Unlike other DFIs or similar institutions that operate nationally and specialise in providing development finance for specific sectors, ECDC is limited within the Eastern Province boundaries and covers almost all aspects of development finance like the ‘jack of all trades’.

## 10.4 Strategic Considerations

- a) Only 1.8 % (R1 481 960 000 out of total budget of R82 198 245) of the Provincial budget is allocated for economic development
- b) Rural based Province with nodes of development.
- c) Comparatively to other provinces, the Eastern Cape puts less emphasis in promoting the entire province as a destination for tourism, trade and investments.
- d) Government is the main driver of business
- e) SMME dominantly start-ups and lack the entrepreneurial drive
- f) SMME sector is not thriving enough to create jobs and alleviate poverty in the EC province, government is the leading driver of services.
- g) High Credit Risk (ECDC is the first resort to unbanked market with inadequate collateral whilst ECDC is the last resort to the banked viable business market)
- h) SMMEs require intense handholding (high cost) for soft-landing
- i) Disproportionate expectations on funding new innovations
- j) New innovation sectors require de-risking, high capital investment and not yet ready for debt instruments
- k) The demand for Financial Sustainability vs Development impact is causing havoc at ECDC.
- l) Identified priority sectors of the economy for increased investments and funding
- m) Prospective Strategic partnerships & collaboration for growth



**Only 1.8 % (R1 481 960 000 out of total budget of R82 198 245) of the Provincial budget is allocated for economic development**

### 10.5 2014 ECDC Survey synopsis

According to ECDC 2014 SMME survey, it was estimated that there are about 180 358 registered active SMMEs in the Eastern Cape. These SMMEs are further categorised as follows: 177 449 (98.4%) are micro business, 2 545 (1.4%) small businesses and 364 (.002%) medium sized businesses using the strict definition of SMMEs as per the National Small Business Act across all sectors.

The majority of SMMEs were micro businesses (about 98%) who generally lack formality in terms of business licenses, VAT registration, formal business premises, operating permits and accounting procedures. Most of them have a limited capital base as they are mostly survivalist in nature and only have rudimentary technical or business skills among their operators.

The graduation from micro to small and ultimately to medium size businesses is inadequate. This was evidenced by the low percentage representation of medium sized businesses in the total number of SMMEs which is only 2%. About 69% of SMMEs in the Eastern Cape were in retail and about 12% in service sector, there was very limited value adding production and manufacturing undertaken by these SMMEs. Only 4% of SMMEs are involved in some manufacturing. The participation of SMMEs was not adequately diversified across the economic sectors.

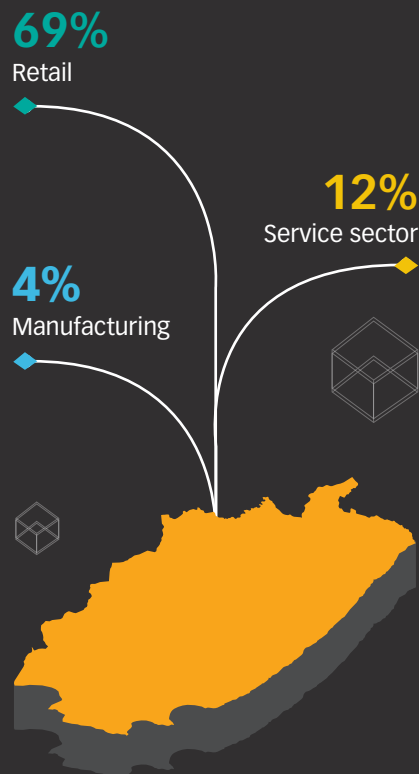
SMMEs in the province are not high-tech producers, in fact they are not active in the knowledge economy at all. There are hardly any internationally competitive or export market players in the Eastern Cape SMME sector.

The biggest client for the micro enterprises is the proverbial man-in-the-street representing 75% of their clients. The small & medium size businesses do more business with the man in the street followed by the private sector and then government. Fruit & Vegetables, food items (grocery), confectioneries and meat represent more than 55% of the items procured by SMMEs. Luxury products like hair products, cell phone accessories and airtime represent about 20% and alcohol is the fifth most popular procurement item at about 10%.

Constraints identified by SMMEs vary depending on the size of the enterprise. The biggest constraint for micro and very small businesses is access to finance and access to markets (government procurement services) whereas the biggest constraints for small to medium businesses is access to markets but also access to finance as number 2. At Micro level, 75% of SMMEs have no knowledge of Tax matters whereas 82% of Medium sized enterprises have knowledge of tax requirements. This is to be expected as medium sized businesses generally are compelled to pay taxes.

In the recent analysis report compiled by the ECDC (September 2019 SMME overview report) it is established that the trends identified in the 2014 survey still continue. Whilst the recent report does not categorise SMMEs into Very small/Survivalist, Micro, Small and Medium but into Formal & Non-formal, the dominance and proportions are similar. Added to these is the lack of off-take agreements which are the biggest cause of failure as it has direct effect to business profitability. Inadequate infrastructure for efficient logistics in business activities and rental cost due to lack of property ownership by SMMEs are also core contributors to business failures. These variables increase the cost of conducting business making it impossible to sustain.

## SMMEs



SMMEs in the province are not high-tech producers, in fact they are not active in the knowledge economy at all. There are hardly any internationally competitive or export market players in the Eastern Cape SMME sector.



75% of micro enterprises clients are the proverbial man-in-the-street.



Fruit & Vegetables, food items (grocery), confectioneries and meat represent more than 55% of the items procured by SMMEs

The latest Eastern Cape Province SMME analysis indicate that in past ten years ranging from 2008 to 2017, the number of SMMEs in the province fluctuated and averaged at 102 098. In 2017, Eastern Cape recorded an estimated 209 413 SMME, with 28.7% employers and 71.3% own account workers. The highest majority of SMMEs in the province were highly concentrated in Buffalo City (21.7%), OR Tambo (18.9%), Nelson Mandela Bay (15.5%), Amathole (11.8%) and Alfred Nzo (11.5%). It was noticeable that the number of SMMEs deteriorated by 10.8% in the Eastern Cape in 2017 compared to the 234 696 in 2008, with SMMEs contracting the most in the Amathole District, OR Tambo, Alfred Nzo and the Nelson Mandela Bay in 2017 compared to the 2008 period.

### SMMEs province concentration

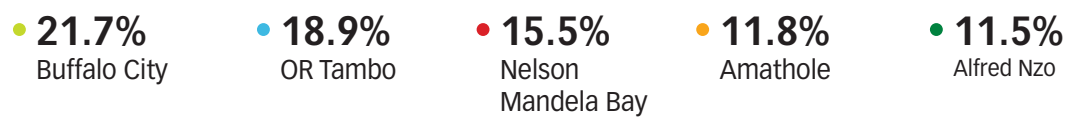
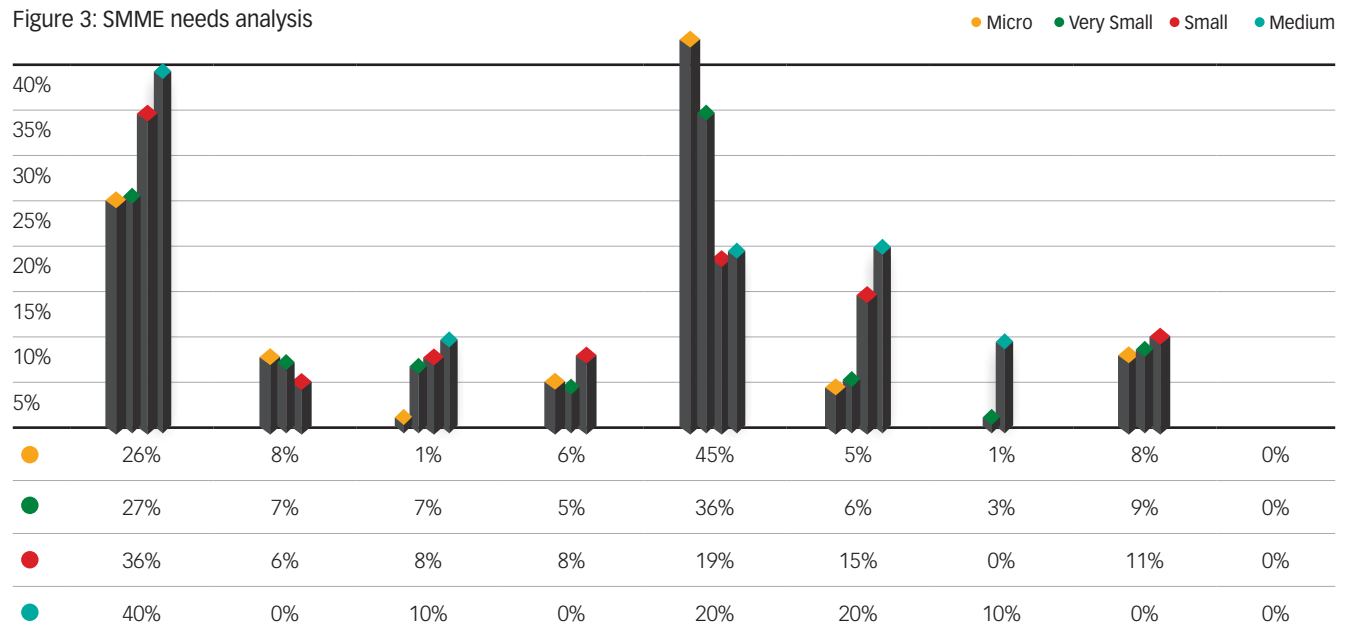


Figure 3 below depicts causes of SMMEs' failures and areas that require enhanced development support (financial & non-financial) for businesses to thrive.

Figure 3: SMME needs analysis



Source: 2014 ECDC Study report



## Market Segmentation &amp; Client Targeting (Client analysis)

Client Category	Description	Expectations	
Medium	Business employing up to 200 full time, maximum turnover R64m, total assets not exceeding R23m	Tailor-made, packaged finance solutions Market linkages & supplier development support	Commercial, Developmental & Interventions
Small	Businesses employing up to 50 full time employees, max turnover R32m, total assets not exceeding R6m	Tailor-made, packaged finance solutions Mentorship, coaching and marketing support	
Very Small	Businesses employing up to 10 full time employees, max turnover R2m, total assets not exceeding R2m	Tailor-made, packaged finance solutions Mentorship, coaching and marketing support	
Micro Enterprise	Businesses employing up to 5 full time employees, max turnover R200 000, total assets not exceeding R100 000	Tailor-made, packaged finance solutions Mentorship, coaching and marketing support Access to information (seminars and workshops) and training	Commercial, Developmental & Interventions
Co-operatives	Enterprises jointly owned by individuals organised and operating on co-operative principals	Development Incentive Funding (grants) Training and mentorship	

SMME categories defined in National Small Business Act of 1996, as amended in 2003

Co-ops defined in Co-operatives Act 6 of 2013

Note: different quanta specified above depends on specific sectors - different sectors have different requirements and therefore programmes are developed accordingly.

The above stated ECDC mandate, context of operations illustrated by the macro environmental analysis, SMME population composition and needs clearly indicate that ECDC in its inclusive socio-economic development drive will not be making profits any time soon that will result into financial viability and/or financial sustainability. The practical strategic thrust/theme for consideration amongst others is "Operational efficiency and sustainability" based on the elements of the balance scorecard as already indicated above and not 'financial sustainability'.

## 11. Situational Analysis

### 11.1 External Environment

Eastern Cape population figures have shown a steady increase between 2012 and 2018 according to Stat SA data (2018). This upward trend is further confirmed by the mid-year population estimates which indicate a population of approximately 6,522 million, making the Eastern Cape the fourth largest Province by population size after Gauteng (14,717 million), KwaZulu-Natal (11,384 million) and Western Cape (6,621million). This shows an average growth rate of about 0.020% over the period.

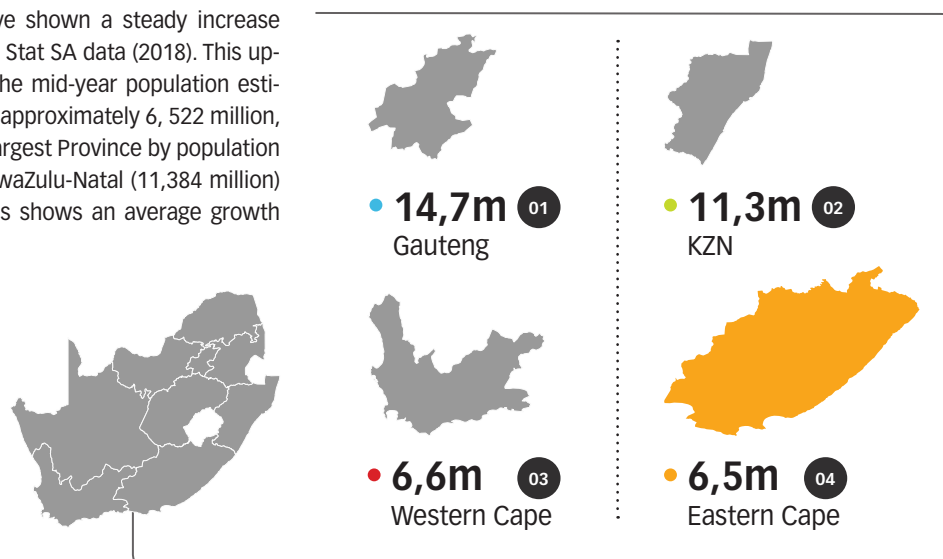
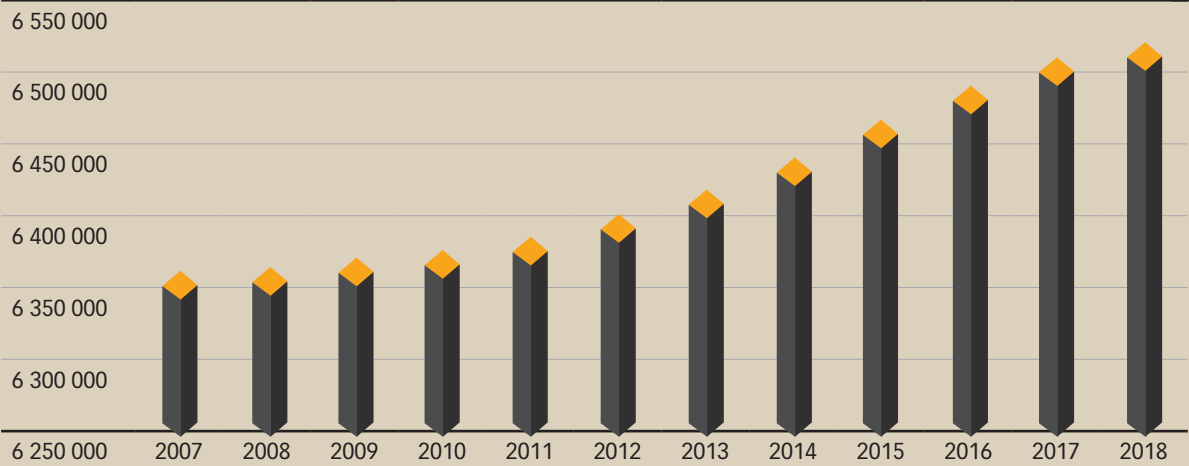


Figure 5: Eastern Cape Population Data, 2007 - 2018



The 2018 mid-year population estimates showed that 33% of the Eastern Cape population is young people between the ages 15-34 years. In terms of the gender profile, 53% of the Eastern Cape population are female, and 47% are males (Stats SA, 2018). In 2017, 10% of the population in the province were classified with some form of disability, with those between the ages 5-9 having the highest percentage of 3% (Stat SA, 2017). These figures are critical for policy making, because the transformation programmes of the 6th Administration are targeting these designated groups.

