



Industrial Development Corporation

Your partner in development finance

IDC Annual Performance 2006/07

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CEO/MD

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IDC's Role

- **To support sustainable development, IDC invests in businesses showing economic merit;**
- **Some businesses are not often funded because of perceived high risks;**
 - IDC views this as a market failure;
 - IDC does more detailed assessments and funds investments which would not otherwise happen;
- **IDC plays a critical role in assisting industries to develop, in ways which meet South Africa's needs:**
 - ASGISA;
 - Supporting industrial policy development;
 - Investments in targeted sectors;
- **Cooperate with national and provincial government, DFIs, and other COTII institutions;**



IDC's Objectives

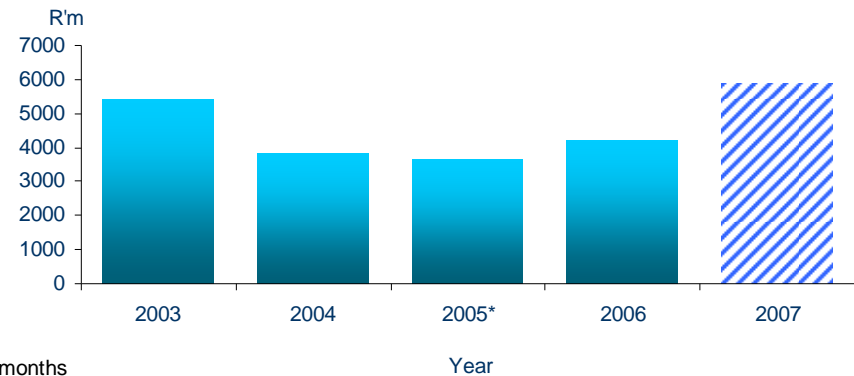
- **Overarching objective: Sustainable job creation;**
- **Regional development**
 - Rural areas
 - Provincial spread
 - Townships
 - IDZs;
- **BBBEE;**
- **SMEs;**
- **Entrepreneurs;**
- **Enhance balance of payments position by encouraging exports;**
- **Support industrial development in the rest of Africa;**
- **Achieve these goals while remaining financially sustainable**



Operations 2006/07 review

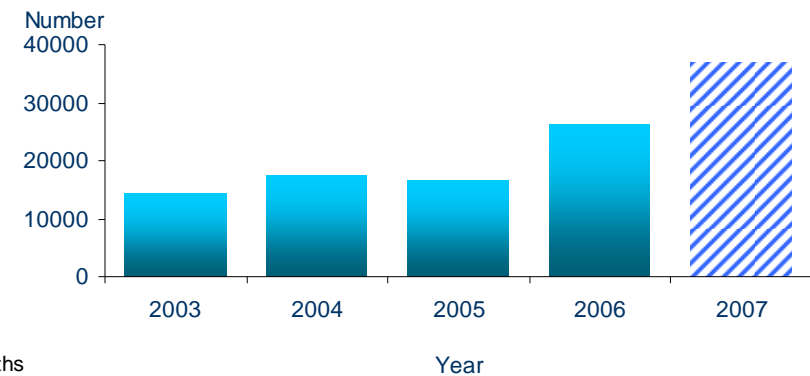
- **More than 240 approvals (2006: 150);**
- **R5.9 billion of IDC finance approved (2006: R4.2bn);**
- **More than R10 billion total investment facilitated (2006: 14.4bn);**
- **Facilitated in the creation of more than 33 000 direct jobs in South Africa with a further 3900 in the rest of Africa (2006: 22 000 in SA, 4200 in rest of Africa);**
- **74% of number and 18% of the total value (R985 million) of approvals for SMEs (2006: 86%, R370m);**
- **70% of the number and 68% of the value of approvals for companies with more than 25% HDP shareholding (2006: 65% and 44% respectively);**
- **R597 million in approvals will directly benefit townships**

