NATIONAL COUNCIL OF PROVINCES

QUESTION FOR WRITTEN REPLY

QUESTION NUMBER 441 [CW541E]

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Mr M W Makhubela (COPE-Limpopo) to ask the Minister of Finance:

Whether the explicit costs of (a) existing and (b) new programmes that require a long-term commitment have been (i) regularly made to Cabinet and (ii) reported to the National Assembly in order to allow for an annual target for the structural budget balance that is consistent with (aa) the long-term growth, (bb) the sustainability of public debt and (cc) proper consideration of inter-generational obligations to be achieved; if not, why not; if so, what timelines have been set to bring the budget in line with these goals?

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REPLY:

(a) & (b) The Budget Review sets out the explicit costs of government programmes, including those that require a long-term fiscal commitment. (i) & (ii) As part of the budget process, these amounts are discussed with Cabinet and tabled before the National Assembly on budget day, including cost estimates made over the medium term expenditure framework (MTEF).

(aa) The National Treasury has published fiscal guidelines in the 2011 Budget Review identifying countercyclicality, long-term debt sustainability and inter-generational equity as the principles that underpin government's fiscal stance. The current budget reflects these principles.

(bb) In terms of countercylicality, government must balance the need for continued support to the economy with the goal of reducing the deficit. Expenditure is therefore set to grow in real terms at around 2.8 per cent over the medium-term. The result will be increasing government expenditure, but a declining structural deficit (reaching 3 per cent in the outer year). In terms of debt sustainability, the effect will be to stabilise national net loan debt at around 40 per cent of GDP in 2015/16.

(cc) This suggests that our trajectory is equitable from a generational perspective, since future generations will not be faced with an unsustainable debt burden. Treasury is also looking to close the current deficit (i.e. the gap between consumption spending and revenue) in order to ensure that borrowing is undertaken for projects that produce long-term gains for the economy.