Industrial Development Corporation

Driving Industrial Capacity Development

Accessing Funding from IDC

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Introducing the IDC

- Established in 1940, the IDC is a self-financing, State-owned Development Finance Institution

- IDC’s mandate:
  - Develop a balanced, competitive and sustainable economy;
  - Enhance industrial capacity development;
  - Support industrialisation in the rest of Africa
    – focussing on regional value chain integration.

- Key outcomes from our investing activities:
  - Job creation;
  - Regional development, including rural development;
  - Fostering entrepreneurship;
  - Growing SMEs;
  - Broad based black economic empowerment;
  - Environmentally sustainable growth;
  - Increasing localisation.
Mandated Sectoral Focus Areas

Legend:
- Cultural industries: Craft and film
- ICT
- Biotechnology
- Mining related technologies
- IPAP
- New Growth Path

The green economy
- Green and energy saving industries
- Bio fuels

The knowledge economy
- Healthcare
- ICT
- Biotechnology

The mining value chain
- Mining
- Downstream mineral beneficiation

The green economy
- Green and energy saving industries
- Bio fuels

Infrastructure
- Logistics
- Industrial infrastructure

Agricultural value chain
- Agro-processing

Manufacturing activities
- Metals fabrication, capital and transport equipment
- Automotives, components, medium and heavy commercial vehicles
- Advanced manufacturing
- Plastics and chemicals
- Forestry, paper & pulp, furniture
- Clothing, textiles, footwear, leather
- Pharmaceuticals

Tourism and high-level services
- Business process services
IDC’s Funding Products

- Funding can be structured utilising a wide array of instruments including:
  - Debt;
  - Equity;
  - Quasi-equity;
  - Guarantees;
  - Trade finance;
  - Bridging finance;
  - Venture capital.
- The funding will be structured in a way that will suit the business’ needs most appropriately. Structuring options include:
  - **Term** of the funding: Short, medium and long-term loans are available;
  - **Grace periods** for repayment (payment holidays (moratoria)): Repayments can be structured to suit cash flows and allow for periods where no payments need to be made on either capital or interest;
- Special funding schemes are available that offer more attractive terms and are linked to targeted goals such as job creation or development of specific sectors.
- IDC’s business support programme addresses non-financial support to entrepreneurs.
Special Purpose Finance Products

- Manufacturing Competitiveness Enhancement Programme (MCEP) (R1 billion)
- UIF Fund for job creation (R4 billion)
- Transformation and Entrepreneurial Scheme (TES)
  - Women Entrepreneurial Fund (R400 million)
  - Development Fund (R350 million)
  - Equity Contribution Fund (R150 million)
  - Community Fund (R150 million)
  - People with Disability Fund (R50 million)
- Risk Capital Facility (RCF) (€55 million)
- Gro-€ Scheme (R9 billion)
- Gro-€ Youth Scheme (R1 billion)
- NTSHA Technology Venture Capital Fund (TVC) (R130 million)
- Support Programme for Industrial Innovation (SPII) (variable annual budget)
- Clothing, Textiles, Footwear and Leather Competitiveness Scheme (R250 million)
- Clothing and Textiles Competitiveness Programme (CTCP)
- Agro Processing Linkages Scheme (APLS) (R100 million)
- Agro Processing Competitiveness Fund (APCF) (R250 million)
- Pro-Forestry Scheme (R100 million)
- Green Energy Efficiency Fund (R500 million) GEEF
Gro-EEE Youth Scheme

R1 billion, ring-fenced, on-balance sheet;

Available for 5 years or until scheme is exhausted;

Objective:

• to encourage youth employment creation and entrepreneurship, thereby expanding South African production capacity

Qualifying Criteria:

• South Africans /permanent residents below the age of 35 years;
• Youth shareholding should be at least 50% plus 1 share;
• the business must have economic merit, i.e. it must have prospects of acceptable profitability to service its obligations;
• for the duration of funding period cost per job created must not exceed R500,000 relating to total funding required by the business.
• BBBEE certification is required from an accredited verification agency, where applicable
• only available to businesses operating in or expanding in South Africa.
Gro-E Youth Scheme cont.

Funding provided:

- across all IDC mandated sectors;
- for start-up businesses includes funding for buildings, machinery and working capital;
- for existing businesses, funding for expansionary purposes;
- minimum of R1 million with a maximum of R 50 million per project, excess can be accessed through IDC’s normal funding;
- with IDC’s normal fees are applicable;
- Own contribution will be determined by the financial capacity of the entrepreneur and the cash flow profile of the business;
- First draw must occur within 1 year from approval of funding by the IDC or pricing reverts to normal IDC pricing;
- Pricing - interest rate for loan products will be Prime less 3% for 5 years, thereafter normal IDC pricing will apply;
- Rate of return for equities is capped at 5% real after tax IRR for 5 years and thereafter normal IDC pricing will apply;
IDC Requirements

• **Business Plan**
  - Executive Summary
  - Company Background & Description
  - Marketing
  - Technical
  - Management
  - Financial
  - Securities

• **Corporate Governance**
  - Financial Statements
  - Taxation
  - Other Legal Requirements
Funding Process

Pre-Due Diligence Assessment

Initial Screening
- IDC and SBU specific mandate fit
- Basic Information Request

Basic Assessment - Desk Top Study
- Mini Due Diligence (“DD”)
- Basic Financial Evaluations
- Possible funding structures and instruments identified
- Focus areas for DD established
- Specialist intervention identified
- Basic Assessment Meeting with SBU
- Information requests finalised

Assessment and decision

Detailed due-diligence/feasibility study assessing development impact and sustainability of opportunities:
- Development outcomes
- Market for products/services
- Technical viability and competitiveness
- Financial viability
- Management

Structuring of funding depending on client’s needs

Approval of viable transactions at appropriate committee

Monitoring

Ongoing monitoring of client performance after funding is made remaining

Interventions in businesses experiencing difficulties
- Business support
- Restructuring of facilities
- Etc.

Turnaround Time
15 days for non-complex transactions (period between the DD process and the first draft of the legal agreement)
Accessing IDC Funding – Regional Presence

- IDC has offices in all provinces;
- Regional offices are fully fledged operational offices that form part of the IDC’s deal origination process;
- Satellite offices do not have permanent staff and are manned at specific times by employees from the regional office. These offices are generally shared with other DFIs or agencies;
- Access to IDC funding has been improved by allowing on-line applications and an on-line tool to assist businesses to develop business plans.
The South African government offers a wide range of incentive schemes to encourage the growth of competitive new enterprises and the creation of sustainable employment.

CONCEPT, RESEARCH & DEVELOPMENT
These are incentives available to enterprises that invest in the creation, design and improvement of new products and processes.

CAPITAL EXPENDITURE INCENTIVES
These are incentives for companies that want to acquire or upgrade assets in order either to establish or expand the business' productive capacity.

ENHANCING COMPETITIVE ADVANTAGE
These are for investments which facilitate increased competitiveness, sustainable economic growth and development in a specific sector.
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Thank you