



DELIVERING THE
SARB STRATEGY

Governor's message



With inflation having been above 4.5% since May 2021, it is important that we rebuild confidence in our ability to achieve our target

Economic overview

Reflecting on the past year, global conditions remain strained and inflation has been higher than expected. Interest rates have likewise stayed high and the dollar remains strong, to the detriment of most other currencies including the rand. Geopolitical tensions have intensified, with conflict spreading in the Middle East. These are difficult circumstances for South Africa and other emerging markets.

The past year has also featured serious domestic challenges. Last year's electricity load-shedding was the worst on record. We also saw major disruptions to port and rail infrastructure. In these circumstances, the economy grew just 0.6%, one of the slowest growth rates in our modern history.

The labour market data show we have more jobs now than we did before the onset of COVID-19. Nonetheless, the unemployment rate in May 2024 is at 32.9%, compared to 28.7% in 2019 and 25.1% in 2014. This reflects an economy that is not absorbing a growing workforce.

We expect inflation to average

5.1%

this year, before stabilising at 4.5% in the second quarter of 2025.

Weak domestic growth, alongside high unemployment, has nonetheless not translated into markedly lower inflation. Headline inflation returned to our target range of 3–6% in June 2023, but has since then been stuck in the top half of that range, making no clear progress towards our 4.5% midpoint objective.

The food and fuel price shocks of 2022 and 2023 have largely passed, but we now confront higher core inflation, with services prices currently accelerating – a trend also reported for many other economies. This points to underlying inflationary pressures. We expect inflation to average 5.1% this year, before stabilising at 4.5% in the second quarter of 2025.

To achieve our target, the MPC has been holding rates at 8.25%, a level we consider restrictive. The forecast from our Quarterly Projection Model shows the policy rate easing this year, moving back towards 'normal' levels as inflation slows. The upside risks to this forecast, however, are prompting the MPC to keep rates on hold. These risks include persistently elevated rates from advanced economy central banks, especially the US Federal Reserve; higher and less stable inflation expectations; and new fuel and food price pressures.

With inflation having been above 4.5% since May 2021, it is important that we rebuild confidence in our ability to achieve our target. Looking back, South Africa's inflation performance has been relatively benign. We did not experience inflation rates as high as those in major advanced economies (for instance, US inflation peaked at 9.1%, compared with a South African peak at 7.8%). We have also not suffered double-digit inflation increases, in contrast to many of our emerging market peers.

However, our comparative performance has begun to deteriorate recently. In 2022, relative to the other Group of Twenty (G20) countries, we were right in the middle of the pack, ranking 10th. Last year we had the fourth highest rate of inflation in the G20, below only Turkey, Argentina and Russia – all countries with much more adverse monetary dynamics. International Monetary Fund (IMF) projections show we will slip to third-worst G20 country from 2026, leaving us ahead of only Argentina and Turkey. For all the pride we take in our monetary policy, at the SARB this is not much to boast about.

A fundamental part of the problem is our relatively high inflation target. South Africa has a mature inflation targeting regime, with the framework having been in place for nearly a quarter-century now. But we are the rare country that has never reformed the target. Going back to the establishment of inflation targeting in 2000, it was never our intention to keep the 3–6% range forever. Indeed, there was an announced reduction of the target, to 3–5%, which was unfortunately abandoned following the 2001 rand sell-off. This was a policy mistake and thus left us with unfinished business.

An inflation target of 3–6%, even where that is interpreted as an objective of 4.5%, is high relative to our peers. This affects our competitiveness. It also means a bad user experience for our people. An inflation rate around 4.5% forces everyone to adjust prices, wages and investments routinely to avoid losing buying power. Furthermore, not everyone has the knowledge or power to make these changes, so vulnerable people often fall behind as their incomes decline. A relatively high target also means that the rand will follow a weakening trend, always losing ground to currencies that hold their value better. As the *Macroeconomic Review* published by National Treasury in February 2024 argued, it is important to reconsider the target. South Africa can and should have lower inflation.

SARB leadership

While the SARB must face these challenges head on, it can now do so with a full complement of governors after Dr Mampho Modise joined us as a Deputy Governor in April. The terms of Deputy Governors Nomfundo Tshazibana and Rashad Cassim have also been renewed, as has my term. This ensures policy continuity at the SARB. I am grateful for the strong team of Deputy Governors at my side.

