



Industrial Development Corporation

Your partner in development finance

Briefing on the Industrial Strategy and Transformation

Economic Development Portfolio Committee

13 March 2018

Contents

- Policy environment
- Business environment
- South African DFI landscape
- IDC's role in advancing transformation
- sefa's impact
- Conclusion

INTRODUCTION



The SONA proposed strengthened interventions to address key challenges facing the country



Outcomes

Create jobs

Transformation

- Youth
- Women
- People with disabilities
- Rural development

Growth areas

- Manufacturing
- Infrastructure investment
- Mining
- Agriculture
- Tourism
- Science and Tech
- SMMEs

Initiatives to which IDC is contributing

Focussing on job creation as a key outcome of its investment activities

- Funding for Black Industrialists (BI), including women and support for the broader BI programme
- Supporting businesses benefiting from preferential procurement arrangements
- Encourage and incentivise clients to transform
- Development of businesses in townships and rural areas
- Support for black women entrepreneurs
- Funding and other support for youth entrepreneurs in partnership with other stakeholders
- Strengthening sefa to increase its impact in these areas

- Target finance for key manufacturing sectors
- Support localisation, especially w.r.t. inputs into infrastructure programmes
- Projects in SEZs
- Funding the establishment and expansion of mines, and mineral beneficiation
- Support land distribution beneficiaries to ensure productive, commercial utilisation of the land
- Continue to focus on the development of tourism infrastructure
- Focus on 4IR-related industries that exhibit potential for establishment in SA and assisting existing businesses to adopt new technology
- IDC and subsidiaries to continue to support SMEs through financial and non-financial support mechanisms

Some of the challenges faced in increasing industrial development and transformation in SA

- Low levels of economic growth and investor confidence stalling or relocating new investments in SA.
- Policy uncertainty exacerbated investors' confidence in the future of the country.
- Government initiatives aimed at stimulating local investment and growth not uniformly implemented or disrupted for narrow gains.
- Local lenders still more inclined to put resources in small businesses in their later stages of development and less likely to lend to start-ups and SMMEs.
- Access and cost of communication infrastructure, utilities, transport, land, and space hindering competitiveness of businesses.
- More innovation needed by firms to enable faster growth and competitiveness – smaller businesses need closer links to larger companies.
- Shortages of skilled workers continue to reduce productivity and competitiveness.
- Small businesses located in rural areas are at a disadvantage compared to their urban counterparts as their small size and remote location hinder them to form collectives in order to enhance their bargaining power.

BUSINESS ENVIRONMENT



Government's policy approach to deepen participation in industrial development



Government Policy Approach

The government's policy approach towards SMME, black industrialists, women, and youth development focuses on identifying bottlenecks hindering these groups/businesses' participation in the economy and developing interventions to address them.

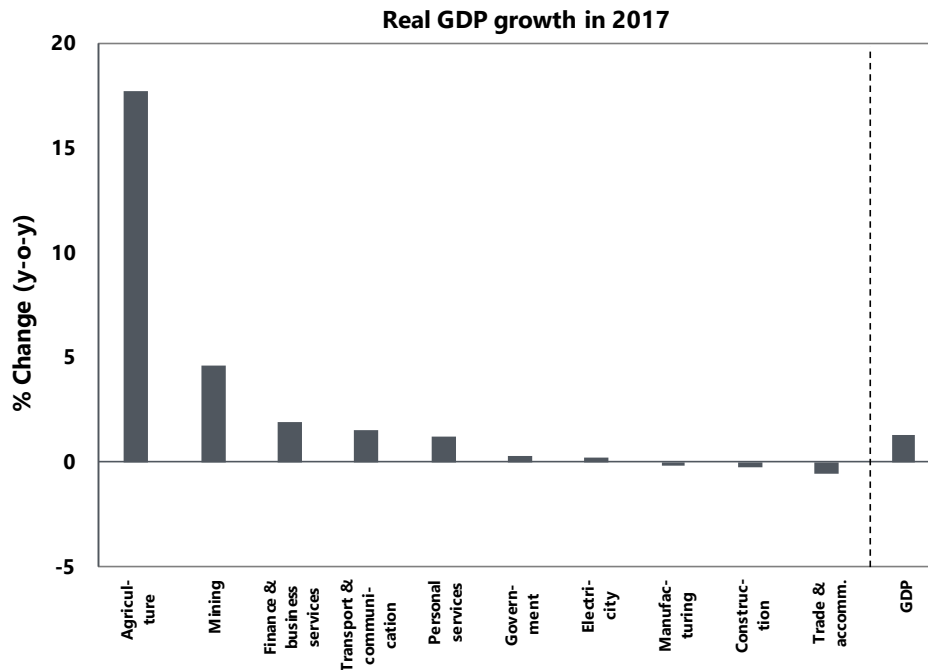
These interventions cover six broad themes:

- 1) Accessing finance and credit;
- 2) Improving business infrastructure and service provision;
- 3) Skills development and training;
- 4) Addressing distortions created by urban land markets and a fragmented spatial economy;
- 5) Reducing high barriers to entry for new entrants arising from the concentration of economic activity in a handful of large corporations and States Owned Enterprises (SOEs); and
- 6) Improving the linkages between the value chains of large enterprises and SMMEs, using preferential business procurement to create subcontracting opportunities.

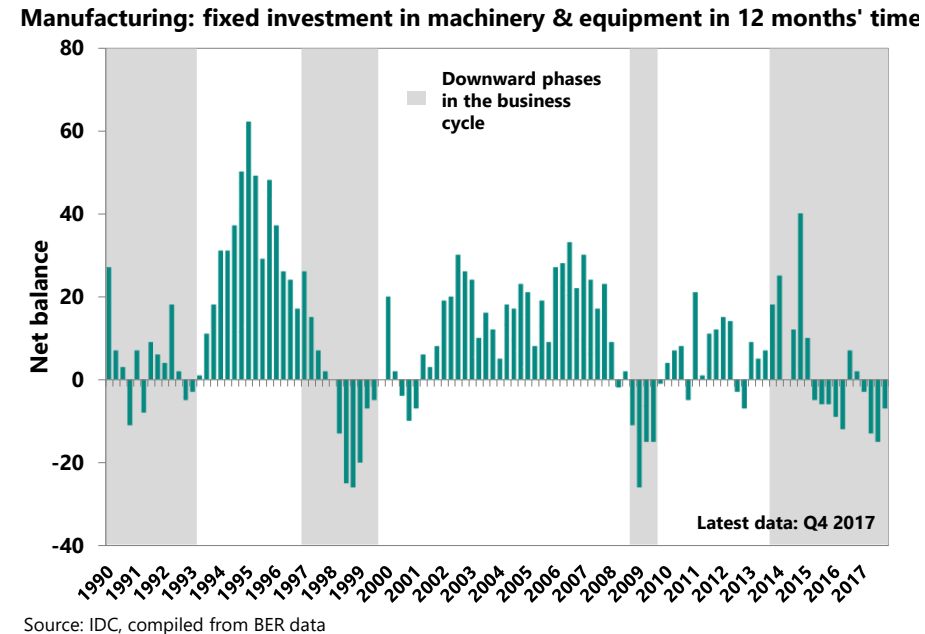
Specific Interventions

- Industrial Policy Action Plan Initiatives (IPAP)
 - Identify and promote SMME participation in Industrial Sectors e.g. Automotive Industry – component manufacturing
 - Specification of Local Content Requirements linked to Government Procurement, including designated products
 - Industrial Incentives (Manufacturing Grant, Black Business Supplier Programme, Black Industrialist Programme, etc.)
- Corporate Supply Chain Reform linked to BBBEE Codes (Supplier and Enterprise Development Codes)
- seda – Gazelle Programme
- Government Procurement – 30% set aside for SMMEs
- Black Industrialists Scheme (BIS)
- Film and Television Production incentives
- Isivande Women's Fund
- National Youth Policy

The South African Economic Environment



Source: IDC, compiled from Stats SA data

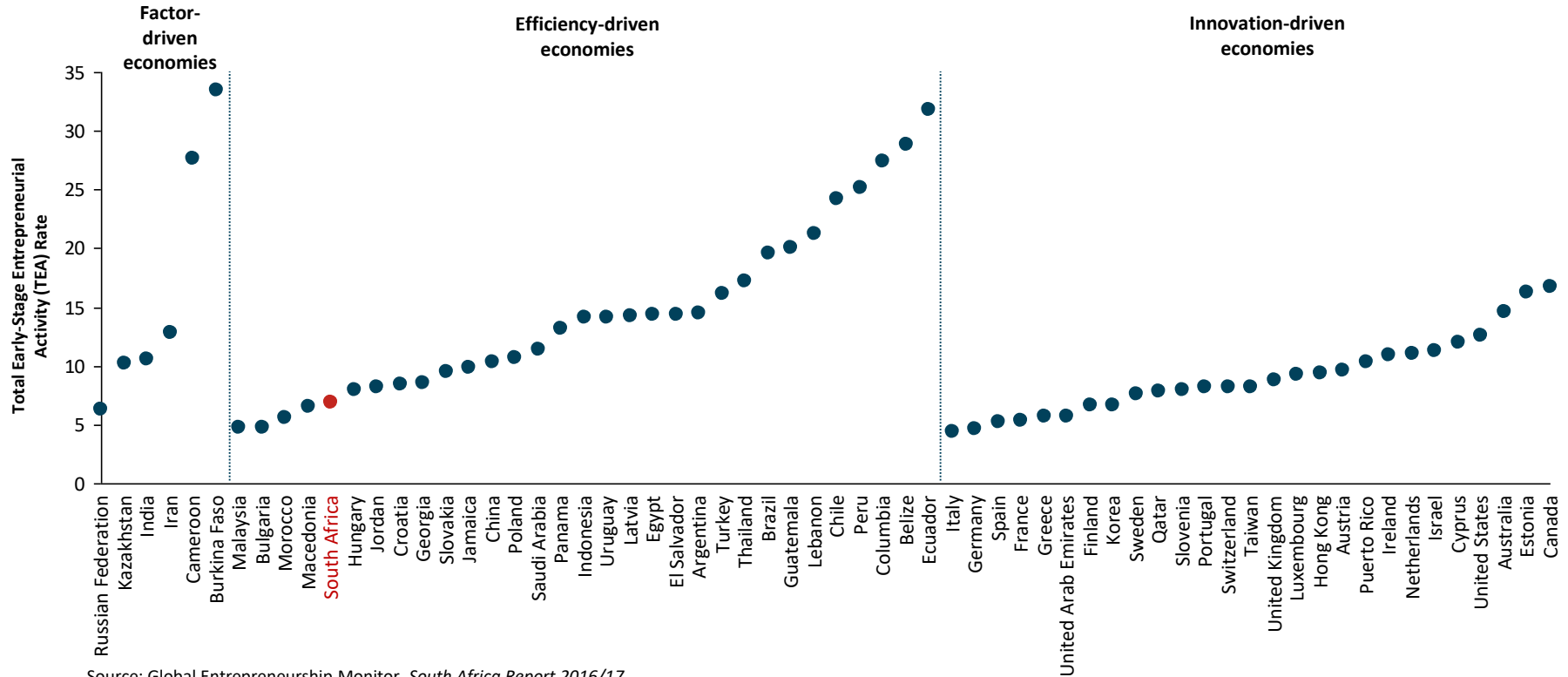


Source: IDC, compiled from BER data

- Higher than expected economic growth was largely driven by increased household consumption expenditure. This was unexpected given low consumer confidence during the year.
- Fixed investment grew at 0.4% for the year.
- A rebound in the agricultural sector, following droughts in the previous year assisted to elevate overall GDP growth to 1.7%.
- The manufacturing sector contracted by 0.2%.
- By December, manufacturing enterprises still considered the opportunities for new investment to be low.

