

Medium Term Budget Policy Statement

2005

National Treasury

Republic of South Africa

25 October 2005



ISBN: 0-621-36289-1
RP: 201/2005

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Foreword

The 2005 *Medium Term Budget Policy Statement* is guided by the policy direction and political mandate as expressed in the State of the Nation Address, and the obligations of Government embodied in legislation and oversight by Parliament.

The Accelerated and Shared Growth Initiative led by the Deputy President highlights the need for Government to identify and clear binding constraints to higher economic growth, and to commit resources and energy to the realisation of that objective. We proceed from the premise that positive factors and strengths in the economy make the possibility of improved economic performance an attainable goal.

South Africa's growth strategy aims to modernise the economy and improve its competitiveness, while broadening participation and enhancing social inclusion. The 2005 *Medium Term Budget Policy Statement* addresses these goals, outlining the expenditure plans and policy aims of national departments and provincial governments. These are set out within the context of domestic and international economic developments and fiscal considerations that shape the Budget to be tabled in Parliament on 15 February 2006.

Robust economic growth provides the space to maintain steady increases in spending to realise our social and economic goals. At the same time, Government will continue to take into account global developments, such as higher oil prices, that affect our economy.

Over the 2006 medium term expenditure framework there are substantial increases to expenditure in key areas of infrastructure development, public sector service delivery, and investment in public health care and education. Consistent with the emphasis on service delivery and economic infrastructure, significant increases to funding are provided for provincial and local governments.

We remain mindful that Government's role in the realisation of economic prosperity depends not only on funds allocated and the breadth of services provided, but also on the effectiveness of service provision, the quality of planning and implementation, and the appropriateness of the regulatory framework. Challenges remain in each of these areas.

The *Medium Term Budget Policy Statement*, in tandem with Government's initiatives to accelerate and share economic growth for the benefit of all South Africans, provides a sound framework for enabling us to meet the challenges that confront the nation.



Trevor A Manuel, MP
Minister of Finance

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