

Funding innovative developments in South Africa & the Impact of SPII



SPII

Ntokozo Mthembu
Senior Fund Manager
Support Programme for Industrial Innovation

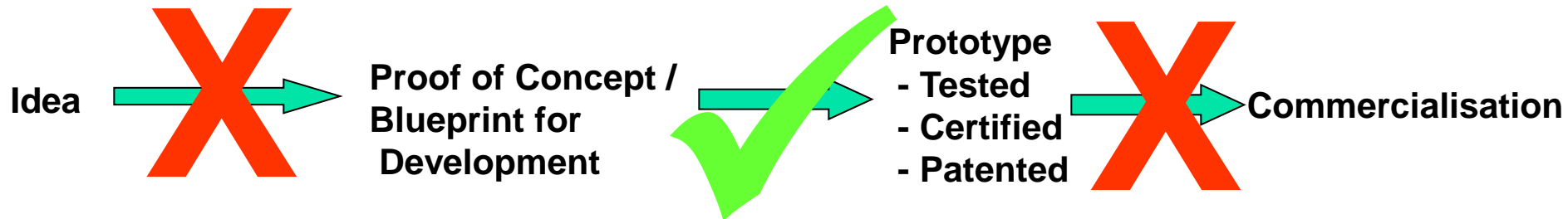




SPII

- SPII is designed to promote technology development in industry in South Africa through the provision of financial assistance for the development of innovative products and/or processes.
- The Programme is focused specifically on the development phase that begins at the conclusion of basic research and ends at the point when a pre-production prototype has been produced.
- Development should represent significant **advance in technology**.
- Development and subsequent production must take place within South Africa.

SPII – Scope



- **Do not support**
 - **Basic research**
 - **Commercialisation**
 - **Marketing**



SPII – Criteria

- Technical Innovation.
- Economic Merit / Commercialisation.
- Managerial Capabilities.
 - Project Management.
 - Technical Capacity.
- Financial Ability.



SPII – Schemes

- **Product Process Development (PPD)**
 - Targets small and micro enterprises.
 - Max grant of R1m on a matching basis.
- **Matching Scheme**
 - Targets medium to large enterprises.
 - Max grant of R3m on a matching basis.
- **Partnership Scheme**
 - Targets large enterprises.
 - Min grant of R3m on a 50% matching basis with a levy repayment calculated on a defined IRR.

