5

Asset and liability management

Progress in Government's debt management strategy, proposals for financing the budget deficit in the years ahead, trends in total debt and debt cost and developments in the restructuring of state assets are outlined in this chapter. Highlights include:

- *South Africa's sovereign credit ratings have been raised from stable to positive outlook by Fitch Rating and Standard and Poor's*
- *National government debt, which was 48,3 per cent of GDP at the end of 1998/99, declines to a projected 37,3 per cent of GDP by the end of the MTEF period*
- *Debt service costs fall from 4,2 per cent of GDP in 2002/03 to 3,8 per cent by 2005/06*
- *Successful Telkom IPO anticipated*
- *Increasing demand for South Africa's domestic and foreign debt despite global turmoil.*

Introduction

South African debt performs well despite global turmoil

In an environment of considerable global economic turmoil, South Africa's domestic and foreign debt continues to attract increasing demand. While lacklustre performance in the world's strongest economies – Europe, the USA and Japan – saw increased risk priced into global capital markets, particularly emerging market bonds, South Africa's profile continued to improve. Traditional investors exhibited a continuing appetite for South African securities, accompanied by interest from new investors. The South African global ten year bond traded on average 335 basis points tighter than the Emerging Market Bond Index (EMBI) in 2002.

Demand from domestic investors and rand strength influence bond yields

Domestic capital market dynamics were dominated by the decreasing supply of government bonds and fluctuations in the value of the currency. While foreigners sold rand-denominated assets, domestic demand remained robust. Together with the strengthening of the currency, this resulted in the continued tightening of domestic spreads.

South Africa's credit ratings again upgraded

South Africa's credit ratings continued to improve in 2002, on the strength of solid and sustained macroeconomic and fiscal management. In November 2001, South Africa's sovereign rating was upgraded by Moody's from Baa3 to Baa2. In August 2002, Fitch Rating Ltd revised the outlook on South Africa's sovereign ratings from BBB-stable to BBB-positive. In November 2002, Standard and Poor's revised its outlook from BBB-stable to BBB-positive.

This chapter covers Government's debt management strategy, the performance of South African bonds in foreign and domestic markets, and projections of state debt service costs. It includes a profile of Government's debt portfolio, and an update on progress in the restructuring of state assets.

Debt management strategy

Domestic debt strategy emphasises lower debt costs

Since 1999, the emphasis of domestic debt management has shifted from development of the domestic capital market to reduction of state debt costs, within the constraints of acceptable levels of risk. One of the important objectives of the 2002/03 financial year was to partially meet the market's demand for paper at the long-end of the curve. In order to achieve this, the National Treasury has:

Range of measures to improve trading at the long end of the yield curve

- Introduced a bond strip market, allowing investors to increase the duration of their portfolios
- Introduced and issued more longer-dated, inflation-linked bonds
- Increased the minimum bid-offer spread of longer-dated bonds in the primary market from 5 to 15 basis points, with a view to enhancing trade at the long-end of the curve
- Reduced the nominal minimum bid amount per auction of the longer-dated bond in the primary market from R10 million to R5 million
- Increased non-competitive bids from 10 per cent to 15 per cent of the total allocated auction
- Introduced single price auctions (or Dutch auctions) with a view to removing the so called 'winners curse' normally associated with multiple price auctions.

Enhancing liquidity under conditions of declining supply

Enhancing liquidity in an environment of a declining supply has presented considerable challenges in the last two years. Active debt management pursued to this end has included debt consolidation, elimination of former homeland bonds, introduction of a full yield curve of inflation-linked bonds and development of a strip market designed to allow investors to diversify their portfolios.

The debt consolidation process, which includes switches and buy-backs, has been successfully completed. The total nominal outstanding value of illiquid bonds is down from R50 billion in 1999 to just R2 billion in 2002.

Foreign debt strategy focusing on reducing NOFP

The emphasis of South Africa's foreign debt management strategy has shifted from the setting up of benchmarks in international markets to the elimination of the Net Open Forward Currency Position (NOFP).

The NOFP has now been reduced from a high of US$ 23,2 billion in 1998 to US$1,5 billion on 31 January 2003.

The management of interest rate risks, currency risks and credit risks remains an ongoing part of South Africa's recently adopted risk management framework.

Developments in South Africa's debt market

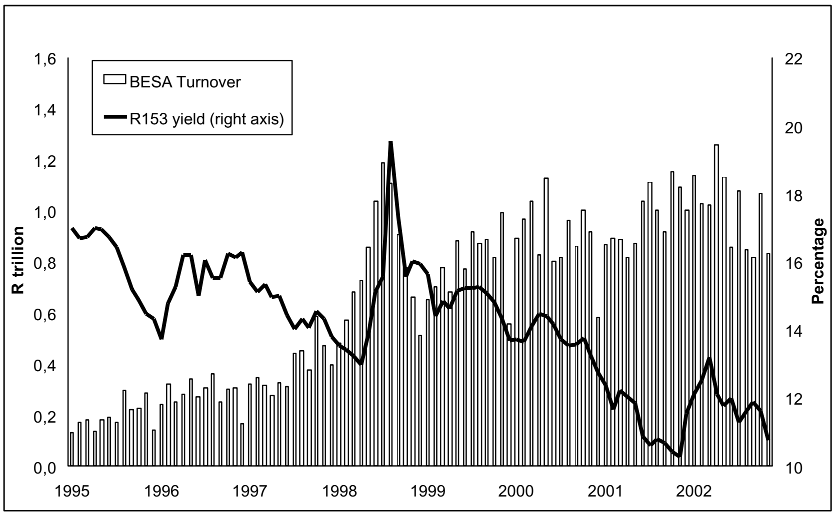
Domestic bond market developments

Bond yields declined during 2002 on the back of lower a deficit and stronger currency, supported by shortage of supply and the strengthening currency, yields on government bonds continued to decline during 2002, with the R153 bond closing at 10,38 per cent on 31 January 2003, 282 basis points lower than at the end of the 2002 financial year.

Bond market turnover of R11,7 trillion in 2002

The turnover in the domestic bond market, as recorded by the Bond Exchange of South Africa (BESA), remains robust, at R11,692 trillion in 2002, compared with R11,646 trillion in 2001.

Figure 5.1 Turnover in the domestic bond market and R153 bond yield



Shape of yield curve changed in early 2002

During the first four months of 2002, the shape of the domestic government bond yield curve changed, with the longer-dated R153 bond trading lower than the R150 bond for the first time since 1998. The inversion of the yield curve was due mainly to higher money-market rates, following the 400 basis point interest rate increases of 2002, and high demand for long-term bonds.

CPI bond yields widened since mid-September 2002

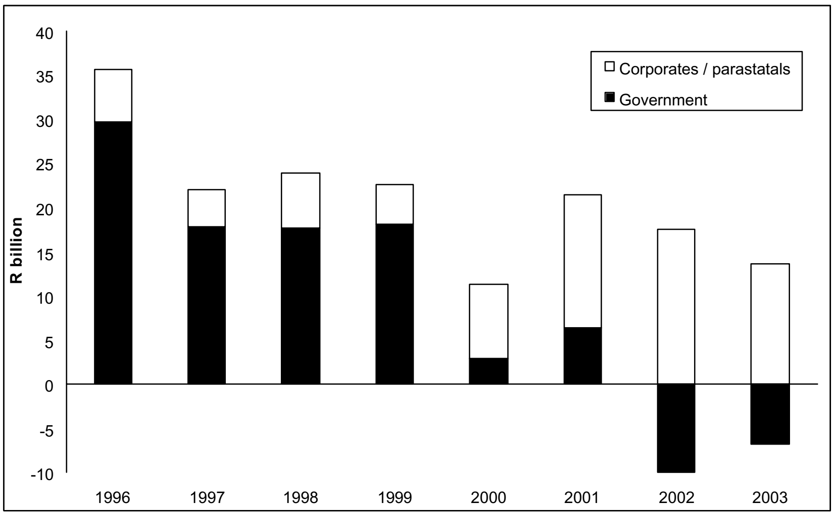
The higher than expected inflationary environment of 2002 resulted in pronounced demand for inflation-linked bonds, causing real yields on these bonds to decline to their lowest levels in September 2002. However, inflation expectations improved during the last quarter of 2002 and yields weakened. The yield on the R189, the most traded inflation-linked bond, widened from its lowest level of 3,62 per cent on 19 September 2002 to 3,97 per cent on 31 December 2002.

