

# 8

2026 BUDGET REVIEW

# FINANCIAL POSITION OF PUBLIC-SECTOR INSTITUTIONS



**national treasury**

Department:  
National Treasury  
**REPUBLIC OF SOUTH AFRICA**



## FINANCIAL POSITION OF PUBLIC-SECTOR INSTITUTIONS

### In brief

- Many state-owned companies continue to implement turnaround plans to stabilise their financial and operational positions, with varying levels of progress and reliance on government.
- Eskom posted its first profit since 2016/17, while Transnet improved performance but continued to fall short of its operational and financial targets.
- Development finance institutions showed a mixed performance but did not require additional government assistance.
- Apart from the Road Accident Fund, which continues to be deep in deficit, social security funds and the Government Employees Pension Fund remain sustainable over the medium term.

## OVERVIEW

This chapter reviews the financial performance associated with major state-owned companies, development finance institutions and social security funds. It highlights persistent challenges and progress in the implementation of restructuring plans aimed at restoring sustainability.

## STATE-OWNED COMPANIES

Major state-owned companies are mandated to operate as sustainable, profit-generating businesses that can borrow based on the strength of their balance sheets. However, they have collectively made losses of R172 billion for the past five years, with many relying on the public purse for financial support. Turning these companies around is central to improving South Africa's economic performance. At Eskom this requires strengthening energy security and reducing fiscal pressure on the state, while Transnet needs to stabilise the performance of rail and ports and expand export capacity.

In the most recent financial year, the finances of major state-owned companies improved, with return on equity shifting from -15.6 per cent in 2023/24 to 3.7 per cent in 2024/25. Profitability was supported by efforts to improve efficiency, strengthen revenue generation and optimise balance sheets. However, this relied heavily on government support, particularly at Eskom and Transnet.



**Table 8.1 Combined balance sheets of state-owned companies<sup>1</sup>**

R billion/per cent growth	2019/20	2020/21	2021/22	2022/23	2023/24 <sup>2</sup>	2024/25 <sup>3</sup>
Total assets	1 313.4	1 251.9	1 283.4	1 314.7	1 348.9	1 457.5
	3.5%	-4.7%	2.5%	2.4%	2.6%	8.0%
Total liabilities	960.7	871.7	864.4	892.7	950.2	924.1
	3.6%	-9.3%	-0.8%	3.3%	6.4%	-2.7%
Net asset value	352.7	380.2	419.0	422.0	398.8	533.4
	3.1%	7.8%	10.2%	0.7%	-5.5%	33.8%
Return on equity (average)	-9.9%	-13.1%	-2.7%	-7.5%	-15.6%	3.7%

1. State-owned companies listed in schedule 2 of the PFMA, excluding development finance institutions

2. Numbers may differ from earlier publications due to restatement or error

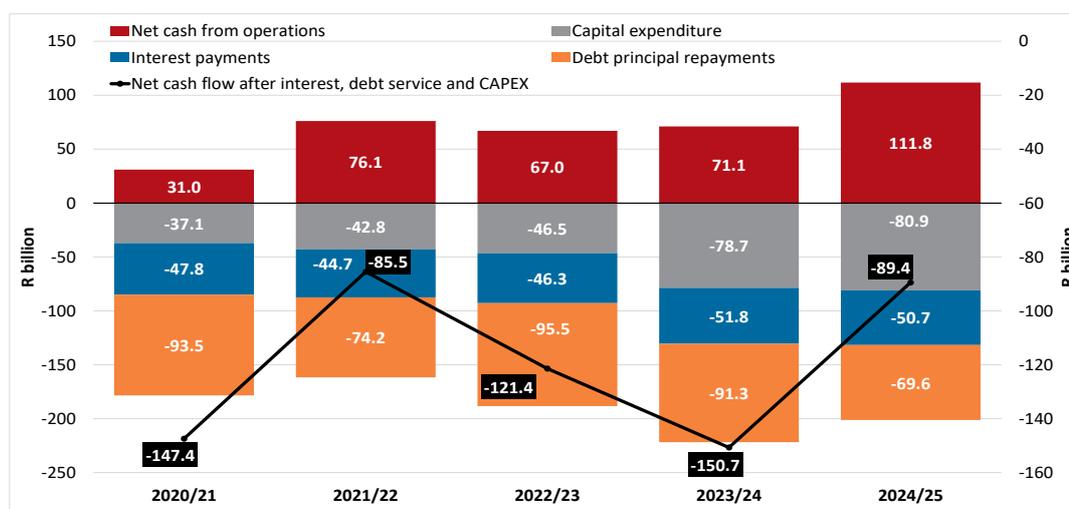
3. Due to reporting delays, unaudited financial results or quarterly reports were used

