

**MINISTRY FOR COOPERATIVE GOVERNANCE AND TRADITIONAL AFFAIRS**

**REPUBLIC OF SOUTH AFRICA**

**NATIONAL ASSEMBLY**

**QUESTIONS FOR WRITTEN REPLY**

**QUESTION NUMBER 2019/403**

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**QUESTION: 403**

**403. Mr N Ngwezi (IFP) to ask the Minister of Cooperative Governance and Traditional**

**Affairs:**

What measures has he put in place to recover debt owed to municipalities by national and provincial departments and state-owned entities as nonpayment affects the efforts of municipalities to deliver basic services to communities? NW436E

**REPLY:**

The debt owed to municipalities by national and provincial government departments remains a challenge.

The debt owed by organs of state was R6.3 billion as at 31 December 2016 and R9.7 billion as at 31 December 2018, and the debt continue to grow due to accruing interest and insufficient funds allocation by organs of state to service arrears.

Some of the reasons include insufficient budget allocations by organs of state to service current year debt and historic debt.

COGTA, in collaboration with Treasury, has structures in place to assist municipalities to recover the amounts owed by organs of state and to facilitate the resolution of disputes between organs of state and municipalities.

These structures discuss the debt owed to the municipalities, evaluate progress on the reconciliation of intergovernmental debt undertaken by municipalities and organs of state, billing challenges, progress on payments and find amicable solution on challenges. The structures and measures put in place include:

* The National COGTA has undertaken an initiative to support municipalities through simplified revenue project which is aimed at enhancing the municipal revenue management and debt collection system;
* Provincial intergovernmental debt forums/sessions – this structure is championed by Provincial COGTAs and/ Provincial Treasuries;
* The department participates in the National Public Works Steering Committee, which focus on amount owed by Provincial and National Public Works;
* Chief Financial Officers’ forum;
* National Treasury monitors the movement of the debt of various organs of state through MFMA section 71 reports.

The Inter Ministerial Task Team dealing with debts owed by municipalities to Eskom and Water Boards (IMTT) recommended the installation of electricity and water prepaid metering infrastructure. This will be one of the effective tools to eliminate the municipal debt, as the municipal service will be on a prepayment system nationwide.

Organs of state are urged to prioritise municipal services in their budgets. There is a process underway to request the National Treasury team responsible for monitoring Provincial and National budgets to ensure that municipal services are prioritized in municipal budgets.

1. Section 96(a) of the Municipal Systems Act, states that municipalities must collect all money that is due and payable and section 96(b) state that municipality must adopt, maintain and implement a credit control and debt collection policy, which is consistent with its rates and tariff policies and complies with the provision of the Municipal Systems Act.
2. Section 75(A)(1) of Municipal Systems Act empowers a municipality to levy and recover fees, charges or tariffs in respect of any function or service of the municipality and recover collection charges and interest on any outstanding amount.
3. The credit control and debt collection policies adopted by municipalities are clear on debt collection; however, the municipalities still encounters challenges of collecting money that is due and payable mainly due to culture of non-payment and internal control deficiencies on the municipal systems.
4. The following are contributing factors to culture of non-payment and internal control deficiencies on the municipal systems
* Lack of debt reconciliation between municipalities and organ of state;
* Incorrect billing by some of the municipalities;
* Billing statements are not issued timeously and/not issued to the rightful owner within organ of state;
* Payments not allocated timeously to the relevant accounts by municipalities;
* Insufficient budget allocation by organ of state to service current year debt and historic debt;
* Inadequate budgeting for municipal services and property rates by organ of state

Ends…