

W2

2025 BUDGET REVIEW
**STRUCTURE OF
THE GOVERNMENT
ACCOUNTS**



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

STRUCTURE OF THE GOVERNMENT ACCOUNTS

INTRODUCTION

South Africa's main budget and consolidated government¹ expenditure are presented in the statistical tables that appear at the back of the 2025 *Budget Review*. These tables are prepared on the modified cash basis of accounting. The structure of the reporting tables is broadly based on the 2014 *Government Finance Statistics Manual*² (2014 GFSM) and the 2008 *System of National Accounts*³ (2008 SNA). However, modifications to the structure of the accounts and the labelling of the receipt and payment items have been made to take into account specific features of the South African environment. At the transactional level, the classification principles in the economic reporting format and the standard chart of accounts (SCOA) are in line with the Government Finance Statistics (GFS). Deviations from the 2014 GFSM partly occur because the GFSM is based on the accrual basis of accounting. The South African government is in the process of transitioning to the accrual basis of accounting and implementing an integrated financial management system.

The GFS presentation in the 2014 GFSM also differs in some respects from the presentation in Chapter 2 of the *Budget Review*, which is based on the 2008 SNA. This annexure describes the presentation format and structure of the government accounts and explains deviations between the 2014 GFSM recommendations and the way government statistics are compiled and presented.

RECORDING BASIS

Both the 2008 SNA and the 2014 GFSM recommend that items should be recorded on an accrual basis, which means that all government transactions are included in the accounts. This includes transactions that do not give rise to cash flows, such as changes in inventories, amortisation, accrued interest, unrealised foreign exchange gains/losses and revaluations or depreciation of capital assets.

In accrual accounting, the time of recording should coincide with the underlying economic event. The entry does not necessarily coincide with the timing of the resultant cash flow, but rather with the change of ownership or when economic value is created, transformed or extinguished. For example, debt repayment should be recorded when the debt expires, whether or not this coincides with an actual repayment that gives rise to a cash flow.

Government is still committed to the recommendation, first made in the 2001 GFSM, to use accrual accounting for government financial statements. This commitment will be fulfilled when the integrated financial management system, which is based on accrual accounting principles, is fully implemented. Until then, budget data continues to be presented on the modified cash basis. This means that the transaction is recorded when the cash flow occurs, which does not necessarily match the timing of the underlying economic event. In some cases,

¹ Consisting of national and provincial government, social security funds and public entities.

² International Monetary Fund. 2014. *Government Finance Statistics Manual*. Washington, D.C.: International Monetary Fund.

³ United Nations. 2008. *System of National Accounts*. Brussels, Luxembourg, New York, Paris, Washington, D.C. Inter-Secretariat Working Group on National Accounts.

modified cash principles are applied. These include recording expenditure at the time of recording the transaction in the cash book (when the transaction is processed in the financial system and the payment is issued), accruing interest on some types of government debt (zero-coupon bonds) and recording loans extended by government.

In strict cash accounting, the time of recording should coincide with the actual cash flow. In South Africa, entries for the national budget data are made during the time period in which financial systems capture transactions. After the financial year-end, books remain open so that all year-end procedures can be finalised, such as reconciling actual bank account balances with revenue and expenditure reported, and correcting item classification. The year-end procedures do not influence revenue and expenditure levels, and consist primarily of:

- Late funding requests by government departments to settle obligations relating to the specific financial year.
- The surrender of unspent funds by government departments (funds requested but not used).
- Corrections to revenue, expenditure or financing transactions that were, for example, erroneously classified.
- Adjustments to expenditure data, for auditing and parliamentary purposes, to show only authorised expenditure for the particular financial year (excluding all unauthorised spending).

ECONOMIC REPORTING FORMAT

The economic reporting format was introduced in the 2004 Budget. It is broadly consistent with the recommendations of the 2001 GFSM and the 2014 GFSM. The economic reporting format is adapted for South Africa's reporting requirements. The budget format is supported by the SCOA, which fully aligns with the economic reporting format and provides for posting-level details of the budget within the financial system.

Each descriptive label in the economic reporting format and the chart of accounts reflects the actual content of the item. Labels such as "other" or "miscellaneous" are avoided to improve transparency. This practice ensures that classifications are consistent across all national and provincial departments, improving the quality of information provided to legislatures, assisting in the policy-making process and enhancing accountability.

