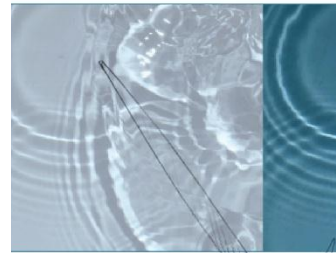


*Industrial Development Corporation*

# ***The IDC: Your partner in development finance***



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**14 July 2014**



# Introducing IDC

- **Established:** 1940
  - **Type of organisation:** Development Finance Institution (DFI)
  - **Ownership:** **State owned** company, 100% owned by the SA government
  - **Total assets:** R126 billion
  - **Total liabilities:** R29 billion
- } **strong balance sheet**
- **Funding status:** **Self financing**, pays dividends and income tax
  - **Credit rating:** Baa1 (Moody's) **in line with sovereign rating**
  - **Main business area:** Industry development through the provision of funding resulting in job creation
  - **Geographic activities:** **South Africa and the rest of Africa**
  - **Products:** Custom financial *products to suit a project's needs* including debt, equity, guarantees or a combination of these
  - **Stage of investment:** Project identification and development, feasibility, commercialisation, expansion, modernisation
  - **Number of employees:** 820



# IDC's positioning in the financial industry

Greater importance on social and developmental objectives

Greater importance on financial objectives

## Government / NGOs

- Non-commercial focus
- Fiscal transfers and grants
- Development/ social objectives

## DFIs

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

- Industrial Development Corporation (IDC);
- Development Bank of Southern Africa (DBSA);
- Lesotho National Development Corporation (LNDC);
- Etc.

## Commercial Financiers

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

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

**IDC does not compete head-on with any of these institutions, but encourages cooperation with a variety of funding institutions in order to achieve its goals**

- IDC offers a wide array of financial and non-financial instruments, including :
  - ✓ Equity
  - ✓ Quasi-equity
  - ✓ **Commercial debt**
  - ✓ Export finance
  - ✓ **Lines of credit for African DFIs**
  - ✓ **Technical assistance to African DFIs**  
(research, capacity building, training, etc.)
- These may be provided singly or in combination



The funding is **structured to suit the business' needs**; e.g.:

- Term of the funding: Short, medium and /or long-term loans;
- Payment holidays: moratorium on capital or interest based on projected cash flows.



- Funding is provided to projects (**NOT para-statal**s or **governments**)
- Finance is available for the establishment of **new businesses**, and for the **expansion or rehabilitation** of existing businesses
- Business case must exhibit **economic merit** (*i.e. it must be profitable/ sustainable and capable of repaying its debt*)
- **Credible operator**/ technical partner
- Adequate financial structure / **debt-to-equity ratio** (*with reasonable contribution from promoters*)
- Strict **environmental compliance**
- Minimum **project size** (*SACU, SADC, RoA*)





## SA benefit and regional industrial integration

- *IDC focuses on sectors/ industries where research suggests there is potential for regional value chain integration:*
  - *Mining and minerals beneficiation;*
  - *Industrial infrastructure (i.e. transport and related logistics projects – toll roads, rail, airports, sea ports, and warehousing and storage facilities; telecoms; and electricity generation);*
  - *Agriculture and agro-processing;*
  - *Tourism (primarily hotels and resorts)*
  - *Forestry and wood products;*
  - *Chemicals, petroleum products and non-metallic minerals;*
  - *Metal fabrication;*
  - *Textiles, clothing, leather and footwear;*
  - *Healthcare (pharmaceuticals, medical equipment / devices, private healthcare facilities, and PPP hospitals).*

### Exclusions:

- Property development – shopping centres, offices, etc.;

???????:

- Bridging finance (particularly for construction projects)



## 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 remaining

Interventions in businesses experiencing difficulties

- Business support
- Restructuring of facilities
- Etc.

# IDC's Rest of Africa Portfolio as at March 2014



## IDC's exposure in the rest of Africa (March 2014)

- 60 projects in 19 countries
- Exposure: R7.50 Billion
- Commitment: R11.05 Billion

	Country	Sector description
1	Angola	• Electrical contracting
2	Botswana	• Hotels
3	Congo (DRC)	• Restaurant (franchise)
4	Ethiopia	• Agro processing (fruits); • Cement
5	Ghana	• Hotels • Power generation • Telecommunications
6	Kenya	• Agro-processing (sugar) • Power generation • DFI Lines of credit
7	Malawi	• Agro-processing (tea & macadamia nuts)
8	Mozambique	• Forestry • Hotels • Cement • Agro-processing (sugar; bananas) • Mining & beneficiation (aluminum, mineral sands) • Power generation
9	Namibia	• Mining & beneficiation • Fabricated metal products • Power generation • Agro-processing (grapes; poultry) • Cement
10	Nigeria	• Hotels • Telecommunications
11	Senegal	• Infrastructure (airport; sea-port)
12	Sierra Leone	• Agro-processing (bio-diesel)
13	Sudan	• Infrastructure (water)
14	Swaziland	• Agro-processing (cassava starch) • DFI Lines of credit • Forestry and related products
15	Tanzania	• Agro-processing (sugar)
16	Togo	• DFI Lines of credit
17	Uganda	• Hotels • Infrastructure
18	Zambia	• Fabricated metal products • Infrastructure (grain silos) • Healthcare (private hospital)
19	Zimbabwe	• Hotels • DFI Lines of credit • Mining & beneficiation • Telecommunications



# *Concluding remarks*

## *IDC's successes are built on strong pillars ...*



***Economic  
merit of  
deals***



***Due-  
diligence  
processes  
(risk mngt.)***



***Portfolio  
diversification***



***Corporate  
governance***



***Skills  
base***

***Thank you***

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