**NATIONAL ASSEMBLY**

**QUESTION FOR WRITTEN REPLY**

**QUESTION NUMBER: 1578 [NW1728E]**

**DATE OF PUBLICATION: 25 MAY 2018**

**1578. Adv A de W Alberts (FF Plus) to ask the Minister of Finance:†**

(1) How did the Public Investment Corporation and the Government Employees Pension Fund’s Board justify the passing of a resolution to borrow R50 billion to Eskom, given that all three rating agencies have graded Eskom to junk status;

(2) what are the criteria for justifying such high risk funding;

(3) whether he will make a statement on the matter?

[NW1728E]

**REPLY**:

(1) At the outset it should be stated that the amount that was borrowed to Eskom is not R50 billion. The PIC advanced a loan of R5 billion to Eskom because it was within the PIC’s client mandate. The existence of a guarantee by the South African Government on the bridging facility was an overriding factor in the wake of Eskom credit rating downgrades. See further detail under item 2 below.

(2) The investment was duly considered in terms of the Mandate of the Client as well as the PIC’s Investment Policy and Delegation of Authority, and is justifiable on the following grounds:

**Character of the loan**

The loan to Eskom was in the form of short-term bridging facility for one month. The pricing on the facility was relatively attractive at Jibar plus 75 basis points, translating to 7.65% for a period of one month. Over and above this, there was an undertaking from the government of South Africa to provide a guarantee on the loan facility. The borrower had provided satisfactory evidence that Eskom had secured financial commitments to meet all of the borrower’s funding requirements up to March 2019. It is important to note that Eskom paid the principal amount of R5 billion in full plus the interest amount on 28 February 2018.

**Governance**

In approving the loan facility, the PIC also took comfort from the fact that National Treasury, the Department of Public Enterprises and Eskom jointly developed a going-concern plan, seeking to address the challenges faced by Eskom. There was also confirmation that all required approvals had been obtained for Eskom to appoint a permanent Chief Executive Officer and Chief Financial Officer.

(3) No. The PIC issued a joint statement with the Government Employees Pension Fund to announce the decision to advance the R5 billion loan to Eskom. The repayment of the loan was also widely covered by the media.