The SCOA is periodically reviewed to ensure consistency with evolving accounting and reporting requirements. The National Treasury's SCOA Technical Committee helps departments improve consistency in applying the classification rules and recommends appropriate amendments to the SCOA and the financial system. The committee also issues quarterly circulars that provide information and guidance to practitioners on changes made to the chart of accounts, ensuring a consistent approach to classification.

STRUCTURE OF ACCOUNTS

The reporting format organises all government transactions into three broad categories: receipts, payments and financing. The budget balance – deficit (-) or surplus (+) – is calculated as receipts less payments, which is equal to total financing, but with the opposite sign. In other words, a deficit is equal to positive financing and a surplus is equal to negative financing.

Receipts

Government receipts are divided into taxes; sales; transfers; fines, penalties and forfeits; interest, dividends and rent on land; and transactions in financial assets and liabilities. *Taxes* are classified according to the type of activity on which they are levied, including income, profits, consumption of domestic goods and services, and international trade. *Sales* are disaggregated into sales of capital assets and other sales. *Transfers* are unrequited receipts – the party making the transfer does not receive anything of similar value directly in return. These are classified according to unit – for example, other government units, private enterprises and public corporations and households. *Fines, penalties and forfeits* consists of all compulsory receipts imposed by a court or quasi-judicial body. *Interest, dividends and rent on land* includes all receipts associated with owning financial assets and land.

Transactions in financial assets and liabilities covers three financial transactions. The first two transactions are the repayments of non-market loans and advances previously extended to employees and public corporations for policy purposes, and the reduction of equity investments made by government in public corporations. These transactions are recorded as receipts because they are fundamentally different from other financial transactions, which are market oriented and appear as financing items. Remaining financial transactions (such as interest-bearing market loans to public corporations, borrowing and loan repayment in the capital markets) are included under the financing category.

Payments

Payments are divided into four broad categories: current payments, transfers and subsidies, payments for capital assets and payments for financial assets.

Current payments

Current payments provides for funds directly spent by a department. Detail is provided on:

- **Compensation of employees.** This category includes all current personnel-related payments to government employees – both salaries and wages, and social contributions. Social contributions are government-funded service benefits for employees, such as pension or medical scheme contributions. This category excludes capitalised compensation.
- **Goods and services.** This item covers all government payments for goods and services purchased by the department to achieve its mandate, excluding capital assets and goods used to construct and improve capital assets. Generally, it is the second largest spending item for departments after transfers and subsidies. The details of each department's

purchases are provided, giving an indication of the largest spending items. For example, an education department could list schoolbooks, while a health department could list medicines. This level of detail supports improved oversight and analysis.

- **Interest and rent on land.** This item is defined as payment for the use of borrowed money (interest on bank overdraft) and rent on land. It includes the interest received from market-oriented lending for policy-related purposes.

Transfers and subsidies

The second part of the payments table provides for funds that are transferred to other government institutions, businesses and individuals and do not constitute a department's final expenditure. This item includes all of government's unrequited, non-repayable payments – payments for which no goods or services are received in return.

The category *transfers and subsidies* is subdivided into the various targeted recipients or beneficiaries receiving funding from government, such as other levels of general government, households, non-profit institutions serving households and public corporations. This allows for the separation of all transfers from payments that departments control directly.

Transfers and subsidies includes current and capital transfers. Current transfers are funds transferred to an entity for its operations in line with the entity's mandate. In cases where it is possible to clearly identify a certain transfer for payments of capital assets, the information on capital transfers is separately presented in the budget documentation of the department. When the distinction is not clear, the transfer is classified as current. Capital contributions and non-market-oriented lending to public corporations are classified as payments for financial assets rather than transfers and subsidies.

Payments for capital assets

Capital payments are identified as a separate item, capturing government's contribution to capital formation and spending on building new infrastructure, as well as upgrading, adding to, rehabilitating and refurbishing existing infrastructure. Capital assets are divided into seven categories:

- Buildings and other fixed structures
- Machinery and equipment
- Heritage assets
- Specialised military assets
- Biological assets
- Software and other intangible assets
- Land and sub-soil assets.

Payments for capital assets also includes own-account construction – when government units engage in capital projects on their own account, such as provincial works and roads departments constructing buildings and roads. In this case, the payment categories *compensation of employees* and *goods and services* are capitalised.

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These two payment categories are only capitalised if payments are directly associated with a capital project. Payments on current projects, namely maintenance and repair of existing capital assets, are not capitalised.

