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Zondo Commission – Eskom: from world's top five to total dysfunctionality

Overdue announcement of results, a bad credit record, no funding, and threats of no further funding. This is the Eskom Jabu Mabuza and the rest of the board found when they started in January last year. The board inherited a financially unstable company, and there have been many hurdles to overcome.

Firstly, for the power utility to continue operating, it needed a cash injection of at least R20-billion to keep it above water and buy time and stability, until around August/September, when they would most likely be able to go out looking for more investment. A major hurdle for them, however, was the interim period results that were late by several months.

“The last money that Eskom could find from the market would have been in July 2017,” said Mabuza. “The funders had actually drawn a line, to say ‘we are not putting once more cent here, under this current leadership of Eskom.’ The implication was that it was under a lot of pressure.

For results to be made public, however, their auditors had to sign off on the financials of the company, but they were refusing to do so because in its status then, Eskom was not the going concern it needed to be. On the other hand, the JSE was placing pressure to delist its bonds, if the results were not announced. To top it all off, the power utility had a bad credit rating, and all of these dynamics meant that it could not get funding.

“This is an organisation that at one stage had a better credit rating than the sovereign. This is an organisation that was once one of the top five utilities in the world.”

All that the board knew, Mabuza added, was that there was a lot of graft and malfeasance. “Eskom was the main theatre where corruption and state capture was taking place.”

The board had to work on getting the results out, which they did eventually, albeit with various reportable irregularities. “There was also sufficient confidence in this board led by a taxi driver, that while they don’t know the difference between electricity megawatts and kilowatts, what they do have is sufficient integrity and ethical standing that the funders could give us the bridge to bond, because we could only go out in September or later in the year.”

A glaring issue for them was that, at the time of releasing the results, Eskom’s irregular expenditure was declared at R3-billion, but they realised over the six months following that it was actually standing at R19-billion.

For Mabuza, a clear sign of the dysfunctionality of Eskom is seen in the extra efforts of its board, which he said has met 61 times over the period since its inception.

As of January 2019, the board has done away with a structure that used to be called the board tender committee, in which executives and members of the board discuss tender issues. One of the good regulatory moves of the Department of Public Enterprises, said Mabuza, is the policy that prohibits board members of state-owned entities from engaging in discussions that have to do with procurement.

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