**THE PRESIDENCY: REPUBLIC OF SOUTH AFRICA**

**Private Bag X1000, Pretoria, 0001**

**NATIONAL ASSEMBLY**

**QUESTION FOR WRITTEN REPLY**

**Question No : 4161**

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**Mr M G P Lekota (Cope) to ask the President of the Republic:**

(1)     Whether, in view of the fact that the national debt will have topped two trillion rand in early December and the debt service cost is currently at R125 billion, remaining the largest line item in the budget, the Government was taking proactive measures to downsize Government substantially and immediately, as Brazil had to do because of its financial woes, in order to put the brakes on consumption side expenditure and to prioritise funds for infrastructure development and service delivery without having to resort to hiking taxes to unbearable levels; if not, why not; if so, what are the relevant details of the envisaged downsizing and the resultant savings;

(2)     whether he will make a statement on the affordability and sustainability of the Government in all three spheres?

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 **Reply:**

1. Government’s central fiscal objective over the medium term is to stabilise the growth of debt as a share of GDP. Continued revenue growth and strict adherence to the planned expenditure ceiling are projected to result in gross debt stabilising at 49.4 per cent of GDP in 2018/19. While the 2015 MTBPS fiscal framework does not assume further increases to taxes over what was announced at the time of the 2015 Budget, spending growth is expected to slow during 2016/17. From 2017/18, the fiscal framework allows for moderate real growth in spending aligned with the longer-term trend of economic growth. The sustainability of our spending path is further illustrated when looking at the split between current and capital expenditure. Between 2016/17 – 2018/19 the current balance (the gap between revenue and operational spending) gradually moves into surplus, while the deficit on capital payments and transfers declines by the outer year. Other measures to improve efficiency of spend and realise savings include: greater use of expenditure reviews, rationalisation of staff establishments, procurement reforms and the development of a capital budgeting framework.
2. The national budget looks at consolidated spend – which includes national departments and provinces, as well as transfers to local government under the division of revenue. To improve how money is spent at each sphere, a number of reviews have started to take place. These include:  relooking at the division of revenue formula to ensure it takes spending pressures across provinces into account fairly, and changes to local government infrastructure grants which emanate from a review process that the National Treasury is leading in collaboration with the Department of Cooperative Governance, the Department of Planning, Monitoring and Evaluation, the South African Local Government Association, and the Financial and Fiscal Commission.