

Industrial Development Corporation

Portfolio Committee on Economic Development Briefing on Corporate Plan 2014/15

Expanding industrial capacity for development







The Role of DFIs DFIs' positioning within the financial system



Greater importance on social and developmental objectives

Greater importance on financial objectives

Government / NGOs

- Non-commercial focus
- Fiscal transfers and grants
- Development objectives (social)

DFIs

- Commercial and development focus
- Sharing risk
- Internally generated funds, government funds, loans

Commercial Financiers

- High commercial focus
- Private sector capital
- Financial objectives
- Known risks

DFIs should not compete with other institutions, but should instead encourage cooperation to achieve its goals

The South African DFI Landscape Core mandates of South Africa's national DFIs



Core Mandate	DFI
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Industrial development

• Industrial Development Corporation (IDC), est. 1940

Infrastructure development

• Development Bank of Southern Africa (DBSA), est. 1983

Agriculture, land reform and rural development

- Land and Agricultural Development Bank (Land Bank), est. 1912
- Independent Development Trust (IDT), est. 1990

Black economic empowerment

National Empowerment Fund (NEF), est. 1998

SMME development

- Small Enterprise Finance Agency (sefa), est. 2012
- Small Enterprise Development Agency (seda), est. 2004

Housing development

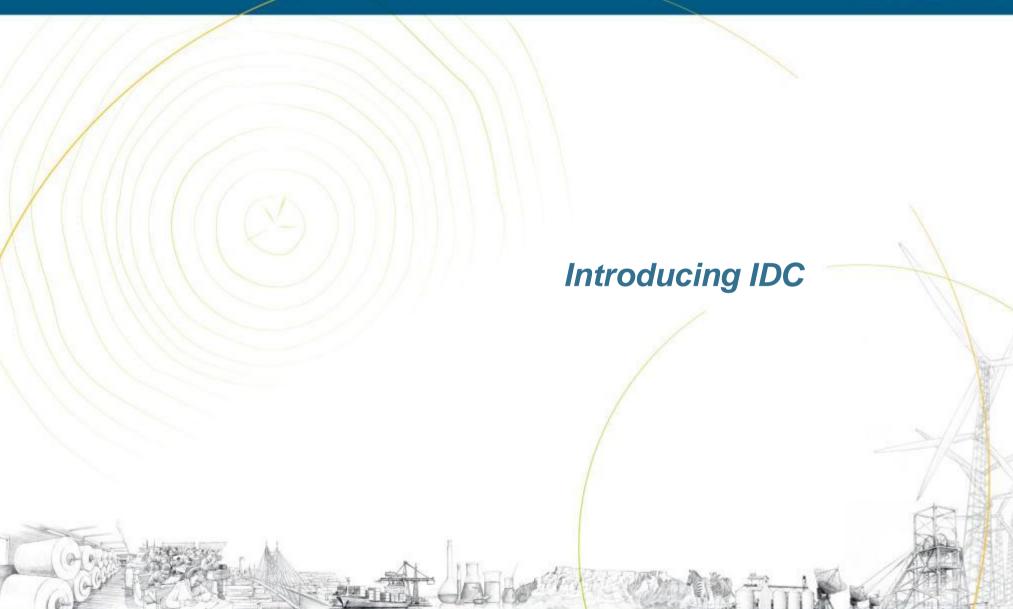
- Rural Housing Loan Fund (RHLF), est. 1996
- · National Housing Finance Corporation (NHFC), est. 1996
- National Urban Reconstruction and Housing Agency (NURCHA), est. 1995

Youth development

National Youth Development Agency (NYDA), est. 2009

In addition to national DFIs, there are also a number of provincial DFIs/investment promotion agencies including Ithala Development Finance Corporation (KwaZulu-Natal), Eastern Cape Development Corporation, North West Development Corporation, Free State Development Corporation, Limpopo Economic Development Agency.





Summary of IDC's main activities



- IDC's main activity is the provision of industrial finance to businesses throughout the business lifecycle in various sectors aligned with industrial policy priorities as well as developing projects in these industries.
- In addition, it is involved in other activities such as research, policy inputs and fund management for government departments; non-financial support for business; and capacity building for other DFIs.

Activities	Customers	Business lifecycle	Sectoral involvement	Funding products	Regional involvement
 Provision of development finance Project development Research and policy inputs Fund management Non-financial forms of business support Capacity building 	BusinessGovernmentOther DFIs	 Conceptual Pre-feasibility Feasibility Product commercialisation Establishment Expansion Mature 	 Manufacturing Agricultural value- add Mining and mineral beneficiation Green industries Industrial infrastructure Tourism, ICT, cultural industries and other productive 	 General debt Quasi-equity Equity Export/import finance Short-term trade finance Bridging finance Guarantees Venture capital 	 South Africa Rest of Africa Global imports of South African capital equipment
			services	 Wholesale funding through intermediaries 	

To be the primary driving force of commercially sustainable industrial development and innovation for the benefit of South Africa and the rest of the African continent.

The IDC is a self-financing national development finance institution whose primary objectives are to contribute to the generation of balanced, sustainable economic growth in Africa and to the economic empowerment of the South African population, thereby promoting the economic prosperity of all citizens. The IDC achieves this by promoting entrepreneurship through the building of competitive industries and enterprises based on sound business principles.

Lead industrial capacity development

Primary: Facilitate sustainable direct and indirect employment **Secondary:**

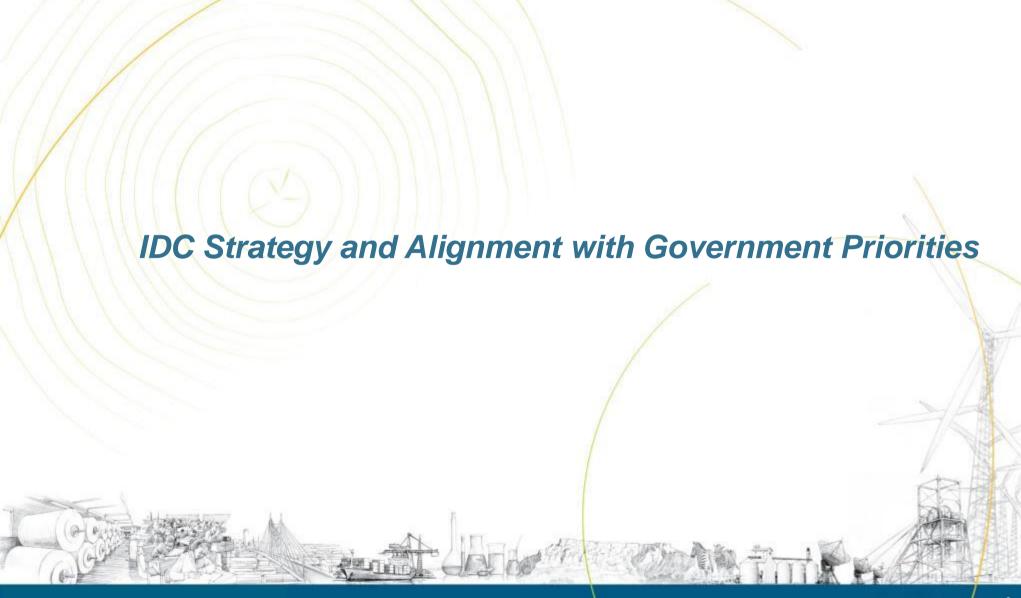
- Improving regional equity, including the development of South African rural areas, poorer provinces and industrialisation in the rest of Africa;
- Promoting entrepreneurial development and growing the SME sector
- Transformational impact on communities and growing black industrialists
- Environmentally sustainable growth
- Growing sectoral diversity and increased localisation of production

