

The IDC's role in Africa



presented by

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Industrial Development Corporation

content

- *Corporate profile*
- *Mandate & core strategies*
- *IDC's role on African continent*
- *Financing instruments & criteria*
- *Investment experience*





The IDC: corporate profile

Industrial Development Corporation

- *Self-financing state-owned development finance institution (Act No 22 of 1940)*
- *Provides financing to entrepreneurs engaged in competitive industries*
- *Follows normal company policy and procedures in its operations*
- *Pays income tax at corporate rates and dividends to its shareholder*
- *Independent Board of Directors*
- *Reports on a fully consolidated basis, with its Annual Report freely available to the public*

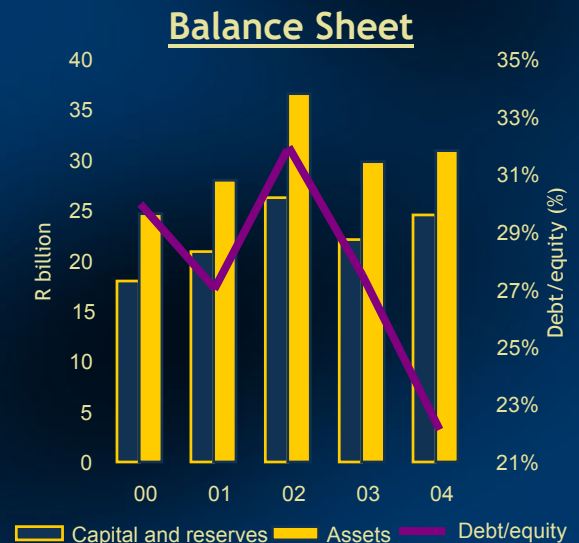
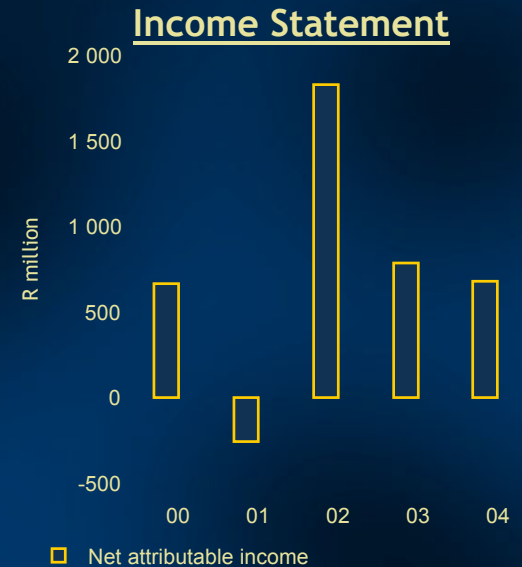


IDC's head office in Sandton, South Africa



Financial track record

- Net attributable income of US\$112 million for financial 2004
- Our balance sheet remains strong
- At approximately US\$4 billion, our capital and reserves position is amongst the strongest in the SA financial sector
- Total assets = US\$ 5 billion and
- Moody's rating at Baa1



* At an exchange rate of ZAR 6.21 per US dollar



Total assets = US\$ 5 billion

Some of our larger equity investments as at 30/06/2004:

- **BHP Billiton** 2,8%
- **Sasol Ltd** 8,0%
- **Kumba Resources** 14,0%
- **Iscor Ltd** 8,8%
- **Acerinox** 2,9%
- **Foskor & IOF** 97,5%
- **Mozal S.A.R.L.** 25,0%
- **Sappi Ltd** 7,4%



