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**DEVELOPMENT
FINANCE**



KHOEBO INNOVATION PROMOTION PROGRAMME

KIPP

Assisting local Entrepreneurs and Small to Medium Enterprises with commercialization funding.

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ABOUT **KIPP**

Assisting local Entrepreneurs and Small to Medium Enterprises with commercialization funding, the Khoebo Innovation Promotion Programme (**KIPP**) offers capital and business support to SMME's during the early stages of commercialization with particular emphasis on Township and Rural Entrepreneurs.

A Department of Trade Industry and Competition (the dtic) programme, managed by the Industrial Development Corporation (IDC), the objective of the Khoebo Innovation Promotion Programme (KIPP) is to enable early stage innovative SME's to penetrate the market with their locally developed innovations resulting in a more competitive economic environment and thereby facilitating economic growth in the South African Economy.

WHAT DO YOU MEAN BY COMMERCIALIZATION?

Only locally developed innovations, both products or services, processes and technology that are already fully developed and market-ready, will be considered under the KIPP.

Providing medium to long-term low-cost funding with a maximum funding per transaction set at R7 million (varying between the two schemes), with a focus on grassroots innovators the KIPP aims to prioritize locally developed innovations with the promising potential of having a significant developmental impact on the South African economy.

The KIPP consists of the following funding schemes, namely.

SMEGS

SME Growth Scheme (SMEGS) provides funding for locally developed early stage SMEs that are offering innovative products, processes and technologies which have the potential of having a significant developmental impact on the South African economy.

GIFS

Grassroots Innovator Facilitation Scheme (GIFS), which offers both financial and non-financial support to stimulate the economic activity of GI's particularly in rural and township communities.

THE ELIGIBILITY CRITERIA

1. SME GROWTH SCHEME APPLICANTS

Viability and Sustainability	The product, process and/or technology must be economically viable and financially sustainable.
Innovation	The project should be a novel or incremental innovation. The product or process should require little or no further development (grassroots innovators may be an exception).
IP Rights	If applicable, the intellectual property must be owned by the South African entity.
Small Company	The Programme will only invest in small to medium entities.
Management	The business should either have an experienced management team with business and commercial acumen or demonstrate potential to develop such a team (grassroots innovators may be an exception). The innovator(s) should be operationally involved in the business.
Market	The project or product should have a defined target market and potential for substantial future earnings and market share. The market share should be large enough to yield a significant return on the investment.
Competitiveness	The investee company should demonstrate or possess the ability to develop significant competitive advantage.
Business Model	The business should have a scalable, sound business model that shows a clear path to revenues and profitability in the medium to long term.
Developmental Returns	The successful commercialisation of the business should lead to the realisation of significant developmental returns (job creation, technology development, export potential, etc.), and lead to the Programme's portfolio targets being met.
Jurisdiction	The company must be a South African registered company.
Compliance	Investees should comply with South African legislation with regards to environmental provisions and should be socially responsible.
Business Support	It is recognised that the grassroots innovator may require a substantial level of business support, which will need to be agreed to.



2. GRASSROOTS INNOVATOR FACILITATION SCHEME

Viability and Sustainability

The product, process and/or technology must be economically viable and financially sustainable.

Innovation

The project should be a novel or incremental innovation AND seek to address a local/social challenge. The product or process should require little or no further development (grassroot innovators may be an exception).

IP Rights

If applicable, the intellectual property must be owned by the South African entity or prepare to lodge a provisional IP registration.

Small Company

The Programme will only invest in small companies and micro companies, as per the definition above.

Management

The business should either have an experienced management team with business and commercial acumen or demonstrate potential to develop such a team (grassroot innovators may be an exception).

The innovator(s) should be operationally involved in the business.

Market

The project or product should have a defined target market and potential for substantial future earnings and market share. The market share should be large enough to yield a significant return on the investment.

Competitiveness

The investee company should demonstrate or possess the ability to develop significant competitive advantage.

Business Model

The business should have a scalable, sound business model that shows a clear path to revenues and profitability in the medium to long term.

Developmental Returns

The successful commercialisation of the business should lead to the realisation of significant developmental returns (job creation, technology development, export potential, etc), and lead to the Programme's portfolio targets being met.

Jurisdiction

The company must be a South African registered company.

Compliance: Investees should comply with South African legislation with regards to environmental provisions and should be socially responsible.

Min. Information Requirement

It is recognised that the grassroots innovator may not have a comprehensive business plan, and, in that case, a minimum information requirement approach will be adopted using a predetermined checklist.

Business Support

It is recognised that the grassroots innovator may require a substantial level of business support, which will need to be agreed to.

Social Mission

Have a clear social good or environmental mission with identified outcomes. Geographic Location, in particular addressing unequal/skewed development particularly rural and poor province or lagging areas.

Transparency

Commitment to transparency

Replicability

Commitment to share and replicate more into township and rural areas where possible.

