



national treasury

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National Treasury
REPUBLIC OF SOUTH AFRICA

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MEDIA STATEMENT

FURTHER CLARITY ON THE GOLD AND FOREIGN EXCHANGE CONTINGENCY RESERVE ACCOUNT (GFECRA) REFORM AND ACCOUNTING

In the 2024 Budget Review, the National Treasury announced a reform to the settlement framework for the Gold and Foreign Exchange Contingency Reserve Account (GFECRA). In June 2024, the Minister of Finance and the Governor of the South African Reserve Bank (SARB) signed a new GFECRA settlement agreement. The agreement allocates funds across three “buckets”. The first bucket, GFECRA, retains sufficient funds to absorb exchange rate swings. Failure to do so would create an obligation for the National Treasury to cover exchange rate losses.

In terms of the agreement, a R250 billion distribution will be made from the GFECRA. Of this amount R100 billion was paid into a second bucket for the SARB contingency reserve account, to ensure the central bank’s solvency and to pay sterilisation costs to neutralise the interest rate impact.

The balance of R150 billion will be paid to National Treasury in tranches of R100 billion (2024/25), R25 billion (2025/26) and R25 billion (2026/27). This will be used to reduce government’s borrowing and therefore the growth in the stock of debt. The impact of the GFECRA settlement on the budget was presented in Table 7.2 of the Budget Review – financing of national government gross borrowing requirement – and disclosed over the medium-term as a balance sheet transaction reducing the borrowing requirement. The treatment of the transaction will remain the same in the 2024 MTBPS, as well as in future budget publications.

The distribution from GFECRA (R250 billion) is recorded as a return on an investment, which is a balance sheet transaction. This is not recorded as revenue of government. Funds are paid from the SARB into government’s bank account (the National Revenue Fund) and from this account the cash is used to pay government’s commitments and to provide for the contribution to the SARB contingency reserve account (as required in terms of GFECRA Defrayal Amendment Act, Act no 27 of 2024).

To comply with both the requirements of the Public Finance Management Act (PFMA), Act no 1 of 1999 and the GFECRA Defrayal Amendment Act, Act no 27 of 2024, the flow of funds for the SARB contingency reserve account of R100 billion, requires a payment into and withdrawal from the National Revenue Fund (NRF – the bank account of government). However, this does not imply that the amount is recognised as revenue, as it remains a balance sheet flow. In other words, government converts the GFECRA investment into cash (in the NRF), which is then used to fund the SARB contingency reserve. All these transactions are recorded on the balance sheet.



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In the monthly *Statement of National Governments' Revenue, Expenditure and Borrowing* published in terms of section 32 of the PFMA, the cash flow position of government is presented in tables 1 to 4 of the release. In these tables, which presents the flows into and withdrawals from the bank account (NRF) of government, the R200 billion received from the SARB is shown as *Exchequer revenue* (the cash receipt) and the payment to the SARB as a *Departmental requisition* of R100 billion.

This means that R200 billion in cash from an investment was received into the bank account of government, of which R100 billion was requisitioned by the Department of the National Treasury to contribute to the SARB Contingency Reserve Account. The balance of R100 billion remains as a positive balance that is used to reduce the gross borrowing requirement. Reducing the borrowing requirement implies that government is using the cash to borrow less, as is required in terms of the GFECRA settlement agreement.

The Budget of government is presented on the adjusted cash basis of accounting. Revenue and expenditure are recorded when transactions are initiated in the cashbook, in other words when a transaction is processed in the financial system. The monthly budget comparable revenue and expenditure information is published in the summary statement of the section 32 report (copy of 31 August 2024 summary table included below). This format mirrors the presentation of the 2024 Budget, which remains as the budget presentation for the 2024 MTBPS and future budget publications.

In this table the cash flows of government are recorded as part of *Changes in cash and other balances*, which includes the net inflow of R100 billion (R200 billion in exchequer receipts less R100 billion in departmental requisitions) recorded in the cash flow statement. To ensure transparency in reporting the GFECRA settlement arrangement, the R100 billion set aside to reduce governments' borrowing requirement is shown separately as part of the calculation of the gross borrowing requirement. This is in line with the presentation of the transaction at the time of the 2024 Budget, and this presentation format will remain both in the 2024 MTBPS and future budgets.



MEDIA STATEMENT

Summary table of national revenue, expenditure and borrowing for the month ended 31 August 2024

R thousand	Table	2024/25		
		Budget estimate	August	Year to date
Revenue³		1 815 020 326	181 369 135	769 266 767
Expenditure³		2 135 966 695	200 767 537	920 885 841
Appropriation by vote	2	1 102 797 941	95 094 839	500 881 726
Direct charges against the NRF	2	1 027 598 529	105 672 698	420 004 115
Debt-service costs		382 182 875	47 728 957	152 191 170
Provincial equitable share		600 475 640	50 039 636	250 198 180
General fuel levy sharing with metropolitan municipalities		16 126 608	5 375 535	5 375 535
Skill Levy and SETAs		24 500 269	1 885 437	9 791 968
Other costs		4 313 137	643 132	2 447 262
Payments in terms of Section 70 of the PFMA		-	-	-
Land and Agricultural Development Bank of South Africa		-	-	-
Provisional allocations not assigned to votes		570 225	-	-
Contingency reserve		5 000 000	-	-
Main budget balance		(320 946 369)	(19 398 403)	(151 619 073)
Redemptions	4	(172 568 000)	(396 649)	(22 777 308)
Eskom debt-relief arrangement 1	4	(64 154 000)	-	(8 000 000)
GFE CRA settlement (net)³	4	100 000 000	20 000 000	100 000 000
Gross borrowing requirement		(457 668 369)	204 948	(82 396 381)
Financing of the net borrowing requirement				
Domestic short-term loans (net)	3	33 000 000	3 442 043	18 473 180
Domestic long-term loans (gross)	3	328 100 000	30 826 957	141 171 483
Foreign loans (gross)	3	36 700 000	-	-
Change in cash and other balances²	3	59 868 369	(34 473 948)	(77 248 281)
Total financing (gross)		457 668 369	(204 948)	82 396 381

1) Loan advance by National Treasury to Eskom in terms of the Eskom Debt Relief Act, 2023 (Act No.7 of 2023).

2) A negative value indicates an increase in cash and other balances. A positive value indicates that cash is used to finance part of the borrowing requirement.

3) The Gold and Foreign Exchange Contingency Reserve Account Defrayal Amendment Act, Act No 27 of 2024 refers. In 2024/25, the Reserve Bank will pay R200 billion to government in partial settlement of the GFE CRA balances. Of this amount government paid the Reserve Bank R100 billion towards the Reserve Banks contingency reserve requirements.

The net movement of this transaction, amounting to R100 billion, is reflected against GFE CRA settlement.

Issued by National Treasury

Date: 22 October 2024