3

Fiscal policy and the budget framework

The objective of fiscal policy is to promote economic and social development through an appropriate balance between government expenditure, taxation and borrowing that is consistent with sustainable growth. The 2005 Medium Term Budget Policy Statement provides the resources necessary to boost investment and spending to support accelerated and shared economic growth, meeting South Africa's developmental objectives within a sound and expansive budget framework.

The fiscal framework presented for the 2006 MTEF provides additional resources totalling R102,3 billion, including R24 billion to replace the RSC levies – or R78,3 billion excluding the transfers for the levies. The resulting strong real growth in non-interest expenditure, averaging 6,3 per cent a year, is financed through higher than forecast revenue collection and an increase in the deficit from 1 per cent of GDP in 2005/06 to 2,2 per cent in 2006/07, before declining to 2 per cent in 2008/09. Driven mainly by the public enterprises' capital expenditure programmes and an increase in the national government deficit, the public sector borrowing requirement is expected to increase from 1,2 per cent of GDP in 2005/06 to 3,4 per cent by 2008/09.

Overview

Expansionary fiscal stance enables Government to enhance social programmes and invest in infrastructure

The budget framework presented in this chapter continues the expansionary fiscal stance initiated in the 2001 Budget. Real growth in expenditure is again the central feature of the revised budget estimates, enhancing and expanding Government's social and economic programmes. Substantial allocations are provided for investment in infrastructure that will contribute to sustainable communities and economic development.

The increase in expenditure is supported by the acceleration of growth in recent years, resulting in higher than forecast tax revenue in the current fiscal year and lower debt service costs. Key features of the 2006 MTEF include:

- Excluding the RSC levies, non-interest expenditure grows by R78,3 billion or 6,3 per cent in real terms over the MTEF

- Continued revenue buoyancy supported by accelerated economic growth
- An increase in the main budget deficit to 2,2 per cent of GDP in 2006/07 from a revised estimate of 1 per cent in 2005/06
- A continued decline in debt service costs, as a percentage of both GDP (2,8 per cent in 2008/09) and of total expenditure
- Strong real growth in capital allocations in line with Government's commitment to supporting economic growth through infrastructure development.

Fiscal policy: goals, trends and targets

Key fiscal indicators are summarised in table 3.1. These figures outline South Africa's fiscal performance since 2000 and list projections for the MTEF. Except for the public sector borrowing requirement, the figures are based on national accounts aggregates and are not comparable with the cash-based budgets used by Government.

Table 3.1 Fiscal trends and projections

Calendar year	2000 – 2004		2004 – 2008
Average annual real growth			
Gross fixed capital formation			
General government[1]	8,0%		10,6%
Public corporations	7,2%		12,5%
Government consumption expenditure			
Wages	0,5%		4,0%
Non-wage	14,2%		8,0%
Fiscal year	**2000/01**	**2004/05**	**2008/09**
Percentage of GDP			
Interest on public debt	5,5%	4,0%	3,0%
General government savings	-1,8%	-1,6%	0,0%
Public sector borrowing requirement	1,8%	2,2%	3,4%
General government tax revenue	25,6%	27,9%	27,6%

1. *General government refers to the accounts of national government, provincial government and local government, the social security funds, extra-budgetary institutions, adjusted to net out flows between government institutions.*

Policy allows state to meet expenditure commitments over course of business cycle

Fiscal policy aims to contribute to growth and improved public services over the long term. Revenue collection and expenditure is managed in a way that safeguards Government's ability to meet expenditure commitments over the course of the business cycle, while ensuring that the tax burden does not inhibit investment or participation in the formal economy.

Public corporations are expected to accelerate fixed capital investment

In support of accelerated growth, general government capital formation is expected to accelerate strongly over the MTEF period. Following a period of 7,2 per cent average real growth between 2000 and 2004, investment by the non-financial[1] public enterprises will accelerate over the MTEF period as capital spending projects are executed.

