



Industrial Development Corporation

Your partner in development finance

The Role of IDC in Sustainable Business Development

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IDC Pietermaritzburg Office
By: Walter Mkhize CA(SA)
Regional Officer: KwaZulu Natal

Vision & Mission

- IDC was **established in 1940** with the aim of developing South African industry through the Industrial Development Corporation Act (No. 22 of 1940);
- The **vision** of the IDC is to be the primary source of **commercially sustainable industrial development and innovation** to the benefit of South Africa and the rest of the African continent;
- The IDC is a **self-financing** national development finance institution whose primary objectives are to contribute to the generation of **balanced, sustainable economic growth** in Africa and to the economic empowerment of the South African population, thereby promoting the economic prosperity of all citizens.
- The IDC achieves this by **promoting entrepreneurship** through the **building of competitive industries and enterprises** based on **sound business principles**.
- **Pays income tax** at corporate rates and **dividends** to the shareholder.



IDC's Positioning

Greater importance on social and developmental objectives

Greater importance on financial objectives

Government / NGOs

- Non-commercial focus
- Fiscal transfers and grants
- Development objectives (social)

DFIs

- Developmental and commercial focus
- Sharing risk
- Internally generated funds, government funds, loans

- Industrial Development Corporation (IDC)
- Development Bank of Southern Africa (DBSA)
- Landbank
- SEFA
- National Empowerment Fund (NEF)
- Etc.

Commercial Financiers

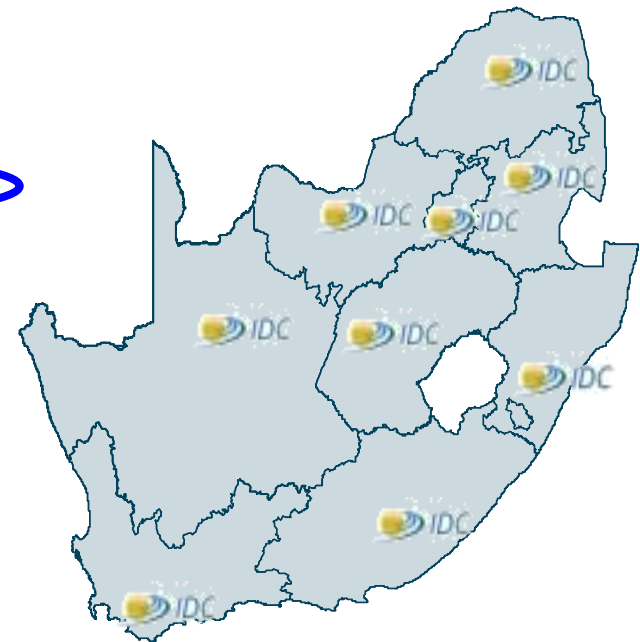
- High commercial focus
- Private sector capital
- Financial objectives
- Known risks

- ABSA
- Standard Bank
- First National Bank
- Nedbank
- Etc.

IDC does not directly compete with any of these institutions, but encourages cooperation with a variety of these institutions to achieve its goals

Accessing IDC finance – Ease of interaction for SMEs

- IDC has improved access by rolling out offices throughout the country:
 - Eastern Cape – **East London + Port Elizabeth**
 - Free State – **Bloemfontein**
 - Gauteng – **Sandton**
 - **KwaZulu-Natal – Durban; Pietermaritzburg; Richards Bay**
 - Limpopo – **Polokwane**
 - Mpumalanga – **Nelspruit**
 - North West – **Rustenburg**
 - Northern Cape – **Kimberley**
 - Western Cape – **Cape Town**
- Satellite offices being set up in all provinces, mostly sharing infrastructure with other DFIs
- Pre-investment business centre in Gauteng
- Access to IDC funding has been improved by allowing on-line applications and an on-line tool to assist businesses to develop business plans.



Operational Business Units

Basic Metals & Mining

Machinery & Equipment

Automotive & Transport

**Basic & Speciality
Chemicals**

**Chemical Products &
Pharmaceuticals**

Clothing & Textiles

**Agro-processing &
Agriculture**

New Industries

Industrial Infrastructure

Heavy Manufacturing

**Light Manufacturing &
Tourism**

Media & Motion Pictures

Rest of Africa Support

Funding Criteria

- **What does IDC fund?**

- IDC provides finance of more than R1 million for commercially sustainable businesses for the purpose of:

- **Establishment of new businesses**

- Including involvement in **pre-feasibility** and **feasibility** studies, assisting promoter to develop projects to a bankable stage.
- IDC has specific products available to encourage innovation and commercialisation of new technologies:

- **Venture Capital** –commercialisation of South African intellectual property;

- **Expansions** of existing businesses;

- Funds can be applied for:

- Buildings as part of the project;
- Plant and equipment;
- Working capital.

IDC Products

- **Funding instruments:**

- Equity
- Quasi-equity
- Commercial debt
- Export/import finance
- Short-term trade finance
- Guarantees
- Venture capital

Finance is structured according to client's needs – can include **moratoria on repayments** to enable **business growth**
Minimum funding amount of R1 million

Gro-ε Youth Scheme

- **Qualifying Criteria:**
 - 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.
 - BBEE certification is required from an accredited verification agency, where applicable
 - only available to businesses operating in or expanding in South Africa.
- **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
- **Pricing**
 - interest rate for loan products will be Prime less 3% for 5 years, thereafter normal IDC pricing will apply

Funding Process

Pipeline

Applications from existing/prospective businesses

Proactive identification and development of projects

More emphasis being placed on early stage involvement and development of projects

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 available

Interventions in businesses experiencing difficulties

- Business support
- Restructuring of facilities
- Etc.

Contact Details

Durban

199 Anton Lembede Street
21st Floor, Suite 2101
The Embassy Building

031 337 4455

Pietermaritzburg

15 Chatterton Road
1st Floor
ABSA House

033 328 2560

Richards Bay

Cnr Lira Link &
Tasselberry Road
Suite 17, Partridge Place

035 789 0673

www.idc.co.za



Thank You

Walter Mkhize CA(SA)
Regional Officer
Industrial Development Corporation of SA
Kwa-Zulu Natal