



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

Proposed conditions imposed in terms of the Special Appropriation Act 25 of 2019 for financial support to be provided to Eskom in the 2020/21 financial year

Financial conditions

1. Eskom must continue to provide to National Treasury (NT) and the Department of Public Enterprises (DPE) daily liquidity position updates that includes detail on secured financing flows.
2. Eskom must, by 30 September 2020 and quarterly afterwards, submit to NT and DPE measures that will be implemented to manage the cash of the business within the limits of the Government support provided by National Treasury.
3. Eskom must submit to NT and DPE and present quarterly management accounts with separate cash flows, income statements and balance sheets (that are IFRS aligned) for the Generation, Transmission and Distribution Divisions that are signed off by the Group Chief Executive Officer (GCEO). These financial statements must include a narrative addressing all deviations from the budget that individually exceed ZAR500 million per month during the quarter under review.
4. Each month Eskom must submit a Board approved schedule of debt redemptions and interest payments for the full duration of loan agreements. Eskom is expected to provide a schedule of a split between guaranteed and unguaranteed capital redemption and interest for the full duration of the loan agreements.
5. The recapitalisation must only be used to settle debt and interest payments and nothing else. The disbursement of these funds will be made in accordance with Eskom's cash flow requirements.
6. Eskom must report monthly to NT and DPE on the actions underway to recover any sums overdue (excluding the current accounts) for electricity sales, and for any debtor who owes in excess of ZAR 100 million. In addition, Eskom to actively participate in the Government's Multidisciplinary Revenue Committee (MdRC) comprising of CoGTA, DPE, DPWI, DRDLR, DHSWS, NT, Eskom and SALGA which will be underpinned by a Single and Integrated Revenue Management Framework to better manage municipalities revenue function for financial sustainability and improved service delivery including the repayment of arrear debts. All efforts to recover debt must be congruent to the principles agreed on by the MdRC and the Political Task Team.
7. Eskom must provide to NT and DPE by 30 September 2020 an updated Board approved Corporate Plan including a revised 36-month cash flow (covering the period FY20/21 to FY22/23) incorporating the estimated impact of the COVID-19 pandemic and the Sovereign downgrade as well as demonstrating the impact these will have on the business strategy. This Plan must indicate what measures

Eskom will be implementing to manage its liquidity to avoid any shortfalls as no additional government support apart from that mentioned in the Budget will be provided.

8. Eskom must report quarterly to NT and DPE on measures being implemented to reduce the primary energy costs (This includes the breakdown of all items that make up the primary energy costs).
9. Eskom must provide quarterly updates to NT and DPE on the measures being implemented to address all matters relating to the irregular expenditure that have been reported by the external auditors.
10. Eskom must submit quarterly progress reports to NT and DPE on the measures being implemented to take corrective actions against all the individuals that have been involved in the fruitless and wasteful expenditure incurred as reported by the external auditors.
11. There may be no incentive bonus pay-outs and no salary increase to non-unionised employees in the 2020/21 financial year.
12. Eskom must, by 30 September 2020, provide to NT and DPE a Risk and Resilience Management Plan (plan) which covers the risk governance (including structures) and oversight of risk and the risk register. The Risk Register to include risk ratings (likelihood and impact), risk owners and target dates as required in terms of section 52 of the Public Finance Management Act Practice Notes.
13. Eskom must continue reporting to the Weekly Eskom Monitoring Task Team (WEMTT) on its business and operational activities through its Group Finance Officer or Chief Operations Officer.
14. Eskom must provide to NT and DPE monthly updates on the implementation of the milestones as per the project plan submitted in relation to disposing of Eskom Finance Company by 31 March 2021.
15. Eskom must develop and submit to NT and DPE a procurement roadmap by 30 September 2020 to achieve:
 - a. Improvement of procurement processes – to reduce the number of cancellation of published tenders and improve the percentage compliance on implementation of procurement plan; and
 - b. Improvement of contract management and performance monitoring – to enhance project budget monitoring and reduce number of contract variations above thresholds.
16. Eskom to report to NT and DPE quarterly on the consequences for poor planning and contract management that lead to contract variations that could have been avoided.
17. Eskom must submit to NT and DPE a quarterly report on the implementation of the procurement roadmap and National Treasury will monitor its implementation and outcomes through agreed indicators with Eskom. These milestones must be linked to the disbursement of the Government support and failure to achieve them will result in the withholding of the required funding

Operational conditions

18. Eskom must provide to NT and DPE by 30 September 2020 a detailed cost, timing and benefit plan to the completion for Kusile and Medupi. Moreover, Eskom must provide detailed information to NT and DPE on any changes in the published dates for the completion of Medupi and Kusile including providing a detailed rationale for such changes and associated costs prior to implementing such changes.
19. Eskom must provide quarterly reports to NT and DPE on the status of addressing the defects in Medupi and Kusile. Eskom must submit a comprehensive plan on how the entity intends to address these defects, the breakdown of the estimated costs per station, the project schedule as well as an indication as to which party will bear these costs between Eskom and the contractors.
20. Eskom must provide to NT and DPE regular monthly reports on the measures being implemented to improve the Energy Availability Factor (EAF) in line with its 9 Point plan and Generation recovery plan to minimise further rotational load shedding.

Restructuring conditions

21. Eskom must report monthly to NT and DPE on the progress being made regarding the restructuring of the business based on the agreed milestones with the NT and DPE. These milestones must be linked to the disbursement of the Government support and failure to achieve them will result in the withholding of the required funding.