7

Government debt and contingent liabilities

In brief

- The gross borrowing requirement decreased from a projected R547.9 billion to R412 billion in 2021/22. Due to elevated redemptions over the medium term, the borrowing requirement is set to peak at R487.6 billion in 2023/24.
- Gross loan debt is expected to increase from R4.35 trillion (69.5 per cent of GDP) in 2021/22 to R4.69 trillion (72.8 per cent of GDP) in 2022/23 and will stabilise at R5.43 trillion (75.1 per cent of GDP) in 2024/25 – a year earlier than projected in the 2021 Budget.
- South Africa's cost of funding has declined since 2019/20. Tightening global and domestic monetary conditions may lead to an increase in funding costs.
- Although the debt trajectory has improved relative to the 2021 Budget, uneven implementation of reforms and high fiscal risks continue to threaten the country's economic recovery and credit rating.

Overview

Government's gross borrowing requirement for 2021/22 has declined from a projected R547.9 billion at the time of the 2021 Budget to an estimated R412 billion. This improvement, from a projected 9.3 per cent of GDP to an estimated 6.6 per cent of GDP, is the result of higher-than-anticipated revenue collection. A portion of this additional revenue has been allocated to reducing the deficit in the current year and over the medium term. This will support the financing of the borrowing requirement in the context of low economic growth, rising short-term interest rates and sub-investment-grade credit ratings.

During the second half of 2021, rising government bond yields reflected higher inflation, concern over rising interest rates and depreciation of the rand exchange rate. In response to the inflation outlook, the Reserve Bank began increasing the repurchase (repo) rate in November 2021. It has also substantially reduced its purchases of government bonds in the secondary market – a measure implemented in 2020/21 to support financial market liquidity.

Restoring South Africa's debt to sustainable levels

In 2020/21, the gross borrowing requirement increased by R202.5 billion, relative to 2019/20, to R618.3 billion. This was due to higher spending on essential health and economic measures in response to COVID-19. This increase raised the sovereign risk premium – the additional return that investors demand to compensate them for the country's perceived level of risk (Figure 7.1).

Government has used higher-than-expected revenue to reduce the gross borrowing requirement by R135.8 billion in 2021/22, R77.5 billion in 2022/23 and R54 billion in 2023/24. Gross borrowing is expected to stabilise in 2024/25 and moderate thereafter, alongside the sovereign risk premium.

Following the outbreak of the pandemic, government adjusted its funding strategy by increasing Treasury bill issuance to benefit from lower short-term interest rates and reduce pressure on long-term debt. In addition, more bonds were issued in short- to medium-term maturities to reduce borrowing costs. These actions minimised the impact of new borrowing on debt stock and interest costs. Government continues to diversify its funding portfolio by introducing new instruments and using concessional funding to reduce borrowing costs and improve debt sustainability.

Figure 7.1 Gross borrowing and risk premium

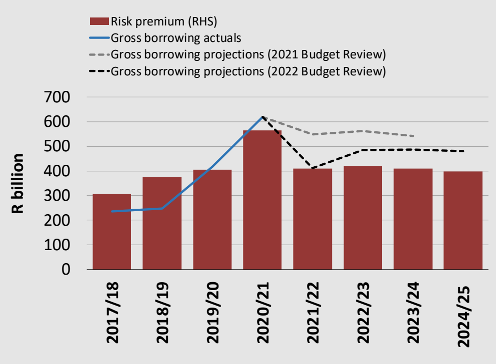
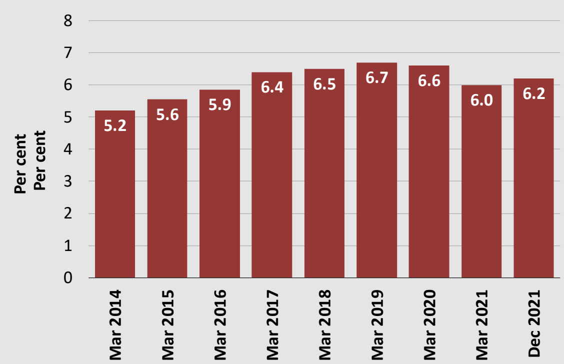


Figure 7.2 Weighted cost of funding



Source: National Treasury

Gross debt stock is expected to increase from R4.35 trillion (69.5 per cent of GDP) in 2021/22 to R5.43 trillion in 2024/25. Net loan debt – gross loan debt less cash balances – will increase from R4.06 trillion (64.9 per cent of GDP) to R5.27 trillion (72.9 per cent of GDP) over the same period. In line with government's fiscal consolidation, gross loan debt is expected to stabilise at 75.1 per cent of GDP in 2024/25, a year earlier than projected in the 2021 Budget. Contingent liabilities are projected to increase from R1.15 trillion in 2021/22 to R1.23 trillion in 2024/25.

