8

2023 BUDGET REVIEW

FINANCIAL POSITION OF PUBLIC-SECTOR INSTITUTIONS

national treasury
Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

In brief

- Government has been developing a new framework for managing bailouts to state-owned companies to reduce fiscal risks and promote long-overdue reforms. The preliminary framework will be published in March 2023 for consultation and will thereafter be submitted to Cabinet.
- A major debt-relief arrangement for Eskom will relieve pressure on the utility's balance sheet and maintenance programme.
- Over the medium term, the net overall position of the social security funds is expected to improve in line with stronger outcomes in each fund.
- The Development Bank of Southern Africa and the Industrial Development Corporation showed resilience during the economic recovery from COVID-19. The Land Bank's financial position has improved, but it remains in default.

OVERVIEW

This chapter reports on the financial position of state-owned companies, development finance institutions, social security funds and the Government Employees Pension Fund (GEPF). The performance of these institutions remains inconsistent but is broadly negative. State-owned companies continue to rely on government bailouts and dominate the guarantee portfolio. Development finance institutions and the GEPF remain solvent.

Between 2012/13 and 2021/22, state-owned companies received about R266.6 billion in bailouts from government. The 2022 *Budget Review* outlined the need for a new framework for managing bailouts to state-owned companies to reduce fiscal risks and promote long-overdue reforms. The preliminary framework will be published in March 2023 for consultation and will thereafter be submitted for Cabinet approval. It aims to link bailouts of these entities to a range of reforms needed to make them sustainable and efficient.

In the meantime, government has taken certain steps to reduce fiscal risks from public entities and state-owned companies. Higher-than-anticipated revenues have been used to provide conditional short-term support, while a major debt-relief arrangement for Eskom will relieve extreme pressure on the utility's balance sheet, enabling it to undertake the necessary maintenance and investment.

STATE-OWNED COMPANIES

Major public entities as listed under Schedule 2 of the Public Finance Management Act (1999) are required to operate as sustainable profit-generating businesses that borrow on the strength of their balance sheets. State-owned companies report to shareholder departments, such as the Department of Public Enterprises for Eskom, Transnet and Denel. In addition, they are subject to oversight from departments setting relevant policies and the National Treasury. However, over the years the financial and operational performance of major state-owned companies has steadily deteriorated due in large part to weak corporate governance, archaic business models and burdensome cost structures. Table 8.1 summarises the financial position of state-owned entities at the end of 2021/22.

The State Capture Commission highlighted how various state-owned companies were key sites of corruption and fraud. This included abuses of procurement processes, bribery and malicious political interference. The Commission's recommendations are being prioritised, and several actions have been taken. Steps have included removing boards of directors, replacing executive teams, freezing transactions and seizing assets owned by those accused of corruption, and closing the bank accounts of beneficiaries of state capture.

Contingent liabilities arising from state-owned companies have risen from R84.4 billion in 2008/09 to R478.5 billion in 2022/23. Government is using short-term improvements in its cash balances to resolve a significant portion of these liabilities. The 2022 Special Appropriation Act reduced contingent liabilities stemming from the South African National Roads Agency Limited, Denel and Transnet. Further allocations are proposed in the current financial year for South African Airways (SAA) and the South African Post Office.

In the meantime, total assets of state-owned companies grew 4.3 per cent, from R1.23 trillion during 2020/21 to R1.28 trillion during 2021/22. During the year, major state-owned companies repaid maturing debt and took on slightly less new debt funding. However, due to rising interest rates, new debt was raised at a higher average cost. As a result, total liabilities, which consist mainly of borrowings, increased by 1.4 per cent, from R850.6 billion in 2020/21 to R862.8 billion in 2021/22. Accordingly, net asset value for major state-owned companies increased by 10.9 per cent to R417.6 billion.

