



Industrial Development Corporation

Your partner in development finance

Leadership in Industrial Development IDC Strategy 2010 to 2013

Briefing to the Portfolio Committee on Economic Development

Geoffrey Qhena
CEO

Cape Town
14 September 2010



IDC

Industrial Development Corporation

Your partner in development finance

Background

IDC's Vision, Mission, Objectives and Outcomes

Vision

To be “the primary driving force of commercially sustainable industrial development and innovation to the benefit of South Africa and the rest of the African continent”

Mission

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.

Objectives

Supporting industrial capacity development

Promoting entrepreneurship

Outcomes

Sustainable employment

Growing sectoral diversity

Regional equity

Growing SME sector

Industrialisation in the rest of Africa

Broad-based black economic empowerment

Environmentally sustainable growth

New entrepreneurs entering the economy

Changing Priorities

1940s

- World War 2 – Shortage of industrial goods
- South African economy largely based on agricultural production and gold mining

- IDC established to provide financing for industrial undertakings – at this stage only in the manufacturing industry

- Food processing;
- Textiles

1950s & 1960s

- South Africa facing threat of isolation from the rest of the world

- Securing energy resources for South Africa a priority
- Increasing natural resource beneficiation

- Petroleum
- Fertilizers
- Wood processing
- Chemical beneficiation
- Mining and minerals

1970s & 1980s

- Decentralisation policy by government
- Increasing isolation
- Self sufficiency
- Balance of payments

- Import replacement
- More resource intensive industries established – mainly to bolster export earnings in non-gold sectors
- Initiation of high-tech industries
- Agriculture explored as a foreign exchange earner
- Industrial real estate development

- Resource beneficiation
- Micro-electronics

1990s

- Change in government
- South Africa introduced to a globalising world
- Addressing the disparities created by apartheid

- Moves to encourage regional integration
- Black economic empowerment
- Export promotion
- Services related industries
- Investments elsewhere in Africa

- Tourism
- ICT

2000s

- Unemployment
- Diversification of economy
- Reducing inequalities
- Industrial policy
- Growing financial sector liquidity

- Job creation
- Developing rural areas and other previously underdeveloped regions
- Downstream industries
- Entrepreneurial development
- Sector strategies

- Film
- Franchising
- Healthcare
- Education
- Financial services
- Transport
- Construction
- Alternative energy

Over the decades, IDC has adapted to South Africa's changing priorities and expanded into new industries as the economy developed

Industry Involvement



**Food,
Beverages
and
Agriculture**

Portfolio¹:
R4 026m



**Mining and
Beneficiation**

Portfolio:
R24 548m



**Forestry,
Wood,
Paper**

Portfolio:
R1 800m



**Clothing,
Textiles
Leather and
Footwear**

Portfolio:
R1 368m



**Chemicals
and Allied**

Portfolio:
R7 924m



**Fabricated
Metals,
Machinery
and
Transport
Equipment**

Portfolio:
R2 390m



Construction

Portfolio:
R1 106m

¹ Exposure by SBU as at 30 June 2010 at market values, including commitments

Industry Involvement (continued)