Although the negative net issuance of domestic government bonds was lower in 2002/03 than in 2001/02, the lack of supply in domestic government bonds continued to support bond yields during the year.

Parastatal and corporate bond issues of R31 billion

The net supply of government bonds decreased by R16,6 billion in both 2001/02 and 2002/03, encouraging further development of the corporate bond market. During the same period, parastatal and corporate bonds amounting to almost R31 billion were issued.

Figure 5.2 Government, corporate and parastatal net domestic bond issues, 1995/96 – 2002/03



The turnover ratios of the most liquid government bonds are summarised in Table 5.1.

R150 bond turnover 61,2 times the nominal issue

Turnover of the benchmark R150 bond was 61,2 times the issued amount, compared with 57,1 in the previous year. Turnover ratios for the R153, R157 and R194 bonds also improved. As expected, the turnover of the CPI bonds – the R197 and the R189 – remained lower than that of fixed income instruments, since CPI bonds attract "buy and hold" investors.

Table 5.1 Turnover in domestic bonds – 2001 and 2002

	2001	2002		
R billion	Turnover ratio	Nominal issues	Market turnover	Turnover ratio
R150 (12,0%; 2004/05/06)	57,1	79,0	4 834,3	61,2
R153 (13,0%; 2009/10/11)	24,2	90,9	2 780,4	30,6
R157 (13,5%; 2014/15/16)	21,6	50,6	1 263,9	25,0
R186 (10,5%; 2025/26/27)	20,6	27,0	476,5	17,6
R189 (CPI 6,25%; 2013)	4,2	13,4	39,3	2,9
R194 (10,0%; 2007/08/09)	14,3	39,6	849,5	21,5
R197 (CPI 5,5%; 2023)	5,2	6,2	14,2	2,3

Active participation of foreign investors in South African capital markets

Foreign investors continued to participate actively in the domestic capital markets in 2002. However, by 31 December 2002 foreign investors were net sellers of RSA domestic bonds by an amount of R2 billion, due in part to the global markets downturn, emerging market volatility and the possibility of war in Iraq.

South African foreign bonds in the world capital markets

Emerging market credit spreads in 2002 were driven by turmoil in the equity markets of the developed world, economic uncertainty and currency crises in emerging markets and the prospect of a war.

South African foreign bonds performed well by international standards

However, South Africa performed well relative to other emerging markets. For example, during the last quarter of 1998, the Asian crisis caused credit spreads of South African bonds (measured against a five year maturing bond, the Euro 2003) to widen by 500 basis points above the Bunds. In the present uncertain environment, South African bond yields widened by only 80 basis points in relation to a five year maturing bond, the Euro 2008 bond. The Emerging Market Bond Index widened by 417 basis points.

Demand for South African debt has been increasing, and spreads remain below their initial pricing, as set out in table 5.2, with South African bonds accorded a 'safe haven status' on the strength of a continued record of prudent fiscal and monetary policies, moderate external debt, sound financial systems and legal institutions, and strong domestic capital markets.

Table 5.2 Foreign bonds performance – 3 February 2003

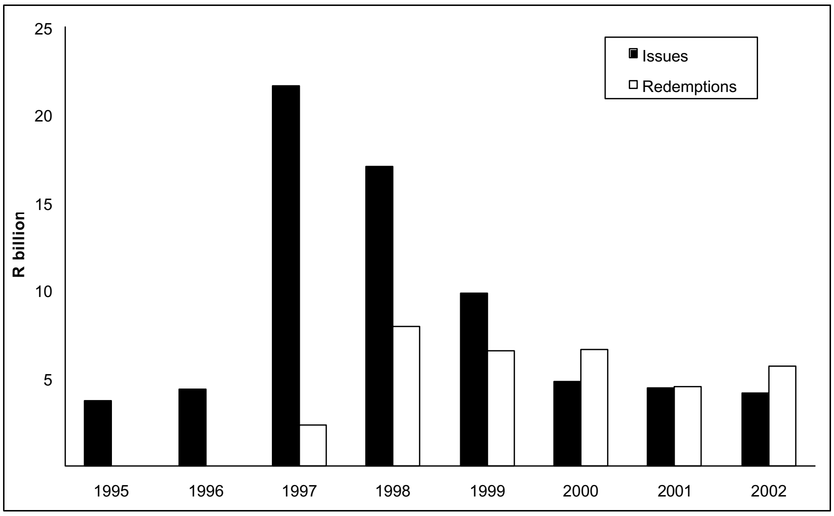
Bond	Coupon	Maturity date	Spread when priced	Current spread
US Dollars				
USD750m	9,125%	May 2009	362 bps	237 bps
USD300m	8,375%	October 2006	195 bps	192 bps
USD1000m	7,375%	April 2012	240 bps	206 bps
USD500m	8,500%	June 2017	275 bps	229 bps
Euro				
EURO500m	7,000%	June 2003	140 bps	73 bps
EURO300m	7,000%	October 2004	250 bps	124 bps
EURO500m	6,750%	May 2006	328 bps	153 bps
EURO500m	7,000%	April 2008	272 bps	174 bps

Spreads are quoted relative to underlying benchmark bonds.

Growing demand for rand-denominated bonds abroad

Alongside the growing market for South African foreign debt issues, there exists an active market in rand-denominated bonds abroad. Figure 5.3 sets out eurorand bond issues and redemptions from 1995 to 2002. The eurorand bond market has grown since September 1995 to a current nominal outstanding value of R199,3 billion, with original maturities up to 35 years. During 2002, the nominal value of maturing bonds was R5,7 billion, while new issues amounted to R4,2 billion. The demand for rand-denominated bonds issued by highly rated institutions contributes positively to the value of the rand and of South African domestic bonds. During January 2003, new issuance exceeded maturing issues by R150 million.

Figure 5.3 Eurorand bond market issues and redemptions 1995 – 2002



Net borrowing requirements

Government's net borrowing requirement is determined by the budget deficit, in addition to extraordinary receipts and payments. Table 5.3 sets out Government's net borrowing requirements for 2001/02, a revised estimate for 2002/03 and estimates for the period 2003/04 to 2005/06.

Table 5.3 Budget deficit and net borrowing requirement: 2001/02–2005/06

	2001/02	2002/03		2003/04	2004/05	2005/06
R million	**Outcome**	**Budget**	**Revised**	**Medium-term estimates**		
Budget deficit	14 642	22 692	16 077	29 506	32 390	34 397
Extraordinary receipts[1] (net of book profit)	-4 159	-12 000	-10 219	-6 341	-6 250	-4 626
Extraordinary payments [2]	2 078	1 571	7 889	7 000	7 000	7 000
Net borrowing requirement	**12 561**	**12 263**	**13 747**	**30 165**	**33 140**	**36 771**
Excludes: Book profit	1 064	–	81	–	–	–

1. *Premiums and book profit realising from loan issues and debt portfolio restructuring, previously included in revenue, are now reflected under extraordinary receipts. Book profit is regarded as a negative receipt for purposes of analysis as it does not represent an actual cash flow.*
2. *Premiums paid on debt portfolio restructuring, previously included in state debt cost expenditure, are now reflected under extraordinary payments.*

Extraordinary receipts of R6,3 billion in 2003/04

In 2002/03, provision was made for extraordinary receipts of R12 billion. Of this, R1 billion was received in a special restructuring payment from Transnet. It is anticipated that an additional amount of R9,1 billion will be received from the initial public offering of Telkom shares, a special restructuring dividend from the Central Energy Fund (CEF), further restructuring dividends from Transnet, and premiums on the issuance of loans for financing and restructuring of government's debt portfolio.

Extraordinary receipts in the MTEF period include projected proceeds of R5 billion from the restructuring of state owned enterprises in each of 2003/04 and 2004/05, and R3 billion in 2005/06. In addition, extraordinary receipts include premiums on the issuance of loans for financing purposes.