South Africa Comparative Rankings

Entrepreneurial Activity for Different Countries, 2016



Source: Global Entrepreneurship Monitor, *South Africa Report 2016/17*

- Efficiency driven economies have, on average, higher levels of entrepreneurial activity compared to more developed, innovation driven economies.
- South Africa however ranks fairly low when comparing its levels of entrepreneurial activity among its peers.

Factor-driven economies: Countries compete primarily on the use of unskilled labour and natural resources and on the basis of price as they buy and sell basic products or commodities.

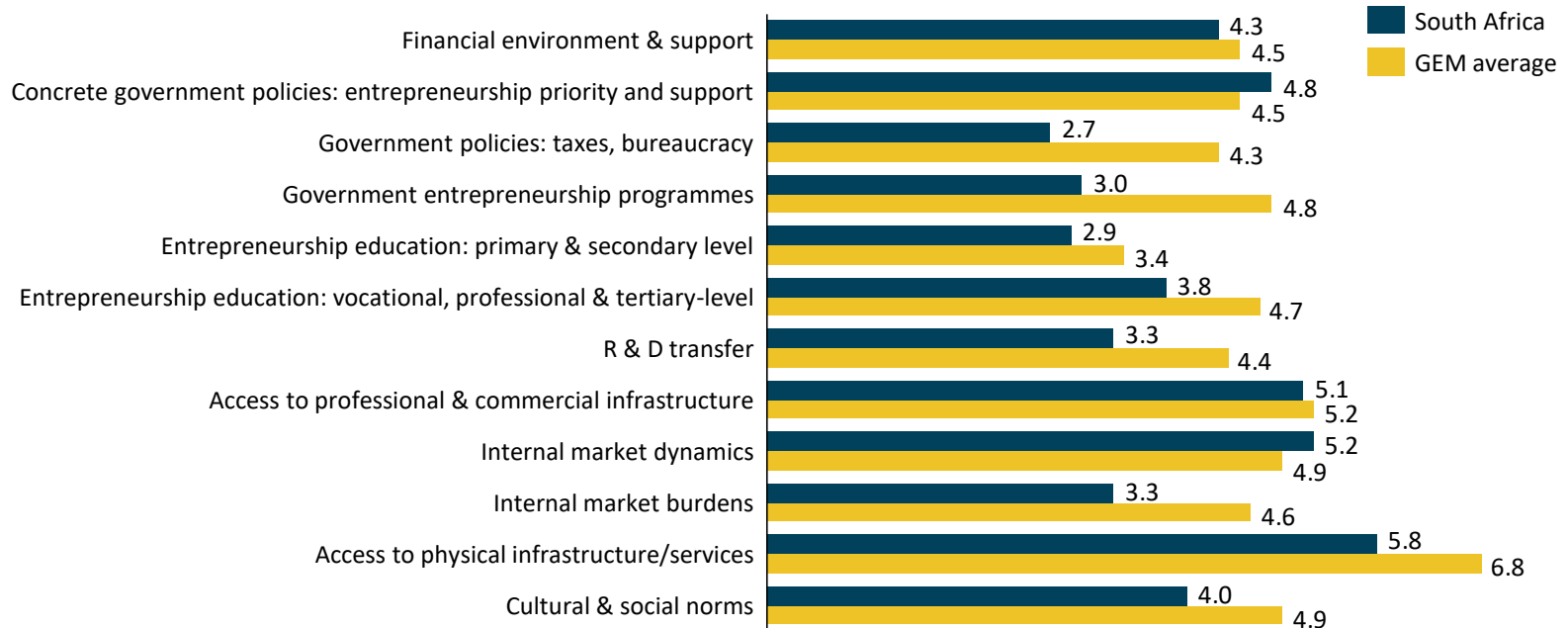
Efficiency-driven economies: Growth is based on the development of more efficient production processes and increased product quality.

Innovation-driven economies: Companies compete by producing and delivering new and different products and services by using the most sophisticated processes.

* **Total Early-Stage Entrepreneurial Activity (TEA) Rate:** The prevalence rate of individuals in the working age population who are actively involved in business start-ups, either in the phase of starting a new firm (nascent entrepreneurs), or in the phase spanning 42 months after the birth of the firm (owner- manager of new firms)

Entrepreneurial Conditions

Entrepreneurial Framework Conditions scores, 2016 (weighted average, 1 = highly insufficient, 9 = highly sufficient)

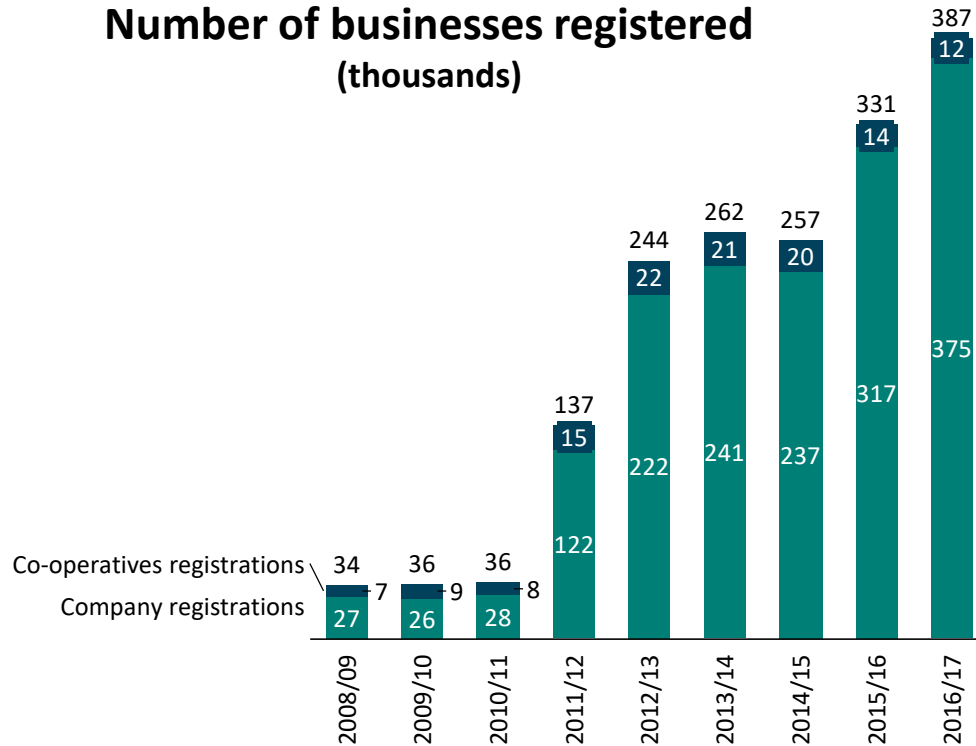


Source: Global Entrepreneurship Monitor, *South Africa Report 2016/17*

- When considering the conditions that allow for entrepreneurs to thrive, SA ranks better than average in terms of government policy where it comes to the priority given to entrepreneurship and support thereof.
- When it comes to practical aspects of government interventions such as taxes, bureaucracy, and entrepreneurship programmes however, SA scores lower than the average.
- Other areas where the country scores significantly lower than the average are:
 - Entrepreneurship education;
 - R&D transfer;
 - Internal market burdens; and
 - Cultural and social norms.

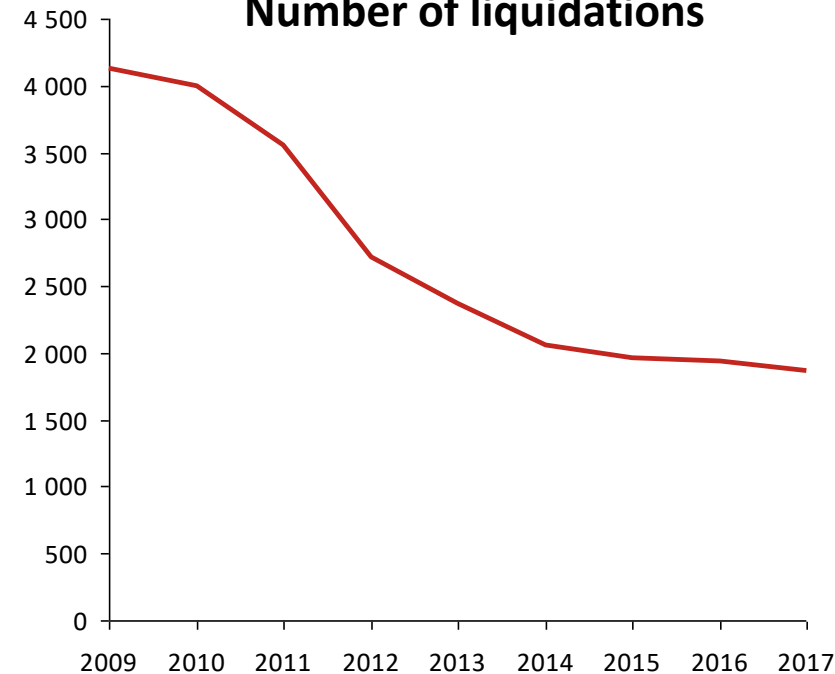
Company registrations and liquidations

Number of businesses registered (thousands)



Source: CIPC

Number of liquidations



Source: StatsSA

- The number of businesses formally registered in SA has shown a significant increase over the last nine years
- The number of co-operatives registered per year peaked in 2012/13 and has declined slightly since then.
- Despite tough economic conditions, the number of liquidations of businesses has declined and is stabilising.

IDC'S ROLE IN ADVANCING TRANSFORMATION



IDC operates within a system of South African DFIs where each has a specified mandate



Core Mandate	DFI
Industrial development	<ul style="list-style-type: none"> Industrial Development Corporation (IDC), est. 1940
Infrastructure development	<ul style="list-style-type: none"> Development Bank of Southern Africa (DBSA), est. 1983
Agriculture, land reform and rural development	<ul style="list-style-type: none"> Land and Agricultural Development Bank (Land Bank), est. 1912 Independent Development Trust (IDT), est. 1990
Black economic empowerment	<ul style="list-style-type: none"> National Empowerment Fund (NEF), est. 1998
SMME development	<ul style="list-style-type: none"> Small Enterprise Finance Agency (sefa), est. 2012 Small Enterprise Development Agency (seda), est. 2004
Housing development	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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.

Sector coverage, market segments, geographic reach and thresholds of various DFIs vary

	IDC	sefa	NEF	DBSA	Land Bank
Economic Sector					
Agriculture, forestry and fishing	①	●	●	○	●
Mining and quarrying	●	●	●	○	○
Manufacturing	●	●	●	○	⑦
Electricity, gas and water	②	●	●	●	○
Construction	○	●	●	●	○
Trade, catering and accommodation	③	●	●	○	○
Transport, storage and communication	④	●	●	●	○
Finance, real estate and business services	⑤	●	●	○	○
Personal services	⑥	●	●	●	○
Enterprise size					
Micro	○	●	○	○	○
Small	①	●	●	○	●
Medium	●	●	●	●	●
Large	●	○	②	●	●
Funding amount to final beneficiary					
Minimum	R1m	R 500	R250k	R50m	R8m
Maximum	R1.5b ⁸	R5m	R75m	R1.5b	R250M
Regional coverage					
South Africa	●	●	●	●	●
Rest of Africa	●	○	○	●	○

¹ High-value agriculture with processing activities and new agricultural activities (latter introduced as part of IDC's *Project Evolve*)

² Renewable energy and industrial infrastructure

³ Tourist accommodation

⁴ Communication infrastructure and high-impact logistics

⁵ IT services

⁶ Healthcare, film and broadcast entertainment

⁷ Agro-processing

⁸ Transaction limit – cumulative approval within a financial year

- IDC, DBSA and Land Bank provide funding on specific sectors;
- sefa and NEF provide funding across all sectors of the economy;
- Overlaps exist across all DFIs and allow for synergies. Overlaps with IDC are:
 - IDC and DBSA w.r.t. industrial infrastructure up to R250m
 - IDC and Land Bank w.r.t. agriculture and agro-processing between R1m to R5m
 - IDC and sefa w.r.t. Industrial Development with BEE from R1m to R75m.
 - IDC and NEF w.r.t. funding for BEE, industrial development
- No DFI is tasked with developing the mining industry – however, IDC has included it as a focus area.