During 2021, Moody's and S&P maintained the country's sovereign credit rating at sub-investment grade with a negative outlook. In December, Fitch affirmed South Africa's long-term foreign- and local-currency debt rating at BB- and revised its outlook from negative to stable. Fitch cited a faster-than-expected economic recovery and improved fiscal performance. Rating agencies remain concerned with the country's ability to implement fiscal consolidation measures, and its high public debt and low economic growth. Government remains committed to restoring South Africa's investment-grade rating by stabilising the debt-to-GDP ratio, narrowing the budget deficit and accelerating long-term economic growth.

Financing strategy

Government aims to finance its borrowing at the lowest possible cost within a set of strategic risk benchmarks (Table 7.1). Within this financing strategy, government determines the best mix of debt instruments and maturities to finance the gross borrowing requirement, while minimising refinancing risk, currency risk and overall borrowing costs.

In 2021/22, the gross borrowing requirement was financed through a combination of domestic short- and long-term loans, foreign-currency loans and cash balances. Government continued its bond-switch programme – exchanging shorter-dated bonds for longer ones – to reduce refinancing risk and manage the large number of short-term redemptions falling due. In addition, government accessed lower-cost funding from international financing institutions.

Government continues to develop South Africa's capital market and ensure a diversified portfolio of instruments. A floating rate note and domestic rand-denominated sukuk (Islamic bond) remain part of the funding strategy. To promote domestic savings, an RSA retail savings top-up bond will be offered to the public in April 2022. Individuals and informal groups can invest from R500 and top up in increments of R100 in this low-risk, accessible and competitive three-year bond.

Table 7.1 Performance against strategic portfolio risk benchmarks

Description	Benchmark range or limit	2021/22	2022/23
		Estimates	
Treasury bills as % of domestic debt[1]	15.0	12.5	12.9
Long-term debt maturing in 5 years as % of bonds	25.0	15.0	13.2
Inflation-linked bonds as % of domestic debt	20-25	19.1	17.8
Foreign debt as % of total debt	15.0	10.9	11.3
Weighted term-to-maturity of fixed-rate bonds and Treasury bills (years)	10-14	11.2	10.4
Weighted term-to-maturity of inflation-linked bonds (years)	14-17	13.0	12.0
Other indicators (weighted average)			
Term-to-maturity of total debt (years)		11.4	10.6
Term-to-maturity of foreign debt (years)		9.3	8.3

1. Excludes borrowing from the Corporation for Public Deposits and retail savings bonds
Source: National Treasury

Risks to the financing strategy

The main risks to the strategy are as follows:

- Rising inflation and expectations of higher interest rates could increase borrowing costs.
- Higher interest rates in developed economies could reduce demand for domestic bonds.
- Further depreciation in the rand exchange rate would raise the cost of outstanding foreign-currency debt.
- Lower-than-expected GDP growth and materialisation of contingent liabilities at state-owned companies could increase funding costs.

Borrowing performance and projections

Government's gross borrowing requirement consists of the budget deficit and maturing loans. The 2021/22 budget deficit decreased by R135.7 billion relative to the 2021 Budget estimate, mainly due to strong revenue performance. As a result, the gross borrowing requirement declined from a projected R547.9 billion to R412 billion for 2021/22, or from 9.3 per cent to 6.6 per cent of GDP.

The borrowing requirement is expected to peak in 2023/24 at R487.6 billion as a result of higher bond redemptions before declining to R479.3 billion in 2024/25. The domestic bond-switch programme reduced debt redemptions for 2022/23 from R144.8 billion to R97.3 billion. Redemptions will average R156.4 billion in 2023/24 and 2024/25.

