**Report of the Select Committee on Appropriations on the *Eskom Debt Relief Bill* [B5 – 2023] (National Assembly – Section 77), Dated 07 June 2023**

Having considered the *Eskom Debt Relief Bill* [B5 – 2023], referred to in terms of Section 13 of the Money Bills and Related Matters Act No. 9 of 2009, as amended by Act No. 13 of 2018 (the Money Bills Act), the Select Committee on Appropriations reports as follows:

1. **Introduction**

Section 213(2) of the Constitution of the Republic of South Africa provides that money may be withdrawn from the National Revenue Fund (NRF) only in terms of an appropriation by an Act of Parliament; or as a direct charge against the NRF, when it is provided for in the Constitution or an Act of Parliament.

The *Eskom Debt Relief Bill* [B5 – 2023] (hereafter referred to as the Bill) provides for a direct charge against the NRF for debt relief for Eskom Holdings SOC Limited (Eskom) and to provide for matters incidental thereto. The Select Committee on Appropriations, hereinafter referred to as the Committee, is established in terms of section 4(3) of the Money Bills Act.

The Bill was tabled in Parliament by the Minister of Finance on 22 February 2023 during the presentation of the 2023 Budget and was referred to the Committee for consideration and report on 25 May 2023. During processing of the Bill, the Committee received a briefing from the National Treasury and further consulted with the Financial and Fiscal Commission (FFC) and the Parliamentary Budget Office (PBO). The Money Bills Act, read with section 72 of the Constitution, also mandates the Committee to conduct public hearings and report to the House on comments received and proposed amendments to the Bill, if any. In compliance with these provisions, advertisements were published in print media in all official languages as well as on Parliament’s website and social media platforms, inviting the public and interested parties to comment. In response, written submissions were received from the following stakeholders and interested parties:

* Congress of South African Trade Unions (COSATU);
* Dear South Africa;
* Ms Helen Williams;
* Mr Isaac Masuku; and
* Fish Hoek Valley Ratepayers and Residents Association.

Public hearings were held on 24 May 2023 via the Zoom virtual meeting platform, where COSATU and Dear South Africa made oral submissions.

1. **Background**

For some time, government has been considering measures to relieve a portion of Eskom’s unsustainable R423 billion debt, aimed at strengthening Eskom’s balance sheet and to secure the country’s electricity supply. According to National Treasury, the factors that were considered in the debt relief modelling had included the following:

* The current approach of providing R230 billion over 10 years did not sufficiently address Eskom’s underlying solvency or liquidity challenges.
* Eskom could not reasonably service its debt from its own internally generated cash flows.
* The R350 billion of guaranteed debt, which was at risk of default, was a contingent liability, raising South Africa’s risk premium and borrowing costs.
* Addressing the debt effectively would enable much-needed investment in critical transmission and other infrastructure, and proper maintenance of plants and equipment.

In order to determine the quantum of the proposed debt relief, National Treasury together with Eskom and others, had developed financial models covering various debt relief scenarios. These models also examined the effect of a range of variables on Eskom’s long-term financial position, including tariffs, operational efficiencies, the disposal of non-core assets, capital investment and maintenance requirements. The modelling exercise also included an assessment of financial benchmarks that would enable Eskom to operate sustainably, without continued transfers from the national budget.

1. **Breakdown of debt relief**

The R254 billion debt relief allocation is to be disbursed as follows:

* R78 billion for the 2023/24 financial year.
* R66 billion for the 2024/25 financial year.
* R40 billion for the 2025/26 financial year.
* In addition to the above-mentioned R40 billion, government will take over R70 billion of Eskom’s loan portfolio through a debt takeover arrangement, as determined by the Minister, in 2025/26.

The allocations scheduled over the next three years amount to R184 billion and will be financed through the R66 billion Medium Term Expenditure Framework (MTEF) baseline provision, announced in the 2019 Budget, and R118 billion in additional borrowing over the MTEF period. It is unclear how the proposed R70 billion debt takeover in 2025/26 will be financed. The debt relief allocations will be disbursed when Eskom’s debt settlements (interest and redemptions) fall due on an annual basis, and will take the form of an interest-free subordinated loan, to be settled in Eskom shares rather than cash, allowing Eskom to better manage its liquidity position. Lastly, the loan advances from government to Eskom will be conditional on the repayment of pre-identified Eskom debt instruments.

