

NATIONAL COUNCIL OF PROVINCES
QUESTION FOR WRITTEN REPLY
QUESTION NUMBER: 478 [CW507E]
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478. Mr A Arnolds (Western Cape: EFF) to ask the Minister of Finance: [★2]
(Interdepartmental transfer – 5 August 2022)

- (1) (a) What is the current status of the municipalities that are owing Eskom more than R44 billion in unpaid debt for the supply of electricity and (b) what are their payment agreements with Eskom;
- (2) whether any municipalities that are at risk of electricity supply cut-off have any measures in place to ensure that residents are not impacted by the outstanding debt; if not, why not; if so, (a) what measures and (b) what are the further relevant details?

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REPLY

- (1)(a) National Treasury's analysis and observation is that many of these municipalities owing Eskom are in financial and service delivery crisis. Some of them have adopted unfunded budgets which is suggestive that they intend spending more than their revenue intake. Additionally, this group of municipalities are plagued with inefficiencies in the revenue value chain that contribute to their dire position. These inefficiencies could range from adopting tariffs that are not cost reflective and do not cover the bulk cost charges to massive losses on the services for which no revenue is recovered. National Treasury has been advocating that municipalities timeously settle their monthly current accounts with an affordable payment arrangement developed for the arrear portion with Eskom.
- (1)(b) According to the Section 41 of the MFMA report from Eskom, there are 31 payment arrangements in place. However, there are only 9 municipalities honouring these payment arrangements with 5 municipalities partially honouring it. The observation is that many municipalities enter into a payment arrangement without considering their affordability level and they end up defaulting on the arrangement. In essence, municipalities enter into the payment arrangements to avoid being disconnected by Eskom even though their financial status did not allow the arrangement. The remainder of the municipalities are dishonouring their arrangements.
- (2) This is dependent on Eskom's credit control and debt management processes at a particular point in time. National Treasury does not have records of all the communications from Eskom to defaulting municipalities.
- (2)(a) According to Eskom's section 41 of the MFMA monthly report, there are 67 municipalities currently in an active Intergovernmental Relations Framework Act (IRFA) process. These municipalities are currently being engaged with before a dispute is raised regarding arrear debt.
- (2)(b) Further detail regarding this matter could be obtained from Eskom as they are responsible for the process.