

INVESTMENT ENVIRONMENT & OPPORTUNITIES IN SOUTH AFRICA

SOLAR PARK INITIATIVE
28-29 OCTOBER 2010
UPINGTON



The Department of Trade and Industry (the dti)

the dti - ensuring an economy that benefits all

The Department of Trade and Industry's vision is of a South Africa that has a vibrant economy, characterised by growth, employment and equity, built on the full potential of all citizens



Trade and Investment South Africa

Trade and Investment South Africa (TISA) is a division of the Department of Trade and Industry (the dti), a national government department.

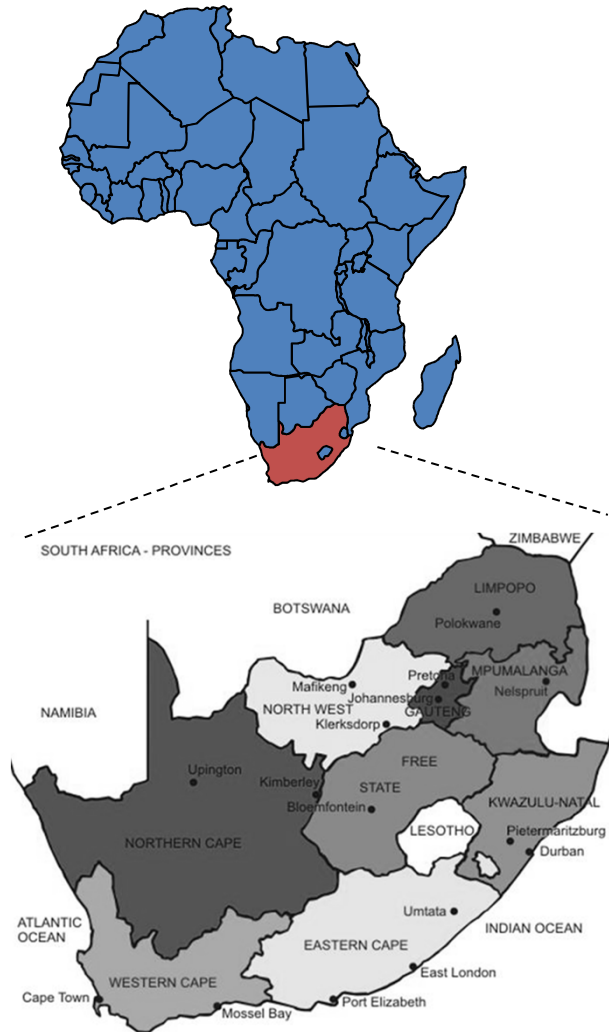
Its mandate is to develop the South African economy by focusing on;

1. investment promotion and facilitation;
2. export development and promotion ;as well as
3. managing its network of foreign economic offices.

To carry out this mandate, Trade and Investment South Africa regularly interacts with its stakeholders, especially industry and sector customers through various forums, advisory bodies, stakeholder meetings, conferences, exhibitions and business missions.