Table 7.2 Financing of national government gross borrowing requirement[1]

	2020/21	2021/22		2022/23	2023/24	2024/25
R million	**Outcome**	**Budget**	**Revised**	**Medium-term estimates**		
Main budget balance	**-550 627**	**-482 580**	**-346 886**	**-387 213**	**-331 784**	**-322 385**
Redemptions	**-67 639**	**-65 280**	**-65 137**	**-97 252**	**-155 842**	**-156 936**
Domestic long-term loans	-53 223	-60 815	-61 218	-81 292	-113 865	-121 180
Foreign loans	-14 416	-4 465	-3 919	-15 960	-41 977	-35 756
Total	**-618 266**	**-547 860**	**-412 023**	**-484 465**	**-487 626**	**-479 321**
Financing						
Domestic short-term loans	**95 325**	**9 000**	**-6 806**	**–**	**40 000**	**39 000**
Treasury bills (net)	122 610	9 000	-6 806	–	40 000	39 000
Corporation for Public Deposits	-27 285	–	–	–	–	–
Domestic long-term loans	**523 418**	**380 000**	**285 300**	**330 400**	**360 300**	**353 200**
Market loans	523 418	380 000	285 784	330 400	360 300	353 200
Loans issued for switches	–	–	-484	–	–	–
Foreign loans	**91 920**	**46 260**	**80 632**	**47 880**	**65 320**	**66 800**
Market loans	91 920	46 260	80 632	47 880	65 320	66 800
Loans issued for switches	–	–	–	–	–	–
Change in cash and other balances[2]	**-92 397**	**112 600**	**52 897**	**106 185**	**22 006**	**20 321**
Cash balances	-101 942	107 876	47 591	99 611	15 893	14 137
Other balances[3]	9 545	4 724	5 306	6 574	6 113	6 184
Total	**618 266**	**547 860**	**412 023**	**484 465**	**487 626**	**479 321**
Percentage of GDP	*11.1%*	*9.3%*	*6.6%*	*7.5%*	*7.2%*	*6.6%*

1. A longer time series is presented in Table 1 of the statistical annexure at the back of the Budget Review
2. A positive value indicates that cash is used to finance part of the borrowing requirement
3. Differences between funds requested and actual cash flows of national departments
Source: National Treasury

Domestic short-term borrowing

Government's short-term borrowing consists of Treasury bills and borrowing from the Corporation for Public Deposits. During 2021/22, Treasury bill auctions did not meet their funding requirements – even though auction levels were reduced during the year – due to subdued demand and rising interest rates. The resulting R6.8 billion shortfall was financed through a portion of higher revenue collections.

Due to the strong in-year revenue performance, government did not borrow from the Corporation for Public Deposits during 2021/22. The corporation will be used as a bridging finance facility and no net increase is foreseen over the medium term.

Table 7.3 Domestic short-term borrowing

	2021/22			2022/23		2021/22	2022/23
R million	Opening balance	Net change	Closing balance	Net change	Closing balance	Weekly auction estimates	
Corporation for Public Deposits	–	–	–	–	–		
Treasury bills	**455 971**	**-6 806**	**449 165**	**–**	**449 165**	**11 700**	**11 675**
91-days	15 335	-4 343	10 992	2 008	13 000	1 000	1 000
182-days	70 980	-1 074	69 906	-356	69 550	2 700	2 675
273-days	154 147	-4 167	149 980	-1 780	148 200	3 800	3 800
364-days	215 509	2 778	218 287	128	218 415	4 200	4 200
Total	**455 971**	**-6 806**	**449 165**	**–**	**449 165**		

