

State pension funds a source of cash?

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State-owned companies might have to use their pension funds to support their investments in the economy, Public Enterprises Minister Malusi Gigaba said on Wednesday (19 June).



Malusi Gigaba (Image: GQIS)

Gigaba said fiscal constraints meant that the state could not assist the parastatals with funding.

He said the Department of Public Enterprises had been asked to initiate a joint process with the parastatals in its portfolio to look into the ramifications of such a policy.

Transnet and Eskom are undertaking significant investments in infrastructure, with Eskom relying to some extent on state guarantees for the cash it needs.

"The process is still in its infancy and details on the feasibility and implications on both the department and the (companies) will be shared with Parliament and other stakeholders as the process progresses," Gigaba said in a written reply to a parliamentary question by Freedom Front Plus MP Anton Alberts.

Alberts wanted to find out what act or legal prescript provided the foundation for the instruction or request that pension funds of state-owned companies invest more in the economy.

Gigaba said the department had a mandate to encourage the companies to consider alternative sources of finance to minimise the use of implicit or explicit state guarantees for their borrowings.

"The reality is that funding from the financial markets has shrunk. And as such, state-owned companies are compelled to develop domestic sources and raise capital through the sale of bonds in the bond market as well as possibly raising capital

from (their) pension funds to fund the roll-out of economic infrastructure.

"Many countries around the world, in particular those with the same shareholder oversight function as the Department of Public Enterprises, are using their state-owned companies' pension funds as well as existing public pension reserves as alternative sources of funding for their investment programmes," said Gigaba

Gigaba said this trend paralleled the growing shift towards fully-funded, privately managed pension systems, which in turn had heightened the role of pension funds in the broader economy compared with retirement income arrangements.

Source: Business Day via I-Net Bridge

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