

# IDC Overview:





## The primary mandate of the IDC is the development of industrial capacity - anchored in IDC founding Act, 1940



IDC's founding Act is as valid today as it was back in 1940:

*"...to facilitate, promote, guide and assist in the financing of new industries and industrial undertakings and schemes for the expansion, better organisation and modernisation of, and the more efficient carrying out of, operations in existing industries and industrial undertakings, to the end that the economic requirement of the Union (South Africa) may be met, and industrial development within the Union may be planned, expedited and conducted on sound principles."*



Achieved through identifying **sector development opportunities** aligned with policy objectives from the relevant government policies primarily the **NDP, NGP and IPAP**

While developing industrial capacity, IDC seek to achieve specific outcomes:



Facilitating sustainable direct and indirect **employment**



Improving **regional equity**, including the development of South African rural areas, underdeveloped provinces and economic development in the rest of Africa



Promoting **entrepreneurial development** and growing the **SME** sector



Promoting environmentally **sustainable** growth



Growing **sector diversity** and increased localised production



Supporting the **transformational impact** of communities and development of black industrialists, women and youth



## Where we play

### Priority Sectors



Metal beneficiation and mining



Agro-processing and agriculture



Energy



Clothing and textiles



Industrial Infrastructure



Tourism, ICT and media



Upstream and downstream chemicals



Healthcare services



Other manufacturing industries



New industries with potential to develop into significant opportunities for the country



# IDC's Funding Products –Structured to meet business' needs

Business Cycle Stage	
	Project Development
	Start-ups
	Expansions
	Expansionary acquisitions
	Distressed businesses

- Funding can be structured utilising a wide array of instruments including:
  - Debt;
  - Guarantees;
  - Trade finance;
  - Bridging finance;
  - Equity and quasi-equity, can be considered.
- Funding structured to suit the business' needs:
  - Term of the funding
  - Grace periods for repayment (principally in start ups)
- Concessionary pricing on targeted development impact funding schemes eg. Jobs, targeted sector / region)
- IDC's business support programme addresses non-financial support to entrepreneurs.



# DFIs' Positioning within the South African Financial Landscape

How to work better with Government and DFI's to facilitate growth and transformation

← Greater importance on social and developmental objectives

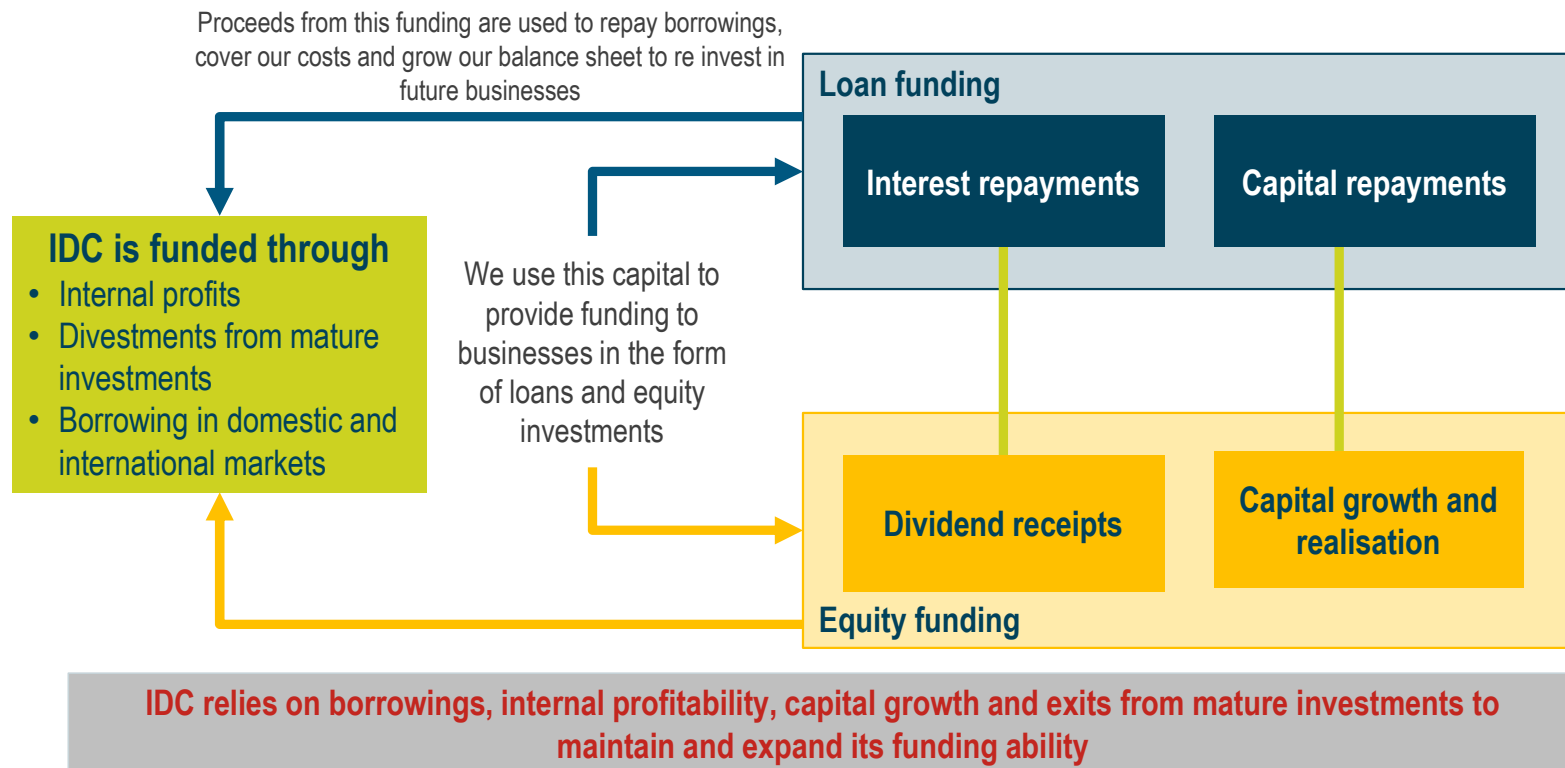
→ Greater importance on financial objectives

