Members of the Standing and Select Committees on Finance and Appropriation heard that South Africa is currently spending R303 billion annually to service debt, and that this expenditure could increase to R1 trillion over the next three years.

The committees were briefed by the Deputy Minister of Finance, Dr David Masondo, together with senior management of the National Treasury, following the Medium Term Budget Policy Statement (MTBPS), which was delivered by the Minister of Finance Enoch Godongwana on Thursday, 11 November 2021.

He said: “High and unsustainable debt is not in the best interest of the economy and the poor. It crowds out important expenditure items, such as service delivery.”

The Head of Budget Office in the National Treasury Mr Edgar Sishi, supported these statements, saying that the debt service cost has risen significantly over the years. “In every R5 that is raised by government, R1 is spent on servicing the debt”, he said.

Nonetheless, Deputy Minister Masondo reiterated that the government’s budget remains pro-poor, whereby 60 per cent is made up of consolidated non-interest expenditure over the next three years.

The bulk of consolidated non-interest expenditure consists of healthcare, education and social protection. Other non-interest expenditure items are community development, social security funds, fee free higher education and employment programmes.

Deputy Minister Masondo explained further that the MTBPS calls on government to control expenditure levels and commit to fiscal consolidation.

Meanwhile, on the positive side, Mr Sishi said that South Africa’s economy grew faster than expected in the first half of 2021. “However, the momentum is expected to wane due to public violence and looting that took place in July this year,” he said.

A member of the Standing Committee on Finance, Mr Ahmed Munzoor Shaik Emam, said that the country’s stagnant economic growth is somewhat inevitable due to government’s failure to create a conducive environment for business to grow.

Members welcomed the briefing by Deputy Minister Masondo and senior officials from the National Treasury. However, in his concluding remarks, the Chairperson of the Standing Committee on Finance Mr Joe Maswanganyi said that Minister Godongwana should still be afforded an opportunity to clarify a statement he made during his MTBPS speech to the effect that state-owned companies will receive “tough love” from government.

Justice Molafo
17 November 2021