



Bohlale Institute

Policy Paper

Proposal on Mixed Ownership Public Listing of South African State-Owned Enterprises (SOEs)

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INTRODUCING MIXED OWNERSHIP AND PUBLIC LISTING OF SOUTH AFRICAN SOEs

Executive Summary

State-owned enterprises (SOEs) are a common feature in most countries across the world – both in advanced economies and developing countries. They tend to dominate key network industries and utilities – for example power, water, transport and telecommunications – as well as resource extraction and strategic sectors. Globally, SOEs play a very large role in the economy. They account for roughly 20% of the 2,000 largest companies worldwide, and had an estimated combined assets value of \$45 trillion (circa 2018) - about half of global GDP.

In the South African context, SOEs have been placed at the centre of the developmental state through various policy documents – from the White Paper on Reconstruction and Development (RDP) to the National Development Plan. Despite this, South Africa's SOEs have underperformed. Corruption, governance failures and political interference have crippled many SOEs - most of which continuously require state support.

Not all SOEs have fared badly. The telecom sector offers success stories. Telkom, partially privatised in 1997, was then the largest communications provider in Africa. Its IPO, when it was eventually listed in 2003, raised \$472.93 million - allowing it to invest and pay steady dividends. Vodacom (spun off from Telkom's mobile unit) – now majority-owned by Vodafone – has delivered robust profits and regional growth. Both firms benefited from professional management and capital market access: Telkom and Vodacom today are “profitable, diversified, with no fiscal reliance”. These successes illustrate how market discipline plus managerial independence can align SOEs with growth objectives.

Mixed ownership i.e., co-ownership of SOEs between government and the private sector, can prove to be an ideal ownership arrangement in instances where government is concerned with striking a balance between developmental objectives and commercial objectives. Through mixed ownership, SOEs can continue to serve as development instruments while making them both economical and financially viable. In this way, SOEs can satisfy both the envisaged developmental objectives whilst lessening the financial burden of SOEs on the state's fiscus. The professionalisation of SOEs and strengthening governance can be achieved through the introduction of a professional holding company (HoldCo).

A clear selection criterion for identifying SOEs to be considered for mixed ownership and public listing should be established. The ultimate reform process should take a phased approach. This would commence with preparatory reforms that will be aimed at strengthening governance within identified SOEs followed by legal and regulatory adjustments, conducting due diligence, IPO execution and ensuring good governance post-listing.

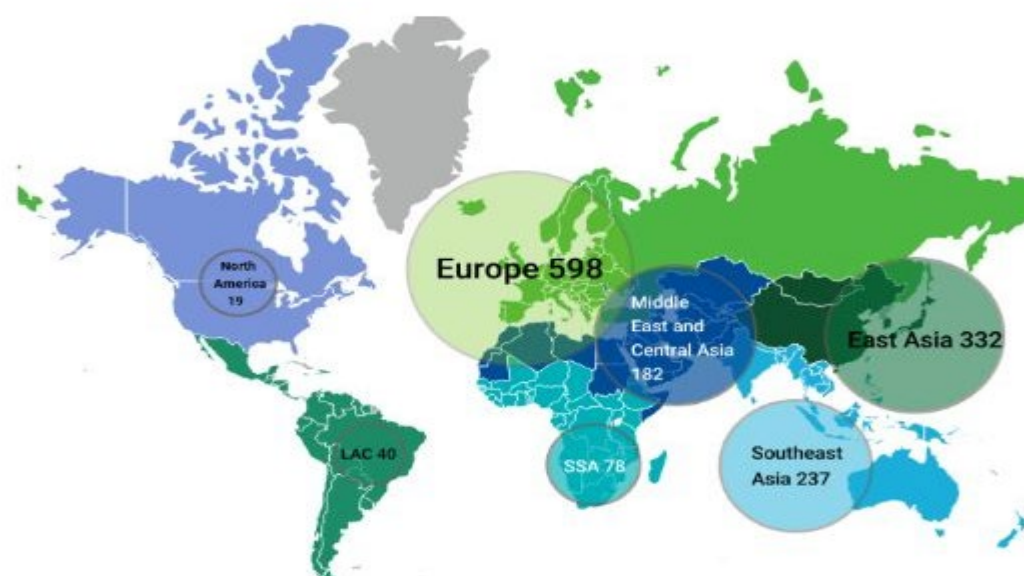
Introduction

State-owned enterprises (SOEs) are a common feature in most countries across the world – both in advanced economies and developing countries. They are commercial companies in which the government holds a controlling ownership stake and management influence. In South Africa, for example, a “national government business enterprise” is defined under the Public Finance Management Act (PFMA) as a juristic entity under state control, engaged in ordinary business activities and primarily financed from its own revenues.¹ Globally, SOEs play a very large role in the economy. Indeed, government-owned firms account for roughly 20% of the 2,000 largest

¹ PwC. (2013). State-owned companies: The new Companies Act, PFMA and King III in perspective (Steering Point 4). PricewaterhouseCoopers.

companies worldwide,² and combined SOE assets were on the order of \$45 trillion (circa 2018), about half of global GDP.³ SOEs tend to dominate key network industries and utilities – for example power, water, transport and telecommunications – as well as resource extraction and strategic sectors.⁴ These enterprises provide many of the basic services that citizens use every day (drinking water, electricity, public transport, etc.) and thus have an important public footprint. Figure 1, for instance, highlights that major SOEs are present on every continent, with especially large concentrations in Europe and Asia. This ubiquity reflects the fact that governments worldwide have long used SOEs to deliver infrastructure and services that are hard to supply on a purely commercial basis.

Figure 1. Global distribution of major state-owned enterprises (SOEs) by region.



Source: UNCTAD; and IMF staff calculations.

SOEs exist to serve public-policy goals that markets alone may not meet. Governments commonly establish SOEs in sectors with natural monopolies or large public-goods characteristics, such as water supply, electricity distribution, urban transit and highways. The IMF notes that many SOEs are created “to meet specific goals and mandates” (for example, providing water, power or transport routes) “that the private sector would not find profitable”.⁵ Among the prominent reasons for state intervention in the economy through SOEs is that public goods should be provided by the government.

In practice, public enterprises invest heavily in long-lived infrastructure: in developing countries, SOEs undertake about 55% of all infrastructure investment.⁶ They also support national development objectives, for instance by ensuring universal access (rural electrification, subsidised public transport) or by sustaining industry (through state-

² Gaspar, V., Medas, P., & Ralyea, J. (2020, May 7). State-Owned Enterprises in the time of COVID-19. International Monetary Fund (IMF).

³ World Bank Group (Competition Policy Team). (2019). State-owned enterprises: Understanding their market effects and the need for competitive neutrality. World Bank.

⁴ Ibid., see also Gaspar, V., Medas, P., & Ralyea, J. (2020, May 7). State-Owned Enterprises in the time of COVID-19. International Monetary Fund (IMF).

⁵ Gaspar, V., Medas, P., & Ralyea, J. (2020, May 7). State-Owned Enterprises in the time of COVID-19. International Monetary Fund (IMF).

⁶ Ibid.

owned industrial parks, development banks or export funding agencies). In short, SOEs can be vehicles for achieving economic and social policy aims (job creation, redistribution, strategic autonomy, etc.) that purely private firms may under-serve.

International experience shows that SOEs often populate “strategic” sectors where governments want to maintain influence. As the OECD observes, large state-owned firms are prevalent in energy, critical minerals, and finance sectors linked to national security and sustainability goals.⁷ For example, many countries have state-owned oil companies, power utilities, or telecommunications operators. When well-managed, SOEs can drive growth by leveraging their scale and government backing; indeed, the World Bank notes that SOEs are “in a unique position to drive economic growth given their size, mission, and strategic objectives”.⁸ On the other hand, weak governance can make SOEs a drag on efficiency, so international best practice stresses professional boards and accountability. Nonetheless, the broad rationale for SOEs globally is to invest in and deliver assets that promote development and service delivery beyond what private capital would achieve on its own.

Policy Context of SOEs in the South Africa

Since 1994, South Africa’s policy framework has placed SOEs at the heart of the developmental state model:

- **Reconstruction and Development Programme (RDP, 1994):** Charged SOEs with expanding housing, electrification, water, and transport to redress apartheid-era inequities.⁹ SOEs were envisaged to be at the centre of providing cheap and efficient services.
- **Growth, Employment and Redistribution (GEAR, 1996):** Reaffirmed SOEs’ role under a macroeconomic stability agenda, targeting sustainable growth and job creation.¹⁰ Notably as well, GEAR precipitated discussions on restructuring SOEs and privatising non-core state assets while introducing mixed ownership of SOEs – by introducing the private sector in some of the SOEs such as Telkom. The focal point was improving the business efficiency of SOEs - in that way attracting investment in order to reduce public debt among others.¹¹
- **New Growth Path (2010):** Set ambitious jobs and industrialisation targets, explicitly tasking SOEs with supporting manufacturing and infrastructure rollout.¹²
- **National Development Plan (NDP 2030, 2012):** Envisions a “capable and developmental state” in which efficient, financially sound, and well-governed SOEs drive inclusive growth.¹³ The NDP envisions that SOEs should be at the centre of advancing national objectives through providing economic and social infrastructure.

