

UPGRADING OF ROCKY'S DRIFT WASTEWATER TREATMENT WORKS: CITY OF MBOMBELA LOCAL MUNICIPALITY

PURPOSE

The purpose of the Municipal Borrowing Bulletin (MBB) is to advance transparency, prudence, and responsible utilisation of municipal borrowing for infrastructure delivery. The MBB informs interested parties on developments in the municipal borrowing market. The MBB aims to add to a better understanding of developments and patterns in municipal borrowing through information sharing, analysis and exchange of topical content relating to municipal borrowing and infrastructure delivery.

CONTEXT

The MBB is issued by the National Treasury on a quarterly basis. This issue covers long-term borrowing information up to 31 March 2026,

corresponding to the end of the third quarter of the 2025/26 municipal financial year. This MBB includes data submitted by municipalities to National Treasury as required in terms of Sections 71 and 72 of the Municipal Finance Management Act of 2003; data acquired from lenders; information published by the South African Reserve Bank (SARB) and data from the Johannesburg Stock Exchange (JSE) sourced from STRATE.

HIGHLIGHTS

- Municipal borrowing reached R5.6 billion in the third quarter of 2025/26, representing 47 per cent of the adjusted R12.0 billion borrowing budget, up from 29 per cent in the second quarter of the same financial year;
- Municipalities reported R65.5 billion in outstanding long-term debt for quarter three,

while lenders reported R66.0 billion, indicating a difference between the two reporting sources;

- Aggregate long term debt remained broadly stable, with secondary cities increasing borrowing as metros consolidated their positions;
- The City of Johannesburg accounts for 30 per cent of total municipal debt and records a debt to revenue ratio of 23 per cent, underscoring metros' greater fiscal capacity for infrastructure finance;
- Private sector lenders continue to be material, funding approximately 36.5 per cent of total long term municipal lending despite a modest shift toward public sector institutions this quarter; and
- Loans now comprise 92 per cent of outstanding municipal debt, highlighting the central role of banks and development finance institutions in structuring long term municipal funding.



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

A **NATION** THAT **WORKS** FOR ALL



Data and Analysis

1. Municipal borrowing budgets

Table 1: Budgeted borrowings

	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
Original Budget	12 015 730	13 327 264	16 195 667	17 620 931	11 395 889	11 927 324	10 348 260	13 127 198	14 006 271	12 799 650
Adjusted Budget	11 602 644	13 572 036	12 241 682	16 017 275	7 280 462	7 282 004	8 935 181	9 637 671	12 824 743	12 017 343
Actuals	8 099 900	8 749 729	8 004 007	5 897 860	5 818 870	5 905 562	6 417 269	7 501 253	10 152 636	5 629 504
	70%	64%	65%	37%	80%	81%	72%	78%	79%	47%

Source: National Treasury Database

Municipal borrowing has continued to grow reaching R5.6 billion in quarter three of the 2025/26 financial year, equivalent to 47 per cent of the adjusted borrowing budget of R12.0 billion. This represents an increase of approximately R1.9 billion from the R3.8 billion recorded in the second quarter, with budget execution improving by 18 percentage points from 29 per cent to 47 per cent. The higher third-quarter borrowing indicates stronger mobilisation of planned long-term financing during the quarter.

The 2025/26 adjusted borrowing budget was revised downwards from R12.8 billion to R12.0 billion. With R6.4 billion still required to

fully execute the revised borrowing budget, municipalities would need to mobilise a substantial amount of additional borrowing during the final quarter.

The third-quarter improvement provides a stronger position than at mid-year, but the extent to which borrowing will ultimately reach the revised budget depends on the timing of planned drawdowns and the implementation of the underlying capital programmes. A like-for-like assessment of borrowing performance should compare third-quarter execution with the corresponding third-quarter performance in previous financial years rather than with full-year execution rates.

