**NATIONAL ASSEMBLY**

**QUESTION FOR WRITTEN REPLY**

**QUESTION NUMBER: 741 [NW859E]**

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**741. Mr M G P Lekota (Cope) to ask the Minister of Finance:**

Whether the Government has (a) curtailed its consumption spending which in the 2014-15 financial year accounted for 56% of consolidated non-interest expenditure in order to create fiscal space to sustain investment in infrastructure and to reduce the country’s reliance on foreign savings and (b) created a large number of significant partnerships that have drawn substantial private capital into public sector infrastructure projects during the period 1 January 2014 to 28 February 2016; if not, what is the position in this regard; if so, what are the relevant details?

NW859E

**REPLY:**

Between 2008/09 and 2011/12, compensation and goods and services budgets grew in real terms by 8.4 per cent and 5.1 per cent respectively. After the introduction of the expenditure ceiling in 2012, real spending on compensation of employees averaged 2.5 per cent over the period 2012/13 – 2015/16 and is projected to fall to 1.1 per cent real growth over the 2016 MTEF. Goods and services spending has also been sharply reduced, with non-essential items such as travel, subsistence, catering and entertainment declining in real terms. Over the 2016 MTEF, total goods and services spending is projected to grow at 0.6 per cent in real terms.

As a share of total consolidated spending, compensation has declined from 36.1 per cent to 35.3 per cent between 2012/13 and 2014/15. Goods and services spend has declined from 17.1 per cent to 16.8 per cent over the same period. From 2016/17 onwards, government will close its current deficit – the difference between current revenue and spending on compensation, goods and services, interest, and current transfers and subsidies. The resultant savings are expected to reach 1.7 per cent of GDP in 2018/19, equivalent to 44 per cent of government’s budgeted capital spending.

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| --- | --- | --- | --- |
| **Project name** | **Date** | **Contract duration** | **Project value (R billion)** |
| Statistics South Africa Head Office Accommodation PPP project | April 2014 | 25 years | 10.3 |
| Independent Power Producer’s Programme 3rd window submission | December 2014 | 20 years | 26\* |
| Municpal capital expenditure funded through borrowings | 2014/15 financial year | - | 9.4 |
| Municpal capital expenditure funded through borrowings | 2015/16 financial year | - | 12.1\*\* |
| **Total** |  |  | **57.8** |

NB: Most State Owned Companies finance their Infrastructure programmes from their own revenue and borrowings backed by government guarantees and they are excluded from a list of the above mentioned projects.

\* PThe programmeis funded by private sector capital raised from financial institutions. The private sector takes the risk associated with the completion of the project and it in turn benefits from unitary payments made by Eskom/government over the duration of the project.

\*\*Planned borrowings for the entire year ending in June 2016.

The table above shows some of the projects where the private sector has provided financing. Some are PPP projects whereas others are municipal projects.

* Government is also stepping up its work with municipalities, in partnership with the private sector. A series of transformative projects valued at over R128 billion has been identified for potential investment in large cities, supported by a project preparation facility at the Development Bank of Southern Africa (DBSA). To broaden funding streams, city governments will focus on improving their systems for revenue collection, expenditure management and land-use zoning.
* Cornubia, a mixed-income commercial and residential development in eThekwini, is under construction. A total of 28 500 housing units, 18 clusters of community facilities and 2.3 million square metres of commercial floor space are planned. The city has also developed a densification plan to complement commuter rail modernisation between Umlazi and Bridge City. Private-sector contributions will amount to R15.4 billion of the total development cost of R25.8 billion.
* In 2013, the DBSA completed a successful restructuring. Over the medium term, government expects the DBSA to help develop South Africa’s municipal debt market as part of broader efforts to reshape the urban landscape. New initiatives will leverage private-sector investment to complement the DBSA’s own loan disbursements, which total R17.8 billion over the next three years.
* The NHFC disbursed R675 million in loans for affordable housing development, and leveraged R2.2 billion in co-financing from the private sector to support these projects.