 **33%**  
Youth between  
15 - 34 years old

 **3%**  
Youth disability  
5 - 9 years old

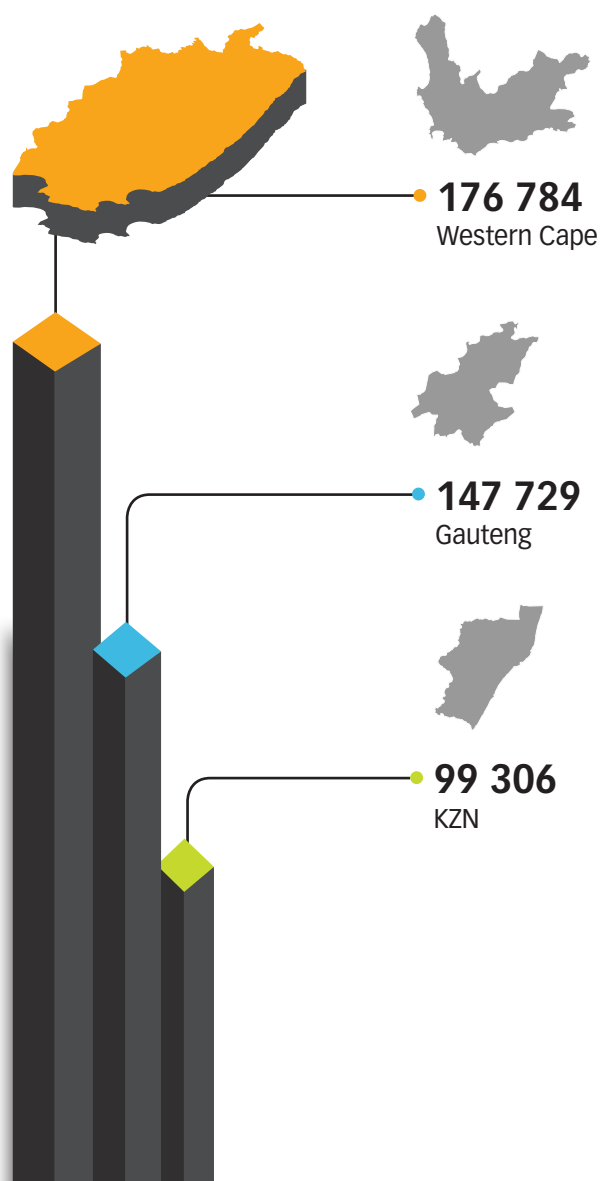
**53%**  
of the EC population  
is female

**47%**  
of the EC population  
is male



Despite these marginal increases in Eastern Cape population figures, the Eastern Cape shows the highest number of people leaving the Eastern Cape for other provinces. The estimated migration stream indicate that the Eastern Cape is likely to lose significant number of its population to Western Cape (176 784), Gauteng (147 729), and KwaZulu-Natal (99 306) between 2016 and 2021 (Stats SA, 2018).

**Migration streams of the Eastern Cape to other provinces**



### 11.1.1 Political Factors

The political environment has experienced major upheavals globally, nationally and locally. The re-emergence of nationalist political agenda at the expense of multilateralism in the global policy economy has caused a seismic shift in global affairs. In the context of the national politics, South Africa has been grappling with the rise in corruption and refocusing of state resources away from the poor majority to an elitist connected class. This phenomenon has been characterised as “state capture” and is currently a subject of judicial enquiry. The early signals of the challenges of corruption have been raised by Auditor-General report on the financial management of municipalities, provincial and national departments, and public entities over long period of time. The 6th Administration is poised to address some of the perennial problems that have characterised the political economy over the past few years. The focus of the new political leadership is to strengthen governance and administration systems, with special focus on the rule of law, growing the economy and developing a responsive and development-oriented public service. This view is further supported by the rating agency, Moody’s characterisation of the political environment in South Africa in 2019 in these terms:

“At the political level, as things stand in terms of policy orientation, we still see a very reform-oriented executive which is why we still believe there is still some prospects of a pick-up in growth” (Moody’s, 2019).

The priorities of the new administration which are focused on increasing the pace of service delivery in order to achieve the NDP targets are:

1. A capable, ethical and developmental state
2. Economic transformation and job creation.
3. Education, skills and health.
4. Consolidating the social wage through reliable and quality basis services.
5. Spatial Integration, Human settlements and local government.
6. Social cohesion and safe communities.
7. A better Africa and better world.

The importance of political stability in the Eastern Cape given its development challenges can never be overstated. The province lags other provinces in most of the development indicators. The provincial executive is focused on strengthening the local and provincial spheres to address service delivery challenges with specific focus on projects and programmes that have a potential impact. To this end the Provincial Development Plan has been reviewed to lift key priority projects for each of the 6 Strategic Goals outlined in the plan.

### 11.1.2 Economic Factors

The rate of economic growth has stagnated 5-8 years resulting in the country failing to meet most of its NDP targets. The NDP projected a reduction in unemployment to 14% by 2020 from a base of about 27.6% in 2012. In order to meet this target, it was anticipated that the economic output would grow by an average of 5% per annum. The current rate of unemployment remains stubbornly high at 29% in the fourth quarter of 2019 (Stats SA). In the Eastern

Cape the unemployment stood at 39.5% in the 4th Quarter of 2019. In the same period, youth unemployment is more expressed in the Eastern Cape where 34.8% of young people between the ages 15-24 years are not in employment, education or training. The challenge of unemployment is felt more intensely by the youth in the age group 15-34 years, who accounted for 41.5% of unemployed person in South Africa in the 4th quarter of 2019 according to Stats South Africa data.

Figure 6: Youth between 15-24 Not in Employment, Education or Training, changes 2018q4 – 2019q4

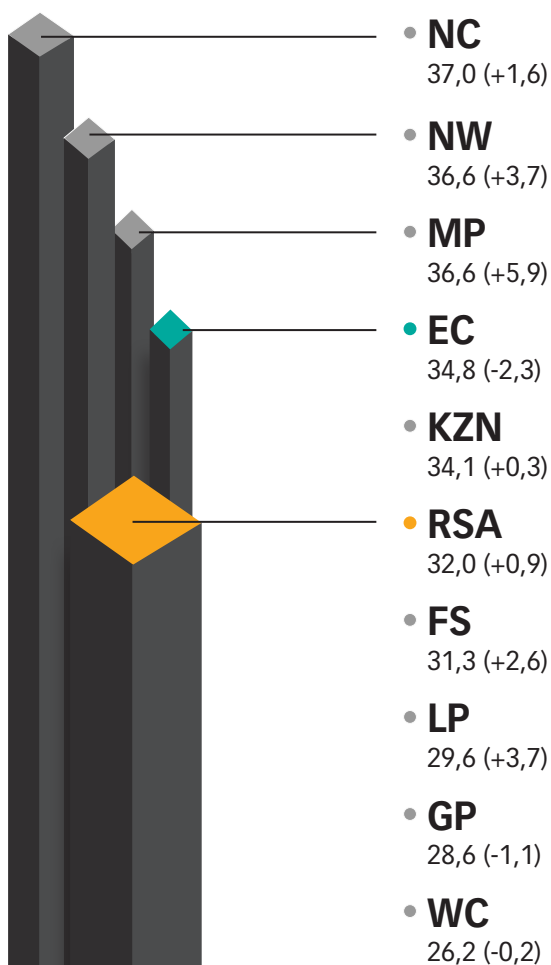
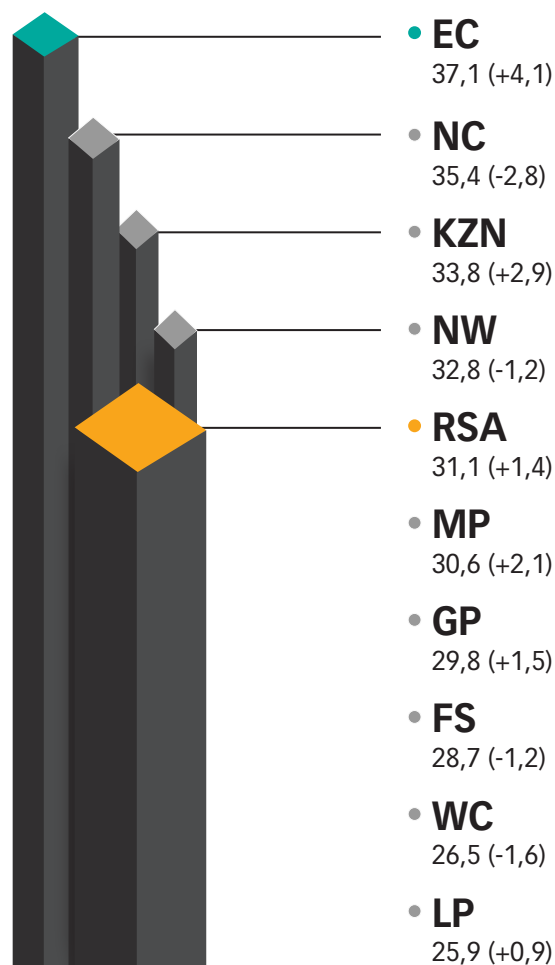


Figure 6: Youth between 15-24 Not in Employment, Education or Training, changes Year on year

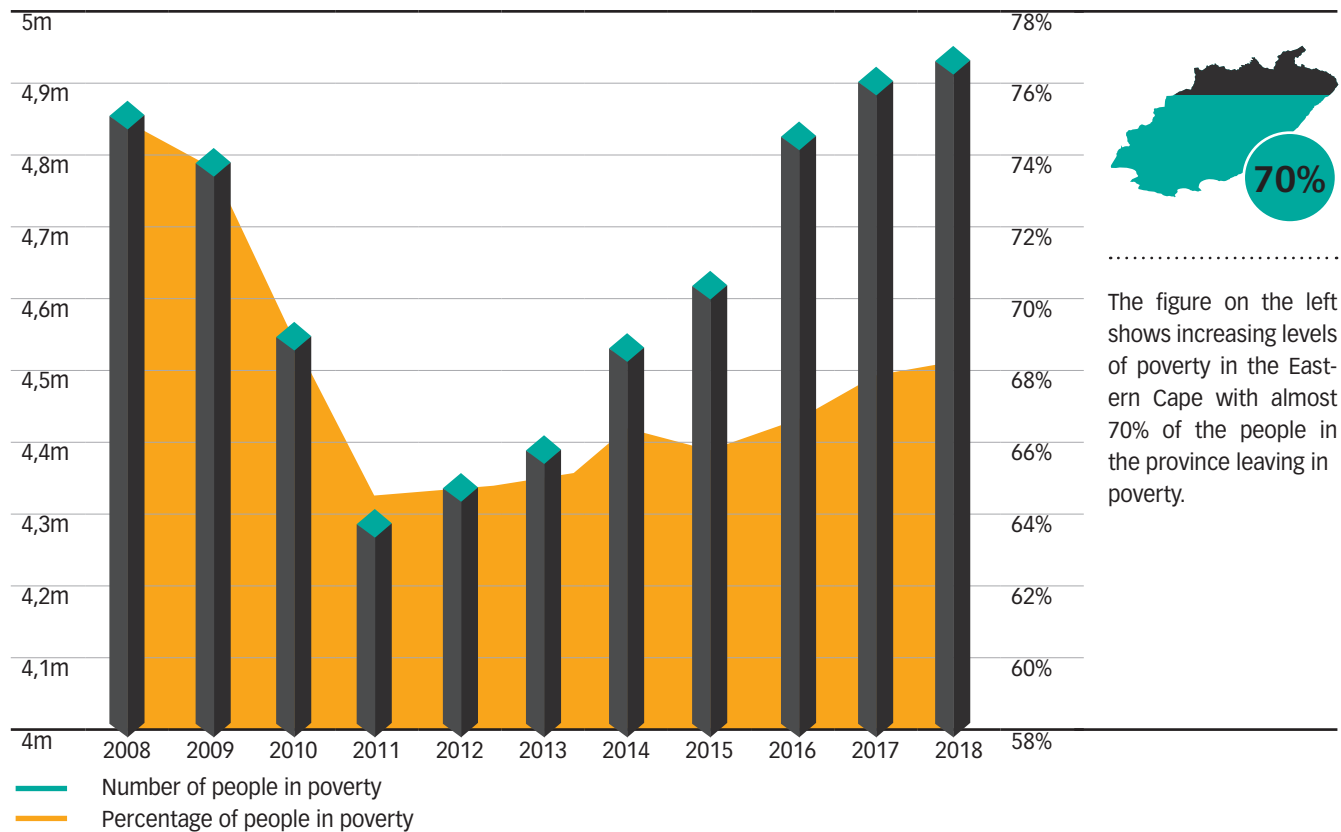


Source: Statssa

The data from Eastern Cape Socio-Economic Consultative Council (ECSECC) show a disturbing trend of rising unemployment, poverty and inequality in the Eastern Cape Province since 2011. This data further shows that unemployment is higher in rural areas than in urban areas, and that these developmental challenges manifest in geographic localities in the province where state capacity is at its

weakest. If this data is juxtaposed against migration patterns, a picture of depopulation of the rural centres, with people moving towards urban centres within the provincial and outside of the province looking for economic opportunities. These migration patterns would have a negative impact on agricultural sector in the medium to long-term.

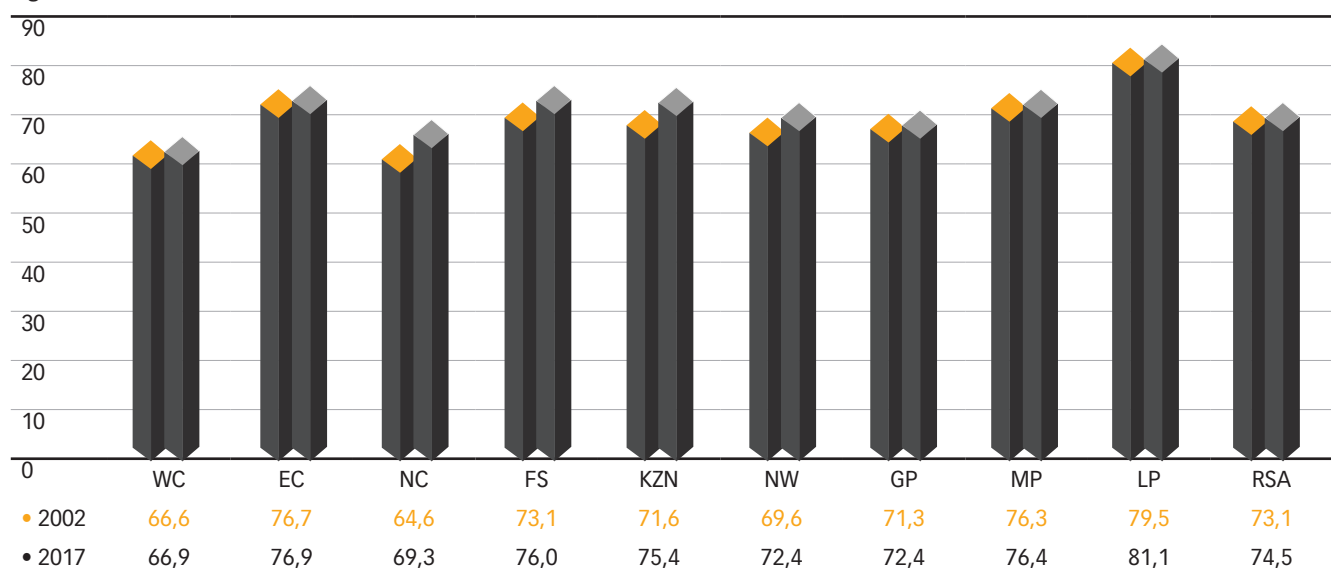
Figure 7: Number and Percentage of people leaving in Poverty in the EC (Source: ECSECC, 2019)



### 11.1.3 Social Factors

There is a relationship between educational outcomes and early childhood development services. Only 36.9% of children between the ages 0-4 years attended formal Early Childhood Development facilities in South Africa, and only 34.6% for the Eastern Cape. The provinces with the highest attendance rate were Free State (45.9%) Gauteng (45.8%) and Western Cape (41.1%), and it is not coincidence that the same provinces have shown consistent performance in terms of Grade 12 results over the past 3 years.