I would also like to thank Kuben Naidoo for the long and exemplary service he has given his country, in various policy roles, including his time as a SARB Deputy Governor. He has undoubtedly served the country in stellar fashion – with commitment and dedication.

We have also appointed Dr David Fowkes as the sixth member of the MPC which further bolsters our efforts to effectively execute our mandate of price stability.

SARB balance sheet developments

The SARB is undertaking important changes to its balance sheet, built around new arrangements governing the GFECRA. The new GFECRA framework, announced in February 2024, will provide the SARB with a stronger capital position. It will also allow the government to access some of the funds, which will be used to reduce borrowing. There will be no reduction of gold and FX reserves.

The previous GFECRA arrangements meant this account was likely to grow indefinitely, with gains or losses delivering little benefit for either the government or the SARB. We expect that the new framework will achieve better outcomes, through a rules-based system for GFECRA distributions. The new arrangements require certain legal processes to be completed, with most of the funds expected to flow in the second half of 2024.

Financial stability and prudential regulation

South Africa's financial system remains resilient. Through prudent management and regulation, financial institutions have generally avoided reckless credit extension and maintained adequate capital buffers. The financial system continues to be a source of strength for the economy, rather than a vulnerability.

A significant milestone for the year was the establishment of CODI in March 2023, with deposit insurance in place from April this year. South Africa has long been providing most depositors with implicit deposit protection, so they have not suffered significant losses such as in cases like the VBS Mutual Bank curatorship where 98% of depositors were covered. CODI provides explicit deposit insurance, funded by a levy on banks, to insure qualifying deposits up to R100 000. A deposit insurance scheme is global best practice and it is a welcome development that CODI is finally up and running.

We continue with the urgent work to remove South Africa from the Financial Action Task Force (FATF) greylist. National Treasury is leading a multi-agency effort to ensure South Africa addresses all the shortcomings highlighted by the FATF by the 2025 review period. The SARB is playing an important supporting role in this effort and many of the action items have already been largely or wholly addressed.

Finally, the Financial Stability Committee (FSC) has decided on an adjustment to bank capital buffers (specifically the countercyclical capital buffer, the CCyB). It will be phased in over 12 months. This will allow the SARB to provide regulatory relief to banks during financial downswings.

Payments

The SARB manages the national payment system. To make payments cheaper, faster and more reliable, we have embarked on a wide-ranging Payments Ecosystem Modernisation programme. This covers the renewal of the South African Multiple Option Settlement (SAMOS) system, faster payment capabilities and a new centralised public payments utility. These modernisation efforts will require the development of a digital financial identity for consumers, with a pilot expected to begin in June this year.

We also continue to invest in maintaining the existing SAMOS and regional Southern African Development Community real-time gross settlement (SADC-RTGS) system environments to ensure that these systems continue to serve the industry efficiently. This will include the move to the new global financial messaging standard ISO 20022 for the SADC region in June 2024.

Outreach

With the COVID disruptions behind us, the SARB has now resumed in-person outreach initiatives. These activities include our monetary policy and financial stability forums, our countrywide 'Talk to the SARB' events, and our popular MPC Schools Challenge. Employee volunteerism has also resumed, with staff giving their time at four schools for students with special learning needs.

Strategy

The SARB is heading into the final year of our five-year strategy cycle. This provides an opportunity to reflect on progress and consider how best we can position ourselves for the next five years. Accordingly, the work to plot out our Strategy 2030, under the auspices of a Strategy Deep Dive, is now underway.

Over the past year, we have achieved three of our five strategic focus areas (SFAs), while the remaining two SFAs have been partly achieved. Global and domestic economic conditions have once again impacted the achievement of SFA 1, with headline inflation still above the 4.5% midpoint, even though inflation moved back within the 3–6% target range during the year. Meanwhile, for SFA 4, the indicators for external resilience still show some shortcomings.

International commitments

Over the past year, South Africa hosted the BRICS Finance Ministers and Central Bank Governors meeting and co-chaired the BRICS Finance Track. Next year, South Africa will host the G20 and work is already underway to prepare for this global event. The G20 presidency is a prestigious role but it also comes with challenges. Given divergent views on geopolitical issues, the 2023 meetings ended without a formal communiqué. We hope we will be able to achieve progress on the many shared interests, especially on the Finance Track.