These strategic blueprints assign SOEs dual responsibilities: to achieve commercial viability and fulfill public-service obligations (rural electrification, housing projects, transport provision). Major SOEs have historically underpinned South Africa’s economy—Eskom building the national grid, Transnet developing railways and ports,

⁷ Di Noia, C. (2023, July 17). An increasing role of state-owned enterprises in the global economy calls for better governance. OECD.

⁸ World Bank Group (Competition Policy Team). (2019). State-owned enterprises: Understanding their market effects and the need for competitive neutrality. World Bank.

⁹ National Planning Commission. (2019). The role of state-owned enterprises in achieving economic transformation and inclusive growth (NPC Research Paper).

¹⁰ National Treasury. (1996). Growth, Employment and Redistribution: A Macroeconomic Strategy. Government Printer. National Planning Commission

¹¹ Department of Public Enterprises. 2020. Policy framework: An accelerated agenda towards restructuring of state-owned enterprises. https://www.gov.za/sites/default/files/gcis_document/201409/acceleratedagendastructuringsoe0.pdf

¹² National Treasury. (2010). New Growth Path: Framework. Republic of South Africa. National Planning Commission

¹³ National Planning Commission. (2012). National Development Plan 2030: Our Future – Make It Work.

and other enterprises providing water and communications services. In the democratic era, they remain vital: Eskom still generates over 90 percent of the country's electricity, while Transnet operates the freight rail network and major ports.

Even though this is the case, the outlined roles of SOEs in these blueprints were never actualised. This is largely to the opposition the policy positions encapsulated in the GEAR i.e., the introduction of joint ventures between existing SOEs and the private sector and the reduction of the level of state ownership in SOEs, were met with great opposition. As such, these reforms were indefinitely put on hold. This resulted in an absence of a guiding policy in terms of what ought to be done with public enterprises and what their precise role was in the South African economy.

Legislative and Oversight Framework

There are generally three key legislative instruments that lay the foundation for governance processes and systems within SOEs. These are the enabling legislations (Acts) of the various SOEs, the **Companies Act (Act 71 of 2008)**, and the PFMA. The SOEs' enabling legislation typically encompass broad objectives of the SOE and its Executive authority while the Companies Act capture governance arrangements. On the other hand, the PFMA (Act 1 of 1999) and its regulations focus on SOE financial management outputs and responsibilities, mandating transparent reporting and performance compacts.¹⁴ Presidential and ministerial review committees, such as the NPC's research papers and the CDE's Agenda 2024, have reinforced SOEs' mandate to deliver infrastructure, back industrial policy, and achieve measurable targets for job creation and economic transformation.^{15, 16}

Despite this robust policy and legislative architecture, many SOEs have struggled to reconcile their commercial and social mandates. Governance breakdowns, political interference, and misaligned accountability have led to service failures, mounting debts, and repeated bailouts, undermining fiscal health and public trust. Subsequent sections will analyse the current state of SOEs, governance challenges, and propose a mixed-ownership and public-listing reform model that aligns with South African policy imperatives and international best practice.

State of South African SOEs

South Africa's post-apartheid policy frameworks (RDP, GEAR, and the NDP) envisioned SOEs as vehicles for **developmental infrastructure** and service delivery to the poor. For example, the RDP and NDP emphasised expanding access to housing, electricity, and communications, while GEAR (1996) stressed fiscal discipline and commercially viable SOEs. In reality, however, the major SOEs have repeatedly failed to meet these goals. This can mainly be attributed to "years of uncertain policy expectations; precarious funding strategies; poor institutional accountability and poor governance; and political interference".¹⁷

¹⁴ National Treasury. (1999). Public Finance Management Act (Act 1 of 1999). Republic of South Africa. National Treasury South Africa

¹⁵ Inclusive Society Institute. (2021). South Africa's developmental model: The significance of state-owned enterprises. National Planning Commission

¹⁶ Centre for Development & Enterprise. (2024). Agenda 2024: Action Six – Solve the SOE challenge. National Planning Commission

¹⁷ National Planning Commission (NPC). 2020. Linking state-owned enterprises to economic transformation and inclusive growth – Paper 4/4: Synthesis report.

<https://www.nationalplanningcommission.org.za/assets/Documents/The%20role%20of%20state-owned%20enterprises%20in%20achieving%20economic%20transformation%20and%20inclusive%20growth.%20Paper%204%20Synthesis%20Report.pdf>

In 2019, the Auditor-General noted that “not a single audited SOE obtained a clean audit opinion”,¹⁸ and most require continuous state support. Major utilities and airlines are routinely loss-making, in stark contrast to their original developmental mandates. In short, the vision of a capable, professional state sector has given way to a pattern of chronic losses, bailouts and service decline.¹⁹

Table 1: Selected SOE performance: telecoms vs power/airlines (FY2023)

SOE (sector)	Ownership Model	FY2023 Financial Result	State Support (approx.)	Service/Market Indicator
Telkom (telecoms)	State (~39%) + private, listed	Profit ~R1.9b (FY2024) group.telkom.co.za	None (self-funded)	+1.9% revenue, 18.3m mobile subscribers senspdf.jse.co.za
Vodacom (mobile)	Private, listed	Profit R19.3b (FY2024) vodacom.com	None	~61.6b service revenue, 37m total subs vodacom.com
Eskom (electricity)	100% state (PFMA)	Loss ~R20b (FY2022 forecast) businesstech.co.za ; debt ~R450b businesstech.co.za	R241.6b (2008–2023) treasury.gov.za	Persistent load-shedding (hours/year)
SAA (aviation)	100% state (PFMA)	Losses of R5–R10b (2018–19) businesstech.co.za	R48.2b (2008–2014) treasury.gov.za + ~R40b (20 yrs) businesstech.co.za	Declared bankrupt; fleet grounded

As Table 1 illustrates, telecoms have largely escaped the SOE crisis. Telkom (part-privatised) and Vodacom (fully private) both report robust profits and continue to invest in infrastructure.²⁰ By contrast, Eskom and South African Airways (SAA), fully government-owned under the Public Finance Management Act, have spiralled into deficit and debt despite repeated injections of state funds.²¹ Eskom’s finances are dire: it ran a small loss in FY2020 and was projected to lose ~R20 billion in 2021/22, on top of debt exceeding R450 billion.²² SAA has not turned a profit in a decade and only survived after decades of bailouts (≈R40–50 billion) and an ultimately failed rescue process.²³

The **root causes** of SOE collapse are well documented. Chronic **governance failures**, including non-compliance with National Treasury regulations and disclosure rules, are endemic. The Auditor General reports that over 27 SOEs incurred R67 billion in irregular expenditure (and R2 billion wasteful spending) from 2019–24, reflecting a

¹⁸ BusinessTech. (2019, December 11). *Eskom, SAA, SAPO, and all the other state companies the South African government has run into the ground*. BusinessTech.

¹⁹ Ibid. Also see National Treasury. (2024). Budget Review 2024 (Ch. 8). Financial Position of Public-Sector Institutions.

²⁰ Telkom SA SOC Ltd. (2024). Annual financial results FY2024; Vodacom Group Ltd. (2024). *Annual financial results FY2024*.

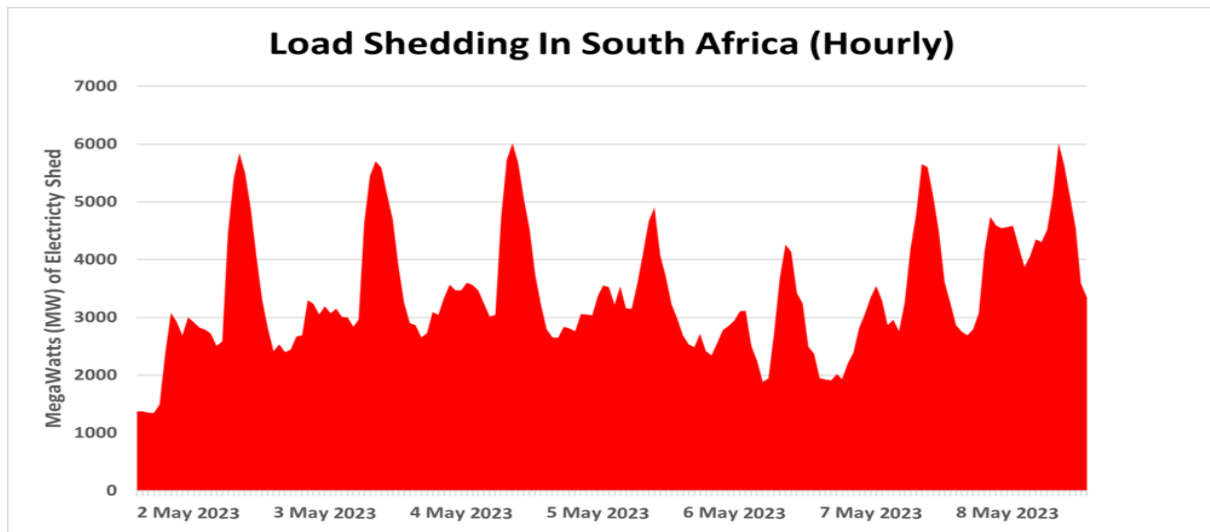
²¹ National Treasury. (2024). Budget Review 2024 (Ch. 8). Financial Position of Public-Sector Institutions. Also see BusinessTech. (2019, December 11). *Eskom, SAA, SAPO, and all the other state companies the South African government has run into the ground*.