Over the three years, general government consumption is expected to expand at marginally higher rates than between 2000 and 2004. This is driven by higher real growth in non-wage consumption expenditure, mainly on education and health related supplies and equipment. Real growth in the general government wage bill will grow at 4 per cent over the next three years.

Dissaving should be eliminated by 2008

Increases in capital expenditure relative to current expenditure, combined with the collection of more revenue than anticipated, have led to a significant decline in general government dissaving in 2005. The continuation of strong growth in capital budgets combined with the normalisation of growth in social security transfers will support this trend, and it is expected that dissaving will be eliminated by 2008.

The general government tax revenue-to-GDP ratio increased from 25,6 per cent in 2000/01 to a preliminary estimate of 27,9 per cent in 2004/05. The increase in general government tax revenue is partly the result of favourable cyclical factors. While the economic performance has been broad-based, particularly strong growth in consumption and profits of commodity exporters have resulted in the higher revenue-to-GDP ratio. The trend is expected to moderate as household spending on durable goods recedes and commodity prices adjust.

Outcomes of the 2004/05 main budget

Substantially lower deficit outcome as a result of savings on debt service

The preliminary budget outcomes for 2004/05 are summarised in table 3.2. As a result of the strong performance of the economy, main budget revenue was R20,9 billion higher than budgeted for, which led to the revenue-to-GDP ratio increasing from 23,4 per cent in 2003/04 to 24,7 per cent. While debt service costs were R1,5 billion lower than estimated, non-interest expenditure was R1,1 billion higher than budgeted. As a result, total expenditure was R0,4 billion lower than projected. The deficit outcome was 1,5 per cent of GDP, compared with a budgeted 3,1 per cent.

[1] Including enterprises such as Denel, Eskom, Telkom and Transnet, but excluding public enterprises involved in financing activities, such as the Land Bank and Development Bank of Southern Africa.

Table 3.2 Main budget outcome, 2001/02 – 2004/05

R billion	2001/02	2002/03	2003/04	2004/05 2004 Budget estimate	2004/05 Preliminary outcome
Total revenue	**248,3**	**278,5**	**299,4**	**327,0**	**347,9**
Percentage of GDP	*23,7%*	*23,3%*	*23,4%*	*24,6%*	*24,7%*
Percentage increase	*15,2%*	*12,2%*	*7,5%*	*9,2%*	*16,2%*
Total expenditure	**262,9**	**291,5**	**328,7**	**368,9**	**368,5**
Percentage increase	*12,4%*	*10,9%*	*12,7%*	*12,2%*	*12,1%*
State debt cost	**47,6**	**46,8**	**46,3**	**50,4**	**48,9**
Percentage of GDP	*4,5%*	*3,9%*	*3,6%*	*3,8%*	*3,5%*
Budget deficit (-)	**-14,6**	**-13,0**	**-29,2**	**-41,9**	**-20,6**
Percentage of GDP (-)	*-1,4%*	*-1,1%*	*-2,3%*	*-3,1%*	*-1,5%*

The main budget framework

For the purposes of budget planning and fiscal policy analysis, account is taken of the consolidated national, provincial and local government accounts, and the impact of investment and borrowing by state-owned enterprises.

The main budget is the largest part of the consolidated national budget and consists of revenue and expenditure attributed to the National Revenue Fund. Taking into account changes provided for in the 2005 Adjustments Budget totalling R2,9 billion, the revised estimates for the 2005/06 fiscal year and the proposed framework for the 2006 MTEF are set out in table 3.3.