Extraordinary payments of R7,9 billion in 2002/03

Extraordinary payments of R7,9 billion for 2002/03 include nil coupon bonds of R7,0 billion issued to the South African Reserve Bank in order to defray part of the realised losses on the Gold and Foreign Exchange Contingency Reserve Account (GFECRA), R571 million in SA Housing Trust debt and R314 million in premiums paid on restructuring of government's debt portfolio. Government will issue nil coupon bonds to the amount of R7 billion a year over the next three years to the South African Reserve Bank in respect of the GFECRA losses.

Financing of the net borrowing requirement

Government's net borrowing requirement is financed through domestic short- and long-term loans, foreign loans and changes in cash balances. The switch auction programme also contributed to financing in 2002/03.

Table 5.4 Financing of net borrowing requirement: 2001/02–2005/06

	2001/02	2002/03		2003/04	2004/05	2005/06
R million	Outcome	Budget	Revised	Medium-term estimates		
Domestic short-term loans (net)	**-7 967**	**4 000**	**4 000**	**6 000**	**6 000**	**8 000**
Domestic long-term loans (net)	**-9 871**	**-10 960**	**-3 124**	**9 297**	**14 425**	**21 520**
Loans issued for financing (net)	-12 087	-11 460	-6 965	2 297	7 425	14 520
New loans	14 647	13 259	15 532	29 280	34 576	41 811
Discount on issue of new loans	-323	-91	-344	-544	-655	-557
Scheduled redemptions	-22 433	-21 628	-21 643	-26 439	-26 496	-26 734
Buy- backs (net of book profit)	-3 978	-3 000	-510	–	–	–
Loans issued for switches (net)	2 217	500	270	–	–	–
New loans	40 914	–	7 675	–	–	–
Discount on issue of new loans	-1 675	–	-247	–	–	–
Loans switched (net of book profit)	-37 022	–	-7 158	–	–	–
Loans issued for extraordinary purposes (net)	–	–	3 571	7 000	7 000	7 000
New loans	–	–	7 571	7 000	7 000	7 000
Buy-backs	–	–	-4 000	–	–	–
Foreign loans (net)	**33 131**	**16 275**	**14 522**	**11 768**	**12 715**	**7 251**
Loans issued for financing (net)	33 131	16 275	15 864	11 768	12 715	7 251
Market loans	29 874	10 770	11 031	9 310	29 490	11 684
Export credit facilities	3 383	5 533	5 100	5 277	4 788	5 720
Discount on issues of new loans	-57	–	-226	–	–	–
Redemptions (including revaluation of loans)	-69	-28	-41	-2 819	-21 563	-10 153
Loans issued due to $1 500 mil Dual						
Currency Term Loan options (net)	–	–	-1 342	–	–	–
Loans issued	–	–	13 945	–	–	–
Redemptions (including revaluation of loans)	–	–	-15 287	–	–	–
Change in cash and other balances[1]	**-2 732**	**2 948**	**-1 651**	**3 100**	**–**	**–**
Opening balance	5 423	6 948	7 949	9 600	6 500	6 500
Cash balance	2 650	6 948	6 549	9 600	6 500	6 500
Outstanding transfers	559	–	–	–	–	–
Surrenders/Late requests	2 214	–	1 400	–	–	–
Cash flow adjustment	-1 606	–	–	–	–	–
Closing balance	-6 549	-4 000	-9 600	-6 500	-6 500	-6 500
Total financing (net)	**12 561**	**12 263**	**13 747**	**30 165**	**33 140**	**36 771**

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

Financing

Table 5.4 provides information on the financing of government's net borrowing requirement for 2001/02 and 2002/03, with projections for the period 2003/04 to 2005/06.

Opening cash balances and surrenders of R7,9 billion

For 2002/03, the opening cash balances in the exchequer and tax and loan accounts amounted to R6,5 billion. After taking into account surrenders net of late requests by departments of R1,4 billion, the adjusted opening balance amounted to R7,9 billion.

2002/03 closing balances of R9,6 billion

A closing balance of R9,6 billion for 2002/03 is expected to be carried over to provide for cash flow requirements in April 2003. Provision is made for projected closing balances of R6,5 billion for 2003/04 to 2005/06.

Table 5.5 shows the volume of short-term loans outstanding. Short-term loans increased by R4 billion net in 2002/03. In 2002/03, treasury bills were issued at a weighted average of 11,5 per cent (budgeted 9,7 per cent). It is projected that the treasury bill stock will increase by R6 billion in 2003/04 and 2004/05 and by R8 billion in 2005/06.

Domestic bonds net decreased by R3,1 billion in 2002/03

A net decrease in domestic long-term loans of R3,1 billion is projected in 2002/03, against a budgeted R10,9 billion. The increased domestic loan issues are as a result of a higher borrowing requirement, an increase in the cash balances and lower foreign loan issues. Lower than budgeted cash buy-backs and the buy-back of nil coupon bonds from the SARB also contributed to higher loan issues.

Table 5.5 Short-term loans outstanding: 2001/02–2005/06

As at 31 March	2002	2003	2004	2005	2006
R million		estimate	Medium-term estimates		
Treasury bills	**19 013**	**23 013**	**29 013**	**35 013**	**43 013**
Shorter than 91 days[1]	1 103	1 103	1 103	1 103	1 103
91 day	13 000	17 000	23 000	29 000	37 000
182 day	4 910	4 910	4 910	4 910	4 910
Other[2]	**10**	**10**	**10**	**10**	**10**
Total	**19 023**	**23 023**	**29 023**	**35 023**	**43 023**

1. Mainly 1 day bills issued to the Corporation for Public Deposits.
2. Loan levies and former Bophuthatswana bonds.

Table 5.6 details government bonds issued for the purposes of financing in 2002/03 up to 31 December 2002. An amount of R10,9 billion in domestic bonds was issued. Fixed income bonds were issued at an average yield of 11,3 per cent (budgeted 11,4 per cent), while inflation linked bonds were issued at an average yield of 4,15 per cent.

Additional take-up of domestic bonds by primary dealers

Primary dealers are permitted to take up an additional 15 per cent of their allotted amounts in any auction, on a non-competitive basis, within 24 hours of the close of the auction. Of the new bonds issued in 2002/03, R452 million or 4,2 per cent was taken up by primary dealers on a non-competitive basis.

Table 5.6 Government bonds issued for financing: 2002/03

As at 31 December 2002 R million	Nominal value	Cash value	Discount	Average yield (%)
Medium-term	**4 673**	**4 379**	**294**	
R194 (10,0%; 2007/08/09)	3 462	3 176	286	12,05
R198 (CPI, 3,8%; 2008)	1 111	1 104	7	3,92
R199 (floating; 2007)	100	99	1	11,56
Long-term	**6 120**	**6 105**	**15**	
R186 (10,5%; 2025/26/27)	2 140	2 125	15	10,20
R189 (CPI 6,25%;2013)	347	347	–	4,13
R197 (CPI 5,5%; 2023)	3 633	3 633	–	4,22
Amortised interest on zero coupon bonds[1]	**121**	**121**	–	
Total domestic bonds issued	**10 914**	**10 605**	**309**	

1. The discount on zero coupon bonds is treated on an accrual basis. The discount is written off over the life of the bond and provided for annually as interest expenditure. At the same time a corresponding amount is added to new loans received by the Exchequer.

Switches in government bonds of R7,2 billion

Bond repurchases during the 2002/03 switch auction programme amounted to R7,2 billion. This included R3 billion in switches for monetary management purposes in respect of nil coupon bonds issued to the South African Reserve Bank to compensate for realised GFECRA losses. These nil coupon bonds were converted into interest-bearing bonds.

