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**Author:** Mayibongwe Maqhina

DEBT CRISIS

# Departments owe municipalities whopping R22bn in rates

**MAYIBONGWE MAQHINA**  
mayibongwe.maqhina@inl.co.za

GOVERNMENT departments and public entities owe municipalities a whopping R22 billion as of the end of December, 2023.

This was revealed by Finance Minister Enoch Godongwana while responding to parliamentary questions from IFP MP Sbuyiselwe Angela Buthelezi.

Buthelezi wrote to Godongwana enquiring about the debt owed to municipalities by government departments, an overview of the municipal debt of each government department, and how National Treasury intends to address the debt issue.

In his written response, Godongwana said the high-level analysis of municipal debt for each government department as per the Municipal

Finance Management Act (MFMA) S71 report for the period ending December, 2023 shows a total outstanding debt of R22.065bn.

Godongwana said the national departments owe R8.015bn, provincial departments R9.756bn and public entities and institutions R4.294bn.

The minister's response shows that the Public Works Department owes R3.4bn, followed by Agriculture, Forestry and Fisheries R1.7bn, Human Settlements R66 million, Rural Development and Land Reform R451m and Arts and Culture R424m.

Godongwana said National Treasury has urged municipalities to enforce their credit control and debt management policies and by-laws.

"This implies that if any organ of state neglects to honour their payment arrangement for services rendered by



municipalities within the legislative time-frame of 30 days as per the Public Finance Management Act and MFMA, the municipal, by-law must proceed to terminate or restrict the services to those customers, including govern-

ment departments and businesses with immediate effect.

"Even if the customer questions the accuracy of the bill issued by municipalities which may be a valid concern, it is not acceptable not to honour the

payment for services consumed."

Godongwana also said depending on the specific credit control and debt management policy, the customer may in some cases have to pay first, before any dispute can be resolved.

"In addition, National Treasury has implemented various legislative mechanisms which are complemented by specific MFMA circulars, particularly those related to budgeting and debt to guide municipalities towards financial stability and efficiency and applying debtors' management and collection correctly to all customers, including organs of state debt.

"National Treasury's initiatives include smart solutions to enhance consumption accuracy by enabling precise tracking and billing; optimising revenue collection; and ensuring fair charges for actual usage," he said.