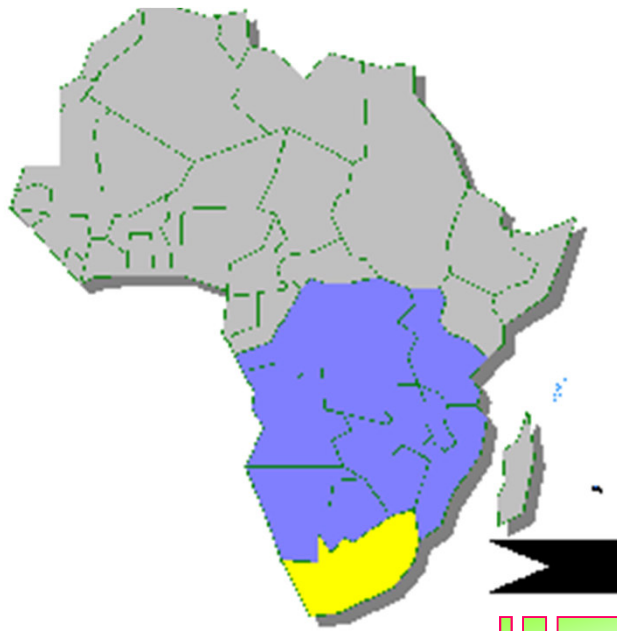
South Africa at a glance



- Area 1,219, 090 km²
- Population 48,7m (estimate)
- Currency R1 = 100 cents
- Time GMT + 2 hrs
- Head of the State: President Jacob Zuma
- 11 Official languages with English the business language
- Total GDP: 2008 R2 284bn (US\$ 277bn)
- GDP 2008 per capita: R 46 507 (US\$ 5 637)
- Real GDP Growth: 3,7% (2008)
- Inflation (CPIX): 11,5 % (annual 2008) average)
- Main Exports; minerals & mineral products, precious metals & metal products, chemical & food products, automobiles & components.
- Main trading partners: Germany, USA, China, Japan & the UK.