I am pleased with the steady progress of the Financial Stability Board (FSB) in implementing the G20 Roadmap to enhance cross-border payments. As co-chair of the Cross-border Payment Coordination Group, we aim to improve efficiencies in cross-border payments dealing with high costs, slow speed and limited access and transparency. We hope this will drive economic growth, investment and trade in Africa. This work has also been a focal point of the FSB's Regional Consultative Groups (RCGs) for sub-Saharan Africa which I also co-chair. We have been hard at work to expand our efforts beyond the membership of the G20, focusing on global and regional financial stability, an increase in sovereign indebtedness and the implications of the FSB's work programme for the respective regions.

Our people

Over the past year we continued our diversity and inclusion (D&I) journey in the quest to ensure that every employee in the SARB has a sense of purpose and belonging. We completed another crucial phase of the D&I journey and are now in the process of embedding the principles of the programme. It is only by doing that we learn; enablement and coaching will take us a step further in incorporating the D&I principles into our daily behaviour.

To improve our staff experience, in line with digital transformation, we have implemented a cloud-based human resource solution. Our Ways of Work programme has fully socialised the hybrid work principles; these practices have been fully rolled out in a way that allows us to continue meeting our commitments to the South African public.

Conclusion

These are without a doubt challenging times for South Africa and for the rest of the world. There are protracted conflicts underway in a number of regions; geopolitical fractures are spreading; extreme weather patterns are a stark reminder of the impact of climate change; global inflation is still elevated; and global interest rates are remaining high for longer.

The domestic economy faces chronic challenges of high unemployment and low growth, driven mainly by supply-side problems such as load-shedding and other infrastructural gaps. At the same time, there is a silver lining that some of South Africa's strengths are beginning to take shape.

There are serious efforts underway to stabilise government debt and raise growth, for instance by transforming the power sector. These projects are crucial to the future of this country. After many years of disappointing economic performance and fiscal outcomes, many have adapted to stagnation and rising indebtedness. There are real prospects of a turnaround.

Throughout this challenging period, the SARB has maintained its independence, fulfilled its mandates and remained a credible institution. We are accountable to the people of South Africa and will from time to time face criticism, which is normal in a democratic society like ours.

Still, I am often reminded in engagements both at home and abroad, that the SARB is the cornerstone of South Africa's macroeconomic stability. At a time of acute global stress, good central banking is also the leading explanation for why most middle-income countries, like South Africa, have not fallen into deep crises. We have spent many years constructing an independent, credible central bank, and this effort is paying off.

The Board, Deputy Governors and staff of the SARB have much to be proud of, and I am grateful to them all for the dedication, energy and talent they display in carrying out their duties. Public service is about doing something bigger than yourself, and we all feel proud of what we do for the people of South Africa.



E L (Lesetja) Kganyago
Governor of the SARB

Advancing Strategy 2025

The SARB's strategy is formulated to fulfil its price and financial stability mandates and the additional priorities that various laws assign to the organisation. This strategy is articulated through five SFAs that the SARB considers essential in achieving its mandate. This is supported by five enablement focus areas (EFAs) that drive the strategy's execution.

During the review period, strategy formulation sessions were held to test and adapt our SFAs. The process found that the five SFAs remain relevant; however, we have reviewed how best to measure SFA 4 which assesses South Africa's resilience to external shocks. New indicators will be included in next year's reporting cycle. The indicators will be a month of import cover, the IMF's 'assessing reserve adequacy' (ARA) and an investment-grade rating.

There are two measures of foreign-exchange reserve adequacy. One is an import cover rule, drawn from the Southern African Development Community (SADC) convergence criteria. The other is the IMF's metric, a more complex measure of reserve adequacy which incorporates variables such as money supply, portfolio flows and foreign debt. For the import cover measure, the SARB aims to have reserves equal to at least six months of imports of goods and services. For the IMF metric, it aims to hold between 100% and 150% of the required amount, which is the standard range used by the IMF to test reserve adequacy.



The third metric is that South Africa should have an investment-grade credit rating from at least one of the major rating agencies.

Looking *ahead*

The 2024/25 performance cycle marks the last year of execution of Strategy 2025. The SARB's strategy framework requires that an in-depth review process is undertaken every five years to craft a five-year strategic plan. The process considers the current performance and developments in the SARB's operating environment that may warrant a shift in strategic priorities. Strategy 2030 will be launched in April 2025.

