

Patel tells IDC to boost funding capacity

STAFF REPORTER

PUBLISHED: 2010/06/02 06:47:54 A

THE Industrial Development Corporation (IDC) had been told to raise money aggressively on the capital markets to boost its funding capacity, Economic Development Minister Ebrahim Patel said yesterday.

“We have looked at the IDC’s balance sheet and it’s clear the IDC has considerable scope to leverage more money off its balance sheet,” Patel told Parliament’s portfolio committee on economic development in a review of how SA’s development finance institutions operate.

“Put simply, the IDC is able to enter capital markets to get loans using its balance sheet as a guarantee. In the work we have done with the IDC we have asked them to use that capacity more aggressively.”

Mr Patel said the IDC had also been told to take another look at its holdings and to consider liquidating some and using the proceeds to finance development projects.

He also hinted that a recapitalisation of the IDC might be on the drawing board, given the country’s dire levels of poverty and unemployment and the fact that the corporation’s last cash injection happened more than half a century ago.

“Its last fresh funding injection was only in the ’50s, so does it have the capacity to fully address the challenges of today?”

Mr Patel told MPs the legal transfer of the IDC, Khula Enterprise and the South African Micro-Finance Apex Fund (Samaf) from the Department of Trade and Industry to his department had been completed and his review of the agencies was well advanced.

At issue was bringing their functioning in line with the government’s strategic plans, in particular the Industrial Policy Action Plan and the growth plan.

Mr Patel confirmed that SA was looking at emulating the success of the Brazilian development bank, BNDES, in financing enterprises and boosting manufacturing. The bank last year issued \$70bn in loans, compared to the IDC’s R10,8m.

“Poverty, unemployment and inequality is so large that we need to significantly change the way we work, and one way is to ensure that development finance institutions are more effective,” he said. Sapa