7

2023 BUDGET REVIEW

GOVERNMENT DEBT AND CONTINGENT LIABILITIES

national treasury
Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

In brief

- The gross borrowing requirement has declined from R484.5 billion at the time of the 2022 Budget to R387.9 billion, largely as a result of higher-than-anticipated revenue collection.
- Due to elevated redemptions and Eskom debt relief, the borrowing requirement will reach R555 billion in 2025/26. Gross loan debt will grow to R5.84 trillion in the outer year of the medium-term expenditure framework (MTEF) period.
- Government's R350 billion guarantee framework agreement issued to Eskom expires on 31 March 2023.
- Gross loan debt is projected to stabilise at 73.6 per cent of GDP in 2025/26, and to decline thereafter.

OVERVIEW

Government's budget deficit narrowed over the past year. As a result, the gross borrowing requirement declined from a projected R484.5 billion to R387.9 billion, or 5.8 per cent of GDP. Over the MTEF period ahead, the provision of large-scale debt relief to Eskom will result in a significant increase in gross borrowing, but prudent fiscal policy and debt management will ensure that this arrangement does not put the fiscal framework at risk.

Over the next three years, government will service R184.4 billion of Eskom's debt (capital repayments and interest payments) and, in 2025/26, will take over up to R70 billion of Eskom's debt. As a result, the gross borrowing requirement will increase from R515.6 billion in 2023/24 to R555 billion in 2025/26. Any guaranteed debt that is settled as part of the debt-relief arrangement will reduce the state's guarantee exposure to Eskom. By the outer year, this exposure is expected to decline by R118.9 billion.

Gross debt stock is projected to increase from R4.73 trillion in 2022/23 to R5.84 trillion in 2025/26. Debt is expected to stabilise at 73.6 per cent of GDP in 2025/26, compared with the 2022 *Medium Term Budget Policy Statement* (MTBPS) projection of stabilisation at 71.4 per cent of GDP in 2022/23. Debt as a share of GDP will decline thereafter. Contingent liabilities are set to decline from R1.07 trillion in 2022/23 to R904.1 billion in 2025/26.

Over the past year, rising inflation, interest rates and risk aversion have led to more difficult global and domestic financing conditions. Nevertheless, South Africa's deep capital markets, and its improved fiscal and debt position, have helped to cushion rising risks associated with tightening monetary policy and a slowing global economy. Moreover, South Africa's foreign debt remains a relatively small share of its overall borrowings. In 2022, all three credit rating agencies (Fitch, Moody's and S&P) indicated an improved outlook for South Africa's sovereign credit ratings for these reasons, although they remain concerned about power cuts, the high debt burden and significant fiscal risks.

FINANCING STRATEGY

Government aims to finance its borrowing requirement at the lowest possible cost within a set of strategic risk benchmarks (Table 7.1). The financing strategy enables government to determine the best mix of debt instruments and maturities to finance the borrowing requirement, while minimising refinancing risk, currency risk and overall borrowing costs. In 2023/24, the gross borrowing requirement will be financed through a combination of domestic short- and long-term loans, foreign-currency loans and cash balances.

Government continues to work with the private sector to develop South Africa's capital markets and ensure a diversified portfolio of instruments. The 2023/24 funding strategy will include additional issuances into existing and new floating rate notes and a domestic rand-denominated sukuk (Islamic bond). In addition, government will continue to explore innovative ways to raise funds through climate financing and related initiatives.

Table 7.1 Performance against strategic portfolio risk benchmarks

Description	Benchmark range or limit	2022/23	2023/24
		Estimates	
Treasury bills as % of domestic debt[1]	15.0	9.9	10.4
Long-term debt maturing in 5 years as % of bonds	25.0	16.0	16.1
Inflation-linked bonds as % of domestic debt	20-25	23.9	22.0
Foreign debt as % of total debt	15.0	11.7	11.2
Weighted term-to-maturity of fixed-rate bonds and Treasury bills (years)	10-14	11.2	10.6
Weighted term-to-maturity of inflation-linked bonds (years)	14-17	12.8	13.6
Other indicators (weighted average)			
Term-to-maturity of total debt (years)		11.6	11.2
Term-to-maturity of foreign debt (years)		12.2	12.2

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:

- Higher interest rates in developed economies coupled with low domestic economic growth could reduce demand for domestic bonds.
- Further depreciation in the rand exchange rate would raise the cost of outstanding foreign-currency debt.
- The materialisation of contingent liabilities at state-owned companies could increase funding needs and associated costs.