SADC and South Africa

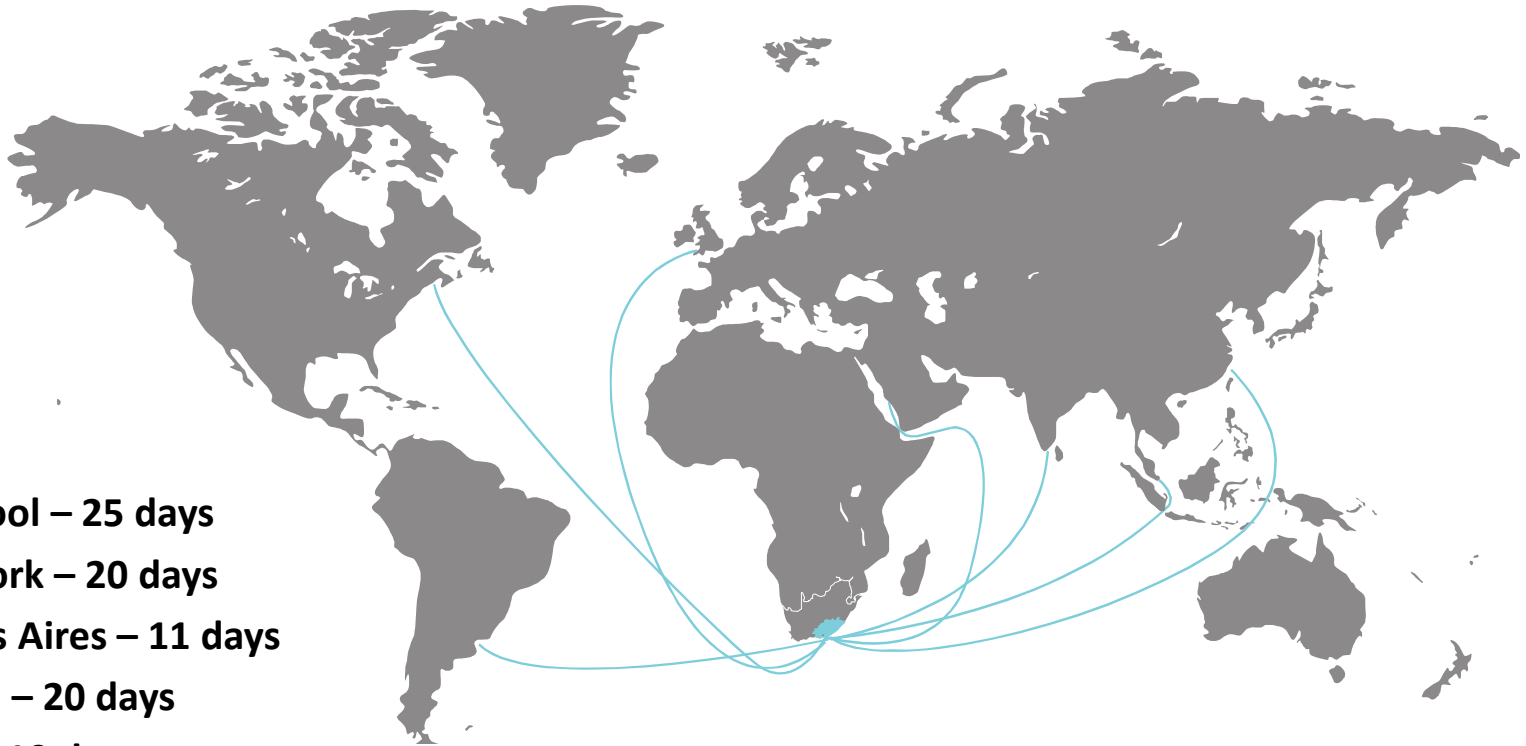


- SADC FTA signed in August 2008 – market of 200 million consumers
- Future FTA with SADC, COMESA & EAC with a market of 700 million consumers



PROXIMITY TO MARKETS BY SEA

- **Liverpool – 25 days**
- **New York – 20 days**
- **Buenos Aires – 11 days**
- **Jeddah – 20 days**
- **India – 10 days**
- **Singapore – 12 days**
- **Hong Kong – 25 days**



Investing in Africa: an improving environment

The operating environment is improving visibly and rapidly ...

- 54 countries, 35 democracies (compared to only 8 in 1991)
- Many countries have improved their business environment:
 - restored macro-economic stability
 - greater predictability & increased reliability of policy & regulatory framework
 - increased transparency and improved decision-making
 - privatisation initiatives
 - reduced corruption
 - investment protection & promotion
 - intra and inter-regional initiatives
- High returns on investment



South African Economy

| | 1994 THEN | 2004 | IN 2009 |
|-----------------------------------|---------------------|----------------------|---------------------|
| GDP (billions) | R 482 US\$ 60 | R 1 374 US\$ 171 | R 2 423 US\$ 294 |
| Merchandise exports (billions) | R 69, 8 US\$ 8.7 | R 281,8 US\$ 35.2 | R503,6 US\$ 59,6 |
| GDP Growth | 3,2% | 4,6% | - 1,8 % |

- South Africa positioned as a **manufacturing centre of excellence**
- Diversified Industrial sectors
- **Open** economy
- Sound business case for investment and profit
- **Gateway to Africa** and markets of more than **200 Million consumers**
- Africa is the next big story after China and India



South Africa's leading trade partners (2009)

| Export Country | Rand (millions) |
|-------------------|--------------------|
| 1. China | 48,656.1 |
| 2. United States | 41,027.0 |
| 3. Japan | 33,937.0 |
| 4. Germany | 32,317.8 |
| 5. United Kingdom | 25,106.2 |
| 6. Switzerland | 21,272.7 |
| 7. Netherlands | 18,389.7 |
| 8. India | 17,873.3 |

| Import Country | Rand (millions) |
|-------------------|--------------------|
| 1. China | 69,950.0 |
| 2. Germany | 61,888.1 |
| 3. United States | 40,691.2 |
| 4. Saudi Arabia | 26,650.9 |
| 5. Japan | 26,245.5 |
| 6. Iran | 22,109.7 |
| 7. United Kingdom | 21,393.5 |
| 8. France | 16,579.3 |



South Africa- global perspective

- South Africa is **one of the most sophisticated and promising emerging markets**, offering a unique combination of highly developed first world economic infrastructure with a vibrant emerging market economy.
- South Africa is one of the world's 26 industrialised nations.
- The country is also regarded as the **gateway to Africa**.
- South Africa has the **largest economy on the African continent**, accounting for approximately 25% of the continent's GDP.
- According to the World Bank, South Africa ranked **34th out of 183** in the world for the **ease of doing business** in 2010.
- The JSE Securities Exchange is Africa's largest and most developed Securities Exchange and **one of the world's top 20 exchanges**.



