

NATIONAL ASSEMBLY
QUESTION FOR WRITTEN REPLY
QUESTION NUMBER: 4067 [NW4938E]
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Mr M G P Lekota (Cope) to ask the Minister of Finance:

- (1) Whether the Government has a clear strategy to mitigate sharp increases in loan repayments that are due in 2016 and 2017, without exchanging any short-dated or expiring bonds with longer-term bonds as that would create generation inequity; if not, why does the Government lack a strategy to meet the sharp increases in loan repayments that are due in the specified years; if so, (a) what are the relevant details of the domestic and foreign loans that are due in the specified years and (b) how exactly will the required repayments be made without adding to the already enormous debt burden;
- (2) whether he will make a statement on the specified loan repayments that are due in the specified years?

NW4938E

REPLY:

- 1) Government borrows money to finance the main budget balance and maturing debt. As government is running budget deficits it will not be in a position to pay down its existing stock of debt. This will only be possible once government runs budget surpluses.

However, government has a strategy to mitigate sharp increases in debt repayments over the medium term whereby short-dated debt is exchanged for longer-dated debt. In 2015/16 and 2016/17, government will refinance the maturing domestic loans of R85 billion and foreign loans of R16 billion.

- a. Details on loan repayments are available in Table A.7 on page 49 of the 2015 MTBPS.
- b. Government finances its gross borrowing requirement through issuing domestic short- and long-term loans, foreign loans and also draw downs on its cash balances.

The term structure of debt is not necessarily an indicator of intergenerational equity. Intergenerational equity is about ensuring that future generations are not unfairly burdened by the fiscal decisions taken today. Swapping shorter-dated debt for longer-dated debt helps government to manage the risk of default and ensure long-term fiscal sustainability of its social programmes. Similarly, issuing long-dated debt for projects with long-term benefits (e.g. infrastructure) can enhance intergenerational equity.

- 2) Table A.7 on page 49 of the 2015 MTBPS discloses detail on the financing of national government's borrowing requirement which includes maturing debt.