Table 8.1 Combined balance sheets of state-owned companies[1]

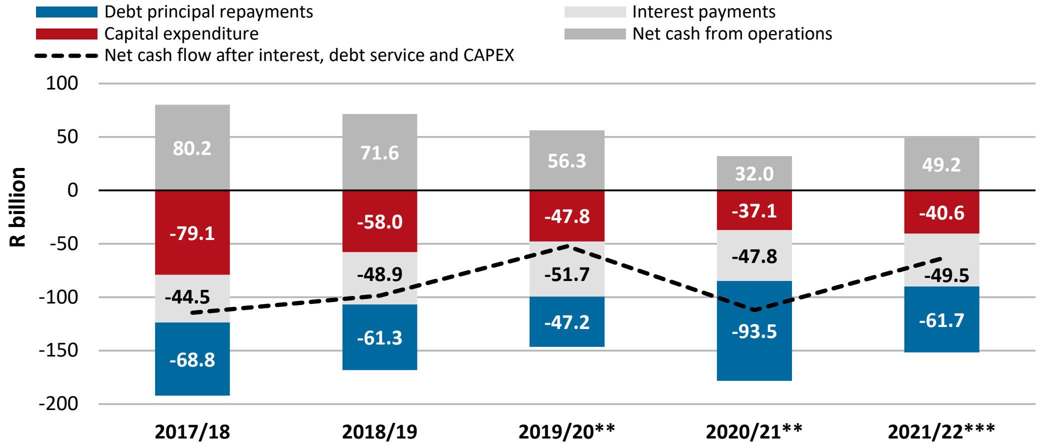
R billion/per cent growth	2017/18	2018/19[2]	2019/20[2]	2020/21	2021/22[3]
Total assets	1 263.2	1 269.0	1 313.4	1 227.3	1 280.4
	3.2%	*0.5%*	*3.5%*	*-6.6%*	*4.3%*
Total liabilities	901.1	927.0	960.7	850.6	862.8
	3.5%	*2.9%*	*3.6%*	*-11.5%*	*1.4%*
Net asset value	362.1	342.0	352.7	376.7	417.6
	2.3%	*-5.5%*	*3.1%*	*6.8%*	*10.9%*
Return on equity (average)	*-0.8%*	*-8.0%*	*-9.9%*	*-13.5%*	*-1.2%*

1. State-owned companies listed in schedule 2 of the PFMA, excluding development finance institutions
2. Please note numbers may differ from earlier publications due to restatement or error
3. Delayed release of audited financial statements from some companies; therefore, unaudited financial results or quarter 4 reports for the 2021/22 financial year were used
Source: National Treasury

As a result of increases in revenue, the average return on equity – a measure of how an entity's profit-generating efficiency – improved significantly from -13.5 per cent in the prior year to -1.2 per cent during 2021/22. The fact that this metric remains negative, however, signifies poor long-run profitability in state-owned companies.

Figure 8.1 shows the consolidated cash flow position of state-owned companies. Due to improved profitability, consolidated net cash flow from operations improved by 53.6 per cent, from R32 billion in 2020/21 to R49.2 billion in 2021/22. Net cash flow after interest, debt service and capital expenditure improved by 43.2 per cent, from -R112.3 billion in 2020/21 to -R63.8 billion in 2021/22. This was a result of improved operational cash generation and working capital management, and under-expenditure on capital investment.

Figure 8.1 Consolidated cash flows at state-owned companies*



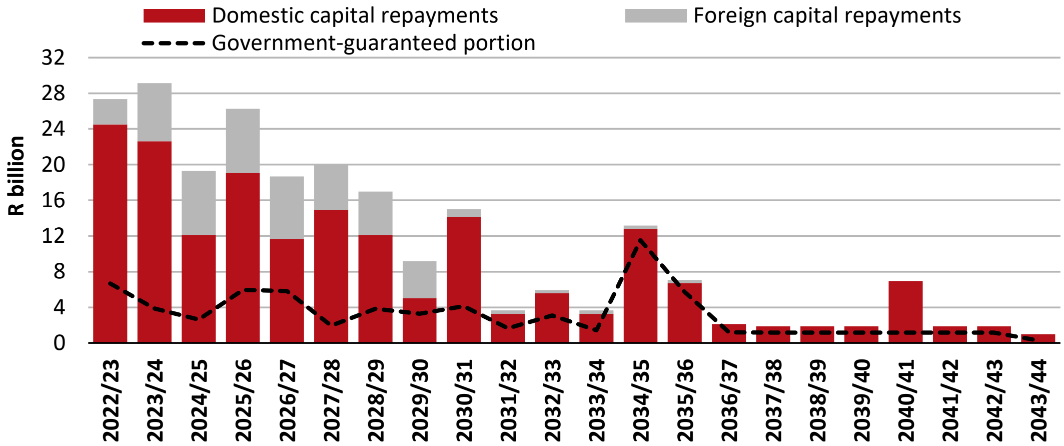
**State-owned companies listed in the PFMA schedule, excluding development finance institutions*
***Please note that numbers may differ from earlier publications due to restatement or error*
****Due to reporting delays, unaudited financial results or quarter 4 reports for 2021/22 were used*
Source: National Treasury

