**NATIONAL ASSEMBLY**

**QUESTION FOR WRITTEN REPLY**

**QUESTION NUMBER:** **1001** **[NW1131E]**

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**1001. Mr A M Shaik Emam (NFP) to ask the Minister of Finance:**

What (a) is the total debt owed by the eThekwini Metropolitan Municipality to (i) local and (ii) foreign lenders and (b) measures does the National Treasury have in place to ensure some oversight over local municipal borrowing from financial institutions? NW1131E

**REPLY**

1. The Consolidated 2021/22 Audited Annual Financial Statements for eThekwini Metropolitan Municipality reported the following breakdown on Borrowings:
2. Local Lenders = R9 billion
3. Foreign Lenders – Agence Francaise de Developpement (AFD) = R233 million

Total = R9.2 billion

It should be noted that in terms of Section 47 of the Municipal Finance Management Act, municipalities are not allowed to incur any debt in any foreign currency, and must ensure its debt is denominated in Rands.

1. As part of the oversight responsibilities, the National Treasury performs the following:
2. The National Treasury analyses the borrowing capacity of a municipality by evaluating the size of the Gearing Ratios – total borrowing liabilities divided by the total operating revenue (also an indicator used to determine if a municipality is in financial distress).
3. When a municipality intends to borrow from the authorised financial service providers (lenders), they are required to obtain National Treasury’s views in terms of Section 46 of the Municipal Finance Management Act, 2003. A decision to borrow or not is the prerogative of a municipal council.
4. National Treasury has put in a place a Borrowing Policy Framework (which has been endorsed by Cabinet on the 17th of August 2022). The Policy sets out the following principles:

* Creditworthy municipalities should ***borrow prudently*** to finance capital investment and fulfil their constitutional responsibilities;
* Municipal access to private capital, ***based on investors’ evaluation of municipal creditworthiness***, this is *key to efficient local government* and fiscal discipline as their financial sustainability is seen from an objective perspective;
* Municipalities should ***borrow in the context of long-term financial strategies***, which reflect clear priorities and the useful life of assets; and
* Neither national nor provincial government will ***underwrite or guarantee*** municipal borrowing, again contributing to fiscal discipline as it would lead local government to think carefully on how they approach the borrowing market.