

*Industrial Development Corporation*

*Driving Industrial Capacity Development*

# Accessing Funding from IDC

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**Senior Account Manager: Development Funds**



# Introducing the IDC



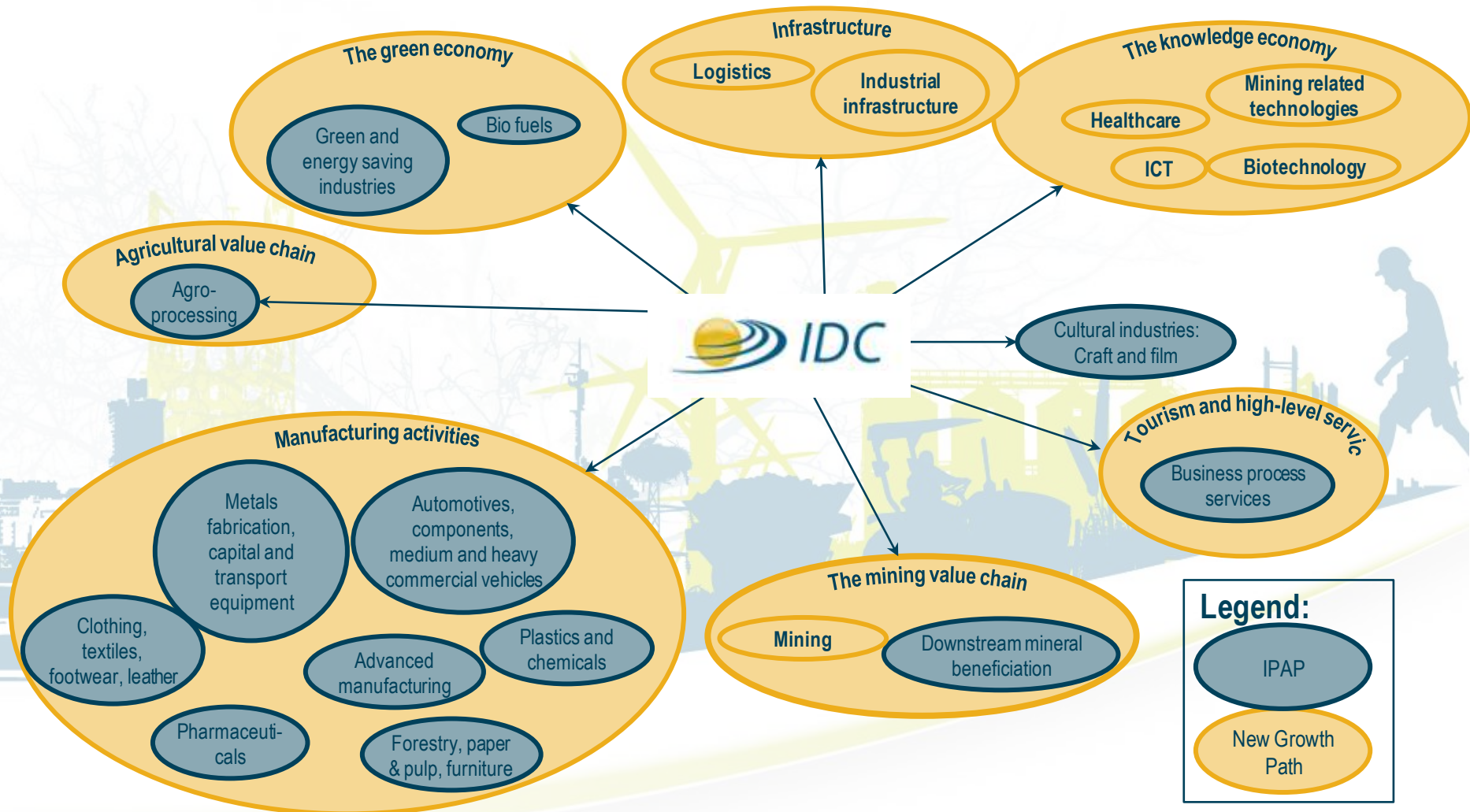
Industrial Development Corporation

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- 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



# IDC's Funding Products



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- 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



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- 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-ε Youth Scheme



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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-ε Youth Scheme cont .