Government / NGOs	DFIs	Commercial Financiers
<ul style="list-style-type: none"><li>• Non-commercial focus</li><li>• Development objectives (social)</li><li>• Funded through<ul style="list-style-type: none"><li>• NGOS - donations</li><li>• Government - fiscal transfers and grants</li></ul></li></ul>	<ul style="list-style-type: none"><li>• Commercial and development focus</li><li>• Sharing risk</li><li>• Funded through<ul style="list-style-type: none"><li>• Internally generated funds,</li><li>• Loans</li><li>• Government funds (targeted development outcomes)</li></ul></li></ul>	<ul style="list-style-type: none"><li>• High commercial focus</li><li>• Private sector capital</li><li>• Financial objectives</li><li>• Known risks</li><li>• Funded through<ul style="list-style-type: none"><li>• Deposits</li><li>• Debt</li></ul></li></ul>

DFIs encourage cooperation to achieve their goals. Businesses should approach the different players in the financial landscape based on their stage of development and funding requirements



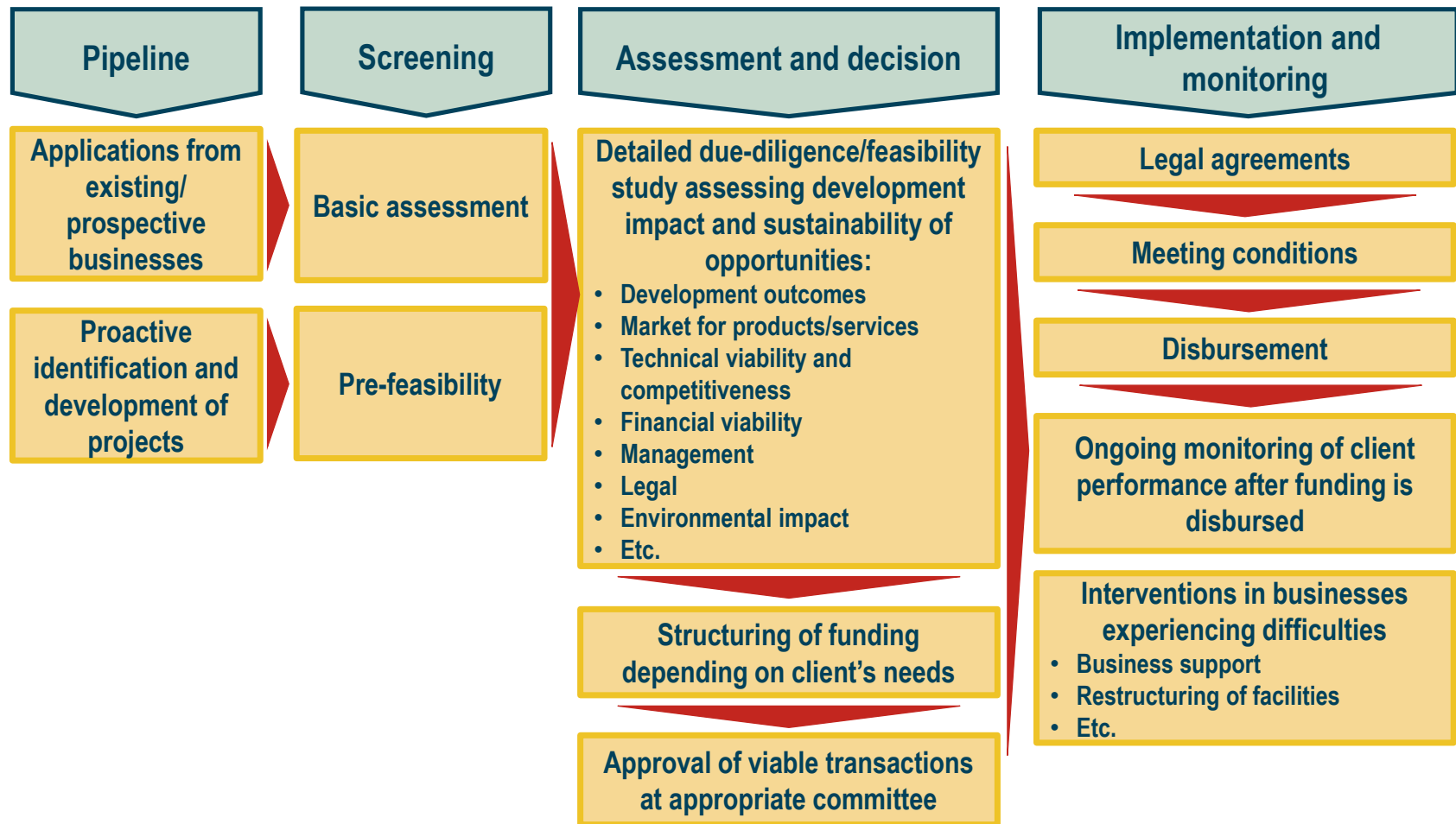
# Financial model – IDC operates as a Bank



**There is a need for the companies funded by the IDC to demonstrate financial sustainability as IDC relies on repayments and dividends to repay funders in domestic and international markets**



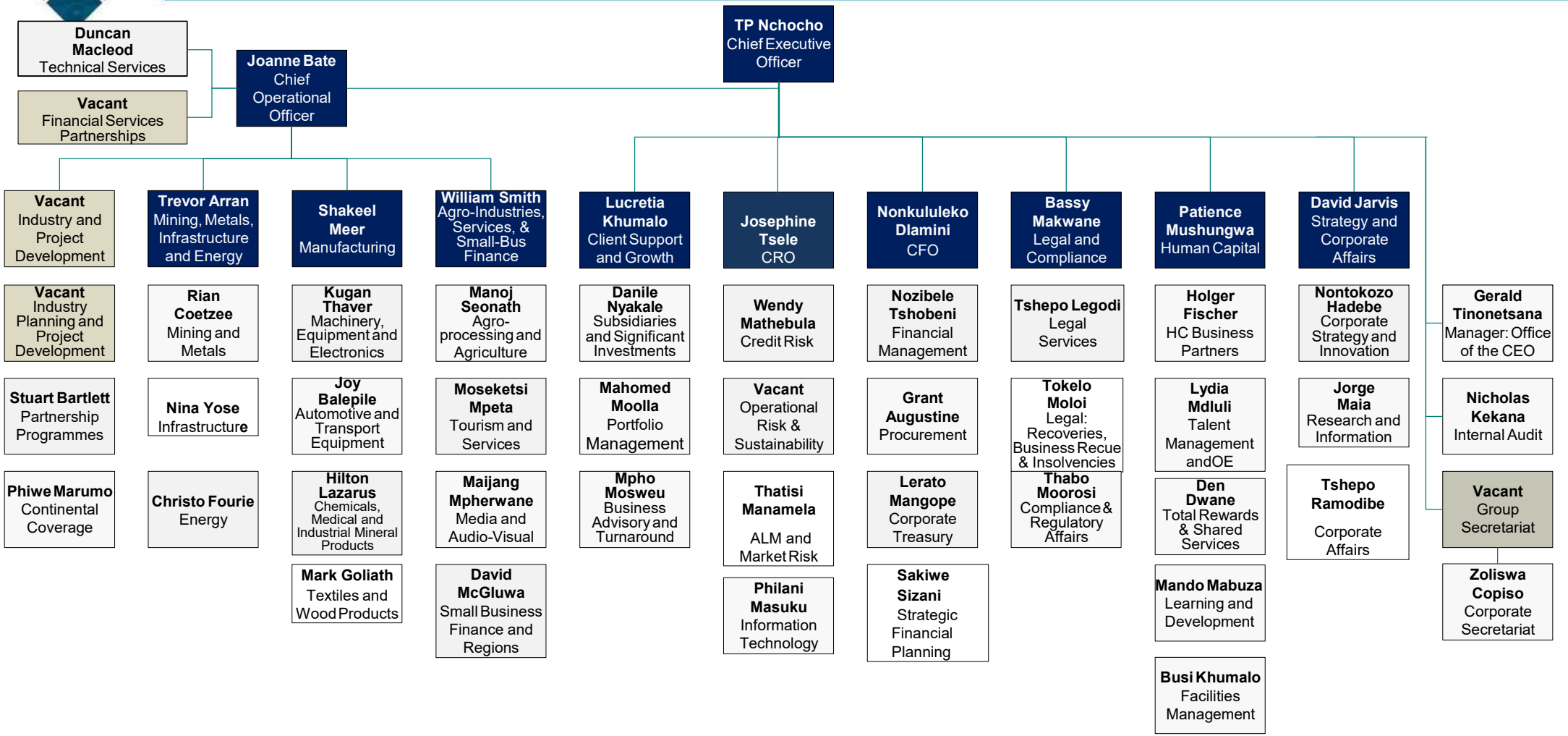
# IDC's processes - Deal origination, assessment and post-investment



