

**NATIONAL ASSEMBLY
QUESTION FOR WRITTEN REPLY
QUESTION NUMBER: 302 [NW1268E]
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302. Mr. A N Sarupen (DA) to ask the Minister of Finance:

- (1) What (a) total amount was (i) appropriated and (ii) disbursed from the National Revenue Fund to each state-owned entity (aa) in each of the past 10 financial years and (bb) since 1 April 2019 and (b) are the details of the conditionalities attached to each disbursement in each case in each specified financial year;
- (2) Whether all conditionalities were met; if not, what are the relevant details in each case;
- (3) Whether any mechanisms were put in place by the National Treasury to monitor the conditions applied to the disbursements; if not, why not; if so, what are the relevant details;
- (4) Whether any accountability measures were taken by the National Treasury when conditions were breached; if not, why not; if so, what are the relevant details?

NW1268E

REPLY:

- 1 (a) Below are tables summarizing the monies allocated and disbursed to state owned enterprises over the last years. There are two types of payments, the first is the recapitalization funding and the other transfers to public corporations. Transfers are regular payments made to entities by parent departments.

Summary of payments for financial assets (Recapitalisation) to SOEs over the last ten years

Rand Thousands															
SOE	Department	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	Adj Appr 2018/19	Total 2008/09- 2018/19	MTEF 2019/20	MTEF 2019/20 Paid since April 2019
Broadband Infraco	Public Enterprises	377 000	208 530	138 600	-	-	-	-	-	-	-	-	724 130	-	-
Denel	Public Enterprises	-	-	-	-	700 000	-	-	-	-	-	-	700 000	-	-
Development Bank of Southern Africa	National Treasury	-	-	-	-	-	2 400 000	2 500 000	3 000 000	-	-	-	7 900 000	-	-
Eskom	National Treasury	10 000 000	30 000 000	20 000 000	-	-	-	-	23 000 000	-	-	-	83 000 000	23 000 000	13 500 000
Land and Agricultural Development Bank of South Africa	National Treasury	-	1 000 000	746 700	750 000	200 000	300 000	500 000	-	-	-	-	3 496 700	-	-
National Housing Finance Cooperation (NHFC)*	Human Settlements	-	-	-	-	-	-	230 000	100 000	100 000	100 000	80 000	610 000	50 000	50 000
National Urban Reconstruction and Housing Agency (NURCH/Human Settlements		-	-	-	-	120 000	100 000	-	61 000	-	-	-	281 000	-	-
Rural Housing Loan Fund (RHLF)*	Human Settlements	-	-	-	-	31 975	-	-	-	-	50 000	-	81 975	-	-
South African Airways (SAA)	National Treasury	-	1 549 080	-	-	-	-	-	-	-	10 000 000	5 000 000	16 549 080	-	-
South African Express SOC Limited (SAX)	Public Enterprises	445 000	-	-	-	-	-	-	-	-	-	1 249 000	1 694 000	-	-
South African Post Office	Telecommunications and Postal	-	-	-	-	-	-	-	-	650 000	3 700 000	2 947 000	7 297 000	-	-
South African Postbank	National Treasury	-	-	-	-	-	205 000	-	174 013	-	-	-	379 013	-	-
Grand Total		10 822 000	32 757 610	20 885 300	750 000	1 051 975	3 005 000	3 230 000	26 335 013	750 000	13 850 000	9 276 000	122 712 898	23 050 000	13 550 000

* These are not schedule 2 entities but are Development Finance Institutions. They are normally funded from interest on advancements made (loans).

The allocations were recapitalisation, hence the inclusion here. NURCHA and RHLF have since merged into the NHFC.

