



Industrial Development Corporation

Your partner in development finance

Local Government Tourism Conference

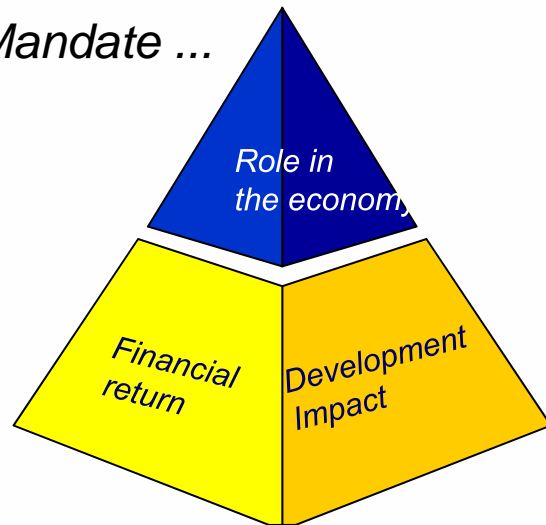
30-31 March 2015

IDC Overview

- **Self-financing state-owned development finance institution (Act No 22 of 1940)**
- **Provides financing to entrepreneurs engaged in competitive industries**
- **Follows normal company policy and procedures in its operations**
- **Pays income tax at corporate rates and dividends to its shareholder**
- **Independent Board of Directors**
- **Reports on a fully consolidated basis, with its Annual Report freely available to the public**

IDC Overview

The IDC's Mandate ...



- *Contribute to the generation of balanced, sustainable economic growth in South Africa and Africa*
- *Economically empower the South African and African population*
- *Promote entrepreneurship through the building of competitive industries and enterprises based on sound business principles*

Introduction to IDC Tourism SBU Funding Activities

Sectors covered by SBU:

- Accommodation:** Hotels, guest houses, game lodges (efficiency of room size currently under review)
- Niche Tourism:** Adventure & sports tourism, business tourism, attractions (including theme parks and natural attractions), health tourism.
- Exclusions:** Stand alone restaurants (unless linked to an attraction), casinos and gambling facilities, property development, timeshare/fractional developments.

SBU Approach to development of these sectors

- Proactive development of projects in subsectors through identifying potential projects, project scoping, pre-feasibility and feasibility studies.
- **Assessment and funding of applications as received**
- Active participation and sponsorship of industry events (HICA, AHIF, Imvelo Awards etc)

Key elements to IDC's funding approach outside RSA:

- Strategic alignment towards supporting development of business-oriented accommodation supply in ROA
- Funding outside RSA **largely limited to debt funding**

Financing Criteria

- R1m **minimum loan** amount (RSA)
 - **R15m** minimum project size (SACU)
 - **USD 5m** minimum project size (SADC)
 - **USD 25m** minimum project size (Rest of Africa)
 - Project must be **economically viable**
 - Financial **contribution** of at **least 40%** from the shareholders
- Consider funding of **start-ups, expansions and refurbishments**
 - Project must demonstrate significant **development impact**
 - **Security** is tailored to the transaction and may include personal suretyship, corporate guarantees, bonds over fixed and movable assets, pledge and cession of shares
 - Comprehensive **business plan** must be submitted.

Financing products

- **IDC offers a wide array of financial instruments, including:**

- Equity
- Quasi-equity
- Commercial debt
- Wholesale & bridging finance
- Share warehousing
- Guarantees
- Export/import finance
- Short-term trade finance
- Wholesale venture capital

