



Industrial Development Corporation

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IDC as an Institutional Driver for the Implementation of IPAP

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Industrial Policy Action Plan

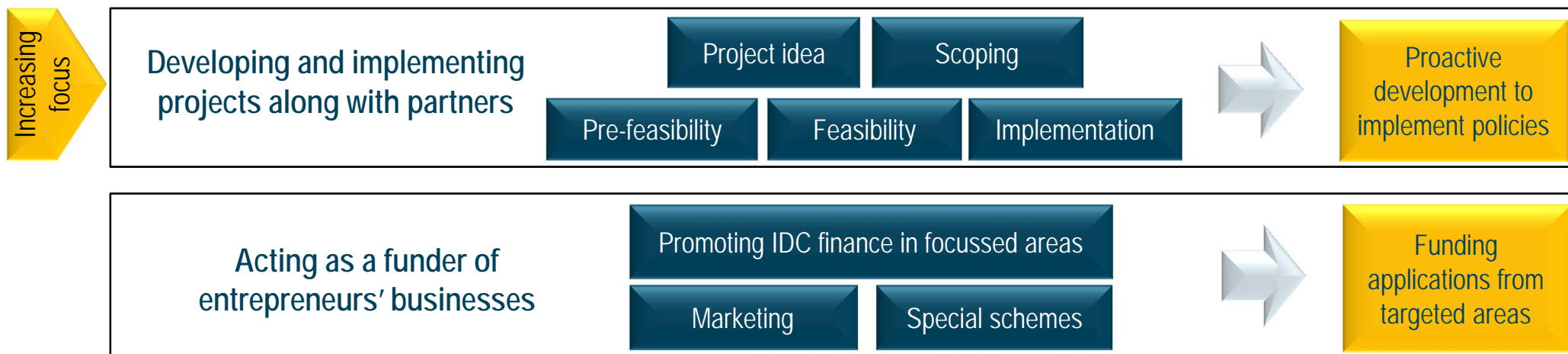
- **Overarching Areas of Involvement:**

- Industrial Financing
 - Securing ongoing sources of concessional funding for disbursement by the IDC into priority productive sectors
- Leveraging Procurement
 - Strengthening the role of DFIs in locking in domestic and regional procurement
- Developmental Trade Policies
- Competition Policy
 - Ensuring competitive outcomes

- **Implementing Sector Development Strategies**

- Metals fabrication, capital and transport equipment
- Green and energy saving industries
- Agro-processing
- Automotives, Components, Medium and Heavy Commercial Vehicles
- Downstream Mineral Beneficiation
- Plastics, Pharmaceuticals and Chemicals
- Clothing, Textiles, Footwear, Leather
- Biofuels
- Forestry, Paper & Pulp, Furniture
- Business Process Outsourcing
- Advanced Manufacturing

A proactive approach to policy implementation



- **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

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	Energy Management	Renewable Energy Generation	Technologies and Components
Key Strategies	<ul style="list-style-type: none"> • Waste management • Recycling, including paper and metal • Biomass to energy • Biogas, waste to energy • Water recycling 	<ul style="list-style-type: none"> • Energy efficiency • Demand side management • Co-generation 	<ul style="list-style-type: none"> • Solar • Wind • Hydro • Nuclear • Biofuels (separate strategy) 	<ul style="list-style-type: none"> • Local procurement • Local manufacturing • Innovation
Potential Constraints	<ul style="list-style-type: none"> • No legislation regarding sorting of waste at source • Lack of a national energy efficiency policy • National Integrated Energy Plan not finalised 		<ul style="list-style-type: none"> • Commitment for local procurement • Implementation of REFIT II 	

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

- 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.

Metal Fabrication and Capital Equipment

- Transnet fleet renewal programme
- PRASA passenger rail refurbishment program
- Eskom Power Expansion Programme
- Other SOE /private sector capex

Potential Constraints

- 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

- Bus/commercial vehicle assembly plant
- Electric car
- Local fixed investment by Chinese/Indian OEM
- Ford T6

Components

- Exterior
- Interior
- Electronics
- Body panel
- Engine blocks
- Engine parts

Potential Constraints

- 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) project(s) Government procurement for locally produced anti-retrovirals Licenses for production of APIs not granted. No enforceable framework to leverage public transport procurement 			