Payments for financial assets

This item generally includes non-market-oriented lending and equity investments in public corporations. Payments for financial assets are expensed rather than treated as financing because, unlike other financial transactions, the purpose of the transaction is not market oriented.

Market-oriented interest-bearing loans for policy purposes and debt takeovers in the form of equity swaps are excluded from payments for financial assets, as they are recorded as balance sheet transactions and form part of the financing requirement.

Financing

As a broad classification category, financing encompasses all financial transactions other than *transactions in financial assets and liabilities* and *payments for financial assets*, which are included as part of receipts and payments. Items recorded under financing reflect funding to cover a government deficit or the use of funds available from a government surplus. Government's gross borrowing requirement, which represents the shortfall between revenue and expenditure plus the repayment of maturing loans and the extension of market loans and investments, is included in the financing category. The gross borrowing requirement is financed in the domestic and international financial and capital markets through Treasury bills; fixed-income, inflation-linked and retail bonds; short-term loans from the Corporation for Public Deposits; foreign bonds and loans; and government's cash deposits.

Interest-bearing loans to public corporations and debt takeovers in the form of equity swaps for policy purposes are considered part of financing activities due to their significant impact on government's overall financial position. This financial support represents a strategic use of government resources, often with the intention of supporting infrastructure development, stimulating economic growth or addressing specific public needs. Similarly, by providing capital contributions, government plays an active role in shaping the financial landscape of these entities, influencing their operational capacity and fostering economic development.

To this end, the financial support to Eskom, which is in the form of an interest-bearing loan and a debt-for-equity swap, is recorded as part of financing. In the financing table in Chapter 7 of the *Budget Review*, the new debt is recorded as either domestic or foreign debt issuance and presented as the "Eskom debt-relief arrangement".

The payments to Eskom will initially be recorded as a receivable on the National Treasury's balance sheet and as a secondary non-cash transaction converted to equity once Eskom has complied with the set conditions. Throughout the period of the arrangement, Eskom will be charged interest on the receivable, which is settled in cash on a quarterly basis. These interest payments will be recorded as part of non-tax revenue under receipts. The balance on the Gold and Foreign Exchange Contingency Reserve Account is recorded as a contingent asset in the

financial records of government. This transaction is realised as a payment into the National Revenue Fund. This balance sheet transaction is not recorded as receipts impacting the main budget balance but is included as financing, reducing the gross borrowing requirement.

FUNCTIONAL CLASSIFICATION

To be consistent with the classification prescribed in the 2014 GFSM and the 2008 SNA, government payments are classified according to their functional and economic characteristics. The items in the economic classification have been described above, under payments. The main function of the economic classification is to categorise transactions according to type of object or *input*, such as compensation of employees or interest payments. Data must be classified this way to calculate the surplus or deficit, as well as government's contribution to the economy in the form of output, value added and final consumption.

The functional classification complements the economic classification. It serves to distinguish transactions by policy purpose or type of outlay. This is also referred to as expense by *output*. Its main purpose is to facilitate understanding of how funds available to government have been spent on health, education, general public services, public order and safety, and so on.

The broad categories in the functional classification are listed below:

- **General public services** refers to the administration, operation or support of executive and legislative organs, financial and fiscal affairs, and external affairs. It includes foreign economic aid to developing countries and economic aid through international organisations. The category also covers general services, such as personnel services, overall planning and statistical services, and basic research in the general public service. Debt-service cost is included in this category.
- **Defence** includes administration, operation and support of military and civil defence, and the operation of military aid missions accredited to foreign governments or attached to international military organisations. Applied research and development (R&D) related to defence is also included.
- **Public order and safety** covers police services, fire protection services, justice and law courts, prisons and related R&D.
- **Economic affairs** includes government spending associated with the regulation and more efficient operation of the business sector. This category incorporates general economic affairs; commercial and labour affairs; agriculture, forestry, fishing and hunting; fuel and energy; mining; manufacturing and construction; transport; communication; and related R&D.
- **Environmental protection** relates to the conservation of biodiversity and landscapes – the protection of habitats (including the management of natural parks and reserves), waste management, wastewater management, pollution abatement and related R&D.
- **Housing and community amenities** includes the administration of housing and community development affairs and services, water supply, street lighting and related R&D.