Table 5.7 Switches in government bonds: 2002/03

As at 31 December 2002	Source bond		Destination bond	
R million	Bond	Amount	Bond	Amount
Monetary Management purposes		**3 000**		**3 100**
	Z16 (nil coupon; 2014)	3 000	R150 (12,0%; 2004/05/06)	1 000
			R194 (10,0%; 2007/08/09)	2 100
Portfolio management purposes		**4 158**		**4 577**
	R157 (13,5%; 2014/15/16)	2 000	R186 (10,5%; 2025/26/27)	2 932
	R177 (9,5%; 2007)	163	R189 (CPI 6,25%; 2013)	10
	R178 (9,75%; 2008)	611	R194 (10,0%; 2007/08/09)	1 635
	R184 (12,5%; 2006)	1 384		
Total		**7 158**	**Total**	**7 677**
Excludes: Book profit		56	Includes: Discount	247

Source bonds amounting to R4,2 billion were switched to destination bonds of R4,6 billion through the switch auction programme for the restructuring of government's domestic debt portfolio during the year to 31 December 2002. Details are set out in Table 5.7.

Net financing of R270 million from switch programme

The 2002/03 switch auction programme resulted in net financing of R270 million. While switch auction programme transactions are cash neutral for the market, they do, however, result in changes to nominal values in Government's debt portfolio.

Foreign loan issues of R16,3 billion

Details of new loans are set out in Table 5.8. The 2002 Budget made provisions for foreign loans of R16,3 billion, including R5,5 billion for arms procurement and R28 million for the redemption of a foreign loan. To date, R15,4 billion has been issued in foreign markets. A further R0,7 billion will be drawn on the arms procurement loan agreements.

Table 5.8 Foreign loan issues: 2002/03

As at 31 December 2002	R million
Market sales	**10 977**
7.375% US$ 1 bil Notes 2012	10 977
Concessionary: IBRD World Bank Loan	**54**
Export credit (Arms procurement programme):	**4 360**
AKA-Commerzbank (Submarines)	1 488
AKA-Commerzbank (Corvette)	1 092
Societe Generale (Corvette)	212
Barclays (Hawk / Gripen)	1 568
Total foreign loan issues	**15 391**
Includes: Discount	226

2,5 times oversubscription of US$ bond issue

In April 2002, government issued a US$1 billion, 7,375 per cent 10-year global bond, maturing in April 2012. The bond was 2,5 times oversubscribed and was launched at a spread of 240 basis points above the United States 10 year Treasury Bond. The spread of this bond tightened by 5 basis points immediately after it was priced. The bond traded at its lowest point of 197 basis points in January 2003 and at the highest point of 314 basis points in October 2002 during the peak of economic uncertainty in Turkey and Brazil. On 31 January 2003, the bond was trading at 531 basis points below the Emerging Market Bond Index.

R5,1 billion drawn on arms procurement credit facilities

Drawdowns in 2002/03 on the arms procurement packages will amount to R5,1 billion. These loans provide finance at rates equivalent to 350 basis points below the RSA cost of long-term funding in the international capital markets.

Scheduled foreign loans redeemed during 2002/03 amounted to R41 million, compared to the budgeted amount of R28 million, due to the depreciation of the rand. Furthermore, in terms of the US$1,5 billion Dual Currency Term Syndicated Loan agreement (initially entered into by both the SA Reserve Bank and the National Treasury and later taken over by the National Treasury) R1,3 billion has been repaid as a result of currency revaluations exercised on the Euro option.

Loan redemptions

Table 5.9 sets out scheduled loan redemptions for 2001/02 and 2002/03, as well as medium term estimates for 2003/04 to 2005/06, while table 5.10 sets out increases in loan redemptions for 2002/03 compared to 2002 Budget estimates.

Table 5.9 Loan redemptions: 2001/02–2005/06

	2001/02	2002/03		2003/04	2004/05	2005/06
R million	Outcome	Budget	Revised	Medium-term estimates		
Government bonds	**26 367**	**24 532**	**26 042**	**26 389**	**26 362**	**26 633**
Scheduled	22 389	21 532	21 532	26 389	26 362	26 633
Cash buy-backs	3 978	3 000	4 510	–	–	–
Former Namibian debt	**24**	**50**	**50**	**9**	**65**	**61**
Former regional authorities	**21**	**46**	**60**	**40**	**69**	**40**
Foreign loans	**69**	**28**	**1 384**	**2 819**	**21 563**	**10 153**
Principal	22	20	1 373	951	19 017	8 423
Revaluation[1]	47	8	11	1 868	2 546	1 730
Total loan redemptions	**26 481**	**24 656**	**27 536**	**29 257**	**48 059**	**36 887**
Excludes:						
Book profit[2]	1 064	–	81	–	–	–
Source bonds in switch auctions	37 022	–	7 158	–	–	–

1. The revaluation of maturing foreign loans, previously reflected as a "management cost" in state debt cost, is now included in the redemption of foreign loans as part of financing, in line with international practice. Revaluation estimates for future years are based on Treasury projections of exchange rates.

2. "Book profit" on domestic government bond buy-back transactions is regarded as "negative" loan redemptions for purposes of analysis as it does not represent an actual cash flow.

Loan redemptions of R27,5 billion in 2002/03

Total loan redemptions, including cash buy-backs, amounted to R27,5 billion in 2002/03, R2,9 billion higher than anticipated at the time of the 2002 Budget. Of the R3 billion cash buy-backs for 2002/03, National Treasury was able to buy back R510 million. It is also envisaged that R4 billion nil coupon bonds will be bought back from the South African Reserve Bank. Loan redemptions are projected to be R29,3 billion for 2003/04. Foreign loans amounting to R2,8 billion are payable in 2003/04.

Table 5.10 Increase in loan redemptions: 2002/03

	R million
Lower buy-back of bonds	-2 490
Buy-back of bonds issued to SARB to defray realised forward cover losses	4 000
Former regional authorities	14
Higher rand value on maturing foreign debt	3
Option executed in terms of the Arms Procurement agreements	10
Increased foreign redemption due to Dual Currency Syndicated Loan Option	1 343
Increase in loan redemptions	**2 880**

Financing proposals for 2003/04

Net borrowing of R30,2 billion to be financed

The net borrowing requirement for 2003/04 is estimated at R30,2 billion. It will be financed by net increases in short-term loans of R6,0 billion, R9,3 billion in domestic long-term loans, R11,8 billion in the foreign markets and a projected change in cash balances of R3,1 billion.

Nil coupon bonds issues to the Reserve Bank

The R9,3 billion net increase in domestic long-term loans includes the R7,0 billion nil coupon bonds issued to the South African Reserve Bank to partially defray the realised GFECRA losses. A net amount of R2,3 billion bonds will be issued into the market during 2003/04.

Domestic long-term loans issues in 2003/04 will be concentrated in the existing fixed income benchmark bonds (the R194, R153, R157 and the R186), CPI-linked bonds (the R189, R197 and the R198) and the floating rate bond (R199).

New fixed income and CPI bonds

Provision has been made for the issuance of two new bullet fixed income bonds, maturing in 2008 and 2014. For fungibility purposes in the strip market, the 2008 bond will have the same interest payment dates as the R157 bond, and the 2014 bond the same interest payment dates as the R186 bond. Furthermore, a new CPI bond with a maturity of 30 years will be issued. No provision has been made for switches and buy-backs in 2003/04. The volume of 91 day treasury bills will be increased by R6,0 billion.

Possible introduction of a retail bond market

Government is investigating the possibility of introducing a retail bond market. The objective is to encourage ordinary wage earners to save, while providing government with another source of funding.

Foreign issue of US$ 1 billion

The equivalent of US$1 billion will be raised in the foreign markets in 2003/04. These funds will be utilised to finance foreign maturing loans and towards reducing the NOFP. It is also estimated that further disbursements of approximately R5,3 billion on the arms procurement credit facilities will be made.

State debt cost

State debt cost declines to 3,8% of GDP by 2005/06

Table 5.11 sets out trends and projections of state debt costs between 2001/02 and 2005/06. The cost of servicing government's debt portfolio continues to fall as a share of government expenditure, and is projected to decline from 4,2 per cent of GDP in 2002/03 to 4,1 per cent of GDP by 2003/04. It is projected that debt service costs will further decline to 3,8 per cent of GDP by 2005/06.

R253 million saving in debt cost for 2002/03

Debt costs amounted to R47,3 billion in 2002/03. This was R253 million lower than budgeted, mainly as a result of lower foreign interest payments due to the appreciation of the rand.