**Public,
Private
Partnerships and
Infrastructure**

Portfolio:
R7 119m



**Transport,
Financial
and Other
Services**

Portfolio:
R2 648m



Tourism

Portfolio:
R3 794m



Franchising

Portfolio:
R527m



**Media and
Motion
Pictures**

Portfolio:
R 1 244m



**Techno-
Industries**

Portfolio:
R2 358m



**Venture
Capital**

Portfolio:
R598m



**Health-
care**

Portfolio:
R3 083m



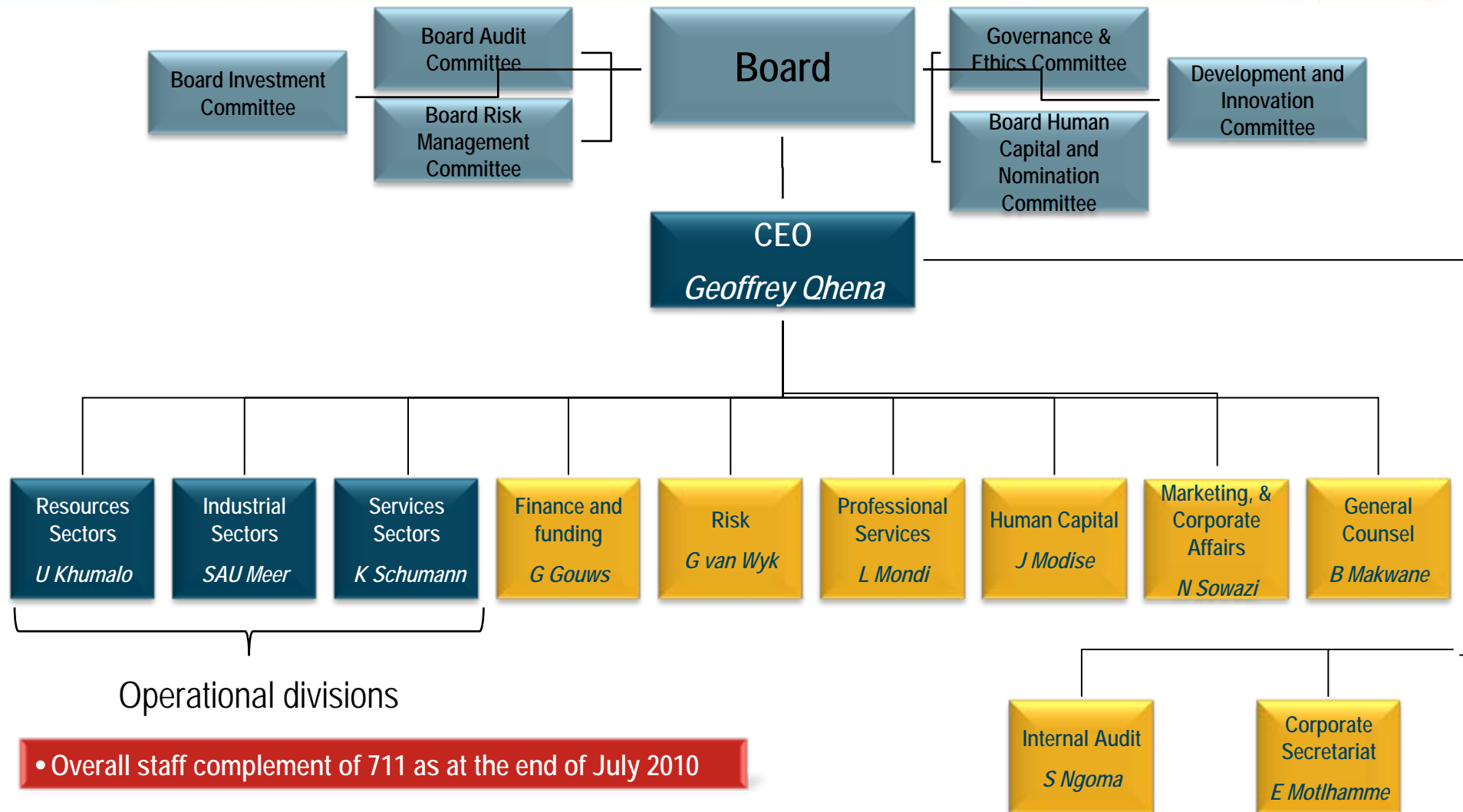
IDC

Industrial Development Corporation

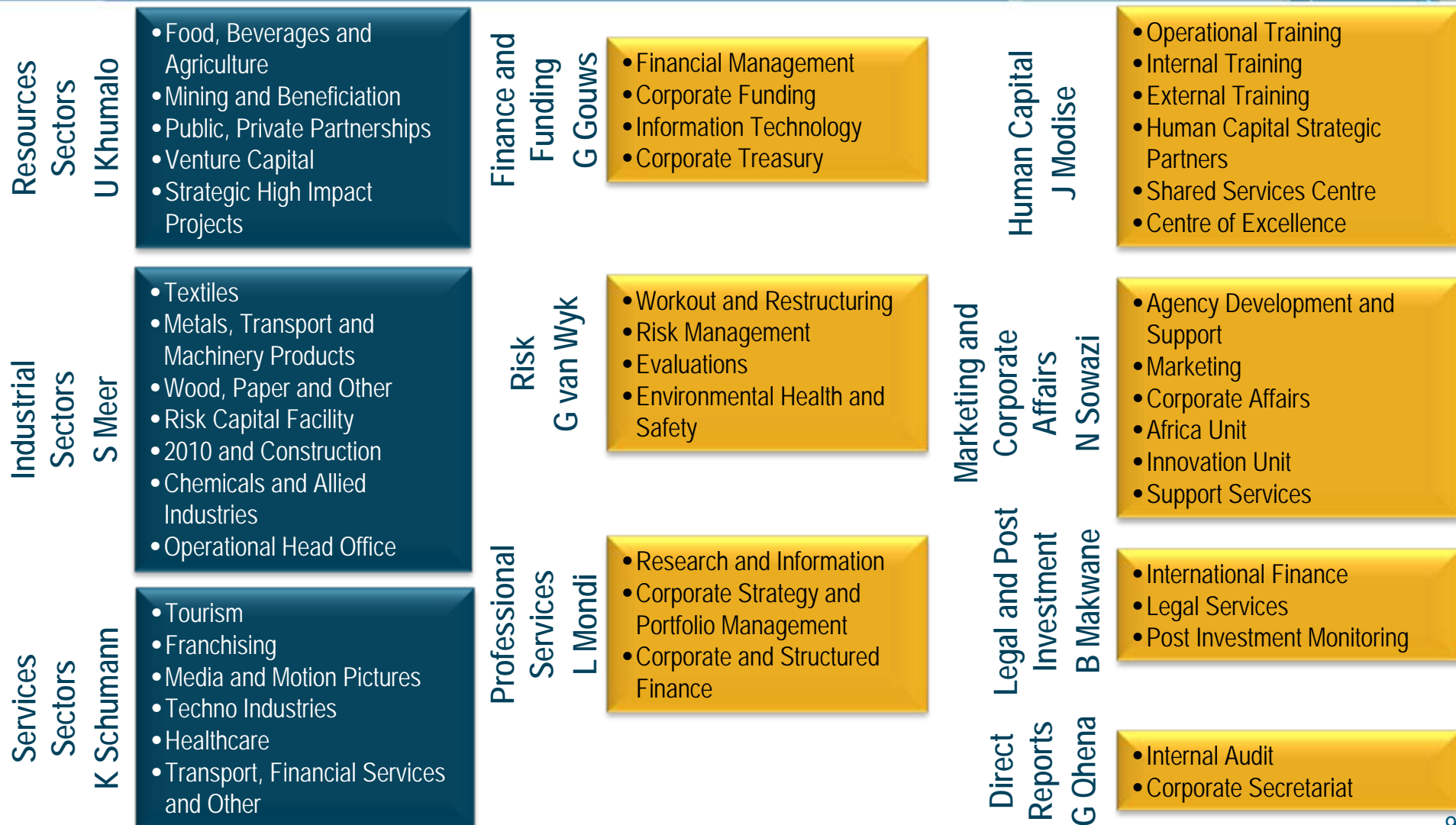
Your partner in development finance

Governance and Organisational Structures

Organisational and Governance Structures



Business Units and Departments





IDC

Industrial Development Corporation

Your partner in development finance

Products and Services

IDC Products and Services

- **General industrial finance:**
 - Equity
 - Quasi-equity
 - Commercial debt
 - Export/import finance
 - Short-term trade finance
 - Bridging finance
 - Guarantees
 - Venture capital
 - Wholesale funding through intermediaries

- **Special purpose finance:**
 - Transformation and Entrepreneurial Scheme (TES) (R1 billion)
 - Risk Capital Facility (RCF) (€55 million)
 - Isivande Women’s Fund (R50 million)
 - Support Programme for Industrial Innovation (SPII) (R75 million/year)
 - Distressed funding (R6.1 billion)
 - Clothing, Textiles, Footwear and Leather Competitiveness Scheme (R250 million)
 - Clothing and Textiles Competitiveness Programme (CTCP)
 - Pro-Forestry Scheme (R100 million)
 - Pro-Orchards Scheme (R200 million)
 - Township and Rural Hospital Scheme (R500 million)


Finance is structured according to client’s needs – can include moratoria on repayments to enable business growth

Cross sectoral schemes/funds

Sector specific schemes/funds

IDC Products and Services (continued)

- Non-financial support and other services:
 - Pre- and post-investment business support;
 - Socio-Economic Development (SED) services;
 - Local Development Agencies;
 - Policy and research support;
 - Capacity building at other DFIs.

A dark blue rectangular box with a slight gradient and a drop shadow, containing white text. A large white curly bracket on the left side of the slide groups the list items with this box.

Several non-financial support measures to address specific development needs



IDC

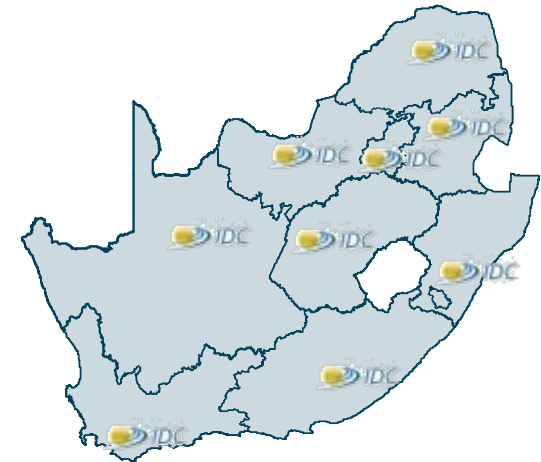
Industrial Development Corporation

Your partner in development finance

Accessing IDC funding

Accessing IDC finance

- IDC has improved access by rolling out offices throughout the country:
 - Eastern Cape – **East London** (Mazwi Tunyiswa)
 - Free State – **Bloemfontein** (Stoffel Meyer)
 - Gauteng – **Sandton**
 - KwaZulu-Natal – **Durban** (Manoj Seonath; Pat Moodley)
 - Satellite office in **Pietermaritzburg**
 - Limpopo – **Polokwane** (Loni Mamatela)
 - Mpumalanga – **Nelspruit** (Clara Ramushu)
 - North West – **Rustenburg** (David McGluwa)
 - Satellite offices in **Klerksdorp, Mafikeng, Vryburg** and **Brits**
 - Northern Cape – **Kimberley** (Mehmood Ahmed)
 - Western Cape – **Cape Town** (Lizo Ntloko)
- Satellite offices being set up in other provinces, mostly sharing infrastructure with other DFIs



Advances being made to ease access to IDC funding and support to entrepreneurs

Funding Process

Pipeline

Applications from existing/prospective businesses

Proactive identification and development of business opportunities

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

Structuring of funding depending on client's needs

Approval of viable transactions at appropriate committee

Monitoring

Ongoing monitoring of client performance after funding is made available

Interventions in businesses experiencing difficulties

- Business support
- Restructuring of facilities
- Etc.



IDC

Industrial Development Corporation

Your partner in development finance

Strategy

Changing Priorities - Future

1999 to 2004

2005 to 2009

2010 to 2014

Government priorities

- Stabilising macro-economic environment
- Redistribution of wealth

- Job creation
- Industrial policy introduced

- Long-term planning
- Overarching industrial policy to enable creation of decent jobs

IDC

- Maximising contribution to investment across a broad range of sectors and areas of investment
 - Sector specific business units formed
 - Targeting an increase in investment across the economy
 - Services sectors
- BEE acquisitions

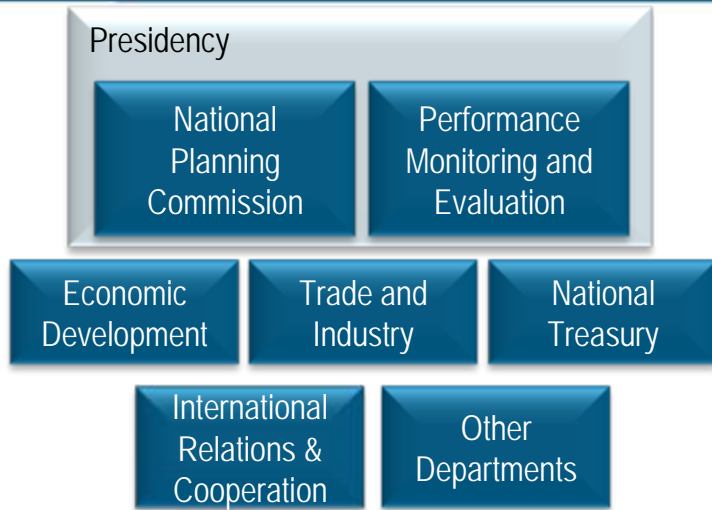
- Job creation most important objective
 - Wide range of other development focussed objectives e.g. rural, townships, BEE, SMEs etc.
- Strategies for developing specific industries
- Start alignment with industrial policy
- Policy research to Government on request

