

Government to take on Eskom debt in staggered way

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Government will take on a portion of struggling state utility Eskom's debt in a staggered manner to avoid a spike in the country's debt-to-GDP ratio, finance minister Enoch Godongwana said on Thursday, 12 January.



Finance minister Enoch Godongwana speaks during his medium term budget policy statement in Cape Town, 2022. Source: Reuters/Esa Alexander

Eskom has been mired in financial crisis for years and is dependent on government bailouts. It is currently implementing some of the worst power cuts on record, a major source of public frustration with the governing African National Congress (ANC).

The National Treasury said at October's mid-term budget that it could take on between one-third and two-thirds of Eskom's R400bn debt to try to make the company financially viable.

"Whatever tranche (of Eskom debt that is taken on) must keep us at a stabilised debt to GDP (level)," he said in a Reuters interview after a meeting with the country's delegation to the World Economic Forum that kicks off in Davos next week.

The minister earlier told the delegation that an "appropriate announcement" on Eskom would be made in February, when he will present the 2023 budget.

"We want to resolve the Eskom issue soon, part of that... is to make sure (it has) a healthy balance sheet," Godongwana said, adding that without electricity, the country's policy plans were useless.



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Independence of central bank

Godongwana said the South African government was committed to the independence of the central bank, after an ANC conference last week resolved to expand the mandate of the bank to explicitly include job creation alongside price stability.

"(The ANC resolution) does not say its independence must be eroded," said Godongwana.

ANC officials have for years toyed with the idea of broadening the South African Reserve Bank's mandate, unnerving investors as the bank has a strong reputation for acting independently.

Altering the central bank's mandate would involve changing the Constitution, something that requires the support of two-thirds of lawmakers in the parliament.

The ANC only has about 58% of seats in the National Assembly, so it would need the backing of opposition members to do so.

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