Summary of transfers to SOEs over the last ten years

SOE	Department	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	Adj Appr 2018/19	Total 2008/09- 2018/19	MTEF	
														2019/20	MTEF Paid since April 2019
Alexkor	Public Enterprises	-	-	36 000	-	350 000	-	-	-	-	-	-	386 000	-	-
Denel	Public Enterprises	-	-	181 296	116 255	118 313	57 250	-	-	-	-	-	473 114	-	-
Development Bank of Southern Africa	Environmental Affairs	-	-	-	-	88 785	250 000	250 000	300 000	180 000	77 657	3 000	1 143 442	74 840	-
Development Bank of Southern Africa	National Treasury	-	-	-	139 686	535 540	893 205	1 164 888	-	-	-	-	2 733 319	-	-
Development Bank of Southern Africa	Trade and Industry	-	-	16 500	17 500	18 500	9 303	20 689	-	-	-	-	82 492	-	-
Eskom	Energy	-	-	1 828 710	1 856 610	1 879 368	2 141 027	2 948 037	3 613 243	3 526 334	3 846 154	3 262 031	24 901 514	3 374 053	506 106
Independent Development Trust	Rural Development and Land Re	-	-	-	40 176	65 248	31 476	7 320	-	-	-	-	144 220	-	-
Industrial Development Corporation	Economic Development	-	-	-	34 000	109 000	108 000	-	5 000	-	162 000	285 000	703 000	218 000	120 363
Industrial Development Corporation	Mineral Resources	-	-	23 609	23 298	-	-	-	8 893	-	-	14 976	70 776	24 683	17 500
Industrial Development Corporation	Small Business Development	-	-	-	10 700	-	-	9 000	8 751	-	-	-	28 451	-	-
Industrial Development Corporation	Trade and Industry	-	-	538 692	667 058	812 120	823 441	880 227	1 000 937	1 008 266	973 440	1 103 640	7 807 821	838 399	300 000
Land and Agricultural Development Bank of South Africa	Agriculture, Forestry and Fisheri	-	-	-	30 000	31 100	33 347	85 348	36 762	88 232	140 166	162 496	607 451	461 473	-
South African Broadcasting Corporation	Communications	-	-	290 760	143 800	215 444	256 570	227 168	172 927	182 093	173 766	187 421	1 849 949	199 016	52 304
South African Post Office	Communications	-	-	306 077	-	-	-	-	-	-	-	-	306 077	-	-
South African Post Office	Telecommunications and Postal	-	-	-	180 442	-	-	50 000	115 092	240 000	240 000	-	825 534	474 627	118 656
		-	-	3 221 644	3 259 525	4 223 418	4 603 619	5 642 677	5 261 605	5 224 925	5 613 183	5 012 564	42 063 160	5 665 091	1 114 929

1) (b) With regard to transfers to public corporations- Regular transfers for operations paid by the parent department have no conditions. The recapitalization conditions detail is listed below for each SOE.

Broadband Infracore:

- 1) (b) No Conditions - Funds were allocated for establishment costs as this was a newly created entity.
- 2) No conditions
- 3) No conditions
- 4) No conditions breached

Denel

- 1) (b) Allocated subject to Cabinet approval of Denel's strategy, business plan and funding plan
- 2) Corporate plan approved
- 3) Monthly meetings continue to be held with the SOC and the Department of Public Enterprises
- 4) NA

Development Bank of Southern Africa

- 1) (b) There were no specific conditions for the recapitalisation the Development Bank of Southern Africa. It was meant to stabilise their financial position after making loses in the previous years
- 2) No conditions
- 3) No conditions
- 4) No conditions breached

Eskom

2008/09 -2010/11 Subordinated loan (R60 billion)

- 1) (b) The conditions that were imposed on Eskom mainly related to Eskom achieving certain financial metrics in order to service the debt as well as interest.
- 2) Due to deterioration of its financial position, Eskom did not meet these conditions. Ultimately, the loan was converted into equity in 2015 as part of the Government support package that was provided to Eskom.
- 3) Quarterly progress reports and regular engagements between the National Treasury, DPE and Eskom.
- 4) No conditions were breached. The subordinated loan was later converted to equity in line with a cabinet decision as part of Government Support Package to Eskom.