Capital expenditure remains below target due to continued inefficiencies in execution and the effect of COVID-19-related restrictions during the reporting year. Many state-owned companies remain unable to adequately fund their operations and debt obligations, and are even less able to optimally invest in infrastructure. Underspending on capital projects may in turn undermine broader economic performance. Capital expenditure increased by 9.5 per cent from R37.1 billion during 2020/21 to R40.6 billion during 2021/22 as a result of an increase in repair and maintenance capital spending.

Debt obligations

Total debt maturing over the medium term is expected to amount to R74.7 billion, of which 17 per cent or R12.5 billion is guaranteed by government.

Figure 8.2 Debt maturity profile of major state-owned companies*



**Airports Company South Africa, Denel, SANRAL, SAA, Trans-Caledon Tunnel Authority and Transnet. Eskom is excluded because it did not submit a maturity profile*
Source: National Treasury

Maturing debt will average R24.9 billion per year and annual guarantees will average R4.2 billion. Figure 8.2 shows the debt maturity profile of selected state-owned companies, excluding Eskom.

Table 8.2 shows the borrowing requirement of selected state-owned companies. In 2021/22, these companies managed to raise R38.9 billion or 77 per cent of their budgeted borrowings, with Transnet accounting for 40 per cent of the funding raised. Over the medium term, these companies are expected to rely significantly on domestic debt funding. Under the conditions of its debt-relief arrangement, Eskom's borrowing powers will be significantly curtailed. See Annexure W3 (online) for more detail.

Table 8.2 Borrowing requirement of state-owned companies[1]

R billion	2020/21		2021/22		2022/23	2023/24	2024/25	2025/26[2]
	Budget	Outcome	Budget	Outcome	Revised	Medium-term estimates[3]		
Domestic loans (gross)	**34.0**	**23.6**	**25.8**	**34.9**	**60.0**	**39.7**	**33.8**	**34.0**
Short-term	7.3	11.5	6.0	8.6	–	–	–	–
Long-term	26.7	12.1	19.8	26.3	60.0	39.7	33.8	34.0
Foreign loans (gross)	**22.1**	**14.4**	**24.6**	**4.0**	**34.5**	**4.0**	**8.3**	**3.9**
Long-term	22.1	14.4	24.6	4.0	34.5	4.0	8.3	3.9
Total	**56.1**	**38.0**	**50.4**	**38.9**	**94.5**	**43.7**	**42.1**	**37.9**
Percentage of total:								
Domestic loans	*60.6%*	*62.1%*	*51.2%*	*89.6%*	*63.5%*	*90.8%*	*80.4%*	*89.7%*
Foreign loans	*39.4%*	*37.9%*	*48.8%*	*10.4%*	*36.5%*	*9.2%*	*19.6%*	*10.3%*

1. ACSA, Eskom (did not submit outcomes for 2021/22), South African National Roads Agency Limited, Trans-Caledon Tunnel Authority, SAA, Transnet and Denel
2. Trans-Caledon Tunnel Authority did not provide forecast for 2025/26
3. ACSA, Eskom, SANRAL, TCTA (except 2025/26), SAA, Transnet and Denel
Source: National Treasury

Denel

Denel remains financially distressed and unable to fulfil its financial obligations. It has not submitted annual financial statements for the year. Funds amounting to R3.4 billion were allocated to the entity through the Special Appropriation Act (2022) with set conditions relating to the implementation of its turnaround plan and clarity on a sustainable business model. These funds can only be disbursed if Denel substantially meets the conditions before the end of March 2023. Government is closely monitoring this situation.