2. Analysis of long-term debt as reported by municipalities

Table 2: Outstanding long term debt as at 31 March 2026

Municipal Category	Municipality	Total debt Q3 2025/26 R'000	Share of total debt	Budgeted Revenue 2025/26 R'000*	Debt to revenue ratio
A	BUF	54 708	0,1%	10 953 569	0%
	NMA	766 273	1%	19 555 749	4%
	MAN	96 227	0,1%	11 640 587	1%
	EKU	6 816 198	10%	65 495 405	10%
	JHB	19 387 545	30%	84 820 301	23%
	TSH	8 449 563	13%	53 380 626	16%
	ETH	9 584 112	15%	60 395 849	16%
	CPT	9 671 023	15%	71 161 512	14%
	Total Metros	54 825 649	84%	377 403 598	15%
B	B1 (19)	7 189 497	11%	90 309 661	8%
	Other Municipalities	2 977 668	5%	126 065 591	2%
C	Districts	547 967	1%	34 097 528	2%
	Total all municipalities	65 540 781		627 876 378	10%

*excluding capital transfer

Source: National Treasury Database

Municipal long-term debt remained broadly stable through the third quarter, rising only slightly from R65.2 billion in quarter two to R65.5 billion in quarter three, as reported by municipalities. Beneath this headline stability, Table 2 shows that the composition of liabilities shifted as metropolitan municipalities consolidated while secondary cities expanded their borrowing. This rebalancing altered the distribution of new debt issuance, offsetting reductions in the larger metros.

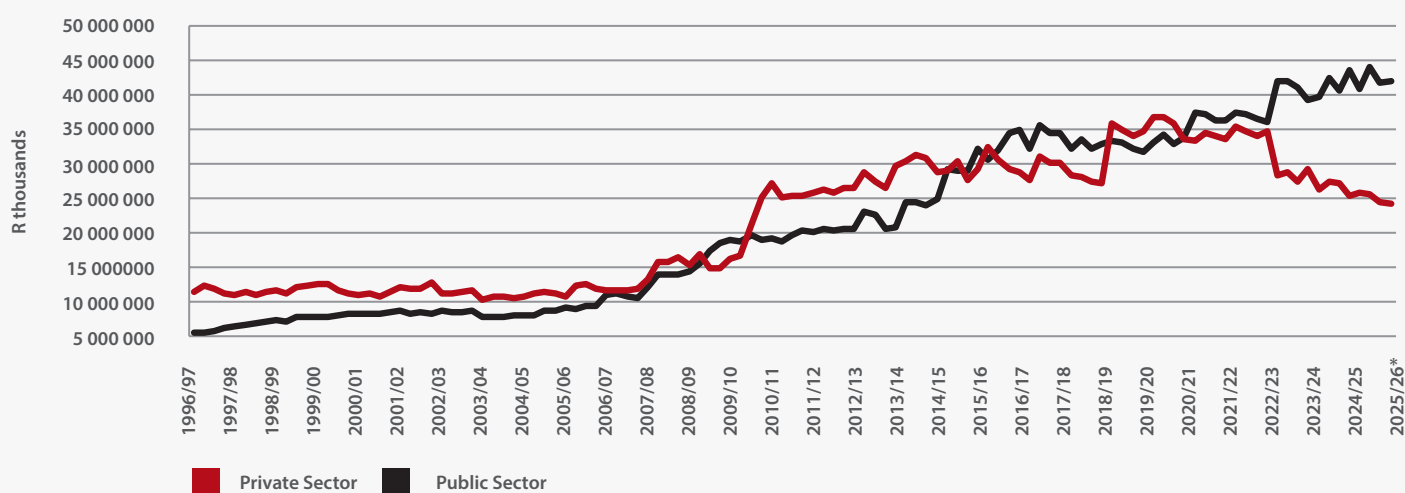
Metropolitan municipalities recorded a collective contraction, with debt falling from R55.4 billion in quarter two to R54.8 billion in quarter three. The decline reflected steady amortization and cautious borrowing across most major centres. The five largest metros still dominated the municipal debt market, accounting for over 80 per cent of national debt. The City of Johannesburg alone accounted for 30 per cent, with a debt-to-revenue ratio of 23 per cent. eThekweni and City of Tshwane had ratios of 16 per cent, followed by City of Cape Town at 14 per cent and City of Ekurhuleni at 10 per cent. These levels reflected the stronger fiscal capacity of metros and their ability to access long-term infrastructure finance.

