**NATIONAL ASSEMBLY**

**QUESTION FOR WRITTEN REPLY**

**QUESTION NUMBER:** **138 [NW142E]**

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**138. Mr E M Buthelezi (IFP) to ask the Minister of Finance:**

(1) What is his department’s position with regard to the status of state‑owned enterprises (SOEs), considering they no longer maximise economic impact as they were missioned to do;

(2) whether he has found the Government’s inability to manage SOEs efficiently is a cost that now burdens taxpayers; if not, what is the position in this regard; if so, what are the relevant details? NW142E

**REPLY**

1. Major public entities as listed under Schedule 2 of the Public Finance Management Act (1999) are required to operate as sustainable profit-generating businesses that borrow on the strength of their balance sheets. However, over the years the financial and operational performance of these entities has steadily deteriorated due in large part to state capture, corruption (as noted by the Zondo Commission), weak corporate governance, archaic business models and burdensome cost structures. Too many SOEs continue to rely on government bailouts. Various initiatives are underway across government to ensure that we create an environment where our SOEs can become sustainable and fulfil their developmental mandate without government support. In this regard, the 2022 Budget Review outlined the need for a new framework for managing bailouts to state-owned companies to reduce fiscal risks and promote long-overdue reforms. The framework, when finalised, will link bailouts of these entities to a range of reforms needed to make them sustainable and efficient.
2. Some SOEs have indeed become a burden on taxpayers. Between 2012/13 and 2021/22, SOEs received about R266.6 billion in bailouts from government. These bailouts crowd out important social expenditure. Therefore, government has shifted its approach in dealing with funding support to these entities, in particular those that are listed under Schedule 2 of the PFMA. Starting last year, and going forward, any fiscal support to SOEs is accompanied by strict conditions to ensure that these SOEs fix their underlying structural challenges if they are to qualify for support from taxpayers.