



Government Gazette Staatskoerant

REPUBLIC OF SOUTH AFRICA
REPUBLIEK VAN SUID-AFRIKA

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GENERAL NOTICE

Parliament of the Republic of South Africa

The Fiscal Responsibility Bill, 2020: Notice of intention to introduce a Private Member's Bill into Parliament.

PARLIAMENT OF THE REPUBLIC OF SOUTH AFRICA

No

FEBRUARY 2020

MR GEORDIN HILL-LEWIS, MP

**NOTICE OF INTENTION TO INTRODUCE A PRIVATE MEMBER'S BILL
NAMED THE FISCAL RESPONSIBILITY BILL, 2020**

Mr Geordin Hill-Lewis, MP, acting in accordance with section 73(2) of the Constitution of the Republic of South Africa, 1996, intends to introduce the Fiscal Responsibility Bill, 2020, in Parliament. An explanatory summary of the Bill is hereby published in accordance with Rule 276(1)(c) of the Rules of the National Assembly (9th Edition).

South Africa's debt levels have risen rapidly as a percentage of GDP between 2008/2009 and 2019.

In 2008/2009, the national debt, measured as net loan debt, amounted to R525,6 billion or 21.8% of GDP. However, by the end 2020/2021, the national debt, measured as net loan debt, will increase to R3.35 trillion, or 60.7% of GDP and will reach 67.5% of GDP in 2023/2024.

As a result, debt service costs are set to increase to R232.8 billion in 2020/2021, R264.6 billion in 2021/2022 and R299.1 billion in 2022/23.

In 2020/2021, R232.8 billion will be spent on debt service costs, which is:

- R120 billion more than what will be spent on higher education;
- R115 billion more than what will be spent on police services;
- R20 billion more than what will be spent on social grants; and
- R8 billion more than what will be spent on health.

The Fiscal Responsibility Bill, 2020 ("the Draft Bill"), will therefore introduce statutory fiscal rules aimed at containing national debt and debt service costs in South Africa.

The Draft Bill will provide for:

- a fiscal rule prescribing that, for each financial year from 2020/2021 to 2023/2024, consolidated net loan debt expressed as a percentage of GDP must not be more than it was the previous year;
- a fiscal rule prescribing that, for each of the financial years from 2020/2021 to 2023/2024, aggregated government guarantees must not be more than they were for the financial year 2020/2021;
- a review of the fiscal rules by the National Assembly every four years, beginning in 2023/2024 by either amending, renewing or terminating the fiscal rules by way of an Amendment Bill;
- an exemption from the fiscal rules to be granted in respect of a specific financial year by the National Assembly upon application by the Minister of Finance, with good cause having been shown and on the recommendation of the Standing Committee of Finance; and

- an annual Fiscal Responsibility Report to be tabled by the Minister of Finance at the same time as the budget being tabled, setting out whether the fiscal rules were complied with or not, together with reasons for those outcomes, and recovery plans in the event of a failure to comply with the rules.

The Bill may, after introduction, be obtained from:

The Democratic Alliance

PO Box 15, Cape Town, 8000

Attention: Mr Enocent Nemuramba

Telephone: 021 403 8641 / 021 403 3567

Facsimile: 021 466 8394

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