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## GENERAL NOTICE

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**NOTICE 1568 OF 2006**

**NATIONAL TREASURY**

**LOCAL GOVERNMENT: MUNICIPAL FINANCE MANAGEMENT ACT  
(ACT No. 56 OF 2003)**

**DRAFT MUNICIPAL REGULATIONS ON DEBT DISCLOSURE**

**CALL FOR COMMENTS**

I, Trevor A. Manuel, Minister of Finance, after consultation with the Minister of Provincial and Local Government, hereby publish the draft regulations made, in terms of section 168 (1), for public comment in terms of section 169 (1) (b) of the Municipal Finance Management Act No. 56 of 2003, as set out in the Schedule.

Interested persons may submit their comments on the draft regulations in writing on or before 11 December 2006 to: The Director-General, c/o Mr. TV Pillay, National Treasury, Private Bag X115, Pretoria, 0001, or per fax to (012) 315-5230 or email to [MFMA@treasury.gov.za](mailto:MFMA@treasury.gov.za)

Kindly provide the name, address, telephone, fax numbers and e-mail address of the person or organisation submitting the comments.

**T.A. MANUEL, MP**

**MINISTER OF FINANCE**

## EXPLANATORY MEMORANDUM

### **Municipal Regulations on Debt Disclosure**

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The wider implementation of the Municipal Financial Management Act (MFMA) in all municipalities and entities is an important element in the strategy to modernise and improve the financial management of local government. Linked to this strategy are the fundamental principles of effective and efficient utilisation of public resources and transparent and accountable financial management practices.

To advance these ideals it is important to demonstrate a sustainable and secure municipal fiscal environment and to strengthen the confidence of the private sector and other persons in their ongoing relationships with local government. In the area of municipal long-term borrowing (debt), the MFMA has established a broad framework, built on the package of financial reforms, that will ensure municipalities and municipal entities have access to appropriate and competitive funding instruments. An active municipal debt market that exudes confidence among participants is essential to make optimal use of debt to finance essential infrastructure.

Municipalities and municipal entities who propose to incur long-term debt are required by these regulations to disclose all information that may be material to the decision of a prospective lender or investor. All reasonable care must be taken to ensure the accuracy of information provided as the lender or investor may rely on such information to make an informed decision.

Information to be disclosed includes past audited financial statements, details of all other liabilities and outstanding debts, sources of revenue, relevant policies and strategies, local economic indicators and full particulars of the debt instrument to be launched. Furthermore, the lender, investor and the National Treasury must be notified of any material changes during the term of any debt incurred, such as failure to meet a repayment, incurring new debt and the provision of assets as security.

If an existing lender, investor or person other than the municipality or municipal entity plans to use municipal debt as a security they are also required to prepare and disclose similar information.

All information required in terms of these regulations must be confirmed by an audit opinion from an independent auditor and the information must be available for inspection by any interested person at the head office of the municipality or municipal entity.

The implementation of these regulations will help to strengthen the level of confidence in municipal fiscal affairs and enable the debt markets to effectively participate by providing access to a range of competitive funding instruments for the provision of municipal infrastructure and other capital development in accordance with section 46 of the MFMA.

**NATIONAL TREASURY****LOCAL GOVERNMENT: MUNICIPAL FINANCE MANAGEMENT ACT, 2003****MUNICIPAL REGULATIONS ON DEBT DISCLOSURE**

The Minister of Finance, acting in concurrence with the Minister for Provincial and Local Government, has under section 168 of the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003), made the regulations set out in the Schedule.

**SCHEDULE****TABLE OF CONTENTS****CHAPTER 1****INTERPRETATION AND APPLICATION OF THESE REGULATIONS**

1. Definitions
2. Application of these regulations

**CHAPTER 2****COMPULSORY DISCLOSURES WHEN INCURRING MUNICIPAL DEBT*****Part 1: Municipal debt incurred otherwise than through municipal debt instruments***

3. Disclosures to prospective lenders, other creditors and underwriters
4. Submission of certain documents to prospective lenders, other creditors **and** underwriters
5. Notification of long-term debt to National Treasury

***Part 2: Municipal debt incurred through municipal debt instruments***

6. Issuing of disclosure statements
7. Formal requirements for disclosure statements
8. Method of issuing disclosure statements
9. Formal information to be included in disclosure statements
10. Disclosures relating to proposed issue of municipal debt instruments
11. Disclosure of names of political office-bearers, officials and contact persons

12. Disclosures relating to financial affairs of municipality or municipal entity
13. Disclosures relating to local economic indicators
14. Annual updates of disclosure statements

***Part 3: General disclosure requirements***

15. Disclosures relating to municipal services
16. Material event disclosures
17. Availability of documents

**CHAPTER 3**

**COMPULSORY DISCLOSURES RELATING TO SECURITIES BACKED BY  
MUNICIPAL DEBT**

18. Issue of securities backed by municipal debt
19. Formal requirements for disclosure statements
20. Formal information to be included in disclosure statements
21. Disclosures relating to proposed issue of securities backed by municipal debt
22. Disclosure of names of contact persons
23. Disclosures relating to financial affairs of affected municipality or municipal entity

**CHAPTER 4**

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24. Municipal debt disclosure depository
25. Failures to disclose compulsory information
26. Notification of failure to meet a debt obligation
27. Short title and commencement