

NATIONAL COUNCIL OF PROVINCES

QUESTION FOR WRITTEN REPLY

QUESTION NUMBER 2936

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Dr D T George (DA) to ask the Minister of Finance:

- (1) Whether Treasury keeps a record of the debts incurred by municipalities; if not, why not; if so, (a) which municipalities have incurred debts in the (i) 2007-08, (ii) 2008-09 and (iii) 2009-10 financial years, (b) how much debt has been incurred by each municipality and (c) what is the current outstanding debt owed by each of these municipalities;
- (2) whether a municipality who wishes to issue a bond will consult Treasury prior to the issuing thereof; if not, why not; if so, what are the relevant details?

REPLY:

- (1) Municipalities are required to report to National Treasury on their borrowing activities by submitting the Quarterly Borrowing Monitoring Return (QBMR). In addition, National Treasury collects data from financial institutions for verification purposes.

In the past, the data submitted by municipalities was of poor quality and hence limited the National Treasury's ability to conduct thorough assessments. To overcome this, the National Treasury is currently requesting municipalities to verify their borrowing information from 2003, which is then compared with the information from the financial institutions. National Treasury is also strengthening the quarterly reporting processes to gather this information. The intention is to publish municipal borrowing information as part of the quarterly section 71 reports – starting in March 2011.

In light of the above information, the data on outstanding long term loans is only available on aggregate for 2007/08 to 2009/10 financial years (R20.5 billion, R22.5 billion and R24.1 billion for the 2007/08 to 2009/10 respective financial years).

Going forward, National Treasury has institutionalised a process to get financial institutions reporting on closing balances on long term loans per municipality.

Therefore, the figures below show the closing balances on long term loans per category of municipalities as at 30 June 2010 as reported by financial institutions.

Table: Closing balances on long term loans at the end of municipal financial years

Category of Municipality	2007/08	2008/09	2009/10
Category A (Metropolitans)			16 645
Category B (Locals)			6 356
Category C (Districts)			1 135
Total	20 491	22 478	42 136

- (2) Since municipal bonds are classified as long term debt instruments to raise capital, section 46(3)(a)(ii) of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) requires a municipality to invite the public, relevant provincial treasury and National Treasury to submit written comments to the council with respect to the proposed debt. To date all municipalities that have issued municipal bonds have complied with this requirement and consulted with the National Treasury prior to issuing the bonds.

The details that the municipality needs to provide to National Treasury are contained in Circular 26, which can be accessed on the following link:

<http://www.treasury.gov.za/legislation/mfma/circulars/default.aspx>