How we achieve price and financial stability






Stakeholder value proposition

SFA 1	SFA 2	SFA 3	SFA 4	SFA 5
Maintain  headline inflation within the target range	Protect  and enhance financial stability	Promote  and enhance the safety, soundness and integrity of regulated financial institutions and market infrastructures	Enhance  South Africa's resilience to external shocks	Ensure  the cost-effective availability and integrity of currency

Objectives unique to each SFA

Maximise  monetary policy effectiveness	Improve  the monitoring of existing and emerging vulnerabilities	Enhance  risk-based, outcomes-focused and forward-looking supervision	Improve  the monitoring of existing and emerging vulnerabilities	Optimise  the currency supply chain
Anchor  inflation expectations	Assess  risks and vulnerabilities in the financial system	Implement  integrated and proportional regulatory and supervisory frameworks	Enhance  the functioning of South Africa's financial system	Enhance  the integrity of banknotes and coin
	Develop  and propose possible mitigating options	Improve  regulatory coverage	Enhance  the macroeconomic and macroprudential toolkit	
	Broaden  access to payment services while promoting the safety, efficiency and integrity of the NPS	Improve  the monitoring, reporting and surveillance of cross-border transactions		

How we enable our strategic objectives

Cross-cutting themes	EFA 1 Improve  transparency and accountability through stakeholder engagement and communication	EFA 2 Coordinate  policymaking and implementation	EFA 3 Optimise ,  integrate and leverage information and technology solutions
Organisational capability	EFA 4 Improve  strategy execution and internal efficiency	EFA 5 Attract ,  develop and retain critical skills and competencies and embed the SARB culture	

Note: The status of an SFA is determined by the measures in its scorecard and not the achievement of its unique objectives.



Target met



Target partially met



Target not met

SFA 1

Maintain headline inflation within the target range

OBJECTIVE

Maintain headline inflation within the target range of 3–6% by delivering a structured research programme, economic analysis and policy advice. This is supported by an effective monetary policy implementation framework (MPIF), strong information management and targeted communication and stakeholder engagement.

2023/24 PERFORMANCE OVERVIEW

Headline inflation returned to the upper end of the inflation target range in 2023 at 6.0%. The SARB's inflation forecast is to revert to the target range at 5.0% in 2024; 4.6% in 2025 and 4.5% in 2026.

PERFORMANCE SCORECARD

Overall status



Strategic measures	Target (annual)	2023/24 (annual)	2022/23 (annual)
Headline inflation versus target	→ 3–6%	6.0% (2023 calendar year) 5.5% (financial year)	6.9%

UNIQUE STRATEGIC OBJECTIVES FOR SFA 1

Maximise monetary policy effectiveness



- Achieved intended outputs of economic research for the year, with the SARB research papers used to inform monetary policy thinking and referenced in the *Monetary Policy Review (MPR)*.
- Several peer evaluations of research topics were completed.
- Published the *Quarterly Bulletin (QB)* and related statistics, the biannual *MPR* and produced timeous MPC background packs.

Anchor inflation expectations



- The Q4 2023 Bureau for Economic Research (BER) survey expectations returned to the broader target band, but individual groups expected inflation to stay above 6%. The aim is for expectations to be around 4.5% on a sustainable basis.
- Research on administered prices was completed and published. Further work on developing the price setter engagement approach will continue in the coming period.

Note: The strategic plan reports headline inflation for the 2023/24 financial year (April 2023 to March 2024).

Target met
 Target partially met
 Target not met

SFA 2

Protect and enhance financial stability

OBJECTIVE

Develop macroprudential frameworks with an increased focus on stress testing and understanding their efficacy. Modernise the NPS and ensure its safety.

2023/24 PERFORMANCE OVERVIEW

No systemic events occurred in the financial system during the 2023/24 financial year. After many years of legislative and design work, the SARB became the Resolution Authority with effect from 1 July 2023. This means the SARB now has the legal obligation to develop resolution plans for systemically important banks and insurers – or designated institutions – and in the event of a failure, to implement these resolution strategies.

PERFORMANCE SCORECARD

Overall status



Strategic measures	Target (annual)	2023/24 (annual)
<p>Consistently test the financial stability framework to ensure it meets international standards</p>	<p>Improve the assessment of vulnerabilities in the financial system, development of mitigating tools and the SARB's ability to respond to shocks</p>	<p>Thematic focus areas were developed for the FSC. Policy proposals, supported by research and analyses, were made to the FSC. Subcommittees of the FSC made substantial improvement to financial stability resilience.</p>

UNIQUE STRATEGIC OBJECTIVES FOR SFA 2

Improve the monitoring of existing and emerging vulnerabilities



- Revised indicators of external vulnerabilities and identified and removed inappropriate indicators.
- Improved the financial stability monitoring framework to include more appropriate assessments of external vulnerabilities.