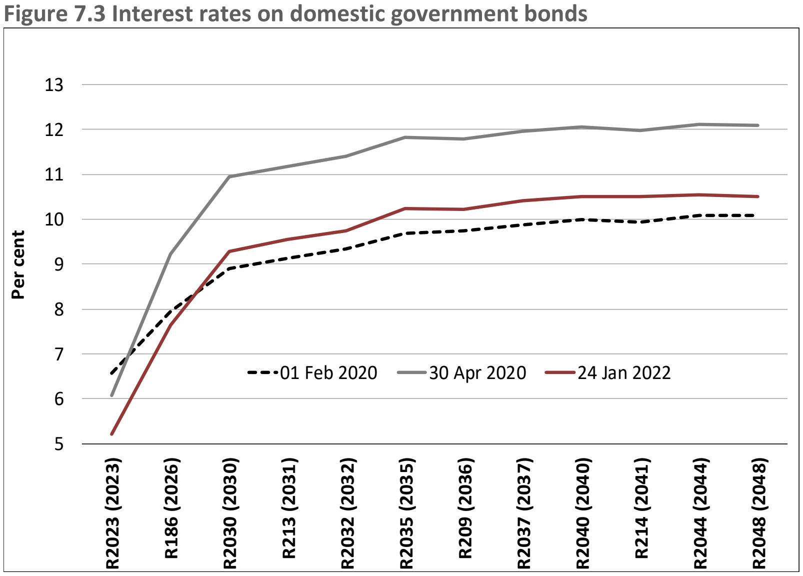
Source: National Treasury

In 2022/23, net Treasury bill issuance will remain stable, with no increase. Over the next two years, it will average R39.5 billion, or 10 per cent of total domestic borrowing.

Domestic long-term borrowing

Government's long-term borrowing consists primarily of bonds. In 2021/22, domestic long-term borrowing declined in response to the lower-than-projected borrowing requirement. This enabled government to reduce its weekly auction levels from R8.6 billion in 2020/21 to R5.1 billion in 2021/22. Between April 2021 and January 2022, government raised R239 billion through the issuance of domestic long-term loans. Fixed-rate bonds accounted for 77 per cent of this amount, with inflation-linked bonds and retail bonds making up the remainder. RSA retail savings bonds raised R3.5 billion in 2021/22 compared with R6 billion in 2020/21.

Figure 7.3 Interest rates on domestic government bonds



Source: National Treasury

The yield curve – the relationship between bonds of different maturities – has shifted lower, reflecting improved confidence in the bond market. This is shown in the difference between the 2020 and 2022 curves (Figure 7.3).

The curve remains slightly higher than before the pandemic – indicating higher borrowing costs across maturities, especially for long-term bonds.

To manage the risk of higher borrowing costs and low demand in a volatile environment, government issued more bonds in the short- (one to seven years) to medium-maturity (seven to 16 years) range. This reduced the cost of borrowing, with the range of maturities signalling a liquid market. The main funding component, fixed-rate bonds, maintained a weighted term-to-maturity of 11.97 years, which is within the strategic risk benchmark of between 10 and 14 years. Over the medium term, domestic long-term borrowing will average R348 billion.

Investor trends in government bond holdings

The share of domestic bonds held by foreign investors declined to a 10-year low of 28.2 per cent by December 2021. Although these investors remain the largest category of domestic bondholders, risk aversion is rising due to global and domestic events.

Other financial institutions and pension funds increased their holdings from 17.6 per cent and 22.4 per cent in 2020 to 20.1 per cent and 23.5 per cent in 2021 respectively. South African banks have been holding significantly more government debt as a result of weak demand for private credit and relatively high interest rates on government debt.

Figure 7.4 Ownership of domestic bonds

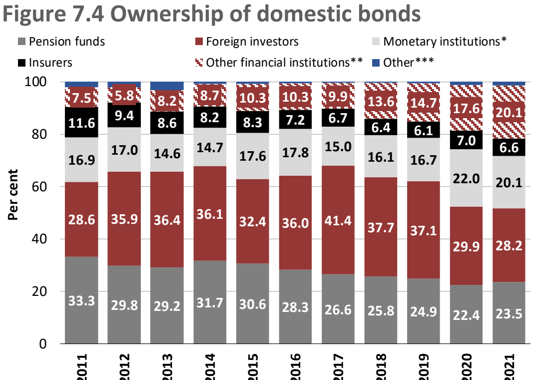
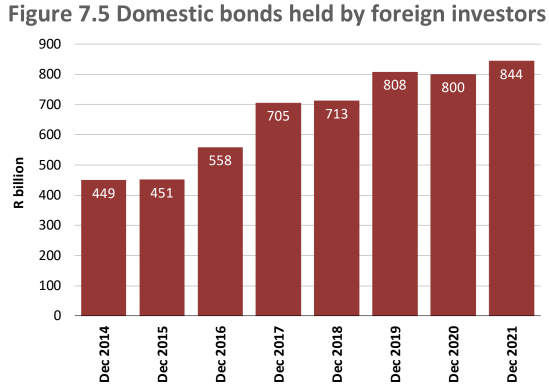


Figure 7.5 Domestic bonds held by foreign investors



**South African registered banks, mutual banks and South African branches of foreign banks*
***Unit trusts, financial companies and holding companies*
****Public sector, private non-financial corporates, households and nominee companies*
Source: Share Transactions Totally Electronic

International borrowing

Government's foreign-currency bonds – mainly denominated in dollars and euros – are issued to meet foreign-currency commitments. In 2021/22, government will raise US$3 billion in international capital markets to fund its foreign-currency commitments.

