


**IDC**

**Industrial Development Corporation**

## **IDC Results 2005/06**

**Gert Gouws**  
Chief Financial Officer




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### **IDC's Role**

- To support sustainable development, IDC invests in businesses showing economic merit;
- Some businesses which may be viable are often not funded by commercial banks because of perceived high risks;
  - 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;
  - Supporting the development and creation of industries/sectors which would support achieving the countries objectives
- Cooperate with national and provincial government, DFIs, and other COTII institutions;



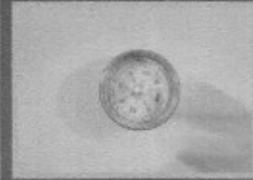


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## **IDC's Objectives**

- IDC addresses South Africa's social and economical development needs:
  - Regional
  - BEE
  - Exports
  - Etc.
- Overarching objective of job creation;
- Provide a path for people to move from the 2<sup>nd</sup> to the 1<sup>st</sup> economy;
- Support industrial development in the rest of Africa.



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## **2005/06 Highlights**

- For the year ending 31 March 2006:
  - Anticipated creation of more than 26 200 jobs;
    - IDC's overarching objective in terms of development since 2005/06
    - Record number of direct jobs;
    - Regional breakdown:
      - South Africa: 22 000 jobs
      - Townships: 4 600 jobs
      - Rural areas: 6 700 jobs
      - SMEs: 10 300 jobs
      - Rest of Africa: 4 200;
    - Largest job creation in transactions in the agriculture, mining, and services industries;
    - Including indirect jobs, over 80 000 jobs expected to be created.
  - R1 billion – Competitive Financing for Development schemes introduced;
    - R 520 million approved until end October;
    - R 332 million in pipeline;



**Focus on job creation starting to show results**



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## 2005/06 Highlights *(continued)*

### • For the year ending 31 March 2006:

R370 million approved for investments in enterprises in or around townships;

- 4 600 of the total number of jobs expected to be created in or around townships;
- Most of the jobs will be created in businesses related to improving communication services in townships;
- Tourist accommodation also played a large role;

32% of funding approved was for expansions and start-ups by black businesses;

- IDC's focus has shifted from funding of large acquisitions, towards funding expansions of existing BEE companies, or acquisitions where the capital will stay in the company to finance expansions.

69% of the total number of approvals were for small and medium enterprises.



**Increased focus on growing BEE businesses**



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## Approach to provinces & rural areas

- Unlocking investment potential to address inequitable regional socio-economic development
- Exploiting comparative advantage in sectors
- IDC in discussion with provincial development corporations to address capacity building
- Capacity building for third-tier government through development agencies
- Addressing market gaps





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## Development agencies

- The IDC has embarked upon the concept of the "development agency" - an innovative initiative that seeks to ...
  - promote localized economic, infrastructure and other development
  - maximise BEE opportunities and involvement
  - gearing financial resources, employing "dead capital" in a productive way
  - promote public-private partnerships
- Development agencies enable IDC to participate more intensively in rural development and unlock economic potential of various provinces



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## Development agencies

- 23 agencies have been approved
- Five of these agencies have progressed to second stage
- A total of R23.1 million has been disbursed since its inception in 2002



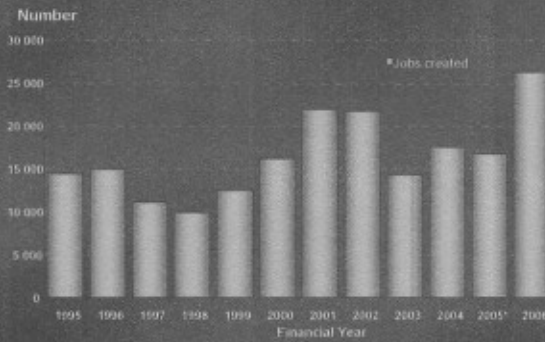




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## Development - Job Creation

### Number of Jobs Expected to be Created through IDC Financing



- Job creation increased significantly with the IDC making this its prime focus in support of ASGISA's objectives of halving unemployment and poverty by 2014;

