

BUDGET 2002

A PEOPLE'S GUIDE

NATIONAL TREASURY



WHAT IS A NATIONAL BUDGET?

The national Budget is an annual statement by the Minister of Finance in Parliament, explaining how much money the Government expects to raise through taxes and borrowing, and how much it plans to spend on services—such as health care, schools, clinics, police and peace keeping and other needs—for the benefit of all South African citizens.

Partners in socio-economic development

The Budget is about the Government and the people of South Africa working together.

Building a better life for all is a challenge the Government shares with business, unions, communities and ordinary people.

Because of improved tax collection from businesses and individuals, the Government is able to strengthen spending on education, health, justice and other services. Meanwhile, Government workers bring better services to suburbs, towns and rural villages.

By working with government departments, ordinary people are helping improve services and build better communities.

And government policies also help businesses to invest and create more jobs.

This year, the Government will spend more money on social programmes, contributing to economic growth and job creation.

The 2002 Budget provides for:

- Increases in social welfare grants
- More children to receive the child support grant
- Improvements in health services
- More spending on water, electricity and housing
- Lower taxes on wages
- Money to repair roads, schools and clinics.

Hospitals and clinics will be able to employ health workers, buy more medicines

and provide a better service to people.

With HIV/Aids threatening the lives of many South Africans, Government has embarked on a plan to help mothers, children and youth affected by the disease.

The Budget also provides money to help make our communities safe and provide better protection for children in our courts.

It provides increased support for schools and skills development.

It includes money to repair roads and bridges and improve municipal services.

The Government is working hard to improve the economy.

By paying your share of taxes, everybody can join in

Partners in the future... the people and the President



More money to boost basic municipal services

Municipalities rely on local residents to pay for most of the services they provide. The Budget contributes to this partnership by helping municipalities pay for services for poor people.

It provides money for water and sanitation, housing and electricity. This means that some of these services can be provided free.

These programmes will contribute R3,2 billion to local infrastructure spending next year.

The Government will also help local councils prepare plans for job creation and social development. Very poor areas have been identified as part of Government's urban renewal and rural development programmes.

That means more money will go to underdeveloped townships, inner cities and rural communities.

In these areas, national and provincial departments will work with councils and local organisations to improve services, create business opportunities and build strong communities.

By working together, we are also learning more about what people need and how to ensure that services are maintained.

It is also important that people pay for services they use, so that municipalities grow strong and can provide better services.



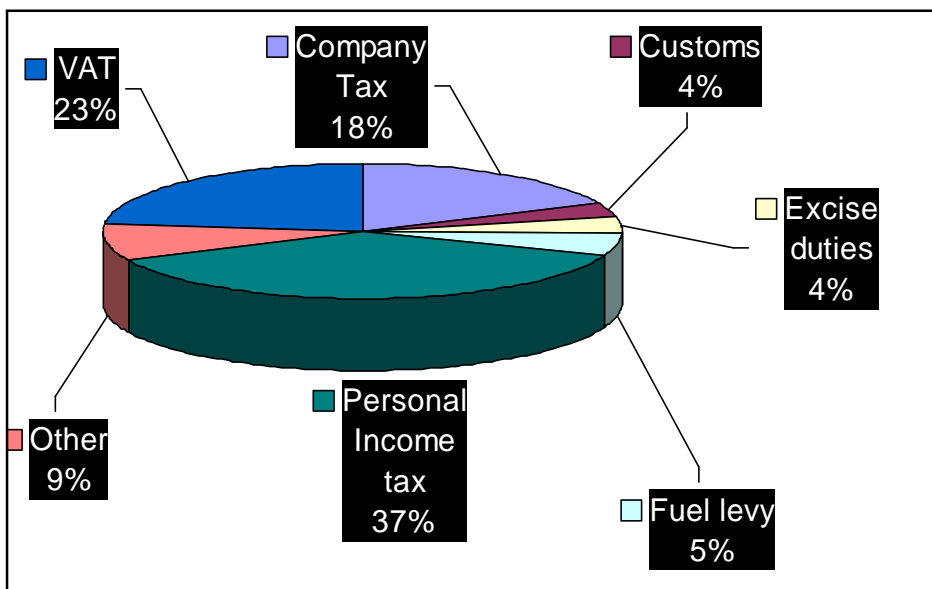
Municipal development of roads, water and sanitation
Photographs courtesy Development Bank of Southern Africa