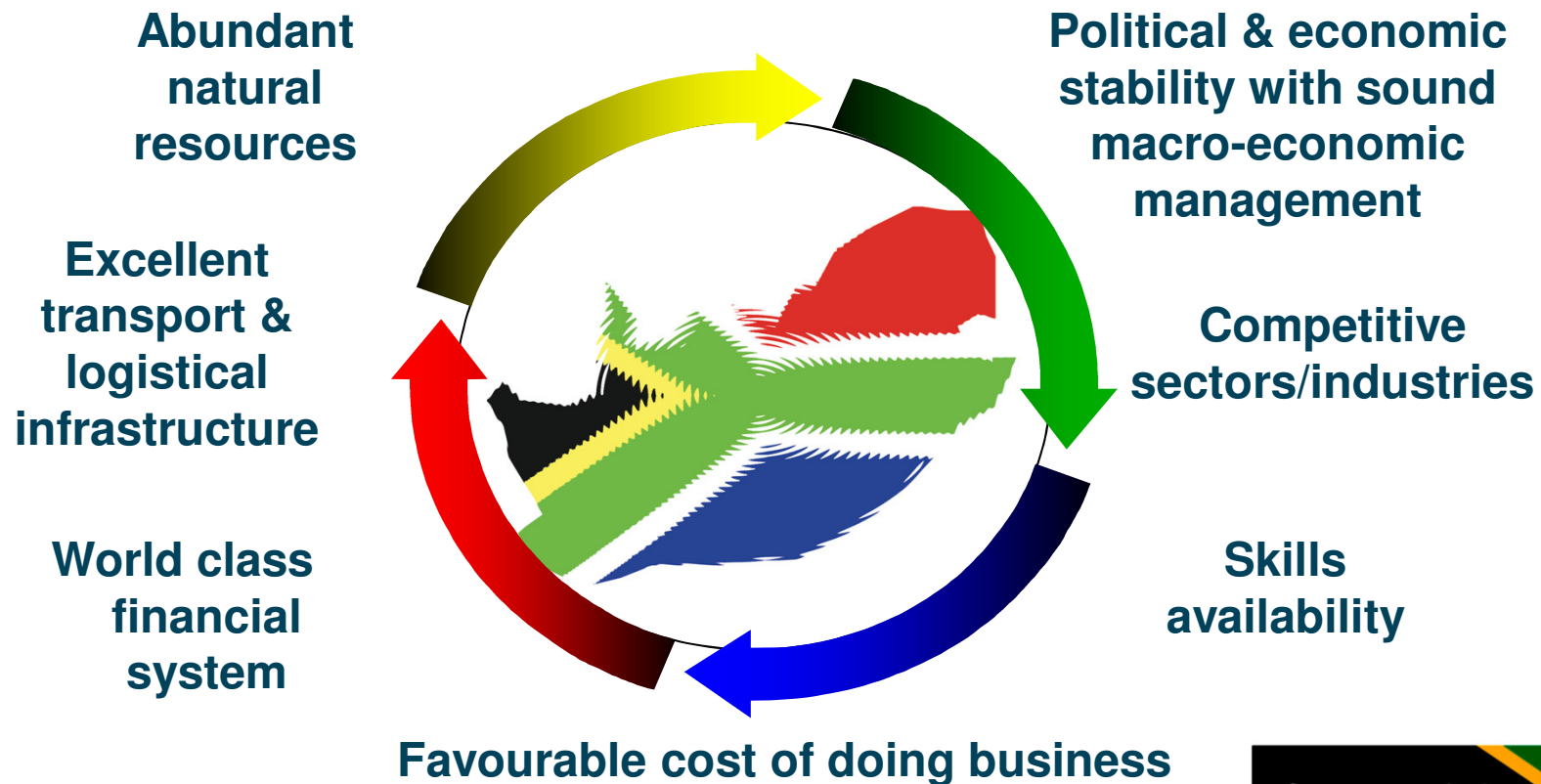
South Africa - global perspective

- South Africa remains the **world's top producer of minerals** such as gold, platinum, rhodium, chrome, manganese and vanadium.
- South Africa holds 80% of global manganese reserves, 72% of chrome, 88% of platinum-group metals (PGMs), 40% of gold and 27% of vanadium.
- **Unit labour costs** in South Africa **are significantly lower** than those of many other emerging markets.
- South Africa scored well in various categories according to the **2009/10 World Competitiveness Yearbook** (133 countries ranked) with overall competitiveness we ranked 45th in place.