Passion

Professionalism

Partnership





Leadership in Industrial Development



Increasing Industrial Development Impact

- Prioritise sectors in which IDC will play a proactive role and strengthen sector development objectives and strategies
- Align IDC with the sector objectives of the NDP, NGP and IPAP
- Increased project development and implementation
- Provide industrial finance to further achievement of sector development objectives
- Increase regional industrial integration through the development of value chains
- Ensure effective and efficiently operating sefa

Ensuring Long-Term Sustainability

Financial Capital

• <u>Improved management of the IDC</u> investment portfolio

- Plan investment return and risk profile to ensure sufficient growth to replace existing cash generators
- Structure investments to increase direct equity returns
- Manage risk through appropriate investments, pricing and management of the portfolio

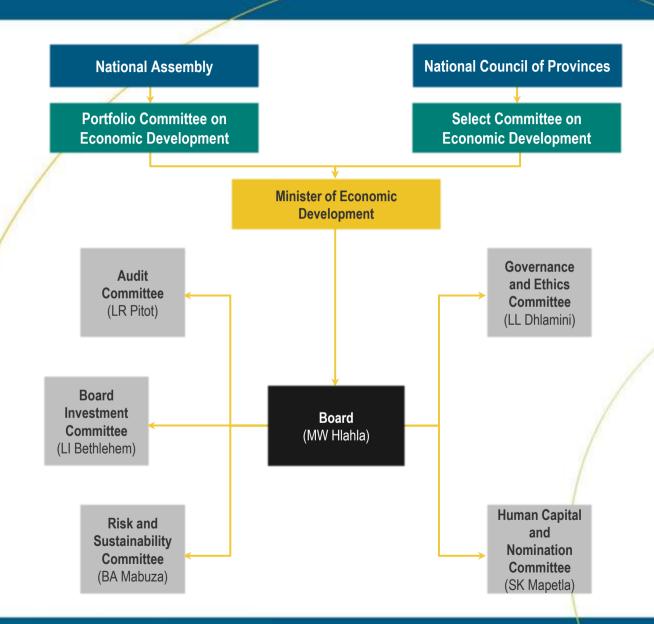
Human, Social, Natural and Manufactured Capital

- Human resources
 - Ensure appropriately skilled and capacitated human resources
 - <u>Strengthen culture of performance and</u> development
- Stakeholders
 - Improve customer service
 - Build partnerships with other financiers to leverage off different strengths and mandates
 - Increase engagement with sector players to identify opportunities
 - Develop black industrialists
 - Strengthen IDC expertise to shape and influence policy
 - Build strong communities around projects that IDC funds
- Natural environment
 - Reduce IDC's negative environmental impact
 - Reduce industry's negative environmental impact
- Utilisation of resources
 - Improve efficiencies through improved systems and processes

Improvements to the strategy introduced for 2014/15 are underlined

IDC Board and governance





Board Members

- MW Hlahla (Chair)
- MG Qhena (CEO)
- BA Mabuza
- JA Copelyn
- BA Dames
- LL Dhlamini
- RM Godsell
- PM Mthethwa
- SK Mapetla
- LR Pitot
- LI Bethlehem
- SM Magwentshu-Rensburg
- ZJ Vavi
- NE Zalk
- GS Gouws (Alternate) (CFO)

DFIs specifically mentioned in SONA 2014



"The total assets of our Development Finance
Institutions amount to some R230 billion.

However, their impact on development is not sufficiently broad-based and their investment programmes are not well coordinated.

The institutions will be repositioned in the next five years to become real engines of socio-economic development"

Jacob G Zuma,

President of the Republic of South Africa

"One of the enhancements to IDC's strategy is a prioritisation process whereby the organisation will identify sectors where it will play a proactive role focusing resources and increasing its impact on the economy and job creation."

IDC Corporate Plan 2014-2019

IDC is central to and aligned with EDD and the dti Strategic objectives



From EDD's 2014 Annual Performance Plan

- Coordinate jobs drivers, sector/spatial projects and implementation of the NGP for job creation, inclusive growth, industrialisation and social inclusion
- Coordinate Infrastructure development for inclusive growth, service delivery, job creation, industrialisation and social inclusion
- Promote investments, expand industrial funding and entrepreneurship and improve performance of DFIs for job creation, inclusive growth, industrialisation and social inclusion
- Promote competition, trade and other economic regulation in support of job creation, inclusive growth, industrialisation and social inclusion

From Strategic Overview of the dti Priorities Dr Rob Davies, Minister of Trade and Industry

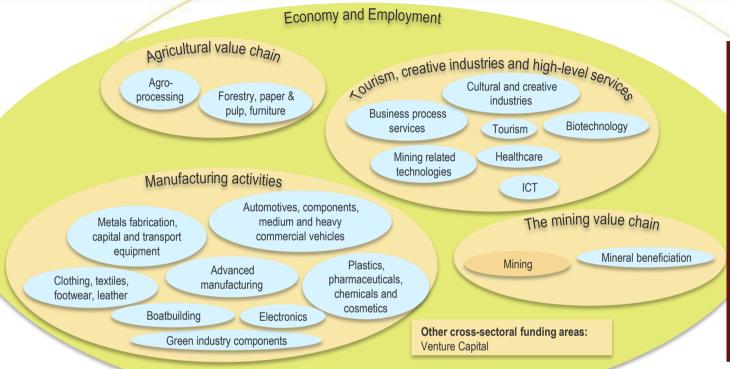
- Increased access to DFI finance and incentives against stronger conditionalities
- "We have not yet decisively placed SA economy on a new growth path driven by productive sectors, higher "value addition" and industrialisation"
- Industrialisation must be a central objective

From the dti's 2014 Annual Performance Plan

- Facilitate transformation of the economy to promote industrial development, investment, competitiveness and employment creation
- Facilitate broad-based economic participation through targeted interventions to achieve more inclusive growth

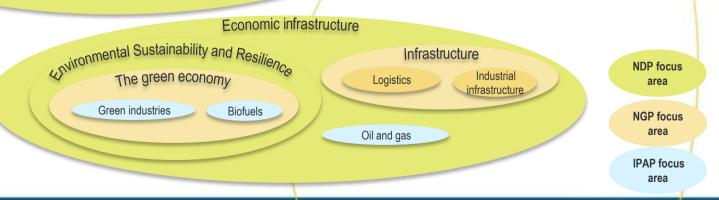
As a part of the State, IDC strategy draws from Government's Programme





IDC activities are aligned to Government's programme, driving increased economic activity in productive sectors and seeking to have a greater impact on job creation, inclusive wealth, provincial distribution of economic activity and regional development.

IDC sectoral funding activities supports relevant areas of the NDP, NGP and IPAP



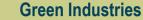
Sectoral focus areas



Agro and New Industries Division









Strategic High Impact Projects



Venture Capital



Internationalisation -

Globalising SA brands and incorporation of SA companies into global supply chains Value addition – Horticultural and grain surplus value addition

Import replacement - Seed oils and oil cake; malt production

Emerging industries – Marine aquaculture

Rural/poor linkages – Rural agricultural linkage scheme; one-stop, agri-business support initiative

Non-fuel power generation –

Wind, concentrated solar and photo-voltaic solar power generation

Energy efficiency – Heat, electricity & buildings; cleaner production / industrial processes

Fuel based energy – Waste to energy; co-generation

Bio-fuels – Bio-ethanol

stoves

Emission and pollution mitigation - Waste management/recycling; clean

Related services – ESCOs

Cross sectoral/new sectors localisation project; bamboo; sisal; green transport; gypsum;

battery; titanium; rolling stock; theme park

Industrial infrastructure – Power generation; toll roads in

rest of Africa

High impact logistics – Railways; maritime

Commercialisation of South African intellectual property

- Universities and research institutions; private sector (i.e. entrepreneurial inventors / innovators)

Sectoral focus areas (continued)