BORROWING PERFORMANCE AND PROJECTIONS

Government's gross borrowing requirement consists of the budget deficit, maturing loans and, from 2023/24, the Eskom debt-relief arrangement. The 2022/23 budget deficit decreased by R86.8 billion relative to the 2022 Budget estimate, mainly due to strong revenue performance. As a result, the gross borrowing requirement declined from a projected R484.5 billion to R387.9 billion for 2022/23, or from 7.5 per cent to 5.8 per cent of GDP. Over the next three years, government will service R184.4 billion of Eskom's debt, consisting of capital repayments and interest payments, and in 2025/26, government will take over a maximum of R70 billion of Eskom's debt by switching selected debt instruments into government debt. This will be financed by issuing both short- and long-term loans in the domestic markets. As a result, the gross borrowing requirement will increase from R515.6 billion in 2023/24 to R555 billion in 2025/26.

Domestic and foreign redemptions will average R172.3 billion over the three years relative to R67.9 billion in the previous three years. To mitigate the refinancing risk as a result of high redemptions, government will use a number of strategies to reduce the gross borrowing requirement over the medium term.

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

R million	2021/22	2022/23		2023/24	2024/25	2025/26
	Outcome	Budget	Revised	Medium-term estimates		
Main budget balance	**-323 061**	**-387 213**	**-300 415**	**-275 351**	**-269 864**	**-258 799**
Redemptions	**-65 292**	**-97 252**	**-87 474**	**-162 232**	**-168 794**	**-185 969**
Domestic long-term loans	-61 373	-81 292	-71 712	-117 865	-131 369	-129 558
Foreign loans	-3 919	-15 960	-15 762	-44 367	-37 426	-56 410
Eskom debt-relief arrangement	**–**	**–**	**–**	**-78 000**	**-66 154**	**-110 223**
Total	**-388 354**	**-484 465**	**-387 889**	**-515 583**	**-504 813**	**-554 990**
Financing						
Domestic short-term loans	**-7 955**	**–**	**-25 493**	**48 000**	**42 000**	**46 000**
Treasury bills (net)	-8 007	–	-25 493	48 000	42 000	46 000
Corporation for Public Deposits	52	–	–	–	–	–
Domestic long-term loans	**290 295**	**330 400**	**310 900**	**329 900**	**377 700**	**411 000**
Market loans	290 657	330 400	310 987	329 900	377 700	341 000
Loans issued for switches	-362	–	-87	–	–	–
Eskom debt-relief arrangement	–	–	–	–	–	70 000
Foreign loans	**31 316**	**47 880**	**64 466**	**44 360**	**34 960**	**79 380**
Market loans	31 316	47 880	64 466	44 360	34 960	79 380
Loans issued for switches	–	–	–	–	–	–
Change in cash and other balances[2]	**74 698**	**106 185**	**38 017**	**93 323**	**50 153**	**18 610**
Cash balances	74 361	99 611	27 952	86 321	42 845	13 486
Other balances[3]	337	6 574	10 065	7 002	7 308	5 124
Total	**388 354**	**484 465**	**387 889**	**515 583**	**504 813**	**554 990**
Percentage of GDP	*6.2%*	*7.5%*	*5.8%*	*7.4%*	*6.8%*	*7.0%*

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 (Table 7.3). During 2022/23, net Treasury bills issuances were reduced by R25.5 billion to manage liquidity levels. Due to the strong in-year revenue performance, government did not borrow from the Corporation for Public Deposits during 2022/23. The corporation will be used as a bridging finance facility and no net increase is expected over the medium term.

Over the next three years, net Treasury bill issuance will average R45.3 billion, or 10.8 per cent of total domestic borrowing.