Table 3.3 Main budget framework, 2004/05 – 2008/09

R billion	2004/05 Outcome	2005/06 Estimate	2006/07	2007/08	2008/09
			Medium-term estimates		
Total revenue[1]	**347,9**	**400,1**	**437,0**	**479,0**	**527,2**
Percentage of GDP	*24,7%*	*25,9%*	*25,8%*	*25,8%*	*25,9%*
Deficit	**-20,6**	**-15,7**	**-37,0**	**-39,3**	**-41,5**
Percentage of GDP	*-1,5%*	*-1,0%*	*-2,2%*	*-2,1%*	*-2,0%*
Total expenditure[1]	**368,5**	**415,8**	**474,0**	**518,3**	**568,7**
Percentage of GDP	*26,2%*	*27,0%*	*28,0%*	*27,9%*	*28,0%*
Debt service cost	48,9	51,8	53,9	54,8	56,6
Percentage of GDP	*3,5%*	*3,4%*	*3,2%*	*3,0%*	*2,8%*
Non-interest expenditure	319,6	363,9	420,0	463,5	512,1
Percentage of GDP	*22,7%*	*23,6%*	*24,8%*	*25,0%*	*25,2%*
real growth (non-interest expenditure)	*8,8%*	*8,8%*	*9,9%*	*5,3%*	*5,7%*
Contingency reserve	*–*	*–*	*2,0*	*4,0*	*7,0*
Gross domestic product	*1 405,5*	*1 542,2*	*1 693,7*	*1 856,7*	*2 033,3*

1. Includes provision for RSC levies of R7 billion in 2006/07, R8 billion in 2007/08 and R9 billion in 2008/09.

Strong real growth is projected in non-interest expenditure

As a result of the increase in GDP growth, main budget revenue for 2005/06 is expected to be R30,2 billion higher than forecast in the 2005 Budget. While real growth in non-interest expenditure also performed strongly as budgeted, the deficit-to-GDP ratio is estimated to fall to 1 per cent of GDP. Supported by these developments, the main budget framework allows for strong real growth in non-interest expenditure averaging 6,3 per cent a year, excluding the transfers to municipalities to replace RSC levies.

Debt service costs continue to decline as percentage of GDP

Over the MTEF period, main budget revenue as a per cent of GDP is expected to be broadly stable at about 25,8 per cent, including adjustments to gross tax revenue to reflect the change in financing of the RSC levy. Debt service costs continue to decline as a percentage of GDP, contributing to the sustainability of expenditure. From an estimated 3,4 per cent of GDP in 2005/06, debt service costs decline to 3,2 per cent in 2006/07 and to 2,8 per cent in 2008/09.

A contingency reserve is set aside for each of the three years of the MTEF period. The reserve allows for the possibility of unforeseen adverse economic conditions or natural occurrences that would otherwise put pressure on the budget framework.

Phasing out RSC levies

The 2005 Budget Review announced the phasing out of the RSC levies. Although these levies have until now been an important source of revenue for metropolitan and district municipalities, a review of the local government fiscal framework has found that they do not meet good tax criteria.

As of 1 July 2006, the RSC levies will be abolished and replaced by alternative tax measures or grants from the national fiscus. For local governments to meet their expenditure obligations, especially in terms of poverty alleviation and social and economic development, it is important to maintain existing levels of revenue. In support of this and to compensate for lost revenue, national government will provide compensating transfers to the relevant municipalities. The current budget framework contains new allocations for this purpose of R7 billion in 2006/07, R8 billion in 2007/08 and R9 billion in 2008/09. While main budget expenditure increases by these amounts, overall (general government) levels of expenditure are not affected, as this is a change in the financing of local government expenditure.

Alternative options for raising this revenue at a national or local level – or some combination of the two – are being explored and an announcement concerning this issue will be made in the 2006 Budget.

The consolidated national budget

The consolidated national budget consists of the finances of the main budget, the RDP Fund, international development assistance grants and the accounts of the social security funds.

Significant surpluses for UIF and Compensation Funds

Due to significant surpluses on the Unemployment Insurance Fund (UIF) and Compensation Funds, the deficit of the consolidated national government budget is lower than that of the main budget throughout the MTEF period. The deficit rises from 0,8 per cent of GDP in 2005/06 to 1,9 per cent in 2006/07 before declining to 1,8 per cent in 2007/08 and 1,7 per cent in 2008/09.