Eskom

Eskom remains reliant on continued state support to operate and meet its financial commitments. In 2021/22, revenues increased to R246.5 billion as a result of higher tariffs and a partial recovery in sales. Although savings of R20 billion were achieved during the year, these were offset by increases in primary energy and personnel costs. Eskom reduced its net loss position to R12.3 billion in 2021/22 from a loss of R25 billion in the prior year.

Despite higher revenues, continued power cuts and operational inefficiencies have reduced sales volumes over the years, with customers increasingly choosing other energy generation options where they are available.

The 2023 Budget proposes to provide Eskom with debt relief amounting to R254 billion over the next three years. This arrangement, which is subject to strict conditions, will relieve extreme pressure on the utility's balance sheet, enabling it to undertake the necessary maintenance and investment. The operating conditions associated with Eskom debt relief support the broader restructuring of South Africa's electricity industry. Details are set out in Chapter 3 and online Annexure W3.

South African Airways

SAA exited business rescue in April 2021 and restarted domestic and regional operations. It has not submitted financial statements for the most recent year. Government has significantly reduced its contingent liability exposure to SAA, and it is expected that the airline will no longer require government guarantees by the end of 2022/23.

To exit business rescue, a settlement agreement was reached between the rescue practitioners and the airline's creditors providing for a gradual payment of historical debts. Consequently, an additional R1 billion will be allocated during 2022/23 to assist with these outstanding obligations, with additional funding to be considered subject to strict conditions to allow the strategic equity partnership deal to be finalised. As a condition of such funding, all government guarantees to SAA will be cancelled.

Transnet

Transnet's core mandate is to provide ports, rail, and pipeline infrastructure and operations in a cost-effective and efficient manner. The company reported a profit of R5 billion in 2021/22, reversing a loss of R8.7 billion in 2020/21. This improvement was largely the result of higher revenue as the economy recovered, and a reduction in recognised third-party claims related to litigation or customer claims. Capital investment declined by 16.8 per cent to R13.2 billion in 2021/22 due to lack of funding.

If South Africa is to have a reliable, cost-effective and safe freight system, port and rail infrastructure requires large-scale investment. Following historical underinvestment, Transnet now plans to increase capital investment spending over the next five years to address a maintenance backlog and increase the capacity of existing infrastructure.

Some progress has been made to enable private-sector participation and access to the rail network. This is part of a broader shift away from a divisional, modal service offering to a more strategic collaborative approach. It will enable Transnet to participate in integrated commodity value chains, and work with the private sector to grow the investment portfolio in a financially sustainable manner, while unlocking new revenue streams. In January 2023, it issued a request for quotations for private-sector participation on its container corridor between Johannesburg and Durban.

The Special Appropriation Act (2022) provided Transnet with R2.9 billion to accelerate locomotive repair and maintenance. However, concerns remain regarding the entity's ability to service the current demand for cargo transportation on the freight system and keep pace with tonnage growth. The Adjustments Appropriation Act (2022) provided an additional R2.9 billion to Transnet to restore infrastructure damage caused during the April 2022 floods in KwaZulu-Natal, and this work is under way.

During 2023/24, the National Treasury will assess Transnet's freight corridors and associated port operations to identify interventions that should be implemented to improve operations and ensure that freight infrastructure is used optimally.

DEVELOPMENT FINANCE INSTITUTIONS

Development finance institutions borrow to finance lending in line with their mandates. The Land Bank, Industrial Development Corporation (IDC) and Development Bank of Southern Africa (DBSA) planned to borrow R19.7 billion during 2021/22. As at 31 March 2022, they had borrowed a combined R11 billion, as shown in Table 8.3. This was significantly lower than borrowing in 2020/21. The DBSA accounted for 76 per cent of the total debt funding in 2020/21 and 89 per cent in 2021/22. Gross borrowing is expected to amount to R11 billion in 2023/24 and decrease to R10.5 billion in 2024/25.

