

# Reform plan for failing SOEs

## Restructuring, equity partners, selling off non-core assets

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FINANCE Minister Malusi Gigaba has said the government was planning to introduce a reform programme for state-owned entities (SOEs) that would include some restructuring and the involvement of equity partners.

Gigaba said the government was also considering selling non-core assets to provide financial support to struggling SOEs.

“Some will require restructuring with equity investment,” Gigaba said.

“In the coming year, government may be required to provide financial support to several SOEs which could be done through a combination of disposing of non-core assets, strategic equity partners or direct capital injections.”

Gigaba said following the appointment of boards for Eskom and SAA, Denel was the next in line.

He said the government was working with the private sector to get new boards with the necessary skill, experience and expertise.

SOEs have combined guarantees of R466 billion and the government was working on a policy that would make it difficult for the entities to get bailouts.

Gigaba said there would be strong conditions before any guarantees were issued.

Eskom has a guarantee of R350bn followed by the South African National Roads Agency Limited with a guarantee of R38.9bn and SAA which has a guarantee of R19.1bn

SAA, Eskom, the South African Post Office and Denel

all got guarantees in the current financial year.

Gigaba said SOEs could not rely on government guarantees to fund their operations.

“We will have to find resources through the sale of assets to recapitalise SOEs,” he said.

Gigaba said SAA was still to find an equity partner.

In its budget review, the National Treasury said some of the guarantees remained a risk to the fiscus.

The Treasury said SOEs needed to deal with allegations of corruption and state capture.

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Gigaba backed the appointment of the Commission of Inquiry into state capture.

However, it was the intention of the government to make SOEs sustainable.

The Treasury said the sale of shares at Telkom was not off the table.

It said instead of selling its Telkom shares, the government would dispose of some of the 195 000 properties it owned which, according to valuations by the Department of Public Works, were worth R40bn.

“We said we will announce which properties and assets we will sell.

“We will announce it in March,” said Gigaba.