

IDC COVID-19 Support

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1. Policies and institutions for COVID-19 of the RSA





Context

- **South Africa and World in a crisis due to Covid 19**
- **Measures to combat are evolving on an ongoing basis**
- **Measures to also stimulate economy even though the pandemic are ongoing and through govt, the following institutes were involved:**
 - [The Department of Small Business Development](#)
 - [Small Enterprise Finance Agency](#)
 - [National Empowerment Fund](#)
 - [The Industrial Development Corporation](#)
 - [DTI Financial Schemes](#)
 - [Solidarity Response Fund](#)
 - [South African Future Trust \(SAFT\) \(Oppenheimer\)](#)
 - [Sukuma Relief Fund – Business Partners](#)
 - [Sector Relief Funding](#)
 - [Unemployment Insurance Fund and Skill Development Fund](#)
 - [Tax System Relief](#)



Policies and Institutions in South Africa

SARS: Revised disaster management tax bill; COVID-19 Tax relief including time concessions and deferment of payments for individuals and businesses

SA banks provide over R45bn in Covid-19 financial relief to businesses in financial distress

R500 billion stimulus package for: tax relief; jobs protection and creation; business loans

Social Relief of Distress is paid to South African citizens or permanent residents

Temporary Employment relief via UIF

Solidarity Fund for relief of the people

DFI support of distress businesses and essential products

2. Projects/programmes IDC is
planning to implement
during the COVID-19





Context of IDC assistance

- **Governments and private healthcare preparation for nature and spread were strained**
- **South African, and in fact Global, shortages of critical items to combat Covid 19**
- **Examples of critical items include face masks, sanitisers, test kits, ventilators, etc.**
- **Businesses suffered through the lockdown period and need urgent stimulus and distress relief**
- **IDC is participating in initiatives to play its role to assist**

IDC COVID-19 SUPPORT FOR ESSENTIAL PRODUCTS





IDC vs a Commercial Bank

Commercial financiers

- Shorter-term view, consolidation
- Tighter credit criteria
- Restructuring portfolios
- Less credit being granted

IDC

- Long-term view on companies' viability
- Accommodative credit criteria, willing to consider applications for funding from new clients in distress for cyclical reasons
- Assisting existing clients in distress
- Honouring investment budget



Problem statement for COVID-19 Essential Products

- **Governments and businesses around the world scrambling to secure critical items**
- **Massively growing demand**
- **Situation worsened by panic buying**
- **Shortage of manufacturing capacity**
- **Existing manufacturing capacity impacted by lockdowns and impacted employees**
- **Various countries introduced restrictions on exports**
- **Products time critical**



Local Manufacture of Essential Items to Combat Covid

- **The country is facing a crisis and shortage of critical supplies may have major implications**
- **IDC considered a “business unusual” given the crisis**
- **Local manufacturers have an upsurge in demand and are facing working capital constraints**
- **Raw material was in short supply and international suppliers often require cash up-front to secure product**
- **IDC traditionally focuses on medium to long term finance**
- **There was a need for a rapid and large-scale response**
- **IDC has introduced a short-term funding initiative to support the current needs**
- **Over time, this could transition to a medium-term intervention to further build local capacity where there is expected to be sustained demand**



Approach and Funding Criteria

- **IDC cross-functional team was established to develop approach**
 - **MCEP and IDC balance sheet funding utilized**
 - **Pricing at P+1% (IDC) and 2.5% (MCEP)**
 - **Specific product list and criteria established**
 - **Accelerated assessment process – dedicated email, rapid assessments, agreements, disbursements**
 - **Criteria/approach includes:**
 - Company track record and profitability history
 - Accredited supplier
 - Should not be profiteering
 - Imports should not displace local manufacturing
 - Short term risk mitigation