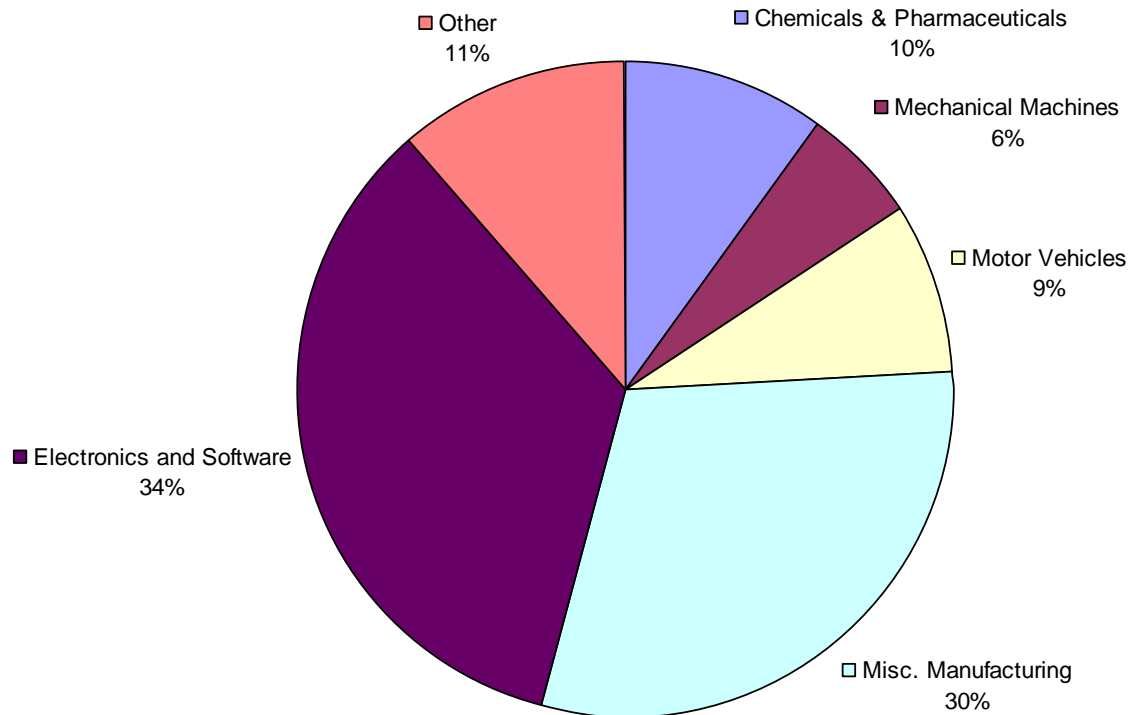


SPII – BEE Incentives

<u>Guideline</u>	<u>PPD</u>	<u>Matching</u>	<u>Partnership</u>
No BEE	50%	50%	50%
Women	75% + Disabled >50% + BEE empowered (> 25% shareholding)	65%	50%
BEE ownership:	85% (> 50% shareholding)	75%	50%

