

NATIONAL ASSEMBLY
QUESTION FOR WRITTEN REPLY
QUESTION NUMBER: 2768 [NW3200E]
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2768. Mr M G P Lekota (Cope) to ask the Minister of Finance:

Whether National Treasury intends to undertake a countrywide road show to explain to citizens (a) what debt the Government was incurring in their name in order to fund its annual undertakings, (b) how it was proposing to manage and pay off the specified debt so that the country does not become another Greece or Puerto Rico in the next decade and in such specified process solicit the citizen's support for incurring the specified debt so that they could not say, in the near future, that they knew nothing about such debt and therefore want no involvement in taking responsibility to pay off the specified debt and/or be subjected to severe austerity measures; if not, why not; if so, what are the relevant details?

NW3200E

REPLY:

- (a) National Treasury makes significant efforts to communicate publicly its fiscal strategy and implications for the debt outlook. Extensive budget information is released to the legislature and the public in general. According to the international Open Budget Index survey, South Africa ranks as one of the top countries for transparency and accountability. Parliament holds public hearings after the tabling of each Budget Review and Medium Term Budget Policy Statement. As part of its budget outreach programme, National Treasury representatives travel around South Africa presenting the fiscal outlook to universities and civil society organisations. The National Treasury conducts domestic investor roadshows and communicates regularly with the media on the implications of the fiscal framework for the national debt outlook.

The debt that government will incur over the coming decade is set out in the publicly available budget documents tabled in parliament in February each year. Provisions are made for debt that is falling due, with the details outlined in chapter 7 of 2015 Budget Review. A more detailed breakdown is published in the annual Debt Management Report, which is available on the National Treasury website.

- (b) Government manages the debt outlook by narrowing the deficit over time while mitigating refinancing risk (i.e. the risk that government will not be able to raise money to finance the budget deficit and repay debt at any scheduled point, or will have to do so at high cost). In order to close the deficit, government has raised taxes and reduced the rate of expenditure growth. The budget also aims to change

the composition of borrowing, in order to ensure that government debt is used to fund infrastructure spending with a positive long-term impact.

The medium-term borrowing strategy focuses on mitigating the risks presented by the sharp increase in loan repayments in 2017/18 and beyond. To meet these high loan repayments, cash has been generated from higher long-term borrowing in 2014/15. Over the medium term, the cash will be used to pay down short-term borrowing. Government also makes use of a bond-switch programme to ease pressure on targeted areas of the bond redemption profile by exchanging short-term for longer-term debt.