- Fully align IDC with industrial policy
- Specific objectives for each industry
- Focus on proactive implementation of sector strategies
- Policy inputs across all levels
- Involvement in country's long-term development planning
- Continued focus on job creation

Increasing levels of proactive activities



Involvement in long-term planning and inputs into policy development



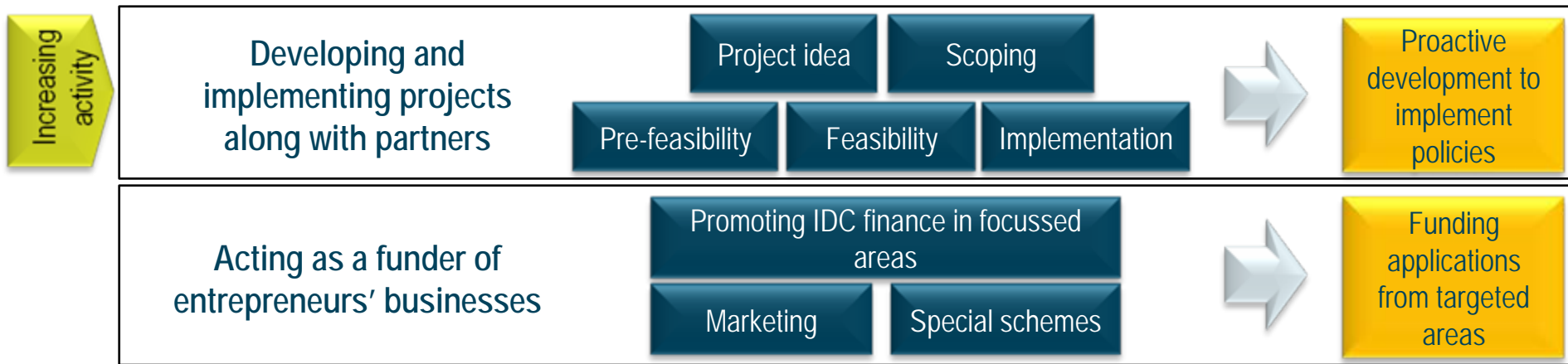
- Greater emphasis on centralised planning to ensure more efficiency in economic development.
- IDC and other dti DFIs to report to Economic Development Department (excl. National Empowerment Fund).
- Development of New Growth Path.
- Scaled-up IPAP released
- Establishment of National Planning Commission.

IDC's role

- IDC has a **unique insight into the real economy** gained from its interaction with industry.
- IDC playing a role in **guiding policy** through its interaction with various policy makers.
- Inputs made into **IPAP**.
- Support and inputs for development of **South Africa's growth path**.
- IDC's influence in guiding policy might be needed in **areas beyond industrial policy**, including among others rural development, trade etc.
- Increased engagement with key role-players in different sectors.
- To be efficient in implementing policy, IDC's engagements into the planning and policy development areas should be at **all levels**.

Policy implementation and interventions

How does IDC implement policy?



Implications for IDC

- **Proactive development** of projects is the area of IDC's business where the corporation can have the highest impact in terms of driving implementation of policy.
- The development of some businesses and industries may be viable and desirable and although entrepreneurs may see the potential in these opportunities, they may be unable to source funding from commercial sources. In these instances, IDC plays an important role as an **enabler by assisting entrepreneurs in developing and funding their businesses** and in the process crowding in commercial financiers.
- IDC is increasingly setting **conditionalities** to its funding to ensure that development outcomes are achieved.

Implementing policy (continued)

Scaled-up Industrial Policy Action Plans

Green Industries and Energy Efficiency

Biofuels

Metal Fabrication, Capital and Transport Equipment

Automotives, Components, Commercial Vehicles

Agro-Industries

Chemicals, Plastics and Pharmaceuticals

Textiles, Clothing, Leather and Footwear

Advanced Manufacturing

Forestry, Pulp & Paper and Furniture

Cultural Industries and Tourism

Services

- IDC specific goals set for each IPAP sector;
- Where available, the goals reflect what the country is aiming to achieve in each sector;
- Strategies and action plans to achieve these goals;
- Will continue to develop other industries not captured in IPAPs, e.g. Infrastructure.

Implementing policy

Green industries and energy efficiency

Industry
Goals

Reduce carbon emissions to 34% and 42% below baseline projections by 2020 and 2025 respectively

IDC
Goals

Contribution to 8% of targeted savings (20Mt and 30Mt by 2020 and 2025 respectively)

Resource/ Waste Management

- Waste management
- Recycling, including paper and metal
- Biomass to energy
- Biogas, waste to energy
- Water recycling

Energy Management

- Energy efficiency
- Demand side management
- Co-generation

Renewable Energy Generation

- Solar
- Wind
- Hydro
- Nuclear
- Biofuels (separate strategy)

Technologies and Components

- Local procurement
- Local manufacturing
- Innovation

Key Strategies

Potential
Constraints

- No legislation regarding sorting of waste at source
- Lack of a national energy efficiency policy
- National Integrated Energy Plan not finalised
- Commitment for local procurement
- Implementation of REFIT II

Biofuels

Industry Goals	To produce 400 million litres per annum of biofuels by 2016		
IDC Goals	IDC intends to invest in production capacity of at least 300m l/a fuel grade bio- ethanol by 2016 – this equates to 75% of the national biofuels target		
Key Strategies	<h3>Policy Adjustment</h3> <ul data-bbox="106 742 676 1142" style="list-style-type: none"> • Mandate upliftment of biofuels with an acceptable pricing structure • Petrol specification so that fuels with more than 2% blend to be viewed as petrol 	<h3>Stakeholder Alignment</h3> <ul data-bbox="705 742 1284 1199" style="list-style-type: none"> • Clarity on fuel levy rebate/refund as well as equalization fund mechanism • Expansion and support for suitable biofuels logistics infrastructure • Sensitise stakeholders of biofuel benefits compared to export crops • Additional research on biofuel crops • Fuel blending • Core Estate models for biofuels • Utilisation of by-products 	<h3>Project Implementation</h3> <ul data-bbox="1313 742 1893 1142" style="list-style-type: none"> • Implementation of bio-ethanol projects
	Potential Constraints	<ul style="list-style-type: none"> • Fuel blending regulations not reviewed • Export crops supported to the detriment of fuel crops 	

Metal Fabrication, Capital and Transport Equipment

Industry Goals	To leverage public sector (SOE, Government) procurement to develop capable local industry	
IDC Goals	Reduce import leakage in SOE Capex by 5% by 2013 and 10% by 2025	
Key Strategies	Basic Metals	Metal Fabrication and Capital Equipment
	<ul style="list-style-type: none"> Investigate the establishment of an internationally competitive vertically integrated steel mill Consider and participate in feasibility studies to investigate steel making technologies that will use Bushveld magnetite and available dumps to make steel Attract industry players with appropriate technology to establish a mini steel mill targeted at specific sector(s) such as pipe/ tube, car manufactures, construction etc. 	<ul style="list-style-type: none"> Transnet fleet renewal programme PRASA passenger rail refurbishment program ESKOM Power Expansion Programme Other SOE /private sector capex
Potential Constraints	<ul style="list-style-type: none"> Customised Sector Development Programmes (CSDP) framework not implemented Transnet not committing to a fleet procurement strategy at economically viable volumes Procurement not leveraged to allow SOE capex programmes to develop local capabilities 	

Automotives, Components, Commercial Vehicles

Industry Goals	1.2 million units produced locally by 2020 and doubling of local content in components	
IDC Goals	To increase local content of locally produced vehicle from current average of 35% to 50% by 2020	
Key Strategies	Automotives and Commercial Vehicles	Components
	<ul style="list-style-type: none"> • Bus/commercial vehicle assembly plant • Electric car • Local fixed investment by Chinese/Indian OEM • Ford T6 	<ul style="list-style-type: none"> • Exterior • Interior • Electronics • Body panel • Engine blocks • Engine parts
Potential Constraints	<ul style="list-style-type: none"> • Inclusion of components current excluded from Automotive Production and Development Programme (APDP) not reviewed • Lack of incentives to drive shift towards alternative energy vehicles • Little or no government procurement of Joule (electric car) • Commercial vehicles and busses not included in APDP • No enforceable framework to leverage public transport procurement 	