IDC approvals: 2003 to 2007



* 9 months

Number of jobs created



* 9 months

Regional Development 2006/07 review

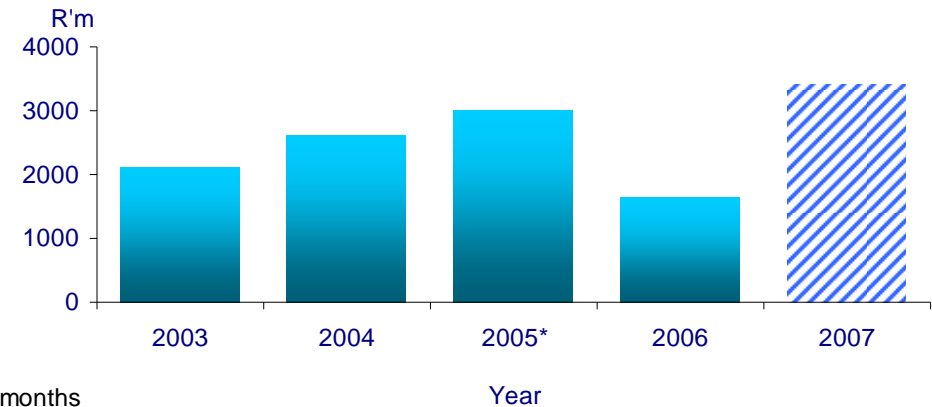
- **Over 9100 jobs will be created in rural districts of South Africa**
- **24% of the jobs and 20% of approvals to 3 provinces with highest unemployment rate;**
- **“Development agencies” enable IDC to participate more intensively in rural development and unlock economic potential of various provinces**
- **The agency concept starting to bear fruit, with various projects identified and being implemented**

| Agency | Inception | Some Project Details |
|-------------|-----------|---|
| Nkonkobe | 2003 | <ul style="list-style-type: none"> • Instrumental in reviving Kat River citrus development |
| Blue Crane | 2004 | <ul style="list-style-type: none"> • Boschberg Mountain Development (with Tourism) estimated R800 m project • Flower project 8 women own project • Vegetable seed project with 28 beneficiaries • Airport project accessed R5m grant and employs 53 temporary workers • Fruit project 4 permanent and 32 temporary workers • Pomegranates project (4000 tree pilot) |
| Hibiscus | 2003 | <ul style="list-style-type: none"> • Beachfront plan approved – project team in place, funding received from National Treasury |
| Mandela Bay | 2003 | <ul style="list-style-type: none"> • Govan Mbeki Avenue upgrade (R 12m) • Donkin Reserve (R 9m) • UDZ tax incentive facilitation • Cleaning and security (300 jobs) |
| Illembé | 2003 | <ul style="list-style-type: none"> • Amatikula Fisheries (R36 m) KZN Growth Fund • 3 Gijima funded projects, 5 under review |

BEE 2006/07 review

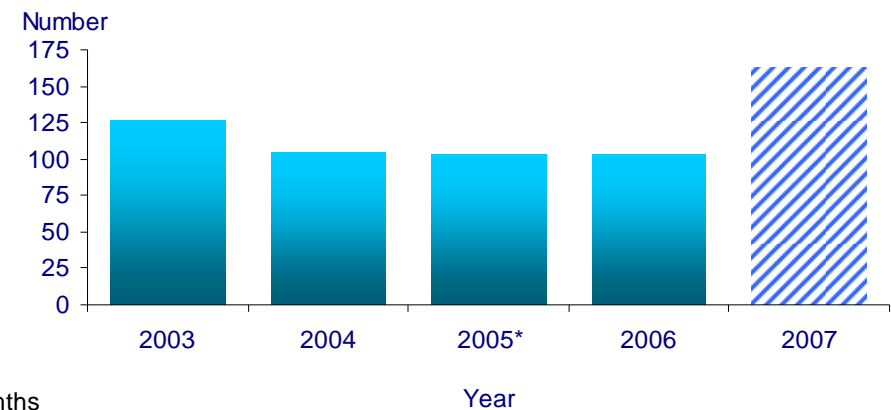
- **162 transactions totaling R3.4bn to black empowered companies;**
- **BEE accounted for 68% of the total number of approvals and 58% of the total value of transactions;**
- **Specific targeting of expansions and new BEE companies, and reduced focus on BEE acquisitions financed;**
- **32% of funding approved was for expansions and start-ups by black business;**
- **R1 026m approved for acquisitions (2006: R295m);**
- **Extension of the competitive financing scheme;**
- **Community foundations (6), workers trusts (15) facilitated through IDC investment.**

Empowerment approvals: 2003 to 2007



* 9 months

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* 9 months

SME Support 2006/07 review

- **Financing provided to 167 SMEs;**
- **70% of the number and 18% (R985m) of the value of IDC's approvals are to SMEs;**
- **To provide finance to a wider range of SMEs (especially new entrepreneurs), some gaps need to be addressed:**
 - Lack of skills;
 - Lack of necessary support systems;
 - Lack of access to financial institutions;
- **Entrepreneurial development initiatives introduced to enhance sustainability of IDC funded businesses**
 - IDC business support to clients;
 - More than 680 delegates attended Entrepreneurship Courses in Gauteng, Northern Cape, Eastern Cape, Limpopo, and Free State sponsored by IDC.