The UIF continues to run significant surpluses as a result of increasing revenues and a stable claims trend. These surpluses are forecast to continue over the MTEF period, supported by continued economic growth and related employment gains.

Discussions are in progress with the UIF actuaries to assess an appropriate reserve level that will ensure its ability to meet liabilities. The Compensation Funds are expected to return surpluses of just over R1 billion a year during the MTEF period.

Table 3.4 Consolidated national budget framework, 2004/05 – 2008/09

	2004/05	2005/06		2006/07	2007/08	2008/09
R billion	Outcome	Budget	Revised	Medium-term estimates		
National Revenue Fund (main budget)						
Revenue[1]	**347,9**	**369,9**	**400,1**	**437,0**	**479,0**	**527,2**
Expenditure						
State debt cost	48,9	53,1	51,8	53,9	54,8	56,6
Percentage of GDP	*3,5%*	*3,5%*	*3,4%*	*3,2%*	*3,0%*	*2,8%*
Contingency reserve	–	2,0	–	2,0	4,0	7,0
Allocated expenditure[1,2]	319,6	362,7	363,9	418,0	459,5	505,1
Total expenditure	**368,5**	**417,8**	**415,8**	**474,0**	**518,3**	**568,7**
Percentage increase	*26,4%*	*13,4%*	*12,8%*	*14,0%*	*9,4%*	*9,7%*
Deficit	**-20,6**	**-47,9**	**-15,7**	**-37,0**	**-39,3**	**-41,5**
Percentage of GDP	*-1,5%*	*-3,1%*	*-1,0%*	*-2,2%*	*-2,1%*	*-2,0%*
RDP Fund and foreign technical co-operation						
Receipts and technical co-operation	1,6	1,5	0,9	1,6	1,6	1,6
Expenditure	1,6	1,3	1,1	1,4	1,4	1,4
Social security funds						
Revenue	15,3	16,4	16,7	18,7	19,9	21,1
Expenditure	11,6	12,1	12,5	13,8	14,3	15,1
Consolidated national budget[3]						
Revenue	**364,8**	**387,8**	**417,7**	**457,2**	**500,4**	**549,9**
Expenditure	**381,7**	**431,2**	**429,3**	**489,1**	**534,0**	**585,2**
Percentage of GDP	*27,2%*	*28,2%*	*27,8%*	*28,9%*	*28,8%*	*28,8%*
Percentage increase	*26,6%*	*12,7%*	*12,5%*	*14,0%*	*9,2%*	*9,6%*
Deficit	**-16,9**	**-43,4**	**-11,6**	**-31,9**	**-33,6**	**-35,3**
Percentage of GDP	*-1,2%*	*-2,8%*	*-0,8%*	*-1,9%*	*-1,8%*	*-1,7%*
Gross domestic product	*1 405,5*	*1 528,6*	*1 542,2*	*1 693,7*	*1 856,7*	*2 033,3*

1. Includes provision for RSC levies of R7 billion in 2006/07, R8 billion in 2007/08 and R9 billion in 2008/09.
2. Includes transfers to provinces and local government, the National Skills Fund and sectoral skills development funds.
3. Flows between funds are netted out.

Road Accident Fund deficit remains source of concern

The Road Accident Fund (RAF) continues to be a source of concern and is expected to run substantial deficits. Despite an increase in the fuel levy of 5 cents in April 2005, expenditure growth continues to outstrip revenue. This trend improves slightly over the MTEF period, however, the fund will have to take steps to reduce its expenditure to avoid running further deficits in the future.

Despite the substantial RAF deficits, the combined surpluses of the UIF and the Compensation Funds ensure that the social security funds as a whole run a substantial surplus over the MTEF period, totalling R4,9 billion in 2006/07 and approaching R6 billion in 2008/09, as the deficit of the RAF narrows.