IDC has refocused its strategy to allow for prioritisation and jobs-rich industrial development in line with Government Programme

Objective

Lead industrial capacity development

Achieving
certain
outcomes

Jobs rich industrial
development

Outcomes

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

The prioritisation strategy and operating model were built around achieving our *objective and primary outcome*

IDC currently has a comprehensive strategy framework guiding transformation

IDC is working towards the creation of an equitable society as envisaged by South Africa's constitution by focusing on the role that it can play by implementing its mandate of industrial development and through internal transformation

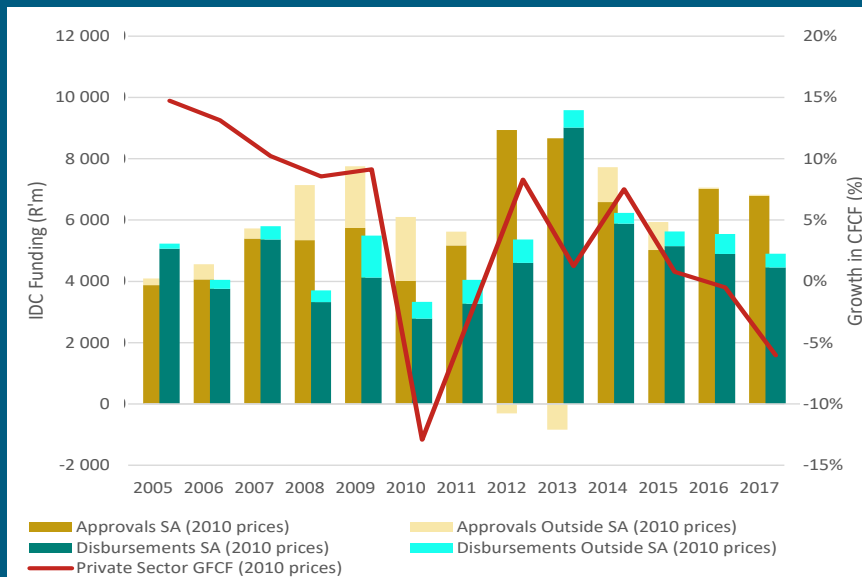
		Externally focussed initiatives				Internally focussed initiatives
Objectives		Broaden transformation of industry in all facets of B-BBEE	Broaden participation in economic benefits of industrial development	Growth of businesses with black ownership	Increase participation of individuals in the country’s industrial development	Ensure internal transformation
	Focus areas	B-BBEE Codes of Good Practice	Inclusive wealth	Black-empowered businesses	Black industrialists	B-BBEE Codes of Good Practice
Strategies		<ul style="list-style-type: none">• Driving broad-based transformation at our business partners through the Codes of Good Practice.• IDC as a B-BBEE facilitator	<ul style="list-style-type: none">• Funding communities to take a stake in projects (start-ups, expansions).• Funding workers to take a stake in businesses (start-ups, expansions).• Increasing empowerment of black women, the youth and disabled.	<ul style="list-style-type: none">• Funding businesses with black shareholding (start-ups, expansions).	<ul style="list-style-type: none">• Supporting black industrialists to build new capacity• Start-up• Expansions• Expansionary acquisitions by black industrialists• Supporting existing black industrialists to grow their businesses through acquisitions• Support potential black industrialists to acquire businesses.	<ul style="list-style-type: none">• Manage all elements of IDC’s own B-BBEE rating level<ul style="list-style-type: none">• Management control• Skills development• Enterprise and supplier development• Socio-economic development

IDC IMPACT

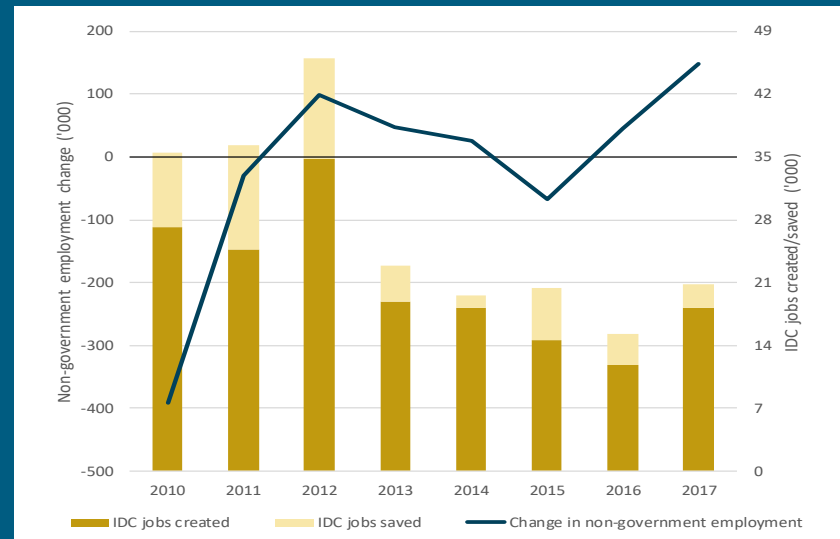


IDC's funding remained resilient – countering economic conditions

IDC approvals compared to private sector fixed investment



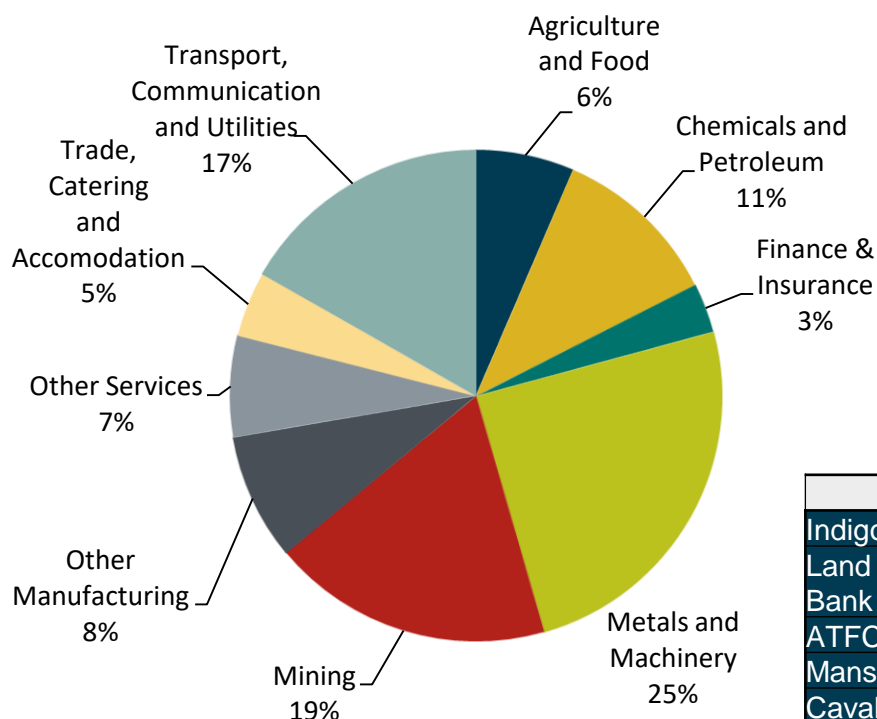
IDC jobs created/saved compared to overall change in SA non-government employment



- GDP growth has slowed down significantly over the past two years
- IDC maintained high levels of approvals despite private sector investment first stagnating and then declining.
- Notwithstanding significant employment losses reported in a number of years since 2010, the IDC has been able to consistently contribute to employment in SA.
- This countercyclical effort has been in part as a result of IDC's proactive efforts to source, develop/co-develop, and co-fund projects

Sectoral Distribution of IDC Funding

Value of IDC Funding to Different Sectors (1995 to 2018 ytd)



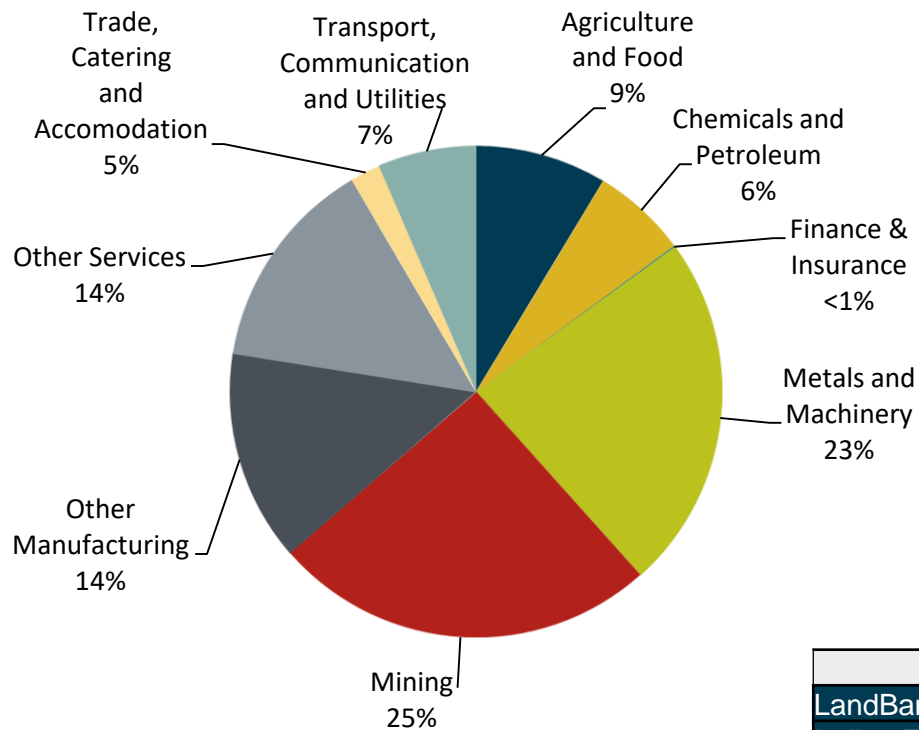
Prominent Clients per Sector (2013 to 2018 ytd)

Client
Indigo Fruit Farming
Land and Agricultural Development Bank
ATFC Mozambique
Mansa Sugar
Cavalier Foods
Foskor
Oiltanking MOGS Saldahna
Amka Products
Le-Sel Research
East & Southern Africa Trade and Development Bank
Development Bank of Zambia
Banque Nationale D'Investissement
Infrastructure Development Bank of Zimbabwe

Client
Scaw
Duferco Steel Processing
BAIC Automobile
Bell Equipment
Kalagadi Manganese
Palabora Mining Company
Project Libra NewCo
BEECO 333
Exxaro Resources
The Good Hope Textile Corporation
Universal Paper Manufacturers
Colibri Towelling
FX Group
Sacks Packaging
Gijima Holdings
Life Healthcare
Basil Read
Sky Rink Studios
ICT-Works
Aya Investments
Oceans Hotel
Nisabase
State Diamond Trader
Goapele Property Company
Ilangaletu Solar One
Xina Solar One
Longyuan Mulilo De Aar 2 North
Longyuan Mulilo De Aar WindPower
Smile Telecoms Holdings

Jobs Created by Sectors from IDC Funding

Jobs Created/Saved in Different Sectors (1995 to 2018 ytd)