South Africa's investment environment

South Africa today is one of the most sophisticated and promising emerging markets globally, mainly because of ...



South Africa – Global Economic Powerhouse

Financial Times data on inward investment shows that South Africa is:

- #1 country for **R&D** inward investment in Africa
- #1 country for **environmental technology** inward investment in Africa
- #1 country for **ICT & Electronics** inward investment in Africa
- #1 country for **financial services** inward investment in Africa
- #1 country for **creative industries** inward investment in Africa
- **#1** country for **transport equipment** inward investment in Africa
- #1 country for **life sciences** inward investment in Africa



Presence of Industrial Clusters

- ❖ Regional leader in environmental technologies
- ❖ World class ICT sector
- ❖ The largest financial services hub for the region
- ❖ Largest transport equipment cluster in Africa
- ❖ Major creative industries centre
- ❖ Largest life science centre in the region



RESPONSE TO THE GLOBAL CRISIS

The South African Government's Response to the Global crisis:

- ❖ Address the broader fundamental blockages to growth
- ❖ Recognised that manufacturing and other sectors of the economy are engines for long-term sustainable growth and job creation.
- ❖ South Africa has adopted IPAP2, which builds on the National Industrial framework(NIPF) and the 2007/2008 IPAP



INDUSTRIAL POLICY FRAMEWORK

- ❖ Scaling up South Africa's efforts to promote long-term industrialisation and industrial diversification beyond our current reliance on traditional commodities and non-tradable services.
- ❖ Within this framework, moves towards a greener economy is essential
- ❖ Respond to own domestic challenges of promoting greater efficiency and to the common global challenge to mitigate the threat of catastrophic climate change.
- ❖ Government has recognised there are opportunities for new economic activity and decent jobs from greener initiatives, including renewable energy



INDUSTRIAL POLICY FRAMEWORK

- ❖ Expanding manufacturing and services related to green initiatives is imperative.
- ❖ The following opportunities have been identified:
 - Solar water heating
 - CSP-Concentrated Solar Power
 - PV-Solar Photo-Voltaic Power
 - Wind
 - Biomass
 - Substantial improvements in industrial energy
 - Automotives



SOLAR PARK FRAMEWORK

- ❖ Is seen as a key government project from an investment perspective as well as a driver of local industry
- ❖ Therefore government (the dti) will serve as a one stop shop for investors in the solar park and provide facilitation and services in the following areas:
 - Incentives
 - Regulations
 - Financing
 - Permits and visas
 - EIA's- environmental impact assessments



SOLAR PARK FRAMEWORK

❖ Government will explore the following general support for the Solar Park:

- Shared infrastructure and services
- Financial support- IDC, PIC, DBSA, Pension funds
- Incentives
- Local supply of components
- Individual Investor support



SOLAR PARK Study in Queensland Australia

- ❖ Solar parks can significantly reduce the cost of electricity from solar power due to:
 - 1) Economies of scale
 - 2) Use of less expensive locally manufactured components
 - 3) Removal of regulatory hurdles
 - 4) 50-60% infrastructure cost savings scaling from 250MW to 1000 MW
 - 5) Results in a 14-18 % reduction in the cost of electricity



SOLAR PARK Initial Findings

- ❖ The steel requirements for a 100MW CSP plant is anywhere between 9000 and 26000 tons of steel on some solar technologies
- ❖ The glass requirements for a 100 MW CSP plant is between 445,000 and 1,2 million meters of glass for its mirrors
- ❖ Job creation: Could be 12000 construction jobs over 8 years based on a technology mix for a 5000 MW park
- ❖ 3000 ongoing jobs upon completion of 5000MW
- ❖ This does not include indirect jobs