In contrast, secondary cities expanded their capital structures, with outstanding long-term debt rising by over R1.0 billion, from R6.1 billion in quarter two to R7.2 billion in the third quarter. Their share of national municipal debt grew from 9 per cent to 11 per cent, accompanied by an increase in the aggregate debt-to-revenue ratio from 7 per cent to 8 per cent. Although their overall footprint remained smaller than that of the metros, this surge in borrowing offset metropolitan reductions, sustaining national stability.

The increase in borrowing by secondary city (B1) municipalities indicates growing participation by secondary cities in long-term debt financing. The borrowing remains predominantly loan-based and does not indicate current participation in the municipal bond market. Sustained access to long-term finance could, over time, provide a basis for broader capital-market participation. Whether the third-quarter increase represents a sustained change in the financing strategies of secondary cities or reflects project-specific borrowing will require observation over subsequent reporting periods.

Figure 1: Public and private sector lending to municipalities

Public vs private sector lending



*Incl. QIII

Data sources: Banks, DBSA, INCA, DFIs, STRATE, SARB

Public-sector institutions continued to account for the larger share of municipal long-term lending in the third quarter of 2025/26.

Total lending stood at R66.0 billion, compared with R68.9 billion in the corresponding quarter of 2024/25, representing a year-on-year decline of approximately 4.3 per cent. Public-sector lending declined by 3.9 per cent from R43.6 billion to R41.9 billion, while private-sector lending declined by 4.9 per cent from R25.4 billion to R24.1 billion.

Quarter-on-quarter, municipal long-term lending remained broadly stable, increasing slightly from R65.8 billion in the second quarter

to R66.0 billion in the third quarter. Public-sector lending increased from R41.5 billion to R41.9 billion, while private-sector lending declined marginally from R24.2 billion to R24.1 billion. The relatively limited movement in both sectors indicates that the overall lending position was broadly unchanged during the quarter. Private-sector lenders remained a material source of municipal long-term finance, accounting for 36.5 per cent of total lending in the third quarter. Their continued participation indicates that commercial lenders remain an important component of the municipal funding market despite the year-on-year decline in private-sector lending. The

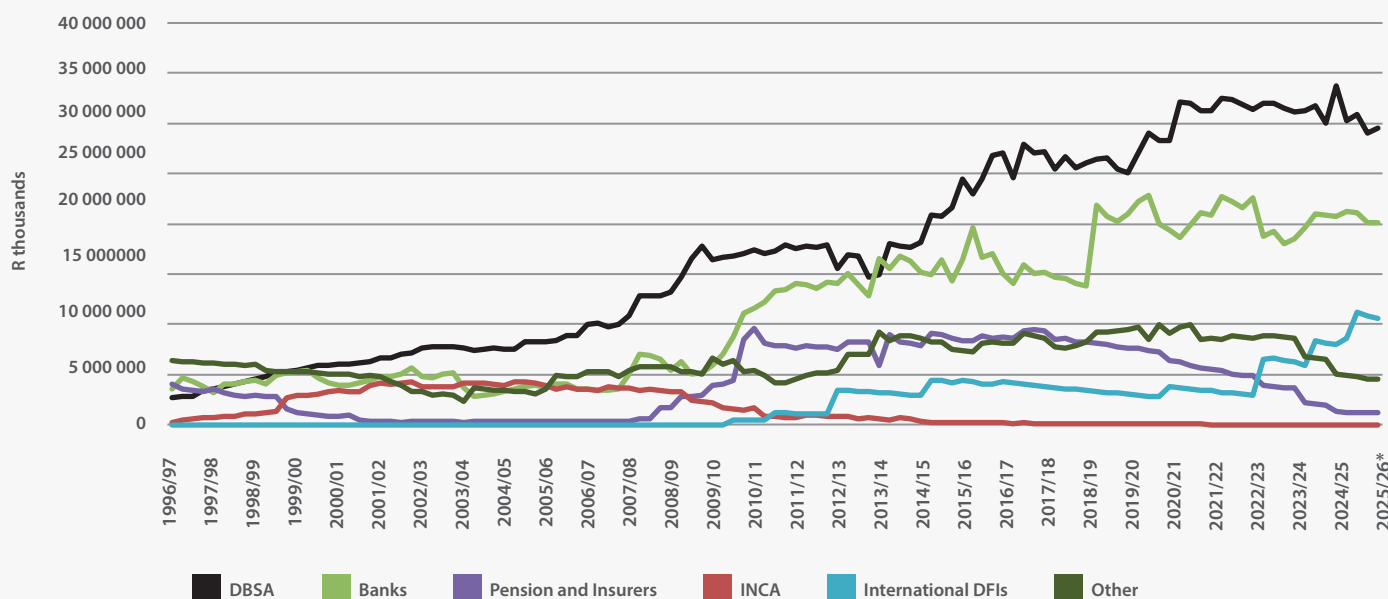
public-private lending differential stood at approximately R17.8 billion in the third quarter, slightly below the R18.2 billion recorded in the corresponding quarter of the previous financial year.

