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Department:  
Trade, Industry and Competition  
REPUBLIC OF SOUTH AFRICA

## THE NATIONAL ASSEMBLY

### QUESTION FOR ORAL REPLY

#### QUESTION NO. 513.

**Mrs Y N Yako (EFF) to ask the Minister of Trade, Industry and Competition::**

Whether he has conducted a risk assessment of defaulting on the repayments of the Industrial Development Corporation loan by businesses that are affected by the coronavirus; if not, what is the position in this regard; if so, what (a) are the details of the risks and (b) plans are in place to deal with the risks? NO3131E

#### REPLY

The IDC performed a detailed risk analysis of firms in its portfolio immediately after the lockdown in March 2020. The risk analysis is on-going to understand the changes in the market and to businesses that it supports through loans or equity. The regular risk analysis assists the IDC to come up with mitigation plans.

- (a) The key risks identified in respect of IDC client companies are:
- Collections - The ability of firms to service their loans (capital or interest) or to pay dividends.
  - Growth in fair value - The reduced or slower growth in fair value has had a negative impact on the IDC balance sheet.
  - Impairments – The impairment of the loans based on how the IDC expects affected firms to perform going forward.
  - Some sector specific risks that are exacerbated by the Covid-19 pandemic, e.g. the tourism sector has not recovered yet.

(b) I am advised by the CEO of the IDC that the Corporation has responded as follows:

- The IDC has implemented a Cash Preservation Framework to manage its liquidity through three key levers: (i) Collections, (ii) Funding and (iii) disbursements. This has enabled the IDC's balance sheet and cashflows to be more resilient throughout the epidemic period.
- The engagement with affected firms has assisted the IDC to provide support to them in the form of capital and interest deferrals where required. This assisted the firms to avoid defaults on their facilities and to focus on growing their businesses, while the IDC could better plan expected collections.

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