



2 July 2018

Mr Nhlanhla M Nene
Minister of Finance
PO Box 29
Cape Town
8000

Dear Minister Nene

**UNMASKING HARITH/LEBASHE/PIC CONFLICT OF INTEREST AND ALLEGED CORRUPTION:
QUESTIONS THAT NEED URGENT ANSWERS**

I refer to the United Democratic Movement's (UDM) three letters addressed to President Cyril Ramaphosa dated 31 May, 8 June and 28 June 2018. The content of the letters is around allegations of possible conflict of interest and an alleged corrupt relationship between various role-players linked to Harith General Partners ('Harith'), Lebashe Investment Group ('Lebashe'), the Public Investment Corporation (PIC) and its Pan African Infrastructure Development Fund (PAIDF).

Since then, the President's office has not responded to the concerns we have raised in terms of the above. In the meantime, as we awaited the President's response, Lebashe and Harith have threatened to go to court for what we had said in terms of asking President Ramaphosa what had been going on with the pensions of government employees (i.e. the Government Employees Pension Fund (GEPF)).

As the United Democratic Movement and myself are to be challenged in court, we need the information asked (below) in this letter, based on the numbers directly below:

PAIDF phase 1 (the amounts are stated in United States *dollars*)

*GEPF	250	million
Absa	125	million
DBSA	100	million
Old Mutual	50	million
African Development Bank	50	million
Stanlib	30	million
Mer	10	million
SSNTL	10	million
Eskom	5	million
Total	630	million

PAIDF phase 2 (the amounts are stated in United States *dollars*)

*GEPF	350	million
African Development Bank	25	million
DBSA	15	million
Botswana Development Bank	10	million
Total	400	million

* *Note that the GEPF invested \$250 million in phase 1. If you multiply this amount by, let us say, an exchange rate R13.50 this equals R3,375 billion. The second time, the GEPF invested \$350 million. This amount multiplied by, the same exchange rate, equals R4,725 billion. Therefore, a total of **R8,1 billion or more**, should one use the current exchange rate, had been invested in the PAIDF.*

Sir, now that we have provided some context, we wish to obtain the following information i.e.:

1) that you confirm the veracity of the information provided below and unpack your response and 2) that you also please provide answers to questions asked.

1. In 2006 National Treasury, with former Minister Trevor Manuel at the helm, approved the establishment of Harith with 100% seed capital from the PIC. At the time Mr Brian Molefe had been the PIC's Chief Executive Officer (CEO).
2. The PAIDF was started at more or less the same time under the management of Mr Tshepo Mahloele. Mr Mahloele was moved from the PIC to Harith and to this day the PAIDF is an entity which is managed by him as Harith CEO.
3. Can you confirm *when* Harith was taken over by the former PIC board chairperson Mr Jabu Moleketi (who now serves as Harith board chairperson) and Mr Mahloele? It is public knowledge that Mr Mahloele was moved from PAIDF/PIC directly to Harith, with the PAIDF/PIC moneys in its management portfolio. What is strange is that Mr Warren Wheatly, of Lebashe, said in a SABC interview that Mr Mahloele and Mr Moleketi joined Harith only ten years after they had left the PIC.
4. How does the CEO of Harith manage his time between Lebashe and Harith? Is the PIC CEO, Dr Dan Matjila, as a shareholder on behalf of PIC, not concerned about this? If not, why not? Is so, could this please be explained.

5. There is clear proof that Lebashe and Harith share the exact same office space i.e. on <http://www.harith.co.za> it is listed as *1 Chislehurst, 34 Impala Road, Chislehurst, Sandton*. On Lebashe's press releases and correspondence with us the address is listed as the same. Why would this be the case? How much is Lebashe paying to Harith for renting office space.
6. How many persons are employed at Lebashe and how many at Harith, using the same office space?
7. Did the Mr Mahloele/Harith get permission from Harith's investors to bring Lebashe to Harith's premises? In particular the GEPF?
8. Did Mr Mahloele/Harith inform the other investors mentioned in their response trying to refute that there is nothing untoward?
9. GEPF and PIC must provide evidence on declarations made by the CEO and Chairman of Harith?
10. We know the PIC owns 30% of Harith, but it gives rise to other questions i.e. who sold the remaining 70% of the shares to whom, and for how much?
11. Can these private investors confirm that the CEO and Chairman of Harith disclosed or notified them about the relationship, to manage conflict of interest as stated in last week's response that Lebashe as a company complies with King 4?
12. Who has more money between Harith and Lebashe?
13. Why is Mr Mahloele still with Harith if there no is longer-term benefit for himself and his private businesses? It can be assumed that there is information benefit and exploitable beneficial relationships (PIC and GEPF); and possibly other state-owned entities?
14. From the interview conducted last week on behalf of Harith executive, Mr Pule Molebeledi went to town about the Harith's good performance. What are the facts and figures about the performance of Harith in relation to the GEPF investments, whilst he stated that this contract with GEPF runs up to 2022, which is around the corner? What is the percentage performance to date?

15. Since Harith inception Harith has had one board chairman i.e. Mr Jabu Moleketi. Why is this the case?
16. The PIC, as a 30% shareholder of Harith, is it happy that Mr Moleketi and Mr Mahloele are involved in Lebashe or is it a convenient relationship?
17. What was the purpose for setting up Harith? Was it to invest in infrastructure on the continent, hence at the same period GEPF invested the funds as stated in two PAIDF phases?
18. How does it work that a private sector business on the same premises with an institution (Harith invested with pensioners funds), with a CEO of Harith being a director in that private business?
19. This is more unique because when the CEO was appointed to manage funds in Harith, it means he promised pensioners returns and that he will dedicate himself to the fund. Now it seems clear that Harith (PAIDF I and II) are competing with Lebashe for his time.
20. Mr Mahloele/Harith is the PAIDF manager which receives fees from managing funds from investors. How much does PIC pay Mr Mahloele/Harith in such fees per annum?
21. Is the CEO not the same person who was implicated in the PetroSA saga? If he was exonerated, where is the proof?

We ask these questions to find clarity on the matters raised, because PAIDF and Harith were established by government. The whole situation is so opaque, and we ask that you lay bare the signed agreements. In our understanding there cannot be a situation where a board chairperson and her/his CEO have an interest in a private company. The PIC seconded Mr Mahloele to run PAIDF/Harith. Later, Mr Moleketi, as former finance minister and PIC board chairman ended up partnering with Mahloele to run Harith. Please Mr Minister how was it done? Given that Harith was started with 100% PIC seed money, we need to see the paperwork that explains this arrangement.

As a 30% shareholder, how can the PIC and yourself tolerate this brazen conflict of interest. Now a second company, Lebashe/PIC, seems have been started and run on the same blue-print, with Harith surviving through PIC monies.

To get to the bottom of this, the finance department owes government pensioners an explanation, given that the deal was approved by your predecessor, Mr Trevor Manuel.

For us to understand what is going on, and for you to find the answers you will be looking for, we suggest that you instruct the PIC to open their investment books. As we are marching to court - as threatened by Lebashe and Harith - best you be warned that you, as finance minister, will be compelled by the court to do so in any event.

Finally, Sir, UDM is particularly concerned by the R8.1 billion, depending on the rand/dollar exchange rate, of the GEPPF's money used in Phases 1 and 2 of the investment in PAIDF. We ask that you take the nation into confidence on how the PAIDF is performing, where are the assets held (in which countries) and who owns those assets.

Kindly advise



Mr Bantu Holomisa, MP
UDM President