Government continues to access cheaper concessional financing from international financial institutions and development banks to meet foreign-currency commitments. This financing helps to reduce debt-service costs. Over the medium term, government will raise an additional US$11 billion in global capital markets. Market funding will be replaced or complemented with lower-cost funding from international financing institutions where these opportunities exist.

World Bank development policy loan

In January of this year, the World Bank approved a budget support loan of US$750 million to South Africa to support government's response to the fiscal, health and socioeconomic impact of COVID-19. The loan is not earmarked for specific activities and no conditions are attached to the loan. The World Bank has provided the loan at a low interest rate and it comes with a three-year grace repayment period.

As part of the International Monetary Fund general special drawing right allocation to member countries, government received about US$4.2 billion in August 2021. These funds are deposited in a holdings account with the Reserve Bank, and will be used to meet government's foreign-currency commitments in line with liquidity requirements.

Table 7.4 Foreign-currency commitments and financing

	2020/21	2021/22	2022/23	2023/24	2024/25
US$ million	**Outcome**	**Estimate**	**Medium-term estimates**		
Opening balance	**8 489**	**6 380**	**9 139**	**8 716**	**7 451**
Commitments	**-7 514**	**-2 599**	**-3 528**	**-5 367**	**-5 149**
Redemptions	-822	-270	-1 000	-2 570	-2 141
Interest	-1 141	-1 182	-1 508	-1 717	-1 868
Departments	-5 551	-1 147	-1 020	-1 080	-1 140
Financing	**5 405**	**5 358**	**3 105**	**4 102**	**4 099**
Loans	5 282	5 250	3 000	4 000	4 000
Purchases	–	–	–	–	–
Interest	123	108	105	102	99
Closing balance	**6 380**	**9 139**	**8 716**	**7 451**	**6 401**

Source: National Treasury

Table 7.5 Borrowing from international finance institutions

Institutions	Disbursement date	Interest rate	Terms (years)	Grace period[1] (years)	Amount billion
New Development Bank	20 July 2020	6-month LIBOR[2] plus 1.25%	30	5	US$1.0
International Monetary Fund	29 July 2020	1.0660%	5	3	US$4.3
African Development Bank	15 October 2020	3-month JIBAR[3] plus 0.8%	20	5	R5.0[5]
New Development Bank	17 June 2021	6-month LIBOR[2] plus 1.25%	30	5	US$1.0
New Development Bank	15 November 2021	6-month LIBOR[2] plus 1.05%	25	4.5	US$1.0[6]
World Bank	-	6-month SOFR[4] plus 0.75%	13	3	US$0.75

1. A period after the disbursement where no capital repayments are required
2. LIBOR (London Interbank Offered Rate)
3. JIBAR (Johannesburg Interbank Average Rate)
4. SOFR (Secured Overnight Financing Rate)
5. The US dollar equivalent is US$0.29 billion
6. Loan approved for US$1 billion, first tranche of US$0.4 billion received
Source: National Treasury

Cash balances

Government's cash holdings consist of deposits held at commercial banks and the Reserve Bank. The latter are sterilisation deposits – deposits that neutralise excess cash created in the money market – and foreign-currency accumulation deposits, relating to proceeds from foreign loans.

Historically, sterilisation deposits were used as bridging finance to cover short-term obligations, providing a buffer against abrupt market changes. In 2020/21, a portion of these deposits was used to finance the higher gross borrowing requirement arising from the pandemic. To reduce domestic issuance in 2022/23, government will use the remaining deposits of R41.2 billion, which will decrease the stock of debt and debt-service costs.

At the end of 2021/22, total cash balances stood at R290 billion. Over the medium term, foreign-currency deposits will average US$7.5 billion.