The current position highlights the need for a balanced financing ecosystem, rather than a shift towards one lender category at the

expense of another. Continued public-sector lending remains important for maintaining infrastructure financing where municipal borrowing needs persist, while stronger private-sector participation would help ensure that the municipal debt market does not become overly dependent on public institutions.

Figure 2: Largest lenders to municipalities

Largest lenders to municipalities



*Incl. QIII

Data sources: Banks, DBSA, INCA, DFIs, STRATE, SARB

As at quarter three of the 2025/26 financial year, the municipal long-term borrowing market showed a stable position, with domestic lenders supplying the bulk of municipal credit and international development finance institutions making a notable contribution.

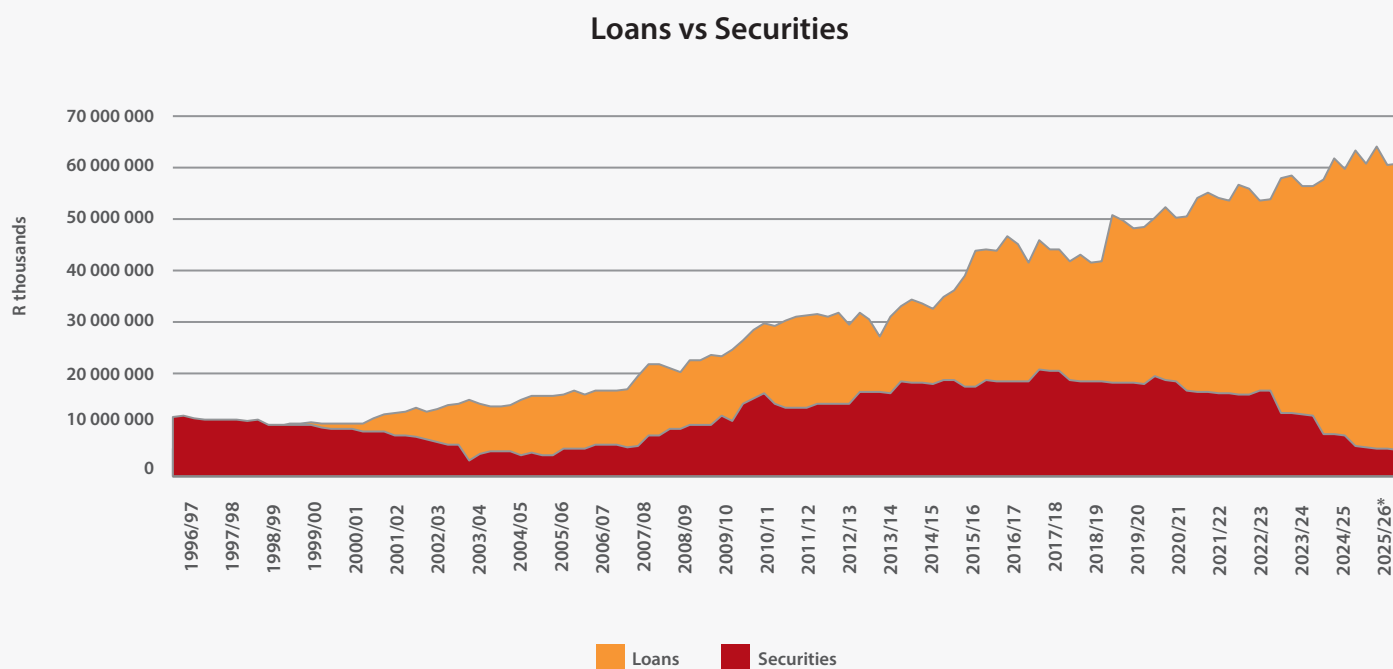
Figure 2 shows DBSA and commercial banks as the largest lenders, with exposures of R29.5 billion and R20.1 billion respectively. Their combined position provides a substantial domestic funding base for municipal borrowing.

