**NATIONAL ASSEMBLY**

**QUESTION FOR WRITTEN REPLY**

**QUESTION NUMBER:** **1133** **[NW1273E]**

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**1133. Mr E M Buthelezi (IFP) to ask the Minister of Finance:**

(1) Whether the National Treasury intends to implement reforms to decrease the continued support for (a) loss-making state companies, (b) spending on temporary welfare grants and (c) increased debt-service costs which are predicted to see the budget deficit widen to 6,5% of gross domestic product in the fiscal year ending 31 March 2024; if not, why not in each case; if so, what are the relevant details in each case;

(2) whether the National Treasury will heed the warnings from the International Monetary Fund; if not, why not; if so, what are the relevant details? NW1273E

**REPLY**

1 (a) Between 2012/13 and 2021/22, state-owned companies (SOCs) received about R266.6 billion in bailouts from government, which has crowded out important social and other expenditure. The 2022 *Budget Review* outlined the need for a new framework for managing bailouts to state-owned companies to reduce fiscal risks and promote long-overdue reforms. In addition, National Treasury has issued an Instruction Note in 2020 (No.09 of 2020/21) on the minimum criteria which must be met before entities submit for approval or concurrence with regards to guarantees, indemnities, security and restriction on borrowings. The above-mentioned Instruction Note has resulted in a decrease in requests for government guarantees from SOCs as a result of requests not meeting minimum criteria. Managing the state’s guarantee portfolio is therefore a key mechanism to decrease the continued support for loss-making SOCs.

(b) The COVID-19 SRD grant has been extended only until 2023/24. Government is still considering various options, including employment and labour market activation initiatives, in providing support to the working-age population. No final decision yet.

(c) Between the 2022 Budget and 2023 Budget, the consolidated budget deficit expected for 2022/23 declined from 6 per cent to 4.2 per cent of GDP. The deficit is projected to narrow to 4 per cent of GDP in the fiscal year ending 31 March 2024 before reaching 3.2 per cent of GDP in 2025/26, as the main budget deficit narrows and social security funds, provinces and public entities move into a combined cash surplus in the outer year. Over the medium term, the composition of consolidated spending improves, continuing the shift towards capital rather than current spending. The medium-term fiscal strategy aims to:

i. Achieve fiscal sustainability by narrowing the budget deficit and stabilising debt.

ii. Support economic growth by maintaining a sustainable fiscal stance, directing resources towards infrastructure, increasing spending on policy priorities and contributing to energy reforms.

iii. Reduce fiscal and economic risks, including building fiscal buffers for future shocks and providing targeted conditional in-year support to key public entities and by taking a portion of Eskom’s debt with strict conditions.

1. To this end, the National Treasury remains committed to narrowing the budget deficit and stabilising debt. In the medium term, this will be achieved mainly by controlling non-interest expenditure growth and the use of a portion of revenue improvements to narrow the budget deficit and keep debt stabilisation on track. In-year allocations are made to mitigate economic and fiscal risks associated with selected SOEs.