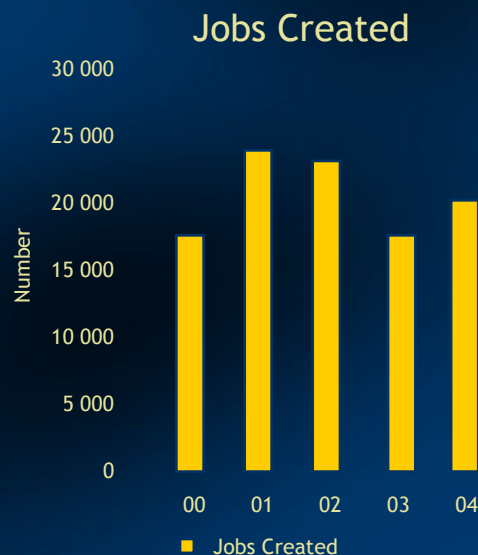
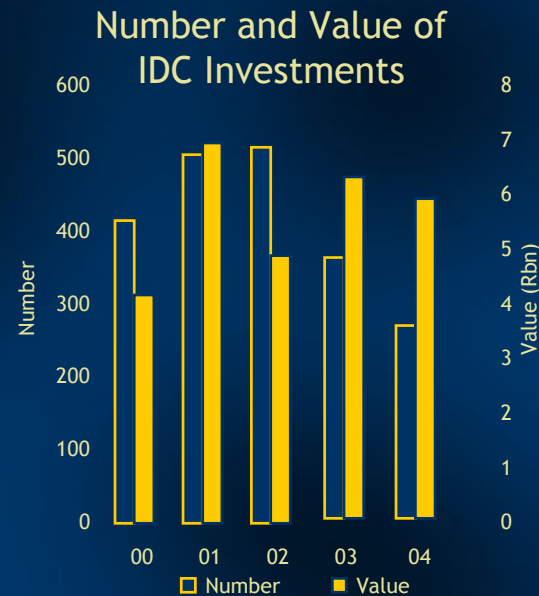
**Mozambique
Aluminium Smelter
(Mozal)**



Developmental track record

In 2003/2004:

- *IDC approved finance to the value of R 5.8 billion (US\$ 934 m) representing 4% of private sector fixed investment in South Africa*
- *Assisted more than 250 entrepreneurs (73% SMEs)*
- *IDC financing created more than **19 000 new job opportunities***
- *Finance to empowerment firms represented 51% of the number and 44% of the value of approvals*





Investment in Africa: SA Government's Policy

- *President Mbeki's 2004 State of the Nation Address placed emphasis on:*
 - *making an effective contribution to the challenge of accelerating the process of the renewal of the African continent;*
 - *working towards the re-generation of Africa*
 - *further interaction with the African continent, especially within the context of the SADC and the NEPAD initiative*
 - *continuing with the implementation of the NEPAD initiative*



SA Government's Africa mandate to the IDC



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“ Government is committed to support economic development in Africa ... to underpin the African Renaissance ...

... the IDC is one of the policy-based development finance institutions that can leverage and catalyze private sector investment for economic development within Africa...”





Mandate of SA Government to IDC

- The IDC's role is to :
 - *leverage private sector investment for economic development in Africa;*
 - *play a major role in the development of industrial capacity in Africa.*
 - *strengthen SA's constructive role in regional economic development.*
 - *leverage fdi by bringing in foreign partners using international networks.*
 - *Transfer experience and expertise to African DFI's*
 - *Promote supply of goods and services from SA*



IDC core strategies for the Continent

- Develop **relationships** via dedicated country visits
- Participate in **syndicated financing deals** with strong banks
- Establish **credit lines** for financially sustainable African banks
- Co-operate with SA state and **parastatal** organizations to meet development objectives
- Participate in **regional policy initiatives**
- Participate as **shareholder** for enhanced IDC returns
- **Mitigate** and not avoid **risks** in countries in which the IDC invests
- To be the **preferred financier and partner** for viable African investments



- **Export Finance:** Loans to foreign borrowers to facilitate purchase of SA capital goods & services
- **Import Finance:** Utilising lines of credit to finance the importation of capital goods & services into SA
- **Project Finance:** Sourcing and arranging funding from diverse international lenders for major projects
- **Trade Finance:** Pre & post shipment working capital finance to exporters