Table 3.5 Social security funds[1], 2004/05 – 2008/09

R million	2004/05	2005/06		2006/07	2007/08	2008/09
	Preliminary outcome	Budget	Revised			
Road Accident Fund						
Revenue	4 624	4 907	5 193	6 118	6 236	6 360
Expenditure	5 924	5 627	6 043	6 720	6 498	6 475
Surplus(+)/Deficit(-)	-1 300	-720	-850	-602	-262	-115
Compensation funds						
Revenue	3 788	4 078	3 938	4 265	4 507	4 756
Expenditure	2 620	2 585	2 843	3 062	3 220	3 396
Surplus(+)/Deficit(-)	1 169	1 493	1 095	1 203	1 287	1 361
Unemployment Insurance Fund						
Revenue	6 888	7 445	7 583	8 336	9 140	9 996
Expenditure	3 064	3 847	3 573	4 060	4 614	5 244
Surplus(+)/Deficit(-)	3 824	3 597	4 010	4 276	4 526	4 751
Total social security funds						
Revenue	15 300	16 430	16 713	18 719	19 884	21 112
Expenditure	11 608	12 060	12 459	13 842	14 332	15 115
Surplus(+)/Deficit(-)	3 692	4 371	4 255	4 878	5 551	5 997

1. Social security numbers do not correspond exactly to SA Reserve Bank figures due to timing differences.

Public sector borrowing requirement and debt trends

Borrowing for capital purposes drives requirement

The public sector borrowing requirement, set out in table 3.6, includes the consolidated general government deficit and the financing requirement of the non-financial public enterprises. The borrowing requirement presented in the 2005 *Medium Term Budget Policy Statement* is driven principally by borrowing for capital purposes at all levels of the public sector.

Following the recent trend of increased capital expenditure by the non-financial public enterprises, it is expected that their investment requirements will accelerate over the MTEF, moving them into a deficit position. While this represents a greater claim by the public sector on capital markets, the increase is driven by investment expenditure in productive capacity and contributes to strengthening the growth of the economy.

Extraordinary payments in 2005/06 allow for the issuing of R4,5 billion in bonds to the Reserve Bank in terms of the Gold and Foreign Exchange Contingency Reserve Account Defrayal Act, 2003. This is R2,5 billion lower than budgeted due to higher bond issuances to the Reserve Bank in 2004/05. In 2007/08 contingent liability relating to Saambou Bank estimated at R4,2 billion will be realised.

Infrastructure expenditure: trends and estimates

Government is intensifying public sector capital formation. Capital expenditure is projected to increase from 5,6 per cent of GDP in 2005/06 to 6,7 per cent of GDP in 2008/09. This comprises infrastructure investment by major public enterprises, and stepped up infrastructure allocations to national, provincial and local government.

2006 MTEF capital expenditure estimates

	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
				Estimate	Medium-term estimate		
National departments[1]	8 647	9 623	10 815	12 740	16 024	18 915	23 486
Provincial departments	12 976	16 380	18 024	21 025	27 755	30 561	33 976
Municipalities	13 100	16 687	17 053	20 109	22 965	25 347	28 166
Public private partnerships[2]	849	1 552	1 106	1 635	5 631	7 250	5 372
Extra-Budgetary Public Entities	2 854	3 053	3 470	3 711	4 116	4 521	4 927
Non-financial public enterprises	26 803	21 375	22 145	27 080	34 735	38 350	39 842
Total	**65 229**	**68 670**	**72 613**	**86 300**	**111 226**	**124 944**	**135 769**
percentage GDP	*5.5%*	*5.4%*	*5.2%*	*5.6%*	*6.6%*	*6.7%*	*6.7%*
GDP	1 193 771	1 277 029	1 405 529	1 542 208	1 693 714	1 856 663	2 033 343

1. *Capital transfers to the provincial and municipal level netted out.*
2. *Capital expenditure on PPPs overseen by the Treasury PPP Unit, South African National Roads Agency, Department of Public Works, and at municipal level, with MIIU assistance.*

Over the MTEF period, additions for infrastructure amount to R31,5 billion, of which R26 billion is allocated and R5,5 billion remains to be allocated. This is more than double the infrastructure additions of R14,1 billion made in the previous budget cycle. The unallocated amounts include R2,5 billion for community infrastructure, and R3 billion for World Cup stadiums and associated infrastructure.