R535,531,730
Approved to Date

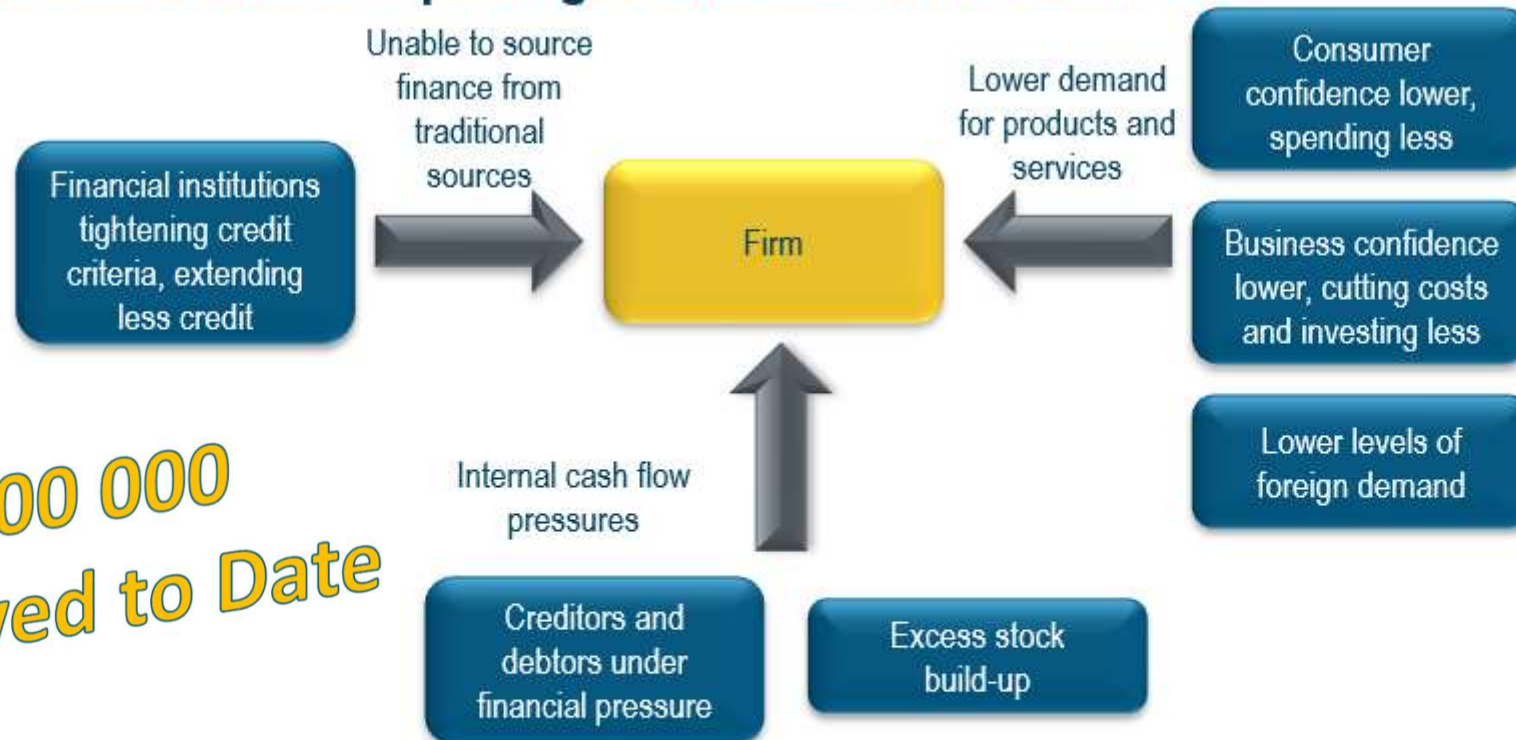
IDC FUNDING OF DISTRESSED BUSINESSES





Overview of the Funding

The economic crisis is impacting businesses on various levels



R160 000 000
Approved to Date

IDC is assisting in **filling the gap** in the market left by financial institutions extending less credit and thereby ensuring that **jobs and capacity at viable businesses** are being retained.

Budgeting to approve R11.4 billion of funding in the current financial year, R2.9 billion of which specifically to distressed companies.



Criteria for Funding Businesses in Distress

Businesses might be experiencing problems due to a variety of reasons:

- Loss of sales due to decreasing demand.
- Increasing input costs as suppliers increase prices to compensate for decreasing sales volumes.
- Non-payment or late payment from debtors affected by the crisis.
- Lack of access to credit.
- Existing shareholders unable to inject more capital into a business.

Business can experience cash-flow problems, declines in profitability, or even a trading loss.

Businesses in distress should be able to demonstrate sustainability – only companies in distress as a result of the crisis considered.

- The strategic nature of companies (capacity, industry, location, employment) will be considered in cases where the firm has not been profitable.

The company must have a clear turnaround plan which contributes to the sustainable recovery of the business – return to acceptable levels of sustainability within 18 months.

FUNDING INSTRUMENTS:

- **Structured depending on business need and capacity.**
- **Short or medium/long term facilities.**
- **Working capital facilities - finance the working capital requirements (stock, debtors and creditors) as well as operational expenses of the business.**
- **Guarantees - to guarantee outside facilities.**
- **Suspensive sale facility or loan facility - finance capital expenditure which could improve a company's viability.**
- **Equity - could be considered where the company is under-capitalised.**
- **Capital deferments and debt conversion (existing clients).**
- **Capital moratoriums and interest capitalisation.**

IDC FUNDING OF SOCIAL RELIEF



Social Relief Funding by IDC CSI

A Social Relief project was implemented that included supporting vulnerable groups (orphaned & vulnerable children, victims of gender-based violence, elderly, poor households, and refugees) with necessities, mainly food. To date we have supported more than 5000 families with food parcels across the country. The total amount approved to date for Covid-19 related initiatives is R4.9 million.



THANK YOU