Table 7.3 Domestic short-term borrowing

R million	2022/23			2023/24		2022/23	2023/24
	Opening balance	Net change	Closing balance	Net change	Closing balance	Weekly auction estimates	
Corporation for Public Deposits	**52**	**-52**	**–**	**–**	**–**	**–**	**–**
Treasury bills	**447 964**	**-25 493**	**422 471**	**48 000**	**470 471**	**13 650**	**15 200**
91-days	8 684	855	9 539	6 061	15 600	1 400	1 800
182-days	72 806	-4 545	68 261	9 739	78 000	3 300	3 800
273-days	149 364	-5 821	143 543	12 456	155 999	4 400	4 700
364-days	217 108	-15 982	201 126	19 744	220 870	4 550	4 900
Total	**448 016**	**-25 545**	**422 471**	**48 000**	**470 471**		

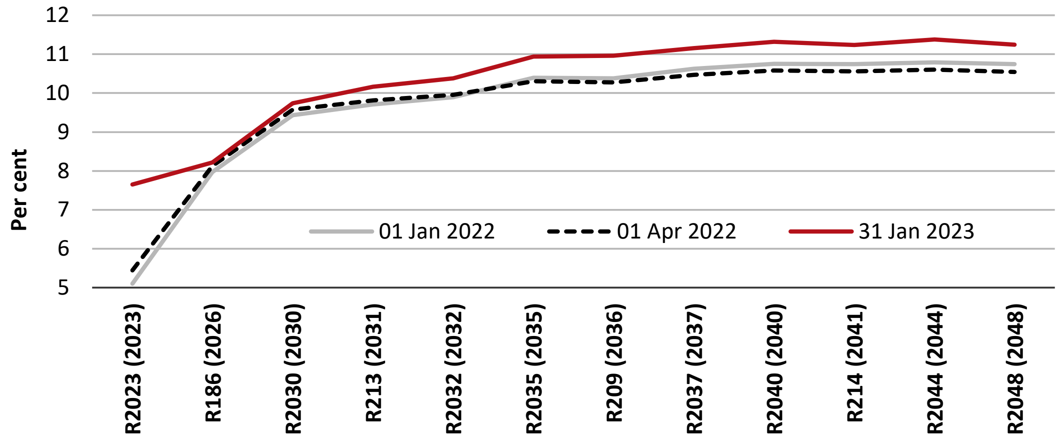
Source: National Treasury

Domestic long-term borrowing

Government's long-term borrowing consists primarily of bonds. In 2022/23, domestic long-term borrowing will amount to R310.9 billion, which is R19.5 billion lower than the 2022 Budget estimate, largely as a result of better-than-expected revenue collection. Between April 2022 and January 2023, government raised R273.1 billion or 87.8 per cent of this amount. Fixed-rate bonds accounted for 60.1 per cent, with floating-rate bonds, inflation-linked bonds and retail bonds making up the remainder. RSA retail savings bonds raised R8.8 billion in 2022/23 compared with R3.5 billion in 2021/222.

Domestic long-term borrowing will increase to R329.9 billion in 2023/24, and average R349.5 billion over the medium term.

Figure 7.1 Interest rates on domestic government bonds



Source: National Treasury

The yield curve – the relationship between bonds of different maturities – has shifted higher, reflecting reduced confidence in the bond market. This is shown in the difference between the January 2022 and January 2023 curves, averaging 68 basis points. Higher yields indicate higher borrowing costs across maturities, especially for long-term bonds (Figure 7.1). This reflects the lingering effects of COVID-19, the ongoing Ukraine war, monetary policy tightening to combat inflation and the impact of prolonged power cuts.

Investor trends in the bond portfolio

Foreign investors remain the largest holders of domestic government bonds, with a 25.6 per cent share as at 31 December 2022, down from 28.2 per cent a year earlier. During 2022, heightened risk aversion contributed to an across-the-board selloff in developing-country bonds. As shown in Figure 7.3, nominal foreign holdings have risen from R800 billion in December 2020 to R846 billion in December 2022.

Other financial sector and monetary institutions increased their holdings marginally over the year. Holdings by pension funds and insurers decreased from 23.5 and 6.6 per cent to 23.1 and 6.2 per cent respectively.