2015/16 R23 billion equity

- 1) (b) The conditions as detailed below:

1. Developing a three-year generation strategy;
2. Developing a comprehensive maintenance strategy;
3. Delivering at least R60 billion through cost savings programme in line with the 2015 corporate plan;
4. Submit application to NERSA for tariff adjustments;
5. Raise the borrowing programme additional R52 billion of debt over the planned borrowings in the MYPD3;
6. No new investment to be undertaken in future coal mines;
7. Connect Renewable Energy programme to the National grid;
8. Implement the R250 billion capex together with additional R29 billion for critical transmission and distribution infrastructure;
9. Limit cost overruns in the new build programme;
10. Review of labour costs, employee benefits and salary adjustments;
11. Develop a detail proposal for the disposal of non-core assets;
12. Independent review of operating model and subsidiaries;

13. Ensure all the investigations initiated by the Board are concluded within the contracted timelines and submit findings to National Treasury and DPE;
14. Fill vacant position as a matter of priority; and
15. Provide quarterly reports to National Treasury and DPE

However, initially did not meet the below conditions such as:

1. Detailed study on labour costs;
2. Study on the operating model; and
3. Not providing sufficient information on the quarterly report according to National Treasury requirements.

- 2) Yes all the conditions were subsequently met
- 3) Quarterly progress reports and regular engagements between the National Treasury, DPE and Eskom.
- 4) Funds were withheld until ESKOM complied with conditions

2019/20 R23 billion equity

- 1) (b) No conditions were attached.
 - 2) No conditions
 - 3) No conditions
 - 4) No conditions breached

[Land and Agricultural Development Bank of South Africa](#)

- 1) (b) There were no specific conditions for the recapitalisation the Land and Agricultural Development Bank of South Africa. It was meant to stabilise their financial position after making loses in the previous years
- 2) No conditions
- 3) No conditions
- 4) No conditions breached

[National Housing Finance Cooperation](#)

- 5) (b) No conditions were given
- 6) No conditions
- 7) No conditions
- 8) No conditions breached

National Urban Reconstruction and Housing Agency

- 1) (b) Use recapitalisation funds to repay loan commitments.
- 2) Yes - conditions were met
- 3) Quarterly reports - Proof of loan repayment contained in 2016 Annual Report notes to the financial statements
- 4) NA

Rural Housing Loan Fund

- 1) (b) No conditions were given
- 2) No conditions
- 3) No conditions
- 4) No conditions breached

South African Airways (SAA)

- 1) (b) Money should be used only for government guaranteed debt, SAA should submit maturity profile of government guaranteed debt together with negotiation plan to manage short-term debt; provide progress reports on progress on initiatives that have been implemented to improve working capital management, provide quarterly financial performance reports
- 2) Yes
- 3) Weekly and monthly meetings are being held to monitor financial performance and implementation of measures to improve cash flow
- 4) Na

South African Express SOC Limited (SAX)

1 (b)

1. Funds will not be utilised to repay any portion of debt owed by South African Express Airways SOC Limited to Transnet;
2. The funds should be utilised only to repay South African Express Airways SOC Limited government guaranteed debt;
3. Upon recapitalisation, South African Express Airways SOC Limited's government guarantees will be reduced in line with the quantum of recapitalisation;
4. South African Express Airways SOC Limited submits monthly progress reports on the utilization of funds to the Department of Public Enterprises and the National Treasury;
5. By 31 December 2018, Department of Public Enterprises should present a plan for approval by Cabinet of the optimal corporate structure for state owned airlines which should include options that will be pursued for strategic equity partnerships and the disposal of non-core assets; and

6. By 31 December 2018, South African Express Airways SOC Limited and Department of Public Enterprises should submit a comprehensive plan that outlines the airlines strategy to reduce its reliance on Government financial support in the form of guarantees or recapitalisation.

