

NEF to be incorporated into IDC to guarantee funding for black entrepreneurs

In a landmark breakthrough for South Africa's quest for inclusive growth and radical economic transformation, the Ministers of Trade and Industry and of Economic Development announced in Cape Town today that the National Empowerment Fund (NEF) will become a wholly-owned subsidiary of the Industrial Development Corporation (IDC) in order to meet the considerable demand for funding by black entrepreneurs.

This is in line with the affirmation by President Jacob Zuma in the State of the Nation Address (SONA) last Thursday that the quest for radical economic transformation must seek ***“fundamental change in the structure, systems, institutions and patterns of ownership, management and control of the economy in favour of all South Africans, especially the poor, the majority of whom are African and female”***.

Both the IDC and the NEF have been identified by Government as central in implementing radical economic transformation and development policies, particularly in light of renewed efforts to develop black industrialists. The merger will promote increased broad-based black economic empowerment with a specific focus on promoting black industrialists.

This decision is in line with government policy to consolidate South Africa's development finance institutions to provide effective support to emerging and existing black entrepreneurs, and thereby enhancing efficient service delivery.

the dti and EDD will appoint a technical team to drive the process expeditiously. The Minister of Trade and Industry will continue to provide legislative and policy guidance to the NEF.

The two Ministers are confident that this historic integration of two leading DFIs will enhance the country's developmental aspirations as outlined by President Zuma in the SONA to ***“open up the economy to new players, give black South Africans opportunities in the economy and indeed to help make the economy more dynamic, competitive and inclusive. This is our vision of radical economic transformation.”***

IDC and NEF impact over the years

Over the last 75 years the IDC has been instrumental in implementing the country's industrial policy and establishing key industries, particularly in the manufacturing sector: petrochemicals, mineral beneficiation, fabricated metals, agro-processing and clothing and textiles. In the recent financial results announcement for period ending 31 March 2016, the corporation reported R14.5-billion in approvals including R11.4 billion in disbursements. In the same period the IDC has approved R4.9 billion for black-empowered companies, R2.9 billion of which was for black industrialists.

The NEF was capitalised in 2005 by Government to the value of R2.4 billion, all of which had been fully disbursed by 2010. Since then, the NEF has been self-financed from loan repayments, dividends and interests from its investments and proceeds from the sale in 2007 of its stake in MTN through the NEF Asonge Share Scheme. Since operational inception in 2005 to date the NEF has approved over R8.5 billion worth of transactions to 839 black companies countrywide, which have supported in excess of 89 900 decent jobs.

Both DFIs have developed formidable human capital and possess exceptional skills necessary for meaningful impact in driving economic growth and transformation across industries and the country as a whole.

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