IDC Investment principles: SADC & Africa

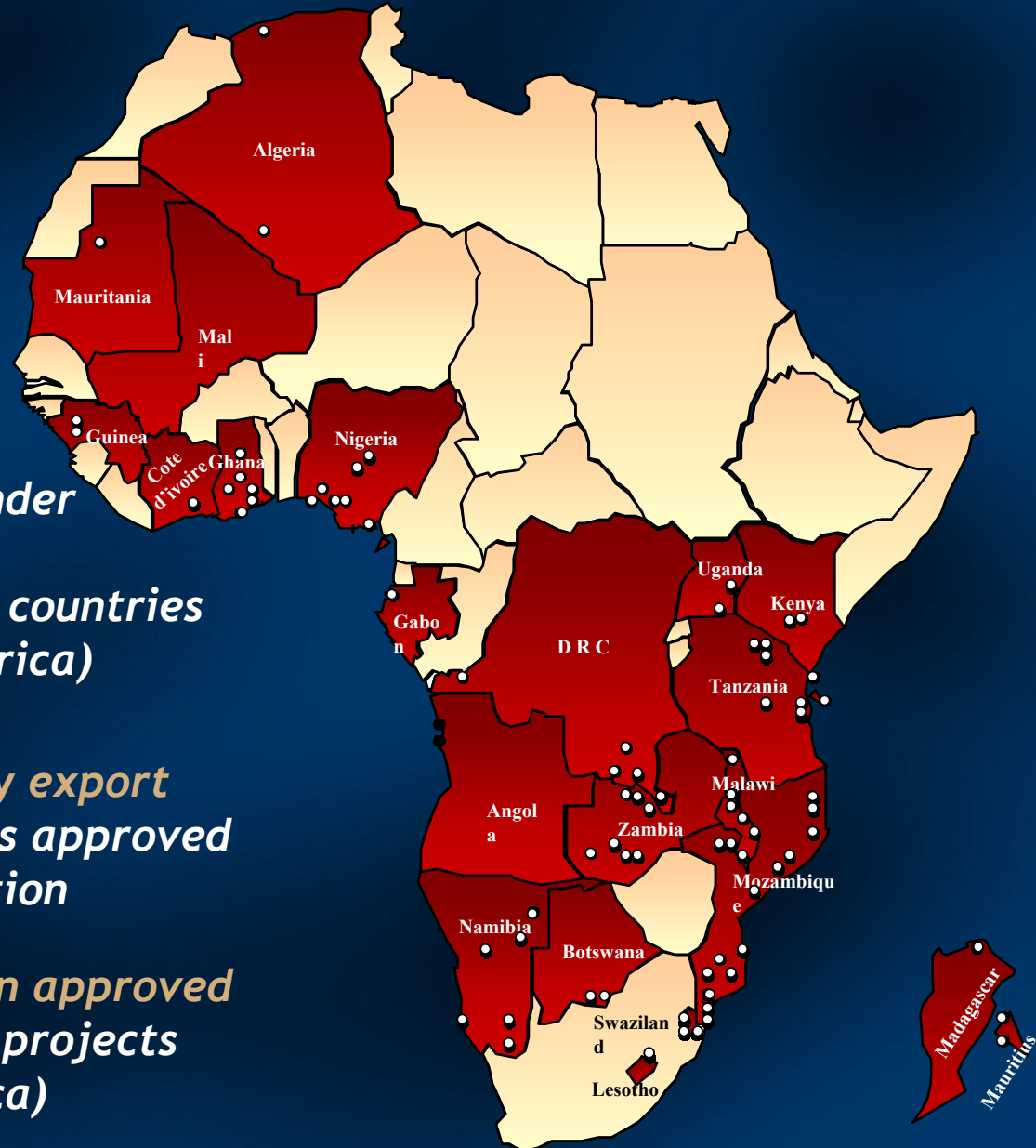
- ✓ *Greenfield, expansion and rehabilitation projects*
- ✓ *Economic merit and development impact*
- ✓ *The IDC finances fixed assets & a fixed portion of growth in working capital requirements*
- ✓ *Reasonable financial contribution from the owners/promoters*
- ✓ *IDC max. Contribution to SADC projects is 50% of total funding (25% beyond SADC)*
- ✓ *Environmental standards*





