NATIONAL COUNCIL OF PROVINCES

QUESTION FOR WRITTEN REPLY

QUESTION NUMBER: 102 [CW146E]

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102. Mr K A Sinclair (COPE-NC) to ask the Minister of Finance:

Whether the National Treasury intends to introduce austerity measures that will be designed specifically to finance the deficit; if not, why not; if so, what are the relevant details?

CW146E

REPLY:

Following weaker than anticipated economic growth, the budget deficit widened to 5.2 per cent of GDP in 2012/13. In response, the 2013 Budget Review announced measures that will reduce the deficit to 3.1 per cent of GDP by 2015/16 and maintaining a sustainable expenditure path. These measures included:

- Spending projections of national departments were trimmed to maintain a sustainable expenditure path.
- The contingency reserve, which caters for unforeseen expenditure and can be used to finance new policy initiatives, was substantially reduced.
- Departments were asked to review their spending, and R52.1 billion has been shifted in support of key priorities.
- New policy initiatives over the next three years will be financed from savings, efficiency gains and reprioritisation.

- Expenditure reviews over the year ahead will seek to increase the efficiency of spending and eliminate waste.

- A tax policy review will examine whether revenue levels are sufficient to ensure fiscal sustainability over the long term.

Government’s core spending plans were reduced by R10.4 billion over the next three years relative to the 2012 MTBPS. 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.