

Business Day

Parastatal guarantees a fiscal risk, MPs told

by [Linda Ensor](#), 30 October 2013, 06:42

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THE government's continued provision of guarantees to state-owned companies for investments in infrastructure posed a risk to South Africa's fiscal path, the Financial and Fiscal Commission said in Parliament on Tuesday.

The commission — a constitutional body that advises the government on its fiscal policies and expenditure plans — presented its views on the medium-term budget policy statement to Parliament's two appropriation committees.

It also raised concern about the "buoyancy" of tax revenue — that is, its sensitivity to economic growth — in the current depressed economic environment.

Guarantees provided by the state to major state-owned companies such as Eskom, Transnet and roads agency Sanral rose from R220bn in 2009-10 to R464.2bn in 2011-12 and R470.8bn in 2012-13.

Eskom has received a R350bn guarantee for its infrastructure development programme; South African Airways a R5bn guarantee, and the SABC has also been given state guarantees.

The commission's acting chairman and CE, Bongani Khumalo, said that "besides risks in terms of contingent liabilities, increasingly there were risks in terms of greater use of user fees as shown in the run-up to implementing e-toll fees for the Gauteng Freeway Improvement Project".

What was of concern, he said, was that the government continued to issue guarantees to state-owned companies that were expected to support the roll-out of government infrastructure.

Mr Khumalo urged more extensive use of private-public partnerships and other innovative financing methodologies to encourage investment in infrastructure projects. This could lure capital from the private sector and increase the efficient use of public resources.

"The commission also notes with concern that even though these companies have been receiving guarantees from government, their performance continues to be less than optimal. Some of the state-owned companies are making losses."

Mr Khumalo said the commission supported the government's drive for state-owned companies to undergo operational restructuring to become financially sustainable.

Regarding tax buoyancy, Mr Khumalo said that the ratio of tax revenue to gross domestic product had shown a progressive decline since 1971.

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