SPII – Impact

Sectoral Spread of SPII Support





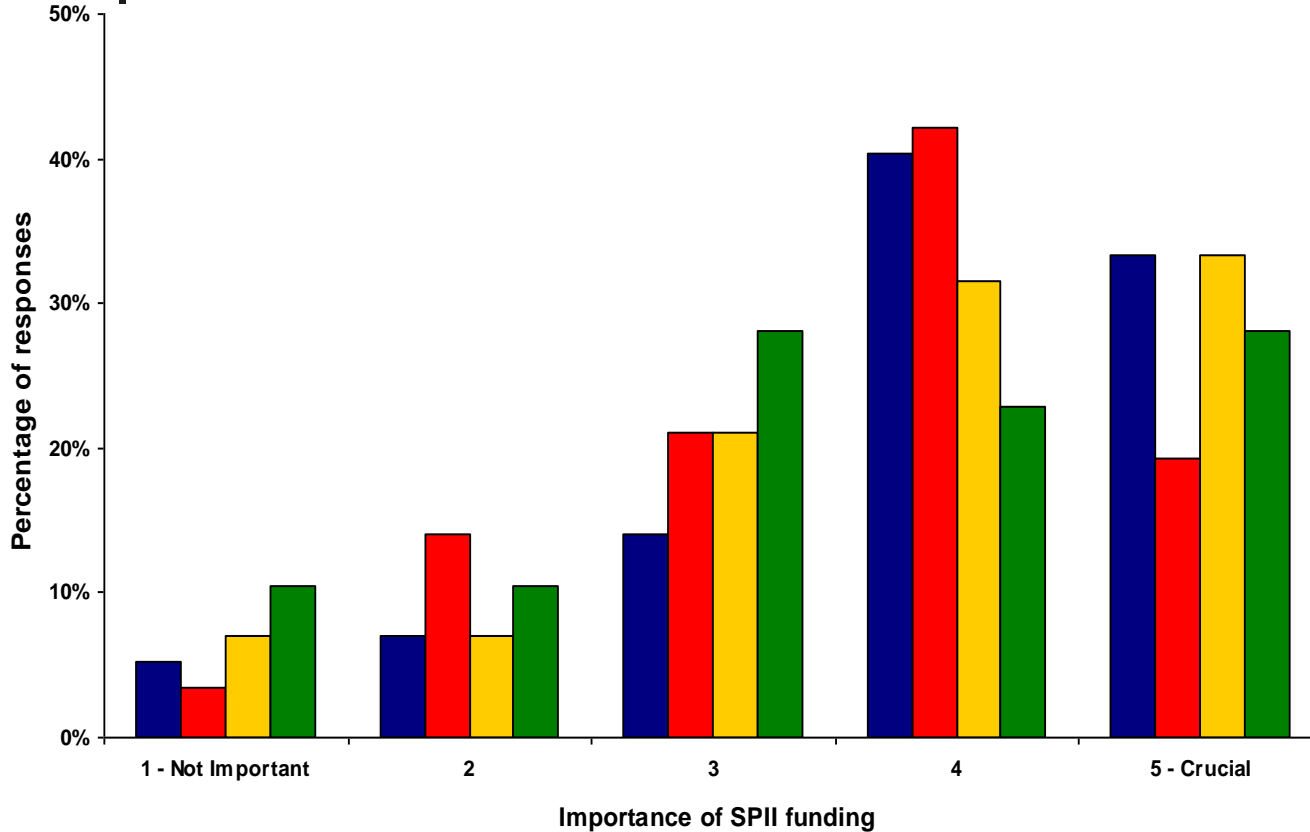
SPII – Impact

SPII Performance data over 5 years

Performance Data	01 April 2008 to 31 March 2009	01 April 2007 to 31 March 2008	01 April 2006 to 31 March 2007	01 April 2005 to 31 March 2006	01 April 2004 to 31 March 2005	Total (5 Year Period)
Total local sales	R133.2m	R173.6m	R138.4m	R139.0m	R165.8m	R750.0m
Total export sales	R103.8m	R153.5m	R836.9m	R173.2m	R636.8m	R1,904.2m
Total sales	R237.0m	R327.1m	R975.3m	R312.2m	R802.6m	R2,654.2m
Taxes paid – company tax	R35.1m	R149.3m	R223.3m	R7.8m	R79.3m	R494.8m
Shop floor jobs created	877	1,284	1,773	2,262	3,145	9,341
Research and development as % of sales	43.8	57.9	21.9	16.8	13.4	153.8
Number of completed projects surveyed	91	116	125	124	155	611
Number of detailed responses received	64	83	62	113	136	458

SPII – Impact

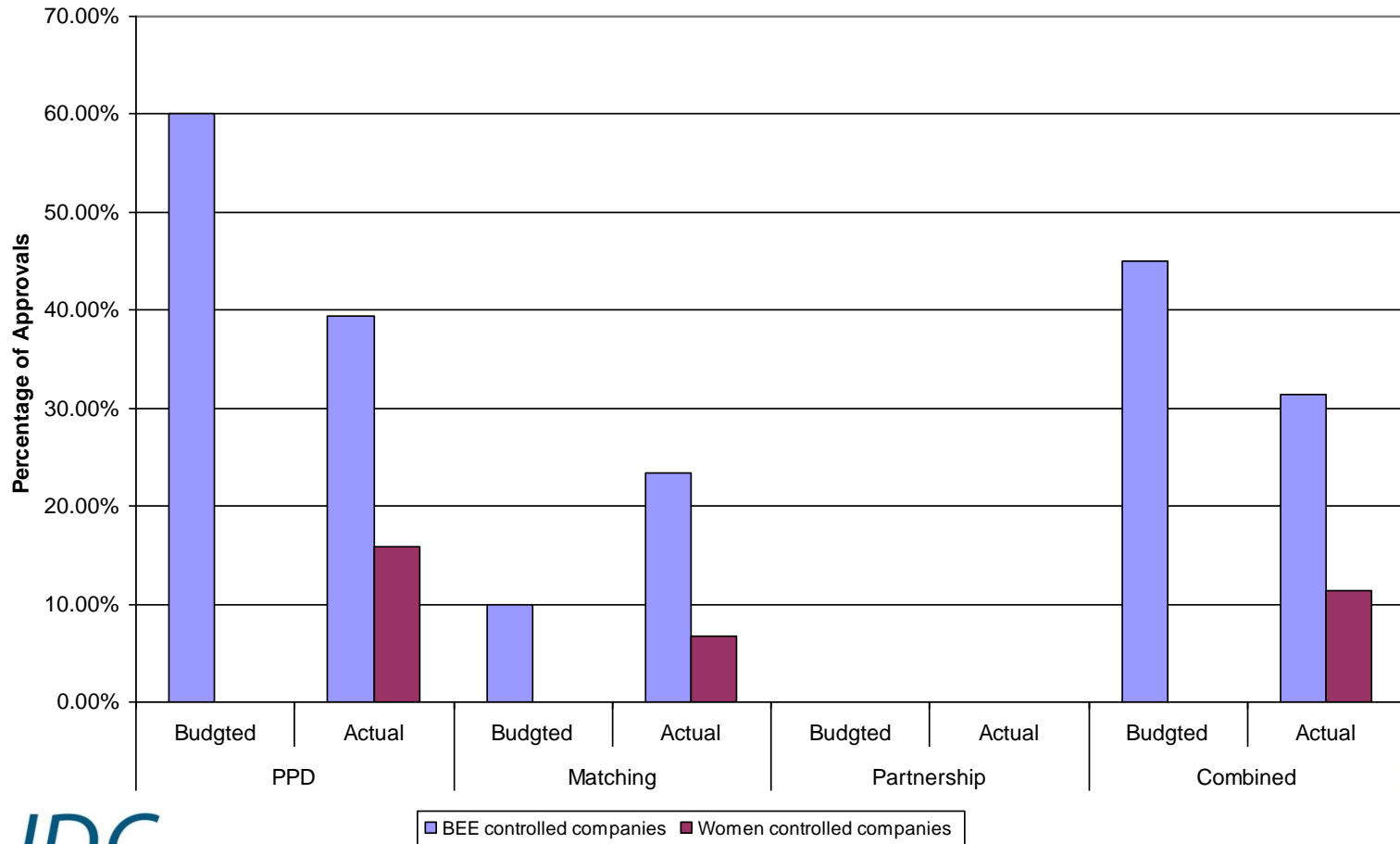
SPII contribution to key economic & development objectives based on feedback from recipients - 2009