Figure 8: Social Factors

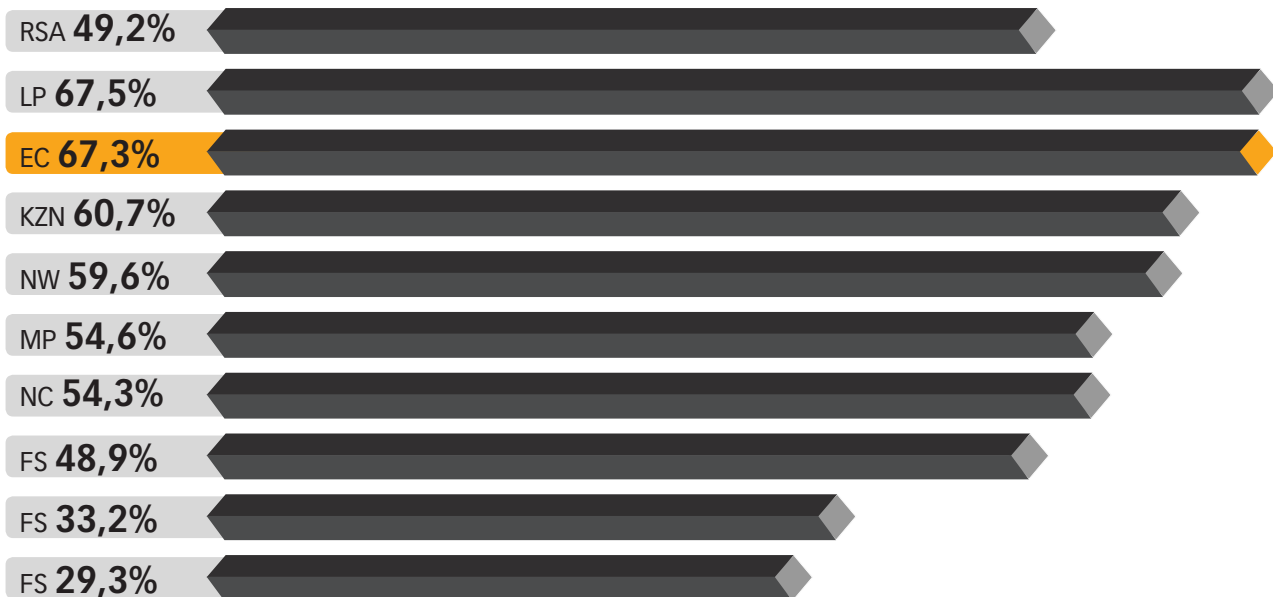




### 11.1.4 Poverty

Despite all the efforts, poverty remains one of the challenges that continue to haunt South Africa 25 years into democracy. In the Eastern Cape 67.3% of the adult population (18 years or older) is living below the upper-bound poverty line. The data from Stat SA show that female-headed households were more likely to feel the hardship of poverty, and children were the most affected by poverty.

Figure 9: Adult population living in Poverty in 2014/15 data (Stat SA, 2019)



The special attention on youth, women and children by the 6th Administration is borne out by this data. The National Development Plan has set a target to eradicate absolute poverty from 39% in 2012 figures to zero by 2020, yet this data shows that poverty has in fact increased.

Figure 10: NDP Plan

"The trajectory of poverty reduction was reversed between 2011 and 2015, threatening to erode some of the gains made since 1994. At least three million more South Africans slipped into poverty during this period, with the poverty rate increasing from 36 percent to 40 percent" - World Bank, 2018



**Poverty Rate Increase**

**36%**

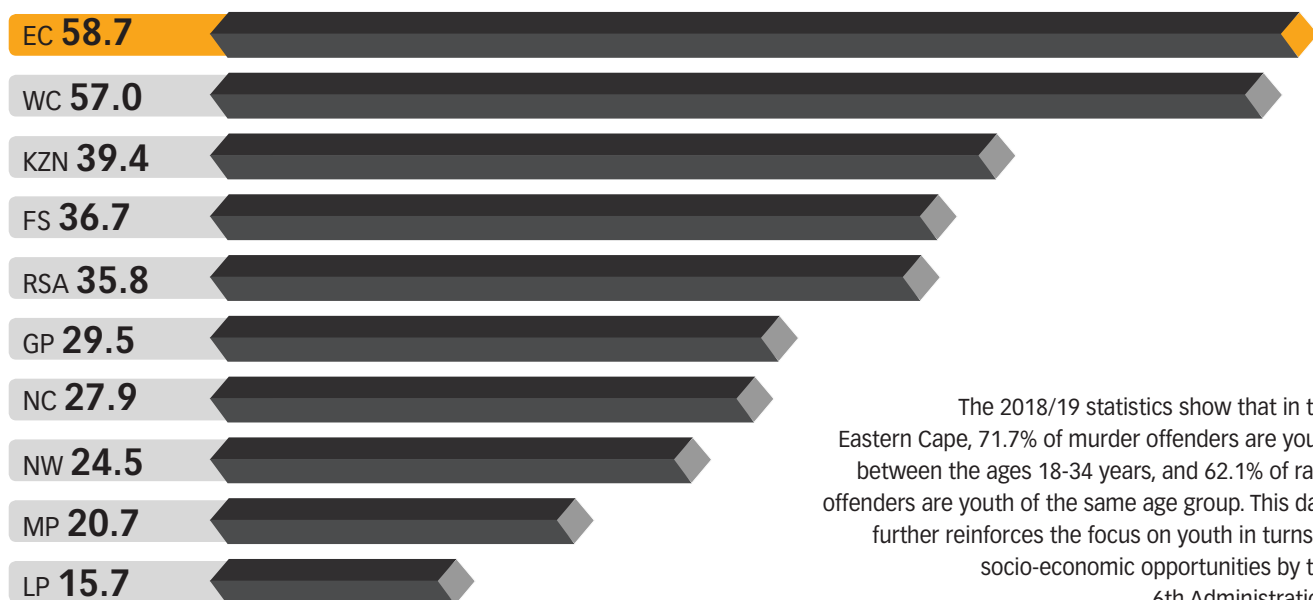


**40%**

### 11.1.5 Crime

Crime statistics paint a disturbing picture of social instability and uncertainty which does not augur well for a country in need of investment as South Africa. Investors are reluctant to invest in countries with high levels of crime. The graph below shows murder rates in South Africa, and the Eastern Cape followed closely by Western Cape topping the list of murders (SAPS, 2018).

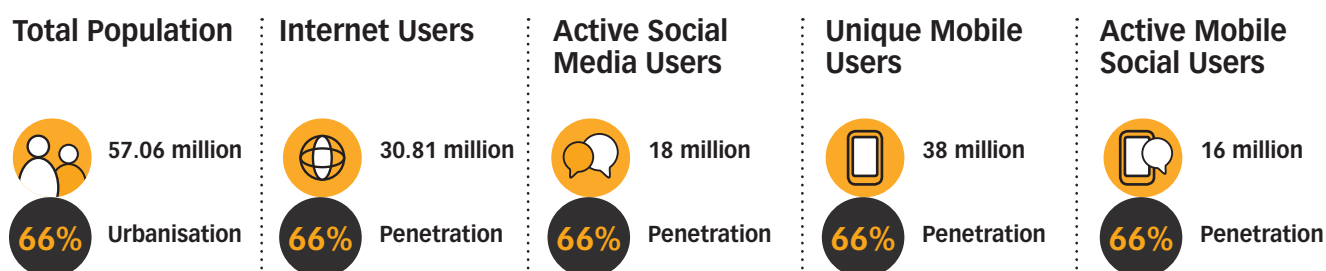
Figure 11: 2017/18 Murder rates in South Africa by Province (SAPS, 2018)



### 11.1.6 Technological

Technology is because a source of competitive advance and a potential growth sector for the country and province. At the centre of technological innovation is digital connectivity.

Figure 12: Key indicators of digital activity in SA



Technology, particularly rapid and intersecting developments in information and communication technologies (ICTs) is changing the nature of business; biotechnology and materials, transportation and energy technologies, are creating major opportunities for innovation and efficiency. But also present new challenges for governance, threats to traditional forms of work and to personal security.

ICTs are ubiquitous in today's world, and developments in computers, computer networking, data analytics, sensing and telecommunications are influencing and shaping most fields of technological and economic endeavour. Exponential development in technology is creating novel opportunities, while testing governments' ability to harness their benefits and provide prudent oversight.

### 11.2 Sector Analysis

World growth plateaued to an estimated 2.9% in 2019, with uneven growth among emerging market, developing economies and advanced economies due to escalating trade protectionism as a result of tariff increase enacted in the United States and China, as well as political and policy uncertainty. China growth is projected to have narrowed down from 6.9% in 2017 to 6.1% in 2019 as the economy rebalances, India (4.8 %), with South Africa forecasted at 0.4%. Growth in the United States is estimated at 2.3%, Euro Area (1.2%) and the United Kingdom (1.3%) in 2019.

To overturn the current world economic state and outlook, economies at national level need balanced policy mix to enhance resilience, productivity and inclusiveness by reducing policy uncertainty, especially for trade in order to support confidence and investment, implement reforms to boost long-term productivity and opportunities for all, review policy and prioritize investment. The world economy is projected to grow by 3.3% in 2020 and rise to 3.4% in 2021 (table 3).

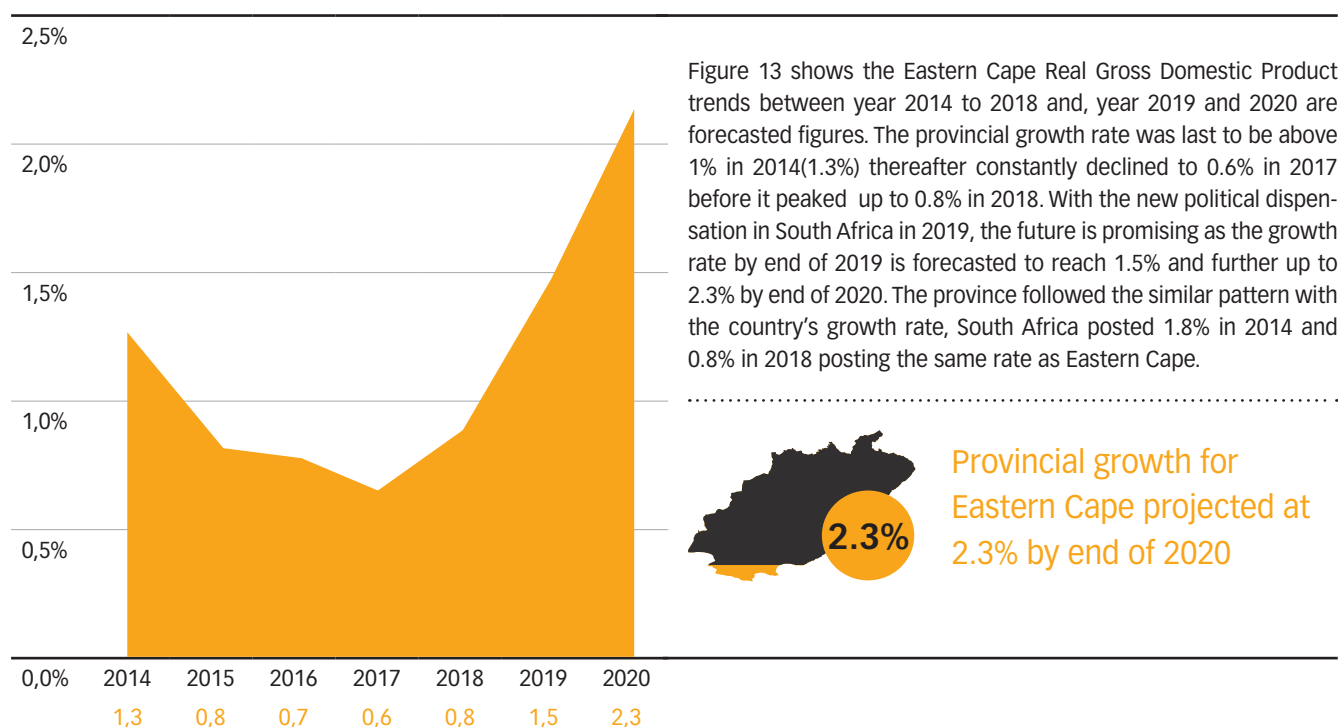
Table 3: World GDP Growth, 2016 - 2019 & 2020 - 2021 forecast (values in %)

	2018	2019	2020	2021
World Output	3.6	2.9	3.3	3.4
Advanced Economies	2.2	1.7	1.6	1.6
Emerging Market & Developing Economies	4.5	3.7	4.4	4.6
World Trade Volume (Goods and Services)	3.7	1.0	2.9	3.7
Advanced Economies	3.2	1.3	2.2	3.1
Emerging Market & Developing Economies	4.6	0.4	4.2	4.7

Sources: International Monetary Fund

#### 11.2.1 Eastern Cape GDP growth trends

Figure 13: Eastern Cape GDP-R growth trends, 2014-2018 & Forecasted 2019-2020



Source: Quantec, Eastern Cape Socio-Economic Analysis & Forecast and Own Calculation

Table 4: Eastern Cape Industry Growth Rate, 2014-2018

	2014	2015	2016	2017	2018
1.Agriculture, forestry and fishing	2,8	-5,8	-16,2	18,4	-4,0
2.Mining and quarrying	4,9	-4,9	-2,3	3,9	-2,6
3.Manufacturing	-0,3	-0,4	0,4	-0,2	1,0
4.Electricity and water	-0,6	-1,4	-1,6	0,8	0,4
5.Construction	1,9	1,4	0,7	-0,8	-1,3
6.Wholesale & retail trade; hotels & restaurants	0,8	1,2	0,9	-0,4	0,4
7.Transport and communication	2,6	1,2	1,2	1,4	1,2
8.Finance, real estate and business services	2,3	1,3	1,6	1,2	1,3
9.Community, social and other personal services	0,9	0,6	1,0	0,9	1,0
10.General government services	1,7	1,3	1,1	0,2	1,0

The Eastern Cape industry growth rate between year 2014 and 2018 is tabulated in table 4. The 1.3% GDP growth rate recorded by the Eastern Cape in year 2014 was attributable to improvement in the economic activity of industries such as: mining and quarrying posted a high 4.9%, trailed by agriculture, forestry and fishing (2.8%), transport and communication (2.6%) and finance, real estate and business services (2.3%). While sectors such as electricity and water posted negative growth (-0.6%) and manufacturing (-0.3) which was still recovering from loss of production in the secondary

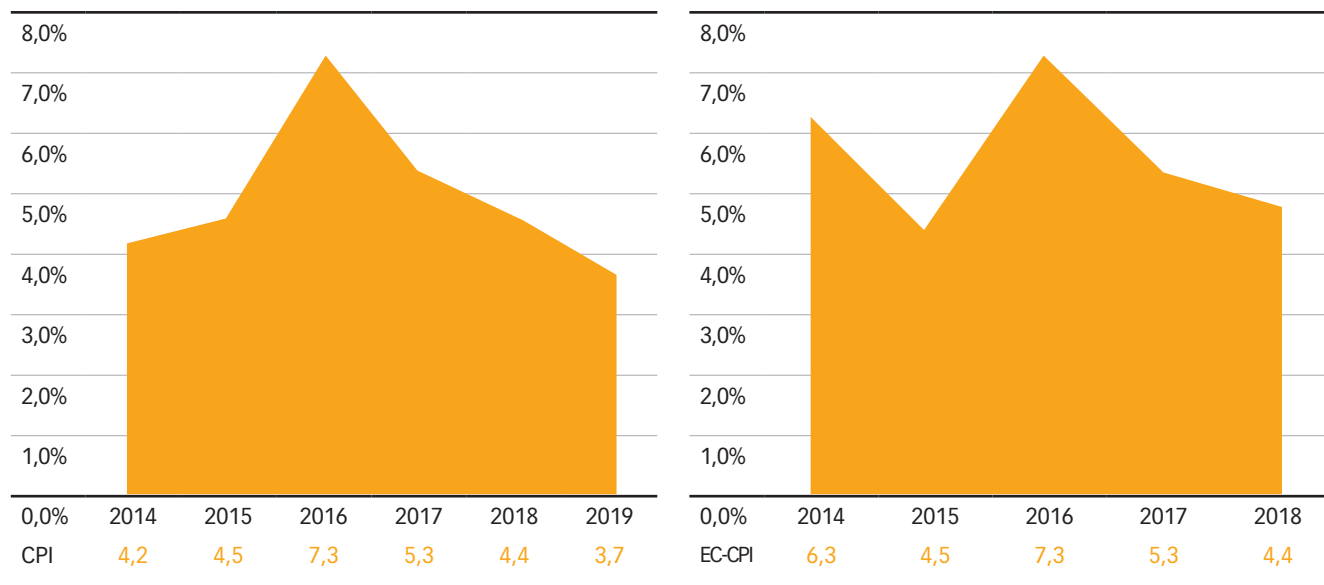
sector influenced by industrial actions (dominated by automotive and metal sector). In 2018, industries that contributed the most to the provincial GDP growth of 0.8% were as follows: finance, real estate and business services sector which posted an estimated growth rate of 1.3% followed by transport and communication (1.2%) and, community, social and other personal services and general government services both with a tie of 1.0%. Whereas the sectors that posted negative growth were agriculture, forestry and fishing (-4.0%), mining and quarrying (-2.6%) and construction (-1.3%).