The DBSA and the IDC showed resilience in recovering from the lingering effects of the COVID-19 pandemic. However, rising interest rates and the protracted state of default of the Land Bank negatively affected cost of funding for development finance institutions and, consequently, cash flow management. The Land Bank has yet to finalise its liability solution with creditors to exit default.

Table 8.3 Borrowing requirement for development finance institutions[1]

R billion	2020/21		2021/22		2022/23	2023/24	2024/25	2025/26[2]
	Budget	Outcome	Budget	Outcome	Revised	Medium-term estimates[3]		
Domestic loans (gross)	**16.6**	**17.7**	**12.4**	**9.2**	**17.2**	**6.8**	**6.5**	**–**
Short-term	2.5	10.4	3.1	1.4	1.6	1.0	1.0	–
Long-term	14.1	7.3	9.3	7.8	15.6	5.8	5.5	–
Foreign loans (gross)	**6.4**	**26.0**	**7.3**	**1.8**	**12.2**	**4.3**	**4.1**	**–**
Long-term	6.4	26.0	7.3	1.8	12.2	4.3	4.1	–
Total	**23.0**	**43.7**	**19.7**	**11.0**	**29.4**	**11.0**	**10.5**	**–**
Percentage of total:								
Domestic loans	*72.2%*	*40.6%*	*63.1%*	*83.3%*	*58.6%*	*61.5%*	*61.4%*	*0.0%*
Foreign loans	*27.8%*	*59.4%*	*36.9%*	*16.7%*	*41.4%*	*38.5%*	*38.6%*	*0.0%*

1. Land Bank, Development Bank of Southern Africa and Industrial Development Corporation
2. IDC and DBSA have been excluded as no forecasts were provided for the 2025/26 financial year
3. Land Bank has been excluded as no forecasts were provided for the medium-term financial years
Source: National Treasury

Table 8.4 summarises the key performance indicators of the major development finance institutions. The net asset value of development finance institutions grew by 8 per cent to R161.5 billion in 2021/22, mostly due to the rebound in financial investments and disbursements as expected.

Table 8.4 Financial position of selected development finance institutions

R billion	2017/18	2018/19	2019/20[1]	2020/21[1]	2021/22
IDC					
Total assets	**137.0**	**144.6**	**109.7**	**143.7**	**174.1**
Loan book	30.7	25.9	29.1	25.5	24.3
Equity and other investments	106.3	118.7	80.6	118.2	149.8
Total liabilities	**44.8**	**49.3**	**49.5**	**57.7**	**59.5**
Net asset value	**92.2**	**95.3**	**60.2**	**86.0**	**114.6**
DBSA					
Total assets	**89.2**	**89.5**	**100.5**	**100.0**	**100.0**
Loan book	75.0	77.1	86.2	82.7	84.2
Equity and other investments	14.2	12.4	14.2	17.3	15.9
Total liabilities	**54.9**	**52.3**	**62.9**	**60.8**	**57.1**
Net asset value	**34.3**	**37.2**	**37.6**	**39.2**	**42.9**
Land Bank					
Total assets	**49.2**	**47.7**	**44.1**	**40.2**	**34.7**
Loan book	43.1	39.8	39.5	30.9	20.9
Equity and other investments	6.1	7.9	4.6	9.3	13.9
Total liabilities	**43.0**	**45.8**	**43.8**	**37.6**	**30.7**
Net asset value	**6.2**	**1.9**	**0.3**	**2.6**	**4.0**

1. Numbers may differ from earlier publications due to restatement or error
Source: National Treasury

Development Bank of Southern Africa

During 2021/22, the DBSA delivered infrastructure to the value of R33.4 billion by disbursing loans, catalysing public- and private-sector funds through de-risking projects and channelling its own funds to support infrastructure implementation. It generated a net profit of R3.8 billion compared with R1.4 billion reported in 2020/21, mainly due to the increase in net interest income as domestic interest rates rose.