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- **Health** covers spending on services provided to individuals and on a collective basis, including medical products, appliances and equipment, outpatient services, hospital services, public health services and related R&D.
- **Recreation and culture** includes recreational and sporting services, cultural services, broadcasting and publishing services, and religious and other community services, as well as related R&D.
- **Education** includes spending on services provided to individual learners and students, as well as those provided collectively. It includes pre-primary, primary, secondary and tertiary education, as well as subsidiary education services and related R&D.
- **Social protection** covers services supplied directly to communities, households or individuals (including transfers for sickness and disability, old age, families and children, and unemployment), support to households to meet the cost of housing and related R&D.

Expenditure in a particular budget vote may cover more than one function. For example, health expenditure could include spending on education for medical training.

THE CONSOLIDATED GOVERNMENT ACCOUNT

The consolidated government account presents the accounts of national and provincial government and social security funds. In this account, the National Treasury calculates estimates of general government revenue and expenditure over the medium term. In the 2025 *Budget Review*, 162 national and provincial departments and 195 central government entities, classified as extra-budgetary agencies, are included. These entities also include some government business enterprises, which either sell most of their goods and services to government institutions or departments at regulated prices and are therefore not businesses in the true sense of the word or are directly involved in infrastructure financing and development. State-owned entities that provide goods at market prices, such as Transnet or Eskom, form part of the public-sector accounts and are excluded from the consolidation.

This presentation is broadly in line with the 2014 GFSM requirement that the accounts of general government be presented on a consolidated basis. In the consolidation process, all relevant spheres of government are included and all intergovernmental transactions are eliminated. This ensures that only the interaction between general government units and non-governmental units is recorded. As a result, the accounts reflect more accurately government's financial position and the impact of its activity on the economy.

To present a true set of consolidated general government accounts, the accounts of both national and provincial departments must be consolidated with their associated public entities before the accounts of the extra-budgetary institutions, social security funds and local authorities are added. As a final step, all government business enterprises should be included and consolidated with the general government units to create the consolidated public account.

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The following dimensions are considered during the consolidation process:

- **Coverage.** This refers to the choice of entities to be included in the consolidation. General government entities should be consolidated, followed by all business enterprises. The consolidation of the general government sector includes all entities that are mainly controlled and financed by government and that provide goods and services at non-market prices. National and provincial state-owned entities and local authority trading entities providing goods and services at market-related prices, which form part of the broader public sector, are excluded, as are privately owned entities.
- **Elimination of inter-entity transactions.** All inter-entity transactions are eliminated in the consolidation process. For this to be accurate, these transactions must be easily identifiable. However, in the accounting systems of government and many of its agencies, not all inter-entity transactions are identified. Elimination is impossible in many cases where goods and services are procured from other government units, because these transactions cannot be separated from others in this category. However, all transactions involving transfers from one government unit to another can be identified and have been eliminated from the consolidation.
- **Basis of accounting.** Entity accounts can only be consolidated if they are compiled using the same basis of accounting. National and provincial governments use a modified cash basis of accounting, while local authorities and public entities use accrual accounting. To provide data for consolidation, the cash flow numbers of the public entities have been used.

During consolidation, transfers and other identifiable goods and services are taken out, and the rest of the transactions are aggregated. In future budgets, the National Treasury will endeavour to include more entities to provide the full picture of public-sector spending. The consolidation in this Budget includes all the entities listed in Table W2.1.

Table W2.1 List of public entities included in consolidation

Vote	Department	Public entity
3	Cooperative Governance	Municipal Demarcation Board Municipal Infrastructure Support Agent
4	Government Communication and Information System	Brand SA Media Development Diversity Agency
5	Home Affairs	Border Management Authority Government Printing Works The Independent Electoral Commission
6	International Relations and Cooperation	African Renaissance and International Cooperation Fund
7	National School of Government	National School of Government

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Table W2.1 List of public entities included in consolidation (continued)