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IDC involvement in Africa (excl. SA)



- *Over 70 projects under implementation or consideration in 20 countries (excluding South Africa)*
- *More than 30 purely export finance applications approved or under consideration*
- *Around R7,23 billion approved to-date for African projects (outside South Africa)*



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IDC portfolio on the African continent

	COUNTRY	APPROVED VALUE (US \$)
1	Mozambique	785
2	Nigeria	69
3	DRC	70
4	Swaziland	56
5	Zambia	54
6	Ghana	53
7	Algeria	39
8	Lesotho	31
9	Mauritius	16
10	Namibia	5
	Total	1177

IDC as an investor on the African continent



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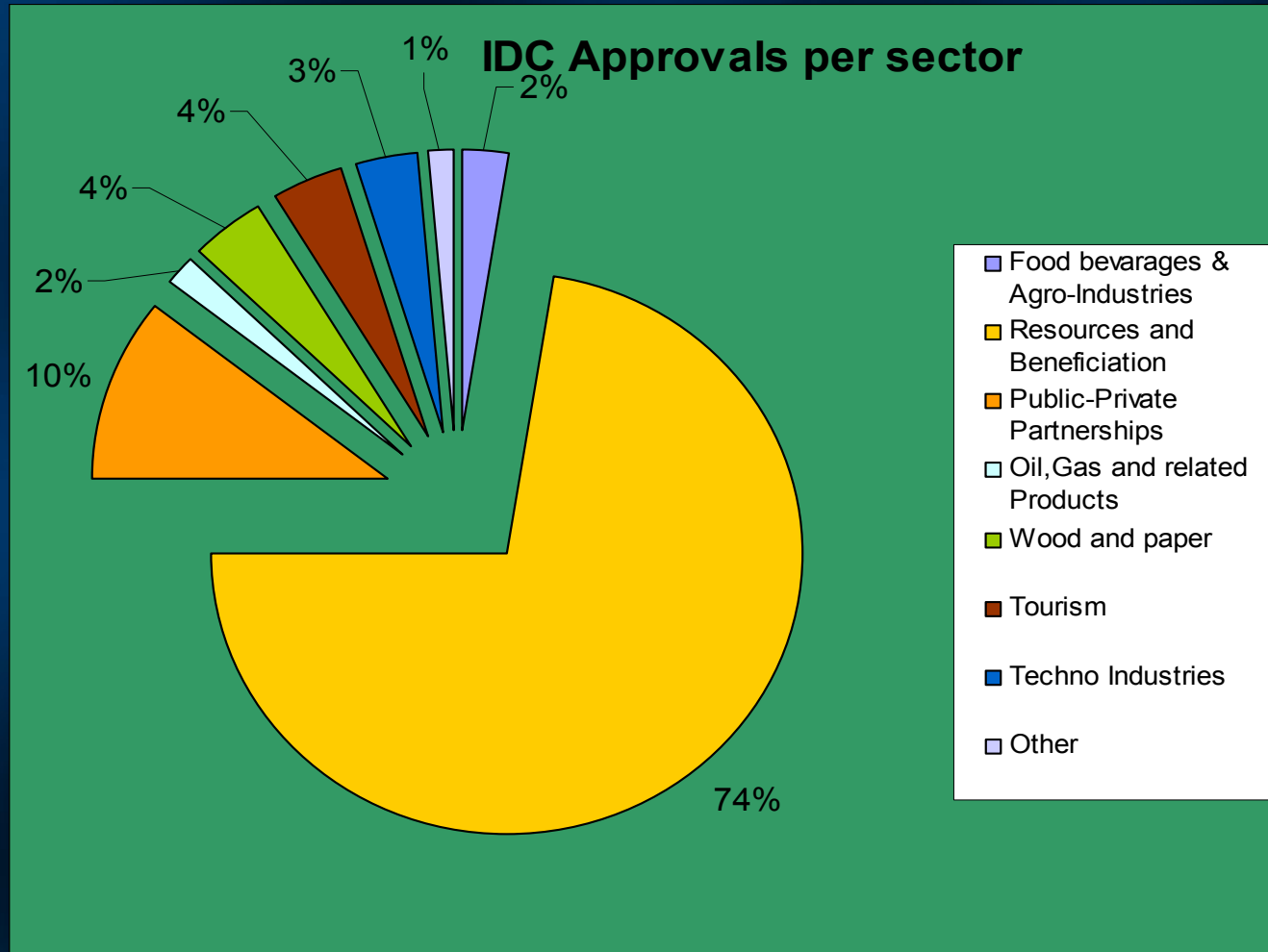
IDC Sector Portfolio at 31 January 2004