Leveraging

Leveraging of resources and assets. Co-operation and the building of strategic partnerships

Trading

The company should be trading or have a potential to trade post IDC intervention.

APPLY NOW!

- Email a comprehensive business plan to KIPP@idc.co.za taking into account a 6 to 8-week review and approval period whereby the following criteria will be considered.
- Only locally developed innovations that are already fully developed and market-ready, will be considered.
- Innovative products, processes, and technologies across all sectors, that have the potential of a significant developmental impact on the SA economy will be considered.
- With a focus on grassroots innovators/innovations these locally developed innovations will be prioritized.
- The KIPP invests by means of limited grants, equity, quasi-equity, loans, and other hybrid instruments, whichever is best suited on a case by case basis and is approached as a partnership between the KIPP and the Investee, with the aim of working closely and cooperatively with the Investee management to build long term value.
- The programme will provide medium to long term funding at a low cost.
- The maximum funding per transaction is currently set at R7 million.



WHAT IS A BUSINESS PLAN?



A business plan is a working document that reflects the business strategy of a company, its operating structure, and most importantly, its financial plan. It needs to show the company's strategy going forward, to ensure the sustainability and growth of the business. The document should be maintained by all businesses and updated continuously to reflect any changes which may potentially affect the business.

A business plan should also be drafted for a start-up business and then updated when necessary thereafter. The business plan should provide sufficient information to convince a financier or potential investor of the prospective success of the business venture.

It is crucial that the foundations of the business plan be based predominantly on verifiable facts and market research including changes in market forces affecting the business, key risks, and mitigating factors, as opposed to opinion and belief. The more facts in the business plan, the easier it is for a potential financier to decide on whether to invest in a business. The business plan should demonstrate that the business venture is commercially viable and that all those involved in the project, from management to employees and consultants, have the skills, knowledge, and/or qualifications, to deliver on the plan.

WHAT DOES THE INVESTMENT PROCESS INVOLVE?

- 1. Initial Screening:** In each case the first activity will be to assess whether the potential investee meets the eligibility criteria for the scheme.
- 2. Basic Assessment:** This is a desk top study of the application to determine the merits of the application.
- 3. Due Diligence:** Following a successful basic assessment, a comprehensive due diligence will be performed on the application. This includes field work and interviews with key stakeholders, inter alia potential customers, potential suppliers, etc.
- 4. Presentation to Investment Committee:** Upon successful completion of the due diligence the team will prepare a submission in support of the application to the Investment Committee, the committee which ultimately approves or rejects investment proposals.
- 5. Legal Agreements:** After approval, the IDC will enter into appropriate legal agreements with the investees clearly specifying amongst other things the terms and conditions underlying the investment and the conditions.
- 6. Disbursement of Funds:** Upon the client meeting all the conditions precedent, funds will be disbursed from the Programme to the investee in line with IDC standard processes.
- 7. Post-investment Monitoring:** Successful applicants will be expected to adhere to reporting requirements as outlined in the agreement, as well as expected to co-operate with IDC representatives from time to time to aid in the post investment monitoring process.
- 8. Exit:** The exit strategy for each investee will be determined from the due diligence investigation and approved by the Investment Committee on a case-by-case basis.

KIPP PORTFOLIO TARGETS

DEVELOPMENTAL TARGETS

BEE Targets

No less than forty (40%) of the funds will be invested in black owned companies. The Programme will, to the greatest extent possible, encourage broad-based black economic empowerment (BBBEE) compliance through preferential procurement policies and preferential exit to BEE investors for its equity position.

Women or People with Disabilities Targets

The Programme will invest at least twenty-five (25%) of the funds in businesses which have majority shareholding by women and/or People with Disabilities.

Regional Priority

The Programme will target all regions within South Africa. However, the Fund will aim to invest at least forty (40%) of the funds outside the economic hubs of the three most economically active provinces of Gauteng, Western Cape and Kwa Zulu Natal.

TYPE OF FINANCE PROVIDED AND PRICING

The Programme will provide medium to long-term (long-term limited by the term of the fund) financing with strong risk-taking features, e.g. grant, equity, quasi-equity and subordinated loans.

The common characteristics of the Programme's financing are that the instruments will attract little or no security requirements, and pricing will be governed by the Programme's capital preservation requirements and Programme cost recoveries.



BUSINESS SUPPORT SERVICES

The Programme will leverage off the IDC's Business Support Programme (BSP) for Business Support interventions required as well as other government funded programmes. The programme engages management consultants and industry experts to provide technical and professional services, advice, guidance, and mentoring.

Business Support can take various forms, including assisting entrepreneurs in new deals with both a short-term general intervention and a long-term coaching aspect, long-term capacity building, training, short-term intervention in areas of marketing, operations and finance.

The need for business support will be assessed on a case-by-case basis as part of the investment appraisal and decision-making process, and can also be assessed and made at a later time, depending on the prevailing circumstances and if deemed necessary by the parties.



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SERVICE FEEDBACK

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