²² BusinessTech. (2019, December 11). *Eskom, SAA, SAPO, and all the other state companies the South African government has run into the ground*. BusinessTech.

²³ Ibid.

lack of controls and accountability.²⁴ Cadre deployment and political interference have also undermined competence. For example, it is noted that “Eskom has been marred by exceptionally poor governance, corruption, maladministration [and] cadre deployment”.²⁵ Strategic boards and executives were often replaced for political loyalty rather than expertise, stalling maintenance and investment. Financial mismanagement (unauthorised contracts, ghost projects, capital blow-outs) further depleted SOE viability. In short, the combination of politicised ownership and weak oversight has poisoned performance. By contrast, the telecoms companies operate under market discipline and professional management, which helps explain their relative success.²⁶

Figure 2. Eskom load-shedding (electricity outage) during May 2023. Severity of supply shortfalls routinely reaches multi-GW (red), reflecting Eskom’s operational collapse.



The **service delivery** impact of these failures is stark. Frequent power cuts (load-shedding) have become the norm, with outages exceeding 5–6 GW during peak periods (Figure 2). As illustrated in Figure 3 below, **South Africa experienced the highest loadshedding in 2023 than in any other year**; however, loadshedding reduced substantially from 2024 until 2025 due to improvements in the EAF and lower residual load in 2024 compared to 2023. Private sector embedded solar PV generation of 5.8 GW generated ~2.3 TWh in the first three months of 2024, where there was loadshedding, and contributed to minimising loadshedding.²⁷

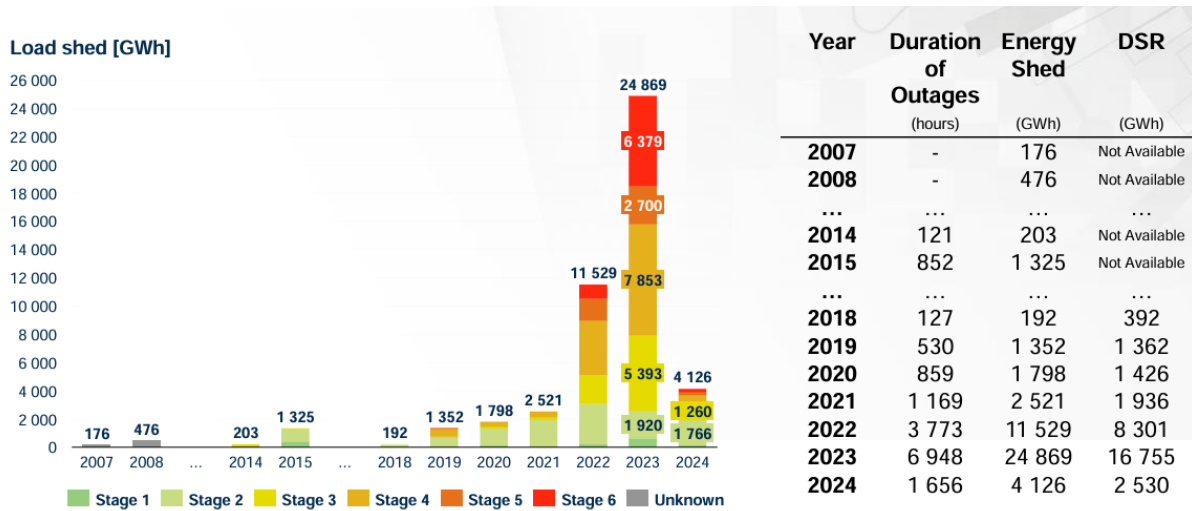
²⁴ Ndenze, B. (2024, October 23). Transnet, SAA, SAPO top list of SOEs with the most irregular & wasteful expenditure – AG. *Eyewitness News*.

²⁵ BusinessTech. (2019, December 11). Eskom, SAA, SAPO, and all the other state companies the South African government has run into the ground. *BusinessTech*.

²⁶ Telkom SA SOC Ltd. (2024). *Annual financial results FY2024*; Vodacom Group Ltd. (2024). *Annual financial results FY2024*.

²⁷ CSIR Energy Research Centre. (2025, March 17). *Utility-scale power generation statistics in South Africa 2024 (1 January 2024 – 31 December 2024)*.

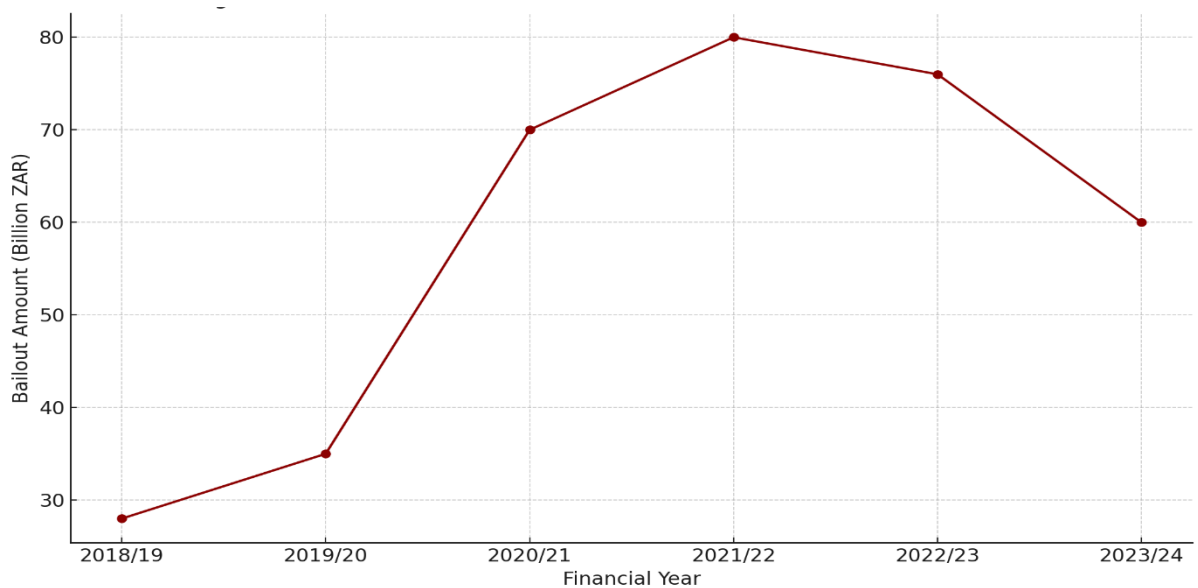
Figure 3. South Africa Loadshedding Trends from 2007 - 2024



Source: CSIR Energy Research Centre, March 17, 2025.

Transnet's freight and port services have similarly deteriorated, and SAA's collapse removed a key link to global markets. In each case, performance metrics have deteriorated even as taxpayer support climbed. For example, government recapitalisation of SOEs spiked in 2020–22 (due to COVID-19 and Eskom crises); total SOE bailouts approached R70–80 billion annually (Figure 4).

Figure 4. Annual Government Bailouts to South African SOEs (2018-2024)



Source: National Treasury

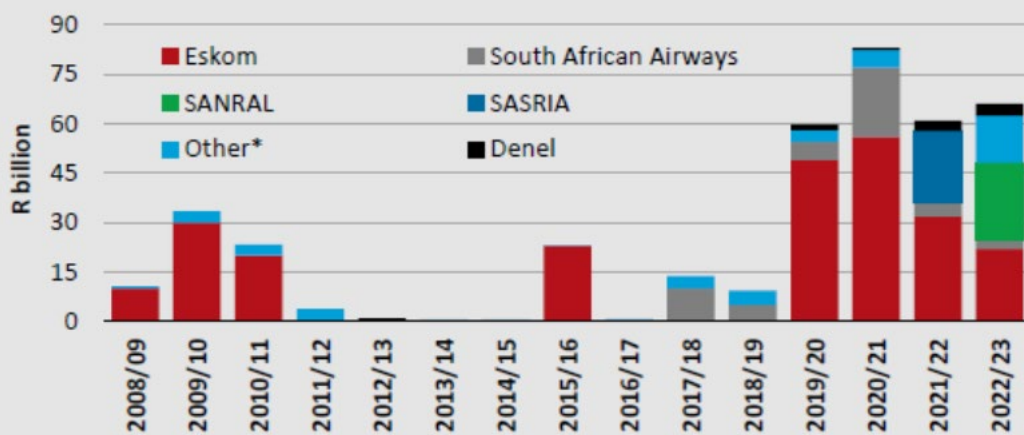
Figure 4 illustrates annual government bailouts to South African SOEs from 2018 to 2024, derived from the National Treasury's *Budget Review 2024*, specifically Chapter 8, titled "Financial Position of Public-Sector Institutions." This chapter details the fiscal support allocated to various SOEs, highlighting the significant financial assistance provided to entities such as Eskom and SAA. For instance, Eskom received R241.6 billion in fiscal support from 2008/09 to 2022/23. Additionally, SAA received a total of R48.2 billion over six years yet still entered business rescue proceedings. These figures underscore the substantial and ongoing financial commitments the

government has made to support underperforming SOEs. The spike in bailouts during 2020–2022, as depicted in Figure 3, aligns with the periods of intensified financial distress within these enterprises, exacerbated by the COVID-19 pandemic and operational challenges.²⁸ The data reflects the unsustainable fiscal burden posed by these bailouts, emphasizing the need for structural reforms within the SOE sector.