In 2021/22, the DBSA achieved 95 per cent (R12.9 billion) of its disbursement targets of R13.5 billion. However, it only achieved 6 per cent (R44 million) of its R700 million disbursement target for under-resourced municipalities. This underperformance was attributed to uncompetitive price bidding and fewer municipalities seeking funding. The DBSA is developing an integrated planning approach to build capacity in under-resourced municipalities to improve its ability to finance this municipal market segment.

Industrial Development Corporation

The IDC's financial position improved during 2021/22, with enhanced profitability and stronger liquidity. The corporation approved R16 billion in loans and disbursed R7.2 billion – increases of 16 per cent and 14 per cent respectively compared with 2020/21.

Government asked the IDC to support businesses affected by the outbreak of public violence in July 2021 and the KwaZulu-Natal floods in 2022. In response, the IDC established a recovery fund that approved 96 transactions to the value of R2 billion, of which R1.5 billion was disbursed by the end of 2021/22. This helped businesses employing about 26 800 workers to recover and improve efficiency. In addition, the IDC committed R6.6 billion to transformation funding in 2021/22, compared with R3.9 billion in 2020/21.

The IDC group realised a net profit of R6.3 billion in 2021/22 against a realised loss of R33 million in the prior year. This was attributed to increased investment activity and broader economic recovery. Asset valuations improved, mainly for listed investments. Total group assets increased to R174. 1 billion in 2021/22 (2020/21: R143.7 billion).

The Land Bank

The Land Bank has been in default since failing to meet its debt obligations in April 2020. Discussions with its lenders are ongoing. Despite this, the entity has improved its financial position. Net profit for 2021/22 was R1.4 billion, compared to a net loss of R747 million in 2020/21. This resulted from actions taken to address poorly performing investments and a decrease in administrative fees.

Following a qualified audit opinion and a disclaimer audit opinion received in the two previous financial years, the Land Bank implemented a remedial action plan and received an unqualified audit opinion with no findings from the Auditor-General for 2021/22. The Auditor-General did, however, note uncertainty about its status as a going concern due to the debt default.

SOCIAL SECURITY FUNDS

Social security funds provide compensation or income support for unemployed workers and people involved in road and workplace accidents. Over the medium term, the funds are projected to collect R261.1 billion in total revenue, mainly from contributions and earmarked allocations, and pay out R261.6 billion in total expenditure, which largely consists of benefit payments. In aggregate, the funds held R231.9 billion in total assets in 2021/22, of which the Unemployment Insurance Fund held 54.1 per cent. Total liabilities amounted to R430.7 billion in 2021/22, of which the Road Accident Fund (RAF) accounted for 82.9 per cent or R357 billion. Over the medium term, the net overall position of the social security funds is expected to improve. Detailed income and expenditure data for the social security funds is published in the *Estimates of National Expenditure*.

Table 8.5 Financial position of social security funds

R billion	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
	Outcome			Estimate	Medium-term estimates		
Unemployment Insurance Fund							
Total assets	153.9	118.2	125.4	132.6	129.0	132.4	135.8
Total liabilities	19.1	23.3	22.5	26.2	19.9	20.8	21.9
Net asset value	134.8	94.9	102.9	106.5	109.1	111.6	114.0
Compensation Fund[1]							
Total assets	74.9	90.6	94.2	102.9	107.2	111.7	116.2
Total liabilities	44.2	49.3	51.2	52.8	55.1	57.5	60.0
Net asset value	30.7	41.3	43.0	50.1	52.1	54.2	56.3
Road Accident Fund							
Total assets	10.7	15.7	12.3	12.6	17.5	18.0	61.5
Total liabilities	332.6	362.1	357.0	355.5	353.3	340.3	372.3
Net asset value	-321.9	-346.5	-344.7	-342.9	-335.9	-322.4	-310.8

1. Includes Mines and Works Compensation Fund
Source: National Treasury

Unemployment Insurance Fund

The Unemployment Insurance Fund provides short-term benefits to qualifying workers who are out of work due to retrenchment, illness or adoption or maternity leave. Benefit payments are projected to decrease from R25.5 billion in 2022/23 to R21.1 billion in

2025/26. This reflects the expiration of certain schemes (COVID-19 temporary employer/employee relief and the unrest benefit) and payments for retrospective benefits arising from legislative amendments as the Unemployment Insurance Amendment Act (2016) that came into effect in 2019/20. The fund will incur an average annual deficit of R4.2 billion over the medium term, exceeding the contributions received. Net asset value is expected to grow from R102.9 billion in 2021/22 to R114 billion in 2025/26 as surpluses accumulate.