Chemicals, Plastics and Pharmaceuticals

Industry Goals	<p>To have a globally competitive chemical sector that produces high value-added products from available natural resources. The establishment of new/infant industries and the security of supply of pharmaceuticals.</p>			
IDC Goals	<p>Establishment of 2 industrial plants by 2015 consuming at least 20% of raw materials – establish a downstream industry hub around 1 of these plants within 10 years thereafter</p>	<p>Domestic beneficiation of an additional 40 000 tpa polypropylene</p>	<p>Establish new liquid fuels capacity with the intention to benefit downstream industrial development</p>	<p>Develop a 400 tpa active pharmaceutical ingredient plant by 2013</p>
Key Strategies	<p>Beneficiation of Chemical Feedstock</p>	<p>Plastics</p>	<p>Liquid Fuels</p>	<p>Pharmaceuticals</p>
	<ul style="list-style-type: none"> Target the primary production of mineral and upstream feedstock, where economically feasible such that raw material is made available at competitive terms in order to develop industrial capacity for localised beneficiation of value added products 	<ul style="list-style-type: none"> Broaden and deepen the petrochemicals value matrix by increasing value addition for plastics products 	<ul style="list-style-type: none"> Target the potential establishment of the Coega Oil Refinery and Waterberg coal to liquids projects to leverage further downstream development and establish chemical complexes 	<ul style="list-style-type: none"> Address current and anticipated shortage of active pharmaceutical ingredients and anti-retrovirals in South Africa by developing a local manufacturing industry
Potential Constraints	<ul style="list-style-type: none"> EIA process not streamlined to reduce lead time for strategic projects Issuing of water licenses and other permit processing not streamlined Negative/no decisions on government support for large strategic projects PFMA related approvals for certain projects not streamlined No government support for active pharmaceutical ingredients (API) Government procurement for locally produced anti-retrovirals project(s) Licenses for production of APIs not granted. No enforceable framework to leverage public transport procurement 			

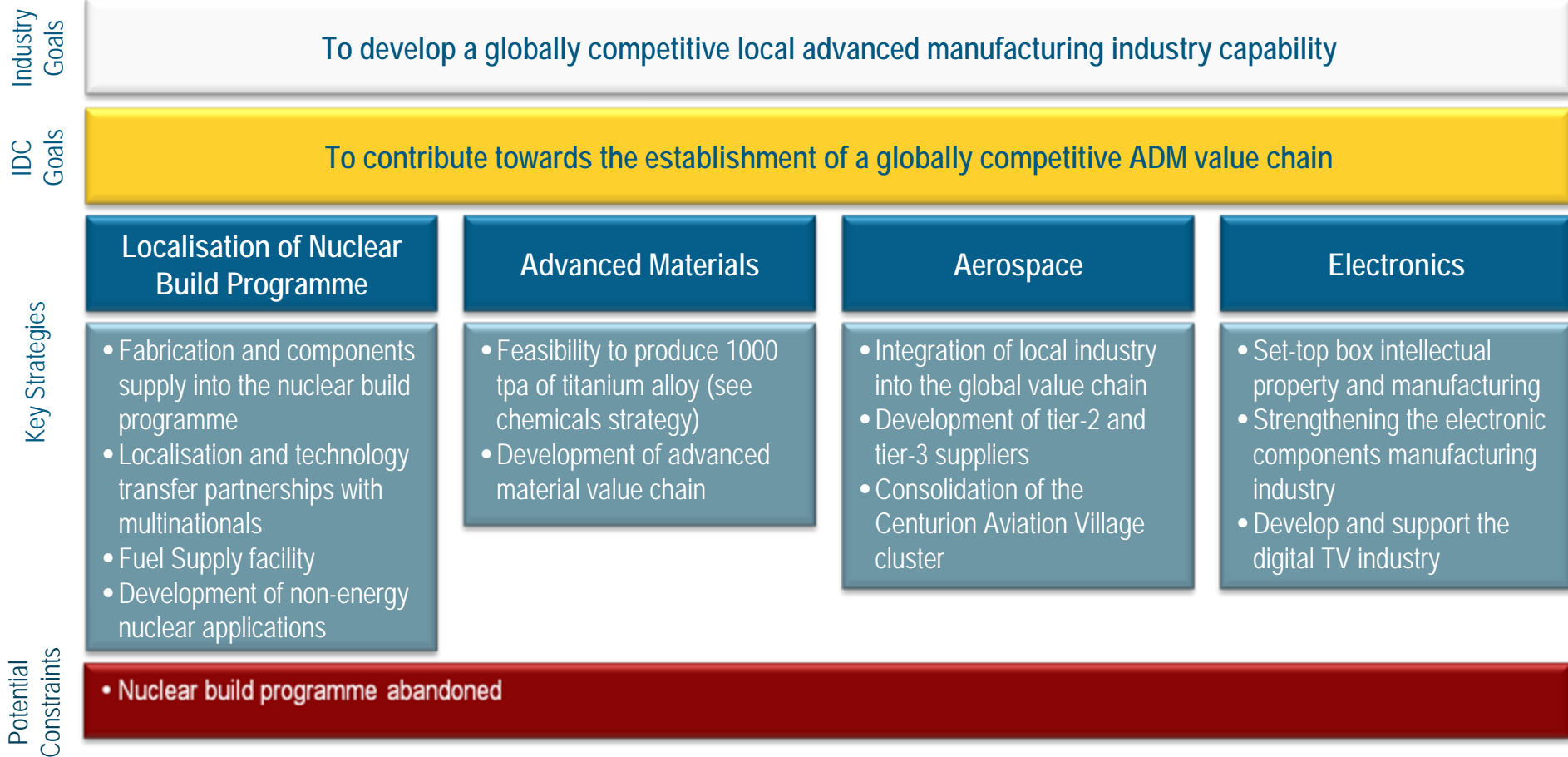
Agro-Industries

Industry Goals	Improve South Africa's Trade Balance				
IDC Goals	Expand high value permanent crop cultivation with 1 000 ha/a	Increase soy cake production capacity by 240 000 tons/a over next 4years; 400 000 tons/a capacity increase in maize milling products over next 4 years	Facilitate wholesale support to resource-poor farmers within all provinces of SA within 4 years	Facilitate the commercial production of rice in SADC by 2013	Horticulture
Key Strategies	High Value Agricultural Crops <ul style="list-style-type: none"> Accelerated berry expansion initiative New crops - pomegranates Northern Cape black-spot free citrus expansion Orchard rehabilitation initiative Drought tolerant crops Vineyard expansion initiative 	Grain and Oil Seed Value Chain <ul style="list-style-type: none"> Increased soya oil & oil cake production capacity Increased & upgraded maize milling capacity 	Support to Resource Poor Farmers <ul style="list-style-type: none"> Resource-poor wholesale funding Deep rural 2nd economies 	Rice Production in SADC <ul style="list-style-type: none"> SADC rice production 	Horticultural Value Addition <ul style="list-style-type: none"> Fruit canning Pectin
Potential Constraints	<ul style="list-style-type: none"> Land reform not accelerated Water licenses not granted 				