Box 1: How State-owned company support has become a drain on the fiscus

A key driver of South Africa’s increasingly constrained fiscal position is the expansion of financial support to state-owned companies. Eskom has dominated these bailouts. From 2008/09 to 2022/23, Eskom received R241.6 billion in fiscal support. In some cases, rapid injections through the budget had little to no impact on the service offering. For example, South African Airways (SAA) received a total of R48.2 billion over six years and still went into business rescue.

Figure 8.2 Recapitalisation of state-owned companies



*Includes DBSA, SABC, Transnet, Airports Company South Africa, Land Bank, South African Express, South African Post Bank and SAPO

Source: National Treasury

Government has been working to reduce its exposure, as expressed by the guarantee portfolio of these companies. Between March 2022 and March 2023, loan guarantees issued declined from R559.9 billion to R478.5 billion. However, this does not deal with the core challenges facing these institutions. For this reason, several reforms have been implemented to mitigate such fiscal exposure. These reforms include improving the transparency of guarantees for better monitoring and accountability, and using guarantee conditions to raise operational efficiency and reduce financial reliance on government – such as by requiring cost optimisation and private-sector participation.

Source: National Treasury, Budget Review 2024 (Ch. 8). Financial Position of Public-Sector Institutions.

These bailouts exact a heavy toll on the national fiscus as shown in **Textbox 1** above. The National Treasury warns that supporting loss-making SOEs has become “a key driver of South Africa’s increasingly constrained fiscal position.” From 2008/09–2022/23, Eskom alone received R241.6 billion, and even that did not prevent service collapse.²⁹ Treasury explicitly notes that such bailouts “erode policy space” by diverting money from health,

²⁸ West, E. (2024, February 22). *Budget 2024: Treasury says SOE bailouts are unsustainable*. Business Report (IOL).

²⁹ National Treasury. (2024). Budget Review 2024 (Ch. 8). Financial Position of Public-Sector Institutions

education and security.³⁰ In other words, every rand spent propping up SOEs is a rand not spent on frontline public services. The consequence has been higher deficits and debt for South Africa, and public investment deferred. In sum, the fiscal drain of SOE underperformance is profound: multi-year recapitalisations and guarantees have crowded out development spending and weakened fiscal stability.³¹

As the above discussion shows, despite their intended developmental role, South Africa's SOEs have underperformed. By 2024 there was "widespread agreement" that corruption, governance failures and political interference had crippled many SOEs. The original mission – expanding reliable services to all citizens – has largely given way to crises of funding, capacity and management. Large SOEs like **Eskom** (electricity), **SAA** (airlines), and **Denel** (defense) have become chronic failures. Eskom's collapse – driven by "state capture, corruption and governance failures, led to rolling blackouts and unsustainable debt (finance costs alone are R25 billion yearly. SAA required over R38 billion in bailouts (2018–2023) and was ultimately placed in business rescue. Denel has suffered massive losses and scandals. (Even other SOEs like the public broadcaster SABC and rail agency PRASA run continual deficits.) In sum, these failures have **imposed heavy burdens on the state and economy**.

Not all SOEs have fared badly. The telecom sector offers success stories. **Telkom**, partially privatised in 1997, was then the largest communications provider in Africa.³² Its IPO, when it was eventually listed in 2003, raised \$472.93 million - allowing it to invest and pay steady dividends.³³ **Vodacom** (spun off from Telkom's mobile unit) – now majority-owned by Vodafone – has delivered robust profits and regional growth. Both firms benefited from professional management and capital market access: Telkom and Vodacom today are "profitable, diversified, with no fiscal reliance". These successes illustrate how *market discipline plus managerial independence* can align SOEs with growth objectives.

Analysts attribute SOE woes to a fragmented, politicised ownership model. South Africa lacks a single SOE holding entity; oversight is split between the Department of Public Enterprises (DPE), multiple line ministries (communications, defense, etc.), and Treasury. The NDP has noted that asking SOEs to fulfill "too many different priorities at once" under complex governance sets them up to fail.³⁴ Boards have often been stacked with political appointees, undermining independence. Procurement has been skewed by patronage, inflating costs of power plants, rail rolling stock and more. Financial controls broke down – costly projects ran over budget or were abandoned – leaving SOEs saddled with debt that the public ultimately pays for via tariffs or bailouts. In short, poor governance and accountability in the state-ownership model have been core to the crisis.³⁵

Governance Challenges and Ownership Model

Ownership arrangements of SOEs vary across countries. In certain countries, the legal owner of the assets exercises the ownership rights while in some countries the ownership rights are delegated to another entity, such as a ministry or a specialised ownership body.³⁶ Ordinarily, the exercise of these rights includes the powers to (i)

³⁰ West, E. (2024, February 22). *Budget 2024: Treasury says SOE bailouts are unsustainable*. Business Report (IOL).

³¹ Ibid. See also National Treasury. (2024). Budget Review 2024 (Ch. 8). Financial Position of Public-Sector Institutions.

³² Platt, G. (2003, April 1). Corporate Finance: Long-Delayed Telkom IPO Finally Makes It to Market. Global Finance

³³ Telkom SA Limited, Prospectus.

³⁴ National Planning Commission. (2012-2030). National Development Plan 2030: *Our Future-make it work*.

³⁵ Ibid.

³⁶ World Bank. 2014. Corporate Governance of State-Owned Enterprises. A Tool kit. Washington DC

appoint boards of directors; (ii) set and monitor objectives; and (iii) to vote company shares on behalf of the government.³⁷

Table 1: SOE Ownership Models

<div style="display: flex; flex-direction: column; align-items: center;"> <div style="writing-mode: vertical-rl; transform: rotate(180deg);">Decentralised ownership</div> <div style="font-size: 2em; margin: 0 5px;">↑</div> <div style="writing-mode: vertical-rl; transform: rotate(180deg);">Centralised</div> </div>	Centralised model	One government institution carries out the mission as shareholder in all companies and organisations controlled by the state. This institution can be either a specialised ownership agency or a designated government ministry. Financial targets, technical and operational issues, and the process of monitoring SOE performance are all conducted by the central body. Board members are appointed in different ways but instrumental input comes from central unit.
	Dual model	Two government institutions –often one line-ministry per SOE plus the finance ministry - share in the ownership function commanding each individual SOE. Typically, one ministry sets financial objectives and another ministry formulates operational strategy.
	Twin track	Functionally equivalent to the centralised model, but with two individual portfolios of SOEs overseen by two different government institutions. This model has often been referred to as “dual”, but in practice it differs materially from the dual model in that only one government body is involved in the ownership of each SOE.
	Coordinating agency	Specialised government units act in an advisory capacity to other shareholding ministries on technical and operational issues, and their most important mandate often is to monitor SOE performance. The more limited role of these central agencies, coupled with the autonomy that line-ministries thus maintain, leads to considerable overlap with the decentralised model.
	Decentralised	No one single institution or state actor acts on the responsibilities of the ownership function. Public perception often perceives line-ministries to be de facto running the SOE as an extension of their ministerial powers. For each of the three ownership function responsibilities, a unique state unit or a mix of state units subsume the role.

Source: OECD (2018)³⁸

Despite the multiplicity of SOEs - which straddle different departments and tiers of government, South Africa has no common shareholder governance model across departments and spheres of Government. South Africa has typically relied on ad hoc instruments which are unsuitable to hold SOEs accountable (PRC, 2012).³⁹ An example of these ad hoc instruments is the fact that the DPE was initially created as an office to oversee the privatisation/restructuring of specific SOEs in 1994 (later upgraded to a Schedule 1 Department in August 1999)⁴⁰, but subsequently became a shareholder ministry by default when SOE reforms were put off.

Furthermore, the transfer of ownership between line ministries and the DPE over the years – as exemplified by the transfer of ownership rights of the South African Airways from the DPE to the National Treasury (Ministry of

³⁷ OECD. 2024. OECD Guidelines on Corporate Governance of State-Owned Enterprises 2024. [OECD Guidelines on Corporate Governance of State-Owned Enterprises 2024 | OECD](#)

³⁸ OECD. 2018. Ownership and Governance of State-Owned Enterprises: A Compendium of National Practices. [2018 OECD Ownership-and-Governance-of-State-Owned-Enterprises-A-Compendium-of-National-Practices.pdf](#)

³⁹ Presidential Review Committee on State-Owned Enterprises (2013), Final Report [seen at] <https://portal.regenesys.net/course/discussions/editors/kcfinder/upload/files/Presidential%20Review%20of%20SOCs%2C%202013.pdf>

⁴⁰ National Treasury. 2000. Budget Vote 31 - Public Enterprises. https://www.treasury.gov.za/documents/national%20budget/2000/ene/vote_31.pdf.

