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Government's relief of Eskom debt will not fix real issues

Takeover of R254bn owed will only improve utility's finances

By **Jabu Tshabalala**

The budget speech last week by Finance Minister Enoch Godongwana revealed that the state would take over R254-billion in Eskom debt. Though this will help the power utility with its finances, it fails to deal with the fundamental issues.

"The debt relief arrangement for Eskom seems significant... however, it does nothing to assist in rectifying the deep structural issues plaguing the state-owned entity," Anchor Capital wrote in a note.

Since loadshedding started in 2008, Eskom has faced many challenges, including poor planning, inadequate maintenance of its power plants and infrastructure, mismanagement and allegations of corruption.

Since the 2009 fiscal year, the government has provided the utility with R263.4-billion in bailouts.

The latest injection will take that to R517.4-billion. Yet in 2022, Eskom experienced a record loadshedding of 207 days, which devastated the local economy.

"While we welcome the financial measures minister Godongwana outlined to alleviate Eskom's debt, we are aware that this intervention will not give the country urgently needed electricity soon," Minerals Council's chief economist Henk Langenhoven said.

Nedgroup Investments co-head of cash solutions Sean Segar said Godongwana missed an opportunity to kick-start the

economy. "As far as Eskom's balance sheet is concerned, the phrase 'reshuffling the deck chairs on the Titanic' comes to mind," he added.

Godongwana said during his budget speech that the lack of reliable energy is the biggest constraint. A lack of the solution to Eskom's woes could push the economy into recession.

Stellenbosch University research associate Roy Havemann wrote in a piece published by *The Conversation*, that Eskom's debt relief would only fix the utility's financial standing.

"But the plan won't end power cuts," Havemann added.

"One way to end electricity shortages is to allow competitively priced and privately funded generation at scale. This requires a reorganisation of South Africa's electricity market," he said.

Citadel's chief economist Maarten Ackerman wrote in a note that while the 2023 budget speech brought some relief to

cash-strapped citizens, new fiscal pressures brought on by Eskom and cost of living crises as well as caps on taxes put the country at risk of spiralling debt if there was no real economic growth this year.

"We are in a tight corner," Ackerman said. However, he believes the budget contains good news for lower-income and middle-class South Africans, including that the state will extend the Covid-19 relief grant for another year; the fuel levy would not be increased; the tax bracket would be adjusted to curtail "bracket creep" and transfer duties would only apply to properties valued at R1.1-million or more.

The government plans to reduce the fiscal deficit without resorting to tax increases or further cuts in social wages and infrastructure spending.

During the 2024 fiscal year, the government will provide tax relief of R13-billion.

"The budget strikes a balance between social spending

and trying to fix the local economy's crises," Ackerman said.

London-based Capital Economics wrote that Godongwana largely pulled off the difficult task of sticking to fiscal prudence.

"The path to putting public debt on an even keel looks precarious," it said

Godongwana announced a tax rebate for individuals of 25% of the cost of solar panels purchased and installed at a private residence from March 1 2023. This rebate is capped at R15 000 an individual.

In addition, businesses will get a tax incentive based on their renewable expenditure.

Another risk is that the SA government's debt servicing costs are forecast to increase to R1-billion a day. Tax revenues exceeded estimates with the expectation of R1.69-trillion for the 2023 fiscal year, which exceeded last year's budget estimate by R93.7-billion and the mid-term budget by R10.3-billion.

Anchor Capital believes the National Treasury's economic growth forecasts are too optimistic.

"For example, the National Treasury forecasts economic growth of 0.9% for 2023, while we believe that the South African Reserve Bank's estimate of 0.3% growth is more realistic," Anchor added.

Stanlib chief economist Kevin Lings noted that SA's macroeconomic environment was extremely challenging.

This severely limits the minister of finance's policy choices, especially given the country's need to attract and retain foreign investment and avoid further credit rating downgrades.

Matrix Fund Managers' economist Carmen Nel said that SA's credit rating was likely to remain steady following the issuing of the budget speech.



This week Finance Minister Enoch Godongwana revealed that the state would take over R254bn in Eskom debt. / GCIS



The SARB has a zero-tolerance approach on money laundering

Greylisting: SA faces investment outflows

South Africa could face capital outflows in the months ahead and lower investment returns after a Paris-based anti-money laundering watchdog placed the country on its watchlist.