	<u>Approvals</u>
	<u>(Value)</u>
	US\$
Food beverages & Agro-Industries	29
Resources and Beneficiation	876
Public-Private Partnerships	126
Oil, Gas and related Products	20
Wood and paper	51
Tourism	46
Techno Industries	41
Other	16
Total	1204



IDC Portfolio on the African continent

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IDC's focus in Food, Beverages & Agro...

- **Primary Agriculture**
- High value, permanent crops e.g. deciduous fruit, vineyards, tree nuts
- Intensive agriculture or aquaculture
- **Agri-processing (manufacturing)**
- Expansion or establishment of agricultural related products, beverages, etc.





IDC's focus areas in FBA...

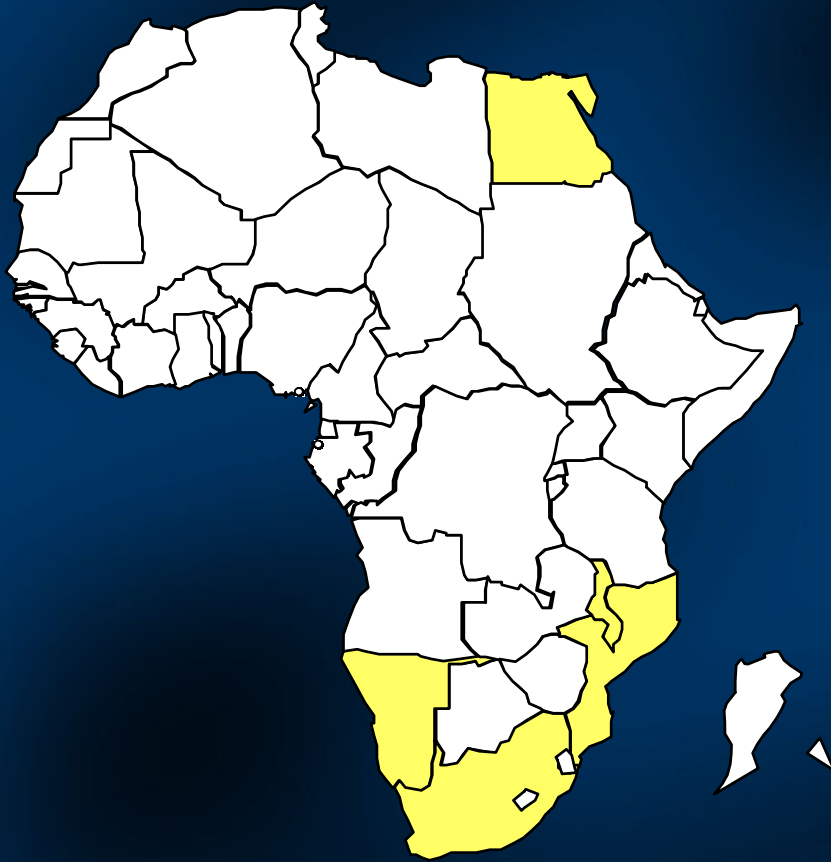
- **Job creating greenfield & expansion projects**
- **New technologies**
 - *irrigation technology*
- **New crop development**
 - *Persimmon; Kenaf; Cassava in SA*
- **Downstream processing**
- **Supply chain integration**
 - *Larger projects with linkages to small scale farming*





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Regional exposure in FBA...