Source: National Treasury

Total assets of state-owned companies grew by 8 per cent between 2023/24 and 2024/25. This was mainly due to higher capital spending, although Eskom’s assets were also boosted by its improved cash position. Total liabilities decreased by 2.7 per cent from 2023/24 to 2024/25, primarily due to the repayment of maturing debt obligations.

While net cash generated from operations has improved somewhat (Figure 8.1), state-owned entities still do not generate adequate cash to meet their financial commitments and capital needs. Capital expenditure improved only marginally in 2024/25.

Figure 8.1 Cash flows



Source: National Treasury

### Denel

Denel faces stagnant revenues, a cost base that requires further restructuring and constrained funding. The Auditor-General did not express an opinion on its financials, due to insufficient audit evidence.

Denel continues to implement its turnaround plan, which aims to restore operational capacity and financial sustainability. To date, progress reported under the stabilisation phase of the plan includes the appointment of a permanent executive team, production ramp-up at the aeronautics subsidiary and securing of new contracts to improve the revenue outlook. Of the R3.4 billion that government allocated to Denel to implement the turnaround plan in 2022, R156 million remains ring-fenced for strategic repairs and maintenance, working capital and capital projects.

### Eskom

Eskom returned to profitability in 2024/25 after nearly a decade of sustained losses. The utility improved its generation performance in line with its generation recovery plan. Load-shedding days declined from 325 days in the prior year to 32 days, reflecting improvements in system reliability and underlying operational performance. Municipal debt remains a critical risk to Eskom’s financial sustainability. Total municipal arrears

escalated to R94.6 billion from R74.4 billion from the prior financial year, driven by persistently low payment levels. Eskom is working with government on alternative interventions, including Distribution Agency Agreements and prepaid supply models, to address this, as discussed in Chapter 6.

Net profit for the year was R16 billion. Revenue increased by R45.1 billion to R340.9 billion in 2024/25, driven mainly by a 12.7 per cent standard tariff adjustment and a 3.5 per cent increase in sales volumes to 189.7 TWh. The net debt-to-equity ratio – an indicator of financial risk showing how much of the company capital structure is funded by debt relative to equity – improved from 1.99 in 2023/24 to 1.45 in 2024/25, while debt decreased from R412.2 billion to R372.7 billion. While liquidity ratios strengthened, indicating an improved ability for Eskom to honour short-term financial obligations when they fall due, liquidity pressures require ongoing monitoring.

The Eskom debt-relief arrangement now totals R230 billion, down from the initial R254 billion. To date, R140 billion of this has been disbursed. A further R80 billion will be disbursed by March 2026 and R10 billion in 2028/29. As detailed in the 2025 *Budget Review*, government revised the R70 billion debt takeover planned for the final year of the arrangement to R50 billion in advances.

### Transnet

Transnet's financial position remains fragile, characterised by rising debt levels and insufficient cash. The company remains unprofitable, although it narrowed its net loss from R7.3 billion in 2023/24 to R1.9 billion in 2024/25.

Transnet's core focus in the 18 months to March 2025 was to implement its recovery plan. Priorities included stabilising operations through improved infrastructure maintenance, accelerating the return to service of locomotives and strengthening security. However, progress has been slow, and Transnet has consistently missed operational and financial targets. Ageing infrastructure, equipment failures and security incidents continue to suppress volumes and weaken revenue potential. Building on the recovery plan, in April 2025 Transnet adopted a new strategy to address the operational, financial and structural challenges that have constrained performance and adapt to the evolving logistics and regulatory environment.

