Industrialisation in South Africa: The case of IDC

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Corporate profile

• Established: 1940
• Type of organisation: Development finance institution (DFI)
• Ownership: State-owned company, 100% owned by the SA government
• Total assets (IDC Group): R 121.3 billion (USD9.4 bil) as at 31 March 2016
• Funding status: Fund operations and growth from investments, pay dividends and income tax
• Credit rating: Moody’s: Baa2, in line with sovereign rating
• Main business area: Providing funding for entrepreneurs and projects contributing to industrialisation
• Geographic activities: South Africa and the rest of Africa
• Products: Customised financial products to suit project’s needs, including debt, equity, guarantees or a combination of these.
• Small and micro enterprise coverage: sefa (fully owned subsidiary)
• Stage of investment: Project identification and development, feasibility, commercialisation, expansion, modernisation
• Number of employees: 848 (March 2016)
IDC operates within a system of South African DFIs where each has a specified mandate

<table>
<thead>
<tr>
<th>Core Mandate</th>
<th>DFI</th>
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<tbody>
<tr>
<td>Industrial development</td>
<td>• Industrial Development Corporation (IDC), est. 1940</td>
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<td>Infrastructure development</td>
<td>• Development Bank of Southern Africa (DBSA), est. 1983</td>
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<td>Agriculture, land reform and rural development</td>
<td>• Land and Agricultural Development Bank (Land Bank), est. 1912</td>
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<td>• Independent Development Trust (IDT), est. 1990</td>
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<td>Black economic empowerment</td>
<td>• National Empowerment Fund (NEF), est. 1998</td>
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<tr>
<td>SMME development</td>
<td>• Small Enterprise Finance Agency (sefa), est. 2012</td>
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<td></td>
<td>• Small Enterprise Development Agency (seda), est. 2004</td>
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<tr>
<td>Housing development</td>
<td>• Rural Housing Loan Fund (RHLF), est. 1996</td>
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<td></td>
<td>• National Housing Finance Corporation (NHFC), est. 1996</td>
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<td>• National Urban Reconstruction and Housing Agency (NURCHA), est. 1995</td>
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<tr>
<td>Youth development</td>
<td>• National Youth Development Agency (NYDA), est. 2009</td>
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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.
IDC’s vision, mission and core objectives

The IDC’s vision is to be the primary driving force of commercially sustainable industrial development and innovation for the benefit of South Africa and the rest of Africa.

The IDC is a 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.

Objective | Mission
--- | ---
Lead industrial capacity development

- Facilitate sustainable direct and indirect employment
- Improve industrialisation and equity in Africa and South Africa’s rural areas, township economies and poorer provinces
- Promote entrepreneurship and small and medium enterprise (SME) growth
- Advance environmentally sustainable growth
- Grow sector diversity and increase localised production
- Support the transformation of communities
- Development of black industrialists.

Values

| Passion | Professionalism | Partnership |
The IDC:
Implementing industrial policy
for over 75 years
IDC’s role in industrial development in South Africa

• October 2015 marked the 75th anniversary of the IDC, established to promote industrial development and contribute to economic growth in South Africa.

• The IDC’s mandate, operating model, corporate make-up and other aspects of its business have evolved over the decades … but the basic industrial development objectives as set out in the IDC’s founding Bill are as valid today as they were back in 1940:

  “…to facilitate, promote, guide and assist in the financing of new industries and industrial undertakings and schemes for the expansion, better organisation and modernisation of, and the more efficient carrying out of, operations in existing industries and industrial undertakings, to the end that the economic requirement of the Union (South Africa) may be met, and industrial development within the Union may be planned, expedited and conducted on sound principles.”

• Throughout the 75 years, the IDC has been instrumental in implementing industrial policy and has played a key role in the establishment of many of SA’s industries, such as petro-chemicals and minerals beneficiation.

• As our environment and our country’s priorities changed over the decades, the IDC repositioned itself to remain relevant as a development finance institution.