- 17% of exposure outside South Africa
- Namibia = table grapes
- Malawi = nuts & tea
- Mozambique = Sugar & cotton
- Egypt = table grapes
- Under investigation
 - Mali - Sugar
 - Botswana - Cotton



- **Structured funding (mostly loan instruments)**
 - **South Africa:** > ZAR 1 mil (max 50% of project)
 - **Certain SADC countries, BLNS:** > R15 mil (max 50% of project)
 - **SADC:** > USD 5 mil (max 50% of project)
 - **Rest of Africa:** > USD 25 mil (max 25% of total project)
- **Finance Criteria:**
 - **Portfolio Considerations** (risk concentration, etc)
 - **Economic Viability**
 - **50:50 Debt:Equity** structure for Greenfields projects
 - **Development impact, Environmental impact, etc**
- **Export Credit Facilities**
 - **Minimum 50% SA content**
 - **Supported by the Export Credit Insurance Corporation (ECIC)**
 - **For acquisition of capital goods and services from South Africa**
 - **Suitable Project Credit** for hotel projects with a SA contractor or professional team



Tourism finance

Our track record to date

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- Exposure of R1 billion at present (ca US\$160m) in tourism portfolio (SA and Rest of continent)
- Projects approved outside of SA in **Nigeria, Ghana, Malawi, Namibia** with further interest from DRC, Zambia and Mozambique
- Dedicated team to assess viability and structuring of facilities