Finance) in 2014, and from Treasury back to DPE in 2018⁴¹ – indicated the incoherent nature of the DPE’s policy objectives. This is especially the case given that the DPE was never envisaged to exist for as long as it did.⁴²

These ad hoc instruments relied upon created elements of a hybrid model before the dissolution of the DPE in 2024. The ownership rights of some major SOEs were vested in the DPE while ownership rights for other major SOEs and DFIs were exercised by their respective line ministries – the Development Bank of Southern Africa (DBSA) and the Land Bank and Agriculture Bank of South Africa (Land Bank) are such examples. It must however be noted that the DPE served as a central ministry that exercised the Executive authority by default after the derailment of its initial mandate i.e., the restructuring of SOEs – with core focus given to Telkom, Eskom, Transnet and Denel.

The 2024 reallocation of what have traditionally regarded as strategic SOEs to their respective line ministries has created characteristics of a decentralised/dispersed ownership model for South African SOEs. Moreover, the promulgation of the **Eskom Debt Relief Act (2023)**⁴³, albeit not explicitly, effectively extends the mandate of the National Treasury beyond merely financial oversight – the Act with its subsequent amendments also now bestows the responsibility to set both financial and operational objectives for Eskom on the National Treasury. This reality resembles a **dual ownership model** as the Ministry of Finance and the Ministry of Electricity and Energy share the responsibility to set objectives for Eskom – a defined feature and responsibility of Executive authorities of SOEs.

The ad hoc nature of ownership arrangements, multiplicity of mandates, the lack of separation of roles by the state i.e., (i) policy-maker, (ii) regulator, and (iii) owner, and other governance challenges have exacerbated SOE problems. The NDP emphasises that **clear mandates** and **straightforward governance** are needed: asking SOEs with limited capacity to pursue “too many different priorities at once” is “setting them up to fail”.⁴⁴ Successful state ownership policies define the government’s objectives transparently and channel SOEs’ roles accordingly. This is often achieved through a centralised holding or ownership unit.⁴⁵ It would be ideal for South Africa to move towards a **centralised ownership model** – possibly by entrenching a **central SOE holding company** to pool expertise and coordinate mandates across sectors.

The centralised ownership model is preferred due to its ability to facilitate the clarification of ownership policy and its orientation, and it also helps to ensure its more consistent implementation.⁴⁶ Furthermore, international experience indicates that governance frameworks for SOEs can best be strengthened through the creation of a separate “ownership entity”.⁴⁷ A separate entity can best address three fundamental imperatives in governance i.e., (i) professionalisation, (ii) checks and balances, and (iii) coordination. This model will also aid with

⁴¹ National Treasury and Department of Public Enterprises. 2018. Joint Statement on the Transfer of SAA ACT from Minister of Finance to Minister of Public Enterprises. [2018080201 TRANSFER OF SAA BACK TO PUBLIC ENTERPRISES.pdf](#)

⁴² National Treasury. 2000. Budget Vote 31 - Public Enterprises. https://www.treasury.gov.za/documents/national%20budget/2000/ene/vote_31.pdf.

⁴³ Parliament of the Republic of South Africa. (2023). Eskom Debt Relief Act (Act 7 of 2023). South African Government

⁴⁴ National Planning Commission. (2012-2030). National Development Plan 2030: *Our Future-make it work*.

⁴⁵ OECD (2024), Ownership and Governance of State-Owned Enterprises 2024, OECD Publishing, Paris, <https://doi.org/10.1787/395c9956-en>; OECD (2019), A Policy Maker’s Guide to Privatisation, Corporate Governance, OECD Publishing, Paris. <https://doi.org/10.1787/ea4eff68-en>.

⁴⁶ OECD. 2015. OECD Guidelines on Corporate Governance of State-Owned Enterprises, 2015 Edition, OECD Publishing, Paris. <http://dx.doi.org/10.1787/9789264244160-en>

⁴⁷ National Planning Commission. 2020. The role of state-owned enterprises in achieving economic transformation and inclusive growth – Paper 3/3: Institutional Governance Review. <https://www.nationalplanningcommission.org.za/assets/Documents/The%20role%20of%20state-owned%20enterprises%20in%20achieving%20economic%20transformation%20and%20inclusive%20growth.%20Paper%203%20Institutional%20Governance%20Review.pdf>.

professionalising the ownership function (the government as a disciplined investor, not a micromanager) and reorganising oversight.

The centralised ownership model is generally expected to engineer the following benefits:

- **Reduced conflict of interest:** Separate Ownership functions from Policy Making to Regulatory functions.
- **Enhanced state capacity:** Crowding in of specialised capabilities and scarce resources.
- **More coherence:** Greater coherence and consistency in applying corporate governance standards and exercising the State-Ownership rights and responsibility.
- **Enhanced shareholder value:** Manages state assets in a way that protects shareholders value (both commercial and non-commercial)
- **Increased transparency:** Achieves great transparency and accountability in SOEs operations through better oversight and performance monitoring.
- The model facilitates a **standardised and uniform corporate governance policy** in both substance and over time. Through this model, the same level of corporate governance can be established in all SOEs and harmonisation of guidelines can be facilitated.
- A centralised model **harmonises operational policies** through setting standards in certain operational areas of SOEs such as investments, dividends, human resources, procurement, contracting, and auditing.
- A centralised model offers more **independence from political interference**.

In addition to the general benefits of the centralised ownership model, holding companies are best suited to address the three core problems in the prevailing institutional arrangement identified by the National Planning Commission i.e., (i) excessive politicisation, (ii) weak coordination, and (iii) formality and professional skills.⁴⁸ As such, we **think** it would be ideal for South Africa to implement the **Holding Company (HoldCo) model**. This is because, amongst other things, holding companies help address the following:⁴⁹

- **Insulate SOEs from unwarranted political interference.** This is typically achieved through ownership policy which addresses in greater detail the interface among the government, the holding company itself, and the entities under the holding company.
- Holding Companies are **usually subject to a greater or a lesser degree, to private sector regulations**, which implies additional transparency requirements.
- Holding companies are the direct owner of the SOE, which **facilitates the design and execution of operational policies** (inter-group market of resources).
- They help to address shortcomings in other areas of governance (e.g., a weak board of directors) by assuming additional responsibilities. Holding companies tend to **strengthen corporate governance** by ensuring clear separation of the ownership and management of SOEs. The holding company, based on its policies, would ensure professionalism and the right skill-set in SOE board appointments.
- They help to **inculcate market discipline** into SOEs not listed in the capital markets,

⁴⁸ National Planning Commission. 2020. The role of state-owned enterprises in achieving economic transformation and inclusive growth – Paper 3/3: Institutional Governance Review.

<https://www.nationalplanningcommission.org.za/assets/Documents/The%20role%20of%20state-owned%20enterprises%20in%20achieving%20economic%20transformation%20and%20inclusive%20growth.%20Paper%203%20Institutional%20Governance%20Review.pdf>

⁴⁹ de Acevedo Sánchez, E. M. 2016. State-owned Enterprise Management - Advantages of Centralized Models.

<https://publications.iadb.org/publications/english/document/State-owned-Enterprise-Management-Advantages-of-Centralized-Models.pdf>

- They foster **joint resource and asset management**.

Benefits of Mixed Ownership and Listing

Unlocking capital and efficiency - Mixed ownership i.e., co-ownership of SOEs between government and the private sector, can prove to be an ideal ownership arrangement in instances where government is concerned with striking a balance between developmental objectives and commercial objectives. Through mixed ownership, SOEs can continue to serve as instruments while making them both economical and financially viable. In the South African context, this can satisfy both the developmental objectives that South Africa seeks to advance through SOEs whilst lessening the financial burden of SOEs on the state's fiscus. This idea was encapsulated in the policy document which was propelled by GEAR - *An Accelerated Agenda Towards the Restructuring of State-Owned Enterprises*.⁵⁰

Even though SOE reform efforts precipitated by GEAR were indefinitely put on hold, mainly because of opposition from labour unions in the early 2000s, they appreciated the cruciality of reducing state debt and mobilising private sector capital among others. However, with the political landscape having evolved since then, SOE reform is firmly on government policy agenda. The **Roadmap for Eskom in a Reformed Electricity Supply Industry 2019**⁵¹ somewhat marked this resuscitation of SOE reforms. The roadmap encapsulates the reforms conceived in the late 1990s and early 2000s – such as the unbundling of Eskom. The push to reignite reforms was further augmented by government's decision to establish a Holding Company (HoldCo) for SOEs as expressed in the **National State Enterprises Bill (B1-2024)**.⁵² This is a recommendation contained in the 2012 report of the **Presidential Review Committee on State-Owned Entities**.⁵³ Moreover, the appointment of the **Presidential State-Owned Enterprise Council (PSEC)**⁵⁴ in June 2020, despite its report yet to be released, serves as a reflection of an appetite within government to carry out SOE reforms.