Vote	Department	Public entity
8	National Treasury	Accounting Standards Board Financial Intelligence Centre Financial Sector Conduct Authority Government Pensions Administration Agency Government Technical Advisory Centre Independent Regulatory Board for Auditors Office of the Ombud for Financial Services Providers Office of the Pension Funds Adjudicator Ombud Council Public Investment Corporation Limited South African Revenue Service The Financial and Fiscal Commission
10	Electricity and Energy	National Energy Regulator of South Africa National Nuclear Regulator South African National Energy Development Institute South African Nuclear Energy Corporation Limited The National Radioactive Waste Disposal Institute
13	Public Works and Infrastructure	Agrément South Africa Construction Industry Development Board Council for the Built Environment The Independent Development Trust Property Management Trading Entity
15	Traditional Affairs	Commission for the Promotion and Protection of the Rights of Cultural, Religious and Linguistic Communities
16	Basic Education	South African Council for Educators Umalusi Council for Quality Assurance in General and Further Education and Training
17	Higher Education	Consolidated sector education and training authority (21) Council on Higher Education National Student Financial Aid Scheme Quality Council for Trades and Occupations South African Qualifications Authority The National Skills Fund
18	Health	Council for Medical Schemes Mines and Works Compensation Fund National Health Laboratory Service Office of Health Standards Compliance South African Health Products Regulatory Authority SA Medical Research Council
19	Social Development	National Development Agency South African Social Security Agency
20	Women, Youth and Persons with Disabilities	National Youth Development Agency The Commission for Gender Equality
23	Defence	Armaments Corporation of South Africa Limited Castle Control Board

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Table W2.1 List of public entities included in consolidation (continued)

Vote	Department	Public entity
25	Justice and Constitutional Development	Information Regulator Legal Aid South Africa Special Investigating Unit The Public Protector of South Africa The South African Human Rights Commission
28	Police	Private Security Industry Regulatory Authority
29	Agriculture	Agricultural Research Council National Agricultural Marketing Council Onderstepoort Biological Products Perishable Products Export Control Board
30	Communications and Digital Technologies	Film and Publication Board National Electronic Media Institute of South Africa Sentech Limited State Information Technology Agency The Independent Communications Authority of South Africa Universal Service and Access Agency of South Africa Universal Service and Access Fund
31	Employment and Labour	Commission for Conciliation, Mediation and Arbitration Compensation Fund, including Reserve Fund National Economic Development and Labour Council Productivity SA Unemployment Insurance Fund
32	Forestry, Fisheries and the Environment	iSimangaliso Wetland Park Marine Living Resources Fund South African National Biodiversity Institute South African National Parks South African Weather Service
33	Human Settlements	Community Schemes Ombud Service Housing Development Agency National Home Builders Registration Council National Housing Finance Corporation Limited Property Practitioners Fidelity Fund Property Practitioners Regulatory Authority The Social Housing Regulatory Authority
34	Mineral and Petroleum Resources	Council for Geoscience Mine Health and Safety Council Mintek South African Diamond and Precious Metals Regulator State Diamond Trader
35	Science, Technology and Innovation	Academy of Science of South Africa Council for Scientific and Industrial Research Human Sciences Research Council National Research Foundation South African National Space Agency Technology Innovation Agency

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Table W2.1 List of public entities included in consolidation (continued)

Vote	Department	Public entity
36	Small Business Development	Small Enterprise Development Finance Agency
37	Sport, Arts and Culture	Arts institutions consolidation (6) Boxing South Africa Heritage institutions consolidation (13) Library institutions consolidation (2) National Arts Council National Film and Video Foundation National Heritage Council Pan South African Language Board SA Institute for Drug-Free Sport South African Heritage Resources Agency
38	Tourism	South African Tourism
39	Trade, Industry and Competition	Companies and Intellectual Property Commission Companies Tribunal Competition Commission Competition Tribunal International Trade Administration Commission National Consumer Commission National Consumer Tribunal National Credit Regulator National Empowerment Fund National Gambling Board of South Africa National Lotteries Commission National Lottery Commission Distribution Trust Fund National Metrology Institute of South Africa National Regulator for Compulsory Specifications SA Bureau of Standards South African National Accreditation System Takeover Regulation Panel
40	Transport	Cross-Border Road Transport Agency Driving License Card Account Passenger Rail Agency of South Africa Ports Regulator of South Africa Railway Safety Regulator Road Accident Fund Road Traffic Infringement Agency Road Traffic Management Corporation South African Civil Aviation Authority South African Maritime Safety Authority South African National Roads Agency

Table W2.1 List of public entities included in consolidation (continued)

