

NATIONAL ASSEMBLY
QUESTION FOR WRITTEN REPLY
QUESTION NUMBER: 303 [NW457E]
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303. Mr R A Lees (DA) to ask the Minister of Finance:

- (1) With reference to the report by the Office of the Auditor-General on 25 February 2020 to the Standing Committee on Public Accounts regarding a R1,1 billion loan from the Public Investment Corporation (PIC) to the Madibeng Local Municipality in the North West, what (a) are the details of the due diligence measures that the PIC took when considering the application to grant the loan, (b) was the purpose of the loan, (c) is the interest rate that will be paid on the loan and (d) are the loan repayment (i) dates and (ii) amounts,
- (2) whether the municipality will be able to meet all interest and capital repayments;
- (3) what are the details of all conditions attached to the loan;
- (4) what are the reasons given by the Madibeng Local Municipality for not repaying the loan and interest;
- (5) what are the details of the (a) court orders obtained by the PIC to force the specified municipality to pay the interest and capital amounts due to the PIC and (b) action taken by the National Treasury to ensure that the interest payments and capital repayment obligations are adhered to by the specified municipality?

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REPLY:

- (1)(a) There are no details available of the due diligence measures that were taken at the time of the transaction. The transaction was concluded on 11 January 1994 by the then Public Investment Commissioners.
- (1)(b) The purpose of the loan was to assist Madibeng Local Municipality (Madibeng) with the repayment of a number of short-term loans.
- (1)(c) The current matter relates to the remaining three Coupon Certificates (others were settled), and their respective numbers are BR20, BR25 and BR26. The interest rate on BR20 was 13.29%; BR25 was 12.47% and BR26 was 12.47%. The PIC waived the respective interest rates and charged a flat interest rate of 10% in respect of each certificate.
- (1)(d) The loan repayment dates and amounts are as follows:
 - BR20 – 30 November 2003 – R37 million
 - BR25 – 30 June 2003 – R83 million
 - BR26 – 30 November 2003 – R87 million

- (2) Madibeng will be in a better position to reply to this question, however, they have and continue to make provision for this debt in their financial statements and have not pleaded that they will not be able to repay the PIC. The PIC also made an offer to the Municipality to effect the payment over a period of time, which they declined.
- (3) Yield to maturity; final yield on redemption dates; repayment to be effected at par on the redemption date on each certificate.
- (4) The reasons are all of a technical nature. Madibeng admitted that they have received the loan amounts and that they owe the money to the PIC. However, they first raised a technical point that they were not authorised to raise the loan and issue the certificates. When they lost on this point, they appealed to the Supreme Court of Appeal (SCA) where they lost the appeal as well. The matter was remitted to the Court of First Instance for hearing on the merits and the quantum. Madibeng raised another technical point that the debt has prescribed. They lost again and have once more appealed to the SCA . PIC is currently awaiting for a hearing date from the SCA.
- (5)(a) The current Court Order, which Madibeng is appealing, is for payment of the sum of R162,639,962,00 plus interest at the reduced rate of 10% per annum. This is after taking into consideration the payments that Madibeng effected after summons was issued.
- (5)(b) National Treasury will be in a better position to reply to this question.