One of the key objectives of the touted reforms has been ways in which capital can be unlocked for SOEs. A reconfiguration of ownership arrangements, particularly through the introduction of mixed ownership, is seen as viable option to unlock capital. Mixed ownership can be employed in various ways – such as through joint ventures, majority shareholding, minority shareholding with golden shares and other Public Private Partnerships (PPPs) mechanisms. While this is the case, there is generally misalignment between government and the private sector. Government is normally slated for preferring to undertake PPPs on poor assets while the private sector is slated for only 'cherry picking' best performing assets.⁵⁵ This dynamic needs to be carefully navigated in order to circumvent this potential impasse.

⁵⁰ Department of Public Enterprises. 2000. An Accelerated Agenda Towards the Restructuring of State Owned Enterprises – Policy Framework. https://www.gov.za/sites/default/files/gcis_document/201409/acceleratedagendarestructuringsoe0.pdf

⁵¹ Department of Public Enterprises. 2019. Roadmap for Eskom in a Reformed Electricity Supply Industry 2019. https://www.gov.za/sites/default/files/gcis_document/201910/roadmap-eskom.pdf

⁵² Department of Public Enterprises. 2024. National State Enterprises Bill (B1-2024). https://www.parliament.gov.za/storage/app/media/Bills/2024/B1_2024_National_State_Enterprises/B1_2024_National_State_Enterprises.pdf

⁵³ The Presidency. 2012. Presidential Review Committee on State-Owned Enterprises: Volume 1 - Executive summary of the final report. [Report of the Presidential Review Committee \(PRC\) of state-owned entities \(SOEs\)](#)

⁵⁴ The Presidency. 2020. President Appoints Members of the State-Owned Enterprise Council. <https://www.thepresidency.gov.za/president-appoints-members-state-owned-enterprise-council#:~:text=President%20Cyril%20Ramaphosa%20has%20appointed%20members%20of%20the,as%20effective%20instruments%20of%20economic%20transformation%20and%20development.>

⁵⁵ The Presidency. 2012. Presidential Review Committee on State-Owned Enterprises: Volume 1 - Executive summary of the final report. [Report of the Presidential Review Committee \(PRC\) of state-owned entities \(SOEs\)](#)

Public listing of SOEs is one way in which government can facilitate and maximise investor participation in SOEs. Not only can public listings of SOEs channel private funds into the economy, they can also impose market discipline. Citigroup analysts note that once an SOE is listed, the pressure from investors and disclosure requirements tends to improve efficiency and governance.⁵⁶

For South Africa, listing offers an immediate fiscal benefit: Telkom's 2003 global IPO raised roughly \$472.93 million that was invested in network expansion and partly used to reduce debt.⁵⁷ These funds are capital that would otherwise come from constrained Treasury budgets or higher user tariffs. Once listed, SOEs face stock-market scrutiny – share prices and analyst coverage create powerful incentives for performance. Numerous studies (OECD, World Bank) emphasise that an IPO should be *coupled* with governance reform; in practice, mixed ownership only works if the company's board and management are strengthened.⁵⁸ But experience shows it can work: Telkom and Vodacom tapped markets for growth funding and adopted best-practice management, delivering reliable services while reducing state support.

Preserving state control - A key insight of privatisation literature is that governments rarely need a majority stake to control an SOE's strategic direction. In SA corporate law, major decisions (e.g. mergers, executive appointments) require a 75% vote. Retaining a 25–26% share gives the state effective **veto power** – or as colloquially referred to, a golden share. In fact, post-IPO Telkom saw the government holding 42%, well above this threshold.⁵⁹

In practice, policy-makers can engineer “golden share” rights or special voting shares to lock in public-interest protections. This means South Africa can **mobilise private capital** for efficiency while still controlling core decisions. Some international examples include partially privatised public utilities in Europe and Asia which often have government retaining 20–40%; the state then uses minority protections to guard national objectives.

Box 2: Case studies

Many emerging-market SOEs have thrived under this model. Singapore's Temasek (an investment holding company) owns portions of national firms (SingTel, SMRT, etc.) and lists them, yielding dividends and high growth while ensuring essential services. Malaysia's Khazanah operates similarly with Petronas, Telekom Malaysia, and others. In India, Hong Kong, and elsewhere, listed SOEs generally outperform wholly state-owned peers. The OECD notes that good corporate governance (independent boards, merit-based executives) is a prerequisite for successful partial privatisation and yields higher valuations for the state.

Selection Criteria and Process

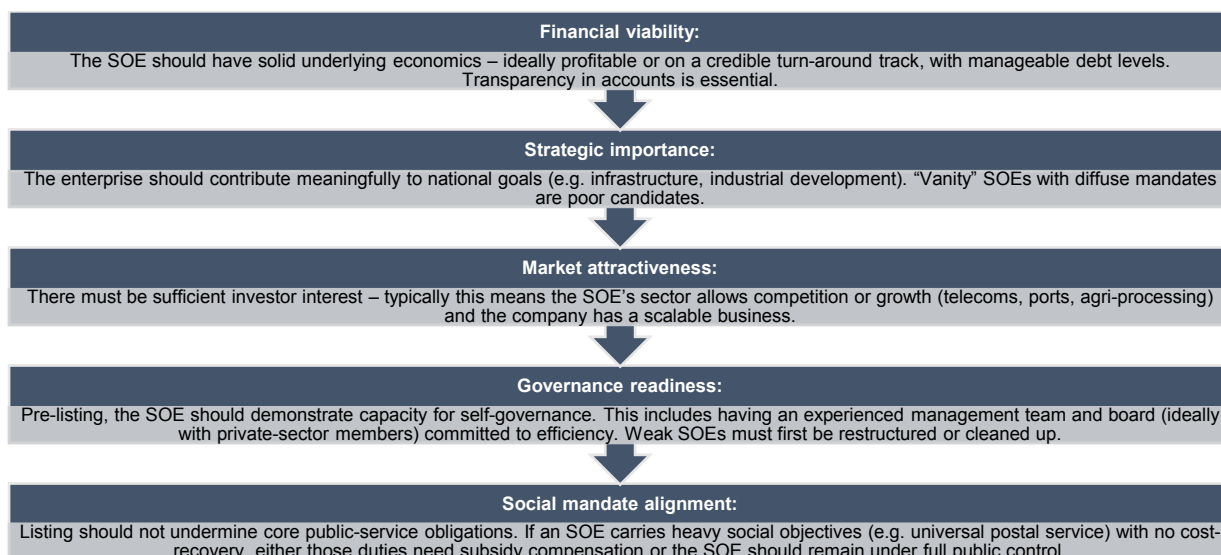
Candidate selection - Not every SOE should list. The process should use objective criteria to pick those most likely to succeed. Key factors include:

⁵⁶ World Bank *et al.* (2021). Listing State-Owned Enterprises in Emerging and Developing Economies: *Lessons learned from 30 years of success and failure*. The World Bank Group.

⁵⁷ Telkom SA Limited, Prospectus.

⁵⁸ OECD (2019), A Policy Maker's Guide to Privatisation, Corporate Governance, OECD Publishing, Paris. <https://doi.org/10.1787/ea4eff68-en>.

⁵⁹ Telkom SA Limited, Prospectus.



Implementing these filters can be aided by an inter-ministerial committee or the proposed holding company. The selection process should involve independent financial advisers and public consultations (consistent with IFC/World Bank guidance on SOE reform). A shortlist might include SOEs in telecoms, transport, or minerals where the state share is currently high and performance is solid. For example, in the past SAA and Denel would *not* have qualified, whereas Telkom and Transnet pipelines might.

Listing process - Once candidates are identified, the government should (possibly via the holding entity) follow international best practice for IPOs: commission valuation, prepare a prospectus, and open minority share offers on the JSE and possibly in offshore markets. Engagement with shareholders and regulators must start early. Prior to any float, each SOE’s legal structure may need adjustment (e.g. ensuring any special sovereign rights are embedded in corporate charters).

At the listing date, the state sells shares equivalent to 74% ownership, keeping 26% in either one entity or class of shares (golden share). Sale proceeds should be earmarked for national priorities (debt reduction, infrastructure investment) to signal fiscal discipline. The government must avoid the temptation to spend IPO windfalls on recurrent budgets. Throughout, transparency is key: publish terms, timeline, and use of proceeds. The process should follow the spirit of Section 217 of the Constitution (“public tender process where possible”) even though selling equity is unique. International lenders’ conditions and OECD guidance suggest that up-front stakeholder communication (to labour, unions, civil society) helps manage expectations and mitigate social risks.