## Key Messages

- IDC conducts a thorough due diligence to determine risk in a business and the ability of the business to deliver on projections
- This is particularly so with start-ups that have no trading history and for which IDC has no transactional history
- Based on experience, critical success factors need to be in place in order for a start up to be successful:
  - technical expertise
  - management expertise
  - market
  - skin in the game
- These are assessed at the various stages of the DD

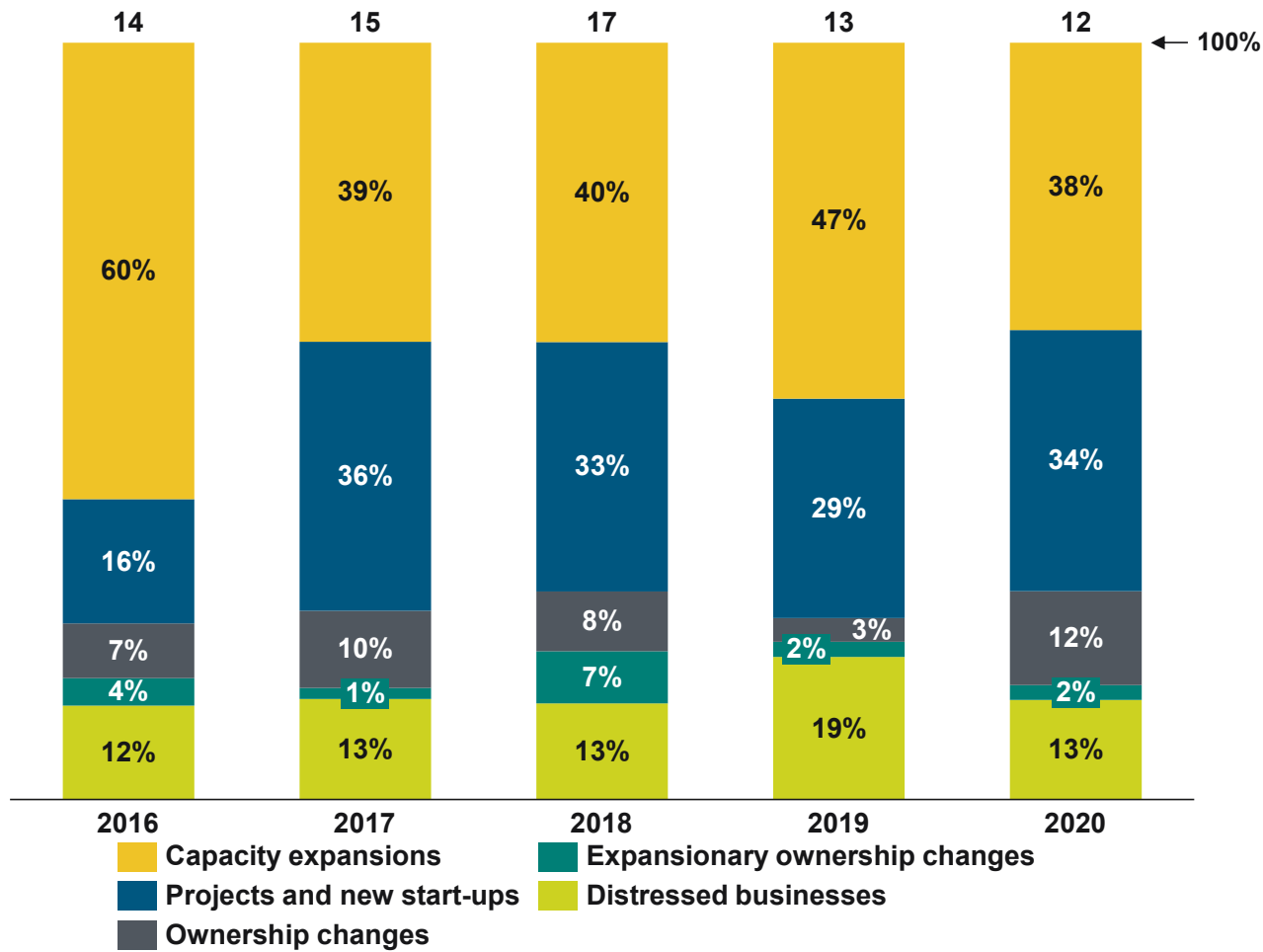
# ORGANISATIONAL STRUCTURE







# Purpose for IDC Funding





# 10-Year Development Impact Highlights ||

Played a catalytic role to stimulate inclusive economy since 2009 financial crisis



## Industrial Capacity Development

**R120 bn**  
Disbursements

**242 404**  
Jobs

**2 098**  
Business Partners

## Transformation

**R28.8 bn**  
Black Industrialists

**R15.2 bn**  
Women Empowered

**R6.2 bn**  
Youth Empowered

**R69.4 bn**  
Black Emp. & Owned<sup>1</sup>

IDC has continued to play a catalytic role in line with what is expected of DFIs in challenging economic conditions by:

- maintaining higher levels of funding to support & stimulate investments
- Contribution into key sectors of the economy & country's programmes – World Cup infrastructure, REIPPP
- strong track record in championing economic transformation

BI/Women/Youth schemes tracking started in 2015

1. >25% is black empowered, >50% is black owned



# Funding partnerships have been critical in the IDC leveraging & enhancing development impact



IDC has been managing c.a. R12.3 billion across 9 funds

Most are capitalised by SA government departments.

Flanders Social Enterprise Fund is from the Government of Flanders.

## GRANTS

### TIRISANO CONSTRUCTION FUND

**R1.5 billion**

To provide funding support for the construction industry

### GREEN TOURISM INCENTIVE PROGRAMME

**R142.5 million**

To support tourism enterprises to use clean energy and conserve water

