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NATIONAL TREASURY

NO. 5044 **16 July 2024**

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, ENOCH GODONGWANA, 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**
As at 30 June 2025	R5.529 billion	-	R5.529 billion
As at 30 June 2026	R6.287 billion	-	R6.287 billion
As at 30 June 2027	R8.307 billion	-	R8.307 billion
As at 30 June 2028	R10.420 billion	R1.113 billion	R11.533 billion

FINANCIAL YEAR	BANK GUARANTEE
As at 30 June 2025	R1 billion
As at 30 June 2026	R1 billion
As at 30 June 2027	R1 billion
As at 30 June 2028	R1 billion

The borrowing limits reflect the maximum interest-bearing borrowings that Rand Water may have at the end of each financial year. The entity's compliance to the relevant limits will be measured at the end of each financial year. Therefore, Rand Water's interest-bearing borrowings at the end of each financial year should not be higher that the prescribed amounts. A new authorisation will be considered upon expiry, provided Rand Water has outstanding interest-bearing borrowings recorded on its financial statements. For the financial year ending 30 June 2028, Rand Water is required to submit an updated business case, for noting, to the Deputy Director-General: Asset and Liability Management (DDG: ALM) division of the National Treasury to understand the

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prevailing risks, if any, of the project before sourcing borrowings for Rand Water's hydropower project.

The bank guarantee amount reflects the maximum bank guarantee(s) Rand Water may provide in favour of Eskom in relation to the Electricity Supply Agreement, and other parties as required by the entity in carrying out its mandate. The cumulative amount of the bank guarantee should not in any of the 4 financial years exceed R1 billion.

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

1. Rand Water's outstanding interest-bearing borrowings at the end of each financial year must not be higher than the authorised borrowing limit (for each quarter the outstanding debt must be reported, as well as the projected maturities that are expected to take place in the respective financial year);
2. Rand Water adheres and maintains a DSCR of not less than 1 time for the three-year period) calculated as cash generated from operations (after changes in working capital) relative to (or divided (÷) by) the sum of debt interest to be paid and capital to be paid;
3. Rand Water adheres and maintains a CIC of not less than 3 times for the three-year period calculated as cash generated from operations (after changes in working capital) relative to (or divided (÷) by) debt interest to be paid;
4. Rand Water adheres and maintain a gearing ratio of not more than 50 per cent calculated as interest-bearing debt relative to (or divided (÷) by) total equity;
5. Rand Water is requested to submit to the DDG: ALM division, an updated business case of the hydropower project for noting, before raising funding of R1.113 billion for hydropower projects;
6. Rand Water must submit the above information in its borrowing limit quarterly reports including the outstanding interest-bearing debt as at the last date of the respective quarter within 30 days after the end of each quarter; and
7. Rand Water submit bi-annual reports on its major capital expenditure (capex) projects, i.e., hydropower project) and 6-months project plans.

The bank guarantee authorisation has the following compliance requirement:

a. Rand Water is required to have liquid assets (cash and/or marketable securities) to the value of R1 billion in relation to the financial years highlighted above.

ENOCH GODONGWANA
MINISTER OF FINANCE
Date: 13/06/2024

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