• Relevant government policies, strategies and priorities have guided the IDC’s strategic direction, focus areas and approach to development funding.
IDC’s role in industrial development in South Africa

• As such, IDC’s priorities are aligned with government’s policy direction as set out in the:
  – National Development Plan (NDP);
  – New Growth Path (NGP);
  – National Infrastructure Plan (NIP);

• Focus is on the need to maximise development impact through job-rich industrialisation while contributing to an inclusive economy funding black industrialists, women and youth-owned enterprises.

• Critically, the IDC continues to ensure its long-term sustainability through prudent financial and human resource management.
The 1940s …

Global developments
• Second World War (WW II), boost in world industrial output to support war effort
• Period of multilateralism (IMF, World Bank, UN, GATT, NATO), power realignment
• Post-WW II rebuilding, Marshall Plan (European Recovery Program)
• Mahatma Gandhi assassinated, Mao Zedong declares People’s Republic of China

South African developments
• SA joins Allied forces in WW II - large impact on SA manufacturing
• Historically dependent on imported goods, SA pushed to produce army supplies
• Creation of new SA industries reinforced – import substitution industrialisation (ISI)
• National Party assumes power
• Native (Urban Areas) Consolidation Act introduces influx control

IDC Response/highlights
• Focus: Expansion of industrial capacity and meeting basic supply shortages
• Establishment of domestic textile, wood/timber, animal feed & processed food industries and by chance, the ship repair industry. Some of the companies incl:
  − Pinetown Woolwashery (Pty) Ltd; Fine Wool Products of SA Ltd; Masonite (Africa) Ltd; powdered milk factories;
  Felt and Textiles of SA; Hex River Textile Mills
• Instrumental in the initial expansion of one of SA’s iconic brands - Ouma’s Rusks
The 1950s...

Global developments

- Continued rebuilding of postwar global economy, redirection of international labour migration (from Europe to colonies, as well as within Europe)
- European Coal Steel Community formed, leading to European Econ. Community
- International Finance Corporation (IFC) established as World Bank Group’s private sector arm; Brazilian Development Bank (BNDES) established

South African developments

- Strong focus on self-sufficiency and continued import substitution
- Development of strategic industries with strong forward and backward linkages
- First uranium plant opens in Krugersdorp
- Repressive apartheid laws passed & regime entrenched; Freedom Charter adopted

IDC Response/highlights

- Focus: Securing energy resources for SA, increasing natural resource beneficiation
- Funding of Sasol, Foskor, Phillips Carbon Black, SAICCOR; and acquisition of equity stakes in Sappi and Safmarine - contributing to development of SA’s petro-chemicals, fertiliser, rubber, rayon, kraft paper, shipping industries
- Revival of cotton textiles
- “Buy South Africa” Campaign endorsed to support SA manufactured goods
- Money markets – new sources of capital to meet industry’s loan requirements
The 1960s...

Global developments
- Unprecedentedly rapid pace of economic expansion for advanced Western economies
- Collapse of Bretton-Woods system and advent of floating exchange rates
- Assassination of President Kennedy, Martin Luther King and Patrice Lumumba
- Independence of some African countries
- First man on the Moon

South African developments
- Strong investments in infrastructure and industrial base; industrial decentralisation; focus on smaller industrialists
- SA becomes a Republic & the Rand becomes national currency
- Banning of political organisations, Sharpeville massacre, non-mandatory arms embargo by UN, life imprisonment for Nelson Mandela
- Delivery of 20 MW Safari-1 nuclear reactor to Pelindaba; 1st world heart transplant

IDC Response/highlights
- **Focus**: Increasing beneficiation, value addition
- Funding of large projects such as Palabora Mining, Synthetic Rubber Co.
- Consolidation of textile interests into Da Gama Textile Company (Pty) Ltd
- Submarine telecommunications cable between Europe and Cape Town
The 1970s...