### 11.2.2 Eastern Cape Consumer Price Index trends

Figure 14: Eastern Cape Consumer Price Index, 2014-2019  
(year-on-year change)

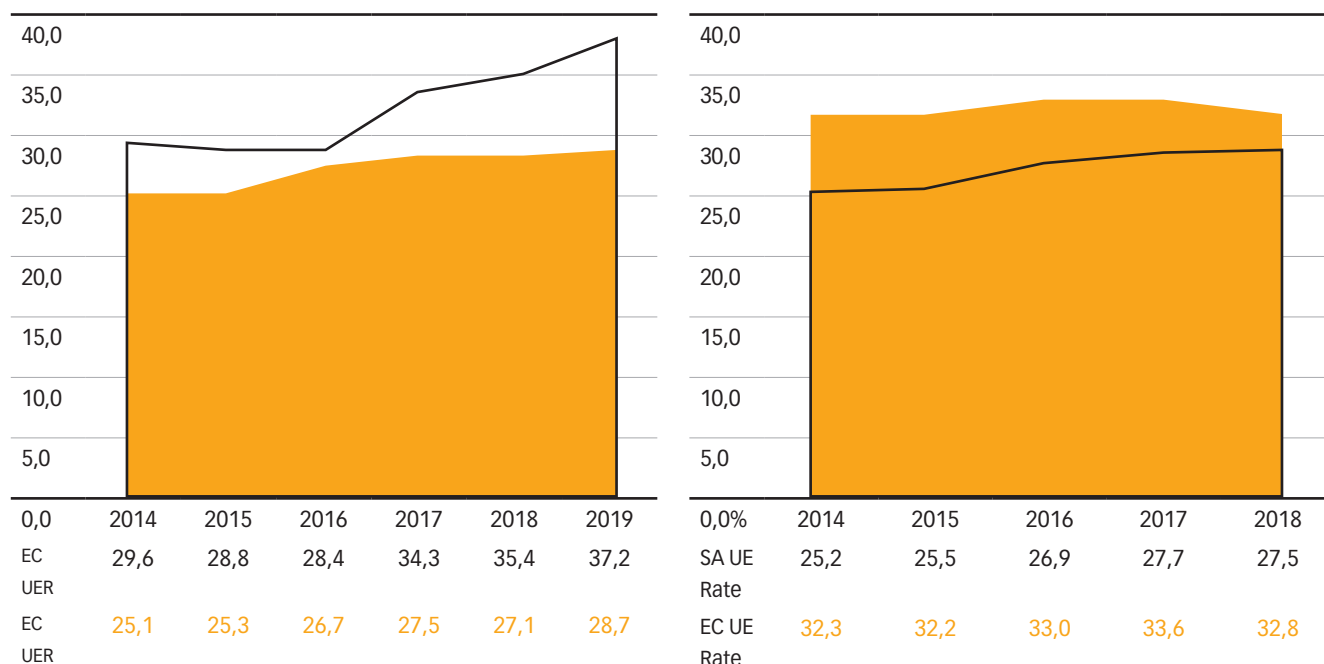


Source: Quantec, Statssa and own calculations

The Eastern Cape inflation (CPI) trends between 2014 and 2019 are depicted in figure 14. Inflation measures the change in food and services consumed by households; the provincial inflation fluctuated over the period under review. In 2016, the provinces headline inflation exceeded upper bound inflation target of 3%-6% and stood at 7.3% (with food, transports costs and weak exchange rate the major contributors to the increase) before declining to 5.3% in 2017, down to 4.4% in 2018 and 3.7% in 2019.

### 11.2.3 Labour Market Development

Figure 15: SA and EC Average Unemployment Rate Trends, 2014-2018



Source: Quantec, Statssa and own calculations

Unemployment remains a serious challenge for South Africa particularly the Eastern Cape; the provincial unemployment trends for the period 2014 to 2019 are depicted in figure 15. Eastern Cape Province registered an average unemployment rate of 29.6% in 2014, above the country's average rate of 25.1%. Unemployment rate for the province in the period under review showed a steady increase up to 37.2% in 2019 again higher than the national aver-

age of 28.7 percent. The youth unemployment in the Eastern Cape remains the biggest challenge and contributing factor to high unemployment rates in the province. The province continues to have the highest unemployment rate amongst the youth in the country; in the fourth quarter of 2019, youth unemployment (those between the ages 15 to 34) in the province stood at 53.3 percent.

#### 11.2.4 Eastern Cape Employment Trends by sector

Table 5 : Eastern Cape Employment by Industry, 2014-2018

Values in Thousands

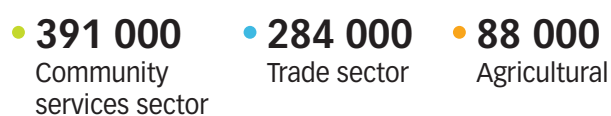
	2014	2015	2016	2017	2018	2019
Agriculture	78	83	96	89	88	88
Mining & Quarry	-	1	2	-	-	-
Manufacturing	139	131	135	130	128	123
Utilities	9	6	7	7	3	7
Construction	139	165	164	152	163	150
Trade	284	291	298	324	294	283
Transport	79	64	73	70	69	73
Finance	112	129	128	162	138	137
Community services	391	387	384	370	396	396
Private households	117	118	115	112	110	122

Source: Quantec, Statssa and own calculations

Table 5 illustrate Eastern Cape employment numbers by industry between years 2014 to 2019. In 2014, the highest number of jobs were recorded by community services sector with 391 000 on average, tailed by Trade sector with 284 000, while the lowest number jobs were recorded by the agricultural sector (88 000).

Over the years the province experienced varying employment levels amongst industries, with government remaining the biggest contributor to employment in the province, followed by the trade sector and finance. In 2019 job losses were reported the most in construction and in the trade industry.

Eastern Cape average employment numbers by industry over the last 5 years



### 11.2.5 Eastern Cape Trade with the World

Figure 16: Eastern Cape International Trade Flows with World 2014-2019 (values in R-million)

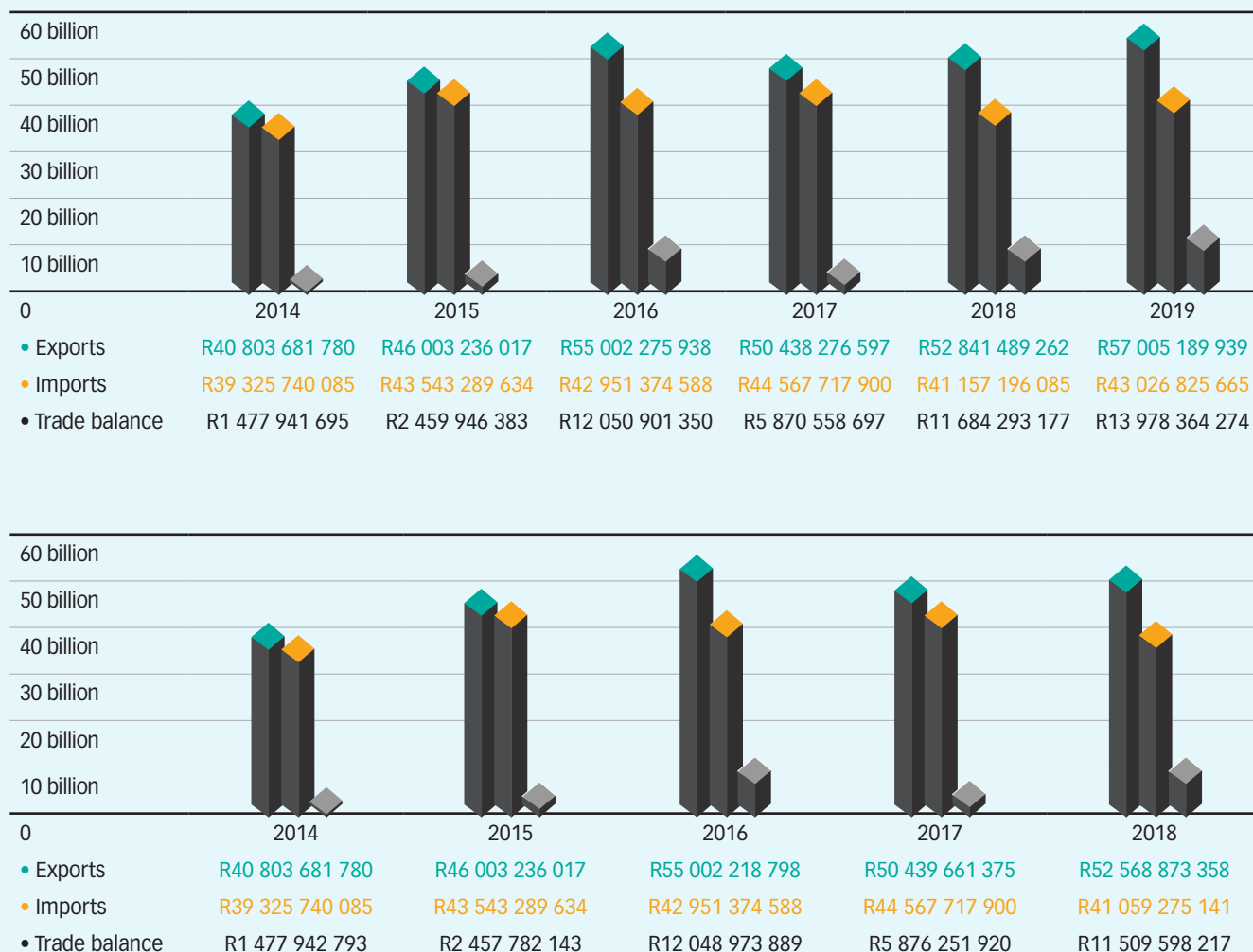


Figure 16 shown Eastern Cape total imports and exports of all commodities with the rest of World covering the period 2014-2019. Eastern Cape is a net exporter of commodities to the World in all the years in the period under review. In 2019, the balance of trade (where export of all commodities exceeds imports) significantly increased from R1.5 billion in 2014 to approximately R14 billion in 2019. The total exports revealed a fluctuating pattern from R40.8 billion in 2014 to R57 billion in 2019. On the same token, total imports showed a fluctuating pattern from R39.3 billion in 2014 to R43 billion in 2019.



Table 6: Eastern Cape Exports and Import Structure by World Regions, 2017-2019 (values in R-million)

	Exports			Imports			
	2018	2019	Market Share (%)	2018	2019	Market Share (%)	Trade Balance
Africa	5 626 173 225	5 801 193 689	10.2	2 825 751 392	2 560 151 225	6.0	3 241 042 464
Americas	4 502 166 971	4 689 560 651	8.2	6 861 596 913	6 527 700 046	15.2	-1 838 139 395
Asia	16 068 300 169	11 744 668 663	20.6	10 921 427 479	10 653 171 898	24.8	1 091 496 765
Europe	25 075 108 886	33 235 786 017	58.3	20 187 507 278	23 008 961 172	53.5	10 226 824 845
Oceania	1 515 235 073	1 486 711 123	2.6	297 466 944	193 421 258	0.4	1 293 289 865
Not Allocated	54 504 939	47 269 796	0.1	63 446 079	83 420 064	0.2	-36 150 268

	Export Markets Destination			Import Markets Source		
	Years		Market Share (%)	Years		Market Share (%)
	2017	2018	2018	2017	2018	2018
Africa	R6 684 789 090	R5 634 778 261	10,72	R3 810 182 910	R2 817 996 707	6,86
Americas	R3 981 033 995	R4 457 759 792	8,48	R5 668 000 548	R6 850 194 385	16,68
Asia	R15 265 326 128	R15 993 017 088	30,42	R10 867 870 670	R10 889 352 258	26,52
Europe	R23 061 535 747	R24 914 951 672	47,39	R23 806 407 080	R20 143 755 344	49,06
Oceania	R1 388 475 076	R1 510 392 442	2,87	R265 013 669	R296 825 374	0,72
Antarctica	R0	R0	0,00	R0	R0	0,00
Not Allocated	R58 501 338	R57 974 103	0,11	R145 934 577	R61 151 074	0,15

Source: Quantec and own calculation

The Eastern Cape export destination and, import source regions and market share from 2014 to 2019 are shown in table 6. Europe absorbed the largest share of Eastern Cape exports and imports 2019 as it commanded 58.3% (about R33.2 billion) of the Province's exports, while Eastern Cape absorbed 53.5% of merchandise from Europe amounting to R23 billion), with most of the trade activity from Germany. This was tracked by Asia with a market share of 20.6% of exports (R11.7 billion) and market share of approxi-

mately 24.8% on imports (R107 billion), with China the biggest trading partner in Asia. The third biggest export market region for the Eastern Cape exports in 2019 was Africa with a market share of 10.2% (R5.8 billion) and import market share of 6.0% (R2.6 billion). Between 2018 and 2019, it was notable that most of the Eastern Cape exports were shipped and sourced in the European market in terms of value, while the value exports-imports contracted in other markets.