An additional R14,3 billion is allocated for transport infrastructure, focusing on roads and improvements to passenger rail. Major economic infrastructure projects to be undertaken include the construction of the De Hoop dam and associated infrastructure as part of the Olifants River water resources development plan, and other dam and water scheme refurbishments. These are allocated R1,2 billion over the MTEF period. Industrial development zones, including Coega, are allocated R1,5 billion. Research and development infrastructure through the Department of Science and Technology is also boosted by an addition of R1,3 billion over the three years.

The Municipal Infrastructure Grant allocation for social infrastructure increases to R25,3 billion over the MTEF period. The provincial infrastructure grant is allocated R15,1 billion over the next three years. An additional R1,7 billion capital allocation for housing brings the total housing infrastructure budget estimate to R21.8 billion. Health infrastructure gets R1,3 billion more, while justice and protection services infrastructure gets R1,8 billion more.

Major public enterprises have already signalled accelerated expenditure on economic infrastructure. Total capital expenditure by non-financial public enterprises is estimated at R113 billion over the MTEF period.

The overall estimate of R18,2 billion of private sector partnerships in public sector projects over the MTEF period indicates that PPPs are growing strongly.

In 2005/06, extraordinary receipts are estimated to increase by R5,6 billion from the budgeted R1,5 billion due to special dividends from Eskom and Telkom (R1,7 billion), higher premiums on loan issues (R1,5 billion), and foreign exchange amnesty proceeds (R2,4 billion). For each year of the MTEF, provision is made for R1 billion in premiums on loan issues.

Table 3.6 Public sector borrowing requirement, 2004/05 – 2008/09

R billion	2004/05 Outcome	2005/06 Budget	2005/06 Revised	2006/07	2007/08	2008/09
				Medium term estimates		
Main budget deficit	**20,6**	**47,9**	**15,7**	**37,0**	**39,3**	**41,5**
Extraordinary payments	9,8	7,0	4,5	–	4,2	–
Extraordinary receipts	-2,5	-1,5	-7,1	-1,0	-1,0	-1,0
Financing requirement	**27,9**	**53,4**	**13,1**	**36,0**	**42,5**	**40,5**
Other government borrowing[1]	8,7	0,6	4,0	8,0	8,4	11,7
General government borrowing	**36,6**	**54,0**	**17,1**	**44,0**	**50,9**	**52,1**
Percentage of GDP	*2,6%*	*3,5%*	*1,1%*	*2,6%*	*2,7%*	*2,6%*
Plus:						
Non-financial public enterprises	-5,8	5,9	1,8	13,1	14,4	16,1
Public sector borrowing requirement	**30,8**	**59,9**	**18,9**	**57,1**	**65,3**	**68,2**
Percentage of GDP	*2,2%*	*3,9%*	*1,2%*	*3,4%*	*3,5%*	*3,4%*

1. Social security funds, provinces, extra-budgetary institutions and local government.

Significant decline in domestic bond issues

To provide for lower domestic long-term loan issues over the MTEF period, closing cash balances will be R48,6 billion in 2005/06 and R33,4 billion in 2006/07. Total domestic long-term market loans in 2006/07 and 2007/08 are expected to be R53 billion lower than forecasted in the 2005 Budget.

South Africa's improving sovereign debt rating

In the course of 2005, all three major ratings agencies have upgraded South Africa's sovereign debt. In January, Moody's upgraded South Africa from Baa2 to Baa1, and in August both S&P and Fitch Ratings upgraded the rating from BBB to BBB+. These decisions were based on South Africa's record of prudent macroeconomic policy and fiscal management. Factors such as political stability, democratic and transparent institutions, a sound financial sector and capital markets, and the independence of monetary policy also played a role in these determinations.