1. **Proposed conditions for debt relief**

Strict conditions for the proposed debt relief have been developed to safeguard public money, which the Minister of Finance is expected to enforce. Eskom will be required to comply with the following proposed conditions on a quarterly basis:

* Eskom’s capital expenditure is restricted to transmission and distribution. The only capital expenditure that may be undertaken for generation relates to minimum emissions standards, flue-gas desulphurisation (the removal of sulphur-dioxide) and required maintenance. No other greenfield generation projects will be allowed during the debt-relief period.
* Eskom may not use proceeds from the sale of non-core assets for capital and operating needs. All proceeds from the sale of non-core assets, including the Eskom Finance Corporation and any property sales, will be used for the debt-relief arrangement.
* No new borrowing will be allowed from 1 April 2023 until the end of the debt-relief

period, unless written permission is granted by the Minister of Finance.

* Eskom’s guarantee framework agreement for the R350 billion facility (which expires at the end of March 2023) will reduce in line with National Treasury recommendations.
* Positive equity balances in Eskom’s derivative contracts (swaps/hedges) cannot be used to structure new debt or loan agreements without the approval of the National Treasury; nor can any such balance be used as “margin financing” for another derivative contract or derivative overlays.
* Eskom may not implement remuneration adjustments that negatively affect its overall financial position and sustainability.
* The debt relief can only be used to settle debt and interest payments.

1. **Stakeholder submissions**

**5.1 Financial and Fiscal Commission**

The Financial and Fiscal Commission (FFC) commented that a consolidated budget deficit of 4 percent of gross domestic product (GDP) was projected in 2023/24, narrowing to 3.2 percent of GDP in the 2025/26 financial year. FFC predicted that various pressures over the 2023 MTEF period will impact the fiscal position and added that the poor and inefficient financial performance of state-owned entities (SOEs) continue to put pressure on public expenditure.

The FFC submitted that SOEs continued to face considerable challenges in fulfilling their developmental mandates, including the following:

* Lack of clarity in objectives.
* Multiplicity of mandates within SOE business models.
* Improper costing of mandates.
* Complex and decentralised oversight model and governance interference manifested in political appointments of boards and senior management.
* Non-adherence to international best practices in corporate governance dictates.
* Severe breaches of procurement policies.
* Weaknesses in oversight by line ministries and SOE boards.

The FFC further submitted that SOEs reflected weak financial performance with most experiencing sharp declines in the value of their assets. This constituted a fiscal risk for government, as SOEs required fiscal transfers to cover their losses and to recapitalise their balance sheets. The FFC pointed out that government debt was projected to increase due to the Eskom debt-relief arrangement, and debt-service costs would increase from R307.2 billion in 2022/23 to R397.1 billion in 2025/26.

According to the FFC, whereas government guarantees to public institutions were forecasted to decelerate by R81.4 billion to R478.5 billion by 31 March 2023, the guaranteed exposure would accelerate by approximately R800 million and reach R396.1 billion. Government exposure to SOEs remained very high, particularly to Eskom, where government’s exposure had increased from R298 billion in 2020/21 to R337 billion in 2022/23. The total government guarantee exposure was forecasted to increase from R385 billion in 2020/21 to R396 billion in 2022/23.

The FFC noted that in 2019, government made a R23 billion provisional annual allocation to Eskom to service its debts and meet its redemption requirements. In addition, a special appropriation, with conditions, amounting to R59 billion was allocated to assist Eskom with its financial obligations over the medium term. These experiences raised doubts that adopting the same approach to address the structural issues at Eskom would yield a different outcome. To this end, the FFC made the following recommendations:

* Corporate and fiscal governance must be improved through reforms that would enable SOE management boards the operational autonomy they require to make profit-maximising decisions and eliminating political interference to enhance operational transparency.
* The establishment of explicit and progressive guidance to SOEs on expected rates of return and the distribution or reinvestment of profits.
* A decisive judgement should be made for SOEs to deliver on return-to-investment effectively and efficiently. Failing which, dysfunctional SOEs should be restructured, sold off or shut down.

