



# EASTERN CAPE PROVINCIAL LEGISLATURE

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Date: 22 April 2021

**MR DALUHLANGA MAJEKE**

**HOD: EASTERN CAPE PROVINCIAL TREASURY**

**AND**

**MS MALIJENG NGQALENI**

**DDG: INTERGOVERNMENTAL RELATIONS**

**NATIONAL TREASURY**

**PER EMAIL**

Dear Mr Majeke/ Ms Ngqaleni

**RE: RECKLESS LENDING BY EASTERN CAPE RURAL DEVELOPMENT  
AGENCY (ECRDA)**

I refer to the aforesaid matter as well as to responses received to formal questions posed in relation to the awarding of agricultural and non-agricultural loans by the ECRDA. I have attached these responses for ease of reference hereto.

Kindly note that I have recently discovered what I would consider being reckless lending practices by the ECRDA.

The ECRDA is a registered credit provider with the National Credit Regulator and currently makes agricultural and non-agricultural loans available to applicants residing within the boundaries of the Eastern Cape.

The agricultural loans are for individuals that require seasonal input capital for primary production and/or the purchase of assets or farming infrastructure. Non-agricultural loans are short term loans that provide tender entrepreneurs and hawkers with financial assistance.

These loans are granted to individuals at a preferential interest rate which can be as low as 4 (four) % below the prime lending rate and, in some instances, even less than the repo rate.

More concerning, however, is the fact that some 87% of all loan beneficiaries have defaulted on payments during the course of the previous financial year (2020/21).

The total loan book by the end of the financial year 2020/21 was R138,8 million, and the ECRDA managed to recover an amount of just R6 million for the financial year in repayments. This equates to just 4 cents in the Rand. In addition, over the past five years, the ECRDA wrote-off loans to the value of R59 million, R42 million of these write-offs being in the last financial year (2020/21).

Given the sheer percentage of defaulting loans as well as the fact that the provincial entity wrote-off bad debts to the value of R42 million, which represents some 23% of its total loan book during the financial year 2020/21, it is clear that the ECRDA has no proper control measures in place to continue to facilitate loans to the public.

I, therefore, request that you investigate the matter described above in a bid to put measures in place that will prevent the continued reckless practice of awarding unsecured loans by the ECRDA.

Should you have any queries, please do not hesitate to contact me.

Sincerely,



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**HON. RETIEF ODENDAAL, MPL**  
**DEMOCRATIC ALLIANCE MEMBER OF THE EC PROVINCIAL LEGISLATURE**  
**SHADOW MEC FOR FINANCE, RURAL DEVELOPMENT AND AGRARIAN**  
**REFORM**



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