Table 5.11 Projected state debt costs: 2001/02–2005/06

	2001/02	2002/03		2003/04	2004/05	2005/06
R million	**Outcome**	**Budget**	**Revised**	**Medium-term estimates**		
Interest	47 368	47 180	47 011	50 727	52 816	54 971
Domestic debt	44 411	41 316	41 591	43 611	44 649	46 699
Foreign debt	2 957	5 864	5 420	7 116	8 167	8 272
Management costs	160	273	216	234	236	69
Cost of raising loans	53	50	23	25	27	30
Total state debt costs	**47 581**	**47 503**	**47 250**	**50 986**	**53 079**	**55 070**
Percentage of GDP	*4,7%*	*4,2%*	*4,2%*	*4,1%*	*4,0%*	*3,8%*

Debt cost of R51,0 billion for 2003/04

The cost of servicing state debt is expected to amount to R51 billion for 2003/04. This takes into account:

- A net borrowing requirement of R30,2 billion and financing thereof, as set out in Table 5.4
- An average coupon rate of 10,9 per cent on domestic bond issues
- Average capital market yields of 10,2 per cent
- Average short-term interest rates of 12,1 per cent.

Discount on bonds accounted for on an accrual basis

In terms of current government accounting practice, interest expenditure is recorded on a cash basis, while the discount is accrued to debt at the time of issue. For comparative purposes, an accrual-based accounting for the stock of state debt and debt costs since 1992/93 is set out in Table 5.12. The amortisation of the discount over the term of the bond results in higher recorded state debt costs, a higher deficit and a lower aggregate measure of government debt.

Amortisation of the discount would add R4,5 billion to expenditure in 2002/03, or 0,4 per cent of GDP. The adjusted aggregate of total net loan debt would amount to 35,2 per cent of GDP.

Table 5.12 State debt cost and total debt on an accrual basis: 1992/93–2002/03

	Amortised discount (R million)	Adjustments to state debt cost (% of GDP)	Total net loan debt at year-end (% of GDP)	Adjusted total net loan debt at year-end (% of GDP)
1992/93	1 269	0,3	36,8	33,3
1993/94	1 285	0,3	42,7	39,0
1994/95	1 961	0,4	47,0	41,8
1995/96	3 091	0,5	48,0	42,1
1996/97	3 201	0,5	48,1	42,0
1997/98	3 411	0,5	47,4	41,3
1998/99	3 589	0,5	47,6	41,4
1999/00	3 797	0,5	45,7	40,1
2000/01	4 056	0,4	43,5	38,4
2001/02	6 088	0,6	42,3	38,3
2002/03	4 477	0,4	38,5	35,2

Government debt portfolio

Total government debt

The increase in net loan debt of R8,4 billion since the end of the previous year is explained in Table 5.13.

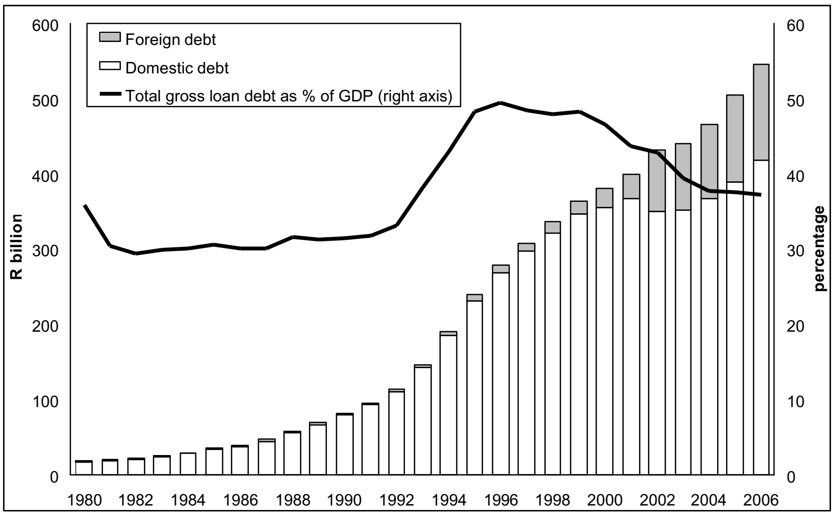
Table 5.13 Increase in government debt: 2002/03

	R million
Financing of net borrowing requirement (net of change in cash balances)	13 747
Discount on new loans	817
Revaluation of foreign loan portfolio	-7 818
Increase in gross loan debt	**6 746**
Change in cash balances (decrease +)	1 650
Increase in net loan debt	**8 396**

Total net loan debt of R431,3 billion in 2002/03

Figure 5.4 sets out total gross loan debt since 1980 and projections to 2006. After taking into account the balances of the National Revenue Fund (Government's accounts with the South African Reserve Bank and commercial banks), total net loan debt is expected to amount to R431,3 billion at the end of March 2003.

Figure 5.4 Government debt, 1980–2006



Further decline in debt to GDP ratio

As a percentage of GDP, net loan debt declines to a projected 38,5 per cent on 31 March 2003, from 42,3 per cent at the end of March 2002. Based on current projections of the financing requirement, interest rates and exchange rates, total net loan debt, as a percentage of GDP, is expected to decline further to 36,8 per cent over the next three years. The composition of government debt since 1999 is summarised in Table 5.14. Table 7 of Annexure B sets out the composition of government debt from 1979.

Table 5.14 Total government debt: 1999–2006

As at 31 March	1999	2000	2001	2002	2003	2004	2005	2006
R billion					estimate	Medium-term estimates		
Marketable domestic debt	344,9	354,7	365,1	348,5	350,3	366,2	387,4	417,5
Non-marketable domestic debt	2,0	1,0	2,4	2,0	1,9	1,9	1,7	1,7
Total domestic debt	346,9	355,7	367,5	350,5	352,2	368,1	389,1	419,2
Total foreign debt[1]	16,3	25,8	32,0	82,0	88,7	98,3	115,8	127,6
Total gross loan debt	**363,2**	**381,5**	**399,5**	**432,5**	**440,9**	**466,4**	**504,9**	**546,8**
Percentage of GDP	*48,3%*	*46,6%*	*43,7%*	*42,9%*	*39,4%*	*37,8%*	*37,6%*	*37,3%*
Less: National Revenue Fund balance	-5,2	-7,3	-2,7	-6,6	-9,6	-6,5	-6,5	-6,5
Total net loan debt[2]	**358,0**	**374,2**	**396,8**	**425,9**	**431,3**	**459,9**	**498,4**	**540,3**
Percentage of GDP	*47,6%*	*45,7%*	*43,5%*	*42,3%*	*38,5%*	*37,3%*	*37,1%*	*36,8%*

1. *Forward estimates are based on Treasury projections of exchange rates.*
2. *The total net government loan debt takes into account the cash balance of the National Revenue Fund (balances of government's accounts with the South African Reserve Bank and the Tax and Loans Accounts with commercial banks).*

Debt maturity

Reduced maturity of debt

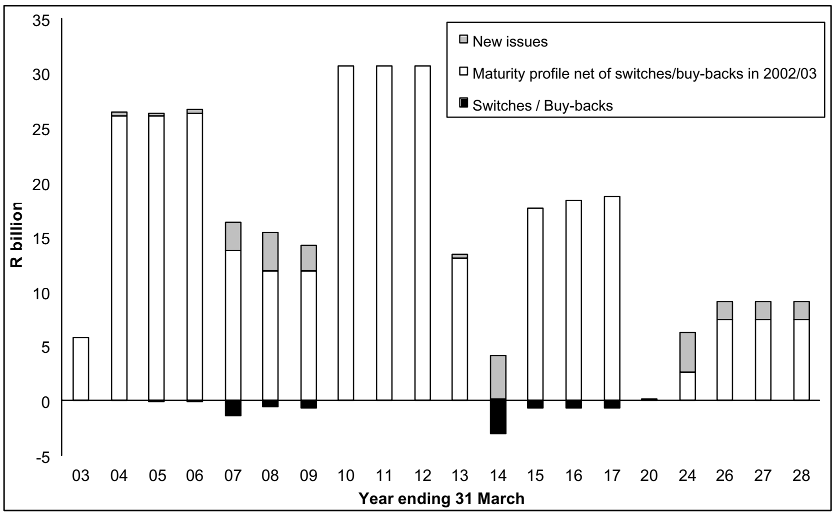
Table 5.15 sets out the average maturity and duration of domestic marketable bonds. The average maturity of the domestic marketable bond portfolio has decreased from 8,5 years in 2001/02 to 8,3 years in 2002/03, while the weighted average term (duration) of interest and redemption cash flows has increased from 4,7 years to 4,9 years mainly due to nil coupon bonds that have been issued to the South African Reserve Bank in order to reduce GFECRA losses.

