

Medium Term Budget Policy Statement 2013

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Republic of South Africa**

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Foreword

There are good reasons to be optimistic about higher growth, job creation and effective implementation of the National Development Plan over the three-year period covered by this *Medium Term Budget Policy Statement*.

The global economic crisis that began five years ago has been more severe and persistent than anyone could have foreseen. But world economic growth is forecast to strengthen next year. There are signs of greater economic activity in advanced economies and growth in emerging markets remains robust. We recognise, however, that there are significant risks to the outlook, and we cannot let down our guard.

Our economy has continued to grow at a moderate pace, reflecting global and domestic factors. While expanded global trade and investment will help to boost our exports over time, South Africa cannot rely on global trends to achieve faster, more inclusive growth and job creation. This will require immediate measures to reignite growth and structural reforms over the medium term.

We can only implement transformational reforms with a clear plan and a determination to act with urgency. The National Development Plan provides a platform for building a new national partnership that involves government, the private sector, labour and civil society.

We are working to reignite growth. Over the medium term, new electricity supply will come on line. Government is increasing its investments in rail, roads, ports and water provision. Clear policy frameworks in areas such as gas and oil exploration will boost investment. Business support programmes will support industrialisation and greater competitiveness.

We have begun implementing the National Development Plan, a framework to accelerate economic growth, eliminate poverty and reduce inequality. The budget policy framework for the next three years reflects greater alignment with the plan, as spending programmes begin to address economic constraints and the need for greater state efficiency.

We are enacting reforms to build an efficient state. Initiatives are already under way to strengthen infrastructure planning and implementation, to attack waste and fraud, and to strengthen public procurement.

We are reinforcing the fiscal stance. The National Treasury projects that we will meet our fiscal deficit target for 2013/14. Despite the pressures facing the public finances as a result of external volatility and domestic spending pressures, we are resolute in our commitment to fiscal discipline. Our expenditure ceiling remains in place for the next two years, and we propose to continue spending limits in 2016/17. At the same time, we will continue to support the economy, enhance the social wage, and protect the poorest and most vulnerable among us.

Let us work together, united by a common vision and determination to transform the lives of millions of South Africans and our country's long-term economic potential. If we work together, we can achieve our goal of a more equitable, more dynamic and more just society.



Pravin J Gordhan
Minister of Finance

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