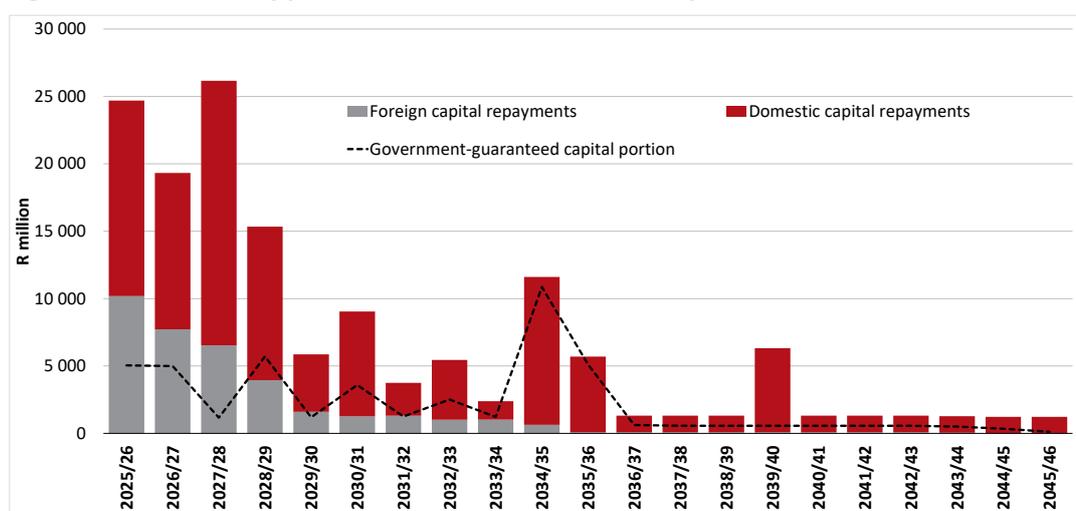
Despite improvements in its operating performance, Transnet remains reliant on government support. Government extended additional guarantees totalling R145.8 billion in 2025/26 to enable Transnet to redeem maturing loans and support critical capital investment, bringing the total guarantee facility to R196.3 billion. To date, through the Budget Facility for Infrastructure, Transnet has received R1.3 billion for the Cape Town Container Terminal Expansion (Phase 2B) Project. As outlined in Annexure D, further allocations amounting to R11.2 billion are proposed to support other capital projects being undertaken by the company.



## DEBT OBLIGATIONS

Total capital repayments of R24.7 billion are expected in 2025/26 on the debt of state-owned companies. Government-guaranteed debt constitutes R5 billion of the maturing debt, of which the South African National Roads Agency Limited (SANRAL) accounts for R4 billion. The Development Bank of Southern Africa (DBSA), the Industrial Development Corporation (IDC) and SANRAL account for 86.6 per cent or R21.4 billion of the expected maturities for 2025/26. Over the medium term, aggregate debt maturities are expected to total R60.8 billion, of which R11.9 billion (19.6 per cent) is government guaranteed.

Figure 8.2 Debt maturity profile of selected state-owned companies\*



\*Eskom, Transnet, South African Airways and Denel are excluded because their reports are outstanding  
Source: National Treasury



Major state-owned companies planned to borrow R60.6 billion in 2024/25. However, large borrowers – including Eskom, SANRAL, South African Airways and Transnet – did not report their borrowing outcomes. Actual borrowing for state-owned companies that did report totalled R6.2 billion in 2024/25. All of this was raised from domestic sources, with short-term loans making up 33.3 per cent of the total.

Borrowing in 2025/26 is expected to amount to R47 billion. Transnet and Eskom are expected to be the largest borrowers over the medium term.

## DEVELOPMENT FINANCE INSTITUTIONS

Development finance institutions are mandated to promote economic growth, job creation, social development and environmental sustainability by financing projects that are often underserved by traditional financial institutions, such as expanding social infrastructure.

Major development finance institutions reported mixed results for the financial year, with the DBSA showing steady performance while the IDC reduced its net profits, and the Land Bank continued to work towards restoring its loan books to health.