Mining and Manufacturing Industries Division

Metals, Transport & Machinery



Forestry and Wood Products



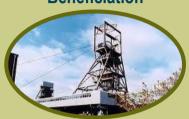
Clothing and Textiles



Chemicals and Allied Industries



Mining and Mineral Beneficiation



Fabricated metal, capital and transport equipment – SOE capex programmes; tooling, die and mould industry; foundries Automotive and MHCV –

Assembly; EV; components; MHCV, buses and taxis

Components for green industries – energy saving technologies; wind; solar components

Advanced manufacturing – nuclear; aerospace

Forestry value chain – forestry, sawmilling, pulp and paper, furniture, other value added products

Building a conducive environment - Leading role in development of national strategy. including refinement of incentives for the sector Competitive local / regional value chain -Regional projects; linkages between manufacturing and retail; value chain projects; wool & mohair cluster; leather and footwear cluster Stabilise major IDC investments

Establish clusters of production for local **beneficiation** – Titanium. zirconium, hydrogen fluoride production, plastics, petro-chemicals Address market imbalances - Glass, import substitution opportunities Security of supply for key inputs into infrastructure, food and energy needs – Fertiliser & fertiliser inputs, gas, building products

Steel prices – Establish new steel plant; partner in other steel related projects

Early stage projects – Project initiation; junior mining companies in selected minerals; Address food security concerns e.g. potash, potassium

Rest of Africa –Local linkages; rehabilitation of sector in Zimbabwe

'New age' minerals – Rare earth elements

Sectoral focus areas (continued)

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Services Industries Division



Properties in distress and consolidation of the industry – Assist appropriate establishments until economic conditions improve Underdeveloped Tourism Nodes in SA – Backpackers, adventure & sports tourism,

adventure & sports tourism, natural attractions, heritage attractions, avitourism, beach tourism, arts & crafts, enabling tools e.g. tourist routes, transportation

Rest of Africa – Refurbishment of existing properties; new properties; business hotels



Motion picture value chain – film production (low, medium and high budget); production facilities (Jhb studios, post-production); audience development (digital cinema, rural and township cinema, channel aggregation for export); animation hub

Natural history documentaries

Production of Natural History documentaries

Broadcasting – Pan African television broadcasters (expansion of SA broadcasters); Regional and community radio stations; Community television stations



Telecommunication – Undersea; national backhaul; metro; last mile in underserviced areas; Terrestrial fibre in rest of Africa

Shared services – Knowledge Process Outsourcing

Digital migration – Set-top boxes; digital TVs

e-Waste – Creation of an e-waste hub

Electronics – Niche low volume electronic manufacture; smart meters

Information technology – software and hardware



Pharmaceuticals – ARV pharmaceuticals; anti-diabetic extract; codeine from medicinal poppies

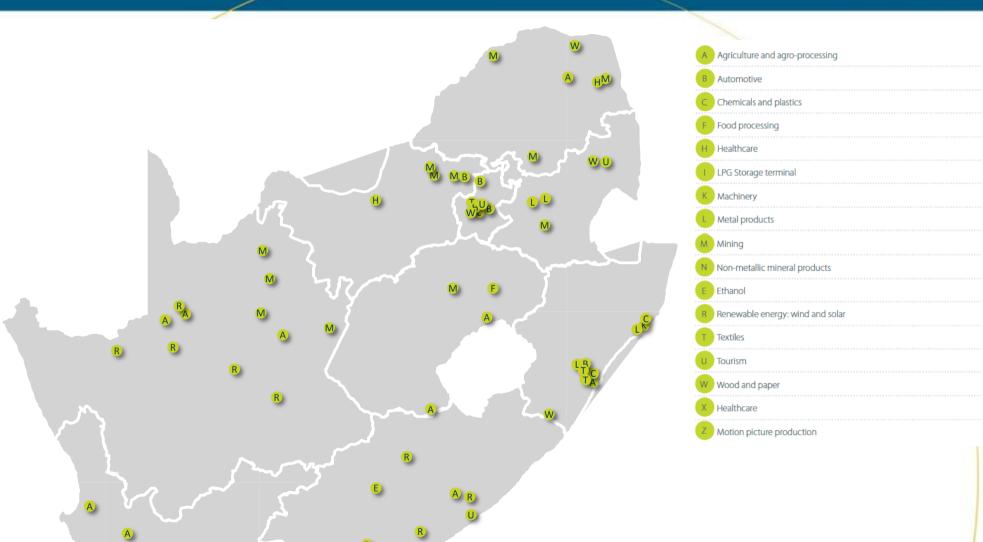
Malaria – ACT extract and pharmaceuticals, impregnated bed nets; sterile insect technology

Medical devices – Surgical instruments; HIV test kits etc.

Hospitals – Hospital PPPs; private wards in public hospitals; private hospitals (acute and subacute); day clinics; PHC centres focusing on maternal health

Examples of IDC Funded South African Projects





Examples of IDC Funded Projects in the Rest of Africa



Industrial Development Corporation



	Country	Sector Description
1	Angola	Electrical contracting
2	Botswana	Hotels
3	Congo (DRC)	Mining
4	Ethiopia	Agro-processing (fruits)Cement
5	Ghana	 Hotels Power generation Telecommunications
6	Kenya	Agro-processing (sugar)Power generationDFI lines of credit
7	Malawi	 Agro-processing (tea and macadamia nuts)
8	Mozambique	 Forestry Hotels Cement Agro-processing (sugar; bananas) Mining and beneficiation (aluminium) Power generation
9	Namibia	 Mining and beneficiation Fabricated metal products Power generation Agro-processing (grapes; poultry) Cement

	Country	Sector Description
	Nigeria	Hotels
		 Telecommunications
11	Senegal	 Infrastructure (airport; sea- port)
12	Sierra Leone	 Agro-processing (bio-diesel)
13	Sudan	Infrastructure (water)
14	Swaziland	Agro-processing (cassava; starch)DFI lines of credit
		 Forestry and related products
15	Tanzania	 Agro-processing (sugar)
16	Togo	 DFI lines of credit
17	Uganda	HotelsInfrastructure
18	Zambia	Fabricated metal productsInfrastructure (grain silos)Healthcare (private hospital)
19	Zimbabwe	 Hotels DFI lines of credit Mining and beneficiation Telecommunications

Black Economic Empowerment



Examples of black-owned companies supported by IDC

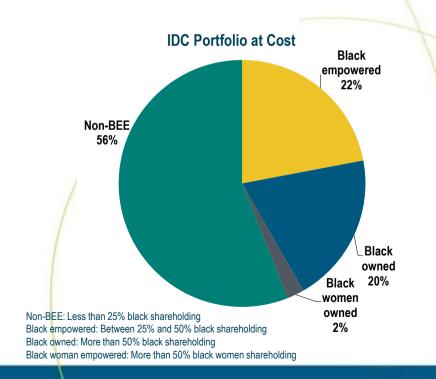
- Tourism operator
- Platinum mining
- Cosmetics and beauty products
- Coal mining
- Iron ore mining
- Film production
- Film studios
- Hospitals
- Metal products
- Pharmaceuticals
- Aquaculture

Examples of black youth-owned companies supported by IDC

- Paper converter
- Film production
- Steel products
- Footwear

Examples of black women-owned companies supported by IDC

- Railway equipment
- Citrus farming
- Textiles
- Tourism







Funding process



Pipeline

Screening

Applications from existing/ prospective businesses

Basic assessment

Proactive identification and development of projects

Pre-feasibility

Assessment and decision

Detailed due-diligence/feasibility study assessing development impact and sustainability of opportunities:

- Development outcomes
- Market for products/services
- Technical viability and competitiveness
- Financial viability
- Management
- Legal
- Environmental impact
- Etc.

Structuring of funding depending on client's needs

Approval of viable transactions at appropriate committee

Implementation and monitoring

Legal agreements

Meeting conditions

Disbursement

Ongoing monitoring of client performance after funding is disbursed

Interventions in businesses experiencing difficulties

- Business support
- · Restructuring of facilities
- Etc.