Figure 7.2 Ownership of domestic bonds

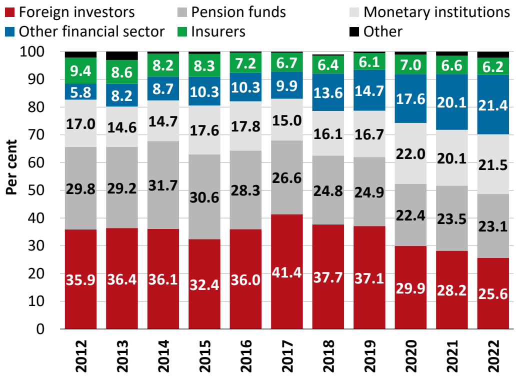
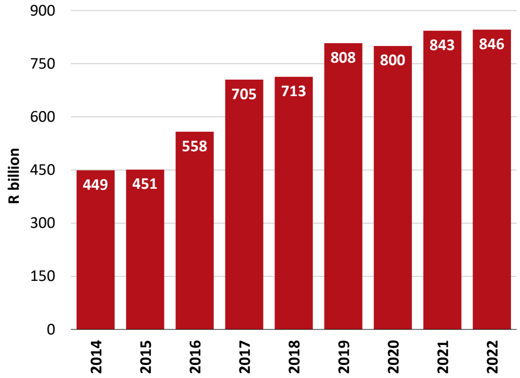


Figure 7.3 Domestic bonds held by foreign investors



Source: National Treasury

International borrowing

Government borrows in foreign currency – mainly US dollars and euros – to meet its foreign-currency commitments. In 2022/23, South Africa raised US$3 billion in international capital markets, €454.4 million from the World Bank and €600 million from Germany and France through the Just Energy Transition Investment Plan to support policy and institutional reforms related to climate change.

Government will continue its efforts to access concessional financing from international financial institutions, including through climate finance. In 2023/24, government plans to raise the equivalent of US$2.6 billion, and about US$9.1 billion over the medium term.

Table 7.4 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	22 March 2022	6-month SOFR[4] plus 0.75%	13	3	US$0.75
World Bank	22 September 2022	6-month EURIBOR[5] plus 0.67%	13	3	€ 0.45
KfW Development Bank	22 December 2022	6-month EURIBOR[5] plus 0.69%	20	5	€ 0.3
French Development Bank	20 January 2023	6-month EURIBOR plus 1.29%	20	5	€ 0.3

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. EURIBOR (Euro Interbank Offered Rate)
6. Loan approval for US$1 billion, first tranche of US$0.5 billion received
Source: National Treasury

Table 7.5 Foreign-currency commitments and financing

US$ million	2021/22	2022/23	2023/24	2024/25	2025/26
	Outcome	Estimate	Medium-term estimates		
Opening balance	**6 380**	**5 925**	**7 119**	**5 011**	**2 871**
Commitments	**-2 611**	**-2 944**	**-4 683**	**-4 143**	**-5 333**
Redemptions	-270	-1 000	-2 570	-2 141	-3 198
Interest	-1 201	-1 162	-1 349	-1 265	-1 394
Departments	-1 140	-782	-764	-737	-741
Financing	**2 156**	**4 138**	**2 575**	**2 003**	**4 502**
Loans	2 150	4 131	2 570	2 000	4 500
Purchases	–	–	–	–	–
Interest	6	7	5	3	2
Closing balance	**5 925**	**7 119**	**5 011**	**2 871**	**2 040**

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, R26 billion of the R67 billion sterilisation deposits were used to finance the higher gross borrowing requirement arising from government's response to COVID-19. In 2022/23, the remaining R41 billion was used to finance a portion of the gross borrowing requirement.

At the end of 2022/23, total cash balances are estimated to be at R235.3 billion. Domestic cash balances will amount to R122.1 billion, of which a portion will be used to finance the gross borrowing requirement in 2023/24. Over the medium term, foreign-currency balances will average US$3.3 billion.

