

NATIONAL TREASURY

NO. 628

16 July 2021

**PUBLIC FINANCE MANAGEMENT ACT, 1999
(ACT NO 1 OF 1999 AS AMENDED)**

**BORROWING POWERS OF WATER BOARDS LISTED
UNDER SCHEDULE 3 PART B OF THE ACT**

I, TITO TITUS MBOWENI, MINISTER OF FINANCE, acting in terms of Section 66(3)(b) of the Public Finance Management Act, 1999 (Act No 1 of 1999), hereby authorise the accounting authority of Rand Water to borrow money up to the limits and extend bank guarantees as stipulated below:

RAND WATER: BORROWING AUTHORISATION AND RELATED LIMIT			
FINANCIAL YEAR	UNCONDITIONAL INTEREST-BEARING DEBT/ BORROWINGS AMOUNT	CONDITIONAL INTEREST-BEARING DEBT/ BORROWINGS AMOUNT	TOTAL INTEREST- BEARING DEBT/ BORROWINGS AMOUNT
Ending 30 June 2022	R7.605 billion	R961 million	R8.566 billion
Ending 30 June 2023	R8.566 billion	R961 million	R9.527 billion
Ending 30 June 2024	R8.296 billion	R961 million	R9.257 billion

FINANCIAL YEAR	BANK GUARANTEE
Ending 30 June 2022	R849 million
Ending 30 June 2023	R849 million
Ending 30 June 2024	R849 million

The proposed borrowing limits reflect the maximum interest-bearing borrowings that Rand Water may have at any point in each respective financial period. This means that for as long as Rand Water has interest-bearing borrowings on its statement of financial position (or balance sheet), it will need to adhere to the limits above. A new authorisation will be considered upon expiry, provided Rand Water has outstanding interest-bearing borrowings recorded on its financial statements. Rand Water is required to submit a utilisation request to the National Treasury to the Deputy Director-General: Asset and Liability Management (DDG: ALM) Division before sourcing borrowings for Rand Water's growth projects. In addition, any borrowings related to the hydro-power project is subject to a utilisation request.

The bank guarantee amount reflects the maximum bank guarantee(s) Rand Water provide in favour of Eskom in relation to the Electricity Supply Agreement between the two parties. The cumulative amount of the bank guarantee should not in any of the 3 financial years exceed R849 million.

The borrowing authorisation and related limit is approved with the following compliance requirements:

1. A minimum cash interest cover (CIC) ratio of 3 times, calculated as follows: cash generated from operations (after changes in working capital) divided by cash finance costs (from the cash flow statement);
2. A minimum debt service cover ratio (DSCR) of 1 time, calculated as follows: cash generated from operations (after changes in working capital) divided by total debt service costs (debt capital repayments plus gross interest paid – from the cash flow statement);
3. A gearing limit of 50% calculated as follows: interest-bearing borrowings divided by total equity;
4. Rand Water submits quarterly progress reports to the Asset and Liability Management Division on the above-mentioned requirements as well as the Borrowing Programme and Funding Plan, including utilisation of the borrowing limit **within 30 days after the end of each quarter**; and
5. Rand Water submits bi-annual reports to the Asset and Liability Management Division on the progress of major capital expenditure projects and the project plans for the upcoming 6 months.

The bank guarantee authorisation has the following compliance requirement:

- a. Rand Water is required to have a non-cash secured bank guarantee and must always maintain liquid investments or assets equivalent to R849 million in relation to the financial years highlighted above.



TT MBOWENI, MP
MINISTER OF FINANCE
Date: 28/06/2021