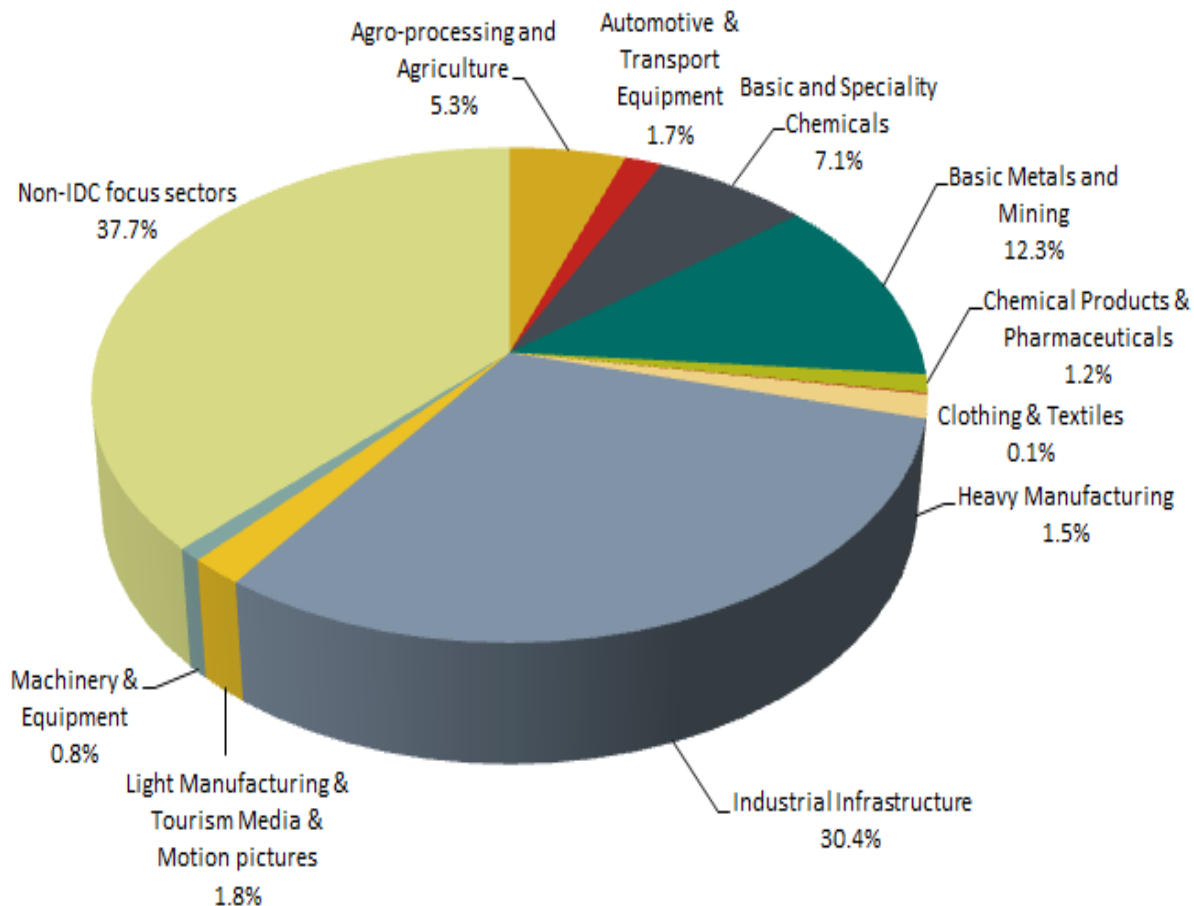
Companies with Large Amounts of Jobs Created/Saved per Sector (2013 to 2018 ytd)

Client
BAIC Automobile
Topfix
Steval Engineering
Alstom Ubunye
Busmark 2000
Emikaway
Palabora Copper
Exxaro Resources
Coal of Africa
Northam Platinum
Distinctive Choice 675
Celrose
The Good Hope Textile Corporation
Time Clothing
Pals Clothing
Basil Read
Mazwe Financial Services (wholesale)
Toro Ya Africa
Nelson Mandela Childrens Hospital
Oceans Hotel
Amazin Hotels
Goapele Property Company
Sani Pass Hotel
Sorpen Property Holdings
The Palace Group
Ilangaletu Solar One
Xina Solar One
Sunrise Energy
Ngodwana Energy

Client
LandBank (wholesale funding)
Indigo Fruit Farming
Gledhow Sugar (wholesale funding)
GWK (wholesale funding)
Cavalier Foods
Amka Products
Oiltanking MOGS Saldahna
Le-Sel Research
Royal Industrial
Dalisu Holdings
Royal Fields (wholesale funding)

Current IDC sectors account for 62% of all fixed investment activity in the SA economy

Relative contribution to overall GFCF in the SA economy according to IDC SBU classified sectors over the period 2011 to 2015 (% share of total GFCF)



Non-IDC focus sectors

include:

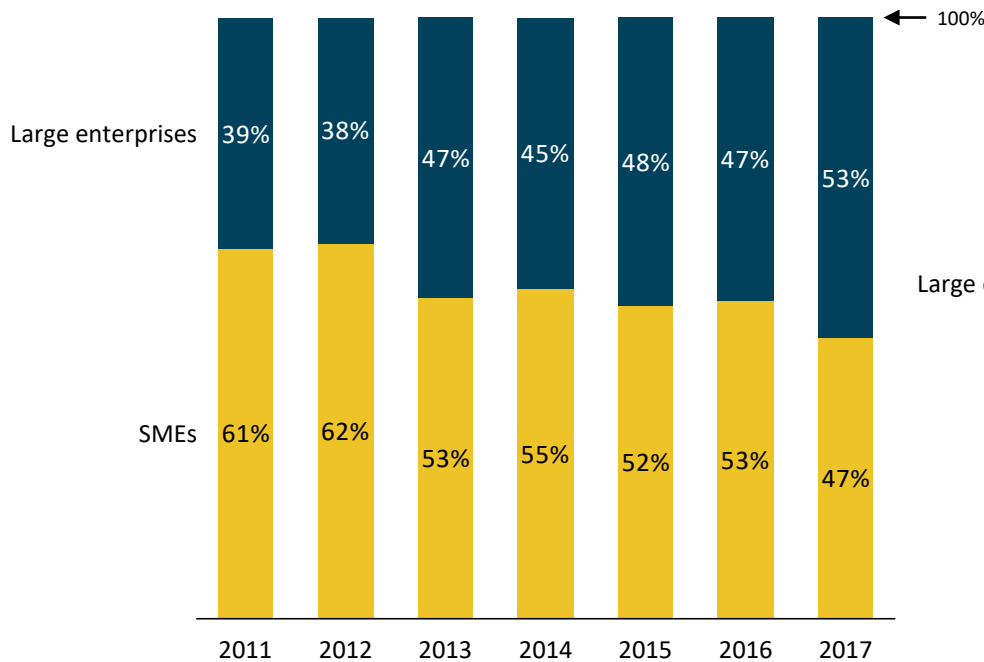
General government, finance & insurance, business services, civil engineering, as well as wholesale & retail trade sales (37.7% share)

Sizeable contribution of **Industrial Infrastructure** is however skewed by the very large contribution of the SA transport services sector (13.1% share to GFCF) and the electricity sector's contribution to GFCF (10.1%), as IDC does not cover the whole spectrum of these sectors.

IDC funding to SMEs

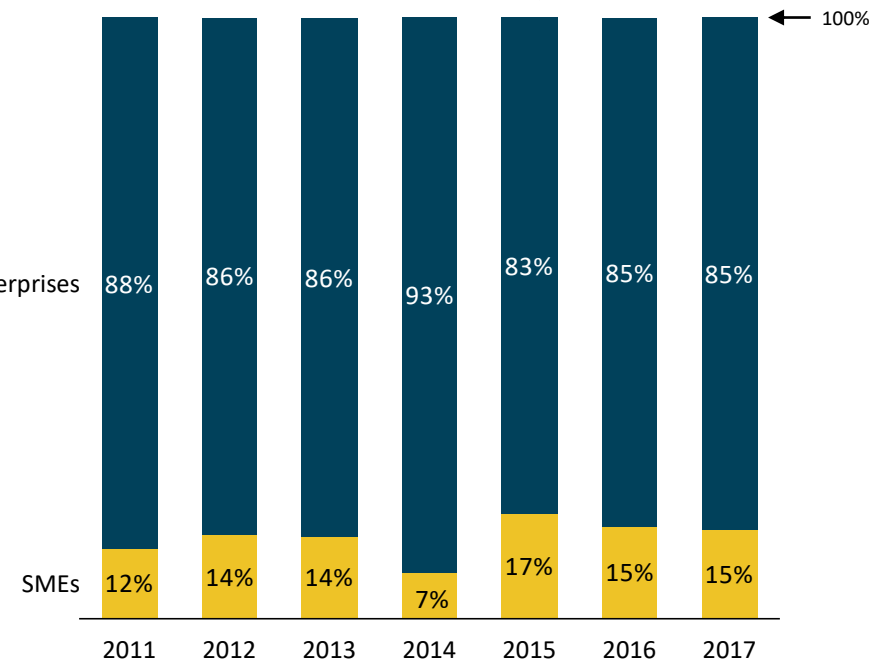
IDC funding to SMEs¹ and Large Enterprises

Number of transactions approved



sefa launched

Value of funding

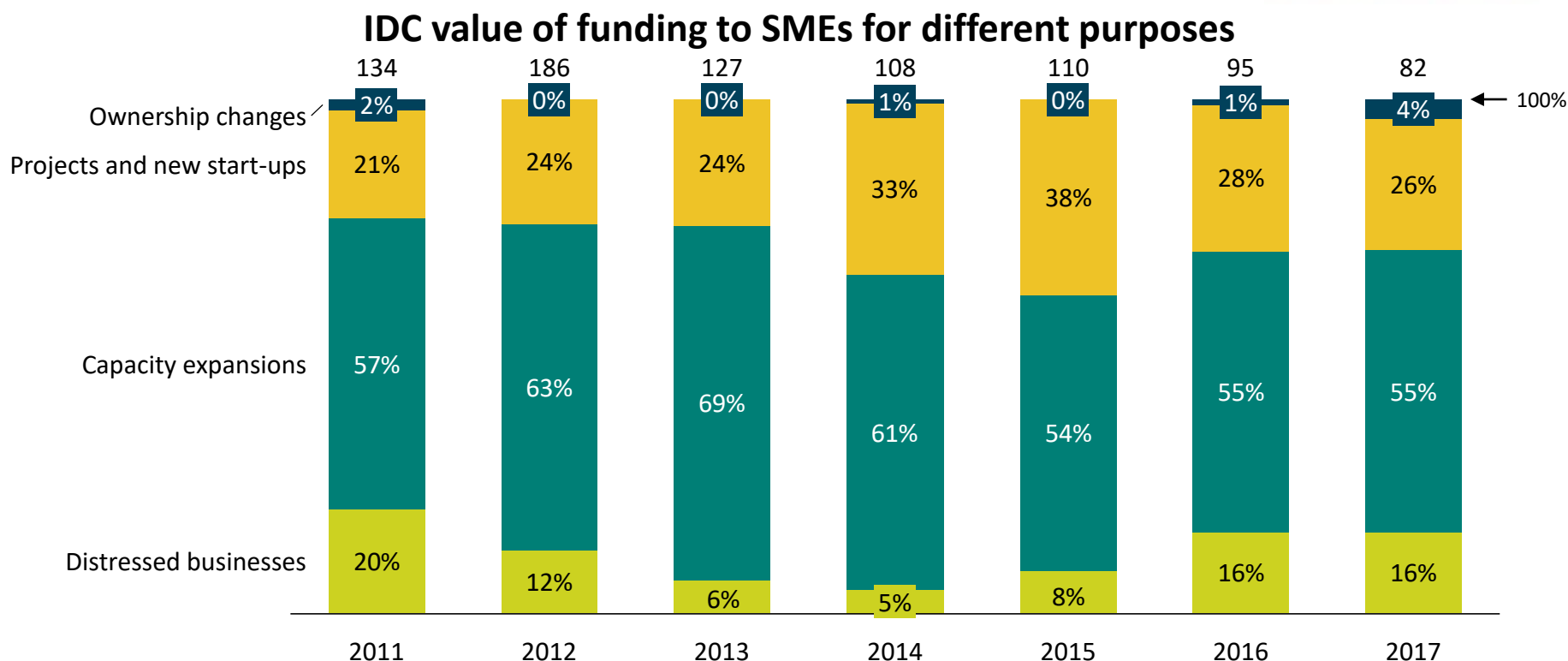


- The bulk of the value of IDC's funding goes towards larger enterprises while the number of transactions for SMEs vs. larger enterprises is more evenly split.
- The share of SMEs in the total number of businesses funded by IDC started reducing with the establishment of sefa on 1 April 2012 as a subsidiary of IDC.
- Sefa's main focus is on serving the SME market.