Table 7.6 Change in cash balance

R million	2021/22	2022/23		2023/24	2024/25	2025/26
	Outcome	Budget	Revised	Medium-term estimates		
Rand currency						
Opening balance	**239 711**	**145 517**	**169 853**	**122 081**	**61 000**	**50 000**
Closing balance	**169 853**	**50 000**	**122 081**	**61 000**	**50 000**	**50 000**
of which:						
Tax and loan accounts	*128 696*	*50 000*	*122 081*	*61 000*	*50 000*	*50 000*
Change in rand cash balance[1] (opening less closing balance)	**69 858**	**95 517**	**47 772**	**61 081**	**11 000**	**–**
Foreign currency[2]						
Opening balance	**97 892**	**144 495**	**93 389**	**113 209**	**87 969**	**56 124**
Closing balance	**93 389**	**140 401**	**113 209**	**87 969**	**56 124**	**42 638**
US$ equivalent	*5 925*	*8 716*	*7 119*	*5 011*	*2 871*	*2 040*
Change in foreign currency cash balance[1] (opening less closing balance)	**4 503**	**4 094**	**-19 820**	**25 240**	**31 845**	**13 486**
Total change in cash balances[1]	**74 361**	**99 611**	**27 952**	**86 321**	**42 845**	**13 486**
Total closing cash balance	**263 242**	**190 401**	**235 290**	**148 969**	**106 124**	**92 638**

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 73.6 per cent of GDP in 2025/26 compared with the 71.4 per cent in 2022/23 estimated in the 2022 MTBPS – and to decline thereafter. Eskom debt relief is the main driver of the increase in the debt levels and the delayed stabilisation date.

Table 7.7 Total national government debt[1]

End of period	2021/22	2022/23	2023/24	2024/25	2025/26
R billion	Outcome	Estimate	Medium-term estimates		
Domestic loans[2]	**3 865.4**	**4 187.1**	**4 517.0**	**4 875.3**	**5 267.1**
Short-term	448.1	422.6	470.6	512.6	558.6
Long-term	3 417.2	3 764.5	4 046.4	4 362.6	4 708.4
Fixed-rate	*2 563.8*	*2 781.0*	*3 046.3*	*3 348.1*	*3 543.8*
Inflation-linked	*853.5*	*983.5*	*1 000.1*	*1 014.6*	*1 164.6*
Foreign loans[2]	**412.1**	**540.3**	**543.3**	**548.4**	**575.9**
Gross loan debt	**4 277.5**	**4 727.4**	**5 060.2**	**5 423.7**	**5 843.0**
Less: National Revenue Fund	-266.4	-244.5	-147.5	-100.2	-86.0
Net loan debt	**4 011.1**	**4 483.0**	**4 912.8**	**5 323.5**	**5 757.0**
As percentage of GDP:					
Gross loan debt	*68.0*	*71.1*	*72.2*	*72.8*	*73.6*
Net loan debt	*63.8*	*67.4*	*70.1*	*71.4*	*72.5*

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 R555.9 billion or 10.2 per cent of gross debt over the medium term. Government's foreign currency exposure is partly offset by foreign-currency deposits, which amount to US$7.1 billion in 2022/23.

Table 7.8 Analysis of annual increase in gross loan debt

R million	2021/22	2022/23	2023/24	2024/25	2025/26
	Outcome	Estimate	Medium-term estimates		
Budget deficit	323 061	300 415	275 351	269 864	258 799
Eskom debt-relief arrangement	–	–	78 000	66 154	110 223
Discount on loan transactions	53 416	47 889	21 347	22 047	17 070
Revaluation of inflation-linked bonds[1]	47 710	60 169	48 487	47 905	47 279
Revaluation of foreign-currency debt[1]	-7 727	79 518	2 947	7 601	4 551
Change in cash and other balances[2]	-74 698	-38 017	-93 323	-50 153	-18 610
Total	**341 763**	**449 975**	**332 809**	**363 419**	**419 311**

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 2022/23, the stock of debt increased by R450 billion. The main budget deficit accounted for 66.8 per cent of this increase, while interest-, inflation- and exchange-rate changes were responsible for most of the rest. The medium-term increase in gross loan debt will be driven by the budget deficit and the financing of the Eskom debt-relief arrangement.

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 2022/23, debt-service costs were revised upwards by R5.4 billion, mainly due to higher interest rates following the Reserve Bank's increase of policy rates. As a share of GDP, debt-service costs are projected to average 4.9 per cent over the medium term; as a share of revenue, they increase from 18 per cent in 2022/23 to 19.8 per cent in 2025/26.