Textiles, Clothing, Leather and Footwear

Industry Goals	Retain or increase employment and supplying appropriate fabrics at competitive prices	Retain local employment and production levels over the next five years	Retain capacity and jobs	Retain capacity and jobs
IDC Goals	Retain or increase employment, improve collaboration and effectiveness	To ensure that 50% of clothing and other made up textile goods is sourced locally	To better understand industry; improve transparency and alignment along the value chain	To ensure that 20% of locally consumed footwear is sourced locally
	Textiles	Clothing and Made-Up Textiles	Leather and Leather Goods	Footwear
Key Strategies	<ul style="list-style-type: none"> Review textiles capabilities and capacity in the region Investigate potential impact of a reduction in fabric tariffs Actively participate in the development of appropriate incentives for the sector and implement through CTCP Desk, if appropriate Rationalisation: Redirect efforts, activity and innovation to what the value chain requires Engage with Illegal Imports Task Team to explore ways to implement more efficient systems Investigate and facilitate opportunities for consolidation and expansion in the sector Explore opportunities to utilise IDC investments to support value chain's needs Develop consumer awareness of local content 	<ul style="list-style-type: none"> Actively participate in development of appropriate incentives for the sector Relationships with the industry in SADC and rest of Africa Investigate joining clusters and remain up to date with activities and have access to benchmarking data Government procurement practices; country of origin labeling and building awareness of the industry Better understand union motives and procedures Investigate providing support for retail activities that support local goods Engage with retail to identify opportunities/focus areas across value chain Increase focus on extent to which manufacturers cooperate and interact with rest of value chain 	<ul style="list-style-type: none"> Establish relationships with players across the leather value chain in order to <ul style="list-style-type: none"> Build a better understanding of the industry Develop insight into the business practices and dynamics of this global industry Identify reasons for misalignment in objectives across the value chain and assist in developing potential solutions Facilitate cooperation across the value chain to <ul style="list-style-type: none"> Develop improved transparency of business practices Assist in identifying opportunities for local stakeholders to collaborate and develop solutions acceptable to all Work with DTI to extend C&T action plans to Footwear & Leather where appropriate 	
Potential Constraints	<ul style="list-style-type: none"> Enforcement of country-of-origin labeling regulations not enforced Legislation and enforcement in order to reduce trans-shipment opportunities not implemented Clamp-down on illegal imports not intensified Appropriate incentives for the sector not developed 			

Advanced Manufacturing



Forestry, Pulp & Paper and Furniture

Industry Goals	<p>Department of Agriculture and Forestry: Establish 155 000 ha new forests</p>		<p>Increase competitiveness and create sustainable jobs</p>	
IDC Goals	<p>Facilitate the establishment of 65 000ha (SA) by 2020 & develop opportunities in SADC. Fund land claimants & communities</p>		<p>Increased competition, sustainable job creation</p>	<p>Sustainable job creation Investment in competitiveness</p>
	<p>Forestry</p>		<p>Pulp & Paper</p>	
Key Strategies	<ul style="list-style-type: none"> • Improve technology transfer and skills development • Increase timber supply • Support land redistribution • Expand into rest of Africa 		<ul style="list-style-type: none"> • Focus on increased competition in pulp sector • Job creation through increased use of recycled paper (see green technologies strategy) • Co-generation (see green technologies strategy) 	
Potential Constraints	<ul style="list-style-type: none"> • Issuing of water licenses not streamlined 		<ul style="list-style-type: none"> • Forestry mapping in Eastern Cape not completed 	

Cultural Industries and Tourism

Industry Goals
 To grow tourism's contribution to GDP by more than the national GDP growth; Transformation; Provide decent work; Entrench a culture of travel amongst South Africans; Deliver world class visitor experiences; Address geographic and product spread and diversity and seasonality patterns.

To develop a sustainable film production sector

IDC Goals
 Arts & Crafts -To establish effective craft hubs in Gauteng, North West, Limpopo, Mpumalanga and KZN by 2013; Medical Tourism - To position South Africa as a choice destination for medical tourism by strengthening industry collaboration and focused marketing of Brand SA; Sports Tourism - To establish one global extreme sports event and a circuit of sports activities in the Northern Cape by 2013.

20 feature films produced annually within 5 years; Recoupment of 80% of overall production budgets from the local market; Recoupment of 50% of overall production budgets.

Arts & Crafts and Tourism

Film Industry

- Key Strategies**
- Arts and crafts
 - Adventure and sports tourism
 - Medical tourism
 - Geographic spread
 - Theme park development

- Low budget film production led development
- Audience development
- Production infrastructure development
- Animation hub

Potential Constraints

- SABC support for development of local films

Services

Industry Goals	<p>Creating 100 000 jobs in the Business Process Outsourcing Sector (25 000 direct and 75 000 indirect) by 2011</p>	<p>Further research and strategy development around tradable and non-tradable services that can create decent jobs and generate foreign exchange</p>
IDC Goals	<p>Create/retain 5 000 direct jobs by 2013</p>	<p>Support tradable and non-tradable services sectors with a view of creating decent jobs</p>
Key Strategies	<p>Business Process Outsourcing</p> <ul style="list-style-type: none"> • Develop a sustainable model to support growth of local players • Regional diversity and sector transformation • Assist entry of new emerging players • Set up assistance and support for new foreign investors 	<p>Tradable and Non-Tradable Services</p> <ul style="list-style-type: none"> • Medical Services • Education Services • Telecommunications (Voice & Data Services) • Information Technology (IT) • Logistics • Aviation • Maritime • Financial services • Construction services

Other priorities

- Capacitating other DFIs:
 - There is a need to build capacity in other DFIs to ensure an efficient DFI system in South Africa.
 - As one of the oldest DFIs in the country, IDC has the experience and is able to transfer these skills to other institutions.
 - IDC will assist other DFIs in strengthening skills, systems and processes etc.
- Distress funding:
 - Allocated R3.2 billion in 2011 for companies in distress as a result of the economic crisis.
- Long-Term:
 - Integration of regional value chains.



Regional Integration of Values Chains

Agriculture

- Food security

Clothing and textiles

- Sourcing competitive raw materials for South African clothing industry

Forestry

- Alleviate timber shortage in South Africa through establishment of forests in neighboring countries

Infrastructure

- Regional linkages i.t.o. energy, rail, etc.

Summary: Key Themes of IDC's Strategy for the Next 5 Years

- **Short and medium-term**
 - Funding to distressed companies.
 - Greater involvement in **long-term planning and inputs in policy development.**
 - Developing and **funding projects** in line with industrial policy.
 - Continue to fund and **support entrepreneurs' businesses** to underpin industrial policy.
 - **Capacitating other DFIs.**
- **Long-term**
 - Increased **regional economic integration.**





IDC

Industrial Development Corporation

Your partner in development finance

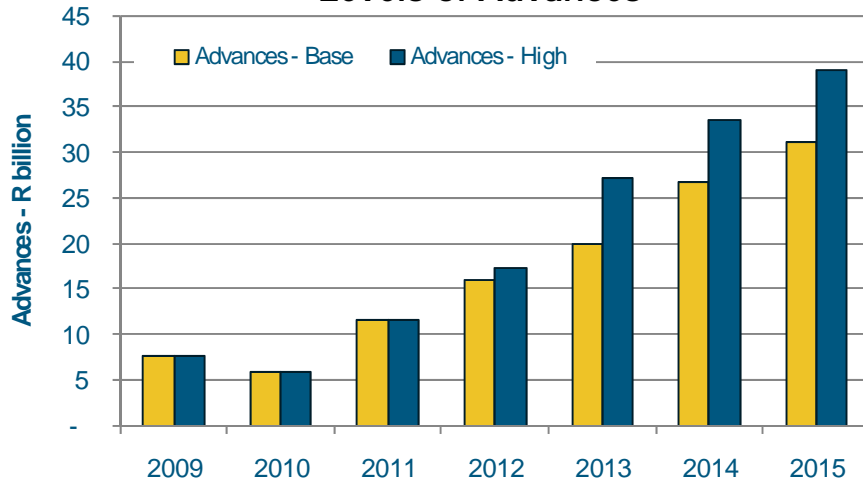
Budgets and Financial Forecasts

Scenarios for IDC's financials forecasts

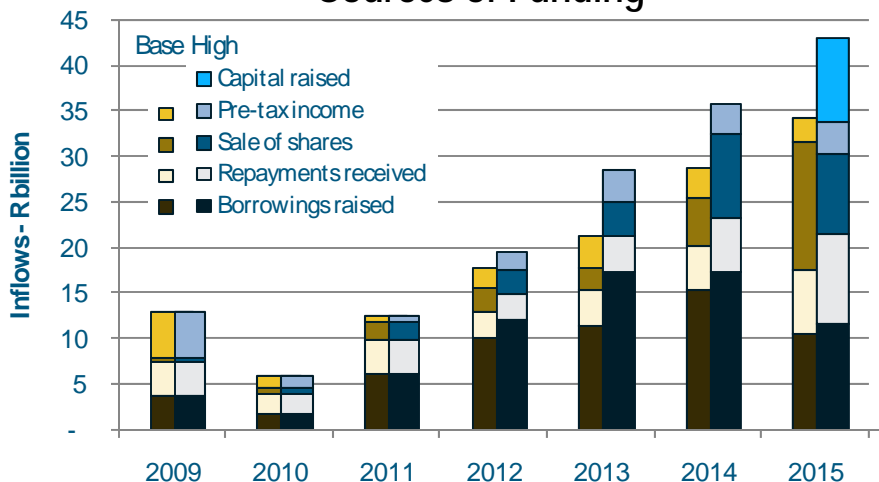
Variable	Base Case	High Road
Approvals	R103 billion	R145 billion
Advances	R105 billion	R129 billion
Internal limit on IDC Debt:Equity ratio	60%	
Prime overdraft rate	10.6% (2011) to 11.5% (2015)	
Borrowing costs	9.3% (2011) to 10.3% (2015)	
R/US\$	8.09 (2011) to 10.66 (2015)	
Listed share prices	Lower of avg. market over past 12 months or current less 10%, escalated at 7% per annum	
Other shares	8% escalation per annum	
Limit on borrowings	Borrowings limited to earning loans and money market investments	
Borrowing cost	1.25% below prime for entire period	