Vote	Department	Public entity
41	Water and Sanitation	Amatola Water Board Breede-Olifants Catchment Management Agency Inkomati-Usuthu Catchment Management Agency Lepelle Northern Water Limpopo-Olifants Catchment Management Agency Magalies Water Mzimvubu-Tsitsikamma Catchment Management Agency Overberg Water Pongola-Umzimkulu Catchment Management Agency Rand Water The Water Services Trading Entity Trans-Caledon Tunnel Authority uMngeni-uThukela Water Vaal-Orange Catchment Management Agency Vaal Central Water Board Water Research Commission
42	Land Reform and Rural Development	Agricultural Land Holding Account Ingonyama Trust Board Office of the Valuer-General Registration of Deeds Trading Entity

Source: National Treasury

MAIN ADJUSTMENTS TO THE CONSOLIDATED GOVERNMENT ACCOUNT

The National Treasury regularly reviews the data presented in the consolidated government account to improve its scope and classification. To this end, a more detailed database of departmental financial information was introduced in the 2019 Budget. This is part of a broader, long-term initiative to improve the quality of government's financial and budget data.

Classification is done at a more detailed level within the accounts of national and provincial departments and public entities. In reclassifying the data, activity-level information was collected and used to inform the functional classification. As a result, some functional breakdowns have been disaggregated into more detail, with some of this detail reclassified into other functions. In addition, detailed analyses of provincial spending and public-entity revenue revealed further inter-entity transactions that could be eliminated in the consolidation process. This is a result of the improvement in the information collected and clarity on the flow of transactions between the different spheres of government.

The historical data presented in the statistical tables has been updated with these classification adjustments, but care should be taken when comparing these numbers with previous budget publications because the data is not strictly comparable.

The functional classification published in the statistical tables is consistent with the classification prescribed in the 2014 GFSM. However, the stricter application of this classification requires a level of disaggregation of the departmental spending data, which complicates the use of the GFS functional data for budget preparation. As a result, the *Budget Review* spending data is presented by key spending categories, which group departments and programmes engaged in similar activities. This provides a classification that is similar to the

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functional classification presented as part of the statistical tables published at the back of the *Budget Review*.

FORMAT OF THE CONSOLIDATED GOVERNMENT ACCOUNT

Since 2014, the consolidated government account has been presented in the format shown in Table W2.2. This more transparent and user-friendly presentation clearly distinguishes between government's operating activities and its plans to invest in capital infrastructure.

The balance on the operating account shows the outcome of government's operating activities, which is a measure of the cost of continuing operations. It is calculated as the difference between current revenue and current expenditure, and the resulting balance shows how much government needs to borrow to run its operations. The current balance demonstrates the sustainability of government operations – a long-term operating deficit is unsustainable, while a positive operating balance allows for investment in future productive capacity.

Capital investment activities are presented in the capital account. Government's capital financing requirement is the outcome of this account, which is calculated as the difference between capital revenue and capital expenditure. The account will mainly be in deficit due to continuous investment in infrastructure and substantial capital outlays.

This format separates all transactions in financial assets and liabilities – largely made up of loans extended to public corporations.

If cash generated from operations is insufficient to finance investment requirements, government has to borrow. The borrowing requirement is calculated by adding the operating balance, the capital financing requirement, financial transactions and any unallocated expenditure, such as the contingency reserve. This results in the budget balance, or net financing requirement, which is the main outcome of the budget.

The chief difference between the new balance and the previous version is the inclusion of extraordinary receipts and payments in the main budget. The introduction of the operating account and the capital account makes extraordinary items obsolete; these are now included in the main transaction categories. The classification principles and categories used in the new format are the same as those used to classify government transactions.