2) The airline used some of the money to pay for leases instead of guaranteed debt as was required

3) Monthly meetings are held

4) A Letter was written to the Department of Public Enterprises and the entity was notified about the irregular expenditure. The Auditor General South Africa was also notified.

South African Post Office

1) (b)

R650m Amount was allocated as recapitalisation of SAPO to implement a strategic turnaround plan. The conditions set were as follows:

1. SAPO must not utilize this allocation to fund any past or future salary increases and bonuses. The DTPS must ensure compliance with this condition.

2. The Department must further ensure SAPO continues to submit progress reports on the implementation of its Strategic Turnaround Plan by 20th of every month, clearly providing a breakdown of how the funds have been used. National Treasury should be notified prior to the due date should there be any delays in the submission of the report.

R3.7bn

1. SAPO effect payment to the Facility Agent (Nedbank) to defray the R3.7bn loan.

2. SAPO providing a letter to National Treasury from Facility Agent confirming that the R3.7bn facility has been defrayed in full.

3. The guarantee agreement entered into between the lenders and the National Treasury will be terminated upon the receipt of the confirmation letter as set out above.

4. SAPO will be liable to pay any outstanding interest of fees that may arise, after the R3.7bn allocation is affected, ensuring that the R3.7bn facility is fully defrayed.

5. SAPO's R4.17bn guarantee and R4.42bn borrowing limit will be reduced by R3.7bn. The National Treasury will issue a letter to this effect upon the settlement of the R3.7bn facility. All guarantee conditions will remain in full force and effect.

6. SAPO will continue to report to the Monthly Monitoring Task Team on the development and implementation of a revised corporate strategy on a monthly and quarterly basis.

R2.9bn

1. SAPO's R470 million guarantee will be folded into this guarantee.

2. The guarantee will lapse after three years or as soon as the loan to be raised is defrayed, whichever comes sooner.

3. The monthly monitoring task team will continue for the duration of the guarantee period.

4. SAPO to provide monthly reports on the company's financial position and progress in developing and implementing a longer term turnaround strategy.

5. SAPO will provide monthly cash flows and projections as well as a breakdown of all outstanding creditor balances and projected creditor balances.

6. Should labour increase (including back pay) exceed the assumption included in the cash requirement calculation submitted for this application, measures will be taken by SAPO to ensure that the overall salary bill remains within the budget identified.

7. The guarantee will be reduced by allocations or recapitalisation that may be made to SAPO.

8. SAPO will be responsible for the drafting of a feasible and implementable corporate strategy framed within the legislative prescripts of its relevant policies. The corporate strategy will be accompanied by operational plans that will assist in monitoring the implementation and progress made by SAPO.
9. SAPO with the assistance of DTPS to implement its 4 phased cost reduction strategy including its revised business model as part of the 2019 corporate strategy.
10. All critical vacancies are to be filled within 5 months of the issuance of this guarantee.
11. SAPO will rebalance its post office network in an effort to eliminate operational and cost inefficiencies.
12. SAPO will not utilise the excess capital within Postbank to fund operations.

- 2) Yes
- 3) Monthly meetings, Monthly and quarterly reports
- 4) None. All conditions relating to the R650m and the R3.7b allocations have been fully met. With regard to the R2.9b allocation, conditions have been met, and the 2019 Corporate Plan submitted by the Post Office addresses the conditions that are related to the revised business model.

[South African Postbank](#)

1) (b)

- The Postbank is to provide a comprehensive project plan that sets out specific project implementation, timelines and responsibilities along with associated budgets;
- The Postbank will provide quarterly progress reports on projects and expenditure against the budget.

- 2) Conditions are partially met in a sense that the corporatisation is still ongoing process due to the long nature of the process that had to be undertaken
- 3) Monitoring meetings between DoC and Treasury were held on a regular basis where progress was discussed and noted.
- 4) NA