Table 7: Eastern Cape Top 10 Export Merchandise to the World, 2014-2019 (R-million)

	Exports				Imports		Share (%)
	2014	2015	2016	2017	2018	2019	
Motors cars	10 349 775 849	11 931 511 717	13 501 159 212	12 439 085 338	16 441 836 277	23 537 325 064	41.3
Centrifuges including centrifugal dryers	7 702 396 716	8 847 130 605	9 257 415 892	6 900 875 536	6 734 207 616	6 709 925 977	11.8
Citrus fruit	1 836 892 458	2 423 723 060	3 806 223 259	3 409 642 840	3 284 341 364	3 665 437 229	6.4
Wool not carded or combed	2 800 098 047	3 231 312 375	3 992 399 355	4 244 124 260	4 310 660 645	3 625 977 393	6.4
Waste and scrap of precious metal/ metal clad with precious metal	1 945 946 913	2 072 840 376	4 429 031 486	4 288 503 698	4 771 244 277	2 405 810 063	4.2
Parts and accessories of motor vehicles	1 541 771 407	1 579 313 997	1 691 101 057	1 752 559 480	1 565 310 782	1 443 706 185	2.5
Containers designed for carriage of 1/more modes of transport	1 342 994 364	1 665 240 182	2 037 284 063	1 831 670 139	1 533 258 147	1 438 206 629	2.5
New pneumatic tyres of rubber	1 190 327 336	1 249 099 953	1 343 493 454	1 232 046 549	1 363 322 213	1 345 183 114	2.4
Spark-ignition reciprocating/rotary internal combustion piston engines	22 066 918	983 697 217	1 540 296 600	1 545 550 240	1 151 253 282	1 249 094 441	2.2
Wool, fine/ coarse animal hair	893 804 752	897 853 847	1 018 377 562	1 121 782 341	857 423 207	770 678 060	1.4

## Summary of Exports

Year	2014	2015	2016	2017	2018
1.Vehicles other than railway or tramway rolling stock, and parts and accessories thereof	R12 760 060 038	R14 670 790 700	R16 078 140 499	R15 334 786 076	R18 227 412 041
2.Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof	R10 116 194 326	R10 604 101 048	R12 010 929 839	R9 196 664 263	R9 055 646 139
3.Wool, fine or coarse animal hair; horsehair yarn and woven fabric	R3 897 776 465	R4 321 652 053	R5 235 151 131	R5 572 159 823	R5 421 564 736
4.Natural or cultured pearls, precious or semi-precious stones, precious metals, metals clad with precious metal, and articles thereof; imitation jewellery; coin	R1 952 659 578	R2 131 947 577	R4 714 875 656	R4 462 506 009	R4 959 481 716
5.Edible fruit and nuts; peel of citrus fruit or melons	R2 007 537 484	R2 665 123 234	R4 084 378 759	R3 684 177 944	R3 546 043 563
<b>Total Exports: All commodities</b>	<b>R40 803 681 780</b>	<b>R46 003 236 017</b>	<b>R55 002 218 798</b>	<b>R50 439 661 375</b>	<b>R52 568 873 358</b>

Source: Quantec and own calculations

The Eastern Cape top 10 export commodities to the rest of the world regions from the 2014 period to 2019 period are tabulated in table 7. Vehicles were most exported commodities by Eastern Cape between 2014 and 2019, although with fluctuating trend; in 2019, motor cars worth R23.5 billion were supplied by the province to the rest of the world. This was followed by centrifuges worth R6.7 billion, citrus fruit valued at R3.7 billion, wool not carded R3.6 billion), waste and scrap of precious metal (R2.4 billion), parts and

accessories, and containers both values R1.4 billion, new pneumatic worth R1.3 billion, spark-ignitions (R1.2 billion) and wool fine or coarse valued at R770.7 million. These products collectively accounted for 80% of Eastern Cape export merchandise to the rest of the world in 2019.

Table 8: Eastern Cape Top 10 Import Merchandise from the World, 2014-2019 (R-million)

	2014	2015	2016	2017	2018	2019	Share (%)
Motor cars	9 920 393 330	9 880 849 988	6 918 633 197	10 211 275 923	7 635 078 004	7 889 391 671	18.3
Parts and accessories of motor vehicles	2 963 289 409	3 576 953 844	3 342 978 340	2 877 736 467	2 831 024 436	3 182 926 292	7.4
Seats whether or not convertible into bed and parts thereof	1 093 416 714	1 473 477 113	1 846 098 618	1 831 600 451	1 722 342 005	1 913 257 297	4.4
Insulated wire, cable and other insulated electric conductors	654 028 595	1 421 917 344	1 673 378 236	1 565 961 152	1 585 046 776	1 649 201 613	3.8
Ne pneumatic tyres of rubber	1 174 612 165	1 226 722 980	1 659 933 601	1 497 040 297	1 460 414 026	1 576 009 367	3.7
Ceramic wares for laboratory, chemical or other technical uses	446 472 232	805 505 292	1 097 304 168	1 065 232 950	1 272 172 418	1 507 697 514	3.5
Motor vehicles for the transport of goods	1 365 049 581	1 670 445 089	1 203 768 721	1 410 289 115	1 652 279 465	1 477 543 503	3.4
Meat and edible offal	412 441 485	522 689 286	788 422 177	866 663 041	887 685 159	867 066 826	2.0
Platinum, unwrought/ in semi-manufactured forms	302 512 279	6 416 881	172 402 997	347 285 216	508 090 699	803 899 299	1.9
Cooper wire	405 959 542	187 949 951	229 866 300	164 932 865	342 821 453	644 533 231	1.5

## Summary of Imports

Year	2014	2015	2016	2017	2018
1.Vehicles other than railway or tramway rolling stock, and parts and accessories thereof	R14 399 986 264	R15 297 456 411	R11 646 412 439	R14 701 191 757	R12 224 358 788
2.Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television image & sound recorders & reproducers & etc.	R3 192 034 020	R4 102 861 369	R4 009 448 991	R3 716 431 895	R3 633 112 641
3.Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof	R3 274 313 696	R3 928 108 679	R4 972 666 019	R4 336 501 181	R3 305 148 556
4.Rubber and articles thereof	R2 371 086 673	R2 326 059 343	R2 683 998 471	R2 575 894 556	R2 499 370 921
5.Furniture; bedding, mattresses, mattress supports, cushions and similar stuffed furnishings; lamps and lighting fittings, not elsewhere specified or included & etc.	R1 255 657 845	R1 646 822 878	R1 979 952 095	R1 954 982 198	R1 884 305 187
<b>Total Imports: All commodities</b>	<b>R39 325 738 987</b>	<b>R43 545 453 874</b>	<b>R42 953 244 909</b>	<b>R44 563 409 455</b>	<b>R41 059 275 141</b>

Source: Quantec and own calculations

The Eastern Cape top 10 import commodities from the rest of the world between years 2014 to 2019 are tabulated in table 8. Although, Eastern Cape export base is manufacturing orientated (particularly that of vehicles), it was notable that motor vehicles were the most sourced products by Eastern Cape from the rest of the world in between 2014 and 2019, valued at R9.9 billion in 2014 to R7.9 billion in 2019. This shows a shift in the trade of this product as the value of its exports continues to surpass its imports. The second most imported commodities in the top 10 list of imports by the province included parts and accessories of motor vehicles

worth R3.2 billion, followed by seats valued at R1.9 billion, insulated wire R1.6 billion, new pneumatic (R1.6 billion) and ceramic wares worth R1.5 billion, motor vehicles for the transport of goods.

#### 11.2.6 Global Foreign Direct Investment Climate

In 2018, global FDI inflows contracted by 13% to US\$1.3 trillion compared to the US\$1.5 trillion in 2017. This represents 1.3% of global GDP, the lowest level since 1999. The drop was largely due to the 2017 US tax reform which prompted US parent companies to repatriate large amounts of earnings held with foreign affiliates.



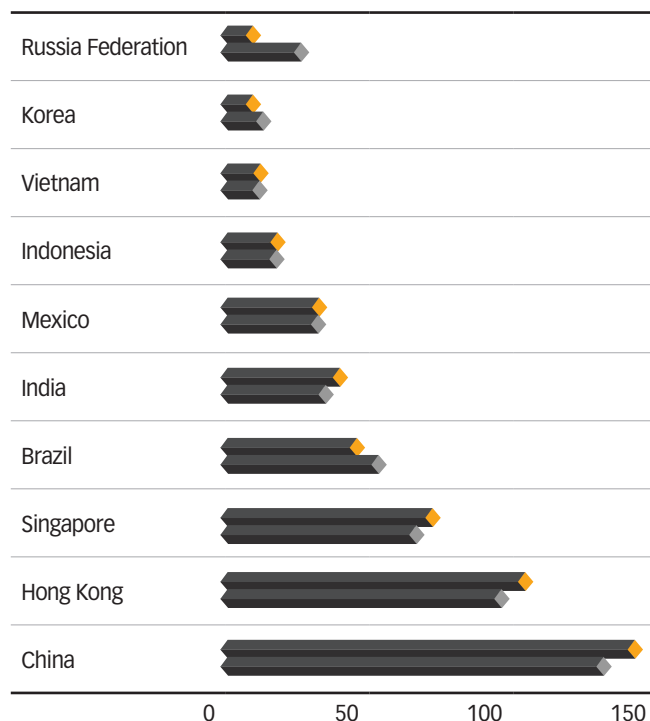
**R7,9 billion EC vehicle product import value versus R9,9 billion in 2014**



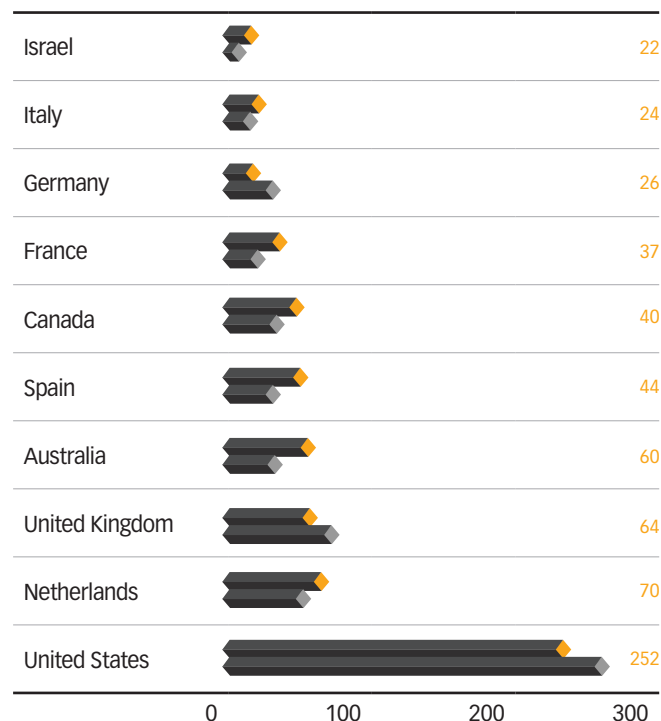
Figure 17: FDI Inflows Top 20 Host Economies, 2017 – 2018 (US\$-billion)

● 2018 ● 2017

## FDI Inflows in Developed and Transition Economies 2017 -2018



## FDI Inflows in Developed Economies, 2017 - 2018



Sources: UNCTAD

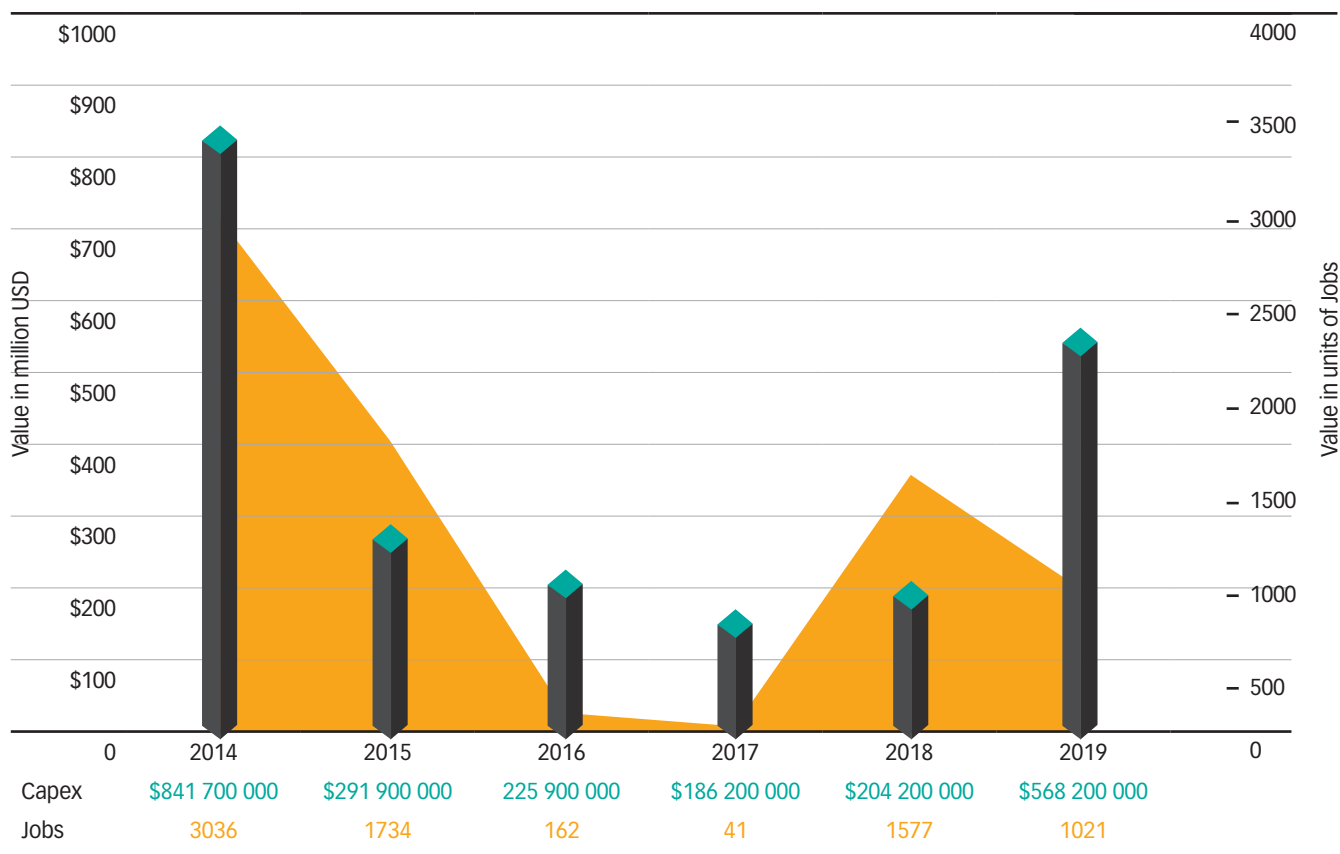
According to the Organisation for Economic Co-operation and Development (OECD), FDI by region shows that, FDI inflows to the OECD area decreased by 23% in 2018, to US\$ 625 billion. FDI inflows to the OECD area accounted for 48% of global FDI inflows, down from 53% in 2017 and 64% in 2016 but comparable to the average 47% recorded between 2012 and 2014. The decrease was mostly driven by large disinvestments in Ireland and Switzerland and less investment in the United Kingdom, the United States and Germany. The disinvestments in Ireland and Switzerland can probably be attributed to US parent companies repatriating past earnings held by affiliates in these countries. Thirteen other OECD countries also recorded decreased inflows. In contrast, FDI flows increased in Spain, Belgium, Australia, the Netherlands (excluding

resident SPEs) and Canada. FDI flows into EU countries decreased by 20% due to the large disinvestments in Ireland and Switzerland. FDI flows into EU countries accounted for 22% of global inflows, comparable to 2017. The FDI inflows to the G20 as a whole decreased by 2% to US\$ 955 billion. While FDI flows to OECD G20 economies decreased by 7%, FDI inflows to non-OECD G20 economies increased by 8%. The increased inflows went largely to China and India, with Russia and Brazil recording decreased FDI inflows. In 2018, FDI inflows into the African market increased by 10.9% (from US\$41.4 billion in 2017 to US\$45.9 billion in 2018), with Egypt in the lead and trailed by South Africa with FDI inflows valued at US\$6.8 billion and US\$5.3 billion respectively.

### 11.2.7 Eastern Cape Foreign Direct Investment Climate

A total of 20 companies invested in Eastern Cape between January 2014 and August 2019, out of a total 46,481 companies investing in FDI globally. The Eastern Cape Province attracted a total of US\$ 2.3 billion in foreign direct investment from the World and created approximately 7,571 job opportunities in the province between year 2014 and 2019. During this period under review, a total of 26 Foreign Direct Investment projects landed in the province with an average project size 291 in terms of jobs and average project size of US\$ 89.20 million in terms of capital investment.

Figure 18: Foreign direct investment into Eastern Cape by capital Investment &amp; job creation, January 2014- August 2019



Sources: FDI Intelligence Markets and Own Calculations

A total of US\$ 2.3 billion FDI was attracted by Eastern Cape and created approximately 7,571 job opportunities into the province's economy between 2014 and 2019. Eastern Cape attracted the highest capital investment of US\$ 841.7 million in 2014 and created approximately 3,036 total job opportunities in the province. The second highest investment in Eastern Cape was attracted in 2019 amounting to US\$ 568.2 million capital investment and created approximately 1,021 job opportunities in the province (see figure 17).