The improved ratings indicate to investors that the reliability of South Africa's servicing of debt, and the safety and stability of investments, continue to improve. This translates into a lower risk premium on South African investments, reducing the country's borrowing costs.

South Africa has now reached the top of the BBB rating and shares this level with countries such as Poland, Thailand, Mexico and Chile.

The most significant hurdles faced by South Africa in reaching the next rating level (single A) are:

- External vulnerabilities as a result of the widening current account deficit
- Structural challenges that must be addressed to attract investment and spur growth
- Social challenges such as unemployment, poverty, HIV/AIDS and income inequality.

Between 2003/04 and 2005/06, total net loan debt is estimated to decrease from 34,7 per cent to 31,8 per cent of GDP. This is as a result of lower national government deficits and represents a substantial saving to the country. This trend is expected to continue, with total net loan debt declining to 31,5 per cent of GDP in 2006/07, and ending the MTEF period at 31 per cent.

Table 3.7 Financing of net borrowing requirement of national government, 2005/06 – 2008/09

R million	2005/06 Estimate	2006/07	2007/08 Medium-term estimates	2008/09
Domestic short-term loans (net)	**4 974**	**6 000**	**6 000**	**6 000**
Treasury bills	6 000	6 000	6 000	6 000
Corporation for Public Deposits	-1 026	–	–	–
Domestic long-term loans (net)	**23 292**	**10 183**	**16 266**	**20 677**
Market loans	45 140	46 000	47 000	47 000
Extraordinary issues	4 539	–	–	–
Redemptions	-26 387	-35 817	-30 734	-26 323
Foreign loans (net)	**1 045**	**3 128**	**4 287**	**3 507**
Market loans	–	6 950	7 510	8 090
Arms procurement loan agreements	3 544	3 966	2 837	2 373
World Bank loans	50	–	–	–
Redemptions (including revaluation of loans)	-2 549	-7 788	-6 060	-6 956
Change in cash and other balances[1]	**-16 220**	**16 678**	**15 980**	**10 275**
Opening balance:	32 371	50 091	34 913	20 433
Cash balance	30 871	48 591	33 413	18 933
Surrenders/Late requests	1 500	1 500	1 500	1 500
Closing balance	-48 591	-33 413	-18 933	-10 158
Total financing (net)	**13 091**	**35 989**	**42 533**	**40 459**

1. A positive change indicates a reduction in cash balances.

Table 3.8 Total government debt, 2002/03 – 2008/09

As at 31 March R billion	2002/03	2003/04	2004/05	2005/06 Estimate	2006/07	2007/08 Medium-term estimate	2008/09
Marketable domestic debt	350,6	389,3	434,3	463,7	480,9	503,6	530,4
Non-marketable domestic debt	1,9	2,0	3,5	3,4	4,9	6,4	7,9
Total domestic debt	352,5	391,3	437,8	467,1	485,8	510,0	538,3
Total foreign debt	74,3	64,7	69,4	72,6	81,4	90,6	102,8
Percentage of total debt	*17,4%*	*14,2%*	*13,7%*	*13,5%*	*14,4%*	*15,1%*	*16,0%*
Total gross loan debt	**426,8**	**456,0**	**507,2**	**539,7**	**567,2**	**600,6**	**641,1**
Percentage of GDP	*35,8%*	*35,7%*	*36,1%*	*35,0%*	*33,5%*	*32,3%*	*31,5%*
Less: National Revenue Fund balance	-9,7	-12,7	-30,9	-48,6	-33,4	-18,9	-10,2
Total net loan debt[1]	**417,1**	**443,3**	**476,3**	**491,1**	**533,8**	**581,7**	**630,9**
Percentage of GDP	*34,9%*	*34,7%*	*33,9%*	*31,8%*	*31,5%*	*31,3%*	*31,0%*

1. The total net government loan debt is calculated after taking account of the cash balances of the National Revenue Fund.