Assess risks and vulnerabilities in the financial system



- Finalised standards for designated institutions in resolution that were necessary for the Financial Sector Laws Amendment Act 23 of 2021 (FSLAA) to become effective. These included the transfer of assets and liabilities, early termination rights and resolution moratoriums on contracts of designated institutions in resolution.

Develop and propose possible mitigating options



- Completed the first draft of the revised SARB macroprudential policy framework in collaboration with other financial sector regulators.
- Completed pilot resolution plans for two systemically important financial institutions (SIFIs) and hosted industry meetings with banks.
- Commenced the first chapter of the resolution plans, for completion by June 2024. Resolution plans for SIFIs (banks) are ongoing and a longer-term goal was set to be completed by 2028.
- Commenced the development of a resolution strategy for non-SIFIs (banks) and established the Financial Market Infrastructure (FMI) working group to develop a methodology for the designation of FMIs.

Broaden access to payment services while promoting the safety, efficiency and integrity of the NPS



- Incorporated the proposed consequential amendments to the National Payment System Act 78 of 1998 (NPS Act) into the Conduct of Financial Institutions Bill (COFI Bill).
- Engaged stakeholders on the cyber-resilience framework to be submitted for approval.

SFA 3

Promote and enhance the safety, soundness and integrity of regulated financial institutions and market infrastructures

OBJECTIVE

Embed the PA's enhanced regulatory and supervisory practice and drive a proactive response through the right policies, frameworks and tools to support the evolving financial ecosystem and improve financial surveillance.

2023/24 PERFORMANCE OVERVIEW

The SARB continued to collaborate with other regulators and entities, including National Treasury, on various issues affecting the financial sector. SIFIs remain sound, profitable and well capitalised, reflecting the resilience of these institutions in a tough economic climate. The supervision of non-SIFIs¹ focused on addressing identified shortcomings in their business strategies, models, solvency and governance effectiveness. Over the past year, four entities were placed under various stages of resolution and one under judicial management. The SARB made progress in addressing the FATF greylisting action items, in line with the expectations of the FATF Joint Group (JG).

Steps have been taken to address these action items, including working closely with other agencies to proactively identify, investigate and sanction illegal money or value transfer services (MVTs).

During the year under review we continued our work on measures to give effect to the new Capital Flow Management Framework announced by the Minister of Finance in 2020. The framework for authorisations of registered crypto-asset service providers for cross-border activity is also underway. There has also been significant progress on identifying illegal MVTs through the illegal MVTs sub-working group, which forms part of the interagency working group on illicit financial flows. MVTs is a FATF greylisting action item.

PERFORMANCE SCORECARD

Overall status



Strategic measures	Target (annual)	2023/24 (annual)	2022/23 (annual)
Percentage of financial institutions that meet or exceed the quantitative prudential standards for SIFIs	→ 100% or under adequate regulatory action	100%	100%
Weighted percentage of financial institutions that meet or exceed the quantitative prudential standards for non-SIFIs	→ 90% or under adequate regulatory action	96.9%	99.5%
Compliance with sound governance and risk management practices for SIFIs (proportionate application of smaller banks and co-operative financial institutions)	→ 100% of institutions fully compliant or under adequate regulatory action	100%	100%
Weighted percentage of non-SIFIs that comply with sound governance and risk management practices required by legislation	→ 100% of institutions fully compliant or under adequate regulatory action	96.4%	97.3%



Target met



Target partially met



Target not met

1 Non-SIFIs: smaller banks or small- to medium-sized insurers.

UNIQUE STRATEGIC OBJECTIVES FOR SFA 3

Enhance risk-based, outcomes-focused and forward-looking supervision



- Continued refinement of the PA Risk Framework, which included training and workshops facilitated by the Toronto Centre in the year under review.

Implement integrated and proportionate regulatory and supervisory frameworks



- The SARB is on course to meet the FATF greylisting action item, in line with expectations of the FATF JG. All supervisors are required to demonstrate that they are able to impose administrative sanctions, which will be tracked via the JG process until the January 2025 deadline.
- Remedial actions are tracked quarterly against the 2020 Financial Sector Assessment Programme document.