Funding Products



- Instruments include:
 - Debt;
 - Equity;
 - Quasi-equity;
 - Guarantees;
 - Trade finance;
 - Bridging finance;
 - Venture capital.
- IDC value proposition is unique within South African context, structuring options include:
 - Joint development of projects with partners
 - Term of the funding: Short, medium and long-term loans are available;
 - Grace periods for repayment: Repayments can be structured to suit cashflows and allow for periods where
 no payments need to be made on either capital or interest;
 - Flexible security requirements: In most instances, little security is required for small business applications
 - Due diligence process
- Special funding schemes are available that offer more attractive terms and targets cross sectoral issues such as
 job creation or development of specific sectors. Also include funds managed on behalf of other organisations,
 largely the dti;
- IDC's business support programme addresses non-financial support to entrepreneurs;
- In addition, IDC activities in support of sector goals facilitate strategic industrial development.

Funding Products Special Funding Schemes – On-Balance Sheet Funds



Scheme/Fund	Size	Description	Sources of Funds		
Gro-E Scheme	R9bn	Assist companies that create jobs at < or = R500 000 per job	IDC balance sheet		
Gro-E – Youth Scheme	R1bn	Assist companies that create jobs at < or = R500 000 per job owned by youths	IDC balance sheet		
UIF Fund	R4bn	Assist companies that save and/or create jobs at < or = R450 000	IDC balance sheet – borrowing from UIF		
Women Entrepreneurial Fund	R300m	Assist female entrepreneurs to start or expand their businesses	IDC balance sheet		
People with Disability Fund	R50m	Assist entrepreneurs with <u>disabilities</u> to start or expand their businesses or to acquire businesses	IDC balance sheet		
Development Fund	R350m	Assist <u>workers</u> to acquire meaningful stakes in IDC funded transactions	IDC balance sheet		
Community Fund	R150m	Assist <u>marginalised poor communities</u> to acquire meaningful stakes in IDC funded transactions	IDC balance sheet		
Equity Contribution Fund	R150m	Assist <u>new entrant black entrepreneurs</u> with their equity contributions w.r.t. IDC funding requirements	IDC balance sheet		
Green Energy Efficiency Fund	R500m	Stimulate <u>energy efficiency and renewable energy</u> investments in the commercial and industrial sectors	IDC balance sheet – borrowing from KfW		
AFD Fund	R400m	Stimulate <u>small scale</u> Power Purchase Agreement based <u>renewable energy</u> and greenfield energy efficiency investments in commercial and industrial sectors	IDC balance sheet – borrowing from AFD		
Pro-forestry Scheme	R200m	Support new afforestation and transformation	IDC balance sheet		
Agro-processing Linkages Scheme	R100m	Agro-processing and rural development by linking established agro-processors with resource poor farmers	IDC balance sheet		
Clothing, Textiles, Leather and Footwear Scheme	R750m	To fund companies in the embattled <u>clothing and textiles industries</u> to upgrade their plant and equipment to become globally competitive	IDC balance sheet		

Funding Products Special funding schemes – Off-Balance Sheet Funds



Scheme/Fund	Size	Description	Sources of Funds
Risk Capital Facility	R850m	Assisting with equity funding to <u>BEE-SMEs that create jobs</u>	the dti – EU grant
Technology Venture Capital	R130m	Commercialisation of innovative products, processes and technologies	the dti
Manufacturing Competitiveness Enhancement Program - Working Capital Fund	R765m	To assist manufacturers to access more affordable working capital facilities	the dti
Manufacturing Competitiveness Enhancement Program - Niche Fund	R200m	To stimulate new or underdeveloped manufacturing sectors	the dti
Clothing and Textiles Competiveness Programme	R3.8bn	To improve the competitiveness of the local <u>clothing and textiles</u> sector	the dti
Agro-processing Competitiveness Fund	R250m	Facilitate increased competition, growth and development in <u>agro-processing sector</u> ; through provision of finance to non-dominant players	EDD
Gold Financing Scheme	R100m	Assist gold jewellery manufacturers with working capital (gold) finance	the dti





Portfolio Sectorial Split



Portfolio by Industry March 2013





Portfolio – Resources vs. Non-resources 2007 to 2013

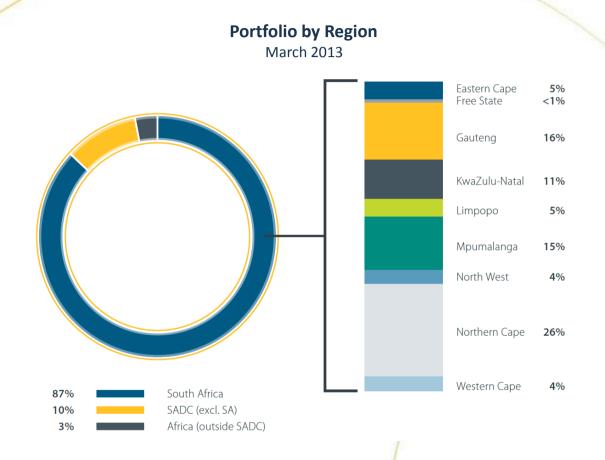


Non-resource based

Resource-based

Resource-based, historically mature

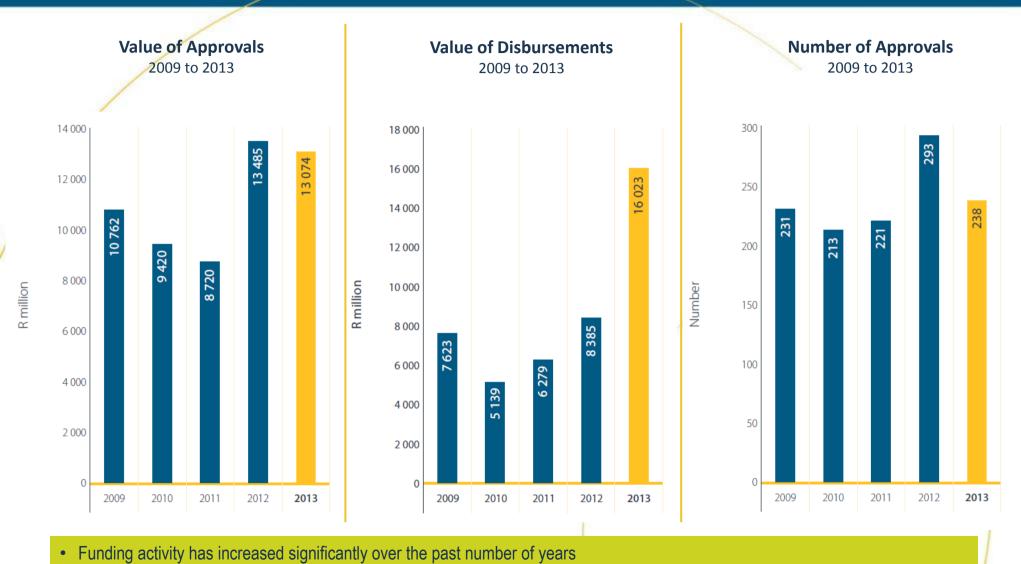




- Regional spread supports areas of lower economic activity
- Investments in mining and renewable energy have resulted in IDC having a large exposure to the Northern Cape
- Investment in the Free State is lagging

Activity





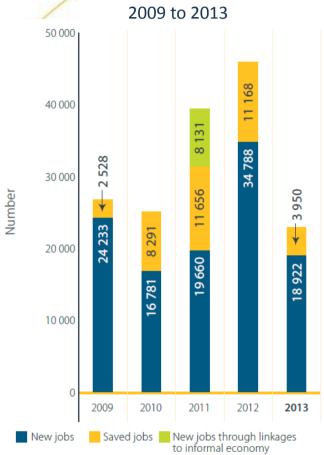
• This is mostly on the back of larger investments being made