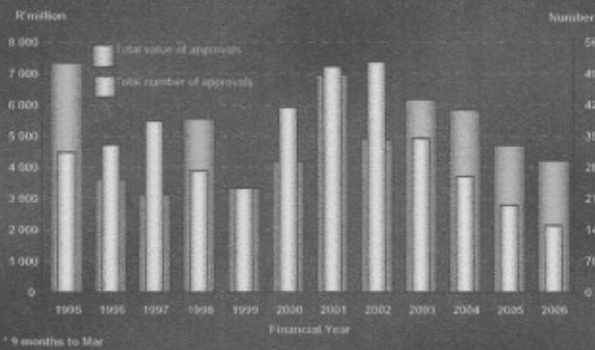
\* 9 month period



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## IDC's Investment Activity

### Net Value and Number of Approvals



\* 9 months to Mar

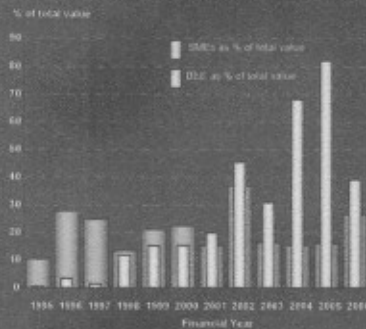
- There was a decline in the number and value of approvals as the IDC focussed on more high impact transactions, which sometimes take more time to develop.



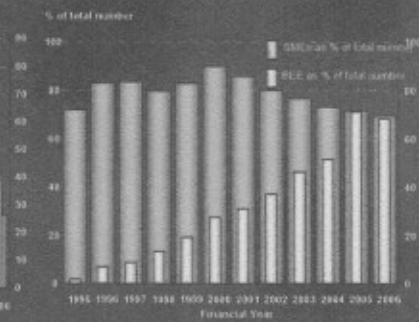
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## Development – SMEs and BEE

SMEs and BEE as a % of total value of approvals



SME and BEE as % of total number of approvals



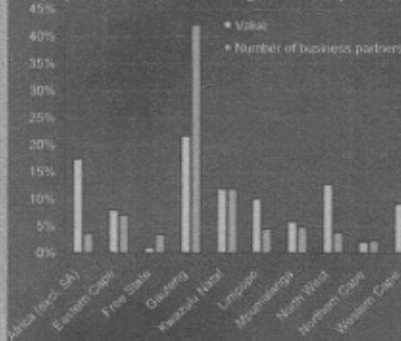
- IDC's focus has shifted towards financing of "expansive BEE" as banks are starting to enter the market of funding for acquisitions;
- Result - BEE deals' share in the total number of deals remained constant, while share in value of approvals declined;
- SME deals' share in the total number of approvals showed a slight decline from the previous year.



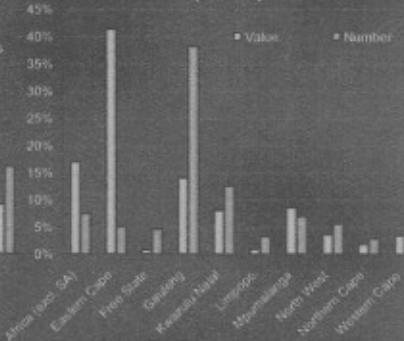
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## Regional Involvement

Portfolio (September 2006 - excluding listed companies)



Gross Approvals (2005/06)



- Gauteng remains the province with the largest concentration of IDC funded business;
- Large portion of value of 2005/06 approvals in Eastern Cape (Aluminium smelter project)

- IDC's biggest impact in terms of job creation was in Gauteng.
- Free State and KwaZulu Natal saw less job creation activity relative to the population.



## Sectoral Involvement

### Portfolio

Agrochemicals, forestry and  
fertilisers

Food and  
beverages

Textiles, clothing and leather  
goods

Chemicals, plastics & rubber

Non-metallic  
minerals products

Metals and  
engineering

Radio, TV and communication

Transport

Furniture and other crafts

Electricity, gas, water and  
sanitation

Other

Wholesale and  
retail trade

Hotels and  
tourism

Construction

Financial and banking

Healthcare and  
social services

Recreational, cultural and sports