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REPUBLIC OF
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MINISTRY OF
FINANCE AND
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PLANNING
PRIVATE BAG
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PRESS RELEASE
BRIEFING NOTE ON PDSF LOAN BOOK SALE

The Public Debt Service Fund (PDSF) was established in 1973 as a device to ensure that Government would have a source of funds to service the public debt. At the same time, since the domestic capital market was not well developed, the PDSF made long-term loans to parastatals and other official agencies. In the 1990s, with the development of the domestic capital market, parastatals were encouraged to seek funding on the domestic capital market, and in 2001 the PDSF stopped making new loans.

The Minister of Finance and Development Planning announced in his 2002 Budget Speech that Government intends to sell part of the Public Debt Service Fund Loan Book. The sale is to further the development of the domestic capital market, while raising revenues for the Government.

A special purpose investment company, Debt Participation Capital Funding Limited, the issued capital of which is held by Government, has been incorporated. The sole purposes of Debt Participation Capital Funding Limited are: (1) to purchase from Government the rights to receive the future principal and interest payments on 72 outstanding loans owing to the PDSF; and (2) to issue bonds to the public.

Today a written agreement was entered into between Government and Debt Participation Capital Funding Limited in terms of which the latter has purchased the PDSF Loan Book. The outstanding balance owing on the 72 loans is P1,058 million as of 1 April 2004.

Debt Participation Capital Funding Limited will, in turn, securitise these loan assets via the issuance of bonds to the public. The bonds will have varying maturities. A prospectus for the bonds will be issued in early April, followed by a 'road-show' to market the bonds. An auction of the bonds will be conducted in early May.

The payments of principal and interest to the bondholders will be financed by the pool of future payments from the parastatals and other organisations to the investment company. Those future payments of principal and interest owing to Debt Participation Capital Funding Limited are fully guaranteed by Government.

Debt Participation Capital Funding Limited will have four directors initially. Today the Minister of Finance and Development Planning has appointed three directors: Mr. P.T. Nteta, Dr. T. Nyamadzabo, and Dr. J.S. Salkin. A fourth director will be appointed from among the bondholders once the bonds have been sold.

Contracts for the routine management, auditing, and other services required by Debt Participation Capital Funding Limited will be tendered shortly.

In making the arrangements for the sale and securitisation of the PDSF Loan Book Government has been advised by a consortium led by Standard Chartered Bank, assisted by Armstrongs Attorneys, PriceWaterhouseCoopers, and Stockbrokers Botswana.

S.S.G. TUMELO
PERMANENT SECRETARY