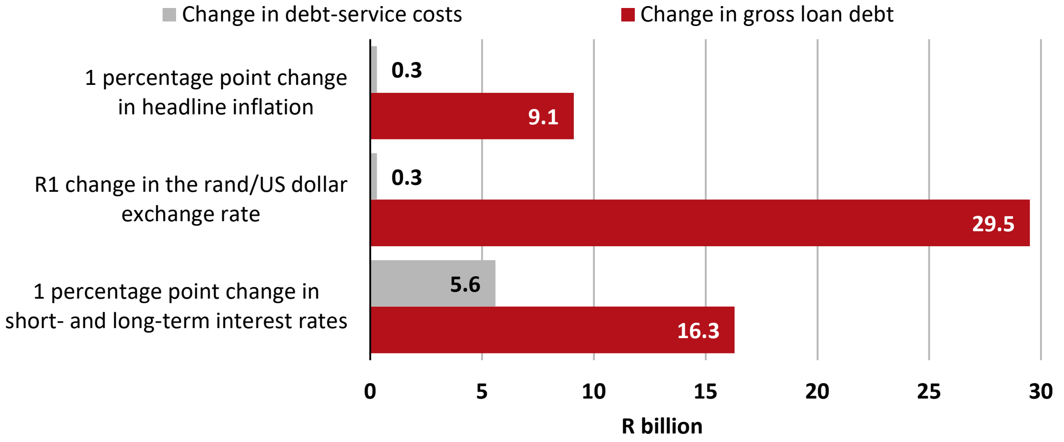
Table 7.9 National government debt-service costs

R million	2021/22	2022/23		2023/24	2024/25	2025/26
	Outcome	Budget	Revised	Medium-term estimates		
Domestic loans	250 503	277 693	284 874	317 018	340 566	372 327
Short-term	22 096	23 454	30 385	40 473	41 522	43 851
Long-term	228 407	254 239	254 489	276 545	299 044	328 476
Foreign loans	17 568	24 113	22 283	23 442	22 274	24 747
Total	**268 072**	**301 806**	**307 157**	**340 460**	**362 840**	**397 074**
As percentage of:						
GDP	*4.3*	*4.7*	*4.6*	*4.9*	*4.9*	*5.0*
Expenditure	*14.2*	*15.3*	*15.3*	*16.7*	*17.0*	*17.5*
Revenue	*17.1*	*19.0*	*18.0*	*19.4*	*19.4*	*19.8*

Source: National Treasury

Figure 7.4 illustrates the sensitivity of debt and debt-service costs to changes in macroeconomic variables such as interest, inflation and exchange rates. A 1 percentage point increase in inflation and interest rates, together with a R1 depreciation of the rand against the dollar, results in a R54.9 billion increase in gross loan debt and a R6.2 billion increase in debt-service costs.

Figure 7.4 Sensitivity of debt and debt-service costs



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 – which include guarantees to state-owned companies, independent power producers and public-private partnerships, and provisions for multilateral institutions – and other fiscal obligations.

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 of approved guarantees to public institutions is expected to decrease by R81.4 billion to R478.5 billion by 31 March 2023, while the exposure amount will increase by about R800 million to R396.1 billion. Eskom accounts for 85.3 per cent of total exposure.

The current R350 billion Eskom guarantee framework agreement expires on 31 March 2023. Consequently, the utility will not be able to draw down any new guarantees from 1 April 2023. A condition of the debt-relief arrangement is that, with the settlement or takeover of guaranteed Eskom debt, the contingent liability exposure will decline by the associated amount. The Eskom guarantee is projected to decline by R118.9 billion by the end of 2025/26. In this regard, the debt-relief arrangement will reduce government's contingent liability exposure.

Several factors contribute to guarantee and exposure changes during 2022/23:

- The Land Bank guarantee amount declined due to net debt repayments of R1.5 billion.
- Eskom exposure increased as the utility drew down on its guarantees.
- Denel exposure declined by R3.2 billion due to the repayment of guaranteed debt.
- South African National Roads Agency Limited exposure amounts declined by R13.4 billion to R28.6 billion due to redemptions.
- In April 2022, the Minister of Finance approved the reduction of the government loan guarantee scheme to R20 billion due to lower-than-expected take-up. The remaining R20 billion is shown as the updated guarantee to the Reserve Bank in 2022/23 in Table 7.10. Of this amount, R8 billion will be used for the new bounce-back scheme.