**5.2 Parliamentary Budget Office**

The Parliamentary Budget Office (PBO) submitted that the financial position of major SOEs remained under pressure and the materialisation of contingent liabilities at SOEs could increase funding needs and associated costs. Continuous delays and under-spending on infrastructure projects hampered capital investment. The PBO reminded the Committee that in the 2020/21 financial year, most SOEs had deferred capital investment projects to preserve cash to meet short-term obligations; resulting in a 6.2 percent decline in the SOE consolidated asset base.

The PBO commented that the energy crisis, caused by Eskom and Transnet’s operational and financial weaknesses, remained a risk to economic growth and revenue generation. As such, it viewed the Bill as a step in the right direction to address Eskom’s challenges. However, more needed to be done to increase capacity, reduce corruption, and develop sectoral plans to reconfigure how SOEs operate.

The PBO referred to the following caution by the International Monetary Fund (IMF) regarding SOEs:

* Economic growth is hampered by lower productivity and investments in inefficient SOEs.
* Inefficient SOEs place a heavy burden on the fiscus, as public resources are diverted away from other social and infrastructure expenditure priorities.
* Improving spending efficiency will facilitate fiscal adjustment and reduce the negative short-term effects of fiscal consolidation on growth and will maximize the return on capital and social spending in the long run.
* High public debt results in limited fiscal space to respond to adverse shocks, including materialisation of contingent liabilities.

The PBO agreed with the Minister of Electricity, that Eskom’s problems went beyond finances and had major implications for the economy and, as such, the Bill which focused on placing Eskom in a better financial position over the next three years, may be insufficient at this stage. Eskom’s challenges and its implications for the broader economy must be addressed now. While agreeing with the Minister of Electricity that government needed to use the fiscus to help Eskom improve the availability of electricity and reduce load shedding, the PBO did not agree with National Treasury’s approach which focused more on Eskom’s finances, while trying to maintain the fiscal consolidation stance and achieve a budget surplus over the MTEF. The PBO cautioned that this approach would place the whole economy’s performance, already forecast to be very poor over the MTEF, at further risk.

**5.3 Congress of South African Trade Unions (COSATU)**

The Congress of South African Trade Unions (COSATU) welcomed the Bill, submitting that it had long championed the need for government to take over Eskom’s unsustainable debt to enable it to be stabilised and rebuilt to play its role in the economy. COSATU indicated that the debt relief would help Eskom shift its resources to ramp up its maintenance programme which, according to COSATU, was the fastest way to eliminate load shedding and thus ease the burden on workers, the community and the fiscus.

Whilst welcoming the objectives of the Bill, COSATU expressed the following concerns about the Bill and put forward certain proposals:

**5.3.1 Debt relief conditions**

COSATU expressed concern over the prohibition on Eskom investing in new generation capacity, as a fundamental reason for load shedding was power stations nearing the end of their lifespan. COSATU proposed the following regarding the conditions attached to the Bill:

* The prohibition on Eskom investing in new generation capacity should be removed from the debt relief package.
* The condition seeking to pre-empt and undermine the collective bargaining processes at Eskom should be removed from the debt relief package.

**5.3.2 Municipal debt to Eskom**

COSATU highlighted the need to address the growing levels of municipal debt to Eskom; which stood at about R57 billion and rising. COSATU made the following proposals:

* All customers should be moved to prepaid electricity to ensure that Eskom has the necessary cash flow to be operational.
* Government should determine which debt is recoverable and collect it, while writing off the rest.
* A new municipal funding model must be developed, as the current model is collapsing and having a spill-over effect on the ability of municipalities to pay Eskom.
* Law enforcement agencies must be deployed to support Eskom to deal with illegal electricity connections.
* The Department of Cooperative Governance should undertake interventions to ensure that all indigent households are registered to receive their allocation of free electricity and that the number of free kilowatts are increased appropriately.