Table 7.6 Change in cash balances

	2020/21	2021/22		2022/23	2023/24	2024/25
R million	**Outcome**	**Budget**	**Revised**	**Medium-term estimates**		
Rand currency						
Opening balance	**111 693**	**175 509**	**239 711**	**145 517**	**50 000**	**50 000**
Closing balance	**239 711**	**60 815**	**145 517**	**50 000**	**50 000**	**50 000**
of which:						
Tax and loan accounts	*198 554*	*50 000*	*104 360*	*50 000*	*50 000*	*50 000*
Change in rand cash balance[1] (opening less closing balance)	**-128 018**	**114 694**	**94 194**	**95 517**	**–**	**–**
Foreign currency[2]						
Opening balance	**123 968**	**119 109**	**97 892**	**144 495**	**140 401**	**124 508**
Closing balance	**97 892**	**125 927**	**144 495**	**140 401**	**124 508**	**110 371**
US$ equivalent	*6 380*	*7 748*	*9 139*	*8 716*	*7 451*	*6 401*
	26 076	**-6 818**	**-46 603**	**4 094**	**15 893**	**14 137**
Change in foreign currency cash balance[1] (opening less closing balance)						
Total change in cash balances[1]	**-101 942**	**107 876**	**47 591**	**99 611**	**15 893**	**14 137**
Total closing cash balance	**337 603**	**186 742**	**290 012**	**190 401**	**174 508**	**160 371**

1. A positive value indicates that cash is used to finance part of borrowing requirement
2. Rand values at which foreign currency was purchased or borrowed
Source: National Treasury

Government debt and debt-service costs

National government debt

Table 7.7 summarises the distribution and stock of national government debt. Debt is expected to stabilise at 75.1 per cent of GDP in 2024/25 – down from 80.5 per cent of GDP in 2025/26 estimated in the 2021 Budget. This is mainly the result of revenue performance. Over the medium term, a portion of the higher revenue will be used to lower the government's gross borrowing requirement, reducing debt issuances.

Table 7.7 Total national government debt[1]

End of period R billion	2020/21 Outcome	2021/22 Estimate	2022/23	2023/24 Medium-term estimates	2024/25
Domestic loans[2]	**3 543.3**	**3 852.4**	**4 158.7**	**4 496.3**	**4 815.9**
Short-term	456.0	449.2	449.2	489.2	528.2
Long-term	3 087.3	3 403.2	3 709.5	4 007.1	4 287.8
Fixed-rate	*2 300.0*	*2 559.9*	*2 761.9*	*3 055.9*	*3 341.3*
Inflation-linked	*787.3*	*843.3*	*947.6*	*951.2*	*946.5*
Foreign loans[2]	**392.4**	**493.3**	**533.5**	**569.3**	**613.4**
Gross loan debt	**3 935.7**	**4 345.7**	**4 692.2**	**5 065.6**	**5 429.3**
Less: National Revenue Fund bank balances[2]	-333.9	-289.0	-189.1	-171.7	-156.9
Net loan debt	**3 601.8**	**4 056.7**	**4 503.1**	**4 893.9**	**5 272.4**
As percentage of GDP:					
Gross loan debt	*70.7*	*69.5*	*72.8*	*74.4*	*75.1*
Net loan debt	*64.7*	*64.9*	*69.9*	*71.9*	*72.9*

1. A longer time series is given in Table 10 of the statistical annexure at the back of the Budget Review
2. Estimates include revaluation based on National Treasury's projections of inflation and exchange rates
Source: National Treasury

Government debt levels are affected by changes in inflation and exchange rates. For example, rand appreciation decreases the value of outstanding foreign debt. Foreign-currency debt will average R572.1 billion, or 11.3 per cent, of gross debt over the medium term. Government's foreign-currency exposure is partly offset by foreign-currency investments, which in 2021/22 amount to US$9.1 billion.