Cash Flows and Sources of Funding

Levels of Advances



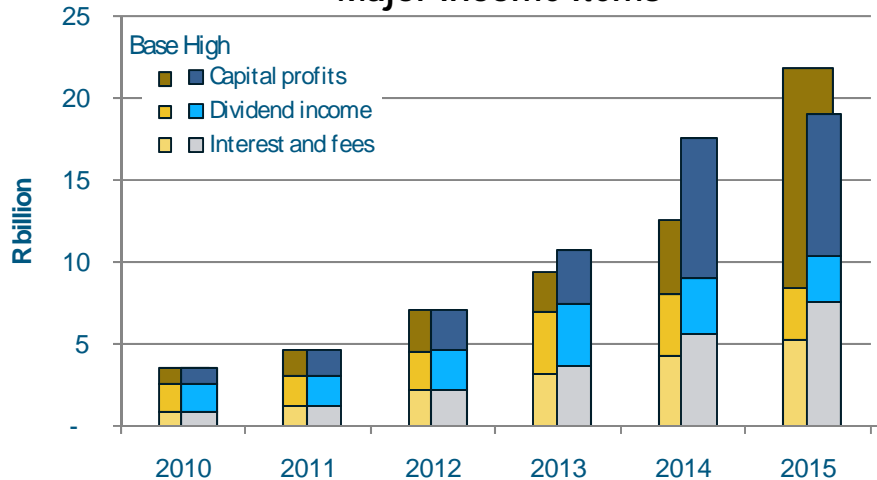
Sources of Funding



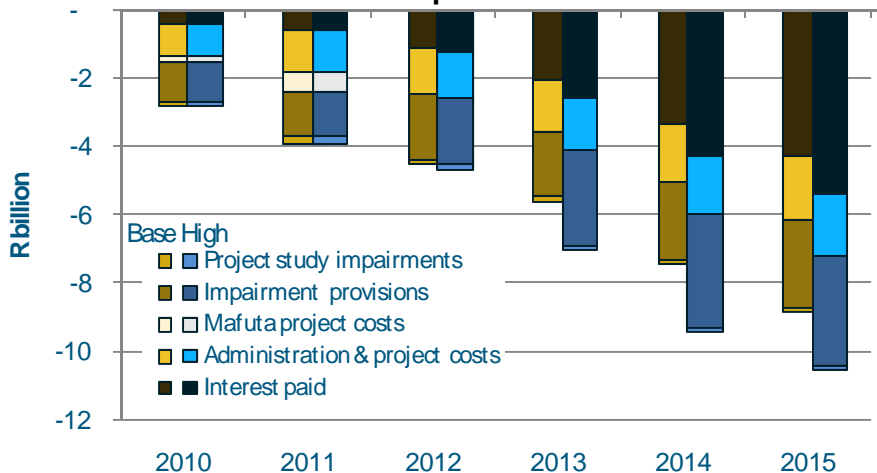
- A greater demand for equity funding with more project related business.
 - IDC's ability to attract other investors to projects and thus leverage more private sector investment could reduce its funding needs;
- In the base case, IDC would need to raise R53 billion of borrowings (R64 billion in the high road scenario). Traditional as well as new sources of funding such as the bond issue would be utilised;
- To ensure that IDC's debt/equity ratio remains below 60%, IDC will need a R9 billion capital injection in 2015 under the high road scenario;
- R26 billion of IDC's existing listed shares would need to be disposed to fund new equity investments in both scenarios
 - Potential for higher level of non-earning investments from new equities;
 - Have to ensure that existing non-earning equity investment increasingly contribute to IDC's income;
 - Existing equity investments should be replaced with new investments that will yield as good returns over the medium to long term.

Income Statement

Major Income Items

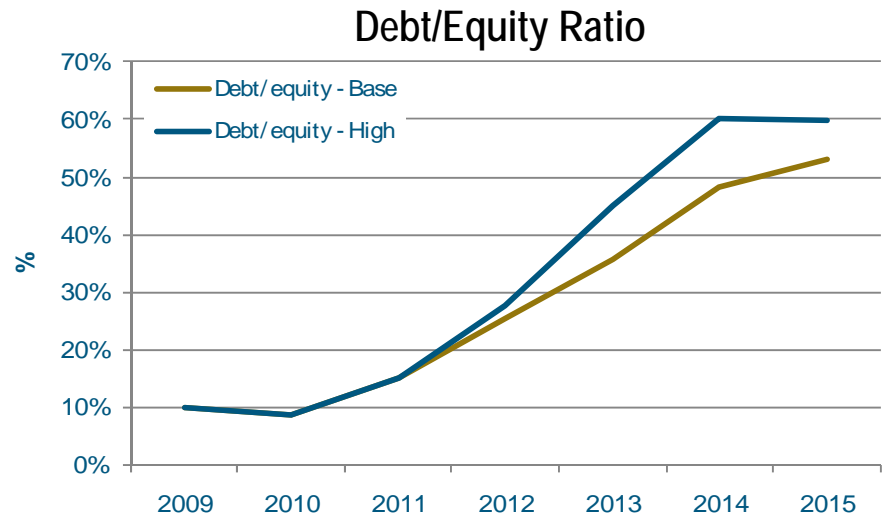
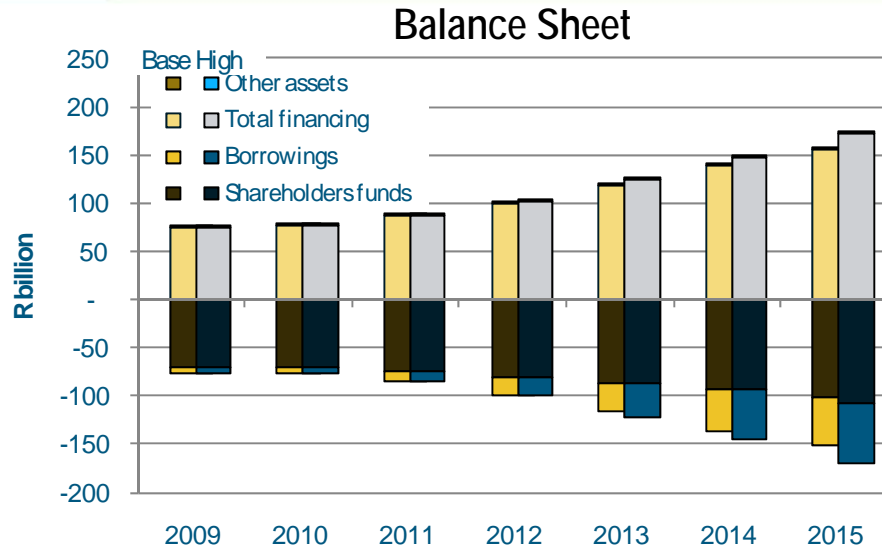


Expense Items



- **Operating profits** will be under pressure:
 - Impairments increase
 - Lower dividend income
- **High levels of capital profits** as legacy equity investments shares are sold at high levels of profit;
- **Operating expenses** increase as IDC develops capacity to achieve its objectives.

Balance Sheet



- **Debt/equity ratio** remains below 60% in both scenarios – would breach this boundary if new capital not injected under the high road scenario.



