

NATIONAL ASSEMBLY
QUESTION FOR WRITTEN REPLY
QUESTION NUMBER: 2527 [NW2941E]
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2527. Mr K J Mileham (DA) to ask the Minister of Finance:

- (1) Whether any municipalities pledged conditional grants as security for loan financing in each of the past three municipal financial years to date; if not, what is the position in this regard; if so, in each specified municipal financial year (a) what (i) was the amount of the loan, (ii) were the terms and conditions, (iii) was the duration of the loan and (iv) was the purpose of each specified loan and (b) was each loan aligned with the purpose of conditional grant funding;
- (2) did National Treasury approve each loan financing request; if not, (a) how many of the specified loan financing requests were not approved in each municipal financial year and (b) what were the reasons in each case; if so, what are the relevant details?

NW2941E

REPLY:

- (1) a) The law in terms of Municipal Finance Management Act Section 48 allows municipalities to pledge and the Division of Revenue Act with its amendments provides for the mechanism through which municipalities may provide security for loans.
 - (i) Over the past three years, National Treasury approved an amount R2.5 billion in pledges for the municipalities to accelerate their infrastructure delivery. The National Treasury does not issue or approve loans, but approves pledging by way of issuing letters of approval to the municipalities. Municipalities may use the letter of approval to secure a loan with the accredited institutions.
 - (ii) The terms and conditions for pledging conditional grants are outlined in circular No 51 paragraph 4.5, issued in terms of the Municipal Finance Management Act.
 - (iii) According to the Division of Revenue Act; municipalities are allowed to pledge a percentage (75%) of the amounts that are due to them in the outer two years of the medium term period; however implementation happens during the current year. If one considers the year of implementation, the period becomes three years. Over the two year period, the National Treasury makes the money available to the municipality according to the gazetted tranche payments and the municipality is expected to pay the lender within the same period of time.

- (iv) Pledges that have been received and approved relates to the electrification of households, mainly in the rural areas and construction of high light masts in higher density informal settlements using the Integrated National Energy Programme grant (R498 million approved). The other group of approvals involves a mix of projects ranging from roads & storm water, sanitation, and water projects (R2 billion approved).
- b) Yes, each approved loan is in alignment with the relevant conditional grant objectives and purposes.
- 2) The National Treasury did not approve all pledging requests
 - (a) Over the past three years, 8 pledging applications were not approved.
 - (b) The reasons for non-approval was mainly the following:
 - Pledging applications do not meet the requirements as stipulated in circular 51.
 - Gaps in the submission owing to the fact that most pledges are submitted too early in the infrastructure planning process - before key project information could be generated by the planning process itself and demonstration project readiness for implementation.