In line with its intent to reduce contingent liability exposure, government continues to insist on entities meeting minimum criteria for the issuance of guarantees. As a result, no additional guarantees were issued in 2022/23. Additionally, where government has appropriated funds for the servicing of guaranteed debt of state-owned companies, the guarantees will be reduced by the associated amounts.

Other guarantees

Contingent liability risks from independent power producers represent a low risk to the public finances. After signing additional projects in 2022, government has committed to procuring up to R208.5 billion in electricity from the Renewable Energy Independent Power Producer Procurement Programme. The value of signed projects, which represents government's exposure, is expected to amount to R187.1 billion by 31 March 2023. Exposure is expected to decrease to R170.1 billion in 2023/24, R152.4 billion in 2024/25 and R134 billion in 2025/26.

Contingent liability exposure from public-private partnerships arises mainly from early termination of contracts. During 2022/23, contingent liabilities from these partnerships decreased by about R800 million to R7.1 billion as a number of projects reached maturity. Total exposure is expected to decline to R6.2 billion in 2023/24, R4.3 billion in 2024/25 and R2.9 billion in 2025/26.

Table 7.10 Government guarantee exposure[1]

R billion	2020/21		2021/22		2022/23	
	Guarantee	Exposure[2]	Guarantee	Exposure[2]	Guarantee	Exposure[2]
Public institutions	**581.6**	**384.7**	**559.9**	**395.3**	**478.5**	**396.1**
of which:						
Eskom	*350.0*	*298.3*	*350.0*	*313.0*	*350.0*	*337.8*
SANRAL	*37.9*	*37.4*	*37.9*	*42.0*	*37.9*	*28.6*
Trans-Caledon Tunnel Authority	*43.0*	*13.2*	*25.0*	*9.6*	*25.0*	*8.7*
South African Airways	*19.1*	*6.7*	*19.1*	*2.8*	*19.1*	*0.3*
Land and Agricultural Bank of South Africa	*9.6*	*2.4*	*9.6*	*1.9*	*8.1*	*0.4*
Development Bank of Southern Africa	*10.0*	*4.9*	*9.9*	*5.2*	*9.9*	*5.5*
Transnet	*3.5*	*3.8*	*3.5*	*3.8*	*3.5*	*3.8*
Denel	*6.9*	*3.4*	*3.4*	*3.5*	*3.4*	*0.3*
South African Express	*0.2*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*
Industrial Development Corporation	*0.5*	*0.1*	*0.5*	*0.1*	*0.5*	*0.1*
South African Reserve Bank[3]	*100.0*	*13.7*	*100.0*	*12.8*	*20.0*	*10.0*
Independent power producers	**200.2**	**176.7**	**200.2**	**165.7**	**208.5**	**187.1**
Public-private partnerships[4]	**8.0**	**8.0**	**7.9**	**7.9**	**7.1**	**7.1**

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. In April 2022, the Minister approved the reduction of the loan guarantee scheme to R20 billion
4. These amounts only include national and provincial PPP agreements
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 several multilaterals, 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	2020/21	2021/22	2022/23
Multilateral institutions	**371.0**	**508.7**	**592.2**
of which:			
New Development Bank	*97.7*	*116.6*	*134.7*
African Development Bank	*55.0*	*122.7*	*141.8*
International Monetary Fund	*151.7*	*204.8*	*246.4*
World Bank Group	*30.5*	*30.6*	*35.3*
Other contingent liabilities	**498.0**	**489.3**	**483.3**
of which:			
Export Credit Insurance Corporation of South Africa	*16.3*	*10.6*	*6.2*
Post-retirement medical assistance	*69.9*	*69.9*	*69.9*
Road Accident Fund	*361.8*	*356.6*	*355.0*

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 exchange rate, unrealised gains are expected to amount to R409.2 billion by 31 March 2023, an increase of R94.9 billion compared with 2021/22. In 2022/23, government settled a realised loss of R53.7 million. Losses of R50.5 million are projected for 2023/24.

CONCLUSION

Over the medium term, government's borrowing requirement and gross debt will increase due to the Eskom debt-relief arrangement. This will be done in line with government's prudent and sustainable debt management approach. Gross debt is now expected to stabilise in 2025/26.