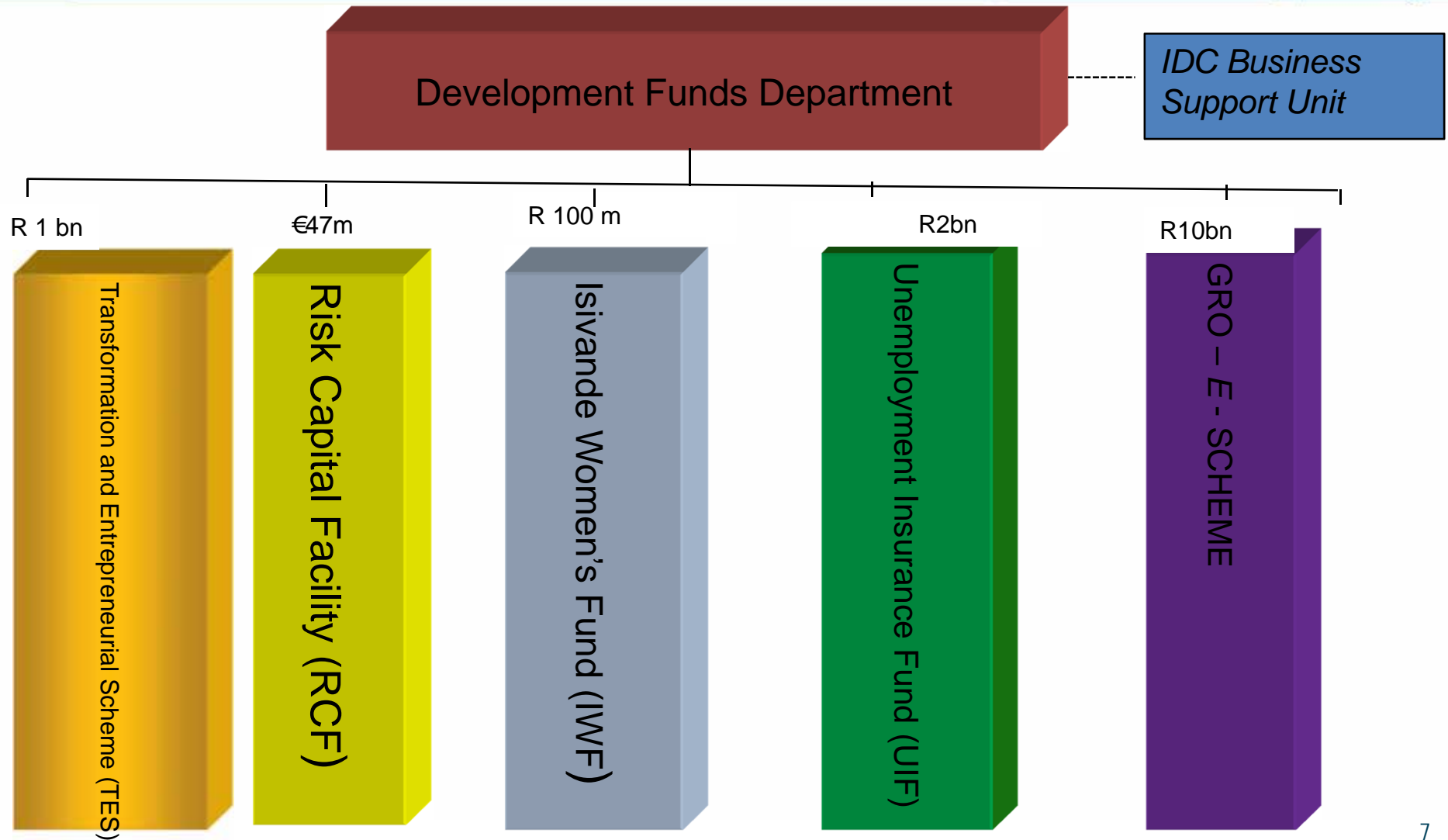
- **These may be provided as a single facility or in combination**



Flexible Deal Structure

- **Equity:**
 - Minority Investments
 - High risk ventures with substantial development impact
 - Seek no shareholding control or management participation
- **Commercial loans:**
 - 5 to 10 years
 - Libor linked interest rates
 - funding tailored to suit cash-flow
- Guarantees
- **Short-term trade finance**
 - Bridging finance
 - Import credit facilities
 - Export of capital goods

High Development Ring-fenced Funds



The Business Plan / Bankable Feasibility Study

- Be concise but comprehensive and should cover the following :
 - Shareholding and statutory requirements
 - Detailed market study;
 - Land must be zoned for hotel development
 - Developed concept design and product offering
 - Development cost estimation;
 - Profiles of the identified project team
 - Financial feasibility;
 - SWOT analysis;
 - Management and technical services agreements
 - HR, skills development and CSI and
 - Any other pertinent and material aspects to the relevant project
 - Must present a compelling investment case

Potential constraints experienced in projects

- Onerous EIA and other regulatory requirements
- Availability of bulk infrastructure services (energy; water; sewerage etc)
- Suitability of land for the intended development e.g. zoning
- Challenges in raising the required equity contributions
- Support and buy-in from affected communities
- Accessibility to key demand markets



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Thank you

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