International development finance institutions recorded exposure of approximately R10.7 billion in the third quarter, up from R8.6 billion at the end of 2024/25, indicating a substantial increase in international DFI participation since the end of the previous financial year. Exposure nonetheless declined slightly from the second quarter, where it stood at approximately R10.8 billion. Pension funds and insurers held approximately R1.2 billion, while the other lenders category stood at approximately R4.5 billion.

The lender composition demonstrates continued participation across a range of domestic and international institutions, although the market remains concentrated among DBSA and commercial banks. International DFIs have become a material source of long-term municipal finance, while the comparatively smaller exposure of pension funds and insurers indicates scope for broader institutional investor participation.

Sound municipal financial management and robust project preparation remain essential for expanding lender participation. The MFMA links borrowing to capital expenditure and the refinancing of qualifying long-term debt, providing a disciplined framework for municipal borrowing. The quarter's lending mix points to appetite for co-investment across the lending community, with scope for commercial lenders, institutional investors and development finance institutions to partner as opportunities become more bankable. Broader participation, though, will depend on continued progress in financial sustainability, project bankability and credit transparency among municipalities seeking to finance capital infrastructure.

Figure 3: Split between loans and securities



*Incl. QIII
Data sources: Banks, DBSA, INCA, DFIs, STRATE, SARB

Municipal borrowing appears to have shifted dramatically over the past three decades, moving from a securities-led market to one largely financed by loans. Nearly thirty years ago loans comprised 32 per cent of outstanding municipal debt and securities 68 per cent. By quarter three of 2025/26, Figure 3 shows that balance had reversed, with loans comprising 92 per cent of the debt stock, and securities just 8 per cent.

Nominal values mirror this change in instrument mix. Securities peaked at roughly R20.6 billion in 2017/18 but declined to R5.2 billion by quarter three 2025/26. The loan stock expanded to R60.8 billion in the latest quarter. Between quarter two and quarter three of 2025/26, loans rose by R298 million (0.5 per cent) while securities fell by R102 million (1.9 per cent). Compared with the same quarter in 2024/25, loans were 4.9 per cent lower and securities 10.1 per cent lower, together these component declines produced an aggregate debt decline of about R3.7 billion, or 5.3 per cent. The sharper contraction in securities has increased the relative importance of loans even as total debt has fallen.

The long-term reorientation likely has implications for municipal infrastructure finance, though the full scale of the effect is not yet clear. A smaller securities stock reduces the pool of market-based, tradeable municipal debt, shifting access to municipal exposure toward loan-based and structured lending arrangements. This shift may not reflect diminished investor appetite for municipal credit but rather, it could equally reflect a market where exposure is increasingly provided through lending relationships rather than tradable instruments.

For private lenders and institutional investors, the current structure emphasises the importance of banks, development finance institutions and other lenders that can offer structured, long-term funding. A more diversified lending market would likely expand financing capacity and reduce reliance on a narrow set of instruments. The core challenge is to ensure available financing keeps pace with growing infrastructure needs without narrowing the range of financing channels.