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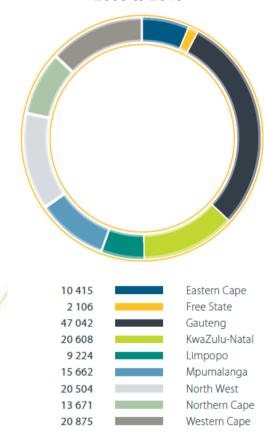
Development Outcomes







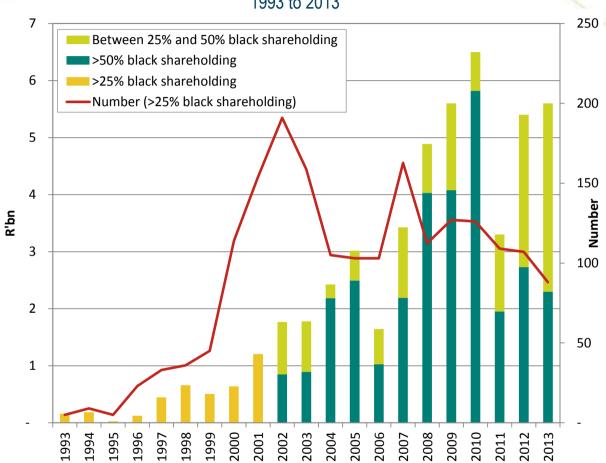
Number of Jobs Expected to be Created by Province 2009 to 2013



Development Outcomes (continued)







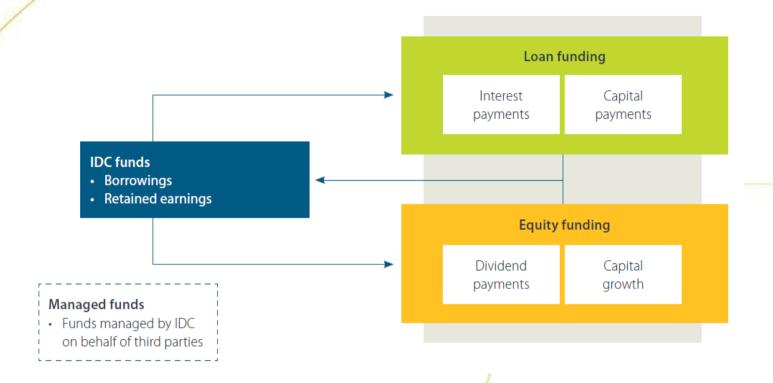
- IDC supports the development of black industrialists as controlling owners and managers in the industrial sectors of the economy and supports their businesses to expand
- The base of BBBEE ownership is being expanded through supporting workers and communities to access equity





Funding Model



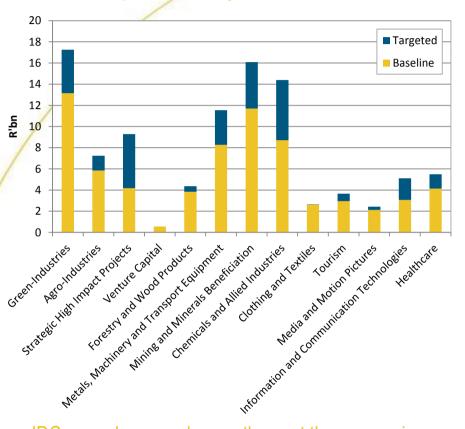


- IDC relies on good investments and the strength of its balance sheet to fund the bulk of its development activities
- Funds managed on behalf of government have started to play a larger role in the past number of years

Investment budgets







Historical Approvals and Capital Allocated



- IDC annual approvals over the past three years increased 37% compared to the previous three years.
- Targeting to maintain and grow this to R100bn, with the largest proportion of funding expected to be towards industries such as renewable energy, mining and minerals beneficiation and chemicals, sectors with large projects and high capital requirements.
- Under a base case, IDC expects to approve R71 billion over the next five years.

Flow of Funds (2014/15 to 2018/19)



		E	Baseline					Fargeted		
Period ending March (R'm)	2015	2016	2017	2018	2019	2015	2016	2017	2018	2019
Financing advances	14 146	14 554	14 988	15 586	16 365	14 146	19 780	20 368	23 182	24 240
Borrowings repaid	3 876	7 267	8 764	7 167	5 018	3 876	7 267	8 764	7 167	9 718
Dividend paid	50	50	50	50	50	50	50	50	50	50
Other assets/liabilities	160	182	138	98	125	160	291	239	223	228
Transfer of funding from IDC to sefa _	230	230	230	230	0	230	230	230	230	<u> </u>
Outflow _	18 462	22 283	24 171	23 132	21 558	18 462	27 618	29 651	30 852	34 236
										1
Repayments received	5 796	5 864	5 706	6 455	6 804	5 <mark>79</mark> 6	5 845	5 980	7 205	8 236
Net income before tax	3 919	4 340	4 371	5 017	5 795	3 919	4 340	4 171	4 646	5 154
Tax (paid)	-220	-249	-242	-202	-204	-220	-249	-203	-191	-152
Internal funds generated	9 495	9 955	9 835	11 270	12 394	9 495	9 936	9 948	11 660	13 238
Funds raised	7 562	11 244	14 782	10 664	9 735	7 562	16 812	20 045	19 315	21 483
Inflow _	17 057	21 199	24 616	21 934	22 129	17 057	26 748	29 993	30 974	34 720
Net inflow (outflow)	-1 406	-1 084	446	-1 198	571		-870	341	122	484

Key Performance Indicators – Short term



Perspective	Indicator	Measurement	Weight (2014/15)	Base	Target	
Industrial capacity development	Value of funding to black industrialists (men, women, youth and people with disability)	Value of funding agreements signed for transactions benefiting black industrialists	10%	R1 000 million	R1 500 million	
	Contribution to investment in the economy	Value of funding approvals with agreements signed	10%	R14.2 billion	R19.5 billion	
		Sub-minimum: disbursements Sub-minimum: value of funding approvals with agreement signed for projects in the rest of Africa		R7 billion R1.2 billion		
Development impact	Jobs expected to be created/saved in South Africa	IDC facilitation of jobs saved, counted at the time of agreements being signed	11%	24 000	31 000	
		Sub-minimum: jobs in rural areas Sub-minimum: jobs expected to be created		7 000 15 000		
	Actual jobs created/saved	Actual number of jobs created in South Africa	10%	20 000	25 000	
		Sub-minimum: actual jobs created		15 000		
Financial sustainability and efficiency	Ratio of administration costs to interest and fee income	Administration cost, including grants and donations, excluding impairments as a % of net interest and fee income and dividends (excl. Sasol, Kumba Iron Ore, BHP Billiton, Arcelor Mittal and Sappi)	10%	Budget	Budget - 10%	
	Level of impairments	Assessment on management interventions and implementation of lessons learnt to reduce the level of impairments.	10%	Qualitative rating on a scale of 1 expectations met (· -	
		Impairments as a % of the portfolio (at cost)	5%	18%	16%	
Stakeholder relations/ Customer satisfaction	Turnaround time on transactions	Turnaround time on non-complex transactions: (from date of start of due diligence to date of agreement being sent to client)	10%	17 working days	15 working days	
Subsidiaries	Sefa	Value of funding disbursed	4%	R800 million	R880 million	
		Number of SMMEs financed	4%	37 758	41 534	
	Foskor	Profit/(loss) after interest and tax	8%	Depending on final budget	Depending on final budget	
	Scaw	Profit/(loss) after interest and tax	8%	Depending on final budget	Depending on final budget	
			100%			