Global developments

- Long postwar boom period comes to an end
- OPEC alters balance of power, oil crises (1973 and 1979)
- Global recessionary conditions, rising inflation and unemployment
- Population explosion, concerns over food supply and environmental impacts
- New technological revolution
- Formation of Organization of African Unity, more independent African states

South African developments

- Imposition of oil embargos on SA by African and Arab countries
- UN General Assembly pronounces SA government "illegitimate"
- Continued investments in infrastructure and industrial base (incl. SASOL II)
- SA's Atomic Energy Corporation builds first nuclear weapon device

IDC Response/ highlights

- Focus: Import replacement, resource-intensive industries to bolster export earnings in non-gold sectors, initiation of high-tech industries
- Richards Bay Minerals - reclamation of titanium minerals from beach sand
- Financing scheme for exporters
- Construction of Atlantis Diesel Engines with Daimler Benz and Perkins
- SA Micro-Electronic Centre – collaboration with SAPO, CSIR and Siemens
The 1980s...

Global developments
- “Debt mountain” - developing countries’ debt crises, more so in Latin America
- Anti-Apartheid Movement campaigns intensify globally – “Free Nelson Mandela”
- Chernobyl nuclear power plant disaster; “Black Monday” – Stock markets crash
- Fall of the Berlin Wall and end of Cold War

South African developments
- Government declares state of emergency; intense political instability & uncertainty
- “Rubicon speech”, large-scale divestment by multinationals
- Declining investment, capital flight, currency depreciation, high inflation & interest rates, imposition of exchange controls and debt repayments standstill
- Electricity supply to SA from Cahora Bassa Hydro-electric dam in Mozambique

IDC Response/highlights
- Focus: Continued import replacement, high-tech industries, agriculture as a forex earner (particularly non-traditional crops), industrial real estate development
- Alusaf expansion completed; minority shareholding in ISCOR; Mossgas project
- Sapekoe tea estates; essential oils & ole-resins; mushrooms; asparagus; dates
- Foskor acquisition of Indian Ocean Fertiliser (formerly Triomf)
- Venture capital scheme for high technology products
- Studies on electronics, processing of wool, prawn production, jewellery, cotton etc.
The 1990s...

Global developments
- Collapse of Soviet Union and creation of Commonwealth of Independent States
- European Economic Community members establish European Union
- WTO replaces GATT; Adoption of Kyoto Protocol
- Asian financial crisis: fall of currencies; stock markets slump; credit crunch
- Formations of Dot.com (technology) bubble

South African developments
- First democratic elections and SA's re-integration into global economy
- Restructuring of the economy – RDP and GEAR strategy
- Major reforms for industrial restructuring, trade liberalisation incl. tariff reform
- New developmental imperatives domestically, SADC integration

IDC Response/highlights
- **Focus**: Competitiveness to sustain industrial capacity, export promotion, BEE, support regional (SADC) integration, services-related industries
- Saldanha Steel; Columbus Stainless Steel/Highveld Steel/Vanad. & Samancor JV
- Algorax automotive catalytic converters; Dufereco cold-rolled & galvanised steel
- Warehousing of Metropolitan shares for NAIL BEE group; BEE funding of 1st cellular/mobile phone operators in SA
- Extension of mandate to SADC region – funding of MOZAL I in Mozambique
The 2000s...

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<tbody>
<tr>
<td>• Turn of the millennium: Y2K malfunctions prevented</td>
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<td>• Dot.com bubble bursts: stocks fall, companies close, US economy slows down</td>
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<td>• Launch of NEPAD; African Union formed (replacing OAU)</td>
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<td>• September 9/11 terrorist attack in USA</td>
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<td>• Earthquake in Indian Ocean &amp; tsunami</td>
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<td>• Global financial crisis: credit crunch, global trade plummets, business failures, wealth erosion, global economic downturn, financial bailouts</td>
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<table>
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<th>South African developments</th>
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<td>• ‘Binding constraints’ on growth &amp; employment addressed through ASGISA</td>
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<td>• Public sector’s multi-billion capital expenditure programme initiated</td>
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<td>• Signing of BBBEE Act</td>
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<td>• Electricity ‘load shedding’ begins</td>
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<td>• Effects of global financial crisis: massive job losses, distressed cos., recession</td>
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<table>
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<td>• Focus: Mandate extended to entire African continent, SME development, rural development, sector development strategies in support of IPAP, counter-cyclical funding to companies in distress, clean and renewable energy technologies.</td>
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The 2000s (cont.)…

