



Industrial Development Corporation

**Your partner in development finance**

# The Role of IDC in Sustainable Business Development

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# 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

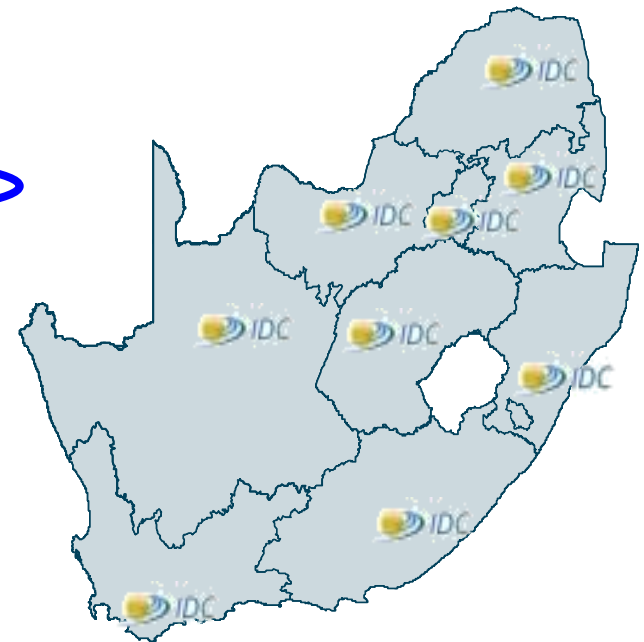
- High commercial focus
- Private sector capital
- Financial objectives
- Known risks

- 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

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**Thank You**

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