Munsoft encouraged by the R2bn budget for prepaid meter rollout to help ailing municipalities

Munsoft is pleased by the recently tabled 2024 National Budget which announced the introduction of a conditional fund for the rollout of smart prepaid electricity meters, as this is a crucial intervention for the many financially pressed South African municipalities.

CEO Nicholas Maweni says Munsoft is excited about Finance Minister Enoch Godongwana's allocation of R2bn to fund the deployment of prepaid smart electricity meters which would be rolled out over the medium term, beginning "with municipalities that have been approved for debt relief".

"The rollout of prepaid meters signifies a lifeline for many municipalities that resell electricity to residents who are defaulting on payment and can therefore not pay their outstanding bulk electricity supply debts to Eskom," he says.

The conditional fund will be supported through the following tranches: R500m in the 2024/25 fiscal year, R650m in 2025/26 and R800m in 2026/27. Godongwana revealed that government had earlier received applications from 72 municipalities for debt relief, and 70 of those had been approved. According to the National Treasury, the 72 applications account for 96.9% (R56.7bn) of total municipal debt owed to Eskom as of 31 March 2023. The 70 applications that were approved account for R55.2bn.

"Municipalities typically generate most of their revenue from electricity sales, adversely affected by various challenges, including a consumer culture of non-payment for services. This has been financially crippling for many of South Africa's municipalities. The large-scale roll-out of smart pre-paid meters will enable municipalities to recoup some of their funds and combat the damaging culture of non-payment. We are therefore encouraged that this intervention is a stepping stone towards some level of financial stability for our embattled municipalities," says Maweni.

He notes that Munsoft is also encouraged by the government's overall strategy to provide debt relief for municipalities' outstanding debt to Eskom in pursuit of a profound transformation of these entities.

"The state is working towards transforming these municipalities by empowering them to build financial resilience, amplify their capacity to generate sustainable revenue and rekindle a culture of paying for services rendered. We strongly support these measures and interventions, and I would even suggest that the debt relief programme represents an extremely rare chance for municipalities to reset their financial states. This is literally the lifeline that can keep many of our municipalities afloat," adds Maweni.

Munsoft is the home-grown leader in the development, deployment and maintenance of municipal financial management software in South Africa. The company currently provides financial management software and related services to more than 70 municipalities nationwide.

"We are confident that implementing the right municipal financial management solutions can be key for municipalities to become financially stable and sustainable, thus positioning themselves to be a driving force for the country's economic prosperity," Maweni concludes.

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