- Funding of Mozal II in Mozambique - doubling aluminium smelter’s production capacity
- Umicore Autocat SA (automotive emission control catalysts)
- SA Chrome & Alloys (later named Merafe Resources)
- Financing of media and motion pictures (Academy Award winning *Tsotsi; Hotel Rwanda; Skin; Drum Stories of Sophiatown*)
- Incwala Resources (funding of community stake in the platinum sector)
- Funding for Gautrain, Neotel, CNBC Africa, Amajuba Berries, Tzaneen Wood Plastic Composite (fencing & decking material), blueberry project (high-value agricultural crop)
- 4-star Freedom Square Hotel (Kliptown cultural & heritage precinct)
- Singisi Forest Products project through Hans Merensky Holdings (1st model of empowerment within forestry – communities with shareholding)
- Investment in solar power: photovoltaic polysilicon module assembly plant
### The 2010s (thus far)...

**Global developments**
- South-South relations on the rise, South Africa joins the BRICS
- Western nations impose sanctions on Russia due to crisis in Ukraine
- Formation of the New Development Bank (BRICs development bank)
- Subdued global economic conditions incl. China economic slowdown
- Depressed commodity markets
- Rising protectionist tendencies

**South African developments**
- Launch of New Growth Path, focusing on faster, more sustainable, inclusive and production-led growth, job creation through development of key sectors
- Release of National Development Plan and National Infrastructure Plan
- Declining economic growth trend and downgrades of SA sovereign credit ratings

**IDC Response/highlights**
- Focus: Alignment with objectives of NGP, IPAP, NDP, NIP; green economy; industrial infrastructure; localisation; consolidation of SME sector support, support for Black Industrialists.
- Roll out of Clothing and Textiles Competitiveness Programme starts stabilising sector
- Small Enterprise Finance Agency (sefa) established to fund SMMEs
- Catalytic role in REIPPPP projects, incl. KaXu Solar One (CSP); Sunrise Energy etc.; funding for communities’ shareholding in RE projects
- LPG terminal & storage facility in Saldanha Bay, Egoli Gas
- BAIC project at Coega SEZ
In summary: IDC’s sectoral coverage

After having widened its sector coverage over the years, IDC deemed it imperative to prioritise sectors …

Sectoral coverage:

1940s
• Manufacturing

1960s
• Add Mining

1990s
• Add Tourism
• Add IT

2000s
• Add Film
• Add Franchising
• Add Healthcare
• Add Education
• Add Financial services
• Add Transport services
• Add Construction
• Add Industrial infrastructure

2010s
• Add Energy efficiency
• Phase out Franchising
• Phase out Financial services
• Phase out Transport services
• Phase out Construction
• Phase out Education
• Phase out Healthcare
• Phase out IT

2015
Instituted
Project Evolve

Increase in the number of sectors covered during the 2000s in response to a need for increased levels of investment, ASGISA, impact on job creation and black economic empowerment.

Phasing out several service-related sectors in response to the release of IPAP, the New Growth Path and a requirement, including by the shareholder, to refocus on core mandate of industrial development.

Refocused IDC to allow for greater prioritisation
IDC’s achievements over the years

• **Value of funding provided**: Sectors that received the highest portion of funding were: basic metals; mining; and upstream chemicals pointing to high levels of funding largely driven by large capital intensive nature of these industries.

• **Job creation**: is one of the most important development outcomes that IDC aims to achieve. Impact extends beyond projects funded directly (e.g. beneficiating minerals creates downstream opportunities; renewable energy projects creates opportunities for components). Encouraging the creation of decent jobs by insisting on compliance with labour legislation good working conditions.

• **Black-economic empowerment**: driven by several principles including redistribution of ownership in the economy, broadening the impact of empowerment, expansion of the economy and ensuring people’s involvement in driving growth in the economy. IDC approach changed over the years and has different facets:
  – Transfer of ownership;
  – Community and workers’ empowerment;
  – Expansionary BEE;
  – Black industrialists.

• **Regional development**: encompasses development of poorer provinces, rural areas and industrialisation in the rest of Africa. Benefitted less industrialised provinces such as the Northern Cape with large mining and renewable energy investments (in the last decade or so) as well as a number of countries in the region.
IDC’s achievements over the years

• **Small and medium enterprise development:** Wholesale funding and franchising played an important role in SME development in the first half of the 2000s until IDC exited as it was refocusing on industrial development and other DFIs were serving this market.
  