Agro-Industries

Improve South Africa's Trade Balance

Industry Goals

IDC Goals

Key Strategies

Potential Constraints

	Improve South Africa's Trade Balance				
	Expand high value permanent crop cultivation with 1 000 ha/a	Increase soy cake production capacity by 240 000 tons/a over next 4 years; 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
	High Value Agricultural Crops	Grain and Oil Seed Value Chain	Support to Resource Poor Farmers	Rice Production in SADC	Horticultural Value Addition
	<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 	<ul style="list-style-type: none"> Increased soya oil & oil cake production capacity Increased & upgraded maize milling capacity 	<ul style="list-style-type: none"> Resource-poor wholesale funding Deep rural 2nd economies 	<ul style="list-style-type: none"> SADC rice production 	<ul style="list-style-type: none"> Fruit canning Pectin
	<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
Key Strategies	<p style="text-align: center;">Textiles</p> <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 	<p style="text-align: center;">Clothing and Made-Up Textiles</p> <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 	<p style="text-align: center;">Leather and Leather Goods</p> <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 	<p style="text-align: center;">Footwear</p>
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 			



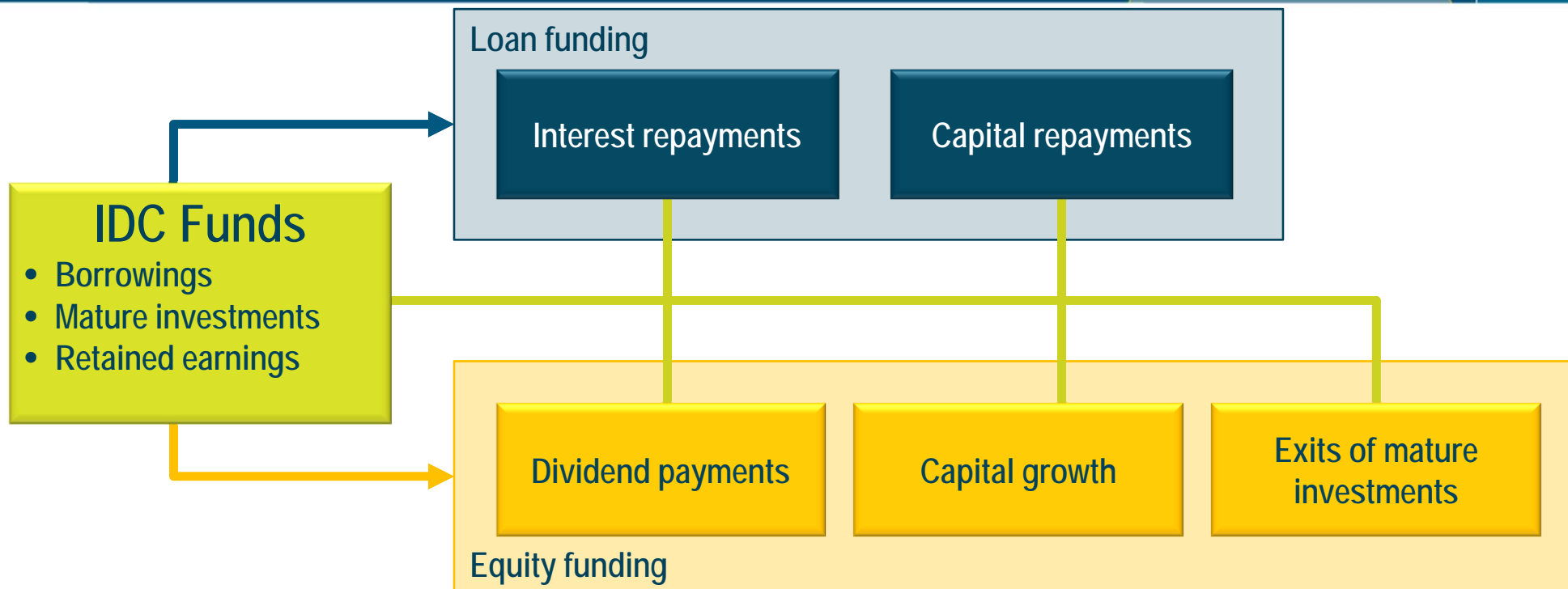
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Financing IPAP

IDC's current funding model



IDC relies on borrowings, internal profitability, capital growth and exits from mature investments to maintain and expand its funding ability

Pricing of facilities is calculated taking into account IDC's cost of funding + a margin for risk – a margin discount for developmental impact. IDC's equity portfolio subsidises to a significant extent the lending operations



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Thank you

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