1 – Companies which complies with any two of the following criteria:

- < 200 jobs
- < R50 million turnover
- < R55 million assets

Utilisation of IDC funds – SME funding



- The largest portion of IDC funding towards SMEs are for capacity expansions – IDC assisting companies to grow.
- Funding for new start-ups makes up about ¼ of IDC's total funding to SMEs.
- Funding to distressed businesses increased in the last two years as a result of the poor operating environment.

Economy-wide impact for some IDC funded projects

- The impact of IDC's support for specific projects extends beyond the project itself, but also includes the impact that these projects have on the rest of the economy.
- To estimate these impacts, the IDC's Economy-wide Impact Model is utilised to assess the potential economic impact of catalytic projects.
- The model determines this through the projects' backward linkages with supplying and/or supporting industries elsewhere in the domestic economy.
- The model further depicts the inter-industry relationships that exist between the various economic sectors in the domestic economy

Pro Roof mini steel mill project

The Pro Roof project is a mini steel mill that is being established in Vereeniging in Gauteng.

Economic variable	R'm (2015 prices)
Total capital expenditure	774
Domestically sourced	532
Construction workers (number)	322
Operational phase of the project (2019/20)	
Total sales (turnover)	1 027
GDP (value add)	351
Employment at mill (number)	451
Intermediate input (locally sourced and imported)	676

Economy-wide impact (operational phase)

Economic variable	R'm (2015 prices)
GDP	1 049
Jobs (created and/or sustained; number)	1 858
Trade balance	-259
Tax	426

Other impacts

Increased competition leading to improved price competitiveness for downstream industries.

All values in 2015 prices; per annum

BAIC motor vehicle assembly project

The BAIC motor vehicle assembly plant is being constructed in the Coega IDZ in the Eastern Cape.

Economic variable	R'm (2014 prices)
Total capital expenditure	2 031
Domestically sourced	1 289
Construction workers (number)	938
Operational phase of the project	
Total sales (turnover)	10 427
GDP (value add)	931
Employment (number)	748
Intermediate input (locally sourced and imported)	9 496

Economy-wide impact (operational phase)

Economic variable	R'm (2014 prices)
GDP	7 209
Jobs (created and/or sustained; number)	18 132
Trade balance	134
Net impact on government revenue	2 256

All values in 2014 prices; per annum

Economy-wide impact for some IDC funded projects

Kalagadi Manganese

The Kalagadi Manganese project is an integrated manganese mine and sintering project located at Hotazel in the Northern Cape.

Economic variable	R'm (2015 prices)
Operational phase of the project	
Total sales (turnover)	6 320
GDP (value add)	2 625
Employment (number)	1 197
Intermediate input (locally sourced and imported)	3 695

**Economy-wide
impact (operational
phase)**

Economic variable	R'm (2015 prices)
GDP	6 541
Jobs (created and/or sustained; number)	7 495
Trade balance	5 140
Tax	1 560

All values in 2015 prices; per annum

Concentrated Solar Plants (CSP)

Karoshhoek, KaXu, Khi, and Xina are four CSP projects that have been implemented and are being implemented in the Northern Cape.

Economic variable	R'm (2015 prices)
Total capital expenditure	25 005
Domestically sourced	11 176
Construction workers (number)	3 158
Operational phase of the project	
Total sales (turnover)	4 206
GDP (value add)	3 692
Employment (number)	187
Intermediate input (locally sourced and imported)	515

**Economy-wide
impact (operational
phase)**

Economic variable	R'm (2015 prices)
GDP	4 097
Jobs (created and/or sustained; number)	1 230
Trade balance	-298
Tax	579

Other impacts

Diversification of SA's energy mix

All values in 2015 prices; per annum

Foskor

Foskor is a vertically integrated phosphoric fertiliser producing company operating in Phalaborwa and Richards Bay.

Economic variable	R'm (2015 prices)
Operational phase	
Total sales (turnover)	5 918
GDP (value add)	1 243
Employment (number)	1 774
Intermediate input (locally sourced and imported)	4 674
Trade balance	1 313

**Economy-wide
impact (operational
phase)**

Economic variable	R'm (2015 prices)
GDP	5 817
Jobs (created and/or sustained; number)	11 884
Trade balance	329
Tax	1 304

All values in 2015 prices; per annum

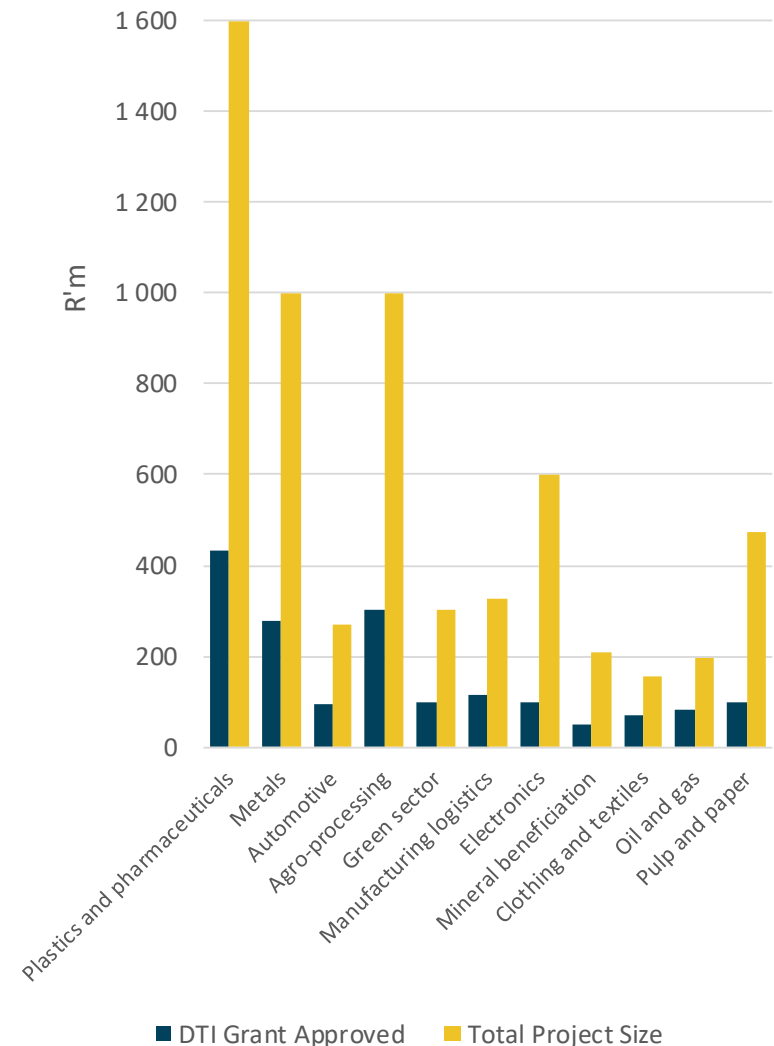
BLACK INDUSTRIALISTS PROGRAMME



Collaboration between Government entities to assist black industrialists

- IDC assisted the dti with the establishment of the Black Industrialist Policy and Scheme:
 - Assistance with the definition of the “Black Industrialist” and qualifying entities.
 - Assistance with the threshold of funding (Project size and quantum of grant funding)
 - Assistance with drafting of application process
 - Assistance with template of basic assessment and due diligence
 - IDC assisted the dti in the submission of the draft policy to cabinet
- IDC, the NEF, the Land Bank, and the KZN Growth Fund is active in assisting clients to access the scheme.

Utilisation of the dti’s Black Industrialist Scheme

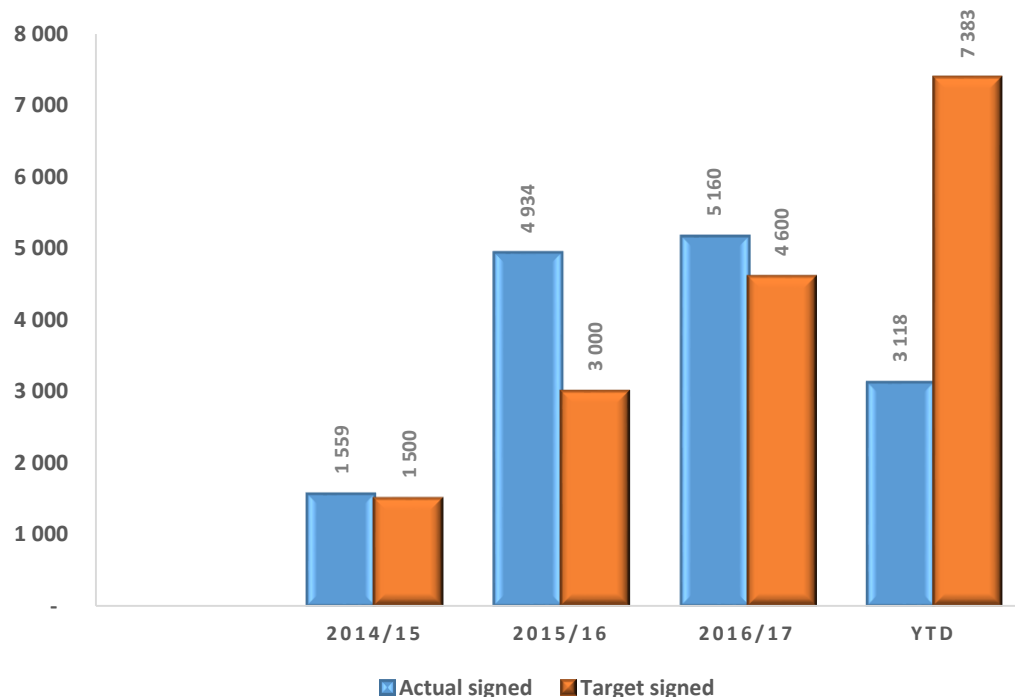


Black Industrialists

The State has ramped-up support for black industrialists, led by EDD and the dti. The figures below provide detail of progress to date. Part of this also covers components for the infrastructure programme, as reported in February 2017 Cabinet lekgotla.