Examples of Business Support provided

| | |
|--------------------------|--|
| Hlumisa - Eastern Cape | Assistance in selecting and setting up financial management systems, design and documentation of costing system, design of leads management system (new clients) and developing marketing strategy |
| ITT - East Rand | Assisted in implementing QA system, capacity management |
| VAC Cleaning - Cape Town | Assisted through development of financial management system, and in strategic decision-making while mentoring owners over long period |

Competitive financing for development

- **R1 billion fund providing financing for 5 schemes expired December 2006:**
 - Pro SME Jobs Scheme;
 - Pro BEE Expansionary acquisitions scheme;
 - Pro Franchise Scheme;
 - Pro Forestry Scheme;
 - Pro Orchards Scheme;
- **Loans priced at up to prime less 5%;**
- **Assisting 115 SMEs to create 7450 direct job opportunities;**
- **Extension of Pro Orchards, Pro Forestry, Pro BEE Expansionary Acquisitions Schemes.**

Competitive Financing for Development



Some high impact projects 2006/07

IDC identified the berry industry

- High value agricultural crop
- High international demand – healthy food consumption trends
- Labour intensive
- Export crop



| <i>Berry Project</i> | <i>Location</i> | <i>Impact</i> |
|------------------------------|--------------------|---------------------------------------|
| <i>Blue Berries Mountain</i> | <i>George</i> | <i>Blueberries, 70ha, 450 jobs</i> |
| <i>Amathole Berries</i> | <i>Stutterheim</i> | <i>Blueberries, 330ha, 2,300 jobs</i> |
| <i>Echo Berries</i> | <i>Brits</i> | <i>Strawberries</i> |
| <i>Amajuba Berries</i> | <i>Charlestown</i> | <i>Raspberries, 100ha, 795 jobs</i> |

Some high impact projects 2006/07

The fish processing industry

IDC's current exposure (including commitments) to this industry = R60m

Exports

- The budgeted export volumes will contribute at least R6.7m in export earnings per annum.

Sub-sectors supported:

- Abalone;
- Fish Packing & canning; and
- Ice production for the fish industry.

Regional: exposure in Western, Eastern & Northern Cape;

BEE exposure includes:

- Bluefin;
- Mosselbay Fish Processors

Industry development

- Shortage of processing capacity (hake and lobster) in Hout Bay;
- Lack of HACCP compliant facilities;
- Lack and availability of ice.



Some high impact projects 2006/07

Eastern Cape Biomass

- **Black empowered company situated in Coega Industrial Development zone;**
- **Manufacture of fuel pellets;**
- **10 000 tons per month for European markets;**
- **Biomass is an environmentally friendly alternative source of energy;**
- **In line with IDC strategy to invest in clean fuels;**
- **370 full time jobs created;**
- **Ownership shared with workers and community;**
- **IDC investment R59m**



2006/07 Review

- **Leadership in Development entrenched in the organisation;**
- **Record levels of job creation;**
- **Improvement in development impact largely the result of increased activity;**
- **Financial performance exceeded budgets;**
- **Undertook a review of all processes in the IDC to determine fit with strategy and efficiency;**
- **Rebranding process to reflect IDC development role;**
- **Businessmap/Business Report BEE award 3rd consecutive year**
- **2nd year of improving customer satisfaction;**
- **IDC on track to exceed its 5yr job creation target.**



Bethlehem Farmers trust

2006/07 Review

Prospects:

- **Establishment of R250m venture capital fund within the IDC;**
- **Extension of Pro Orchards, Pro Forestry, Pro BEE Expansionary Acquisitions Schemes;**
- **Enhancing regional presence:**
 - Signed MOU with SEDA;
- **Closer co-operation with the dti on industrial policy development;**
- **Growth in finance approvals per year to almost double by 2011 from current levels.**

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future?



IDC

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