

NATIONAL ASSEMBLY
QUESTION FOR ORAL REPLY
TRANSFERRED TO WRITTEN REPLY
QUESTION NUMBER: 2114 * 678 [NW3477E]
DATE OF PUBLICATION: 22 NOVEMBER 2024

2114★678. Mrs. W R Alexander (DA) to ask the Minister of Finance:

Whether, in view of the Eskom Municipal Debt Relief Programme that is championed by the National Treasury, and considering that municipal debt to water boards and Eskom is a significant financial challenge which is severely impacting the financial viability of service providers, leading to cash-flow constraints that can limit operations, maintenance and expanding service delivery, with a growing population, what (a) is the updated total outstanding debt that municipalities owe to water boards and Eskom, and (b) measures is the National Treasury implementing in ensuring debts are settled for effective service delivery? NW3477E

REPLY:

- (a) Municipalities as of 30 September 2024, owe bulk suppliers R118.7 billion in arrears (excluding the September 2024 current account). Of the R90 billion owed Eskom –
- R74 billion is owed collectively by the 71 municipalities on the debt relief programme – R58.5 billion of this constitutes municipal relief debt. There was therefore a R15.5 billion increase in debt owed by municipal debt relief participants since 31 March 2023. Most of this is the increase relating to the top 14 Eskom defaulters.
 - R16.06 billion of the R90 billion owed to Eskom, are owed by municipalities that are not on debt relief. R13.03 billion of this are owed by metropolitan cities.

Municipal arrears owed to Bulk Suppliers as of 30 September 2024

Bulk Supplier	Current	Arrears	Total
Eskom	17 414 106 091	90 062 098 755	107 476 204 846
Total Eskom Debt	17 414 106 091	90 062 098 755	107 476 204 846
DWS	280 267 826	9 168 610 683	9 325 642 544
Water Boards	3 428 102 641	19 517 907 345	23 353 119 194
Total Bulk Water Debt	3 708 370 467	28 686 518 028	32 678 761 738
Total Debt owed Bulk Suppliers	21 122 476 558	118 748 616 783	140 154 966 585

Source: MFMA S41 bulk water and electricity reports @30 September 2024

- (b) The National Treasury developed early warning systems which assists municipalities to identify the extent of their financial problems where they exist, parallel to several other support initiatives to strengthen and enforce transparency, improve fiscal discipline and promote the better use of municipal revenue. These include initiatives focused on improving the adoption of realistically funded and credible budgets, integration and management of the revenue value chain, providing technical support to build municipal financial management capacity through the Municipal Finance Improvement Programme (MFIP) in cross-cutting areas of revenue related and other policies, tariffs, completeness of the revenue base, development of budget funding plans, the resolution of municipal financial problems through the development of financial recovery plans, the introduction of a Standard Chart of Accounts for municipalities (*mSCOA*) and processes to deal timeously with financial misconduct and consequence management.

National and Provincial Treasuries also engage municipalities annually through budget and benchmark engagements where the tabled budget is subjected to a rigorous assessment prior to adoption by the municipal council. There are also mid-year performance assessments which provide an opportunity to assess the financial and service delivery performance of the municipality against the adopted budget and effect the necessary adjustments. The National Treasury also enforces compliance in terms of s18 of the Municipal Finance Management Act by ensuring that any municipality that adopts an unfunded budget must develop a credible funding plan which seeks to gradually improve the financial position of the municipality and achieve a funded budget status. The implementation of these funding plans is monitored on a quarterly basis by the Treasuries.

In terms of the existing intergovernmental legislation, the Minister of Cooperative Governance and Traditional Affairs resolve and mediate issues between organs of state, including non-payment of bulk suppliers. Once this IGR process has been exhausted, the National Treasury, on request, may mediate in disputes of a financial nature as per the MFMA. NT in cases of persistent financial management breaches, can invoke section 216(2) of the Constitution to withhold a municipality's Local Government Equitable Share (LGES) and conditional grant transfers.

Where the situation amounts to a serious and persistent financial problems, it is the Provincial Executive that must institute the appropriate mode of intervention. Failing, only then may the national government intervene.