IDC approvals from 2015 to Jan 2018

R14.7bn – 236 signed



IDC target for the five year period 2015 to 2020:

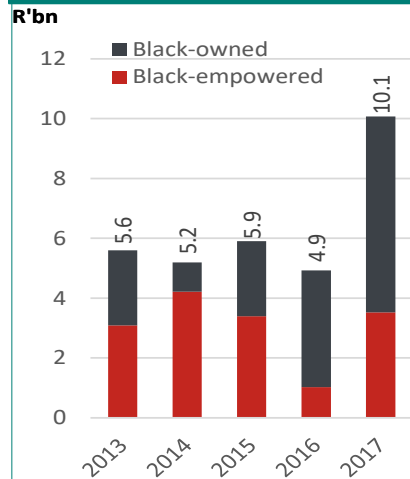
R23 bn

The dti overall funding allocated is

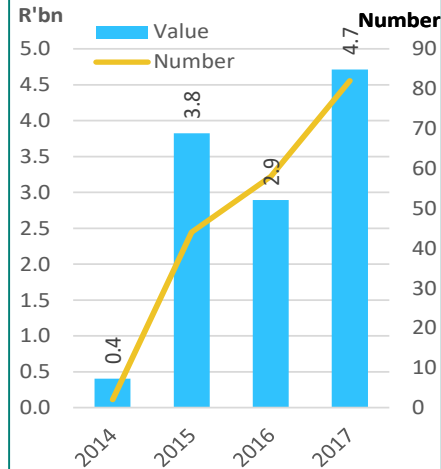
R1.5 bn

IDC funding – Other transformation initiatives

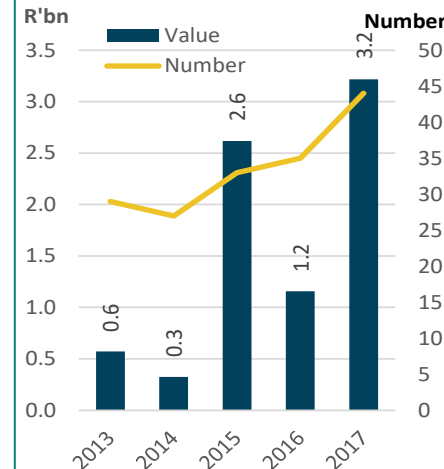
Approvals for BEE



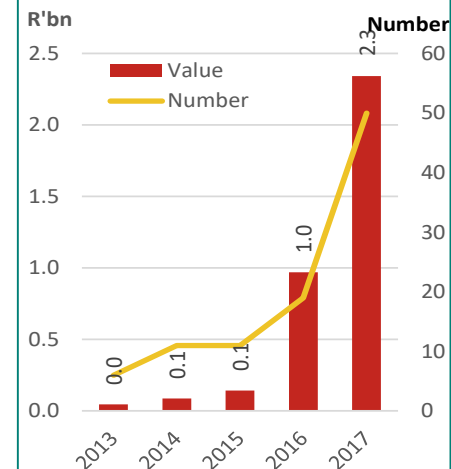
Approvals for Black Industrialists



Approvals for Women Entrepreneurs



Approvals for Youth Entrepreneurs



- Overall levels of funding for transformation initiatives have significantly increased in 2017.

IDC Case Studies

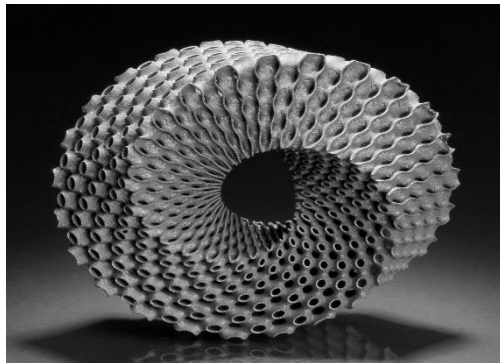
Abagold

- Abagold was established in 1984 to breed, grow and export abalone from its operations in Hermanus.
- IDC assisted with funding expansions and in 2009, the IDC also assisted Sea Yields Investments, a 100% black-owned company, to acquire 10% of Abagold. A further 15% were acquired by a BEE consortium and a local community development trust, bringing the black ownership level to 25%.



Mabandla Forestry

- Mabandla Forestry's estate in rural KwaZulu-Natal is home to some of the finest gum and pine species in South Africa and is owned by the community.
- Mabandla estate harvests about 150 tonnes of timber/day and has about 70 permanent employees including stackers and chain saw operators. The number of employees sometimes swells to over 100 especially during the peak harvest period.
- IDC provided funding 2006 for the company to buy equipment to harvest and transport the eucalyptus timber and again in 2014 to replace old equipment and establish a sawmill.



Metal Heart

Metal Heart is a start-up company which was established to provide a service using additive manufacturing to produce, inter alia, specialised metal components to industry which cannot be manufactured through conventional methods. Metal. The capability of the proposed 3D printing equipment is not available in South Africa at present. This investment will facilitate localisation opportunities and import replacement. This is a 100% youth transaction. This is a key technology that enables the 4th industrial revolution.

IDC Case Studies: Black Industrialists (continued)

MMTR Rail

- MMTR has been awarded two rail condition assessment services contracts of five years each, for monitoring the condition of rail infrastructure using the Track Geometry Inspection Vehicles.
- Under these contracts, MMTR services will ensure effective maintenance of the existing rail infrastructure, thereby supporting the rail strategy of increasing rail freight volumes, ensuring goods access to market, reducing the commercial cost of freight transportation and thus enhance local competitiveness.
- The contracts also promote and advance the participation of black owned businesses (including designated groups being youth and women), in the rail sector which is predominately serviced by the private sector monopolies.



Punda Maria Bricks And Suppliers

- Punda Maria is an existing brick manufacturer located in Limpopo
- IDC partnered with Punda Maria to expand the brick manufacturing operations as well as to begin the manufacture of concrete roof tiles and steel nails and screws.
- IDC provided a plant and equipment loan for R13.5 million to fund the expansion, as well as working capital of R1.5 million.



IDC Case Studies (continued)

Bliss Brands

- Bliss was started by two brothers, Mr. S Iqbal and Mr. A Iqbal, who set their sights on starting a manufacturing business in South Africa with IDC's assistance who approved funding in 20013.
- This Gauteng-based company is now one of the largest manufacturers of washing power in South Africa and exports to the rest of Africa.



Wagienience (Water Hygiene and Convenience)

- Wagienience, based in Gauteng, developed a unique patented product, WHC Leak-less Valve™. This is a water-control mechanism that is placed in toilet cisterns to stop the influx of water at a pre-determined level, thereby reducing water loss due to outlet valve leaks.
- IDC's support started in 2015 and in addition to funding, the IDC has played a pivotal role in formulating Wagienience's strategy to commercialise and promote its product which will be rolled out to public buildings.



Octopus Vision

- Octopus Vision, 100% owned by two young aspiring black entrepreneurs, received funding from the IDC in 2017 to fund the purchase of film equipment and working capital to produce content mainly for television and to provide production services for music artists.
- The company produces TV shows that are based on local stories and filmed in Sebokeng, Gauteng, using local actors.



IDC Case Studies (continued)

2Ten Hotel

- 2Ten Hotel CC is a youth-owned family business that started trading in 2008 as a four star hotel with accommodation, conference facilities and other amenities.
- The hotel is ideally located in Sibasa Town, Thohoyandou in Limpopo province. IDC approved funding in 2016 for the expansion of the hotel.



Maneli Pets

- Maneli Pets is a business initiative of the Maneli Group, a newly established agro-processing holding company, with initiatives aimed at exploring other business ventures.
- The company is being established to produce ostrich- and venison-based treats for dogs, branded under the label Roam to be sold in retail stores in the United States. The treats will be sold in over 100 regional pet speciality chain stores in high-end suburban areas across the country.
- The company also received support through the dti's Black Industrialist Scheme.



Oiltanking MOGS

- IDC partnered with project oil company Oiltanking MOGS Saldanha (OTMS) to fund the construction of a commercial crude oil blending and storage terminal adjacent to the Port of Saldanha.
- This is a new local crude oil storage industry. IDC provided funding for the first construction phase, which includes building eight crude oil storage tanks with capacity of 1.1 million barrels each and the full infrastructure for Phase 2, which includes building an additional four storage tanks.



IDC Case Studies – Projects facing challenges

Chic Shoes

- Established towards the end of 2004, Chic Shoes manufactures genuine leather ladies footwear and since inception, the IDC's assistance has supported the company's business development.
- Due to a growing demand for its products, Chic Shoes entered a second phase of expansion, also funded by IDC.
- The company is facing challenges and IDC is assisting to ensure sustainability of this important employer in the Western Cape.



DCD Wind Towers

- DCD Wind Towers is a partnership between IDC and the South African DCD group.
- The project is first wind tower manufacturing facility in the country and was established to supply wind towers to renewable energy projects, especially those in the Eastern Cape.
- After delays in the original ramp-up of production, and stalling of the REIPPP programme, the company stopped operating.
- IDC is seeking new investors.

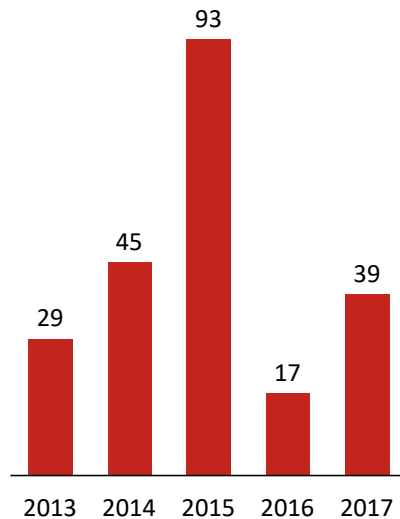
ILB Helios Southern Africa

- ILB Helios Southern Africa manufactures photovoltaic modules in the East London IDZ.
- Construction of the plant was delayed, financial constraints at partners in the project and uncertainty regarding the future of the REIPPPP has placed the project's sustainability in the balance.
- IDC is currently working with other investors to revive the project.

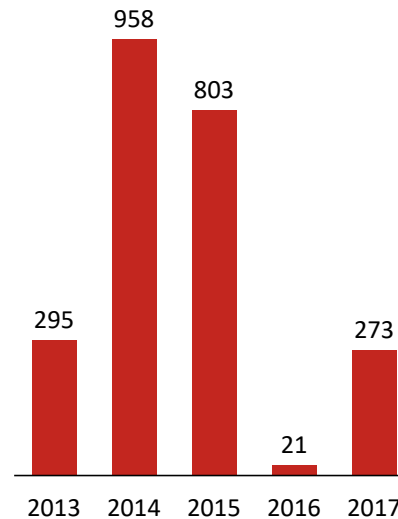


IDC funding for social enterprises

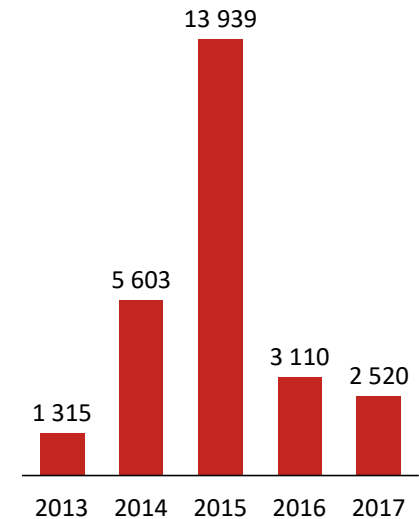
Value of Funding Approved
from SIF and SEF



Number of Jobs from SIF and
SEF



Number of Beneficiaries of
SIF and SEF



- In addition to IDC's normal funding activities, it has funds available that focusses on interventions that addresses specific spatial interventions and benefits social enterprises.
- Over the last five years, IDC approved R223 million from these funds, expecting to create 2 350 jobs and benefiting c.a. 26 000 individuals.

A **Social Enterprise (SE)** is an entity which:

- Places the addressing of social and environmental issues and creation of social value as its primary purpose (is mission driven);
- Uses business principles to create, build and maintain social value (it trades);
- Has a long term strategy towards a degree of self-sustainability (ILO- at least 50% operating costs recovered from revenue generation through trading);
- Re-invests a majority of its revenue back into the business to ensure a larger social impact
- Is accountable to the people it serves and operates in a fair, ethical and environmentally-friendly way.

IDC Case Studies – Social Enterprises

Buhle Farmers Academy (BFA)

- Training 200 students in 2017 offering courses in: vegetable, poultry, livestock production, and mixed farming in Mpumalanga and KwaZulu-Natal.
- Students also prepare a viable business plan and market their produce, learning how to access markets and price the goods.
- After the training, the Farmer Support Programme supports approximately 100 graduates per annum with technical advice and business set up, bridging the gap between the information and experience gained.



Zuplex (Muthi Futhi)

- This initiative manufactures indigenous plant extracts targeting the international market, whilst also achieving tangible social and environmental benefits.
- Partnerships are crucial to Zuplex: 27 ha of land from the iNgonyama Trust via the Ntuli Traditional Authority has been signed with the Edakeni Muthi Futhi Trust (shareholder in Zuplex).
- All surpluses will be reinvested into the Edakeni Muthi Futhi Trust for socio-economic development within the community.
- 18 permanent jobs and 26 temporary jobs have been created.



