

Lion's share of govt guarantees go to Eskom, IPPs - Reserve Bank

Jun 28 2019 09:35
Sibongile Khumalo

Eskom is the main beneficiary of government guarantees, followed by Independent Power Producers, the South African Reserve Bank said a Quarterly Bulletin released on Thursday.

"Eskom, including its power purchase agreements with IPPs, accounts for the largest part of government guarantees," the bank said.

Other contingent liabilities went to the Road Accident Fund, post-retirement medical assistance to government employees, the net underwriting exposure of the **Export Credit Insurance Corporation of South Africa**, among other entities.

Expected to increase

"SOCs, Eskom in particular, and IPPs account for most of the guarantees, with the Road Accident Fund (RAF) dominating other obligations, which are expected to increase further."

According to the report, Eskom accounted for the largest exposure at 79% in 2018/19 financial year. The figure is expected to decrease only marginally to 78% in the 2021/22 fiscal year.

The Reserve Bank forecast that government's contingent liabilities were forecast to rise to R1trn by the end of 2021/22 fiscal year, from R880bn as at 31 March 2019.

The debt-laden power utility has been battling supply challenges, resulting in electricity blackouts which hit the country in the latter part of 2018 and the beginning of the year.

Eskom blamed load shedding for coal supply challenges and maintenance of aging infrastructure.

According to a [Bloomberg report](#), Eskom's debt is nearing R500bn, and the company is not generating enough cash to service it. Government has announced plans to break up the power producer into three businesses, generation, transmission and distribution, in a bid to improve efficiency.

Finance Minister announced in February during his budget speech that Eskom will receive R69bn from the fiscus for the next three years, subject to strict conditions.

In October 2011, government said it would extend its guarantees for Eskom by R174bn to R350bn, to support the company's capital expansion programme.

"Going forward, guarantees to SOCs are expected to level off and that of IPPs are expected to decrease in fiscal 2021/22."

Growth in exposure to SOC guarantees is projected to slow notably in fiscal 2019/20 from the 15.9% recorded in fiscal 2018/19, and to contract slightly in fiscal 2020/21, mostly driven by the expected positive evolution of guarantees to Eskom.