Table 9: Eastern Cape Top 10 Companies: Jobs Created and Capital Investment, 2014-2019

Company Name	Jobs Created		Capital Investment	
	Total	Average per project	Total (USD million)	Average (USD million)
1.Enel Green Power	167	41	802.00	200.50
2.Seraphim Solar System	418	139	47.60	15.90
3.Ford South Africa	320	160	27.40	13.70
4.Aegean Marine Petroleum Network	36	36	9.10	9.10
5.Agni Steels	150	150	7.40	7.40
6.BAIC International	2,500	2,500	794.80	794.80
7.Busch South Africa	29	29	4.30	4.30
8.China FAW Group (First Automotive Works)	754	754	115.60	115.60
9.Daimler AG	90	90	14.10	14.10
10.Defy Appliances	200	200	10.90	10.90

Sources: FDI Intelligence Markets and Own Calculations

The above table 9 tabulate the top 10 companies invested in the Eastern Cape between 2014 and 2019 by jobs creation and capital investment. The top 10 companies account for 61.6 % of job creation and 79.1% of capital investment. The top company that generated biggest capital investment of US\$ 802.00 million and created 167 number of jobs was Enel Green Power. The second biggest capital investment in the province was made by BAIC International

landed in Port Elizabeth amounting to US\$ 794.80 million and created approximately 2,500 highest number of job opportunities to the provincial economy. China FAW Group (First Automotive Works) located in Port Elizabeth was the company that invested a third largest capital investment of US\$ 115.60 million and created approximately 754 job opportunities in the province.

Table 10: Foreign direct investment into Eastern Cape by capital investment, jobs created & number of projects, 2014-2019

	No of projects	Total Jobs Created	Average (USD million)
1.Electronic components	7	857	94.60
2.Automotive OEM	4	5,285	1,247.20
3.Renewable energy	4	167	802.00
4.Automotive components	2	320	27.40
5.Coal, oil & gas	1	36	9.10
6.Consumer electronics	1	200	10.90
7.Engines & turbines	1	74	28.40
8.Industrial equipment	1	29	4.30
9.Metals	1	150	7.40
10.Plastics	1	66	11.30
11.Other sectors	3	387	75.40
Total	26	7,571	2,318.10

Sources: FDI Intelligence Markets and Own Calculations

The number of FDI's into the province by sector and the jobs created between 2014 and 2019 are demonstrated in table 10. The Automotive OEM sector accounted for a substantial total capital investment of US\$ 1.2 billion overall compared to other sectors during the period under review. Closely tailed by renewable energy sector which attracted the second biggest total in FDIs of US\$ 802.00 million followed by Electronic components sector with a capital investment of US\$ 94.60 million.

In terms of total number of job opportunities created in the province, the Automotive OEM ranked number one with 5,285, followed by electronic components with 857 and automotive components, in the third place with 320 total job opportunities created across the province. In the number of projects tracked, Electronic components sector attracted the highest number of 7 projects.

Table 11: Eastern Cape FDI trends by source country, 2014-2019

	No of projects	Total Jobs Created	Average (USD million)	Total Capital Investment (US\$: Million)
1.China	8	6	4,100	1,002.90
2.Germany	4	4	2,150	355.20
3.Italy	4	1	167	802.00
4.United States	3	2	605	77.40
5.Austria	1	1	66	11.30
6.France	1	1	11	2.20
7.Greece	1	1	36	9.10
8.India	1	1	150	7.40
9.Japan	1	1	74	28.40
10.Turkey	1	1	200	10.90
11.Other source countries	1	1	66	11.30
Total	26	20	7,571	2,318.10

Sources: FDI Intelligence Markets and Own Calculations

The Eastern Cape Foreign Direct Investment trends from the World by source country between 2014 and 2019 is demonstrated above (table 11). Out of a total of 11 source countries, the top five account for the majority of projects. China is the top source country

accounting for almost one-third of projects tracked amounting to US\$ 1.0 billion and generated the highest number of total jobs of 4,100 jobs, while Italy and Germany had the largest project size on average in terms of investment and jobs creation, respectively.

Table 12: Eastern Cape FDI trends by destination city, 2014-2019

Destination city	Projects		Companies		Jobs Created	Capital Investment (USD million)
	No	%	No	%		
Port Elizabeth	13	50.00	12	60.00	4,414	1,053.10
East London	6	23.08	5	25.00	1,409	180.00
Uitenhage	2	7.69	2	10.00	1,545	273.90
Not Specified	5	19.23	2	10.00	203	811.10
Total	26	100.00	20	100.00	7,571	2,318.10

Sources: FDI Intelligence Markets and Own Calculations

The Eastern Cape Foreign Direct Investment from the world by destination city between 2014 and 2019 shows that Port Elizabeth received the highest number of total jobs and greatest investment value with a total of 4,414 jobs and US\$ 1.1 billion capital investment. Within Port Elizabeth, Uitenhage is a destination city that has the largest project size on average in terms of investment and jobs creation. Out of a total of three destination cities, Uitenhage is the

second destination city to attract FDIs into the province in terms of capital and job creation, with US\$ 273.90 million investment and 1,545 jobs created. On the other hand, between 2014 and 2019, East London received the least capital investment of US\$ 180.00 million and created 1,409 jobs compared to other two destination cities in the province (table 112).



### 11.3 Internal Environment Analysis

#### Key challenges

The key challenges identified are the following in the EC economy:

- a) Skills shortage in the Province which result from the migration of critical skills to other provinces.
- b) Inadequacy of business acumen/entrepreneurship (more than 80% of SMMEs are very small and micro / survivalist).
- c) Inadequacy of developed infrastructure (impacting on cost of transacting in the province i.e. sourcing of goods outside the province).
- d) Shrinking economy with low growth figures in provincial GDP reported i.e. EC is a lagging economy, economic activity declines, minimum opportunity for growth to exploit, funding opportunities become scarce.
- e) Government spending is the key economy driver of SMME activities, instead of a commodity or service driven economy to drive economic growth and socio-economic development.
- f) Entitlement mentality and dependency syndrome which contradicts the user-pay principle and the realities of the shrinking national fiscus is politically influenced and advocated.
- g) Cost of doing business in the Province contributes to investors giving their businesses to other provinces.
- h) Reduction in equitable share of the Province from the National Fiscus is also contributing to the shrinking economy which is

already growing below the National average.

- i) The dysfunctional systems across all sphere as reported by the Auditor General has resulted in a development challenge, which manifest in the following among others:
  - Policy uncertainty.
  - Political instability.
  - Land expropriation.
  - Visa regiment.
  - Safety and security.
  - Infrastructure.
  - Flexibility and economic agility.
  - Corruption.
  - Exchange rate fluctuations.
  - Global competitiveness.
  - Ineffectual Change management process
- j) Spatial set up of our Province makes it uncompetitive as compared to the other provinces.
- k) Underfunding of the development mandate.
- l) Continued biasness of urban infrastructure development which contributes to the broadening disparity between the rural and urban parts of the province.



### Strengths

1. ECDC is tax exempted status enables savings for re-investment.
2. Provincial footprint with respect to regional offices.
3. Diversified property asset base which is unencumbered.
4. Strong IT infrastructure.
5. Clean Governance.
6. Pockets of highly skilled personal with experience.
7. Well established trade and investment capability outside the SEZ's
8. Ability to unlock value chains across sectors/ industries.
9. Fund management capability (sourcing, leveraging, packaging and managing)
10. Development project management capability
11. Tailor made non-financial and incubation business development support.
12. Strong networks and partnerships and collaboration.
13. Product stratification aligned to the demands of the target market.

### Weaknesses

1. High dependence on Government funding.
2. Inadequate Customer centricism.
3. Ageing workforce and limited talent pool.
4. Inability to deal with non-compliant tenants (there is a culture of entitlement by tenants resulting in non-payments by both tenants and loanees);
5. Inadequate brand management;
6. Limited capacity for big data analytics;
7. Too much knowledge management with no resulting implementation.
8. Underperforming property assets.
9. Limited agility.
10. Inadequate skills and capabilities within the organization.
11. Condition of properties.
12. Cost efficiency of ECDC.
13. Old dilapidated residential stock with little return

### Opportunities

1. Leverage funding and expertise from public and private sector to turnaround the property portfolio.
2. Develop/ Exploit existing industrial parks into Special Industrial Zones.
3. Infrastructure project and programme management to municipalities.
4. Extract value from high impact projects.
5. Increase socio-economic returns through business development support.

### Threats

1. Property invasions – is outside of ECDC's control, however, affects the Corporation output;
2. Land tenure. Land in tribal areas that are not registered is a threat as the tribal areas' residence can lay a claim on the land;
3. Slow to fund ECDC property developments eg. Dimbaza Masterplan approved in 2016 but still being considered for funding three years later;
4. Territoriality and vested interests in government projects;
5. Failing to attract investors as a province, environment not conducive e.g. incentives, properties in strategic positions, ICT Infrastructure, transport infrastructure, capacity of Port, the airports, etc.;
6. Deficit in the trust relationship with stakeholders i.e. misconception about the ECDC;
7. Lack of coordination of economic development entities with similar mandates in the province;
8. Dwindling of Provincial fiscus;
9. Competing economic opportunities in other Provinces which impact negatively on the Budget Allocation from National Treasury;
10. EC not a province of choice in terms of attracting Foreign Direct Investment;
11. 4th Industrial Revolution and the province is not capacitated from a technology point of view i.e. technological lag;
12. Impact of legislation amendments which could result in potential write off i.e. NCA;



Eastern  
Cape  
Development  
Corporation

Science  
Technology  
Renewable Energy  
Fisheries  
Construction  
Tourism  
Business Development  
Forestry

Science

Renewable Energy

# SEC.C

GOVERNANCE AND  
MANAGEMENT  
FRAMEWORK

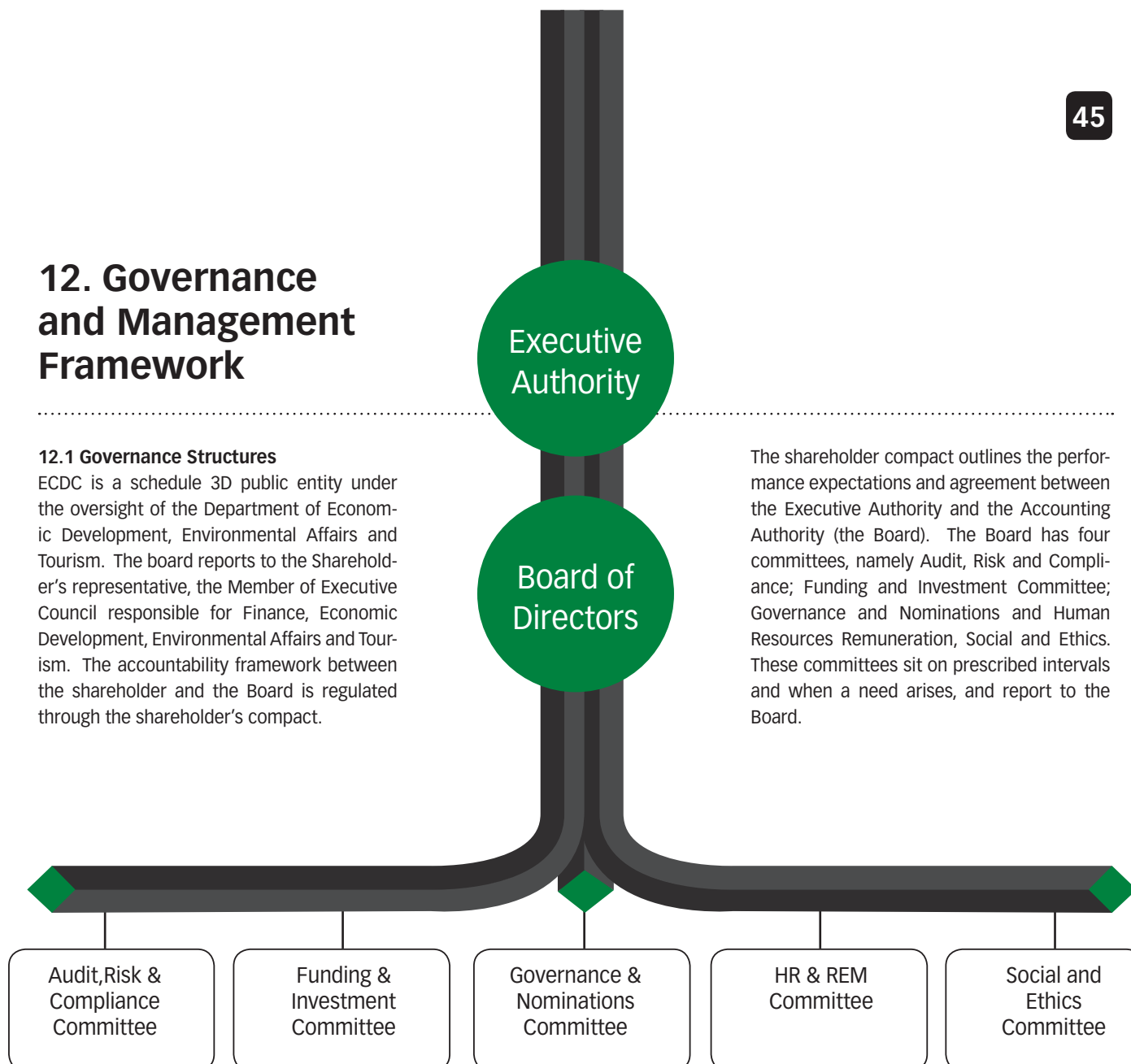


## 12. Governance and Management Framework

### 12.1 Governance Structures

ECDC is a schedule 3D public entity under the oversight of the Department of Economic Development, Environmental Affairs and Tourism. The board reports to the Shareholder's representative, the Member of Executive Council responsible for Finance, Economic Development, Environmental Affairs and Tourism. The accountability framework between the shareholder and the Board is regulated through the shareholder's compact.

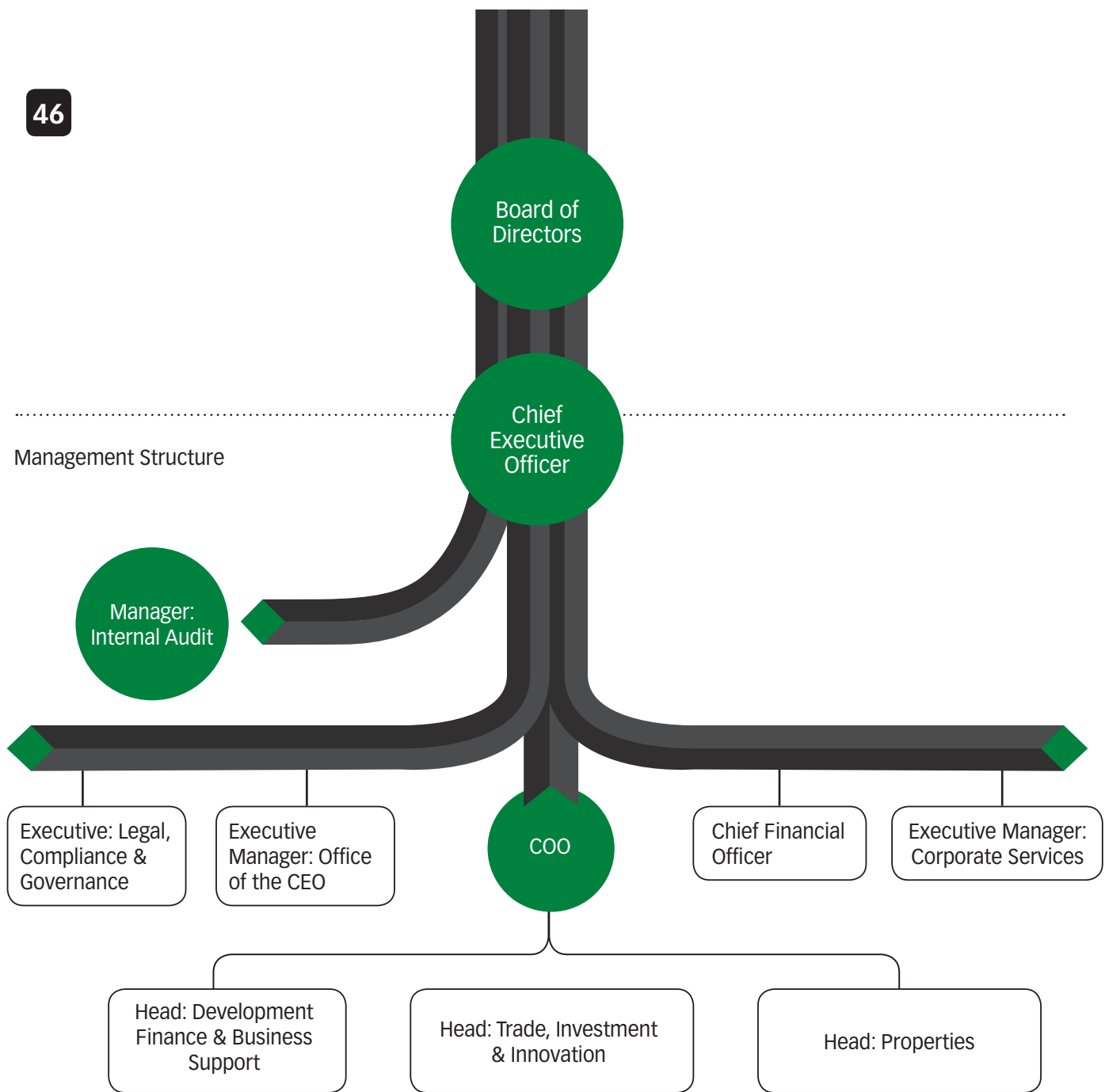
The shareholder compact outlines the performance expectations and agreement between the Executive Authority and the Accounting Authority (the Board). The Board has four committees, namely Audit, Risk and Compliance; Funding and Investment Committee; Governance and Nominations and Human Resources Remuneration, Social and Ethics. These committees sit on prescribed intervals and when a need arises, and report to the Board.