Table 5.15 Maturity distribution of domestic marketable bonds

As at 31 March Percentage of total	2001	2002	2003 estimate
0 – 3 years	13,7	22,5	24,4
3 – 7 years	33,0	20,3	23,8
7 – 10 years	18,8	28,0	18,8
10 – 19 years	28,8	21,4	22,3
Longer than 19 years	5,7	7,8	10,7
Years			
Average duration	4,7	4,7	4,9
Average maturity	8,8	8,5	8,3

Figure 5.5 sets out the composition of the domestic bond portfolio as of 31 December 2002, and includes details of the volumes and maturities of new bonds issued during 2002/03 and cash buy-backs and switches for the year.

Figure 5.5 Restructured maturity profile of domestic marketable debt as at 31 December 2002



Composition and ownership of domestic debt

Fixed-interest debt is 85,2 per cent of total domestic debt

Table 5.16 sets out the composition of domestic debt since 1999. By 31 March 2003, fixed-interest bonds are expected to constitute 85,2 per cent of total domestic debt, while index linked bonds should represent 6,3 per cent of total domestic debt. Treasury bills will account for 6,5 per cent of total domestic debt by 31 March 2003.

Table 5.16 Composition of domestic debt: 1998/99–2002/03

As at 31 March R billion	1999	2000	2001	2002	2003 estimate
Government bonds	**325,9**	**332,7**	**339,6**	**330,6**	**328,4**
Fixed-interest	311,0	324,1	325,6	307,2	303,9
Floating	4,9	1,3	5,8	5,8	0,1
Zero coupon	10,0	6,8	4,8	3,5	2,3
Index linked	–	0,5	3,4	14,1	22,1
Treasury bills	**20,1**	**22,0**	**27,0**	**19,0**	**23,0**
Namibian loans	**0,7**	**0,6**	**0,6**	**0,6**	**0,5**
Other[1]	**0,2**	**0,4**	**0,3**	**0,3**	**0,3**
Total	**346,9**	**355,7**	**367,5**	**350,5**	**352,2**

1. Loan levies and former regional authorities debt.

Ownership distribution of domestic bonds

The ownership distribution of domestic government bonds, illustrated in Table 5.17, is based on provisional figures held by the Central Depository as at 30 November 2001 and 2002.

Table 5.17 Ownership distribution of domestic bonds – 2001 and 2002

As at 30 November Percentage of total	2001	2002
Nominee companies	1,2	1,1
Government enterprises and public sector	1,3	1,8
Pension funds	6,0	7,6
Insurers	10,0	9,1
Private	1,1	0,4
Monetary authorities/institutions	13,5	12,8
Foreign	7,7	6,9
Other financial institutions	26,9	21,9
Public Investment Commissioners	32,3	38,4

Source: Central Depository

Composition of foreign government debt

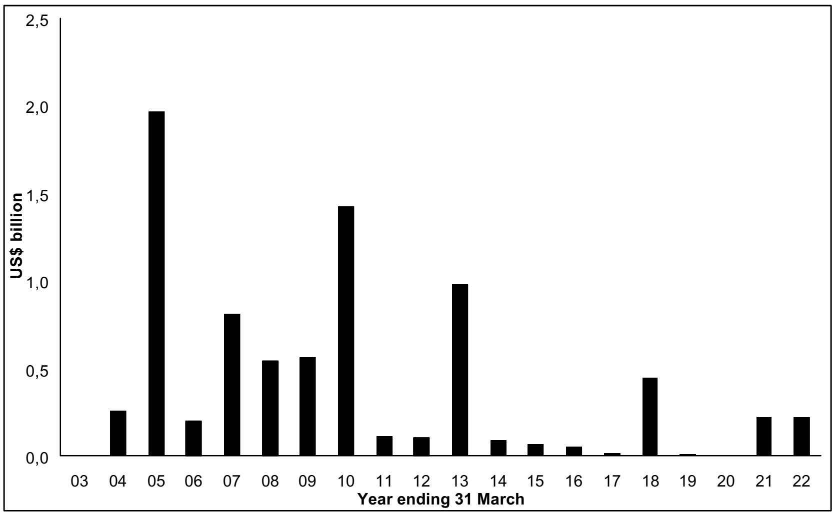
Foreign debt 20,6 per cent of net loan debt

A currency breakdown of foreign debt obligations from 1998/99 to 2002/03 is set out in Table 5.18 below. South Africa's foreign debt maturity profile as at 31 December 2002 is shown in Figure 5.6. Foreign debt increases from 19,3 per cent of net loan debt at the end of March 2002 to a projected 20,6 per cent at the end of 2002/03.

Table 5.18 Composition of foreign government debt: 1998/99–2002/03

As at 31 March	1999	2000	2001	2002	2003
Percentage of total					estimate
United States dollar	60,4	41,5	53,3	44,2	46,2
ECU/Euro	–	24,5	23,0	36,0	36,1
Deutschemark	10,5	7,8	5,7	–	–
British pound	6,1	5,1	3,6	2,2	2,0
Japanese yen	23,0	21,1	14,4	17,0	14,8
XAU (Gold)	–	–	–	0,3	0,5
Swedish krone	–	–	–	0,3	0,4

Figure 5.6 Maturity profile of foreign government debt as at 31 December 2002

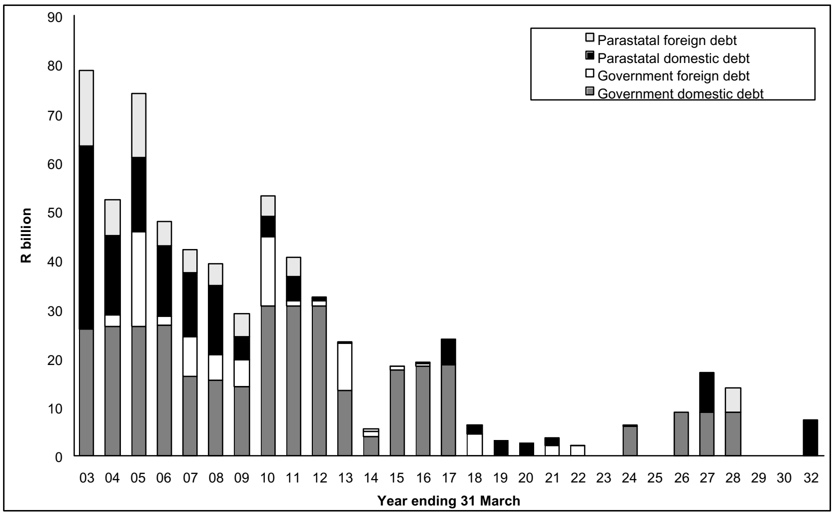


Consolidated public sector debt

Consolidated debt maturity profile

National Treasury compiles a consolidated debt maturity profile to assist with the management and co-ordination of the borrowing activities of the public sector. This maturity profile as at 31 December 2002 is illustrated in Figure 5.7 below.

Figure 5.7 Consolidated maturity profile of domestic and foreign national government and parastatal debt, 31 December 2002



Financial statements

A Statement of Liabilities and Financially Related Assets of the national government is compiled annually by the National Treasury. It includes information on off-balance sheet items, including accrued unfunded commitments and other contingent liabilities. The unaudited statement as at 31 March 2002 appears in Table 5.19.