  – IDC’s approach to SME development also includes technical support to businesses. The establishment of sefa as a subsidiary of IDC will see IDC focussing more on larger interventions in the future.

• **Countercyclical funding:** The global economic crisis in 2008 and the ensuing recession resulted in many companies coming under pressure from many fronts:
  
  – Financial institutions were tightening credit criteria, and extending less credit;
  – Lower demand for products and services from clients as confidence declined;
  – Internal cash-flow pressures.

  IDC responded to the challenge by making available R6.1 billion to distressed companies while commercial funders were reducing credit extension.

• **Exports and assisting companies to globalise:** IDC has played an important role in diversifying and growing South Africa’s export basket. Industries that contributed to this included the mining industry, especially the platinum industry, basic metals, motor vehicles, table grapes and other fruit.
  
  – Poultry in Namibia;
  – Cement in Ethiopia;
  – Management of the agricultural component of a bioethanol project in Sierra Leone.
Industry impact:

Mining and mineral beneficiation:

- **Diversification of the mining industry**: Establishing new iron ore, platinum, coal, chrome, phosphate, manganese and diamond mining operations.

- **Beneficiation of minerals**: Expanding and establishing capacity in carbon steel, stainless steel, ferrochrome, phosphate concentration, phosphoric acid, aluminium, rolled aluminium products, cold-rolled and galvanised steel, and direct reduced iron.

- **Restructuring the steel industry**: Unbundling of Iscor and at a later stage Kumba Iron Ore; introducing strategic partners in carbon steel and stainless steel producers.

- **Establishing smaller steel mills**: Establishing capacity for alternative sources of iron for the steel making process.

- **Transformation of the mining industry**: Promoting BEE ownership and participation in gold, platinum, and Chrome

Green economy


- **Improving competitiveness**: Funding companies to install equipment that allows them to be more energy efficient.

- **Alleviating constraints to electricity supply**: Renewable energy investments which have a shorter construction time compared to base-load power stations.

- **Environmental protection**: Recycling and waste management.

- **Establishing of new manufacturing industries**: Assembly of photo-voltaic panels; Manufacturing of wind towers; Production of solar water heaters.
Industry impact:

Forestry value chain:
- **Productively utilising land not suitable for agriculture**: Establishing new forestry plantations.
- **Beneficiation of timber**: Establishing of pulp and paper mills and paper converters.
- **Increasing international competitiveness**: Restructuring and consolidation in the forestry industry; Upgrading sawmills; Research and development by our clients.
- **Ensuring inputs into mining and housing development**: Expanding sawmilling capacity.

Clothing, textiles, leather and footwear

Stabilising the industry and increasing competitiveness:
- Funding to distressed companies to allow them time to restructure and improve efficiencies.
- Competitiveness enhancements through new equipment and
- Mergers between different players to gain economies of scale.
- Close cooperation with policy-makers and participation in design of incentives.
- Management of dti incentives and providing IDC special funding.
- Supporting companies operating in competitive niches to grow.

Strategic alignment between producers and retailers
- Supporting the development of stronger relationships throughout the value chain.
- Introducing new business models for suppliers to take into advantage of close proximity to retailers.
Industry impact:

Agro-industries:

- Development of new high-value agricultural industries such as:
  - Table grape industry;
  - Expanding the citrus industry, especially in black-spot free areas;
  - Growth and diversification of the berry industry;
  - Establishment of macadamia, walnuts and pecan nut industries;
  - Development of the marine aquaculture industry (cob and abalone);
  - Investment in businesses producing niche products (persimmons, gluten free products, new fruit varieties, peppadew)
- Incorporating small black farmers into the agro-processing value chain.
- Value addition to agricultural products by supporting processing industries.
- Increasing food security
  - Increasing local production of imported processed goods e.g. processed soya and canola oil.
Industry impact:

**Downstream chemicals and pharmaceuticals:**

- Building a consumer chemicals industry
  - Support for establishment and expansions for companies manufacturing beauty products, household detergents and paints.
- Supporting security of supply in the pharmaceutical industry
  - Establishment of a project that will supply vaccines.
  - Assisted with the expansion for manufacturing of generic pharmaceuticals.
  - Assisted contract manufacturers of pharmaceuticals to upgrade facilities to be compliant with regulations.
- Expanding inputs to serve the construction industry
  - Establishment and expansion of inputs to meet the needs locally of the local construction industry.
- Ensuring the manufacturing industry has access to intermediate products
  - Expanding industries such as packaging etc.