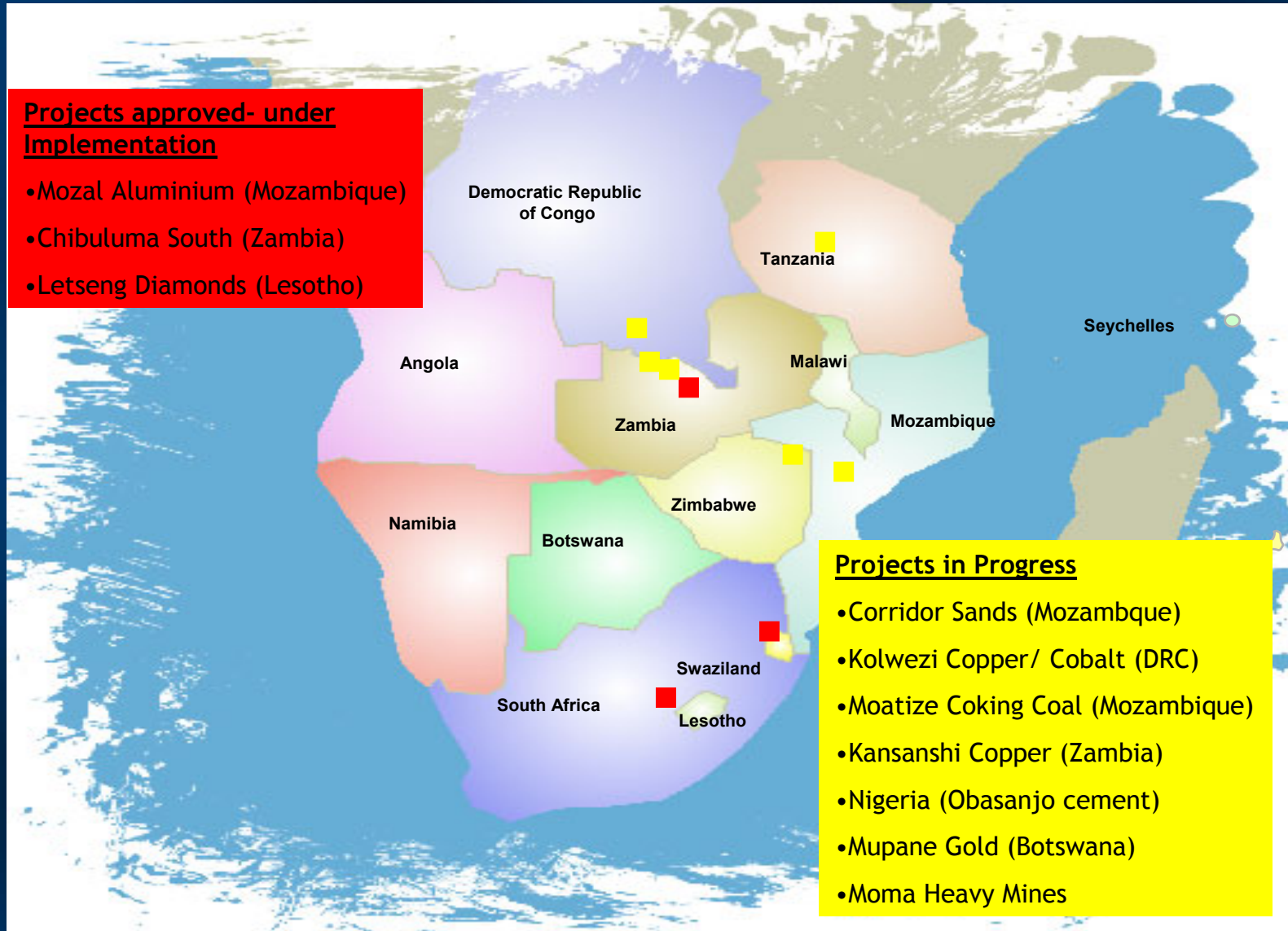


Resources and beneficiation

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Projects approved- under Implementation

- Mozal Aluminium (Mozambique)
- Chibuluma South (Zambia)
- Letseng Diamonds (Lesotho)



Projects in Progress

- Corridor Sands (Mozambique)
- Kolwezi Copper/ Cobalt (DRC)
- Moatize Coking Coal (Mozambique)
- Kansanshi Copper (Zambia)
- Nigeria (Obasanjo cement)
- Mupane Gold (Botswana)
- Moma Heavy Mines



Public Private Partnerships

- To facilitate **private sector provision** of **Industrial infrastructure** in support of sustainable economic development in Africa; through the provision of loan finance, equity and support for bankable feasibility studies which IDC is involved in.

main focus is to support infrastructure projects in :

- **Power**
- **Telecommunication**
- **Transport**



Approved/Considered Deals By Region



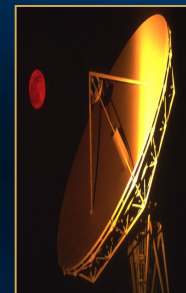
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North/West Africa:

- **Algeria, \$40 million (Power)**
- **Ghana, \$50 million (Power)**
- **Nigeria, \$150 million (Power, Cement)**
- **Cameroon, \$40 million (Power)**
- **Gabon, \$30 million (Power)**
- **DRC, \$80 million (Power, Telecoms)**

