



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

Private Bag X115, Pretoria, 0001 • 40 Church Square, PRETORIA, 0002 • Tel: +27 12 315 5111, Fax: +27 12 406 9055 • www.treasury.gov.za

Explanatory note on GFECRA disclosure in the Section 32 report

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. In terms of this agreement, a R250 billion distribution will be made from the GFECRA, R100 billion into a contingency reserve account at the SARB, and R150 billion to National Treasury in tranches of R100 billion (2024/25), R25 billion (2025/26) and R25 billion (2026/27). The R150 billion will be used to reduce government's borrowing and therefore the growth in the stock of debt.

The GFECRA Defrayal Amendment Act, Act no 27 of 2024, provides for the contribution to the SARB contingency reserve account of R100 billion. This will be credited to the National Revenue Fund (NRF) from the GFECRA in 2024/25 and paid into the SARB contingency reserve account as a direct charge in 2024/25 against the NRF. This transaction must be attributed to the vote of the National Treasury.

The net GFECRA settlement was included 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, in line with the settlement agreement between the National Treasury and the SARB.

Section 32 reporting

The Section 32 report presents both the cash position of government, cash flows through the National Revenue Fund, as well as the consolidated Main Budget account, as presented in the Budget Review, the modified cash position. The cash position is presented in tables 1 through 4 of the monthly press release and the summary table presents the Budget Review comparable position (Main Budget) of the government accounts. The Budget comparable account is compiled using the modified cash basis of accounting where some balance sheet transactions are excluded from revenue and expenditure, as explained in more detail in Annexure W2 of the Budget Review. The NRF account is compiled using the strict cash accounting principle.

The summary schedule of the press release includes all cash transactions between the National Revenue Fund and the individual national departments, the cash flows between SARS and the NRF and all financing transactions. In compiling the summary statement, inter account / entity transactions are eliminated, resulting in the consolidated main budget position.

The main differences between the “summary table” (Main Budget comparable) and “table 4” (cash statement) relates to the treatment of the GFECRA transactions, as well as timing differences between recording transactions in the cash book versus the actual time cash is received or paid by national departments.

Treatment of GFECRA in the Section 32 report

In terms of the Main Budget presentation of the accounts, the R100 billion set aside for the SARB contingency reserve account is netted from both revenue and expenditure, as it represents an internal transaction in the NRF that is not disclosed in the consolidated Main Budget account. The remaining R150 billion of the drawdown on the GFECRA is included as a balance sheet transaction, reducing the borrowing requirement, as it is viewed as a balance sheet gain used to reduce government borrowing and therefore does not form part of revenue.

Presentation of cash impact (Tables 1 to 4):

- Cash revenue (Table 1 that summarises to Table 4) includes R180 billion in departmental receipts, recorded by the National Treasury in its bank account (PMG). This consists of R100 billion authorised in terms of the GFECRA Defrayal Amendment Act to provide for the contingency reserve requirements of the SARB, paid through the accounts of National Treasury.
- The additional R80 billion is a portion of the R100 billion of the outstanding GFECRA balance announced at the time of the 2024 Budget, which is a realised balance sheet gain used to reduce government’s borrowing. As such this R80 billion is netted from revenue in Table 1 and recorded below the line reducing government’s gross borrowing requirement in Table 4.

Main budget presentation (summary table):

- The presentation of the transactions is in line with the 2024 Budget. The R80 billion in realised balance sheet gain is recorded below the line as a transaction that reduces the borrowing requirement and the receipt from and the transfer to the SARB is netted off to show the consolidated Main Budget position.

What are the differences between “table 4” and the “summary table”

Exchequer Revenue (table 4) and Revenue (summary table) differs by R19.7 billion (R189.6 billion “table 4” vs. R169.8 billion “summary”):

- The difference between Exchequer Revenue (table 4) and Revenue (summary table) should be equal to the R100 billion received for the SARB contingency reserve contribution, netted out in the summary sheet.
- However, Exchequer Revenue, calculated in detail in Table 1, includes R180 billion in departmental receipts for GFECRA. In Table 4, R80 billion of this amount is presented below the line as the portion of the transaction contributing to reducing the borrowing

requirement, in line with the settlement agreement between the National Treasury and the SARB. This results in the R100 billion difference being reduced to roughly R20 billion.

- The small remaining difference is due to timing differences between cash receipts and the recording of the transactions in the cash book.

Departmental requisitions (table 4) and Expenditure (summary table) differs by R102.2 billion (R351.9 billion “table 4” vs. R249.78 billion “summary”) mainly due to:

- The netting of the R100 billion contribution to the SARB contingency reserve account from expenditure in the summary sheet.
- The balance of R2.2 billion is cash requisitioned by departments during the month, but not yet spent. These will be repaid to the NRF and are included in outstanding transfers.