**New technologies:**

- Introducing some infant industries e.g. medical technology and bio-technology
  - Several start-up that are commercialising uniquely South African technologies in these industries supported.
- Creating a South African venture capital industry
  - Initial funding to set up venture capital funds and later directly providing early-stage venture capital led the way for the establishment of the industry in South Africa.
Industry impact:

Tourism:
• Developing of an eco-tourism and sports tourism industry
  – Establishment of several game lodges and funding to SANParks to take advantage of South Africa’s natural beauty.
  – Provided funding for the hosting of a mountain bike race, the development of a windsurfing resort and the construction of a velodrome.
• Building base capacity for the tourism industry
  – Funding for new hotels or expansions of existing hotels in preparation for the FIFA 2010 World Cup.
• Crowding in the private sector
  – When IDC start out funding the industry, commercial banks did not have an interest in funding the sector. Most banks now have teams dedicated to the sector.

Film:
• Creating a critical mass to ensure continuity of the industry
  – Funding of 9 TV series, 13 documentaries and 40 feature films over the years with a bias towards low-cost productions in the later years.
• Creating an infant industry in animation
• Funding for an animation studio to produce two full-length films.
IDC’s strategy

Prioritisation resulted in a differentiated approach to sector development

**VALUE CHAINS**
- Guided by industrial developmental goals
- Reactive and proactive
- Leveraging on linkages
- Investing in long-term projects

**NEW INDUSTRIES**
- Forward looking
- High long-term return, high risk
- Regularly assessed and reviewed

**HIGH IMPACT**
- No industry development goals
- Efficient and effective processing and approval
- Need to meet minimum threshold on the development scorecard
- Special high impact (clothing and textiles and media and motion pictures) will have sectoral initiatives

**INDUSTRIAL INFRASTRUCTURE**
- Enablers to value chains and new industries
- Facilitative role
- Funding or co-funding in infrastructure programmes

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Project Evolve, a long-term strategy approved by the Board for implementation from April 2015, places IDC at the centre of industrial capacity development
Value chain approach

Value chain strategies:

**Metals and Mining**
- **Mining**
  - Increase security of supply of energy minerals
  - Development of “21st century mines” that will create value for all stakeholders
  - Mining of inputs to the metal sector
- **Basic Metals**
  - Increase supply of competitively priced basic metals to the downstream users
- **Machinery & Equipment**
  - For the power sector
  - For the mining sector
  - For the construction sector
- **Automotive & Transport Equipment**
  - Increase locally produced and assembled cars
  - Components manufacture
  - Increase locally produced rolling stock

**Chemicals and Pharmaceuticals**
- **Basic and Speciality Chemicals:**
  - Fertilisers import replacement & increased local value add
  - Increased gas usage as an energy source.
  - Increased liquid fuels energy security
  - Increase green and other new chemicals production locally
  - Local manufacture of consumer goods inputs
- **Chemical Products and Pharmaceuticals:**
  - Local manufacture of consumer goods
  - Competitiveness improvements for the plastics industry
  - Production of radio-pharmaceuticals for nuclear imaging
  - New capacity for niche drugs for priority diseases

**Agro-processing and Agriculture**
- **Implement strategies for:**
  - Investments in primary agriculture to support inputs into processing value chain
  - Defend positions of dominance
  - Build positions of dominance
  - Develop sectors where there is competitive advantage
  - Develop regional and continental competitiveness in areas of South Africa’s competitive disadvantage
  - Support of government policy
- **By focusing on:**
  - Meat and dairy products value chain
  - Fish and seafood products value chain
  - Field crop processing value chain
  - Horticulture-based products value chain
IDC’s targeted blueprint to drive transformation