**5.3.3 Electricity Tariffs**

COSATU submitted that the 18.65 percent and 12.75 percent tariff hikes approved in 2023 and 2024 respectively, would be a further blow to an already battered economy. It was of the opinion that Eskom’s cost reflective argument was a deflection of its failure to abide by the prescripts of the Public Finance Management Act (PFMA) and to manage the utility in a climate free of endemic corruption and wasteful expenditure; and referred to the construction of the Medupi and Kusile power stations where the initial budget had been overshot by more than 100 percent, while these stations still struggled to provide electricity. To this end, COSATU proposed that National Treasury should work with Eskom to identify all financial leakages, develop a mitigation plan and to report quarterly to the nation on progress made in this regard.

**5.3.4 Additional support required by Eskom**

COSATU made the following proposals regarding additional support to Eskom:

* The enforcement of the scrap metals export ban, and measures to regulate the informal traders, should be escalated.
* Specialised support should be deployed from the South African Police Service (SAPS), the Special Investigating Unit (SIU), the National Prosecuting Authority (NPA) and the State Security Agency to uproot corruption and criminality at Eskom.
* Cases affecting Eskom should be prioritised by the NPA and the judiciary.
* The penalties provided for in the Criminal Matters Amendment Act No. 18 of 2015 (cable theft) and the Public Audit Amendment Act No. 5 of 2018 (holding offending officials personally financially liable) should actively be enforced.

**5.4 Dear South Africa**

Dear South Africa is a non-partisan and non-profit organisation that uses a digital online and mobile platform to facilitate and encourage public participation in government decision-making processes or policy formulation. It had hosted a project for the public to comment on the Bill (see <https://dearsouthafrica.co.za/eskom-debt-relief/>), and made a presentation to the Committee, summarising the responses. The table below provides a summary of the 9 298 comments received by the closing date.

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| --- | --- | --- | --- |
| **Response** | **Number** | **Percentage** | **Common theme around response** |
| Yes, I do support the Bill | 115 | 1.25% | The participants were mostly concerned over the consequences of a failing national electricity producer; dire consequences for the South African economy; load shedding for many years to come; and inconsistent renewables. Further comments were raised over concerns surrounding much-needed maintenance to eliminate breakdowns. |
| No I do not support the Bill | 8799 | 95.61% | Participants raised concerns over corruption; mismanagement; constant bailouts; a lack of convictions; and political interference. Proposed solutions included a strong call for privatisation; a reduction in employees; employment of skilled individuals; and recovery of municipal debt. |
| I do not fully support the Bill | 289 | 3.14% | Most of the participants were in favour of Eskom receiving debt relief, however, major concerns were raised surrounding the elimination of corruption and mismanagement; the recovery of stolen funds; transparency, accountability and a change in the culture of non-payment. |

**5.5 Written submissions**

**5.5.1 Ms Helen Williams**

Ms Williams stated that Eskom Holdings SOC Ltd had proven time and again that additional funds would never be used for what it was most desperately needed. That is, replacing aged infrastructure and switching to something more sustainable. While rejecting the Bill, Ms Williams proposed a change in law which would allow competitors, proper energy providers, to enter the marketplace.

**5.5.2 Mr Isaac Masuku**

Mr Masuku raised the concern that the debt relief proposed for Eskom would result in more looting. He further stated that the Bill should not be entertained until the sabotage of Eskom by criminal syndicates was fully investigated.

**5.5.3 Fish Hoek Valley Ratepayers and Residents Association**.

The Fish Hoek Valley Ratepayers and Residents Association (FHVRRA) stated that what the Bill proposed was tantamount to a double tax, as the National Revenue Fund (NRF) was made up of public funds, mainly from taxes. It further noted that currently, municipalities owed Eskom R49.1 billion, which Eskom was not allowed to collect. The FHVRRA submitted that, according to section 139 of the Constitution, any municipality that could not provide prescribed services or afford its debt, should be placed under immediate administration and be run by non-cadre deployed private citizens outside of political interference, tenderpreneurs or corrupt persons.