Table 5.19 Statement of Liabilities and Financially Related Assets

As at 31 March	1998	1999	2000	2001	2002
R billion				Unaudited	Unaudited
Liabilities					
Long-term liabilities					
Bonds, debentures and loans	298,3	323,9	339,8	347,3	387,4
Domestic	*285,4*	*312,3*	*315,9*	*315,4*	*308,0*
Foreign	*12,9*	*11,6*	*23,9*	*31,9*	*79,4*
Closed pension fund	0,2	0,2	–	–	–
	298,5	**324,1**	**339,8**	**347,3**	**387,4**
Other liabilities					
Provisions	13,5	33,9	31,2	41,8	52,7
Short-term liabilities	35,0	36,8	39,3	50,6	42,9
Bonds, debentures and loans	*34,9*	*36,7*	*39,0*	*50,0*	*42,9*
Domestic	*33,4*	*32,1*	*37,1*	*49,9*	*40,4*
Foreign	*1,5*	*4,6*	*1,9*	*0,1*	*2,5*
Creditors	*0,1*	*0,1*	*0,3*	*0,6*	*–*
	48,5	**70,7**	**70,5**	**92,4**	**95,6**
Total	**347,0**	**394,8**	**410,3**	**439,7**	**483,0**
Financially related assets					
Investments	109,2	115,7	116,8	119,2	140,3
Loans	1,6	1,1	1,2	1,2	0,1
Debtors	15,2	36,1	42,8	–	–
Balances on hand	4,8	5,2	7,3	2,6	6,2
Total	**130,8**	**158,1**	**168,1**	**123,0**	**146,6**
Off balance sheet items					
Capital commitments	2,7	2,6	7,3	10,2	12,7
Contingent liabilities	144,6	122,1	116,4	112,6	122,5
Total	**147,3**	**124,7**	**123,7**	**122,8**	**135,2**

Contingent liabilities

Contingent liabilities amounted to R122,5 billion on 31 March 2002. These include:

- Actuarially determined liabilities for post-retirement medical assistance, which amounted to R14,3 billion on 28 February 1999
- An actuarial liability with respect to government pension funds, amounting to R3,2 billion
- Underfunding of future claims against the Road Accident Fund to the value of R18,1 billion
- Guarantees to various institutions amounting to R80,7 billion in total.

Details of Government's guarantee commitments as at 31 March 2002 are set out in table 8 of annexure B.

Oversold forward book US$1,5 billion at 31 January 2003.

Government is also liable for losses incurred as a result of the forward market operations of the South African Reserve Bank. The outstanding oversold forward book was US$ 1,5 billion at the end of January 2003. Potential future profits or losses from this open position are not included in the statement of contingent liabilities, as unanticipated movements in the exchange rate limit the utility of such estimates.

Guarantees of R10,5 billion in 2002/03

The granting of borrowing powers to general government bodies and the issuing of guarantees is managed by the National Treasury within approved guidelines. During 2002/03, guarantees of R10,5 billion were provided to public entities, and to provide stability to the financial sector. A commitment of R10 billion to the Reserve Bank to underwrite the stability of the banking sector was cancelled after the successful sale of BoE Bank. The arrangements that have been made for the liquidation of Saambou Bank include an outstanding claim against the state currently estimated at R4 billion. It is payable by 2007, but may be settled earlier to avoid interest charges.

Average maturity of guarantees issued is 9,7 years

The average maturity of loans, for which government guarantees were issued in 2002/03, was 9,7 years. Guarantee fees currently amount to 3,0 per cent on the nominal value of each loan. It is estimated that R7,9 million will be received from guarantee fees in 2002/03.

Cash management

All national government receipts (taxes, restructuring proceeds, departmental revenue, loan issues) are paid into the National Revenue Fund. Departments draw on this fund for expenditure on state services, interest payments and the repayment of debt.

It is the responsibility of the National Treasury to maintain adequate liquidity in this fund and to actively manage liquidity risks associated, for example, with the need to refinance maturing debt and the uneven timing of cash flows.

Better cash management allows Government to earn more interest

A greater degree of accuracy in the projected daily cash flows and improved cash management processes have reduced government's daily non-interest bearing liquidity buffer with the South African Reserve Bank from R500 million to R250 million. All surplus cash is deposited daily in tax and loan accounts at the four major banks. The broadening of this investment base, within acceptable risk limits, is being considered.

Interest earned on surplus cash invested at the four major banks since 1997/98 is set out in table 5.20.

Table 5.20 Interest on tax and loan accounts: 1997/98–2002/03

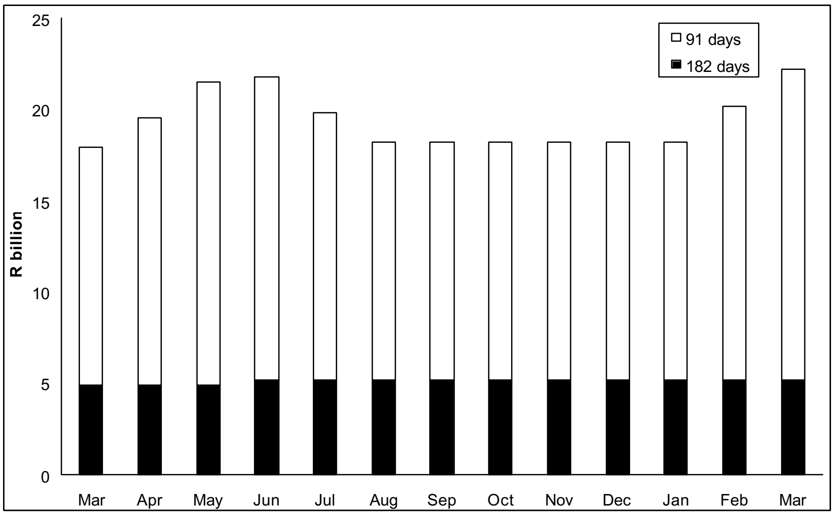
R million	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03 estimate
Interest	452	750	499	510	775	1 250

Treasury Bills used as cash management tool

National Treasury continued to use treasury bills in 2002/03 as an instrument to smooth out cash flow peaks, as shown in Figure 5.8. To provide liquidity in anticipation of the bulk of the gross borrowing requirement for 2002/03 realising over the period April to October 2002, the stock of treasury bills was increased by R3,6 billion, from R17,9 billion to R21,5 billion, in April and May 2003.

However, after receiving higher than projected revenue early in the financial year, the stock of treasury bills was decreased during July and August 2002. Treasury Bills will increase by R4 billion during February and March 2003.

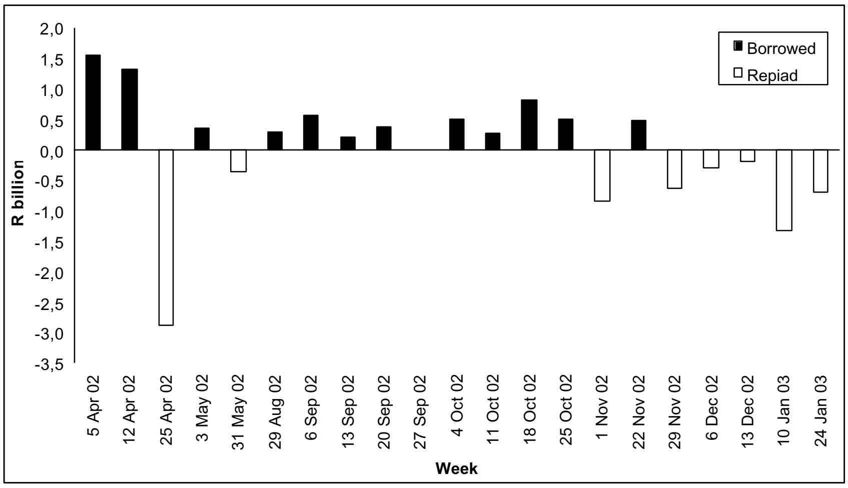
Figure 5.8 Treasury bill issues – 2002/03



Use of provincial surplus cash

To optimise the use of borrowed money, eliminate inefficiencies in short-term borrowing, and reduce the credit risk exposure of government to the banking sector, R7,3 billion of surplus cash of provinces was used as bridging finance by the National Treasury during 2002/03 as shown in Figure 5.9. Interest at market related rates was paid on these borrowings.