Key Performance Indicators –Long term



Perspective	Indicator	Measurement	Weight (2014/15)	Base	Target			
Industrial capacity development	Progress towards achieving priority industry development goals	Achievement of industry development milestones	25%	75% achieved	90% achieved			
Development impact	Funding for transactions for localisation initiatives	Value of funding agreements signed for transactions aimed at inputs into infrastructure or other government procurement	15%	R1 000 million	R1 500 million			
	Implementing projects	% of pre-identified projects implemented	10%	70% of projects	100% of projects			
Financial sustainability and efficiency	Growth in reserves	5-year average growth in reserves	15%	CPI+2%	CPI+4%			
	Growth in value of new equity investments	IRR for investments where IDC first took equity in the underlying business over the past four years (excluding investments from ring-fenced off balance sheet funds). IRR calculated based on actual cashflows with the fair value of the investment at the end of the period being measured being taken as an inflow.	15%	1.7%	4%			
Human capital	Board approved Human Capital Development Strategy and plan.	Delivery of a Board approved Human Capital strategy to meet the future requirement s of the business and as per the new strategy.	10%	_	n a scale of 1-5 (with 3 tations met (base))			
Stakeholder Management	Board approved Stakeholder management strategy and plan	Deliver a Board approved Stakeholder management strategy and plans to support the new strategy	10%	_	n a scale of 1-5 (with 3 tations met (base))			
			100%					





Summary



- Established: 1940
- Type of organisation: Development Finance Institution (DFI)
- Ownership: State owned company, 100% owned by the SA government
- Total assets: R138.6 billion (31 March 2014 group)
- Total liabilities: R31.6 billion (31 March 2014 group)
- Funding status: Fund operations and growth from investments, pay dividends and income tax
- Credit rating: Baa1 (Moody's) in line with sovereign rating
- Main business area: Providing funding for entrepreneurs and projects contributing to industrialisation
- Geographic activities: South Africa and the rest of Africa
- Products: Custom financial products above R1m to suit project's needs including debt, equity, guarantees or a combination of these
- Small and Micro enterprise coverage: sefa (fully owned subsidiary)
- Stage of investment: Project identification and development, feasibility, commercialisation, expansion, modernisation
- Number of employees: 828 (March 2014)



- Operational Footprint:
- Head Office -Johannesburg
- 20 Regional and Satellite offices

Areas of focus from IDC Corporate Plan 2014-2019



- Prioritisation of sectors where IDC will play a proactive role, strengthening sector development objectives and strategies
- Development of black industrialists
- Improved management of IDC's investment portfolio
- Strengthen IDC staff's culture of performance

In the period ahead IDC is going to maximise its impact with the existing resources it has to increasingly lead industrial capacity development



Thank you

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IDC's alignment to government priorities



Themes from the NDP, NGP and IPAP

Topic	IDC contribution
Economy and employment	 This is the most important area of the NDP to IDC due to its mandate IDC is reviewing and realigning its priorities to ensure that it has a bigger impact on job creation so as to assist in achieving the NDP's target to create 11 million jobs by 2030. This includes a focus on the indirect impact that it can have by development of industries that can unlock the potential for downstream industries. Higher levels of funding, particularly in support of new capacity to increase fixed investment.
Manufacturing	 The manufacturing industry makes up a significant portion of IDC's funding. Over the past five years, c.a. R20 billion was approved for manufacturing industries, including agro-processing and forestry value chains. Some achievements since the re-launch of IPAP in 2010 include: Automotive industries: Assisting an OEM to set up a production line for a new model and providing funding for the local production of motor vehicle component to support localisation. Clothing, Textiles, Leather and Footwear: Funding to help stabilise the industry to improve competitiveness and reduce job losses. Funding provided from own sources as well as programmes managed on behalf of the dti. Metal Fabrication, Capital and Transport Equipment: Focus on suppliers to Eskom, Transnet and Prasa Capex programmes, yellow metal manufacturer and various other projects - continued cooperation with SOEs and the private sector to identify and realise opportunities for local manufacturing. Have funded several projects in the basic iron and steel value chain to start introducing competition in the upstream value-chain Components for Renewable Energy: Funded projects to set up local capacity for the assembly of photo-voltaic panels as well as wind towers.

IDC's alignment to government priorities



Themes from the NDP, NGP and IPAP

Topic	IDC contribution
Manufacturing (continued)	 Plastics, Pharmaceuticals and Chemicals: Supported pharmaceutical production in Gauteng and the Western Cape, vaccine production in the Western Cape, various plastic converters, and cosmetic manufacturers.
Agricultural value chain	 IDC not involved in most primary agriculture to avoid overlap with Land Bank's mandate. Focus is on agro-processing and high-value agriculture projects. Some larger projects in the recent past included: High Value Agriculture and Agro-Processing: Larger project supported included those in the meat processing industry, dairy products, as well as oil seed processing. Forestry, Timber, Paper and Pulp, and Furniture: Funding for community forestry projects in the Eastern Cape and KwaZulu-Natal.
The mining value chain	Focus shifting from stand-alone mining projects towards downstream beneficiation.
The green economy	 IDC is a major funder for renewable energy projects, in particular where community participation is concerned. IDC participating in 22 of the 64 renewable energy projects in rounds 1 to 3 – total capacity of 1 265MW. Also providing funding for industry to upgrade and install equipment that will help industry to reduce its environmental footprint and for waste-management projects and those that support recycling. Systems in place to assess the environmental impact of new projects as well as existing clients.

IDC's alignment to government priorities (continued)



Themes from the NDP, NGP and IPAP (continued)

Topic	IDC contribution
High-value services	Support for the tourism industry, ICT as well as developing the local film industry value chain.
Infrastructure	 Although infrastructure development is not a key focus area for IDC as it is more aligned with mandates or the DBSA and other SOEs, IDC does play a role in developing certain aspects of economic infrastructure. Plays a role in developing infrastructure that supports unblocking of industrial projects. Evaluating opportunities for projects that will produce inputs for infrastructure projects. Coordinating SIP 5 (Saldanha-Northern Cape development corridor) and SIP 8 (Green energy in support of the South African economy)
Rural development	 Several of the sectors that IDC supports plays an important role in fostering rural development. These include agro-processing, mining, renewable energy, tourism, and forestry. Ownership for communities in projects funded by IDC ensures a benefit to communities in addition to the jobs being created directly by projects.
Regional development	 IDC investments in the rest of the continent aim to unlock the industrial potential for the continent and foster linkages to South Africa to promote intra-regional trade. Provincial footprint promotes greater economic activity in underdeveloped provinces of South Africa



Rural Development Framework

Rural Development Objective

By taking advantage of local resources and regional comparative advantages or where the outcomes of industrial development can benefit rural areas, provide funding to businesses and proactively develop projects in conjunction with other stakeholders and ensure maximum benefit to the local population



Spatial Development Initiatives

 Identifying and developing projects in targeted areas



Sector Development Initiatives

- Develop industries in rural areas benefiting from local advantages
- Develop industries where the outputs benefit rural populations



Enabling/Supporting Activities

- Specialist activities to support sector and spatial development initiatives
- Special funding schemes
- Reach and presence
- Partnerships with other financiers

Rural Development (continued)



Spatial Development Initiatives

- Local Development Agencies Programme launched in 2002 to fund and support the establishment of municipal development agencies and
 assist in the promotion and implementation of local economic development (LED). IDC has established 34 agencies and the focus has shifted
 from establishing towards supporting their success.
- **Spatial Interventions** This initiative was initiated in 2011. The over-arching aim of the initiative is to allow the IDC to intervene effectively to address the socio-economic and developmental needs of a particular targeted area. The initiative is currently reactive, but capacity is being created to enable a more proactive approach to these interventions.
- Social Enterprises This initiative aims to promote enterprises that place social and environmental issues and creation of social value as their primary purpose and have a long term strategy towards a degree of self-sustainability.
- Regional Development Strategies These are strategies driven from a provincial viewpoint, and are aimed at developing business
 opportunities for IDC's core operations. These strategies are aligned with growth strategies of provinces, targeted nodes, local government, and
 local businesses and identify communities and regions with needs and opportunities which can be leveraged for industrial capacity development.