The FHVRRA stated that Eskom was not a good organisation to be lending money to, adding that Eskom bonds were not tradeable instruments due to the entity’s poor credit rating and the fact that no one wanted to buy its bonds. The FHVRRA further submitted that one of the conditions of any loan should be the payment in full upon maturation, including interest; and that failure to meet all conditions should result in immediate privatisation, the proper splitting of Eskom into generation, transmission and distribution units and the awarding of renewable energy tenders.

The FHVRRA further pointed out that government already owned 100 percent of Eskom; making the issuing of (more) shares to government a pointless exercise. It was of the opinion that Eskom had broken faith with the public and could not be trusted with any more funds; and for that reason, it was opposed to the Bill.

**6. Findings and Observations**

Having considered all the submissions made by the above stakeholders on the *Eskom Debt Relief Bill* [B5 – 2023], the Select Committee on Appropriations made the following findings and observations:

* 1. The Committee noted the overall allocation of R254 billion earmarked for the debt relief package for Eskom, which consists of R78 billion for the 2023/24 financial year; R66 billion for the 2024/25 financial year; R40 billion for the 2025/26 financial year; and the fact that government will take over the R70 billion of Eskom’s loan portfolio through a debt takeover approach, which will be determined by the Minister of Finance, in 2025/26.
  2. The Committee noted that the debt relief package for Eskom will be financed by the National Treasury as part of its gross borrowing requirement, in the same way it has financed the deficits and redemptions; and the fact that this intervention is necessitated by Eskom not being able to service its debt from internally generated cash flows. The Committee is of the view that resolving Eskom’s debt burden might assist to reduce loadshedding, unlock investment, restore South Africa’s fiscal credibility and increase much needed economic growth.
  3. The Committee noted the rationale behind the prohibition on Eskom investing in new generating capacity, despite the current state of ageing power stations; which included the lack of capital maintenance of the existing fleet; a limited balance sheet; and the fact that this would necessitate more borrowing by the entity, defeating the whole purpose of the debt relief programme.
  4. The Committee noted that National Treasury has appointed an independent team of skilled people to conduct an assessment of Eskom’s operations to assist in determining the type of conditions that should be attached to the debt relief. Moreover, it further noted that the main problem is plant maintenance and performance, and that improving this, based on the recommendations of the independent panel, would greatly assist the process.
  5. The Committee noted that the unbundling of the entity is still in progress; with the next step being the finalisation and corporatisation of the transmission entity; with the only two outstanding matters being the licensing and the finalisation of the board. The Committee supports government’s objective of strengthening the utility’s balance sheet in order to enable it to restructure and undertake the investment and fleet maintenance needed to support the security of electricity supply.
  6. The Committee welcomed the fact that the Bill is not in any way an attempt to privatise Eskom, but to establish a competitive energy market; and while the entity will be required to dispose of non-core assets, there is no intention to privatise its strategic assets, while the door to public-private partnership (PPP) arrangements remains open.
  7. The Committee noted the fact that a conversion of Eskom’s debt to equity is not a desirable solution, as this would be seen by the rating agencies as a distressed exchange process, leading to further downgrades.
  8. The Committee remained concerned about the fact that the Department of Electricity might remain under the Presidency, Vote 1. The Committee is of the view that this might compromise the oversight of Parliament over this Department, given the absence of an oversight Committee for the Presidency.