SOLAR PARK Initial Findings

- The table below offers indicative figures of materials requirements for a PV module assembly unit:

| Capacity | Glass (tons) | Alum (tons) | Encapsulant (m ²) | Backsheets (m ²) | Ribbon (units) | Sealant (tons) |
|----------|--------------|-------------|-------------------------------|------------------------------|----------------|----------------|
| 30 | 1,710 | 48 | 427,500 | 213,750 | 1,900 | 29 |
| 100 | 5,700 | 158 | 1,425,000 | 712,500 | 6,333 | 95 |
| 500 | 28,500 | 792 | 7,125,000 | 3,562,500 | 31,667 | 475 |
| 1000 | 57,000 | 1,583 | 14,250,000 | 7,125,000 | 63,333 | 950 |
| 2500 | 142,500 | 3,958 | 35,625,000 | 17,812,500 | 158,333 | 2,375 |
| 5000 | 285,000 | 7,917 | 71,250,000 | 35,625,000 | 316,667 | 4,750 |



LOCAL SUPPLY

- ❖ Well-established industrial and manufacturing base offers a range of locally produced inputs into the power generation and distribution as well as renewable energy and energy savings industries.
- ❖ More specifically local supply and manufacturing of the following are available:
 - Aluminium structures
 - PV Modules
 - Reflector assemblies
 - Steel
 - Glass
 - Mirrors
 - Turbines
 - Semi-conductor materials
 - Pipe and Tubing



Incentives

| Incentive | Benefit | Main Conditions |
|--|---|--|
| The Enterprise Investment Program (EIP) | The EIP (manufacturing) is a cash grant for locally based manufacturers who wish to establish a new production facility, expand an existing facility or upgrade an existing facility in the clothing and textiles sectors | the EIP will be used to stimulate investment within manufacturing and tourism, it will also be used to deliver on some of the IPAP's key performance areas, as well as priority sectors. |
| Foreign Investment Grant | To compensate qualifying foreign investors for the cost of moving qualifying new machinery and equipment from abroad to SA. | Foreign investors only |
| Industrial Development Zone | Exemption from VAT when sourcing goods and services from South African customs territory and duty-free imports of raw materials and inputs for export | Prospective IDZ operator companies must apply for permits to develop and operate an IDZ |



Incentives

| Incentive | Benefit | Main Conditions |
|--|--|--|
| Critical Infrastructure Fund | Infrastructure projects intended to service IDZ, shall qualify for a grant of 30% of the qualifying infrastructure development cost | The minimum qualifying infrastructure development cost is R15m |
| The Location Film & Television production Incentive | To encourage and attract large budget films and television productions that will contribute towards SA economic development and international profile and increase foreign direct investment | Foreign owned qualifying productions |



Incentives

| Incentive | Benefit | Main Conditions |
|--|--|--|
| BPO & O Investment Incentive | The BPO&O Investment Incentive comprises an Investment Grant and a Training Support Grant towards costs of company-specific training. The incentive is offered to local and foreign investors | Local and foreign investors establishing projects that aim primarily to serve offshore clients |
| Competitiveness Improvement Programme | Grants are to be used for the following interventions: World-class manufacturing principles. Training Labour relations and employee wellness programmes Product related Supply chain integration Industrial engineering Competitiveness improvement Bottom line business processes | Clothing and Textile companies and clusters |



Incentives

| Incentive | Benefit | Main Conditions |
|---|---|---|
| Production Incentive (PI) | Aims to help the industry upgrade its processes, products and people. | Clothing manufacturers Textiles manufacturers Cut, Make and Trim (CMT) operators Footwear manufacturers Leather goods manufacturers and Leather processors (specifically for leather goods and footwear industries). |
| Automotive Investment Scheme (AIS) | A taxable cash grant of 20 percent of the value of qualifying investment in productive assets | Motor vehicle assemblers/manufactures. Motor component manufacturers |



the dti's Investment Services

- Sector Information
- Finance to explore investment opportunities in SA
- Facilitating direct Government support in the form of:
 - - information on investing in SA and the Business Environment
 - - detailed investment Incentives
 - - investment facilitation
 - - after care - ongoing contact

Contact Details

- the dti Call Centre: 0861 843 384
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South Africa



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