Improve the monitoring, reporting and surveillance of cross-border transactions



- Regulated entities largely complied with financial surveillance systems and reporting standards. However, 30% did not meet the requirements and are under corrective action.²
- Improved the submission process of outstanding quarterly asset allocation and audit reports.
- Improved data integrity on the Portfolio Investment Reporting System (PIRS) by authenticating institutions' names with the Financial Sector Conduct Authority (FSCA), the licensing regulator for institutional investors.

² The scoring model for monitoring compliance reporting is under review by the Financial Surveillance Department to align it with the adopted risk-based supervisory framework.



SFA 4

Enhance South Africa's resilience to external shocks

OBJECTIVE

Improve the monitoring of existing and emerging external financial and macroeconomic risks and vulnerabilities, continue to enhance the functioning of the financial system, enhance macroeconomic and macroprudential toolkits and improve the coordination of policy responses within the SARB and with National Treasury.

2023/24 PERFORMANCE OVERVIEW

The SARB continued to monitor external vulnerabilities, while further developing the policy toolkit used to support financial market functioning. Gross FX reserves rose to US\$62.7 billion as at March 2024, up from US\$61.85 billion for March 2023 and US\$58.2 billion for March 2022.

PERFORMANCE SCORECARD Overall status



Strategic measures	Target (annual)	2023/24 (annual) ⁴
Guidotti-Greenspan rule (GG): used to monitor reserves to cover debt should there be a sudden stop or reversal of capital flows	<ul style="list-style-type: none"> Foreign reserves should be at least 100% of total short-term debt 	GG: 1.54 (Q3 2023)
FX debt of the total economy: (public sector, private sector)	<ul style="list-style-type: none"> Two standard deviations from the historical mean of R255 billion: total foreign debt of national government denominated in foreign currencies (R'bn) 	R582.57 billion (October 2023)
	<ul style="list-style-type: none"> Two standard deviations from the emerging markets (EM) mean of US\$287.58 billion: total foreign debt of private sector denominated in foreign currencies (US\$'bn) 	US\$92.7 billion (Q3 2023)
Capital flows at risk (the degree to which capital flows could change in a risk scenario) ³	<ul style="list-style-type: none"> Two standard deviations from the mean of -R148 million: net purchases of bonds by non-residents 	R13.55 billion (February 2024)
	<ul style="list-style-type: none"> Two standard deviations from the mean of -R4.89 billion: net purchases of shares by non-residents 	-R12.83 billion (February 2024)
Foreign shareholding in bonds and equities (the degree to which capital outflows could occur during a shock)	<ul style="list-style-type: none"> Two standard deviations from the mean of R224.78 billion: holdings of SA government bonds by non-residents 	R389.18 billion (February 2024)
	<ul style="list-style-type: none"> Two standard deviations from the mean of R67.79 billion: holdings of SA equities by non-residents 	R48.11 billion (February 2024)

Note: Standard deviation is a statistical indicator of how dispersed variables are relative to their historical mean values. An observation of greater (or less) than two standard deviations from the mean is generally regarded as an outcome that occurs less than 5% of the time, indicating a probable build-up of pressure.

³ Negative figures indicate outflows of capital.

⁴ Figures provided are the most recently reported as at 31 March 2024.



UNIQUE STRATEGIC OBJECTIVES FOR SFA 4

Improve the monitoring of existing and emerging vulnerabilities



- Adopted the market dysfunction framework and the governance framework for financial market interventions as policies that will guide the SARB's interventions in financial markets during periods of market dysfunction or crises.
- Commenced the development of architecture to support FX monitoring. Developing the technology infrastructure solution, alongside the reporting instructions for banks which is due for completion by April 2024.
- A research trip to Europe was conducted and informed the development and adoption of a new market intelligence (MI) function in Market Operations of Analysis (MOA). The MOA structure was revised to make provision for the new MI team. The new structure will take effect in April 2024.

Enhance the functioning of South Africa's financial system



- The proposed model for a Triparty Collateral Management (TCM) system has been developed and is being socialised with stakeholders.
- To improve access to the global financial safety net (GFSN), the SARB secured a FIMA⁵ facility from the Federal Reserve of New York. This will provide dollar liquidity to onshore banks during periods of market stress. This facility was introduced to the private sector at the 27 June 2023 Money Market Subcommittee (MMS) meeting.

