

NATIONAL ASSEMBLY
QUESTION FOR WRITTEN REPLY
QUESTION NUMBER: 379 [NW557E]
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379. Mr N F Shivambu (EFF) to ask the Minister of Finance:

Whether he intends to introduce legislation that will allow the National Treasury to deduct monies owed to Eskom by (a) municipalities and (b) government departments; if not, why not; if so, what is the envisaged date for introducing the specified legislation?

NW557E

REPLY:

No, the Finance Minister does not intend to introduce legislation of such a nature for the following reasons:

- The fiscal system has been designed to give autonomy to the spheres of government hence it is a decentralised fiscal system according to the Constitution of South Africa. In our view this system shifts accountability to where it belongs. Through this system, reforms regarding revenue and expenditure functions are transferred from central government. Having said this, the Constitution, Chapter 13, clearly states that nationally raised revenue must be equitably shared between the three spheres of government. Furthermore, it allows for a treasury control mechanism through punitive action against those guilty of transgression of this arrangement. Introducing new legislation contrary to the prescripts and spirit of the Constitution is not acceptable.

In addition, this question betrays a fundamental misunderstanding of the way electricity is paid for in South Africa. Electricity users must pay for the electricity they use. In the case of customers supplied with electricity by municipalities, this means that users (including businesses and households) must pay the municipality for the electricity they use, and the municipality must in turn pay Eskom for the bulk electricity that they have purchased to sell on to their customers. National Government does not make transfers to municipalities to enable them to pay for electricity bought by municipal distribution customers. So it is not clear what source of funding the questioner is suggesting that funds should be deducted from and transferred directly to Eskom.

In line with the autonomy given to municipalities, the Accounting Officers is responsible for exercising prudent financial management at the institution, this is captured in section 60 and 61 of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA). Similarly, Section 38(1)(c) of the PFMA states that the Accounting Officers of departments are responsible for the monies due by the department.

Creating an opportunity that take away the responsibility of the respective sphere of government will open the door for any creditor to approach national government for direct payment which is will be unmanageable especially in cases were disputes may arise as is the case of Eskom and some municipalities as well as municipalities and the Department of Public Works and Infrastructure.