### FLANDERS SOCIAL ENTERPRISE FUND

**R30.7 million**

To Fund Social Enterprises and social economy linked activities

### CLOTHING AND TEXTILES COMPETITIVENESS PROGRAMME

**R3.1 billion**

To fund companies in the clothing and textiles industry to develop world class manufacturing principles

### Overall impact

No. Companies /interventions supported

**658**

Jobs created / saved

**99 796**

## NON-GRANTS

### MANUFACTURING COMPETITIVENESS ENHANCEMENT PROGRAMME

**R1.8 billion**

Concessionary working capital and plant and equipment funding for black industrialists

### MCEP COVID 19 FUND

**R300 million**

To assist manufacturers of essential products in response to the Covid-19 pandemic

### DOWNSTREAM STEEL INDUSTRY COMPETITIVENESS FUND

**R300 million**

To assist manufacturers of essential products in response to the Covid-19 pandemic

### AGRO PROCESSING COMPETITIVENESS PROGRAMME

**R300 million**

To assist manufacturers of essential products in response to the Covid-19 pandemic

### KHOEBO INNOVATION PROMOTION PROGRAMME

**R450 million**

Funding for early stage SMEs offering innovative products and processes



## In conclusion.....

- In a muted economic growth environment, the IDC has continued to invest significantly in new industrial capacity, creating jobs and driving transformation
- The economic context, exacerbated by the Covid-19 pandemic, has placed financial strain on the Corporation's financial performance for the year
- Our strategy conceived during the financial year provides a balanced focus on financial sustainability and development effectiveness
- Our subsidiaries, although contributing to losses, are starting to show improvement following implementation of turnaround strategies
- As the country prepares itself for recovery from the Covid-19 pandemic and the lacklustre economic performance that was prevalent before its onset, **the IDC will play a catalytic role in recovery and believes that a new commitment for cooperation and partnership is essential**

THANK YOU