Figure 5.9 Use of provincial surplus cash, 2002/03



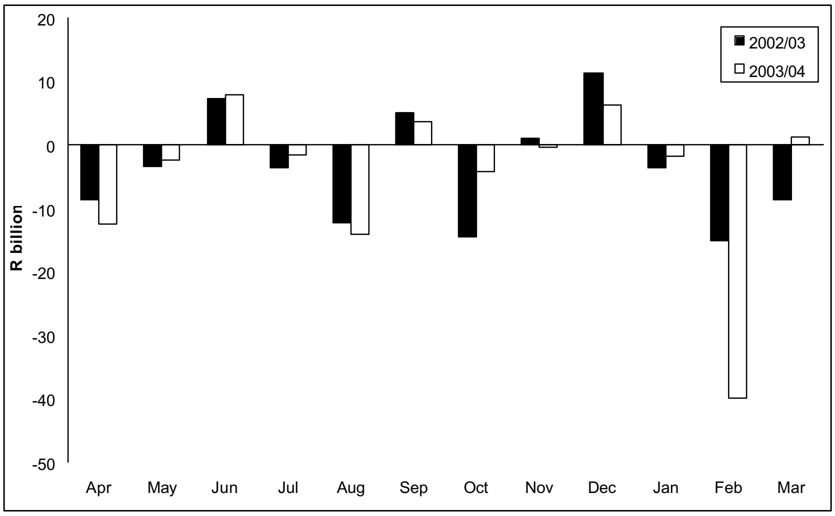
Higher cash closing balance for 2002/03

To provide for the traditional high borrowing requirement in April and May 2003, the anticipated closing cash balance for 2002/03 was increased from R4,0 billion to R9,6 billion.

Monthly cash flow peaks

Cash flow requirements in 2002/03 and projections for 2003/04 are shown in Figure 5.10. Peaks arise from seasonally high expenditure in April and interest payments in August and February. The repayment of the R175 bond of R14,5 billion in October 2002 resulted in further cash-flow peaks. The R193 floating rate bond of R5,8 billion will be repaid in March 2003. The repayment of the first leg of the R150 bond and the R006 bond, totalling R26,3 billion, increase the borrowing requirement for February 2003 to R39,7 billion.

Figure 5.10 Monthly gross surplus/deficit before borrowing, 2002/03 – 2003/04



Public enterprise restructuring and corporate governance

Restructuring of state assets

Promoting empowerment and enhanced service delivery through restructuring

The restructuring of state owned assets is coordinated by the Ministry of Public Enterprises, and is undertaken within the context of the *Policy Framework on the Restructuring of State Assets*, published in August 2000, and a National Framework Agreement with trade unions. The objectives of the restructuring of state owned enterprises include increased efficiency, enhanced service delivery, mobilisation of private sector capital, economic growth, employment, black economic empowerment and human resource development.

Proceeds realised through the restructuring of state owned enterprises since 1997 amount to R27,6 billion, of which R18,4 billion was paid to the National Revenue Fund.

Details of the proceeds generated by the restructuring process to date are set out in table 5.21, with an outline of progress and projections set out below.

Telkom

Telkom IPO expected on 7 March 2003

Telkom's Initial Public Offering (IPO) is scheduled for 7 March 2003. Telkom will be listed on both the JSE Securities Exchange and the New York Stock Exchange (NYSE). This is the first IPO by Government since 1994. More than one million people have registered for the domestic retail offer.

Despite uncertainties in the global telecommunications markets and the prospect of war in Iraq, Government remains confident of the success of the IPO, given the financial strength of Telkom and positive investor sentiment towards South Africa.

MTN

During the past year, a 20 per cent stake in M-Cell, transferred in January 2002 from Transnet to an offshore passive holding company, has been sold to MTN management and staff. Transnet paid R3,1 billion to government in 2001/02 and 2002/03 as restructuring dividends.

Central Energy Fund (Pty) Ltd

Central Energy Fund (Pty) Ltd has been restructured and during the current financial year it will pay a dividend to government.

Ports restructuring

Portnet has been corporatised to form a port authority entity and a port operations entity. The port operations will be concessioned. The ports reform exercise has commenced with an economic input study analysis report, expected in March 2003.

Table 5.21 Proceeds from the restructuring of state owned enterprises as at 31 January 2003

	Date of transaction	Stake sold	Total proceeds	Proceeds paid to exchequer
		(%)	R million	R million
SABC radio stations	March 1997	100	510	510
Telkom	May 1997	30	5 631	1 165
Sun Air	November 1997	100	42	21
Airports Company	June 1998	25	1 035	1 035
South African Airways	July 1999	20	1 400	611
Connex	August 1999	100	15	–
Sasria[1]	February 2000	Special restructuring dividend	7 100	7 100
	April 2001	Special restructuring dividend	3 200	2 200
MTN[1]	June 2000	6	2 400	2 000
Transwerk Perway	September 2000	65	19	–
SAFCOL				
Kwazulu Natal	October 2000	75	100	75
Eastern Cape North	October 2000	75	45	–
Telkom: Ucingo	March 2001	3	565	565
Transnet: MTN[1]	January 2002	20	5 300	2 000
	August 2002	_	–	1 100
Denel	July 2002	51	50	–
Apron Services	October 2002	51	117	–
Aventura	January 2003	_	29	–
Total			**27 558**	**18 382**

1. Inclusive of STC secondary tax on companies.

Concessioning of the Durban container terminal will be undertaken once the report has been analysed and a risk mitigation exercise outlined. The legislative framework to enable the concession will be presented to Parliament shortly. Stakeholders have endorsed the ports policy outlining the reform. A new ports policy and regulatory framework is being finalised.

Denel

The Airmotive division of Denel has been corporatised and sold to a new company, Turbomeca Africa. Negotiations to dispose of a 30 per cent stake of Denel Aerospace to British Aerospace Systems are expected to be concluded this year.

30 per cent stake of Denel Aerospace expected to be finalised this year

Eskom

Eskom has been restructured into three separate entities: Generation, Transmission and Distribution. Generation and Transmission form part of the electricity supply industry. A 30 per cent stake in Generation will be sold and the rest will remain with Government. The transformation process of the electricity distribution industry will be managed by the Electricity Distribution Holding Company.

Restructuring into three separate entities

Safcol

Government is in the process of concluding the disposal of a 75 per cent stake on the 'mountain-to-ocean' package in the Western Cape. Due to difficulties experienced with the disposal of Komatiland last year, the bid to dispose of a 75 per cent stake has been reopened.

Aventura

Aventura resorts located at Roodeplaat, Helderberg, Kareekloof and Eiland have been sold for R29 million. Non-binding bids were received for the remaining eight resorts and selected bidders have been requested to submit final binding bids. It is anticipated that the sale of Aventura will be finalised by the end of March 2003.

Corporate governance and financial management

Revised Protocol on Corporate Governance

Cabinet approved the revised Protocol on Corporate Governance for public entities in September 2002. The revision brought the existing Protocol in line with the King II Report and the provisions of the Public Finance Management Act (PFMA). All public entities are required to comply with the principles contained in the Protocol.

Public Finance Management Act

During the year under review, 90 public entities were listed, delisted or underwent name changes, bringing the total number of public entities listed in the PFMA to 322. The updated list of public entities is at *www.treasury.gov.za/legislation/public finance management act*.

Progress continues to be made in establishing shareholder agreements for public sector business entities and addressing tax and dividend issues. In 2001/02, Government received R377 million in dividend payments from public entities. In 2002/03, public entities declared dividends amounting to R1,0 billion. Telkom did not declare a dividend, but applied profits to recapitalise prior to the envisaged initial public offering.

Table 5.22 sets out details of dividends paid to the government in the past two years.

Table 5.22 Dividends to government by public entities

R million	2001/02	2002/03
ACSA	78	119
CEF	247	290
ESKOM	–	560
IDC	50	55
SABC	2	2
Total	**377**	**1 026**

Dividends declared by CEF, IDC and ESKOM have not yet been received in the National Revenue Fund.