## FINANCIAL POSITION OF PUBLIC-SECTOR INSTITUTIONS

**Table 8.2 Financial position of selected development finance institutions**

R billion	2019/20	2020/21	2021/22	2022/23 <sup>1</sup>	2023/24	2024/25
<b>IDC</b>						
<b>Total assets</b>	<b>109.7</b>	<b>135.8</b>	<b>164.0</b>	<b>159.3</b>	<b>154.6</b>	<b>134.5</b>
Loan book	29.1	25.5	24.3	38.9	41.3	43.5
Equity and other investments	80.6	110.3	139.7	120.4	113.3	91.0
<b>Total liabilities</b>	<b>49.4</b>	<b>53.3</b>	<b>52.9</b>	<b>50.1</b>	<b>46.3</b>	<b>39.1</b>
<b>Net asset value</b>	<b>60.3</b>	<b>82.5</b>	<b>111.1</b>	<b>109.2</b>	<b>108.3</b>	<b>95.4</b>
<b>DBSA</b>						
<b>Total assets</b>	<b>100.5</b>	<b>100.0</b>	<b>100.0</b>	<b>108.6</b>	<b>118.3</b>	<b>121.0</b>
Loan book	86.2	82.7	84.2	93.7	101.4	99.6
Equity and other investments	14.3	17.3	15.8	14.9	16.9	21.4
<b>Total liabilities</b>	<b>62.9</b>	<b>60.9</b>	<b>57.1</b>	<b>60.9</b>	<b>66.3</b>	<b>63.0</b>
<b>Net asset value</b>	<b>37.6</b>	<b>39.1</b>	<b>42.9</b>	<b>47.6</b>	<b>52.0</b>	<b>58.0</b>
<b>Land Bank</b>						
<b>Total assets</b>	<b>44.1</b>	<b>40.0</b>	<b>33.4</b>	<b>35.7</b>	<b>31.6</b>	<b>24.2</b>
Loan book	39.5	30.7	20.5	14.8	13.3	11.6
Equity and other investments	4.6	9.3	12.9	20.9	18.3	12.6
<b>Total liabilities</b>	<b>43.8</b>	<b>37.6</b>	<b>29.8</b>	<b>30.7</b>	<b>25.9</b>	<b>12.5</b>
<b>Net asset value</b>	<b>0.3</b>	<b>2.4</b>	<b>3.6</b>	<b>5.0</b>	<b>5.7</b>	<b>11.7</b>

1. Numbers may differ from earlier publications due to restatement or error

Source: National Treasury

The combined net asset value of major development financial institutions declined from R166 billion in 2023/24 to R165.2 billion in 2024/25, primarily because of a reduction in the asset base of the IDC and the Land Bank. The impact was partially offset by a decrease in liabilities from the settlement of debt obligations.

## DEVELOPMENT FINANCE BORROWING REQUIREMENT

The DBSA, the IDC and the Land Bank borrowed mainly to finance their lending activities in line with their respective mandates. During 2024/25, actual borrowing totalled R19 billion. Borrowing for 2025/26 is projected at R11.2 billion.

**Table 8.3 Borrowing requirement for development finance institutions<sup>1</sup>**

R billion	2023/24		2024/25		2025/26	2026/27	2027/28	2028/29 <sup>2</sup>
	Budget	Outcome	Budget	Outcome	Revised	Medium-term estimates <sup>3</sup>		
<b>Domestic loans (gross)</b>	<b>17.6</b>	<b>9.7</b>	<b>15.4</b>	<b>9.6</b>	<b>5.9</b>	<b>9.7</b>	<b>12.2</b>	–
Short-term	2.5	–	2.2	–	2.3	4.4	5.5	–
Long-term	15.1	9.7	13.2	9.6	3.6	5.3	6.7	–
<b>Foreign loans (gross)</b>	<b>6.9</b>	<b>11.7</b>	<b>8.1</b>	<b>9.4</b>	<b>5.3</b>	<b>7.5</b>	<b>9.6</b>	–
Long-term	6.9	11.7	8.1	9.4	5.3	7.5	9.6	–
<b>Total</b>	<b>24.5</b>	<b>21.4</b>	<b>23.5</b>	<b>19.0</b>	<b>11.2</b>	<b>17.2</b>	<b>21.8</b>	–
Percentage of total:								
Domestic loans	71.8	45.3	65.5	50.4	52.2	56.4	56.1	–
Foreign loans	28.2	54.7	34.5	49.6	47.8	43.6	43.9	–