IDC

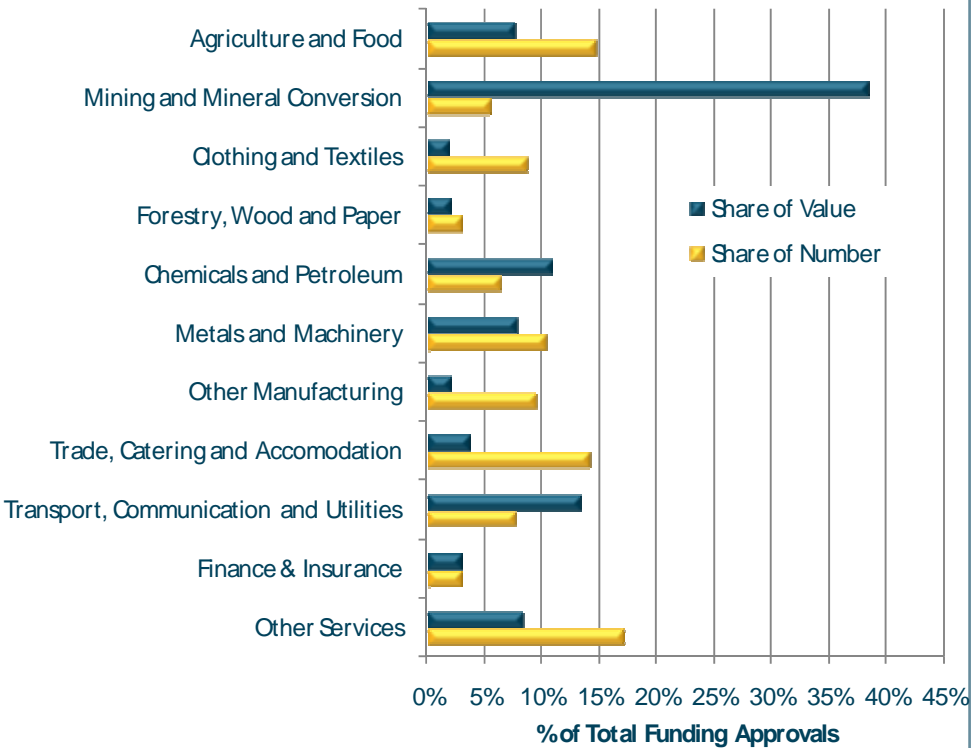
Industrial Development Corporation

Your partner in development finance

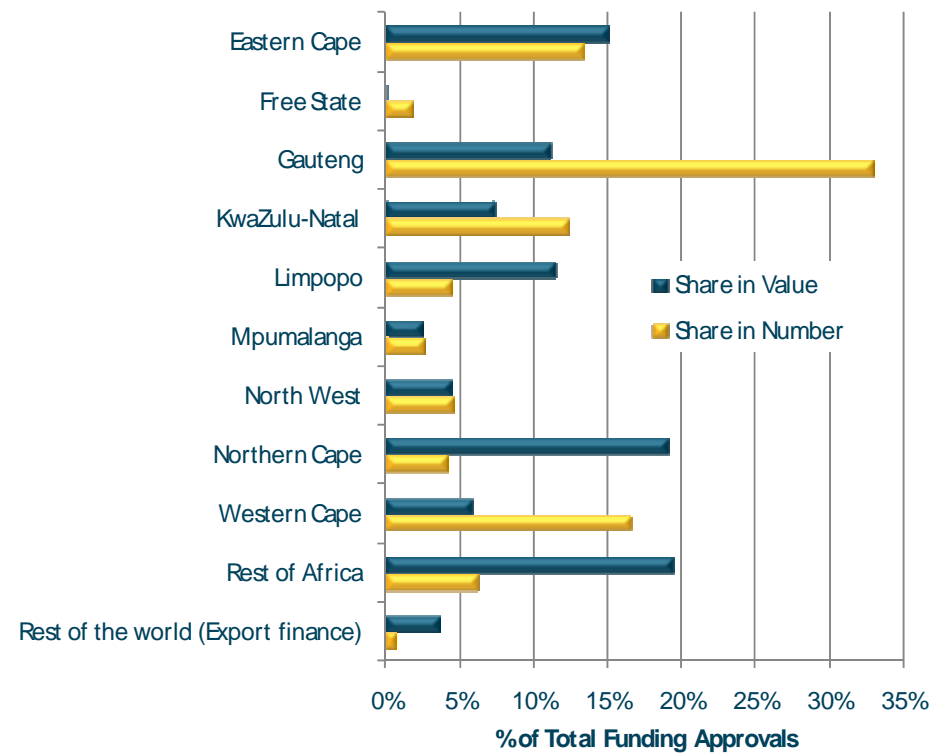
Performance Report Q1 2011

2009/10 - Summary of Funding Approvals

Sectoral Split of Funding Approved in 2009/10 Share in Gross Values and Numbers



Regional Split of Funding Approved in 2009/10 Share in Gross Values and Numbers



Progress with Implementation of IPAP Sectoral Development Strategies

- **Green Industries and Energy Efficiency**

- Some 2009/10 achievements:

- R33 million approved to determine the feasibility of establishing up to 450MW of solar generating capacity in the Northern Cape. Includes both solar thermal and photo-voltaic projects.
- R16.5 million funding approved for a company specialising in the production of organic composted products.
- The strategy for supporting clean power generation being carried through to the rest of Africa with approval for IDC participation in a wind power generation project in Kenya.
- Feasibility study undertaken for the establishment of a fluorescent light bulb recycling plant.

- Q1 2011 progress:

- On-track with feasibility studies on two **metal scrap processing** plants – investment decision expected before end-September.
- Mine acid **water recycling** project feasibility concluded.
- Identified two potential projects related to **biomass to energy** conversion. Project scoping commenced on one project.
- Approved feasibility participation in one **biogas/waste to energy** project. Three other opportunities being explored.

Progress with Implementation of IPAP Sectoral Development Strategies

- **Green Industries and Energy Efficiency (continued)**

- Q1 2011 progress (continued):

- Progress made with study on **energy efficiency**. Negotiation process for concessional funding from an international DFI started.
 - Commented on draft policy proposals on **demand side management (DSM)** by NERSA.
 - Four **electricity co-generation** opportunities being investigated in the mineral processing industry.
 - Pre-feasibility studies on 3 concentrated solar projects (225 MW) expected to be finalised by September 2010. Indications that all 3 projects will progress to feasibility stage.
 - Investment approval for **wind generation** project in South Africa expected by December 2010. Two additional projects have feasibility studies underway. Co-developing projects with a South African turbine manufacturer.
 - Scoping underway on an integrated **solar water heater** unit underway. Four applications for manufacturing of solar water heaters underway.
 - Project scoping underway for manufacturing of **photo-voltaic cells**.

Progress with Implementation of IPAP Sectoral Development Strategies (continued)

- **Automotives, Components and Commercial Vehicles**

- Some 2009/10 achievements:

- Approvals to the value of R376 million was made for motor vehicle component manufacturers, expected to create and save 1 508 jobs.

- Q1 2011 progress:

- Scoping for establishment of a **local bus assembly** plant underway. Meetings held with local OEMs and metros. Support for a seat manufacturer being considered.
 - Pilot fleet for **electric vehicle** under production and commercialisation plan finalised. Inter-departmental committee to drive government strategy being formed.
 - Funding for a **major vehicle assembler** under consideration.
 - Project feasibility for the local production of engines underway and several existing **component** manufacturing clients receiving additional funding.

Progress with Implementation of IPAP Sectoral Development Strategies (continued)

- **Metal Fabrication, Capital and Transport Equipment**

- Some 2009/10 achievements:

- Approval of R45 million to allow a women-owned business upgrading **commuter rail coaches** expanding to KwaZulu-Natal.
 - R30 million loan to a company **manufacturing ducting for the Medupi Power Station**.

- Q1 2011 progress

- 4 projects in feasibility stage that will assist in supplying **steel** to the downstream industry at more competitive prices.
 - Meetings held with Transnet to establish an approach to assist local industry to supply goods for **fleet renewal programme**.
 - Identified capital equipment and maintenance spares for use by **Eskom in their capex programme**.
 - Participating in PetroSA customised sector development programme..