Table W2.2 Consolidated revenue, expenditure and financing

	2025/26	2026/27	2027/28
R billion	Medium-term estimate		
Operating account			
Current receipts	2 196.2	2 360.0	2 504.8
Tax receipts (net of SACU ¹ transfers)	2 041.6	2 198.1	2 330.1
Non-tax receipts (including departmental receipts)	145.3	152.3	165.3
Transfers received	9.3	9.5	9.3
Current payments	2 358.8	2 469.5	2 584.8
Compensation of employees	822.8	861.9	900.0
Goods and services	352.1	364.8	382.1
Interest and rent on land	433.4	458.4	488.7
Transfers and subsidies	750.5	784.4	814.0
Current balance	-162.6	-109.5	-80.1
<i>Percentage of GDP</i>	<i>-2.0%</i>	<i>-1.3%</i>	<i>-0.9%</i>
Capital account	217.4	221.0	233.2
Capital receipts	0.3	0.2	0.2
Transfers and subsidies	81.9	85.1	85.9
Payments for capital assets	135.2	135.7	147.1
Capital financing requirement	-216.8	-220.6	-232.8
<i>Percentage of GDP</i>	<i>-2.7%</i>	<i>-2.6%</i>	<i>-2.6%</i>
Transactions in financial assets and liabilities	13.9	9.9	9.7
Contingency reserve	5.0	5.5	11.1
Budget balance	-370.4	-325.6	-314.2
<i>Percentage of GDP</i>	<i>-4.6%</i>	<i>-3.8%</i>	<i>-3.5%</i>
Primary balance²	63.0	132.8	174.4
<i>Percentage of GDP</i>	<i>0.8%</i>	<i>1.6%</i>	<i>1.9%</i>
Redemptions	-172.8	-153.0	-303.7
Domestic long-term loans	-112.3	-112.3	-277.2
Foreign loans	-60.6	-40.7	-26.5
Eskom debt-relief arrangement	-80.2	–	–
GFE CRA settlement	25.0	25.0	–
Gross borrowing requirement	-598.5	-453.6	-617.9
Financing			
Change in loan liabilities	475.2	439.4	579.9
Domestic short- and long-term loans	375.8	357.3	483.2
Foreign loans	99.4	82.2	96.7
Change in cash and other balances (- increase)	123.3	14.1	38.0
Total financing	598.5	453.6	617.9
<i>GDP</i>	<i>7 999.4</i>	<i>8 512.6</i>	<i>9 068.7</i>

1. Southern African Customs Union

2. Includes National Revenue Fund receipts and payments (previously extraordinary receipts and payments)

Source: National Treasury

BUDGET DATA BY KEY SPENDING CATEGORIES

The spending framework outlined in Chapter 5 of the *Budget Review* is based on the allocation of financial resources of departmental programmes and entities to key spending areas. This improves the targeting of budget allocations, because it groups programmes and entities that have a similar purpose into a single budget decision-making process. To support this approach, data at programme and entity level is grouped into spending categories, which provides for a higher level of aggregation than in the functional classification.

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These spending categories are different from the functional classification published in the statistical tables, which is consistent with what is prescribed in the 2014 GFSM. The level of disaggregation of the departmental spending data required by the 2014 GFSM functional data complicates budget preparation. As a result, the *Budget Review* spending data is presented by key spending categories that group departments and programmes engaged in similar activities. For example, in the functional classification in the statistical tables, local development and social infrastructure activities are presented as distinct individual functions, while in Chapter 5 they are grouped together as a separate category. The fiscal statistics are an outcome of the budget process and can only be used as a guide to categorise expenditure for budgeting purposes. They are not used as a framework for presenting budget allocations.

Some of the most important differences between the key spending categories presented in Chapter 5 and the more detailed functional classification presented in the statistical tables are as follows:

- **Learning and culture.** Expenditure in this category includes spending related to school and tertiary education, as well as arts, culture, sport and recreation. In the statistical tables, this expenditure is included as part of either the education or the recreation, culture and religion functions.
- **Economic development.** Expenditure related to innovation, science and technology is included in the economic development function group, while in the statistical tables it is classified as R&D according to the function to which it relates.
- **Peace and security.** This includes expenditure by defence, police, justice and home affairs. In the statistical tables, the bulk of this expenditure is included in the public order and safety function, with home affairs split between general public services and public order and safety. The statistical tables also distinguish defence expenditure on health from the usual peace and security function.
- **General public services.** In the key spending categories, transfers made to international organisations are classified within the category of the paying department. In the statistical tables, they are classified under general public services.

CONSOLIDATED BUDGET DATA VERSUS 2014 GFSM RECOMMENDATIONS

GFS principles are used to classify all transactions at the detail level. However, important differences exist in the final presentation of the consolidated budget data and the GFS. This is why the presentation of the government accounts in this publication differs from that published in the Reserve Bank's *Quarterly Bulletin*, which adheres strictly to 2014 GFSM recommendations.

The differences between the formats used by the National Treasury and the Reserve Bank are mainly in the structure of the accounts presented and the use of different labels for some items. It is possible, however, to accurately convert the South African government tables into a GFS table for international comparison, given that the same classification basis is used at a detailed level.

The National Treasury is collaborating with Statistics South Africa and the Reserve Bank to reconcile fiscal data discrepancies, with support from the International Monetary Fund. In future budget publications, a set of reconciliation tables will be published that align the data published by the National Treasury with data published by Statistics South Africa and the Reserve Bank.

