

NATIONAL ASSEMBLY
QUESTION FOR WRITTEN REPLY
QUESTION NUMBER: 1133 [NW1320E]

1133. Dr D T George (DA) to ask the Minister of Finance:

Whether the National Treasury (a) has ever considered during the period 1994 to 2020, (b) is considering or (c) will consider the possibility to prohibit the extension of government guarantees to private sector loans incurred by state-owned enterprises; if not, why not; if so, what are the relevant details?

NW1320E

REPLY:

(a) Given the increase in government guarantees by 208% between 2009/10 and 2019/20, the National Treasury has not prohibited the granting of guarantees. This government guarantees were extended to state-owned enterprises for private sector and international development finance loans.

(b) In December 2020, the Minister of Finance approved minimum criteria that must be met by departments and SOCs when submitting requests for approval or concurrence with the approval of guarantees. The Instruction Note outlining the minimum criteria was published in December 2020. See attached for ease of reference. This Instruction Note does not prohibit the extension of government guarantees to private sector loans incurred by state-owned enterprises.

(c) Strict enforcement of the minimum criteria implies that some entities may not qualify for new or additional guarantees, which is an indication that guarantees alone may not or were not intended to be the only tool to address financial and governance challenges. SOC reforms are needed.