1. Land Bank, Development Bank of Southern Africa and Industrial Development Corporation

2. IDC, Land Bank and DBSA have not provided medium-term estimates for the 2028/29 financial year

3. Land Bank was excluded due to non-submission of forecasts

Source: National Treasury

## Development Bank of Southern Africa

DBSA realised a net profit of R5.3 billion and sustainable earnings of R5.1 billion in 2024/25, both up 14 per cent on the prior year. Improved performance is attributed to cost-containment efforts, lower interest expense and management of portfolio risk in anticipation of the downward interest rate cycle. At end-March 2025, total assets stood at R121 billion and total liabilities at R63 billion. Debt levels relative to equity remain well below the 250 per cent limit prescribed by the DBSA Act (1997). Disbursements for the year totalled R17.5 billion (2024: R16.9 billion), aiding the building of schools, renewable energy projects, job creation and women's empowerment.

## Industrial Development Corporation

IDC Group profits fell from R7.5 billion in 2023/24 to R329 million in 2024/25, hampered by lower dividend income from investment companies, operational challenges in associate companies and increased impairments from weak commodity prices and distressed business partners. Group assets decreased by 13 per cent to R134.5 billion, primarily due to a loss in value in equity investments. Total liabilities decreased to R39.1 billion. Debt-to-equity ratios remain well below the Group's sustainability guideline of 60 per cent. At end-March 2025, the IDC's development portfolio stood at R93 billion. The IDC is focusing on labour-intensive and trade-exposed sectors. It supported a transformation fund with R4.3 billion and black industrialists with R13.4 billion in 2024/25.

## The Land Bank

The Land Bank reported a net profit of R468.9 million for 2024/25, a significant improvement from the prior year's restated profit of R61.3 million. This was driven mainly by interest earned on the capital injection from government, while interest expenses declined with capital repayments. The non-performing loans ratio marginally increased from 53.1 per cent in 2023/24 to 54.7 per cent in 2024/25 due to a reduction in gross loans. Non-performing loans decreased from R9.2 billion to R8.4 billion. Debt is down from R40.4 billion at the time of the default in April 2020 to R9.9 billion in March 2025.

The Land Bank has grown its development and transformation loans from 7 per cent of total loans in 2016 to 49 per cent in 2025. The Blended Finance Scheme – which combines grants from the Department of Agriculture, Land Reform and Rural Development with loans from the Land Bank to support emerging farmers – has significantly contributed to this growth, with the Land Bank disbursing R1.2 billion under the scheme in 2024/25.

## SOCIAL SECURITY FUNDS

### Overview

Social security funds provide income support and compensation to unemployed individuals or those affected by road and workplace accidents. Over the medium term, these funds are projected to be in deficit overall, mainly due to the widening deficit at the



Road Accident Fund (RAF). They expect revenue of R292.8 billion, primarily from contributions and earmarked allocations. Expenditure is expected to total R312.3 billion, mainly for benefit payments. At the end of 2024/25, the aggregate assets of social security funds stood at R338.6 billion, with the Unemployment Insurance Fund comprising 51.6 per cent of this total. Concurrently, total liabilities were reported at R433.1 billion, of which the RAF accounted for 85.5 per cent, equivalent to R370.3 billion. The *Estimates of National Expenditure* contains comprehensive financial data pertaining to these funds.

### Unemployment Insurance Fund

The Unemployment Insurance Fund provides short-term unemployment insurance to qualifying workers in terms of the Unemployment Insurance Act (2001). The fund's net asset value is forecast to increase from R138.9 billion in 2025/26 to R152 billion in 2028/29, driven by the accumulation of surpluses. Over the medium term, the fund will focus on strengthening the provision of social insurance benefits while improving coverage for vulnerable groups and contributors. Through its labour activation programme, the fund will support 605 000 people to access employment, with up to 70 per cent of participants drawn from former contributors and the remainder from new work seekers.