Box 3: Detailed Case Studies

Telkom SA (telecommunications)

Listed in 2003, Telkom was 100% state-owned pre-IPO and a monopoly fixed-line provider. The Government sold 30% to private investors abroad and in South Africa, raising \$472.93 million. Post-IPO, Telkom's valuation soared (the stock gained 160% by 2013). The IPO proceeds funded network expansion and debt reduction. Critically, the listing accompanied governance changes: an independent board and a transparent regulator (ICASA) oversaw the sector. Today, Telkom is profitable and diversified (wireless, broadband), pays regular dividends, and requires no state subsidy. The government, via a holding company, still holds 39% (after retaining extra stakes), enough to veto major changes. Telkom's partial privatisation is widely cited as a template: it unlocked capital and efficiency without sacrificing strategic oversight.

Vodacom (mobile telecommunications)

Originally part of Telkom, Vodacom listed in 2009 with government retaining 35%. Vodafone later acquired a majority stake. Under mixed ownership, Vodacom expanded regionally (Zimbabwe, DRC, Lesotho) and sustained ~18% annual subscriber growth over a decade. Reported pro forma EBITDA grew ~7–8% annually as of 2025, reflecting robust commercial performance. The SOE structure allowed Vodafone's management practices to modernise Vodacom's operations, bringing state-of-the-art mobile services to millions. Vodacom now pays large dividends (shared with government) and operates with autonomy from Whitehall priorities.

International parallels

Singapore's Temasek owns minority stakes in major listed firms (SingTel, ST Engineering, etc.) and remits hefty dividends to the treasury, while its portfolio outperforms global benchmarks. Malaysia's Khazanah, a sovereign wealth fund, manages holdings in Petroliaam Nasional and Telekom Malaysia, focusing on long-term value. Both cases show that a professional holding company can steer SOEs toward profitability: for example, Temasek's equity portfolio returned an average of ~17% p.a. over 10 years (2003–2012). Closer to home, Transnet sold non-core terminals and partnered with private investors for terminal management, raising R3.8 billion in 2016 and improving port throughput efficiency. These examples reinforce that mixed ownership – combined with commercial mandates – can drive growth while funding development.

Implementation Roadmap

Implementing mixed ownership requires a phased plan:

Preparatory reforms: Strengthen governance first. Each candidate SOE should adopt a modern board structure (independent directors, clear charters) and transparent financial reporting. Labour and management training on listed-company norms is needed. Any pending financial deficits should be addressed (through targeted bailouts or restructuring) prior to float. Government should also set up the SOE holding company (or assign the task to an existing state investor entity) and draft its operating guidelines (mandate, funding, staffing). The holding company model, as seen in Singapore and Malaysia, centralises ownership skills and depoliticizes decision-making.⁶⁰

Legal and regulatory adjustments: Amend laws so that any “deemed treasury approvals” do not override the independence of listed companies. The PFMA and SOE Act call for shareholder compacts; these should be aligned with the company's new mission (service levels, profitability targets). If necessary, special classes of shares (with enhanced voting on public-interest issues) can be created to supplement the 26% golden-share mechanism.

⁶⁰ OECD (2024), Ownership and Governance of State-Owned Enterprises 2024, OECD Publishing, Paris, <https://doi.org/10.1787/395c9956-en>.

Selection and due diligence: Apply the criteria above to pick 2–5 SOEs for initial listing. For each, commission feasibility studies (financial audits, market analysis). Engage international advisers to manage tender and valuation (following IMF/World Bank privatisation guidelines). Concurrently, consult stakeholders (trade unions, communities) early to manage social concerns.

IPO execution: Prepare prospectuses and engage stock exchanges/regulators. Government sells roughly 74% of each target in a public offering. The process should be transparent, with share allocations avoiding cronyism (e.g. via public share tranches or bidding). Record the proceeds (in a Sovereign Wealth or Infrastructure Fund) to ensure they fund debt reduction and capital projects.

Post-listing governance (Holding Company Oversight): The SOE holding company transitions from dealmaker to active portfolio manager. It appoints and monitors boards of the now-listed SOEs on behalf of the state. It ensures compliance with the company and public mandates. The holding company publishes aggregate portfolio performance reports (in line with OECD best practice).⁶¹ Meanwhile, the broader framework strengthens regulatory competition: for example, if Eskom were listed (hypothetically), independent markets and pricing would apply.

Shareholder activism: Encourage institutional investors (pension funds, index trackers) to exercise their rights. Establish a minority-shareholder advisory council, as recommended by the OECD, so public interests (affordable tariffs, rural service) continue to have a voice. Ensure listed SOEs adhere to Corporate Governance (King IV) and JSE disclosure standards, enhancing accountability.

Throughout implementation, the timeline should be **ambitious but realistic**: governance reforms and holding-company setup can begin immediately (Year 1), with one or two large IPOs by Year 2-3, and subsequent SOEs in later phases. Clear milestones (e.g. “board reconstitution” and “holding co. charter passing”) should be tracked by Treasury and Cabinet.

Shareholder Activism and Governance Model

In a mixed-ownership model, traditional political control over SOEs transitions to a model emphasising shareholder governance. The state, maintaining a significant stake, such as 26%, through a dedicated holding company, assumes the role of a strategic investor rather than an active manager. This approach aligns with international best practices observed in entities like Singapore's Temasek Holdings and Malaysia's Khazanah Nasional, where professional management and clear performance metrics are central to operations.⁶²

To implement this effectively, South Africa could consider the following measures:

Professionalise the Holding Company: Establish a centralised and professional ownership entity staffed with experts from both public and private sectors. This body should have clear performance metrics and be the sole representative of government-owned shares, thereby preventing individual cabinet members from interfering in corporate decisions. According to the OECD, only about 11% of countries utilise a fully dedicated ownership ministry or body, highlighting an opportunity for South Africa to lead in centralizing and professionalizing SOE oversight.⁶³

⁶¹ Ibid.

⁶² IFSWF. (n.d). Strategic Funds. International Forum of Sovereign Wealth Funds.

⁶³ OECD (2024), Ownership and Governance of State-Owned Enterprises 2024, OECD Publishing, Paris, <https://doi.org/10.1787/395c9956-en>.

Protect Minority Shareholder Rights: For listed SOEs, it's crucial to ensure that their charters and the Companies Act uphold the principle of one-share-one-vote, barring any golden-share clauses. Regular reporting and annual general meetings with shareholder votes should be mandated. The JSE and the Financial Sector Conduct Authority (FSCA) should oversee these entities with the same rigor applied to private firms, ensuring transparency and accountability.

Embed Stakeholder Dialogue: SOEs should have transparent public mandates, especially when providing essential services like rural electrification. These mandates should include social-service targets funded through tariffs or subsidies. Engagement with civil society, including parliamentary committees and public-private working groups, can enhance accountability and ensure that SOEs meet their public-service obligations.

Avoid Short-Termism: The holding company should focus on long-term objectives, similar to Temasek's approach of setting decadal performance targets and reinvesting dividends into public needs. South Africa should establish clear policies on dividend payouts versus reinvestment, balancing shareholder returns with social aims. This strategy ensures that a portion of SOE profits supports infrastructure development or contributes to the fiscus, while the remainder is retained for business growth.

By adopting these governance measures and introducing competitive market checks—such as unbundling monopolies where feasible—South Africa can transform its SOEs into professionally managed enterprises that support national development objectives. This shift would align with both domestic policy imperatives and international best practices, fostering a more efficient and accountable public sector.

Plausible Solutions to the Fiscal Burden Issue

Listing SOEs in public markets

Selling shares in SOEs to private investors can inject large amounts of capital into the business, reducing the need for government funding. As one analysis notes, listing SOEs “allows that government to raise capital and harness the value of their SOE”.⁶⁴ In practice, proceeds from listings have been used to lower budget deficits. For example, the partial IPO of Telkom in 2003 raised roughly R3.9 billion to cover a 1.4%-of-GDP fiscal gap.⁶⁵ The World Bank/Oliver Wyman review finds that governments typically save divestment proceeds to retire debt, rather than incurring new obligations.⁶⁶ Similarly, after listing an SOE, the state usually stops injecting subsidies, effectively converting recurrent transfers into one-off capital receipts – a structural fiscal gain. In short, mixed-ownership can ease the SOE subsidy burden and mobilise private resources for expansion.

Strengthened governance and boards

Public listings require professional management and transparent oversight. Unlike wholly state-owned firms, listed SOEs would be obliged to follow corporate governance standards (e.g. JSE rules, Companies Act). In practice this means appointing independent, qualified boards and managers. For instance, a proposed policy framework calls for “independent boards with professionals drawn from civil society and the private sector”. Centralising ownership

⁶⁴ World Bank *et al.* (2021). Listing State-Owned Enterprises in Emerging and Developing Economies: *Lessons learned from 30 years of success and failure*. The World Bank Group.

⁶⁵ Gush, H and Ginsberg, J. (n.d). South Africa raises \$500 mln in Telkom IPO.

⁶⁶ World Bank *et al.* (2021). Listing State-Owned Enterprises in Emerging and Developing Economies: *Lessons learned from 30 years of success and failure*. The World Bank Group.

through a professional holding company (HoldCo) is recommended to ensure consistent oversight. International best practice, cited by the OECD and World Bank, emphasises that mixed-ownership SOEs perform best when freed from political interference and overseen by strong boards.⁶⁷ In other words, raising capital via listings must go hand-in-hand with corporate-style governance to maintain investor confidence and efficient operations.