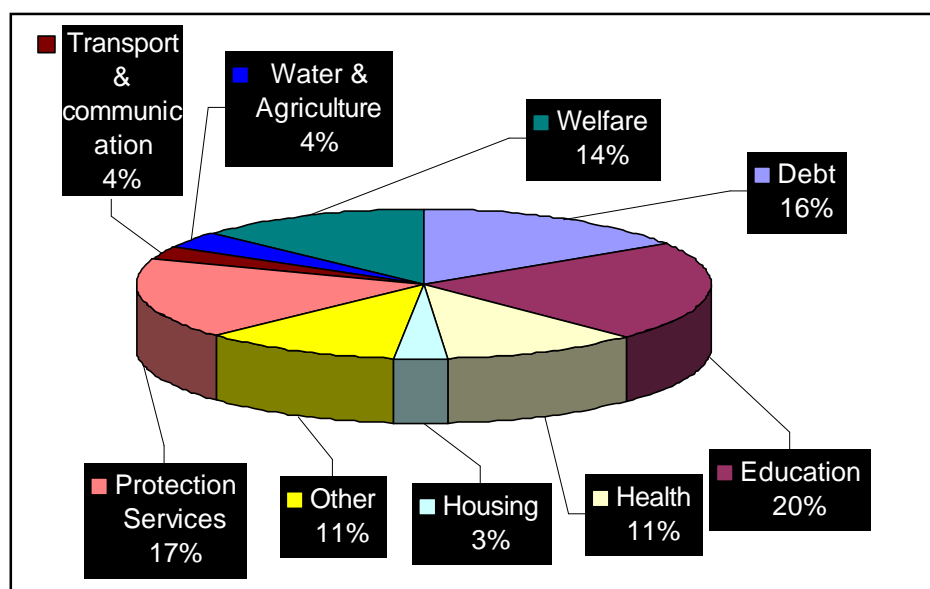
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English continues on back page

Government Revenue



Government Spending



New crime fighting plan to create more jobs in police services

The Government is strengthening the fight against crime. More police officers will be stationed in high crime areas.

Over the next three years, 16 000 more policemen and policewomen will be employed.

The labour-intensive policing strategy will reduce crime in areas described as “crime hot-spots”. While working in co-operation with the community it also encourages the police to be more visible and easily available to the public.

The new crime fighting programme will mean the public can expect the police to respond more quickly when called.

The fight against crime needs everybody to help the police with information and co-operate with them.



Police on parade
Photograph: Sunday Times

Budget highlights

On the economy

- Growth is expected to increase from 2,3 per cent this year to 3,3 per cent in 2003 as the global economy recovers
- Inflation will average about 6,9 per cent in 2002
- Real wages and productivity have increased by over 20 per cent since 1994, bringing rising living standards to millions of people and improving the competitiveness of the economy
- Following the depreciation of the rand, both exports and inward investment are expected to strengthen in 2002 and the years ahead
- South Africa's international trade and government finances are in good health, providing a firm foundation for sustainable growth and development

Tax proposals:

- Income tax cuts will put R15 billion back into taxpayers' pockets
- Individuals earning below R27 000 a year (R42 640 for taxpayers over 65) will not pay any personal income tax
- The interest income exemption is raised to R6 000 (R10 000 for senior citizens)
- A tax allowance is introduced to encourage employers to provide training
- Allowances are proposed to encourage investment and employment
- Tax relief for small businesses is extended
- The general fuel levy remains unchanged, while the Road Accident Fund levy is increased by 2c a litre
- A packet of cigarettes will cost 34c more. Beer goes up by 3,2c a 340ml can and a 750ml bottle of wine by 4,49c. Duties on soft drinks are abolished

Higher grants to reduce poverty

Many people are struggling because of the rising price of food and other essential goods.

To make up for the higher cost of living, social grants have been increased.

The bigger grants will also be paid earlier, from 1 April instead of 1 June.

The new grants are as follows:

- Child support grants go up from R110 to R130 per month. The child support grant

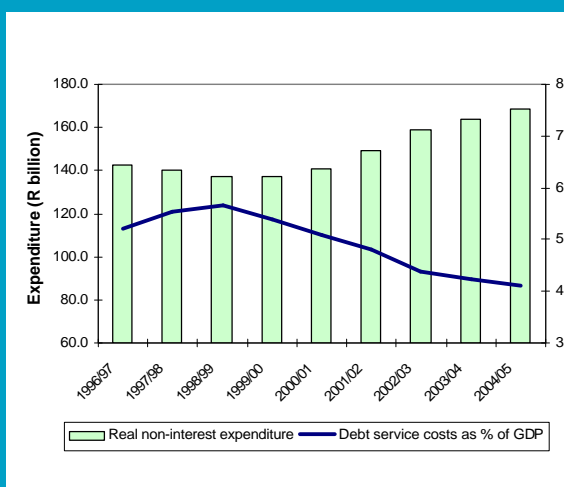
for children aged 7 years or younger will go to about 3,4 million children.

- Old age pensions go up from R570 to R620 per month
- Disability grants go up from R570 to R620 per month

About 4 million people receive social grants from the Government. This year, the Government will help more families and caregivers look after young children.

How does the national debt affect you?

The “deficit” is the difference between government revenue (taxes) and spending. Since 1996, Government has reduced the deficit, so the National Treasury has borrowed less each year. As a result, less has to be spent in interest on loans. This means more can be spent on government services. The graph shows how spending on services increases while interest costs come down.



Spending plans:

- Real spending on services will grow by 4,1 per cent a year, while interest on debt is falling
- Education remains Government's first priority, rising to R59,8 billion next year.
- R31,8 billion goes to fight crime, while R20,6 billion is allocated to defence and intelligence.
- Provinces receive R132,4 billion next year, including:
 - Improved funding of hospital services and an enhanced response to HIV/Aids
 - Increases in social grants
 - Additional funding for roads, schools, clinics and rural development
- Municipalities will get more money for services and local development