### 12.2 Management Structure

The Chief Executive Officer is the Accounting Officer of the company and is responsible for driving implementation of Corporate Strategy and all policies of the company subject to the delegation of authority. The CEO is leading a team of executives responsible for various business portfolios as determined by the Board from time to time. In the current management structure, the Executive Heads in the following portfolios report to the CEO: Chief Financial Officer; Chief Operating Officer; Corporate Services; Legal, Compliance and Governance; and Executive Manager in the Office of the Chief Executive Officer. The CEO is an ex officio member of the Board.





### 12.3 Outcomes of the ECDC Strategy Session

From the deliberations of the Board Strategy session, the following key observations and resolutions were noted:

- The fiscal framework continues to focus government resources on the social needs living little resources for economic infrastructure. The current ECDC business model is not sustainable and requires to be streamlined to respond to the economic realities of the province.
- Major decisions must be taken with regards to the property portfolio – the focus being to continue with the implementation of previous decisions on restructuring of this portfolio for growth, disposals and development projects.
- The ECDC is dependent on the shareholder for financial survival, this has to change – however, the shareholder needs to capitalise the ECDC in order for the corporation to deal with its historical and structural challenges and enable it to play its leading role in driving the Eastern Cape economy. The capitalisation will also help the corporation to leverage additional resources elsewhere for sustained economic development of the province.
- The ECDC should collaborate with the Department of Public Works to unlock the economic potential of the property portfolio and use it to increase government revenue base, and to drive economic development and transformation.
- There should be deliberate focus on the training and support of SMMEs to allow the sector to contribute effectively to employment creation. ECDC must work with the four universities in the province to establish an academy of small business to train and empower SMMEs.

- f. ECDC must be responsive to the needs of the SMME sector, and that the organisation must actively engage the private sector in its work. The local business feels that they are not adequately utilised even though they have expertise in the areas in which the ECDC operates.
- g. There should be greater coordination and collaboration between the IDZs, the ECDC and other DFIs to harness and sharpen focus on the high-potential sectors identified in the PEDS.
- h. The ECDC should work with the Department of Trade, Industry and Competition to strengthen the efforts to revitalise the Industrial Parks in the Eastern Cape. The ECDC must play a leading role in working with private sector to package projects for funding through the various incentive grants available through DTIC and its entities.
- i. The ECDC must play a leading role in the revitalisation of ageing economic infrastructure in the province. The process of redefining the mandate of the ECDC provides opportunities for an organisation that plays a more meaningful developmental role in the economic development of the province. This repurposing of the ECDC would require a new skills set in various sectors.
- j. The cost containment measures have been effective but have not resulted in increase in revenue. This has to be reviewed and appropriate steps taken to increase the revenue generation capacity of the corporation.
- k. There is a need to strengthen internal capacity in the property portfolio in order to take advantage of the economic potential of this portfolio. Lessons can be drawn from Ithala, given their success in managing their property portfolio.
- l. The ECDC review currently being undertaken by GTAC on behalf of the Shareholder must be completed to get a clearer picture of the possible business models that would ensure that the ECDC plays a meaningful role in growing the Eastern Cape economy. The process of the review coincides with the review of the mandate of the ECDC.

#### 12.4 Implementation model

ECDC employs 2 implementation pillars namely:

- a. Partnership, leveraging and co-investing models where partners and other stakeholders are co-opted into various projects. The investment comes in various forms and may consist of joint project management, skills mixing, monetary investments, expansion of development interventions and community upliftment.
- b. The other pillar is the use SMME development models namely financial support, non-financial support, grant funding, training and development, incubation, mentorship and other models that are uniquely tailored to suit the economic development challenge in a region or specifically to a business.



Eastern  
Cape  
Development  
Corporation

Science  
Technology  
Renewable Energy  
Fisheries  
Construction  
Tourism  
Business Development  
Forestry

Science

Renewable Energy

# SEC.D

MEASURING OUR  
PERFORMANCE

## 13. Institutional Performance Information

Based on prior years, the precious 5 year performance on head indicators are as follows:

Table 13: 5 year performance

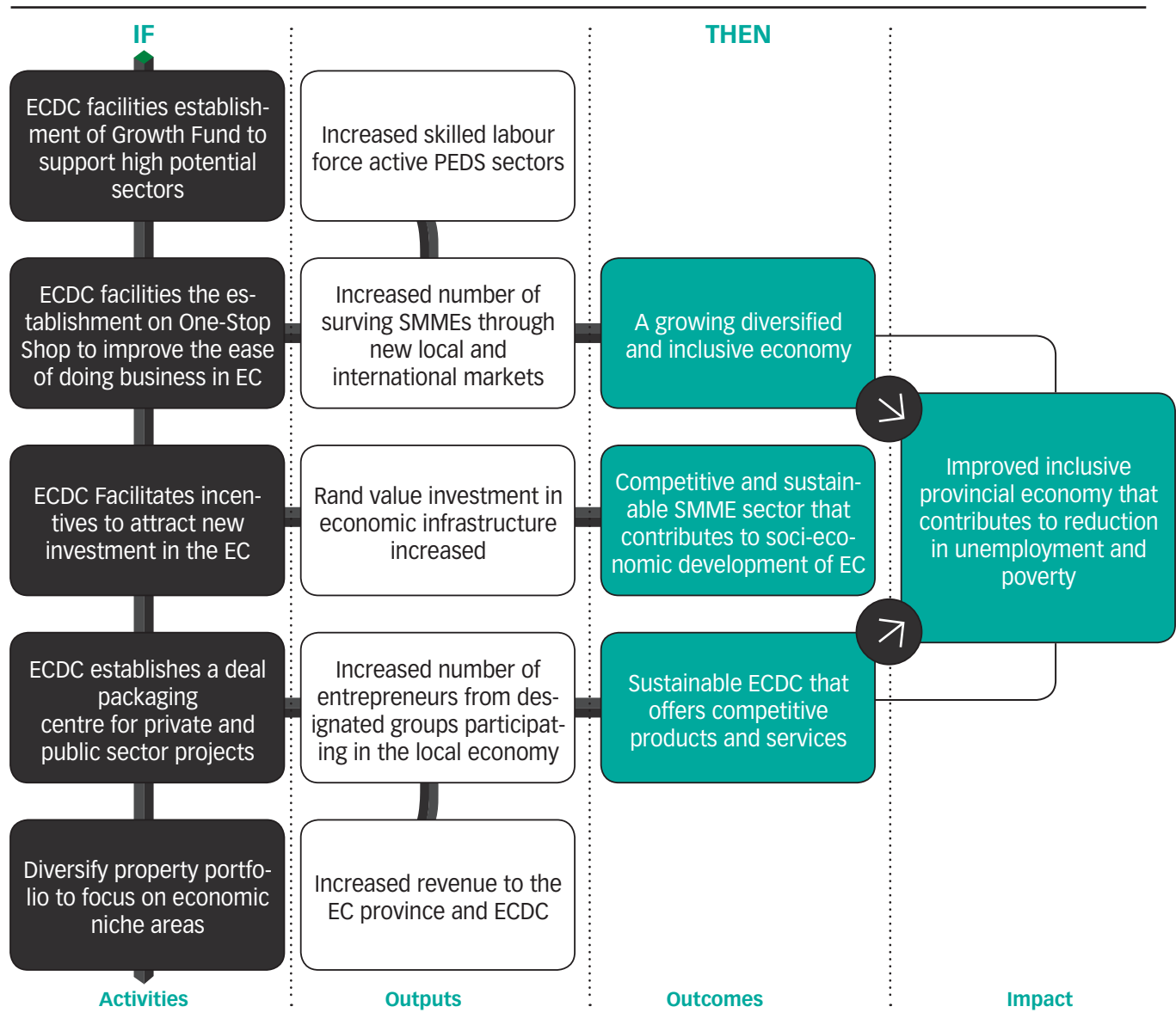
Outcome	2014/15 (audited)	2015/16 (audited)	2016/17 (audited)	2017/18 (audited)	2018/19	Total
Properties : Rental income (R' million)	R 71,6	R 69,5	R 68,0	R 71,7	R 72,7	R 353,5
Rand value of loans disbursed (to SMMES) (R' million)	R 96,5	R 92,3	R 168,4	R 98,3	R 41,9	R 497,4
Value of Investments Facilitated (R' million)	R 484,1	R2 262,3	R 663,2	R 394,4	R 292,4	R 4 096,4
Number of Jobs facilitated (inclusive of TII and Development Finance)	3711	3728	4209	3107	3969	18 724
Number of SMMES received development finance	261	260	263	163	190	1 137
Number of SMMES assisted with non- financial support services	337	292	368	278	228	1 503
Number Co-operatives supported with finance	58	17	16	20	20	131
Number of Development Projects facilitated	18	8	9	10	9	54
Number of jobs saved via the Jobs fund	123	583	939	987	808	3 440
Audit outcome	Qualified	Qualified	Unqualified	Unqualified	Unqualified	Unqualified

### 13.1 ECDC Theory of Change

The ECDC Theory of Change is based on the fundamental principles that economic development depends on the existence of conditions conducive for domestic and foreign investment. It is premised on the understanding that it is through collective efforts of all role-players in the economic transformation sector that we can improve the standards of living and quality of life of the people of the province by leveraging on its natural resources to create a diversified and inclusive economy that benefits all the people of the Eastern Cape.



Figure 19: Theory of change



The ECDC theory of change postulate that IF the company is able to facilitate development of high potential sectors as outlined in PEDS, and facilitate and promote the ease of doing business in the Eastern Cape, and facilitate incentives to attract domestic and foreign investment and leads the process of packaging projects for public and private sector investment and diversify the existing property portfolio to focus on economic niche areas, AND is able to increase the pool of skills labour in PEDS sectors, increase the number of profitable SMMEs by facilitating access to domestic and

international markets, Increase investment in economic infrastructure in the province, increase successful entrepreneurs from the designated groups and increase the tax revenue for the state, and income streams for the ECDC, THEN this will lead to a diversified inclusive economy, a competitive and sustainable SMME sector and a financially sound corporation (i.e. the ECDC), which will lead to improved provincial economy characterised by reduced levels of unemployment and poverty.

The ECDC theory of change will only be plausible if the following assumptions are present:

- a. Alignment of economic development initiatives across all spheres of government.
- b. Continuous and deliberate skilling of economic active citizens in key PEDS sectors.
- c. Policy and regulatory flexibility that adapts to changing global environment.
- d. Good governance and accountability across all spheres of government.
- e. Increased investment in innovation and research
- f. Improvement in the credit ratings for South Africa and key SOEs
- g. Strong lobbying and advocacy capabilities from political and administrative leadership of the province.
- h. Strong monitoring and evaluation capabilities in the province.
- i. Initial capitalisation of the entity to enhance its leveraging capability

### 13.2 Measuring the Impact & Long-Term Outcome

Table 14: Measuring outcomes

Impact Statement	Outcome	Key Outcome Indicator	Baseline	Five-year target
An improved inclusive provincial economy that contributes to the reduction in unemployment and poverty.	Competitive and sustainable SMME Sector	% survival rate of SMMEs supported by ECDC	No baseline	50%
	A growing diversified and inclusive economy	% investment from PEDS sectors	No baseline	20%
		% diversified exports from targeted sectors	No baseline	10%
	A viable ECDC that offers competitive products and services	Rand value of rental from property portfolio	R75 million	R95 million
		% ROI on properties	0%	5%
		Cost to income ratio for ECDC	0.84:1	1:1

#### 13.2.1 Planned Performance over the Five-Year Planning Period

One of the key strategic focus of the ECDC over the next 5-10 years would be to contribute towards the economic transformation and inclusive economic growth and inclusiveness of the Eastern Cape economy. In order to achieve reduced unemployment to 6% by 2030, the NDP proposes specific three of the five interventions which constitute the centre of this strategy, and these are:

- Creating an environment for sustainable employment and economic growth
- Promoting employment in labour-absorbing industries
- Promoting exports and competitiveness

On the other hand, the Provincial Development Plan goal of developing an innovative and inclusive growing economy is supported by three objectives which are aligned to the ECDC's strategic pillars, these are:

- Strong industry and enterprise support
- Rapid development of high-potential economic sectors which include, tourism, creative industries, construction and real estate, oceans economy, manufacturing, agro-processing and knowledge economy.

The first two outcomes proposed in this strategy will contribute directly to the NDP and PDP targets. The Outcome indicators measure directly the outcome of the ECDC interventions in transforming the economy and ensuring a vibrant, export oriented SMME sector that will not only be dependent on government to survive by offering innovative products and services to regional, continental and global markets. The ECDC will spend its resources and energies harnessing and unlocking economic value from the high potential sectors outlined in the Provincial Economic Development Strategy (PEDS).

The 6th administration has prioritised transformation of the key sectors of the economy, with special focus on women, youth and people with disabilities, ECDC intends to develop interventions that would specifically target this select group and measure and track their progression and development throughout the life of this strategy document. The third outcome focuses on the sustainability of the ECDC, which is critical in driving economic development in the province. In order to achieve this outcome, a paradigm shift is required in the service delivery model of the corporation. This will be elaborated in the Corporate Plan. In order to achieve the targets set in this strategy, the ECDC will play an active role in facilitating collaboration and partnership with key departments and entities in the economic cluster as well as organised business and other key role-players nationally and internationally. If the outcomes outlined in this strategy are realised, their cumulative effect will lead or contribute to the intended impact. The theory of change outlines the key conditions or mechanisms that would result in the intended impact.

### 13.2.2 Strategic Operational Priorities

The ECDC has reviewed its environment, examined its internal and external operating environment, redefined and adjusted its objectives, mission statement and vision. These high level parameters are meant to direct and lead the corporation into the next 5 years. In order to keep pace and find synergy with the shareholder and various urgent actions a set of priorities are needed to lead and direct the ECDC apart from the key performance areas, indicators, target and budget. These key strategic priorities are as follows:

#### Priority 1: Mandate, organisational review and cost realignment

- ECDC act review
- Alignment of the act, business review and ECDC operations and costs
- Enabled platform for operations.