- **Textiles and Clothing**

- Research underway to identify opportunities for **regional integration of textiles and clothing industries**.
 - Restructurings underway to improve **viability** at several of IDC's investments in the textiles industry. Includes a feasibility study being undertaken to establish the possibility of growing flax to supply a local linen yarn manufacturer.

Progress with Implementation of IPAP Sectoral Development Strategies (continued)

• Textiles and Clothing

- Some 2009/10 achievements:
 - During the year, R390 million of funding approved to assist companies in this industry improve their competitiveness and save and create 2 850 jobs.
- Q1 2011 progress:
 - Research underway to identify opportunities for **regional integration of textiles and clothing industries**.
 - Restructurings underway to improve **viability** at several of IDC's investments in the textiles industry. Includes a feasibility study being undertaken to establish the possibility of growing flax to supply a local linen yarn manufacturer.

• Chemicals, Plastics and Pharmaceuticals

- Q1 2011 progress:
 - Feasibility study for the local **beneficiation of flourspar** and production of flourine chemicals completed. Study indicates that the establishment of a plant is not feasible at this stage as the project's viability is closely linked to the market for aluminium and the exchange rate. An alternative project is being investigated.
 - Pre-feasibility underway for a project to beneficiate **titanium and zirconium** and establish a solar-grade polysilicon production facility.
 - Discussions held with Sasol and Chemcity and reviewed existing literature related to the establishment of the downstream **plastics fabrication** industry.
 - Environmental Impact Assessment (EIA) started on potential **coal-to-liquid plant**. Government support for project. Land claim on land. Need for provisional manufacturing license.

Progress with Implementation of IPAP Sectoral Development Strategies (continued)

- **Chemicals, Plastics and Pharmaceuticals (continued)**

- Q1 2011 progress (continued):

- Feasibility of establishment of local **ARV active pharmaceutical ingredient manufacturing** plant being undertaken.
 - Development of a medicinal poppy project underway.

- **Agro-Industries**

- Some 2009/10 achievements:

- R34 million approved for the expansion of abalone farms in the Western Cape and to allow black entrepreneurs to acquire a stake in the business.
 - Development of a 950ha citrus project to produce citrus at the Vaalharts irrigation scheme in the Northern Cape (R200 million) - Creation of ca 1 330 jobs, R750 million export earnings per annum, shareholding by communities.

- Q1 2011 progress:

- Engaged with international berry producers for support of additional **berry projects**. Several other horticultural projects being investigated.
 - **Pomegranate projects** for Kat River farms under implementation.
 - Provincial government support obtained for the implementation of **Northern Cape black-spot free citrus** expansions.
 - Several **vineyard expansion** projects being investigated.

Progress with Implementation of IPAP Sectoral Development Strategies (continued)

- **Agro-Industries (continued)**

- Q1 2011 progress (continued):

- Concluded regional roadshows with GrainSA to support the **grain and oil seed value chain**. New technologies being considered. Grain milling projects identified in the Eastern Cape and North West. Viability of small maize mills being considered. Soya oil projects in Mpumalanga identified.
 - Initiatives for **wholesale funding support for poorer farmers** underway in North West, Free State, Mpumalanga, KwaZulu-Natal, and the Northern Cape.
 - Meetings with industry held to assess the **revitalisation of the canning industry**.

- **Advanced Manufacturing**

- Q1 2011 progress:

- Restructuring underway for a key supplier of **aircraft components**.
 - Project scoping underway for the local manufacture of **set-top boxes**.

Progress with Implementation of IPAP Sectoral Development Strategies (continued)

- **Bio-Fuels**

- Q1 2011 progress:

- Active participation in the policy process to finalise incentive regime. On schedule with implementation of Eastern Cape **bio-ethanol** project. Feasibility study for Limpopo project completed. Development for KwaZulu-Natal project underway. Exploring 2nd generation technologies with University of Stellenbosch.

- **Forestry and Sawmilling, Wood, Paper and Furniture**

- Some 2009/10 achievements:

- As one of the industries hard hit by the recession, IDC approved funding to a major forestry and sawmilling company in Mpumalanga.
 - The Corporation also assisted with the establishment of a furniture manufacturing facility as part of a backward integration strategy by a retailer creating 207 new jobs in the manufacturing sector

- Q1 2011 progress:

- Identified three **forestry** projects in the Eastern Cape (8 950 ha) and one in KZN (250 ha).
 - Continuing development of a **pulp** project.
 - Participating in meetings with the dti to develop an action plan for the **furniture industry**.

Progress with Implementation of IPAP Sectoral Development Strategies (continued)

- **Cultural Industries and Tourism**

- Some 2009/10 achievements:

- Funding approvals of R325 million in the tourism industry and R296 million in the media and motion pictures industry.

- Q1 2011 progress:

- Gauteng craft hub established and North West hub close to establishment.
 - Steering committee established for health tourism industry.
 - One Mpumalanga community based reserve with tourism potential identified. Feasibility study commencing.

- **Business Process Outsourcing**

- Q1 2011 progress:

- Scoping of BPO park project underway.

Progress Against KPIs

Measurement area	Indicator	Measurement	Target 2011	Progress to June 2010
Industrial capacity development and expansion	Implementation of sector development strategies	Milestones as per action plans	Milestones	Progress as described above
	Implementation of other sector strategies	Milestones as per action plans	Milestones	See Annexure A for details
Entrepreneurial development	Funding approvals to new entrepreneurs	Number of funding approvals to entrepreneurial businesses	90 transactions with agreements signed	13 transactions approved with 2 agreements signed
Development outcomes	Jobs created/saved in South Africa	Number of full time equivalent jobs expected to be created and saved (measured at time of signing agreement)	24 445 jobs	1 279 jobs

Progress Against KPIs (continued)

Measurement area	Indicator	Measurement	Target 2011	Progress to June 2010
Financial sustainability	Growth in value of reserves	5-year average growth in reserves (excluding portion of reserve related to the values of holdings in Sasol, Kumba Iron Ore, Arcelor Mittal SA, BHP Billiton and Sappi)	14.1%	13.6%
	Sustainability of the loan portfolio	Gross interest margin on loan book	1.8%	2.2%
	Impairments	Impairments as a percentage of portfolio at cost	20%	16.1%

Progress Against KPIs (continued)

Measurement area	Indicator	Measurement	Target 2011	Progress to June 2010
Talent management and employee development	Implementation of succession plan	% of high potential individuals and successors with customised development plans that are implemented	60%	Plans being implemented
	Retention of high potential employees	Turnover rate of high potential individuals and successors	11%	Turnover rate of 3.2% for the 1 st quarter
	Staff training	% of IDC leviabile payroll (excluding performance bonuses) spent on core training	2%	3.6%

Progress Against KPIs (continued)

Measurement area	Indicator	Measurement	Target 2011	Progress to June 2010
Systems and processes	Implementation of additional IT systems	Implementation of Treasury and ALM systems	Treasury: - Procurement submission; - IT Steering committee submission; - Scoping implementation with vendor	Progress on track
			ALM: - Implementation commences - Static reporting from system	Progress on track
	IT systems availability	Availability of SAP and MS Exchange during office hours	98%	100% availability
Customer satisfaction	Turnaround times on credit applications	Average overall turnaround time from date of application to date of signing agreement on applications for loan funding	150 days	217 days

Other Activity Indicators

Measurement area	Indicator	Measurement	Target 2011	Progress to June 2010
Development outcomes	Number of jobs created/saved in rural areas	Number of jobs expected to be created as at time of approval	4 828 jobs	370 jobs (approvals)
	Number of small and medium sized enterprises (SMEs) assisted	Number of approvals for medium sized enterprises	160	20 (approvals)
	African development	Value of approvals benefiting the rest of Africa	R3 985 million	R4 million
Inputs	Value of approvals	Net value of funding approvals	R16 277 million	R1 131 million (approvals)
Deal implementation	Disbursements	Value of disbursements	R11 575 million	R2 289 million
Operating costs	Operating costs	Administration expenses (excl. Project development costs)	R1 092 million	R238 million
	Impairments	Impairments charge to income statement (excluding project study impairments)	R1 257 million	R57 million



IDC

Industrial Development Corporation

Your partner in development finance

Thank you

Industrial Development Corporation
19 Fredman Drive, Sandown
PO Box 784055, Sandton, 2146
South Africa
Telephone (011) 269 3000
Facsimile (011) 269 2116
E-mail callcentre@idc.co.za