Strategic 26% minority stake with veto

A compromise model is for the government (via a HoldCo) to retain about 26% of shares in each listed SOE, coupled with special-resolution rights requiring a 75% shareholder vote on key decisions. With a 26% stake, the state cannot unilaterally control the company but can veto major changes (since 75% approval cannot pass without government support). This “strategic minority” formula provides a check on future owners. It preserves national policy influence while signalling majority private ownership. Such a structure has been formally proposed in South Africa; for instance, the departmental outline calls for 26% government shareholdings and bylaws requiring 75% for major votes. The PSEC (Presidential SOE Council) likewise envisions a HoldCo holding minority stakes across SOEs to “ensure greater strategic coherence” and reduce reliance on the fiscus.⁶⁸ Experience elsewhere shows these veto rights can safeguard public interest (without day-to-day interference) and attract a diverse investor base, including large institutional funds that value predictable governance.

Case studies – Telkom and Vodacom

As has already been mentioned earlier on, South Africa’s telecoms provide useful precedents. Telkom (partially listed since 2003) and Vodacom (demerger & listing of remaining stake in 2009) have operated under mixed ownership and largely met policy goals. Post-listing, both firms continued expanding network coverage and improving services to citizens. They also attracted substantial private investment; for example, Vodacom’s public offering and foreign equity partners funded 4G rollout, and Telkom’s capital raising financed mobile infrastructure. Profitability at these companies has been robust, reflecting commercial discipline. Crucially, investor confidence remained high – Telkom’s IPO was heavily oversubscribed and “bodes well for future” privatisations.⁶⁹ Vodacom today boasts strong margins and global credit ratings; Telkom has been able to pay dividends on its minority float and fund its expansion through market finance. In sum, these cases suggest that mixed-ownership *can* improve performance and credibility.

Transparent selection criteria

Also, as noted in the previous sections, not all SOEs are equal candidates for listing. A clear decision-making framework is needed. Key criteria should include: **(a)** Commercial viability – profitable or near-profitable operations after peeling off any public-service obligations; **(b)** Strategic sector relevance, for example, telecoms, logistics, defence or energy firms with growth prospects; **(c)** Capacity to attract investors – market standing, solid balance sheets and clear mandates; **(d)** Impact and scale – large entities where private funding relieves bigger fiscal strains; **(e)** Governance readiness – existing board quality or reform plans. The PSEC/draft policy work underscores that only strategically important, commercially oriented SOEs should be floated. Any core public services (PSOs) should be separately funded to avoid cross-subsidy.⁷⁰ By applying such objective criteria and an assessment of

⁶⁷ Ibid. See also, Oliver Wyman & World Bank Group. (2021). *SOE Listings in Africa: Business Case and Opportunities*. Washington, DC: World Bank.

⁶⁸ Presidential State-Owned Enterprises Council (PSEC). (2024). *Final Report to the President: Reform of SOE Governance and Consolidation* (Confidential report). Pretoria: Republic of South Africa.

⁶⁹ Gush, H and Ginsberg, J. (n.d). South Africa raises \$500 mln in Telkom IPO.

⁷⁰ Presidential State-Owned Enterprises Council (PSEC). (2024). *Final Report to the President: Reform of SOE Governance and Consolidation* (Confidential report). Pretoria: Republic of South Africa.

benefits versus fiscal relief, government can prioritise which enterprises to list first, demonstrating the process is merit-based and transparent.

State holding company to manage stakes

To coordinate this mixed-ownership portfolio, a dedicated government holding company (HoldCo) is envisaged. This entity would directly hold the 26% stakes in each listed SOE, acting as the single shareholder on behalf of the state. It would professionalise appointments, monitor performance, and enforce the veto governance terms. In effect, the HoldCo “will act as an active shareholder, manage appointments, monitor performance, and ensure governance consistency” across listed SOEs.⁷¹ Aggregating stakes this way improves consistency and allows pooling of expertise (for example, a unified investment committee). Importantly, the HoldCo model was explicitly proposed by PSEC to break the link between SOE funding and the fiscus.⁷²

Under this model, the government’s 26% shares would be consolidated into the HoldCo’s portfolio (perhaps coexisting with sovereign wealth investment guidelines). The HoldCo could report publicly on its SOE dividends and capital returns, making the state’s ownership transparent. Over time, dividends and any asset sales via the HoldCo would provide recurrent revenue flows. This approach centralises shareholder governance and is seen as critical to both preserving state interests (via veto and strategy) and freeing SOEs to compete commercially.⁷³

Each of the above reforms – (i) equity listing, (ii) robust boards, (iii) minority veto-stakes, (iv) clear selection criteria, and a (v) holding company – reinforces the others. Together they aim to mobilise private capital, improve SOE performance and governance, and ensure that SOEs rely less on the national budget. The cited examples and case studies indicate that, with the right safeguards, partial privatisation of SOEs can help shrink the fiscal burden while still advancing public policy objectives.⁷⁴

Conclusion and Recommendations

South Africa’s SOE landscape is at a crossroads. The old model – fragmented state ownership without effective oversight – has led to service failures and large fiscal risks. The alternative is **selective mixed ownership and public listing**, as part of a broader SOE reform program. International institutions consistently find that this approach can increase efficiency and value while preserving public control.

It must however be noted that the process of adopting selective mixed ownership in some of the SOEs – including those that are deemed strategic – is envisaged to be lengthy. This is derived from previous SOE reforms of this magnitude as exemplified by the Telkom case. The decision to restructure SOEs was taken in 1995.⁷⁵ Telkom was part-privatised in 1997 (with a 30% equity interest sold to Thintana Communications LLC), a decision to list it was

⁷¹ Department of Public Enterprises. (2024). *Proposed Mixed Ownership SOE Policy Framework* (Draft discussion document). Pretoria: Republic of South Africa.

⁷² Presidential State-Owned Enterprises Council (PSEC). (2024). *Final Report to the President: Reform of SOE Governance and Consolidation* (Confidential report). Pretoria: Republic of South Africa.

⁷³ Ibid.

⁷⁴ Oliver Wyman & World Bank Group. (2021). *SOE Listings in Africa: Business Case and Opportunities*. Washington, DC: World Bank.

⁷⁵ Parliamentary Monitoring Group. 2000. Restructuring of State-Owned Enterprises: briefing. <https://pmg.org.za/committee-meeting/3977/>.

taken in 2001 and only in 2003 was Telkom listed on both the Johannesburg Stock Exchange (JSE) and the New York Stock Exchange (NYSE).⁷⁶

The reform recommendations could be driven by the **National State Enterprises Bill (B1-2024)**. The Bill lays foundation for this mixed ownership and listing of SOEs through its envisaged SOE National Strategy. Be that as it may, the Bill needs to pass and ultimately be promulgated into an Act of parliament, followed by the development of the National SOE Strategy, and cabinet approval for alterations of ownership arrangements and private sector participation. It is also expected that the initial focus will be on actioning these reforms in SOEs that are in a good state.

However, the National State Enterprises Bill (B1-2024) currently faces stern opposition from various stakeholders. This opposition spells a lengthy reform period. Even though this is the case, the piecemeal reform initiatives unfolding within SOEs – such as the unbundling of Eskom – indicate the will to push through with reforms. The reforms are likely to materialise towards the tail end of the current administration of government, if not in the next administration.

Recommendations

1. **Adopt mixed-ownership policy:** Commit publicly to listing selected SOEs (starting with strongest candidates) while keeping a 26% government stake. Publish an SOE privatization roadmap with timelines.
2. **Establish a holding company:** Legislate or designate a single professional entity to hold government shares in all listed SOEs (using models from Temasek/Khazanah and OECD guidance).
3. **Enact governance reforms:** Before any IPO, strengthen SOE boards with independent directors and enforce the SOE Act's compact provisions to align management incentives with performance targets. Ensure transparency – audited financials, quarterly reports, and stakeholder communications.
4. **Set clear criteria and process:** Define selection criteria in a Cabinet. Use competitive bidding or open IPOs to ensure fair pricing.
5. **Engage stakeholders:** Conduct public consultations (parliamentary oversight, union input) to explain the long-term benefits. Use part of IPO proceeds to fund job-skills programs or maintain essential services, reducing social pushback.
6. **Monitor and evaluate:** Task National Treasury or Parliament with yearly reviews of listed SOEs and the holding company's performance. Adjust strategy based on outcomes.

Taken together, these steps will help South Africa “restore fiscal health, promote efficient service delivery, and catalyse industrial development”. The success of Telkom and Vodacom proves the model's potential. With robust implementation, mixed ownership offers a path to rescue struggling SOEs and realign them with the public good – without abandoning state control of essential sectors.

⁷⁶ Telkom. 2024. Information statement relating to the Telkom SA SOC LTD domestic medium-term note programme. <https://group.telkom.co.za/documents/ir/debt-investors/Programme-Documents/Information%20Statement.pdf>.

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