#### Priority 2: Grow the Economy through promoting Trade and Investments

- Package Priority programs aligned to promoting value chains for SMME development.
- Leveraging of trade and investment opportunities for ECDC equity participation
- Increase the profile of the 1 stop shop.

#### Priority 3: SMME development

- Focussed SMME development and support programs
- All-inclusive Development finance instruments with debt instrument limited to Lower level of Small SMME Category, Very Small, Micro and Co-operatives
- Implementation of government SMME development initiatives

#### Priority 4: Properties:

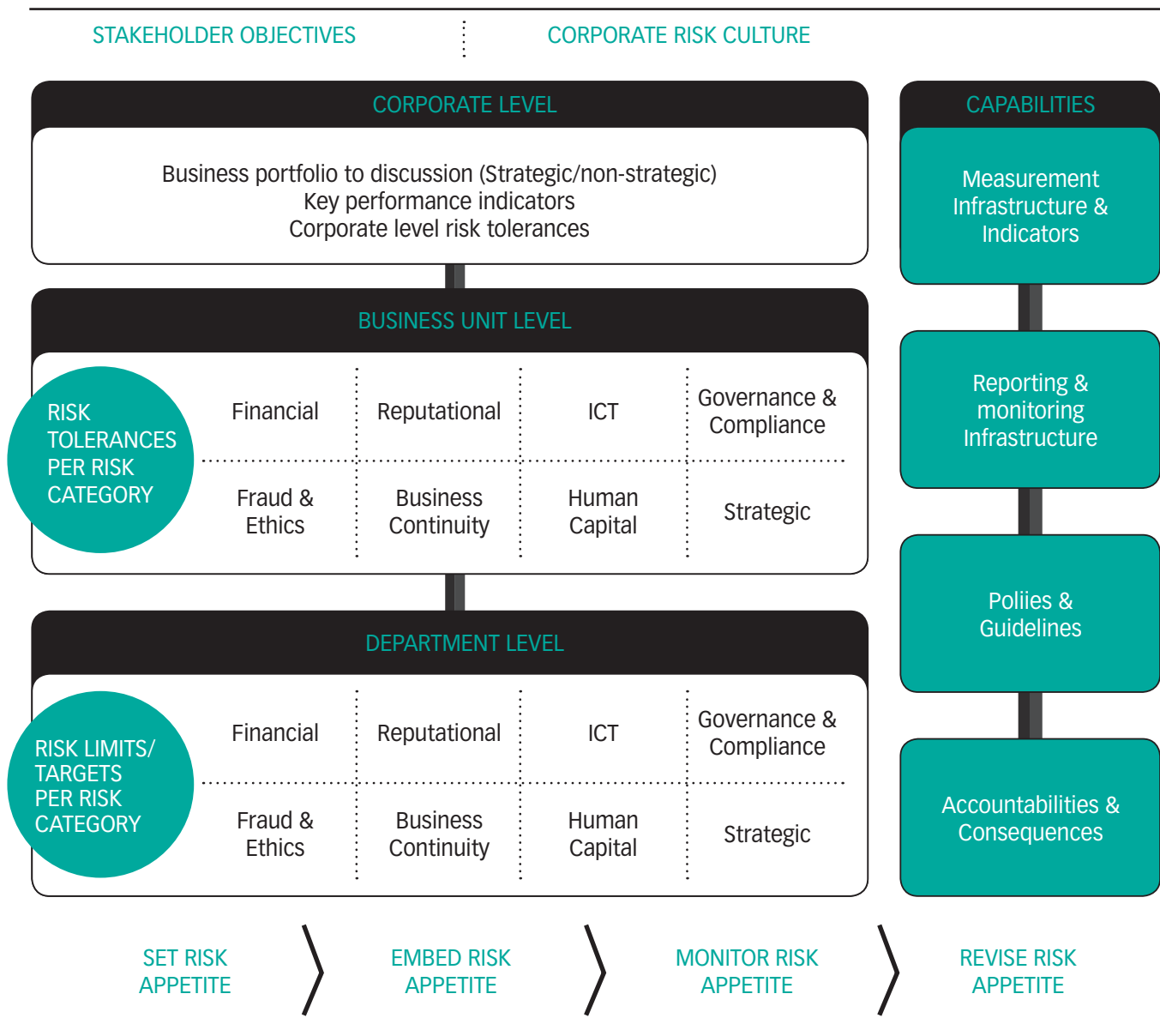
- Re-configure the Property Portfolio into a financially and operationally independent stand-alone division.
  - Strategic business partnership to refurbish specific identified properties with high economic potential (Development leases)
  - Package and model properties with high demand, high income potential to leverage third party funding for refurbishment across the portfolio;
  - Package and release non-core, underperforming assets to fund strategic development and refurbishment costs
- Develop and Nurture Stakeholder Relationships
- Improved customer experience
  - Improved collaboration and coordination with stakeholders and private sector
  - Procure for economic empowerment
- Industrial parks revitalisation phases 2 and 3.
- Revitalisation of industrial parks into Special Industrial Zones.

### 13.3 Key Risks and Mitigants

The ECDC has developed a Risk Appetite Framework which provide parameters of a dynamic process that encompasses corporate strategy, capital allocation, performance indicators and risk management, alongside risk bearing capacity. It also provides the reference point against which to benchmark risk management reviews and risk mitigation activity within the ECDC and outlines the expectations for the operation of the control environment and the basis for establishing limits.

Key risk indicators are identified to monitor our principal risks, which are reviewed quarterly by the Audit, Risk and Compliance Committee, to ensure that all activities of the ECDC remain within risk appetite.

Figure 20: Five elements of risk appetite





### 13.3.1 Risk Management Framework

Table 15: Risk Management Framework

Outcome	Risk	Key Risks	Risk Mitigation
Competitive and sustainable SMME sector that contributes to employment creation	Development Impact Risk (Inability to invest and deliver on key strategic socio-economic development sectors and priorities)	Lack of access to domestic and global markets	Support and advocate for localisation and proudly South African initiatives
		SMME sector that is heavily reliant on government for business	Facilitate access to new markets for SMMEs nationally, regionally and globally
		Poor research and business intelligence capabilities	Partner with the four University & research institutes to conduct research on behalf of the corporation.
		Low labour absorption rates despite growing SMME sector	Prioritise business support to SMMEs that absorb more labour unit per rand value loaned
		Lack of funds to support enterprise development	Partner with LED Unit of Municipalities & other relevant institutions to support enterprise development in a more structured and sustainable way
A growing diversified and inclusive economy		Lack of skills required by the high potential PEDS sectors	Collaborate with sector organisations and Universities (provincially and nationally) while building internal skills in the high potential sectors.
		Poor integration and coordination between stakeholders with similar mandates	Lead initiative to coordinate the economic cluster stakeholders to improve collaboration and integration of economic initiatives
		Investors prefer other provinces as investment destinations	Strengthen relationship with DTIC to access incentive grants and support related to improving investment destination.
		Social instability in areas identified for major investments	Collaborate with relevant stakeholders at community, local and provincial level, to facilitate resolution of issues causing social distress.
		Increasing levels of electricity outages due to load shedding and poor energy infrastructure	Attract investment in alternative sources of energy in the province
A sustainable ECDC that offers competitive products and services	Business	The possibility of lower than anticipated profits or experiencing a loss rather than taking a profit.	Re-align ECDC's income generating products to ensure each product line is financially viable
	Operational Risk	The prospect of loss resulting from inadequate or failed procedures, systems or policies. Employee errors including systems failures, fraud or other criminal activity and any event that disrupts business processes.	Strengthen ECDC's internal controls, policies and procedures.
	Financial	Inability to meet short and long-term financial obligations on a timely basis; and	
		The failure of a borrower, debtor or counterparty to meet its obligations in accordance with agreed terms.	Set, monitor and manage risk appetite and tolerance thresholds to an acceptable level to ensure financial sustainability.
	Human Capital	Inability to attract, retain and develop a diverse, highly talented, and motivated, high performing and productive workforce, with knowledge, skills and competencies to achieve corporate goals and promote corporate culture and ethics.	Strategic resourcing and providing a work environment that is conducive to optimal performance.
	Reputational	unfavourable public perception of the organization or its products or services.	Strategically aligned media communication and stakeholder management policy







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Science

Renewable Energy

# SEC.E

SYNOPSIS OF  
TECHNICAL INDICATOR  
DESCRIPTION (TID)

Table 16: TID synopsis of Key Outcome Indicators

KOI No	Indicator title	Survival rate of SMME's supported by ECDC
01	Short definition	% survival rate of SMMEs supported by ECDC is taken over a period of time using a fixed variable namely the SMME supported to test their survival rate.
	Purpose/importance	ECDC mandate is to provide financial and non-financial support to SMMEs to enable them to participate in the economy whilst alleviating poverty and unemployment in the province.
	Source/collection of data	Research study/report on the survival rate of SMME's
	Method of calculation	Research study/report produced to show survival rate of SMME's that were supported over a financial year accumulated over 5 years/inception of the strategy.
	Data limitations	Limited to the SMME's supported with business finance (Inclusive of Business and Incentives Finance) and non-financial services only.
	Type of indicator	Outcome
	Calculation type	Summative
	Reporting cycle	Baseline set in year 1 however cumulative over 5 years
	New indicator	Yes
	Desired performance	Target met or higher
	Indicator responsibility	Development Finance and Business Support Unit
	How are targets set for this indicator	Targets are set using the following variables:
	-	Number of SMME's supported over a financial year tracked over 5 years.
02	Proof of how the target was set	Part of the strategy planning process and theory of change
KOI No	Indicator title	Survival rate of SMME's supported by ECDC
02	Short definition	<ul style="list-style-type: none"> <li>- Total investment value of the projects facilitated over a specific time period indicated/measured in South African Rands (ZAR) as declared by the investor which may be an approximate amount, depending on the nature of the project / investment in the PEDS sectors.</li> <li>- The claim could be either a partial claim of the total investment or the full investment value of the project depending on its roll-out (whether phased or once-off) as declared by the investor. This could either be a green-field (completely new) or a brown-field investment (expansion).</li> <li>- Facilitation in this context is defined as any activity that assists, makes less difficult or makes easier the process for an investor to make an investment decision. This can be done in collaboration with other stakeholders and related parties. Government or public entities are also included as investors in the Province.</li> </ul>
	Purpose/ importance	Development of the priority sectors of the Province in: <ul style="list-style-type: none"> <li>- Growing the local economy (GDP/GVA), exploiting local opportunities, creating and sustaining jobs, attracting foreign and local investment, developing/obtaining new technology, fostering local beneficiation (where applicable), and bringing in new skills/promoting skills transfer</li> </ul>
	Source/ collection of data	Research study/report showing investment from PEDS sectors.
	Method of calculation	Research study/report showing an increase investment from PEDS sectors over a financial year accumulated over 5 years/inception of the strategy.
	Data limitations	<ul style="list-style-type: none"> <li>- Accuracy of information supplied by the investor.</li> <li>- Due to various role players, the full amount invested in the province may not be directly attributed to the actions of ECDC only.</li> </ul>
	Type of indicator	Outcome



KOI No	Indicator title	Survival rate of SMME's supported by ECDC
02	Calculation type	Summative
	Reporting cycle	Baseline set in year 1 however cumulative over 5 years
	New indicator	Yes
	Desired performance	Target met or higher
	Indicator responsibility	Trade, Investment and Innovation Unit
	How are targets set for this indicator	The target is set by the in line with: - The unit's pipeline of investment projects in the PEDS sectors. - The pipeline is analysed and the prevailing economic climate is taken into account.
	Proof of how the target was set	Part of the strategy planning process and theory of change

KOI No	Indicator title	Survival rate of SMME's supported by ECDC
03	Short definition	- Locally based businesses provided with export support as part of a formal programme of export development and/or promotion in order to export successfully. - Support is sometimes provided in conjunction with the National Departments, Municipalities, Industry associations and business partners.
	Purpose/importance	The purpose is to show a movement from traditional exporting sectors to targeted sectors which is meant to diversify the EC economy.
	Source/collection of data	Research study/report on the diversified exports from targeted sectors
	Method of calculation	Research study/report produced to increase in diversified exports from new industries over a financial year accumulated over 5 years/inception of the strategy.
	Data limitations	A company can be counted more than once if assistance runs across quarters for different interventions.
	Type of indicator	Outcome
	Calculation type	Summative
	Reporting cycle	Baseline set in year 1 however cumulative over 5 years
	New indicator	Yes
	Desired performance	Target met or higher
	Indicator responsibility	Trade, Investment and Innovation Unit
	How are targets set for this indicator	The target is set using the following variables: - SMME's support via Export Development initiatives and support provided to local SMMEs to render them export ready.
	Proof of how the target was set	Part of the strategy planning process and theory of change

KOI No	Indicator title	Survival rate of SMME's supported by ECDC
04	Short definition	Rental income from leased out residential and commercial properties
	Purpose/importance	To realise capital to re-invest in sustainability interventions identified
	Source/collection of data	- Total deposits from the ECDC bank account (rentals), as reported in MDA/Nicor system (spreadsheet extracted).
	Method of calculation	Total receipts from rental billings
	Data limitations	Deposits unaccounted for due to incorrect referencing
	Type of indicator	Outcome
	Calculation type	Summative
	Reporting cycle	Baseline set in year 1 however cumulative over 5 years
	New indicator	Yes

KOI No	Indicator title	Survival rate of SMME's supported by ECDC
04	Desired performance	Target met or higher
	Indicator responsibility	Properties unit
	How are targets set for this indicator	The target is set using the following variables: <ul style="list-style-type: none"> <li>- Number of properties coordinators.</li> <li>- Type and categorisation of the property in question (residential/commercial/ residential)</li> <li>- Billings and projections for anticipated collections.</li> <li>- Condition of the properties</li> </ul>
	Proof of how the target was set	Part of the strategy planning process and theory of change

KOI No	Indicator title	Survival rate of SMME's supported by ECDC
05	Short definition	Total percentage returns from the management of the fixed assets.
	Purpose/importance	To realise returns on the asset under management.
	Source/collection of data	<ul style="list-style-type: none"> <li>- Values as stated from the asset register.</li> <li>- Values derived from rental collection, debt collection, rental billing, property expenditure and disposals.</li> </ul>
	Method of calculation	Divide the annual return by the amount of the total investment = % ROI
	Data limitations	None
	Type of indicator	Outcome
	Calculation type	Summative/ quantitative
	Reporting cycle	Baseline set in year 1 however cumulative over 5 years.
	New indicator	Yes
	Desired performance	Target met or higher
	Indicator responsibility	Properties unit
	How are targets set for this indicator	The target is set using the following variables: <ul style="list-style-type: none"> <li>- Asset register.</li> <li>- Value of billing and expenditure from various sources related to the asset under management.</li> </ul>
	Proof of how the target was set	- Part of the strategy planning process and theory of change

KOI No	Indicator title	Survival rate of SMME's supported by ECDC
06	Short definition	ECDC is expected to optimise all its resources to maximise investment returns to progressively move towards attaining sustainability over the MTEF period.
	Purpose/importance	To reduce costs and improve revenue
	Source/collection of data	Management Accounts / Financial Statements
	Method of calculation	Cost-to-income ratio (excluding impairment) = (Total Expenditure – Impairment) / Total Income
	Data limitations	None
	Type of indicator	Outcome
	Calculation type	Summative
	Reporting cycle	Baseline set in year 1 however cumulative over 5 years
	New indicator	Yes
	Desired performance	Target met or higher
	Indicator responsibility	Finance (CFO)
	How are targets set for this indicator	The target is based on strategy of ECDC over the medium term.
	Proof of how the target was set	Part of the strategy planning process and theory of change

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Science  
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Renewable Energy  
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Construction  
Tourism  
Business Development  
Forestry

Science



Renewable Energy

+ Construction  
Tourism  
Business Development  
Forestry  
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Science  
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