The most important structural difference is that the receipts and payments tables include both current and capital transactions in the South African reporting format. In the GFS presentation of government accounts, current and capital transactions are presented in separate sub-accounts.

Differences in item labelling include the following:

- The South African presentation does not include unclear terms such as “other” and “miscellaneous”. In addition, certain items are labelled more clearly than in the GFS version. For example, instead of using the term “sales of goods and services” for sales of goods and services produced by government, the label used is “sales of goods and services produced by a department”.
- The term “grant” is not used in the South African budget presentation format. In the GFS, grants include all funds flowing from one level of government to another and between domestic and foreign governments and international organisations. However, in the local context, the majority of funds flowing to other levels of government are not appropriated as grants. They are identified as direct charges against the National Revenue Fund and are therefore included under transfers.
- More detail is provided on various transfer categories in the South African presentation to enhance transparency and facilitate monitoring, especially of payments.

DIFFERENCES IN PRESENTATION OF NATIONAL BUDGET AND NATIONAL ACCOUNTS

The 2008 SNA is a coherent, consistent and integrated set of macroeconomic accounts, balance sheets and tables based on a set of internationally agreed concepts, definitions, classifications and accounting rules. It provides a comprehensive accounting framework that enables economic data to be compiled and presented in a format designed for analysing, making decisions and formulating policy. The national accounts are compiled for successive periods, providing a continuous flow of information for monitoring, analysing and evaluating economic performance.

The 2008 SNA provides a framework for calculating gross domestic product, gross national income, savings, capital formation and other key economic variables. National accounts data covers all resident units in a given economy, which is divided into five sectors (including government).

In the national accounts, entries reflect all resident economic units, whereas government accounts reflect government only. This inevitably leads to some differences between the two accounting frameworks. For example, own-account construction is recorded as payments for

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capital assets in government accounts, with a counter-entry to reflect the use of financial assets or the incurrence of a financial liability to finance the transaction. In the national accounts, the recording of the transaction is not complete until entries also reflect the production of a capital asset and the input in the asset production process. The productive activity is shown as the output in the national accounts and the input is compensation of employees and goods and services. The values for output and compensation of employees/goods and services can be derived from the government accounts for national accounts purposes, but these are not directly shown in government's financial statements. This implies that there is a difference between the values of compensation of employees and goods and services in the government accounts, and services payable by government in the national accounts.

The GFS government accounts differ in many ways from the national accounts, which form the basis for the statistics presented in Chapter 2 of the *Budget Review*. The most important differences are highlighted in Table W2.3.

Table W2.3 Differences between South African reporting format and government statistics in the 2014 GFSM and 2008 SNA

Difference	Budget data	GFSM	SNA
Basis of reporting	Mainly cash basis; i.e. mainly cash transactions are included in the account. Estimates for consumption of fixed capital and remuneration-in-kind are not included in the account. In addition, the time of recording reflects the cash flow	Accrual basis; i.e. including all non-cash transactions, for example, remuneration-in-kind and consumption of fixed capital. In addition, the time of recording reflects the underlying economic event, not the cash flow	Accrual basis
	For example, goods and services are recorded when they are purchased	For example, goods and services are recorded when they are used in the production process, not when they are purchased	
Compensation of employees	Does not include compensation of employees paid out to government employees who are engaged in government own-account construction in association with a capital project, but included as part of the capitalised project cost	Does not include compensation of employees payable to government employees who are engaged in government own-account construction in association with a capital project	Includes compensation of employees payable to government employees who are engaged in government own-account construction in association with a capital project
Goods and services	Does not include purchases of goods and services used in connection with a capital project within the context of government own-account construction, but included as part of the capitalised project cost	Does not include the value of goods and services used in connection with a capital project within the context of government own-account construction	Includes the value of goods and services used in connection with a capital project within the context of government own-account construction
Sales by government	This item is explicitly shown in the government accounts	This item is explicitly shown in the government accounts	This item is not shown anywhere in the national accounts. Instead it is used to estimate final consumption by government
Output, final consumption, savings, disposable income	These variables are not explicitly shown in the government accounts, but the accounts can be used as a framework to derive values for them	These variables are not explicitly shown in the government accounts, but the accounts can be used as a framework to derive values for them	These variables are explicitly shown in the accounts. Estimates for these variables have been made from data in the government accounts

Source: National Treasury