**NATIONAL ASSEMBLY**

**QUESTION FOR WRITTEN REPLY**

**QUESTION NUMBER: 394 [NW546E]**

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**Mr M G P Lekota (Cope) to ask the Minister of Finance:**

Whether the National Treasury has fully committed itself to achieving a progressively larger primary balance during the annual presentation of the Budget to Parliament each year, commencing from 2013, in order to (a) achieve a progressive reduction in the national debt, (b) increase fiscal space, (c) acquire more positive ratings from rating agencies and (d) leave future generations unencumbered with this generation's spending; if not, why not; if so, what is the (i) (aa) nature and (bb) extent of the commitment to achieve a primary balance each year and (ii) is the percentage of the primary surplus that is being aimed for in this and subsequent financial years to create certainty about the path to debt reduction?

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**Reply:**

Government aims to narrow the primary deficit (the difference between non-interest expenditure and revenue) and stabilise the debt-to-GDP ratio over the medium term. Since the Medium Term Budget Policy Statement in October 2012, government has revised its expenditure plans:

- Spending projections of national departments have been trimmed.
- The contingency reserve, which caters for unforeseen expenditure and can be used to finance new policy initiatives, has been substantially reduced.
- Departments were asked to review their spending, and R52.1 billion has been shifted in support of key priorities.

As a result, government's core spending plans are reduced by R10.4 billion over the next three years. Real non-interest expenditure is now projected to grow at an average rate of 2.3 per cent per year over the medium term, down from 2.9 per cent projected in October 2012.

The 2013 fiscal framework narrows the primary deficit on the main budget over the three-year forecast period: 3 per cent of GDP in 2012/13, 2.3 per cent in 2013/14, 1.6 per cent in

2014/15, and 0.9 per cent of GDP in 2015/16. This will ensure that debt stabilises at around 40 per cent of GDP in 2015/16.

Beyond the medium term, rebuilding fiscal space requires government to close the gap between long-term revenue and spending. Over the next year, a tax policy review will assess whether present tax policy is appropriate to support government's objectives, including fiscal sustainability, over the longer term. Expenditure reviews will seek to increase the efficiency of spending and eliminate waste. A Long Term Fiscal Report will review the sustainability of our spending plans over the coming decades.

Taken together, these interventions should allow South Africa to reduce debt, rebuild fiscal space, and ensure that future generations are not unfairly burdened by today's choices. In addition, while credit ratings are determined by host of economic and political factors, these institutional reforms will raise the chances of better future ratings.