Sector Development Initiatives

- Although all industries in which IDC operates have the potential for rural development, five in particular often entail investments in rural areas:
 - Agro-Industries
 - Green-Industries
 - Wood value chain
 - Mining and Beneficiation
 - Tourism

Rural Development (continued)



Enabling/Supporting Activities

- Rural Focussed Funding Schemes Several of IDC's special funding schemes specifically target rural development e.g. Community Fund, Agro Processing Linkage Scheme, Forestry Grant, Pro-Forestry Scheme.
- **Community Trusts** IDC encourages the formation of, and funds, broad-based community ownership in projects in rural areas. In addition to support for the establishment of trusts, IDC also provides training for trustees as well as beneficiaries of community trusts. Another service available through specialists is a socio-economic needs assessment including community identification and profiling on IDC funded projects.
- Partnerships with other financiers There are times when a specific project identified may have merit but is outside IDC's scope, for example due to size of investment or sector. The establishment of sefa as a subsidiary of IDC provides an excellent opportunity for some of these projects to be able to receive funding. In addition to sefa, partnerships with organisations such as the Land Bank are in place and are utilised where IDC is not the appropriate funder for a project.

Youth Development



1.101.41	
Initiative	Beneficiaries
Funding Youth-owned Business	11 projects funded with R98,5m since April 2013
Strategic Partnership	MOU between IDC, sefa and NYDA signed in July 2013
Youth Scheme	R1 billion set aside for the Gro-E Youth fund specifically to fund youth-owned businesses
Learnerships, Internships and Apprentices	123 beneficiaries. Includes Qualification of Chartered Accountants, workplace exposure for graduates and matriculants, partnerships for FET workplace portion of qualifications, structured workplace experience for graduate engineers, apprenticeship opportunities, call centre leanerships for disabled and entrepreneurship learnerships. <i>For details please see overpage</i> .
Bursaries (2013/2014)	244 external bursaries awarded to South African students for university, university of technology or FET studies
CSI whole school development	The IDC in partnership with Adopt a School has adopted 20 schools throughout the country to support effective curriculum delivery and improve their overall performance
FET Support Programme	 Development of Green skills curriculum – 2 FETs in the Northern Cape Gert Sibande FET Standerton Campus Ithemba FET, Soweto
University initiatives	The IDC supported the Launchlab project at Stellenbosch to support 5 budding young entrepreneurs / businesses. The Launchlab offers promising entrepreneurs infrastructure, network services as well as guidance from academic staff and business leaders to help them launch their business ideas.
Business plan competitions	National Entrepreneur Business Plans Competition and National Tertiary Institutions Business Plan
	Competition
Other Rural and Social Enterprise youth interventions	More than twenty projects including: Edunova/ Novatech Entrepreneurship Programme, Hantam Community & Education Trust (HCET), Job Shop Initiative, Uwezo Evolution Programme, Goedgedacht Farm project for youth, Siyaqhama Trading, Maluti-a-Phofung Brick making, Soweto Empowerment Zone, Bedford Eagle Hout Cooperative, ICT Eco system, Bizana Capacity Building in construction, Sanitary Dignity Project: Tzaneen radio, Theewaterskloof recycling centre, Aspire woodworking, Blue crane Science and Maths programme

Youth Development (continued)



Learning and Development

Initiative	Description	Current number
		of delegates/
		participants
CA Learnership	Training of qualified Chartered Accountants.	12
Matriculant Learnership	Provision of work place exposure to matriculants.	11
Business Analyst Internship	Provision of work place exposure to graduates regionally.	9
Graduate Internship programme	Provision of work place exposure in various disciplines.	9
Accredited FET workplace internship	Provision of work place exposure to FET learners requiring experience to obtain formal qualification.	6
Critical/Scarce skill exposure to Engineering	Provision of a structured work based experience to graduate engineers through partner	6
students	organisations.	
Apprenticeships	Provision of apprenticeship opportunities to learners to be trained in a relevant trade.	30
Call Centre Learnership	Provide unemployed disabled secondary school leavers with experience coupled with a qualification.	30
New Venture Creation/Entrepreneurship	Provide opportunity for entrepreneurs to obtain skills required to be entrepreneurs and establishment	10
Learnership	of business opportunity.	
IDC External Bursaries	Awarding bursaries to South African students for university or university of technology or FET studies.	244

Corporate Social Investment



IDC's CSI activities focus on:

- Education and skills development;
- Sustainable economic livelihoods; and
- Healthcare.
- In addition, the IDC also supports other special projects and encourages employee participation in these.
- Education and Skills Development (discussed as part of Youth Development above)
- Sustainable economic livelihoods
 - Big Fish School of Digital Filmmaking creates opportunities for underprivileged youth to become part of the audio-visual industry. IDC funds will be used to train 20 young people.
 - Siyabonga Africa specialises in the establishment of enterprise development projects. IDC's funding will be used to set up two bakery projects and two chicken rearing and egg projects.

Healthcare

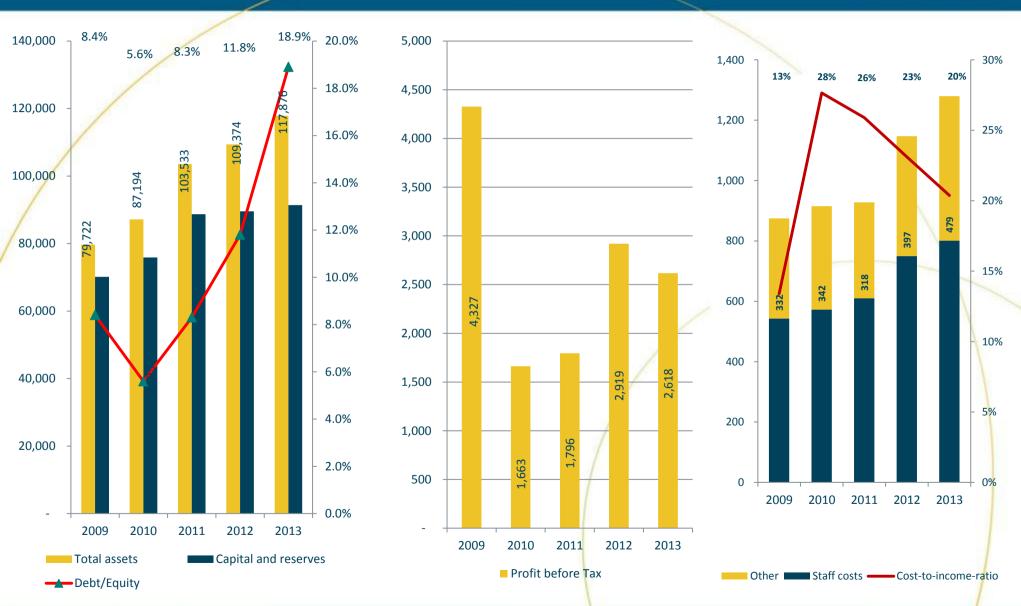
- Construction of 18 General Practitioner consulting rooms for the Department of Health in progress;
- Refurbishment of x-ray room at the Alexandra clinic nearing completion.

Other initiatives

• IDC donated computers, laptops and a printer to CIDA University. CIDA is the first low cost university in the country and caters for students from underprivileged backgrounds.