East/South Africa

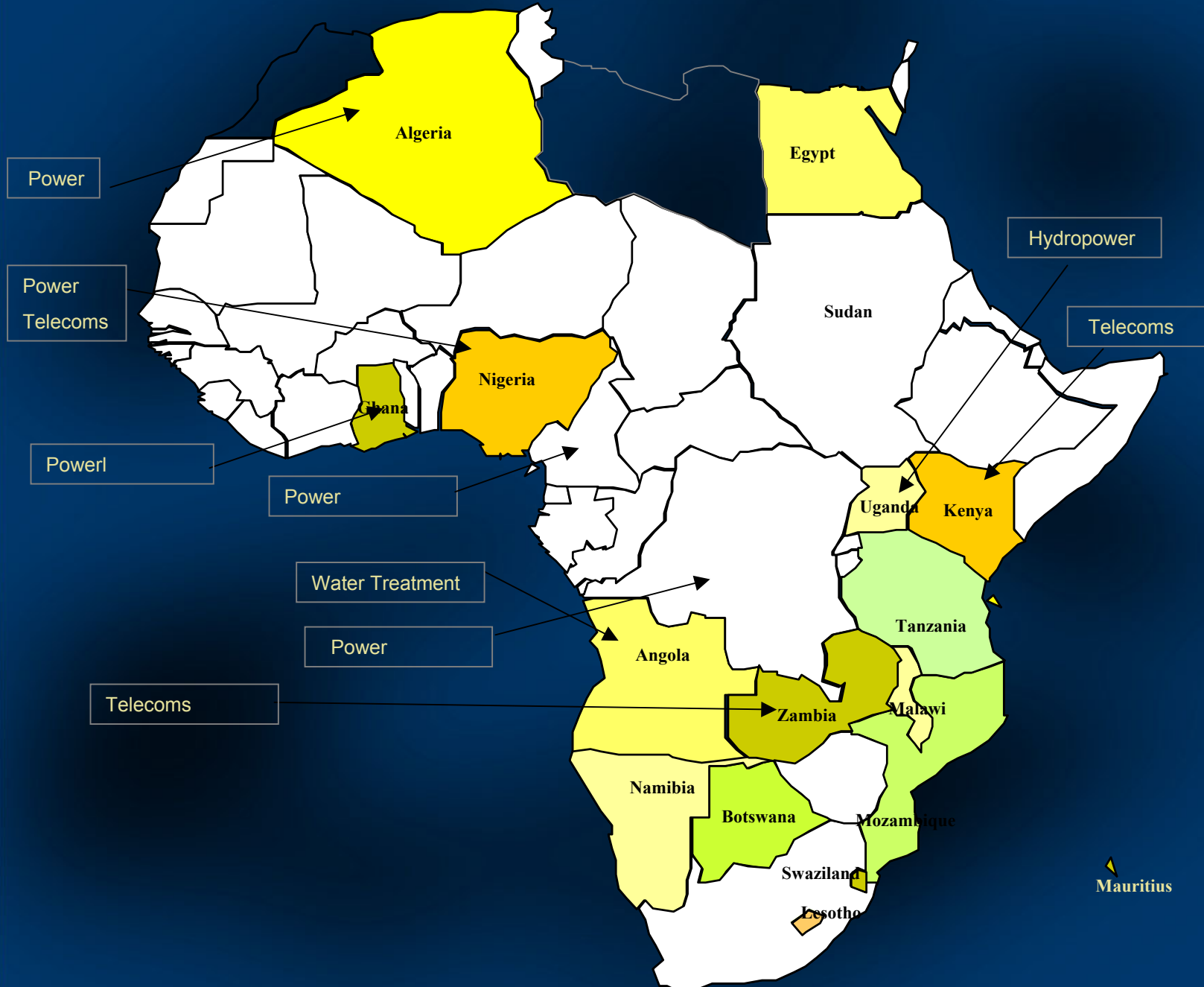
- **Uganda, \$50 million (Power)**
- **Tanzania, \$20 million (Power)**
- **Mozambique, \$10 million
(Infrastructure, Power)**





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IDC PPP Projects





Critical success factors....

- ✓ **Adherence to a comprehensive set of *investment guidelines***
- ✓ **Economic merit (financial and developmental) of projects is non negotiable**
- ✓ **Thorough due diligence**
- ✓ **Risk mitigation**
- ✓ **Financial structuring and advisory services**
- ✓ **Off-take/ supply agreements**
- ✓ **Strong operating partners**
- ✓ **Financial contribution from promoters**
- ✓ **Security**



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