

NATIONAL ASSEMBLY
QUESTION FOR WRITTEN REPLY
QUESTION NUMBER: 3759 [NW4443E]
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3759. Mr W M Madisha (Cope) to ask the Minister of Finance:

- (1) Whether, in the interest of inter-generational equity and of responsible financial management, the Government regularly paid off national debt as and when it came due during the period 31 August 2014 to 31 August 2015, rather than rolling it forward and heaping the burden on the next generation; if not, (a) why not and (b) what consequence will the rising national debt have on the present and succeeding generations; if so, (i)(aa) how frequently and (bb) in what amounts were the debts being paid off to reduce state debt escalation and (ii) what success was being achieved by the Government in this regard;
- (2) whether he will make a statement on state debt and inter-generational equity and the extent to which the Government was upholding this principle?

NW4443E

REPLY:

- 1) (a) Government borrows money to finance the main budget balance and maturing debt. Government will only be able to pay down its existing stock of debt once it runs substantial budget surpluses over an extended period. Over the period under review budget deficit realised and government was therefore not in a position to repay maturing debt. As a result, over the period 31 August 2014 to 31 August 2015 the maturing debt of R38.4 billion was refinanced through issuing new debt instruments.

(b) As published in the 2015 MTBPS the ratio of government debt to GDP continues to stabilize. Revenue growth will continue to outpace spending growth, narrowing the budget deficit from 3.8 per cent in 2015/16 to 3.0 per cent in 2018/19. Over this period government will restore the primary balance ensuring a sustainable fiscal path resulting in lowering the rate of growth in the stock of debt.

(i) (aa) NA

(bb) NA

(ii) NA
- 2) The 2015 Budget and 2015 MTBPS are aimed at ensuring long-term fiscal sustainability, which is a defining feature of intergenerational equity.

As stated in the 2015 Budget there is a long-term (or structural) imbalance between revenue and expenditure. This imbalance is being addressed by the increase in taxes which was implemented in 2015/16 and the reduction in the rate of expenditure growth.

The bulk of the slowdown in spending growth has been targeted at government consumption. Government proposed a long-term fiscal guideline which aligns spending limits in the outer year of the MTEF with the long-term path of GDP growth.

The budget also aims to change the composition of spending, in order to ensure that government debt is used to fund expenditures with a long-term impact. Despite higher wage bill projections, government's current balance will move into surplus over the medium term. Over the same period the capital financing requirement will remain broadly unchanged at about 3.8 per cent of GDP, financed in part by the current surplus. Achieving current surpluses over the medium-term suggests that government will borrow to finance capital and not current expenditure. The downward revision to GDP, shortfalls in revenue and the weaker exchange rate have led to an upward revision of the debt-to-GDP ratio. However, the debt-ratio trend stabilises in the years ahead as a result of continued restraint in expenditure growth and improvements in the budget balance.