On Friday, the Financial Action Task Force (FATF) put SA on its grey list.

"New jurisdictions subject to increased monitoring are SA and Nigeria," the FATF said in a statement on its website.

Last year, Futuregrowth Asset Management said once the FATF put SA on its grey list, it would impact capital flows. An International Monetary Fund study estimated potential capital outflows of 7.6% of GDP based on the historical incidence of grey-listed countries, according to Futuregrowth.

The FATF's decision could increase compliance costs for banks and asset managers. The news of the greylisting caused the rand to weaken against the US dollar to 18.48 on Friday, from Thursday's close of 18.21.

National Treasury said Minister of Finance Enoch Godongwana informed FATF president Raja Kumar that the South African cabinet would address all outstanding deficiencies.

"Government recognises that addressing the action items will be in the interest of SA, and that doing so is consistent with our commitment to rebuilding the institutions weakened during the period to state capture, the effectiveness of which is essential to addressing crime and corruption," said the treasury.

The Financial Sector Conduct Authority and the South African Reserve Bank issued statements on Friday affirming their tough stances against money laundering and terrorist financing. - *Staff Reporter*



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NOTICE: MITIGATION OF AFFECTED HUMAN REMAINS IN GRAVES

Notice is hereby given that: MULAIFA DEVELOPMENT PROJECTS, on behalf of Blackwattle Colliery intend applying in terms of Section 35 and 36 of the National Heritage Resources Act (Act 25 of 1999); as well as the National Health Act (61 of 2003), section 2(1) of the Graves and Dead Bodies Ordinance 1925 (Ordinance no 7 of 1925) as well as the relevant local regulations; to the: Mpumalanga Provincial Government and the Local Authority, for approval to exhume and relocate to a local cemetery, or to mitigate by other means, the remains of graves buried at: **Farm: Vaalbank 289 JS (Blackwattle Colliery)**

The human remains will be exhumed from their current place of burial and reburied in a cemetery administered by the local authority or any other location as per the request of the deceased's families.

All persons and descendant of the deceased, all persons and communities by tradition concerned with the graves or any person or communities with an interest in the graves are invited to participate in the process and must forward their contact particulars to the officials listed below within 60 days of the date of this notice.

- Ms. Duduzile Khumalo, Mulaifa Development Projects, Cell: 071 477 9427, E-mail: mulaifadevelopment@gmail.com
- Mr. Paulos Lukhele, Blackwattle Colliery, paulos@blackwattle.co.za Cell: 082 777 6718



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ISAZISO: UKUNGENELELA EZINSALELENI ZEZIDUMBU EZISEMATHUNENI

Lapha kukhishwe isaziso sokuthi: I-Mulaifa Development Projects imele i Black Wattle Colliery

Ihlose ukufaka isicelo ngokwemigomo yeSigaba 35 neSigaba 36 soMthetho owaziwa ngele-National Heritage Resources Act (uMthetho, nombolo-25 wangonyaka-1999); national Health Act (Act 61 of 2003); iSigaba 2(1) soMthetho owaziwa ngele-Graves and Dead Bodies Ordinance 1925 (Ordinance no 7 of 1925) kanjalo nazo zonke izimiso ezifanele zakuleyo ndawo; ekuphathweni kweSifundazwe se Mpumalanga, noma iziko eligunyaziwe yisifundazwe kanjalo nomasipala we Steve Tshwete Local Municipality, ukuthola imvume yokumbala izinsalela zamathuna angcwatshwe kulendawo: **I plazi: Vaalbank 289 JS (Blackwattle Colliery)**

Lamathuna azothinteka ngokuthi ambiwe asuswe kulendawo akuyo njengamanje izinsalela zawo zingcwatshwe kabusha kwindawo entsha ngokwesicelo nokuvumelana nemindeni ethintekayo.

Bonke abantu, umphakathi othintekayo noma ohlobene ngokwesiko kanye nezizukulwane zabantu abangcwatshwe kulendawo bayaminywa ukuba babambe iqhaza kulokhu nokuthi kumele balethe imininingwane yabo yokuxhumana kulelikheli elingezansi ezinsukwini eziyi-60 kusukela osukwini olukulesi saziso.

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