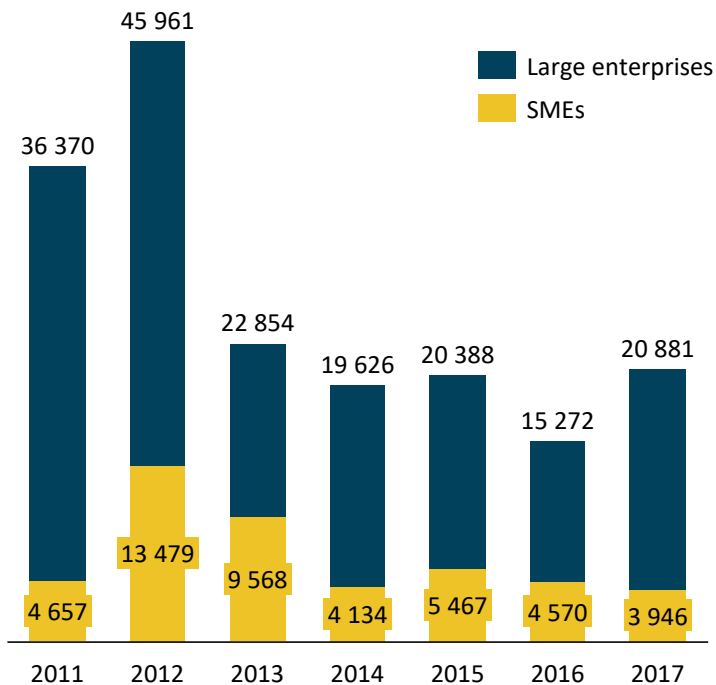
Got Game

- Got Game buys used shipping containers and repurposes them to promote education and entrepreneurship.
- In Soweto, Got Game installed a double-storey container-based structure that comprises a hardware store on the ground floor and a training centre and restaurant on the first floor.
- The Building Box is a highly effective training centre, employment facility and networking opportunity for members of the Soweto community.

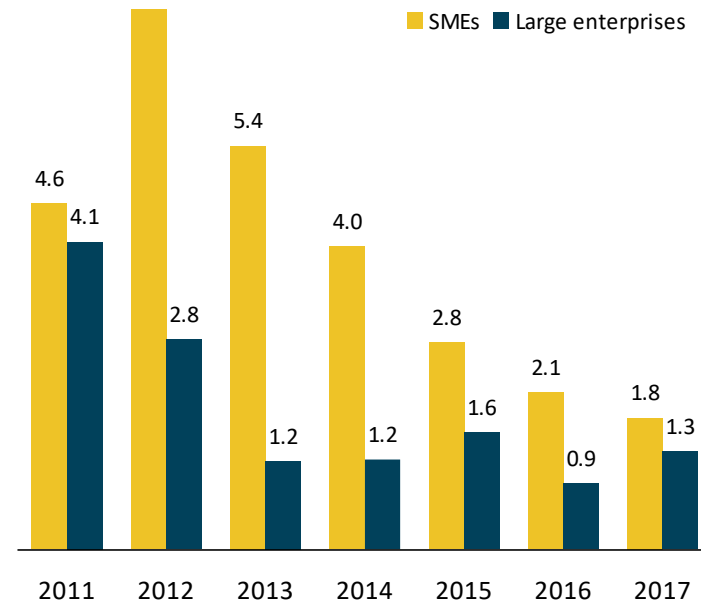


IDC funding - Job creation

Number of jobs expected to be created/saved



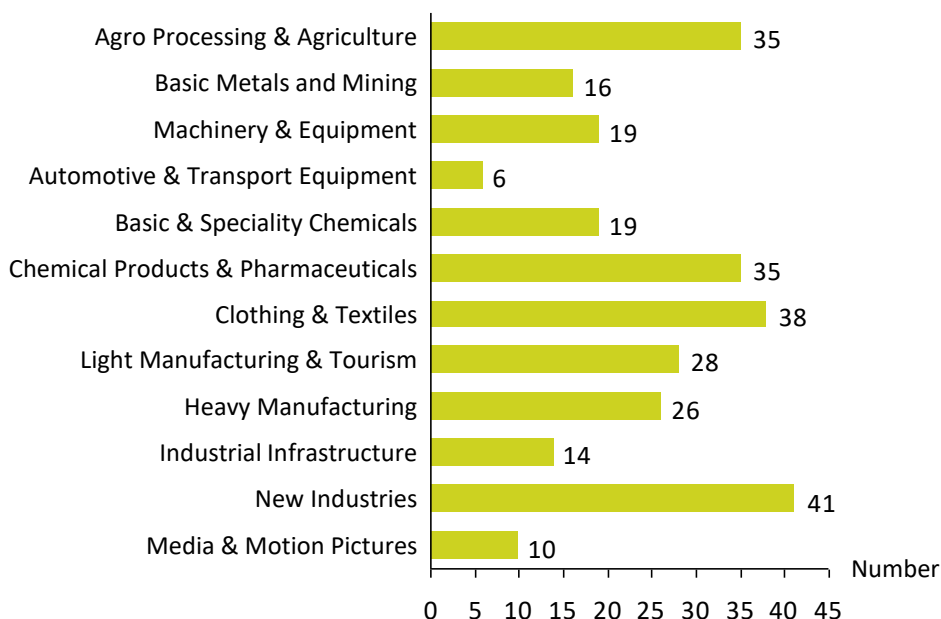
Number of direct jobs expected to be created/saved for every R1m approved (cost per job)



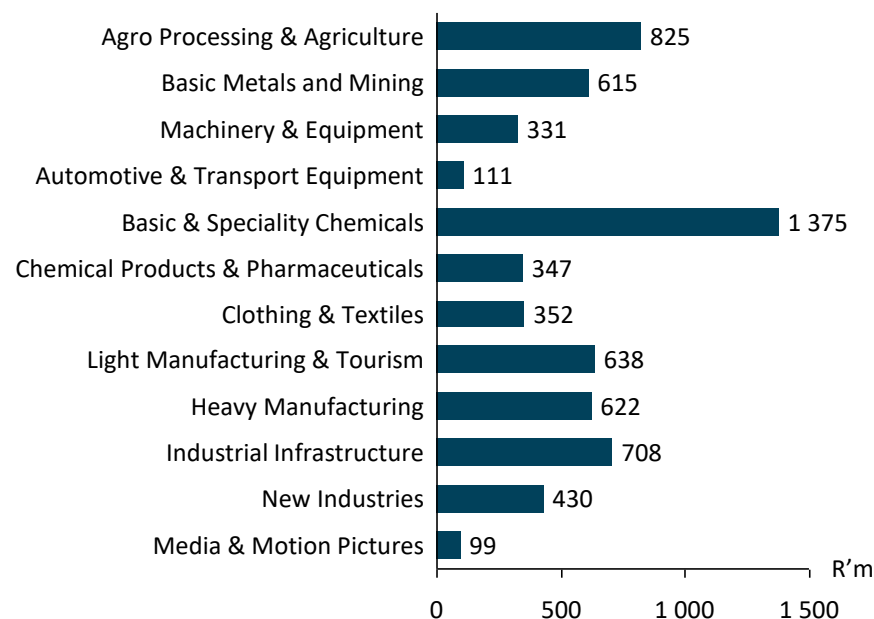
- The largest number of jobs created by IDC funding is in larger enterprises.
- Funding to SMEs however do tend to create more jobs for every rand of funding that IDC provides.

IDC funding to SMEs by sector

Number of Transactions Approved to SMEs, 2015 to 2017



Value of Funding Approved to SMEs, 2015 to 2017

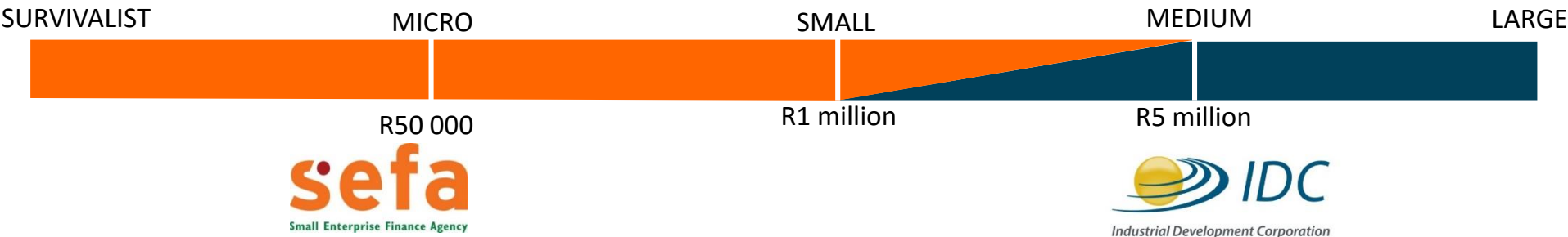


- The largest number of transactions for SMEs were done in the New Industries, clothing and textiles, and agro-processing and agriculture units.
- Capital intensive industries such as basic and speciality chemicals and basic metals tend to attract higher levels of funding even for medium-sized businesses.

SEFA'S IMPACT



IDC subsidiaries within the DFI space allow for a more efficient and effective service-offering



When sefa was originally established, IDC viewed the following as benefits:

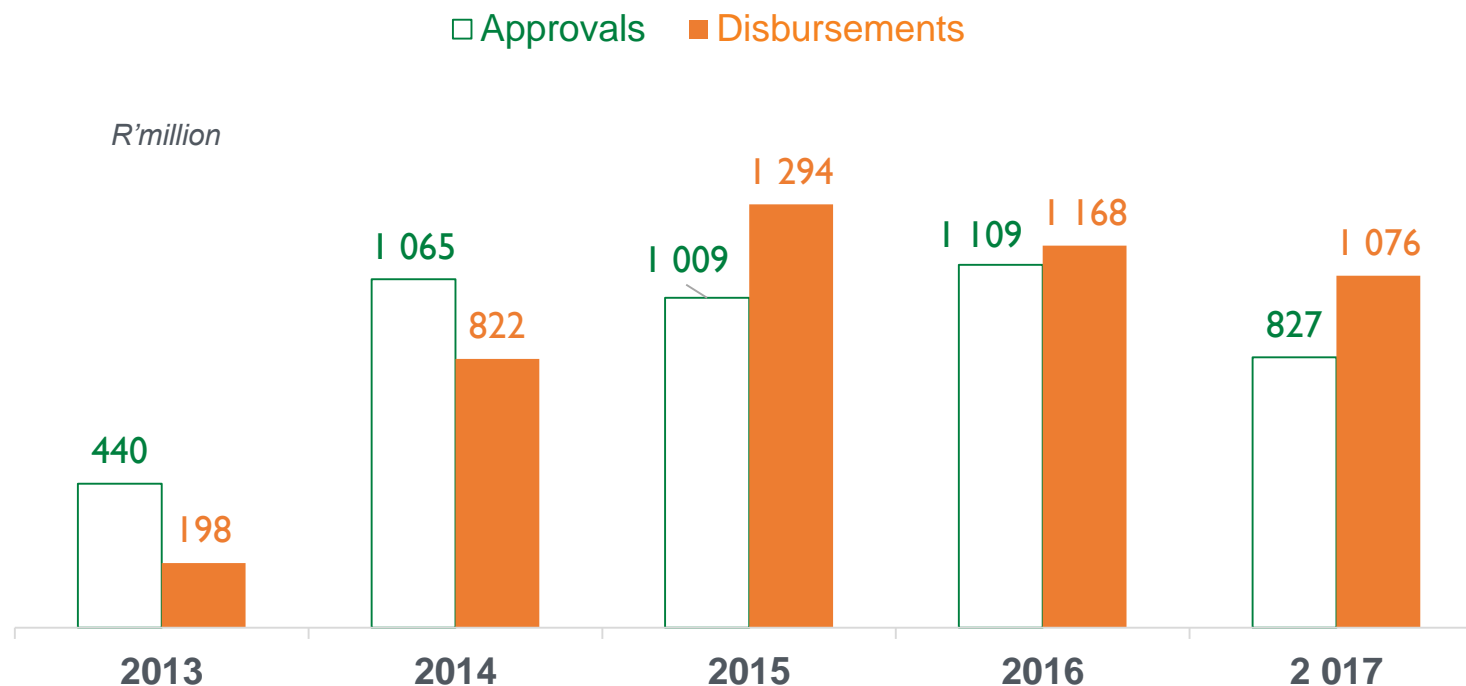
- Improved market segmentation means products can be tailored to the needs of SMEs and larger companies;
- Custom processes for SME funding can result in quicker turnaround times for funding for small businesses;
- Less confusion in the market about which DFI would be able to assist with providing funding;
- Close cooperation between IDC and sefa can result in increased SME development around larger projects being established by IDC;
- Increased access to resources for sefa.