Framework of IDC’s B-BBEE strategy

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<th>Objectives</th>
<th>Externally focused initiatives</th>
<th>Internally focused initiatives</th>
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<tr>
<td>Broaden transformation of industry in all facets of B-BBEE</td>
<td>Broaden participation in economic benefits of industrial development</td>
<td>Increase participation of individuals in the country’s industrial development</td>
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<tr>
<td>B-BBEE Codes of Good Practice</td>
<td>Inclusive wealth</td>
<td>Ensure internal transformation</td>
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<tr>
<td>Black-empowered businesses</td>
<td>Black Industrialists</td>
<td>B-BBEE Codes of Good Practice</td>
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Focus areas

- Driving broad-based transformation at our business partners through the Codes of Good Practice.
- IDC as a B-BBEE facilitator.

- Funding communities to take a stake in projects (start-ups, expansions,).
- Funding workers to take a stake in companies.
- Increasing empowerment of Black women, youth and disabled.

- Funding businesses with Black shareholding (start-ups, expansions).

- 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.

- Manage all elements of IDC’s own B-BBEE rating level
  - Management control
  - Skills development
  - Enterprise and supplier development
  - Socio-economic development
IDC’s footprint on the African continent covers 23 countries other than South Africa.

- Some of IDC’s largest investments in other African economies include aluminium smelting, telecommunication infrastructure, agro-processing, power generation, hotels and cement production.
SA economy has been experiencing a declining growth trend in recent years.

Weakness has been fairly broad-based across all sectors of the economy, including the manufacturing and mining sectors.

Delayed delivery on infrastructure development.

Policy uncertainty in key sectors.

These factors are undermining investor as well as consumer sentiment.

Projections are that weak economic conditions will prevail in the short-term, followed by a slow recovery.

Given the above, employment creation is expected to remain weak.

Fixed investment activity expected to remain low over the next couple of years, with investment propensity having been negatively affected by downgrades of SA sovereign rating;

The importance of IDC’s counter-cyclical role will be elevated in the weak economic environment;

Demand for distressed funding likely to increase, resulting in higher proportion of jobs saved versus new jobs created, job creation goals could be frustrated;

Weaker demand for greenfield and brownfields investments due to higher cost of borrowing expected to affect investment decisions and project viability;

However, weaker exchange rate may present opportunities for export oriented and localisation investments.
IDC’s response to current operating environment

• **Ongoing support to companies in distress:**
  – Proactively identifying and assisting companies in distress as a result of the economic downturn.
  – The support includes funding and non-financial support (such as extended credit terms, business support and engagement with regulators).

• **Supporting sectors with immediate impact on job creation**
  – IDC’s jobs-rich industrial capacity development strategy is targeted at sectors with potential to create sustainable employment.
  – Increasing support to sectors that create more jobs such as the agro-processing and agriculture value chain.
  – In addition, the Corporation has increased its scope, extending funding support to the Information and Communication Technology (ICT) and construction sectors.

• **Implementing sector specific interventions for sectors significantly affected by operating environment and/or other emerging issues**
  – IDC, as a countercyclical funder, identifies the need for interventions to assist industries to reduce the impact of specific sector/industry shocks and thus limit job losses (successfully implemented interventions with other partners to assist in the clothing and textiles industry and the agriculture industry).
  – Domestic poultry industry is facing challenges due to increased import competition: the IDC in collaboration with various relevant stakeholders will impel a number of interventions including improving efficiencies and lowering inputs costs to enhance sustain competitiveness; localization strategies and increased exports of value added products.
Going forward...

- Proactively develop industrial capacity, especially by supporting the broadening and deepening of value chains as well as focusing on competitiveness improvements.
- Continue to play a role in the transformation of the SA economy.
- Drive localisation and support Black industrialists entering the core of the economy.
- Continue playing a counter-cyclical role in light of the challenging economic environment.
- Continue supporting regional (African) integration based on mutual benefit.

IDC can only succeed in achieving these goals through robust partnerships with our clients, government and other key stakeholders, including those in the region.