



**MINISTER: FINANCE
REPUBLIC OF SOUTH AFRICA**

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Ref: M3/15/37(473/19)

Hon. G.E. Nkwinti, MP
Minister of Water and Sanitation
Private Bag X313
PRETORIA
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Dear Minister Nkwinti

RE: REQUEST TO EXTEND THE VAAL RIVER SYSTEM's (VRS's) MEDIUM-TERM BORROWING LIMIT FOR FIVE YEARS FROM 1 APRIL 2019 TO 31 MARCH 2024 AS WELL AS FOR A MEDIUM-TERM BORROWING LIMIT AND A LETTER OF SUPPORT TO SECURE THE OBLIGATION OF TCTA TO LENDERS IN RELATION TO A GLOBAL BORROWING FACILITY (GBF)

I refer to your letter dated 17 April 2019, regarding the above-mentioned matter.

I have reconsidered your request for my concurrence for the borrowing limits for the Vaal River System (VRS) and the Global Bridging Facility (GBF) as well as your request for support for the Trans-Caledon Tunnel Authority (TCTA) to secure the obligation(s) to lenders in relation to the GBF. Following the meeting that was held on 12 April 2019 between officials from the National Treasury, the Department of Water and Sanitation and the TCTA, as well as subsequent engagements within the National Treasury, I agree that the Notice of Establishment can be a complementary document to the PFMA, in as far as my concurrence is required.

I am therefore in support of using the Notice of Establishment as a complementary document to the PFMA and therefore, concur to your request for the borrowing limit for the VRS, excluding Acid Mine Drainage – Long-Term Solution (AMD-LTS) in the following manner:

- a. R17.7 billion for the year ending 31 March 2020; and
- b. R20.6 billion for the year ending 31 March 2021.

These limits reflect the maximum balance of interest-bearing debt the TCTA is allowed to have at any point in time with reference to the relevant financial periods and should take into account the TCTA's existing outstanding interest-bearing debt. The 2-year approval of the borrowing limit instead of the 5-year approval as per your request is to allow discussions and a conclusion around Acid Mine Drainage to take place. As you are aware the former Minister of Finance, recommended that the AMD-LTS project be separated from the Lesotho Highland Water Project government guarantee. The separation has however not occurred yet.

On your request regarding my concurrence to a medium-term borrowing limit on the GBF, I am of the view that some of the projects included as motivation in obtaining the GBF borrowing limit already have their respective borrowing limits that have not been fully utilised and have other unutilised facilities that could be accessed. Where a project does not have a borrowing limit, the project is in its preparation stage. You will recall that the former Minister of Finance withheld his concurrence for the Berg-River Voëlvlei Augmentation Scheme borrowing limit until the water supply agreements have been signed with the users and suggested that the Department of Water and Sanitation should provide funds for project preparation activities until then. I am of the same view on this matter.

Therefore, I do not concur with your request for a medium-term borrowing limit and a letter of support to secure the obligation relating to the GBF.

Please accept, dear colleague, the assurance of my highest consideration and best wishes.

I remain,

Yours sincerely



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MINISTER OF FINANCE
Date: 22/5/2019