Enhance the macroeconomic and macroprudential toolkit



- A policy on the utilisation of FX reserves is under consideration.

⁵ The Federal Reserve established a repurchase agreement facility for foreign and international monetary authorities (FIMA Repo Facility).

Target met Target partially met Target not met

SFA 5

Ensure the cost-effective availability and integrity of currency

OBJECTIVE

Ensure the availability of high-quality banknotes and coin, combat counterfeiting and explore the feasibility of a central bank digital currency (CBDC).

2023/24 PERFORMANCE OVERVIEW

The strategic goal of ensuring 100% on-time, in-full availability of currency to the cash industry was met during the year under review. The integrity of the currency as measured by the incidence of counterfeiting stood at 4.03 parts per million (ppm), well below the threshold of 12 ppm. The currency-manufacturing subsidiaries maintained their costs in line with set targets, despite increases in commodity prices and FX volatility.

PERFORMANCE SCORECARD

Overall status



Strategic measures	Target (annual)	2023/24 (annual)	2022/23 (annual)
On-time, in-full fulfilment of orders from the cash industry	→ 100% orders fulfilled on time	100%	100%
Incidence of counterfeiting measured in ppm (annualised)	→ <12 ppm or under adequate regulatory action	4.03 ppm	2.92 ppm

UNIQUE STRATEGIC OBJECTIVES FOR SFA 5

Optimise the currency supply chain



- The operating and production costs of banknotes and coin were within budget.
- Banknote and coin buffer stock levels are above the 9- and 6-month targets respectively.

Enhance the quality of banknotes and coin



- The SARB completed the rollout of the fourth decimal coin series and version 6 banknotes.



Target met



Target partially met



Target not met



Subsidiaries: **page 71.**

Enablement focus areas

EFA 1



Improve transparency and accountability through stakeholder engagement and communication

2023/24 PERFORMANCE HIGHLIGHTS

The following scores were achieved in the latest reputation survey conducted between September 2023 and January 2024:

Informed stakeholders

- Citizenship: 72% (2022: 78%).
- Communication: 83% (2022: 89%).
- Image: 82% (2022: 83%).
- Relationship management: 73% (2022: 77%).
- Reputational equity: 84% (2022: 85%).

Public stakeholders

- Public awareness: 64% (2022: 60%).
- Public reputation: 69% (2022: 72%).

The next survey will be conducted in 2025/26.

EFA 3



Optimise, integrate and leverage information and technology solutions

2023/24 PERFORMANCE HIGHLIGHTS

- Progress was made on the delivery of Tier 1 programmes. Plans are in place to convert Tier 1 projects that are Amber to Green status during the next few months.
- Tier 2 projects are progressing with 80% achieving Green status at the end of February 2024.

EFA 4



Improve strategy execution and internal efficiency

2023/24 PERFORMANCE HIGHLIGHTS

- Deployed a bank-wide single project management solution with a built-in prioritisation tool.
- Strategy training for divisional heads and managers was completed in 2023.
- The Head Office Campus Redevelopment (HOCR) programme is on track.
- Implemented the Human Capital Management (HCM) cloud solution to simplify and digitalise human resources processes.

EFA 2



Coordinate policymaking and implementation

2023/24 PERFORMANCE HIGHLIGHTS

- Work on EFA 2 has been completed and a proposal outlining the approach to cross-departmental research has been drafted.
- Climate change scenario modelling on major technical outputs such as stress testing is near completion. In the supervisory and prudential areas, Pillar 2 guidance notes under the Basel III reforms have been published. Refinement and data analysis for climate risk indicators are underway.
- Sixteen of 17 research papers into the impacts of Basel III reforms on SA's financial sector are in the final review stage. Some papers dealing with micro and macroprudential research will be covered in a special issue of the *SA Journal of Economics*.

EFA 5



Attract, develop and retain critical skills and competencies and embed the SARB culture

2023/24 PERFORMANCE HIGHLIGHTS

- Improved the coverage ratio for critical roles to 91% (target: 85%). The average time to fill critical roles was 140 days (previous year 109 days).
- Critical roles turnover was within the tolerance range of less than 4%.
- Integrated action plans to address areas of improvement and sustain areas of strength identified in the 2023 Employee Engagement Survey (EES) continue to be implemented.
- The Ways of Work programme has ensured that hybrid working remains supported.
- The D&I programme continues with maximum participation and engagement. Phases 4 and 5 have commenced.



Target met



Target partially met



Target not met