- Significant Advance in Technological Expertise
- Job Creation / Retention
- Technical Success of Project
- Commercial Success of Project

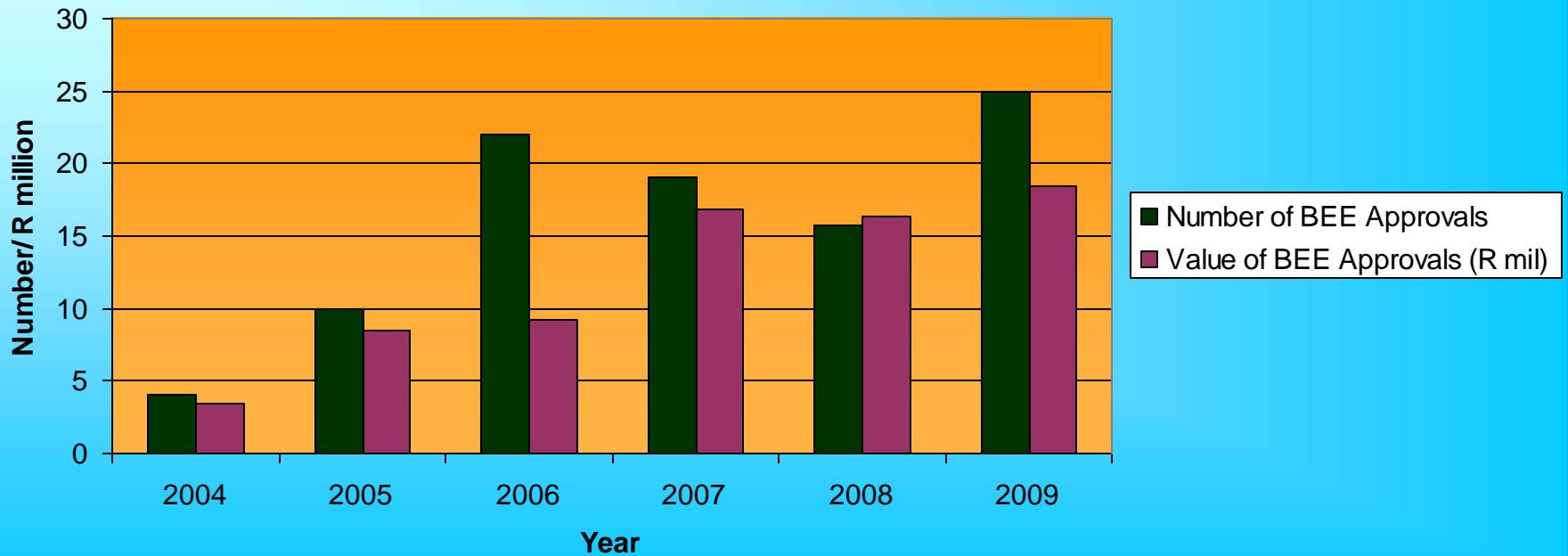
SPII – Impact, BEE & Women

BEE and Women controlled Companies as a percentage of Approvals - 2009



SPII – Impact, BEE

BEE Number of Approvals vs Value





Innovation Challenges

- Within its 12th Pillar of Innovation, the World Economic Forum Global Competitiveness Report 2008-09 ranks SA 36/134 for its innovation capacity.
- Significantly, within this same pillar, SA is ranked 110/134 for its availability of Scientists and Engineers i.e. Key innovation drivers.
- In terms of Technological Readiness (9th Pillar), SA is ranked 95/134 with regard to Internet users.
- With regard to Higher Education (5th Pillar) SA is ranked 132/134 for its Quality of Math and Science Education.



Innovation Challenges

Key challenges reported by SPII supported companies are:

- the lack of capital to start up the commercialization/marketing venture after completion of an innovation project.
- the uneasiness of commercial banks to invest in start-up projects with high risk.
- the lack of investment appetite by venture capital firms in projects with low value and consequently low returns.
- the reluctance of entrepreneurs themselves to offer equity of their IP vehicles in exchange for funding.
- apathy with South African financial institutions to invest in innovation.



Initiatives to address Challenges

- Improve access to commercialization funding.
- Provide access to bridging finance at competitive/ discounted rates.
- Investment in ICT infrastructure.
- Improve quality of Math and Science Education.
- Incentives for careers in Engineering and Science.



THANK YOU

Contact details:

Tel: (011) 269-3552

Email: ntokozom@idc.co.za

Web: <http://www.spii.co.za>