IDC is continuing to provide funding to small and medium enterprises while sefa builds the required capacity.



Its pending incorporation will further assist in advancing Black Economic Empowerment across all sectors of the economy

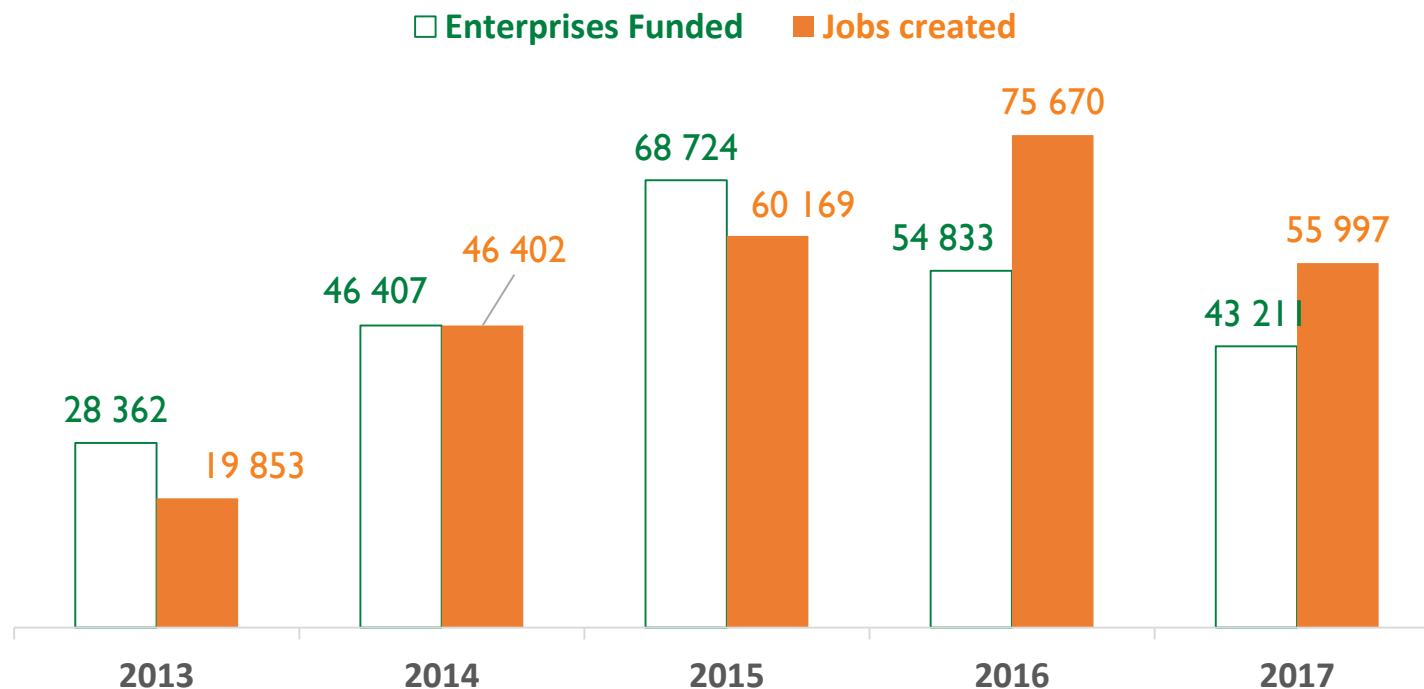
sefa Funding activities



- Since inception **sefa** disbursed R4.3 billion into the economy to 241 537 SMMEs and co-operatives
- sefa** has maintained high levels of approvals and disbursements despite tough economic conditions
- Disbursements declined by 7.7% year-on-year to R1.076 billion.

* *sefa* measures disbursements to end-beneficiaries. A certain amount of approvals to an intermediary can be circulated a number of times to one or more SMME or co-operative within a year. Disbursements can therefore be larger than approvals.

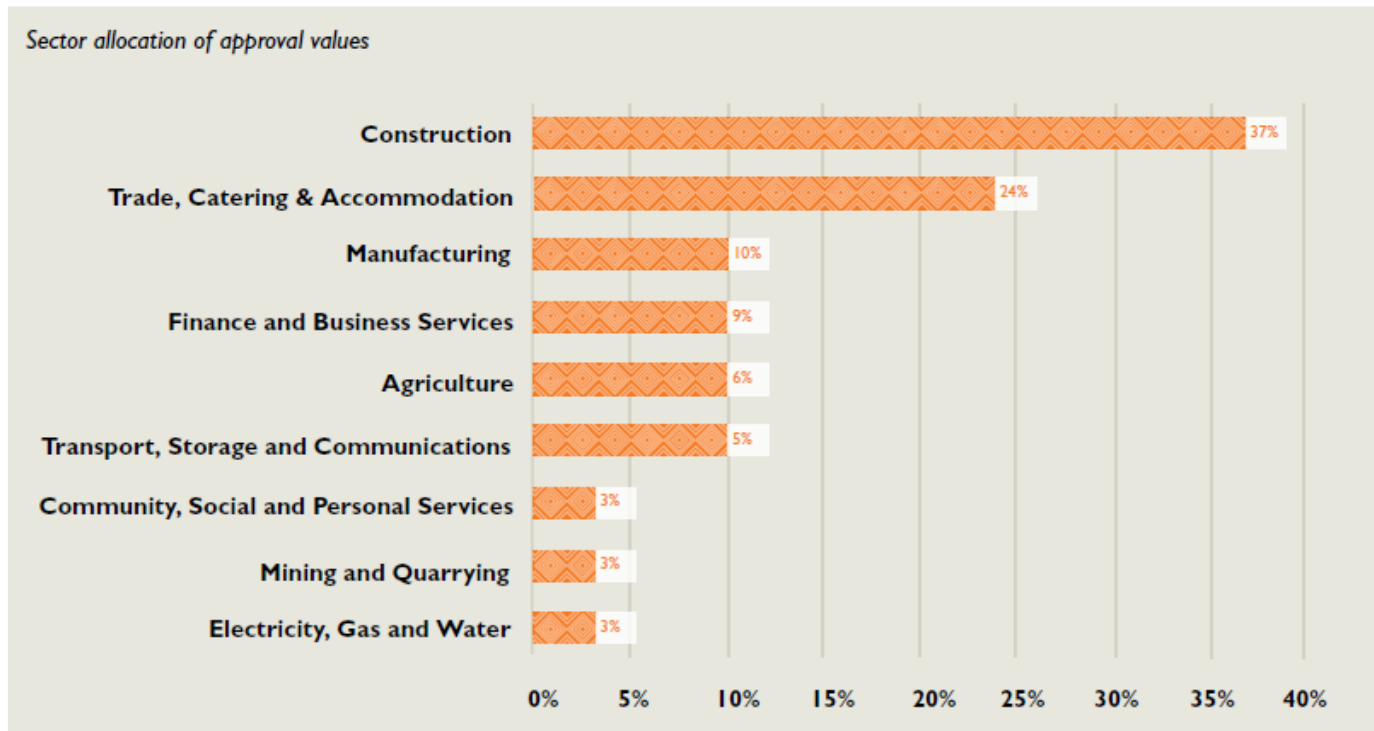
sefa funding activities (cont.)



- Since its inception **sefa** funded 241 537 businesses and facilitated job opportunities to the amount of 258,091.
- R1.7 billion was disbursed to women-owned businesses
- R943 million disbursed to youth-owned businesses
- R2 billion to businesses based in priority rural provinces

sefa funding activities (cont.)

NB Direct Lending



Green Logik

- Green Logik is a 100% black owned company that manufactures Lunch-Box Buddy® a 2ml application antibacterial hand sanitizer gel. Their target market is schools, hospitals, airlines, catering companies and retail stores.
- The business was established in 2014 by Dawn and Barry Petersen.
- Green Logik is on the Pick 'n Pay Supplier Development Programme and has been approved as a supplier to 274 Pick 'n Pay stores nationally.



Furniture and Beyond

- Furniture and Beyond is a furniture design manufacturing company that is based in Isithebe, Kwa-zulu Natal.
- The business formally commenced operations in 2014. The company was founded by Deon Subramanian.
- The business has received a supply agreement from OK Furniture to supply lounge suites with sefa approving funding to deliver in this contract.
- Through sefa funding 110 jobs are maintained and 27 new jobs created.

WP Timber Products

- Thabo Vuyo Sikukula approached sefa for funding of R5 million to help finance the 100% purchase of WP Timber Products cc. WP Timber is a pine wood door manufacturing business in Stuterheim in the Eastern Cape.
- The entrepreneur holds a Bachelor of Technology degree from Pretoria University and has been operational in the wood processing industry.



Ordained Trading

- Ordained Trading 100% black youth owned business that is part of the National Gazelle programme, an initiative of the Dept. of Small Business Development.
- Ordained Trading was awarded a contract by Arcelor Mittal South Africa to design, construct and commission an abatement plant for VOC (volatile organic compound) emissions. This reduces the plant emissions to an acceptable environmental level. This project took place at the Vanderbijlpark plant.



Auto Salon

- Auto Salon is a 100% black woman owned motor vehicle repairs enterprise founded in 2006 and is one of a few accredited black female owned and managed autobody repairers.
- She approached sefa to assist in increasing capacity of her operations to expand the company's market share.
- sefa approved a loan to acquire equipment and increase her skilled labour and staff compliment. The loan will also assist in renovations of the premises to industry standards.



Inkosisg Project Investments

- Inkosisg Project Investments is a 100% black youth owned business.
- The business specialises in tourist transfers and day tours in Mpumalanga.
- After attending a sefa exhibition, the entrepreneur approached sefa to fund the purchase one game viewer vehicle and also buy an extended warranty plan for one of his vehicles.
- Through this loan the business created and maintained 2 jobs.



BAW

- sefa has approved facility of R125 million to enable funding to taxi operators who wish to purchase BAW minibus taxis following an earlier successful pilot project.
- About 352 direct jobs have been created within the taxi industry and 89 were maintained.
- The factory in Springs was originally set up with funding from IDC to assemble semi knocked-down taxis for the local market.



CONCLUSION



Concluding remarks

- SA's policies are encouraging industrial development but more effort is needed to ensure coordination with other ancillary policies and strategies for successful implementation of industrial development programmes
- Small and medium enterprises play an important role in the development of an economy as efficient job creators and sources for innovation and therefore remain a fertile ground for support (financial and non financial support).
- Economic condition has not been supportive of industrial development but we are seeing some improvements in the economy, which should help our efforts in balancing countercyclical role and investing strategically for future long-term gains
- IDC's current mandate complements other DFIs and ensures that it covers segments of the economy most relevant to industrial capacity development.
- Direct lending model has proven to be more challenging due to lack of sefa internal experience, aggressive growth in the earlier years, high cost of lending and nature of the clients resulting in high level of impairments. Sefa/IDC will take necessary steps to challenges identified in the agency, specifically regarding direct lending.



Industrial Development Corporation

Your partner in development finance

Thank You