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## 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;

## • **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

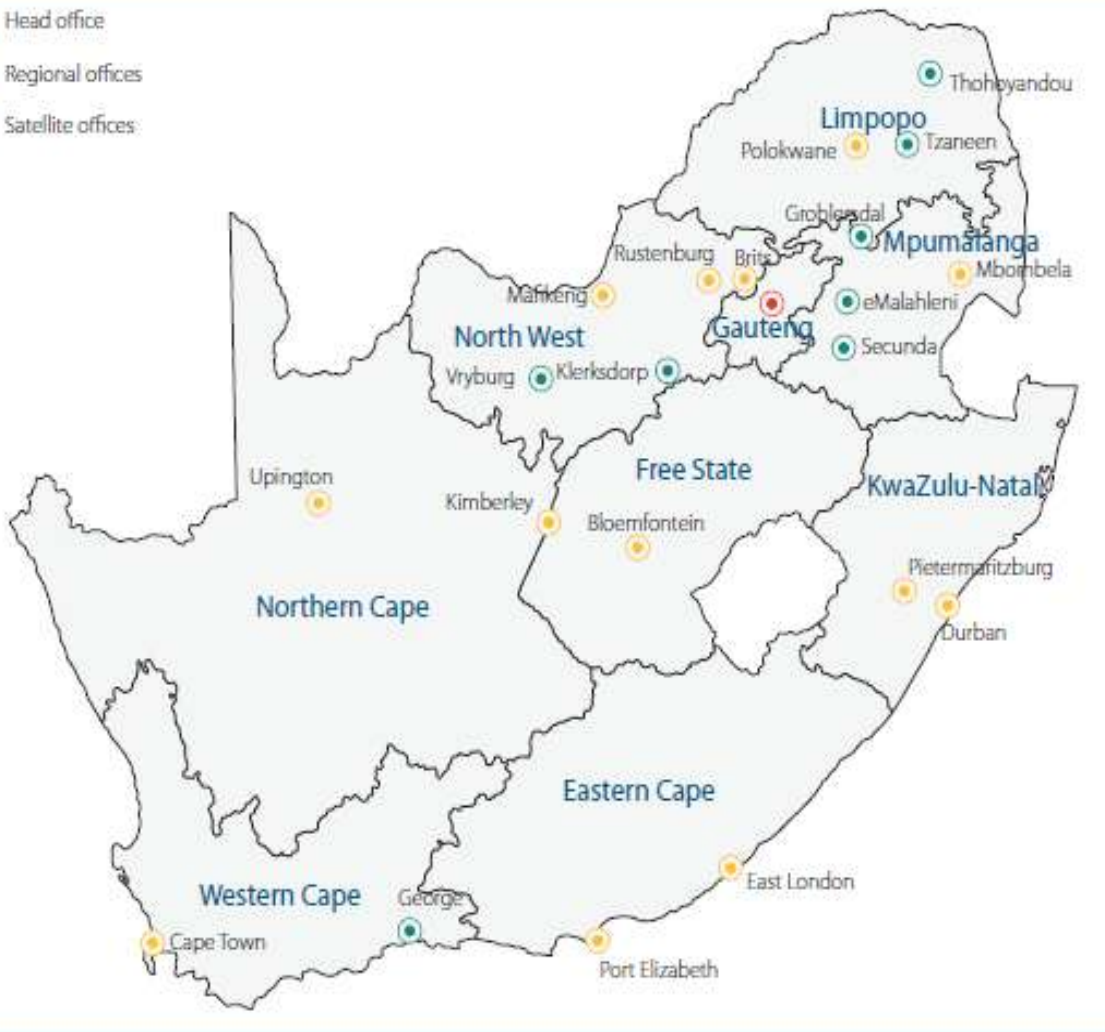
- Business support
- Restructuring of facilities
- Etc.

### 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

- Head office
- Regional offices
- Satellite offices



- 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.

# GOVERNMENT INVESTMENT INCENTIVES

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.

[FIND OUT MORE](#)

## CONCEPT, RESEARCH & DEVELOPMENT

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

[FIND OUT MORE](#)

## 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.

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## ENHANCING COMPETITIVE ADVANTAGE

These are for investments which facilitate increased competitiveness, sustainable economic growth and development in a specific sector.

[FIND OUT MORE](#)

# Contact Details



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- [www.idc.co.za](http://www.idc.co.za)
- [www.investmentincentives.co.za](http://www.investmentincentives.co.za)
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# Thank you

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