

**MINISTRY FOR COOPERATIVE GOVERNANCE AND TRADITIONAL AFFAIRS**

**REPUBLIC OF SOUTH AFRICA**

**NATIONAL ASSEMBLY**

**QUESTIONS FOR WRITTEN REPLY**

**QUESTION NUMBER 2017/87**

**Mr C H H Hunsinger (DA) to ask the Minister of Cooperative Governance and Traditional Affairs:**

(1) What is the current amount owed to Eskom by each municipality which is considered to have defaulted on its payment agreement to the electricity supplier; (2) in each case, has (a) his department or (b) any provincial department of Cooperative Governance and Traditional Affairs taken any action in terms of section 139(5) of the Constitution of the Republic of South Africa, 1996, to implement a financial recovery plan; if not, why not; if so, what was the outcome of this recovery plan;(3) what has he found to have been the reason why each specified municipality is not successful in addressing the Eskom debt?  NW91E

**REPLY:**

(1) Listed below are municipalities with payment arrangements, however these municipalities have defaulted at some point. These key defaulting municipalities’ combined contribution to overdue municipal debt is 87%.

**Table 1: Municipalities with valid payment arrangements, as at 31 January 2017**



**Table 1 continued**



(2)(a) Section 139(5) states that if a municipality, in financial crisis, breaches its obligation to provide basic services or admits that it is unable to meet its financial commitments, the relevant provincial executive authority must impose a financial recovery plan. The Minister can only intervene in terms of Section 139(7) if the provincial executive authority cannot adequately exercise its power to perform the functions referred to in sub-sections 4 or 5. The national executive authority must then intervene.

National and provincial government is obligated, in terms of Section 154 of the Constitution, to support and strengthen the capacity of municipalities in managing their own affairs and exercising their own power to carry out functions. In holding municipalities accountable, CoGTA as part of the Inter-Ministerial Task Team on Eskom debt, has been in discussion with Premiers, MECs and Mayors. The Department has had engagements with various stakeholders to resolve the issue of Eskom debt. The following agreements were reached:

* Eskom proposed to reduce the current interest rate charged to municipalities that are in arrears from 5% to prime plus 2,5%.
* Eskom will review charging interest after 15 days as opposed to 30 days, in terms of the PFMA.
* Eskom has agreed to allocate the payments by municipalities first toward the principal debt before the interest.
* The majority of municipalities have been assisted to enter into payment agreements. In August 2016, only 24 municipalities had agreements in place. However, as at January 2017, it has increased to 54.
* The Inter-Ministerial Task Team is in the process of resolving the legislative matters on electricity reticulation between Eskom and municipalities.

(3)Based on Eskom’s interaction with municipalities and the Inter-Ministerial Task team (DPE/CoGTA/NT) during 2016, the following common challenges were identified as contributing to the municipalities not honouring their financial obligations with Eskom:

i) Financial

* Cross-subsidisation of electricity revenue for other municipal services.
* Electricity tariff setting is not cost-reflective.
* Some municipalities are grant-dependent.
* Notified Maximum Demand (NMD) penalties and interest on arrears makes it difficult to decrease the principal debt.

ii) Technical

* Eskom charges a high penalty when municipalities exceed the NMD.
* Theft and losses of electricity equates to as much as 50% of purchases in some municipalities.
* A maintenance backlog in infrastructure results in high technical losses.

iii) Legislative Framework

* Municipalities are unable to effect credit control measures in Eskom-supplied areas of electricity supply.