  9. The Committee noted the Financial and Fiscal Commission’s (FFC’s) view that Eskom’s challenges are beyond monetary issues but also include fiscal governance and leadership stability; and the fact that numerous bailouts to the entity have not yielded the desired results and that it remains unconvinced that the proposed, opaque conditions will be effective this time.
  10. The Committee noted and agreed with the Parliamentary Budget Office’s (PBO’s) view that, given the complexity of Eskom’s debt to many bondholders and numerous loan terms, maturities and conditions; the National Treasury should clarify the process by which government will directly take over the R70 billion in 2025/26.
  11. The Committee noted the PBO’s view that, while the Bill is important for Eskom to avoid defaulting, it is concerning that the Bill is being implemented in the absence of a larger government vision and plan not only for the future of Eskom but for the South African electricity industry as a whole.
  12. The Committee agreed with the Congress of South African Trade Unions (COSATU) that the fight against crime and corruption at Eskom needs to be intensified; including criminal prosecutions and measures to deal with the recent allegations made by the former Chief Executive Officer; that the move towards prepaid meters could result in more affordable electricity tariffs; and that a coherent plan was needed for this process and for debt collection.
  13. The Committee welcomed COSATU’s view that Eskom should be supported to move towards less carbon-intensive energy generation capacity; not only because of climate change, but also to reduce its maintenance costs, making new plants more efficient, easier to maintain and quicker to bring online. It further noted the fact that this means that Eskom needs to expand its transmission and distribution capacity; and that this is the ideal opportunity to support community- and worker-owned generation capacity and that Eskom should enter the renewable energy space not only as a procurer, but as an owner.
  14. The Committee noted COSATU’s view that the condition seeking to pre-empt and undermine the collective bargaining processes at Eskom should be removed from the debt relief package; as prohibiting the entity from implementing remuneration adjustments that negatively affect its overall financial position and sustainability may look reasonable; but might have huge implications for collective bargaining. The Committee has always raised its concern with National Treasury about pre-empting the outcomes of salary negotiations outside the recognised bargaining forums, similar to the issues surrounding the public sector wage bill.
  15. As the Committee raised concerns that no maintenance has been done on existing infrastructure over the years and that the costs of building the Medupi and Kusile power stations have ballooned while the plants are still not fully operational; it agreed with Dear SA around the urgent need to strengthen oversight and auditing mechanisms during the debt relief period, as part of the conditions to address the unjustifiable price escalations during project implementation, whether with regard to maintenance or new projects being implemented.
  16. Whilst the Committee was concerned about the escalating municipal debt to Eskom; it also noted COSATU’s view that before Eskom considers writing off municipal debt, government should determine which debt is recoverable and rigorously pursue collection. The Committee is of the view that not all municipalities who owe Eskom are unable to settle their debt, and that in some cases, it’s a matter of creditors’ priorities and the cross-subsidisation effect.
  17. The Committee noted COSATU’s view that ring-fencing funds for Eskom could have unintended consequences for those municipalities that used the money to cross-subsidise other services; that it is a misnomer that only poor people owed Eskom; and that the many government departments, state-owned entities (SOEs) and businesses who do not pay for their services should be dealt with accordingly.