Financial Performance





Examples of IDC Funded Projects – Eastern Cape





Sector	Closest Town	Project Description
A - Agriculture and agro-processing	Stutterheim	Blueberries
B - Automotive	Uitenhage	Motor vehicle parts
E – Ethanol	Cradock	Bio-ethanol
F - Food processing	Coega	UHT milk
F - Food processing	Coega	Cheese
B - Automotive	Port Elizabeth	Catalytic convertors
R - Renewable energy: wind and solar	Grahamstown	Wind power generation
R - Renewable energy: wind and solar	Komga	Wind power generation
R - Renewable energy: wind and solar	Molteno	Wind power generation
R - Renewable energy: wind and solar	Oyster Bay	Wind power generation
U - Tourism	East London	Hotel

Examples of IDC Funded Projects – Free State





Sector	Closest Town	Project Description
A - Agriculture and agro-processing	Rouxville	Walnuts
A - Agriculture and agro-processing	Bethlehem	Vegetable oil
F - Food processing	Reitz	Chicken abattoir
M - Mining	Kroonstad	Diamond mining

Examples of IDC Funded Projects – Gauteng

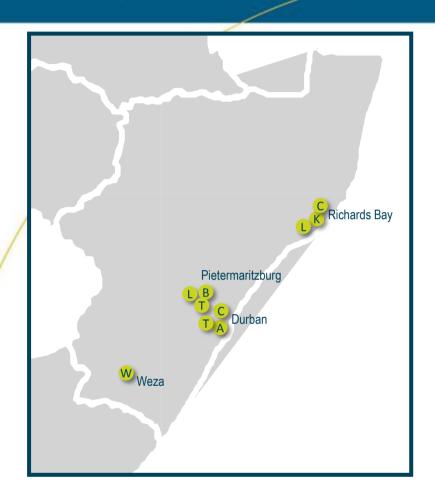




Sector	Closest Town	Project Description
B - Automotive	Ga-Rankuwa	Truck trailers
B - Automotive	Springs	Mini-bus taxis
H - Healthcare	Industria West	Pharmaceuticals
L - Metal products	Germiston	Iron and steel
T - Textiles	Robertville	Textiles
U - Tourism	Rhodesfield	Hotels
W - Wood and paper	Longdale	Furniture

Examples of IDC Funded Projects – KwaZulu-Natal





Sector	Closest Town	Project Description
B - Automotive	Durban	Motor vehicle parts
C - Chemicals and plastics	Durban	Paint
K - Machinery	Richards Bay	Mining and construction machinery
L – Metal products	Richards Bay	Aluminium
C – Chemicals and plastics	Richards Bay	Phosphoric acid
L - Metal products	Pietermaritzburg	Aluminium products
B - Automotive	Pietermaritzburg	Motor vehicle components
L - Metal products	Pietermaritzburg	Railway coach refurbishment
T - Textiles	Hammarsdale	Textiles
T - Textiles	Phoenix	Textiles
T - Textiles	Phoenix	Footwear
T - Textiles	Pietermaritzburg	Textiles
T - Textiles	Pietermaritzburg	Footwear
T - Textiles	Pietermaritzburg	Footwear
W - Wood and paper	Weza	Forestry and sawmilling

Examples of IDC Funded Projects – Limpopo





Sector	Closest Town	Project Description
A - Agriculture and agro-processing	Tzaneen	Citrus
H - Healthcare	Phalaborwa	Hospital activities
M - Mining	Lephalale	Coal mining
M - Mining	Phalaborwa	Iron briquettes
M - Mining	Groblersdal	Platinum mining
W – Wood and paper	Makhado	Wood products

Examples of IDC Funded Projects – Mpumalanga

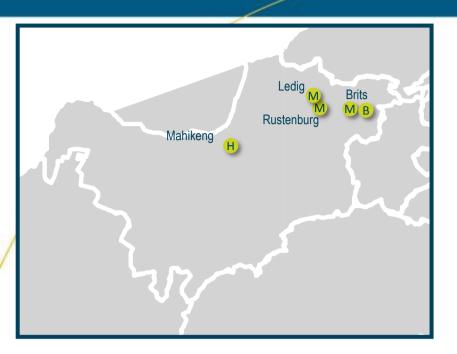




Sector	Closest Town	Project Description
L – Metal products	Middelburg	Stainless steel
M - Mining	Bethal	Coal mining
W - Wood and paper	Sabie	Forestry and sawmilling
U - Tourism	Hazyview	Game Reserve
M – Mining	Emalahleni	Mining services

Examples of IDC Funded Projects – North West





Sector	Closest Town	Project Description
M - Mining	Rustenburg	Platinum mining
H - Healthcare	Mahikeng	Healthcare activities
M - Mining	Brits	Ferrochrome
B - Automotive	Brist	Motor vehicle parts
M - Mining	Ledig	Platinum mining

Examples of IDC Funded Projects – Northern Cape





A - Agriculture and agro-processing	Douglas	Table grapes
A - Agriculture and agro-processing	Kakamas	Citrus
A - Agriculture and agro-processing	Upington	Table grapes
A - Agriculture and agro-processing	Upington	Fruit
M - Mining	Hotazel	Manganese mining
M - Mining	Kimberley	Diamond mining
M - Mining	Kuruman	Mining services
M - Mining	Postmasburg	Iron ore
R - Renewable energy: wind and solar	De Aar	Solar power generation
R - Renewable energy: wind and solar	De Aar	Wind power generation
R - Renewable energy: wind and solar	Kenhardt	Solar power generation
R - Renewable energy: wind and solar	Pofadder	Solar power generation
R - Renewable energy: wind and solar	Prieska	Solar power generation
R - Renewable energy: wind and solar	Upington	Solar power generation

Examples of IDC Funded Projects – Western Cape



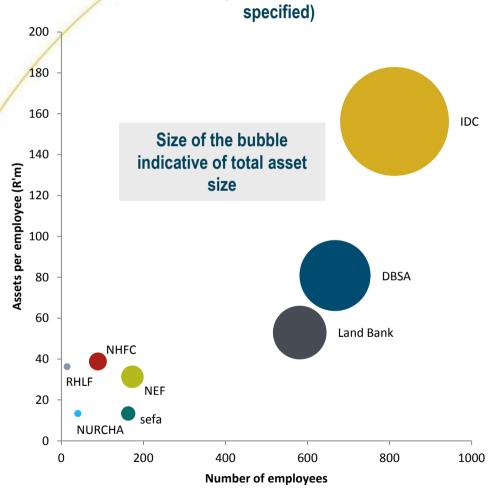


Sector	Closest Town	Project Description		
A - Agriculture and agro-processing	Paarl	Growing of fruits		
A - Agriculture and agro-processing	Prince Alfred	Growing of fruits		
A - Agriculture and agro-processing	Riviersonderend	Vegetables,horticultural specialities,nursery prod		
A - Agriculture and agro-processing	Trawal	Fruit		
B - Automotive	Worcester	Motor vehicle bodies		
C - Chemicals and plastics	Epping	Plastic products		
I - LPG Storage terminal	Saldanha	LGP storage terminal		
K - Machinery	Cape Town	Agricultural machinery		
K - Machinery	Cape Town	Photo-volatic panels		
K - Machinery	Cape Town	Medical equipment		
R - Renewable energy: wind and solar	Caledon	Wind power generation		
T - Textiles	Atlantis	Leather products		
T - Textiles	Elsiesrivier	Clothing		
Z - Motion picture production	Cape Town	Animation studio		
Z - Motion picture production	Cape Town	Film studio		

Relative sizes of South African National DFIs



Comparison of National DFIs by Assets and Number of Employees (March 2013 unless otherwise specified)



Source: IDC, data obtained from company annual reports

 The IDC, DBSA and Land Bank control 95% of the total assets of the national DFIs depicted in the graph, indicative of these DFIs' dominant position in the DFI space.

Number of Employees and Total Assets per DFI

(March 2013 unless otherwise specified)

	Number of employees	Total Assets (R'm)
IDC	812	126 885
DBSA	667	53 940
Land Bank	581	30 782
NEF	173	5 422
NHFC ¹	89	3 458
sefa	163	2 180
NURCHA	402	536
RHLF	14	508

1 - March 2012

2 - March 2011