### The Compensation Fund

The Compensation Fund, which includes the Mines and Works Compensation Fund, provides compensation for disability or death caused by occupational injuries or diseases. The fund administers the Compensation for Occupational Injuries and Diseases Act (1993), which provides compensation to employees injured or who contract diseases in the course of employment, and to nominated beneficiaries of employees who die as a result. Over the medium term, the fund will focus on improving service delivery, supported by an integrated online employer portal that is expected to ensure that 90 per cent of claims are adjudicated within 30 working days. Benefit payments are projected to grow at an annual average of 3.8 per cent, from R7.2 billion in 2025/26 to R8.1 billion in 2028/29. The aggregate net asset value of the Compensation Fund and the Mines and Works Compensation Fund is expected to improve from R85.4 billion in 2025/26 to R98.1 billion in 2028/29, underpinned by the accumulation of surpluses.



### Road Accident Fund

The RAF compensates road users for losses or damages resulting from motor vehicle accidents, funded through the RAF levy. Long-term provisions are expected to rise from R370.3 billion in 2024/25 to R387.4 billion in 2025/26, and R426.2 billion by 2028/29, accounting for a large share of total liabilities and placing sustained upward pressure on expenditure. Spending is expected to increase at an average annual rate of 5.6 per cent, from R42.3 billion in 2025/26 to R49.8 billion in 2028/29. The lower average spending growth reflects revised expenditure assumptions, primarily due to lower-than-expected contractor costs associated with the Pretoria office relocation, implementation delays and a smaller expansion of the office footprint.



**Table 8.4 Financial position of social security funds**

R billion	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
	Outcome			Estimate	Medium-term estimates		
<b>Unemployment Insurance Fund</b>							
Total assets	136.2	151.3	174.6	160.8	165.0	169.5	177.1
Total liabilities	21.6	20.8	21.1	21.9	22.9	24.0	25.0
Net asset value	114.6	130.5	153.6	138.9	142.2	145.5	152.0
<b>Compensation Fund<sup>1</sup></b>							
Total assets	112.2	123.8	145.7	145.9	152.9	160.1	167.3
Total liabilities	42.1	41.6	41.7	60.5	63.3	66.3	69.2
Net asset value	70.2	82.2	104.0	85.4	89.5	93.8	98.1
<b>Road Accident Fund</b>							
Total assets	12.6	17.5	18.3	19.2	19.8	20.4	21.1
Total liabilities	355.5	353.3	370.3	387.4	400.6	413.4	426.2
Net asset value	-342.9	-335.9	-352.0	-368.2	-380.7	-392.9	-405.1

1. Includes Mines and Works Compensation Fund

Source: National Treasury

## Government Employees Pension Fund



The Government Employees Pension Fund (GEPF) remained broadly stable over the past five years. The number of pensioners and spouse beneficiaries increased steadily over this period, and in 2024/25 grew by 2.2 per cent from the previous year. Active membership declined from 1 277 902 to 1 267 539 in 2024/25. Statutory actuarial valuations continue to confirm that the fund is financially sound, with assets exceeding best-estimated liabilities. Benefit payments increased from R142.4 billion to R167.2 billion in 2024/25, mainly due to higher pensionable salaries and the introduction of savings withdrawal benefits. Contribution income grew from R92.2 billion in 2023/24 to R95.6 billion in 2024/25. Although estimated future cash flows declined from R56.7 billion to R37.6 billion at end-March 2025, the fund continues to receive sufficient cash from investment returns and contributions to pay benefits without disposing of investment assets.

**Table 8.5 Selected income and expenditure of GEPF**

R billion	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
<b>Revenue</b>										
Employer contributions	38.6	42.5	45.5	48.7	52.1	52.8	53.2	53.3	59.7	61.6
Employee contributions	21.7	23.5	25.1	26.9	28.6	28.8	28.8	29.8	32.5	34.0
Investment income <sup>1</sup>	73.5	73.7	77.3	84.8	88.6	82.1	108.6	107.0	109.0	108.5
<b>Expenditure</b>										
Benefits paid	83.1	88.3	94.9	102.5	110.9	110.6	135.5	137.4	142.4	167.2

1. Dividends on listed equities, interest on bonds and money market instruments and income from unlisted properties and unlisted investments excludes adjustments for value of financial assets

Source: Government Pensions Administration Agency

## CONCLUSION

Despite operational gains, state-owned companies continue to be reliant on government guarantees and support. Development finance institutions showed resilience despite operational challenges. Apart from the RAF, social security funds and the GEPF are expected to remain sustainable over the medium term.