NATIONAL ASSEMBLY

QUESTION FOR ORAL REPLY

QUESTION NUMBER: 357 [NO3671E]

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★357. Mr N J J van R Koornhof (Cope) to ask the Minister of Finance:

Whether the National Treasury intends to take specific steps to prevent a further decline in the perception by investors and credit rating agencies that South Africa is not a favourable investment destination; if so, what (a) steps and (b) are the further relevant details? NO3671E

REPLY:

(a) Steps to prevent further decline in the perception about SA by investors and credit rating agencies

- Government has identified key areas that need to be improved in order to attract investments into the country. One of the main areas identified is infrastructure development. In the New Growth Path, government has identified infrastructure as the main driver of growth. Over the medium term expenditure framework period, government has budgeted and approved R844.5 billion aimed at public sector projects.

  The established Presidential Infrastructure Coordination Committee (PICC) has identified key strategic integrated projects which are to be prioritised, thus raising the level of investment spending and contributing to the national and regional development.

  Additional financing has also been secured, aimed at addressing bottlenecks in school infrastructure, electricity, roads, public transport and water distribution. All these efforts are aimed at mitigating the concerns relating to the infrastructure shortfalls.

- Government has also noted the investors' concerns about SA's long standing socio-economic challenges, in particular, the high unemployment rate. Government recognises that creating decent jobs, reducing poverty and inequality can only happen if a new growth path underpins the restructuring of the South African economy. Rooting out poverty and boosting long-term job creation remains an overriding objective of economic policy.

  Part of the strategy has been to shift resources from consumption to infrastructure spending and to devise quality programmes for job creation and implementation.

  Infrastructure development continues to be the main driver of growth and job creation.

- Finally, steps are being taken to constantly provide investors with consistent feedback on the government's plans through transparent reporting, investor engagements and responding to concerns impacting on their investment decision.

(b) Further relevant details

- In the wake of the recent downgrades by Moody's and S&P and the rationale behind the downgrades, government has identified the following specific steps in order to mitigate risks to SA's investment climate, amongst other factors identified:

  - We have increased our engagements with the rating agencies and investors on matters which have a bearing on our sovereign ratings. Our aim is to pro-actively provide the rating agencies and investors with factual information, thereby mitigating the risks of the rating agencies and investors having to rely on the media's sensationalised information;

- ➢ We have also increased coordination of information within and outside of government. This includes sharing rating reports in which the strengths and weaknesses to the sovereign rating are identified and measures being undertaken by government to address concerns raised.; and

- It should be noted that, as government, we remain committed to the strategy of fiscal consolidation. In this regard, the fiscal framework continues to be guided by the three principles that were reiterated in the 2012 Budget in February, namely:
  - ➢ Counter cyclicality
  - ➢ Debt sustainability, and
  - ➢ Intergenerational equity

- The fiscal approach reflected in the MTBPS is yet another example of both the application of the above guidelines and government's commitment to support for growth in the immediate term and fiscal consideration over the medium term.