Table 7.8 Analysis of annual increase in gross loan debt

R million	2020/21 Outcome	2021/22 Estimate	2022/23	2023/24 Medium-term estimates	2024/25
Budget deficit	550 627	346 886	387 213	331 784	322 385
Discount on loan transactions	82 039	51 353	19 015	9 247	6 322
Revaluation of inflation-linked bonds[1]	21 589	40 466	38 202	41 885	42 327
Revaluation of foreign-currency debt[1]	-72 294	24 170	8 233	12 517	13 026
Change in cash and other balances[2]	92 397	-52 897	-106 185	-22 006	-20 321
Total	**674 358**	**409 978**	**346 478**	**373 427**	**363 739**

1. Revaluation based on National Treasury projections of inflation and exchange rates
2. A negative value indicates that cash is used to finance part of the borrowing requirement
Source: National Treasury

In 2021/22, the stock of debt increased by R410 billion. The main budget deficit accounted for 84.6 per cent of this increase, while interest and inflation rate changes explain much of the rest.

National government debt-service costs

Debt-service costs are determined by debt stock, new borrowing and macroeconomic variables such as interest, inflation and exchange rates. In the 2021 Budget, debt-service costs for 2021/22 were revised downwards by R1.4 billion, mainly due to the timing of foreign loan issuances. As a share of GDP, debt-service costs are projected to average 4.9 per cent over the medium term.

Table 7.9 National government debt-service costs

	2020/21	2021/22		2022/23	2023/24	2024/25
R million	**Outcome**	**Budget**	**Revised**	**Medium-term estimates**		
Domestic loans	213 527	249 054	250 472	277 693	306 888	332 265
Short-term	21 754	18 025	21 560	23 454	29 502	32 167
Long-term	191 772	231 029	228 912	254 239	277 386	300 098
Foreign loans	19 109	20 687	17 834	24 113	28 091	31 250
Total	**232 636**	**269 741**	**268 306**	**301 806**	**334 979**	**363 515**
As percentage of:						
GDP	*4.2*	*4.6*	*4.3*	*4.7*	*4.9*	*5.0*
Expenditure	*13.0*	*15.0*	*14.2*	*15.3*	*16.8*	*17.3*
Revenue	*18.8*	*22.5*	*17.3*	*19.0*	*20.2*	*20.5*

Source: National Treasury

Contingent liabilities

Contingent liabilities are state obligations that will result in expenditure only if a specific event occurs. Government closely monitors the status of these liabilities and other fiscal obligations. These include guarantees to state-owned companies, independent power producers and public-private partnerships, and provisions for multilateral institutions.

Government guarantees

Government's guarantee exposure consists of the sum of the outstanding value of a loan, accrued interest and adjustments to inflation-linked bonds. The guarantee amount, however, reflects only the capital value of the loan. As a result, exposure may exceed the approved guarantee amount.

State-owned companies

The total amount for approved guarantees is expected to decrease by R21.5 billion to R560.1 billion by the end of March 2022, with associated exposure estimated to increase by R32.1 billion to R416.8 billion. Eskom accounts for 78.7 per cent of these guarantees.

Major changes to the guarantee profile in 2021/22 were as follows:

- Eskom's guarantee exposure increased by R29.6 billion to R327.9 billion due to additional drawdowns.
- Denel's guarantee facilities declined to R3.4 billion after R2.5 billion lapsed following the cancellation of the Egyptian missile contract and the maturity of R1 billion of its debt.
- Guarantee exposure for the Land Bank, South African Airways and the Trans-Caledon Tunnel Authority decreased as debts were paid down.
- The South African National Roads Agency Limited's guarantee exposure increased by R11.7 billion due to accrued interest and revaluation of inflation-linked bonds.
- Government's loan guarantee scheme to support businesses affected by COVID-19 and associated lockdown measures remains at R100 billion, but will decrease to R25 billion in 2022/23. The drawdown amount decreased by R1.5 billion to R12.2 billion.

Other guarantees

Contingent liability risks for independent power producers represent a low risk to the fiscus. After signing additional projects in 2021, government has committed to procure up to R208.5 billion in renewable energy from the Renewable Energy Independent Power Producer Procurement (REIPPP) Programme. The value of signed projects, which represents government's exposure, is expected to amount to R177 billion by 31 March 2022. Exposure is expected to decrease to R156.6 billion in 2022/23, R137.8 billion in 2023/24 and R120.8 billion in 2024/25. A government study is exploring alternative support for the REIPPP. This is expected to result in a reduction or elimination of guarantee requirements for the programme, reducing the stock of contingent liabilities.