**7. Recommendations**

The Select Committee on Appropriations, having considered the briefings and comments by stakeholders on the *Eskom Debt Relief Bill* [B5 - 2023], recommends as follows:

* 1. The Minister of Finance should gazette the *Eskom Debt Relief Bill* [B5 – 2023], which proposes the overall allocation of R254 billion, consisting of R78 billion for the 2023/24 financial year; R66 billion for the 2024/25 financial year; and R40 billion for the 2025/26 financial year. Parliament should continue to intensify its oversight to ensure that the debt relief package, together with its conditions, is effectively implemented.

* 1. The National Treasury should, within 60 days of the adoption of this Report by the House, provide a comprehensive plan on the process by which government intends to directly take over R70 billion from Eskom’s loan portfolio in 2025/26 as determined by the Minister of Finance; which is in addition to the R40 billion in the same year. Parliament should continue to monitor progress in this regard and make recommendations where necessary.
  2. The National Treasury and the Department of Public Enterprises, together with the Minister of Electricity and the Department of Cooperative Governance, should ensure that issues around loadshedding are urgently resolved in order to unlock investment and job opportunities, restore South Africa’s fiscal credibility and improve much needed economic growth as well as credit ratings.
  3. The National Treasury and the Department of Public Enterprises should ensure that corporate and fiscal governance is improved through reforms that enable the management and boards of state-owned entities (SOEs) the operational autonomy they require to make profit-maximising decisions and eliminate political interference to enhance operational transparency and efficiencies.
  4. The National Treasury, together with the Department of Public Enterprises, should come up with a clear plan, within 60 days of the adoption of this Report by the House, to ensure that a decisive judgement is made for state-owned entities (SOEs) to deliver on return-to-investment effectively and efficiently. Failing which, dysfunctional SOEs should be restructured, sold off or shut down to save the tax payers’ money.
  5. The National Treasury and the Department of Public Enterprises should ensure that explicit and progressive guidance to state-owned entities (SOEs) on expected rates of return and the distribution or reinvestment of profits is urgently established.
  6. The National Treasury, together with the Eskom Board and the Minister of Electricity, should work out a clear plan to deal with all fiscal leakages, including intensifying the fight against crime and corruption, at Eskom and develop an accurate cost-reflective regime. This must be tabled in Parliament in the next budget cycle.
  7. Whilst the Committee supports government’s objective to strengthen Eskom’s balance sheet, it urges National Treasury, the Minister of Electricity, Eskom and the Department of Public Enterprises, to fast-track the finalisation of the unbundling of the entity into energy generation, transmission and distribution units; including licensing and the finalisation of the Board. Furthermore, the Committee does not believe that privatising Eskom, whose mandate is to provide a basic service to the public, will solve all the entity’s problems; and that options such as public-private partnerships (PPP) should instead be explored.
  8. The National Treasury, the Department of Public Enterprises, the Minister of Electricity and the Eskom Board, should within 60 days of the adoption of this Report by the House, table a clear plan to ensure that the financial sustainability of the entity is restored and that the entity’s focus is on the projects critical for the sustainability of the grid. This will enable the entity to be reassessed for future borrowings, after the debt relief period, to expand energy generation capacity to resolve loadshedding challenges.
  9. The National Treasury, the Department of Public Enterprises and the Minister of Electricity should, within 60 days of the adoption of this Report by the House, ensure that there is a clear plan to implement the set of conditions attached to the debt relief package, and Eskom should report on a timely basis to monitor progress. Parliament must continue to monitor the implementation through its sector - and other relevant committees and recommend remedial actions where necessary.
  10. The National Treasury and the Department of Cooperative Governance, together with the Eskom Board should, within 60 days of the adoption of this Report by the House, determine which municipal debt is recoverable and which is not, before writing off debt to Eskom, even after complying with the set conditions. Moreover, the Department of Cooperative Governance and the South African Local Government Association (SALGA) need to ensure that all indigent households continue to receive their free electricity as required by the indigent policy.
  11. The National Treasury, together with the Department of Cooperative Governance and the South African Local Government Association (SALGA), should ensure that, within 90 days of the adoption of this Report by the House, municipalities develop a clear plan to make sure that funds generated from electricity tariffs that are due to Eskom, are ring-fenced to pay the entity. Failing which, the Committee further recommends that legislation or, if needs be the Constitution, be amended to enable National Treasury to slice off money owed to Eskom and small businesses by municipalities before transferring their equitable share.
  12. In future, the Minister of Public Enterprises, the Minister of Electricity and the Eskom Board should ensure that Chief Executive Officers with the requisite qualifications, relevant experience and expertise in the electricity engineering field are appointed in Eskom, given the complex nature of the entity and the energy sector.
  13. The Committee recommends that the Department of Electricity should be assigned its own official Budget Vote, rather than it being part of the Presidency’s (Vote 1) suspense account; enabling Parliament and other oversight bodies to independently conduct oversight over the work done by the Minister of Electricity to resolve the energy crisis.

**8. Committee decision on the Bill**

The Select Committee on Appropriations, having considered the *Eskom Debt Relief Bill* [B5 - 2023] (National Assembly – Section 77); referred to it and classified by the Joint Tagging Mechanism as a section 77 Bill; recommends that the Bill be adopted, without amendments.

The Democratic Alliance (DA), the Economic Freedom Fighters (EFF) and the Freedom Front Plus (FF+) reserved their positions on this Report.

Report to be considered.