Compensation Fund

The Compensation Fund, including the Mines and Works Compensation Fund, provides compensation to employees for disablement or death caused by occupational injuries or diseases. In 2021/22, the fund ran a cash deficit of R0.1 billion after paying out R9 billion in benefits. The Compensation Fund expects to reach a cash surplus of R0.7 billion in 2025/26, with projected receipts of R12.3 billion and expenditure of R11.6 billion. Net asset value is expected to improve from R43 billion in 2021/22 to R56.3 billion in 2025/26 as accumulated surpluses increase.

Road Accident Fund

The RAF compensates road users for losses or damages caused by motor vehicle accidents and receives its revenue from the RAF levy. The long-term provisions, which account for a significant portion of total liabilities, are expected to narrow from R356.5 billion in 2021/22 to R352.8 billion in 2023/24 before widening again to R371.7 billion by 2025/26. This implies an average annual increase of 1.5 per cent over the medium term. The RAF levy is expected to grow from R48.1 billion in 2021/22 to R48.9 billion in 2025/26. By switching lump-sum payments for annuity payments in the settlement of loss-of-income claims, expenditure is expected to decrease from R46.7 billion in 2021/22 to R39.7 billion in 2025/26.

GOVERNMENT EMPLOYEES PENSION FUND

The GEPF is a defined benefit pension fund for government employees. It consisted of 1 261 363 active members and 499 726 pensioners and beneficiaries as at 31 March 2022. The number of active members declined by about 4 000 between 2020/21 and 2021/22 due to normal withdrawals and deaths.

The GEPF remains solvent, with the latest statutory actuarial valuations showing that its assets exceed its best estimate of liabilities. Total benefits paid for all claims amounted to R136 billion in 2021/22 compared with R111 billion in 2020/21. At the end of March 2022, the fund had a net cash flow position of R43.1 billion.

Table 8.6 Selected income and expenditure of GEPF

R billion	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Revenue									
Employer contributions	18.7	20.3	21.7	23.4	25.1	26.9	28.6	28.7	28.8
Employee contributions	33.5	36.1	38.6	42.1	45.3	48.2	51.7	52.8	53.2
Investment income[1]	57.7	64.1	73.4	73.7	77.3	84.8	88.6	82.1	108.6
Expenditure									
Benefits paid	57.9	85.8	83.1	88.3	94.9	102.5	110.5	110.6	135.5

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

The Public Investment Corporation invests the excess funds accumulated by the GEPF and the social security funds. At the end of 2021/22, it had R2.55 trillion assets under management compared to R2.34 trillion in the previous year.

Table 8.7 Breakdown of assets under management by PIC, 2021/22

R billion	Government Employees Pension Fund	Unemployment Insurance Fund	Compensation Fund[1]	Other	Total
Asset class					
Equity	1 357.1	22.5	23.8	0.6	1 404.0
Bonds	710.7	63.3	53.0	15.1	842.1
Money market	61.1	15.5	13.8	41.2	131.6
Property	89.7	4.0	1.2	0.4	95.3
Unlisted investments	60.2	12.8	2.1	–	75.2
Total	**2 278.8**	**118.1**	**93.9**	**57.3**	**2 548.1**

1. Includes the Compensation Pension Fund

Source: Public Investment Corporation and National Treasury

CONCLUSION

Government continues to monitor the financial health of public entities and manage associated risks. A new framework for managing bailouts to state-owned companies will support continued reform efforts. Over the medium term, a debt-relief arrangement for Eskom will enable the utility to improve performance and transition to renewables.