In 2021/22, government exposure to public-private partnerships amounts to R7.9 billion. It is expected to decrease to R4.3 billion in 2024/25.

Annexure E contains additional details on public-private partnership contingent liabilities.

Table 7.10 Government guarantee exposure[1]

	2019/20		2020/21		2021/22	
R billion	**Guarantee**	**Exposure[2]**	**Guarantee**	**Exposure[2]**	**Guarantee**	**Exposure[2]**
Public institutions	**484.8**	**413.7**	**581.6**	**384.7**	**560.1**	**416.8**
of which:						
Eskom	*350.0*	*326.9*	*350.0*	*298.3*	*350.0*	*327.9*
SANRAL	*37.9*	*39.0*	*37.9*	*37.4*	*37.9*	*49.1*
Trans-Caledon Tunnel Authority	*43.0*	*13.6*	*43.0*	*13.2*	*25.0*	*9.5*
South African Airways	*19.1*	*17.9*	*19.1*	*6.7*	*19.1*	*2.9*
Land and Agricultural Bank of South Africa	*9.6*	*2.6*	*9.6*	*2.4*	*9.6*	*2.0*
Development Bank of Southern Africa	*10.0*	*4.7*	*10.0*	*4.9*	*10.1*	*5.1*
Transnet	*3.5*	*3.8*	*3.5*	*3.8*	*3.5*	*3.8*
Denel	*6.9*	*4.4*	*6.9*	*3.4*	*3.4*	*3.4*
South African Express	*1.9*	*0.2*	*0.2*	*0.2*	*0.0*	*0.0*
Industrial Development	*0.6*	*0.2*	*0.5*	*0.1*	*0.6*	*0.1*
South African Reserve Bank [4]	–	–	*100.0*	*13.7*	*100.0*	*12.2*
Independent power producers	**200.2**	**161.4**	**200.2**	**176.7**	**208.5**	**177.0**
Public-private partnerships[3]	**8.7**	**8.7**	**8.0**	**8.0**	**7.9**	**7.9**

1. A full list of guarantees is given in Table 11 of the statistical annexure in the Budget Review

2. Total amount of borrowing, adjustments to inflation-linked bonds as a result of inflation rate changes and accrued interest

3. These amounts only include national and provincial PPP agreements

4. Due to the end of the loan guarantee scheme, the National Treasury is in the process of reducing this amount from R100 billion to R25 billion

Source: National Treasury

Other contingent liabilities

Table 7.11 shows government's exposure to multilateral institutions and other implicit contingent liabilities. South Africa subscribes to shares in these institutions but does not pay the full amount. These commitments represent the unpaid portion of the share subscribed to in the unlikely event these institutions run into financial difficulty.

Table 7.11 Provision for multilateral institutions and other contingent liabilities

R billion	2019/20	2020/21	2021/22
Multilateral institutions	**341.9**	**371.0**	**398.4**
of which:			
New Development Bank	*93.0*	*97.7*	*119.8*
African Development Bank	*66.5*	*55.0*	*55.7*
International Monetary Fund	*111.8*	*151.7*	*156.0*
World Bank Group	*36.4*	*30.5*	*30.9*
Other contingent liabilities	**472.4**	**509.8**	**552.7**
of which:			
Export Credit Insurance Corporation of South Africa	*20.5*	*16.9*	*10.8*
Post-retirement medical assistance	*69.9*	*69.9*	*69.9*
Road Accident Fund	*332.2*	*375.0*	*424.7*

Source: National Treasury

Net valuation profits and losses

Government's largest contingent asset is the Gold and Foreign Exchange Contingency Reserve Account. It reflects profits and losses on gold and foreign exchange reserves, held by the Reserve Bank, to meet foreign exchange obligations and to maintain liquidity in the presence of external shocks. Due to the depreciation of the rand, unrealised gains are expected to amount to R370 billion by end-March 2022, an increase of R54.4 billion compared with 2020/21. In 2021/22, government settled a realised loss of R74.8 million. Losses of R56.1 million are projected for 2022/23.

Conclusion

Government's resilient fiscal and debt management policies have enabled it to continue raising the funds required to meet its spending commitments over the past year. Gross debt is expected to stabilise in 2024/25. Government continues to manage debt and borrowing in a prudent and sustainable manner.