

# **Medium Term Budget Policy Statement**

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**Republic of South Africa**

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# Foreword

Establishing a credible budget is not an event but a process. In just four short years, South Africa has transformed its budget process from a staid Westminster-styled bureaucratic cycle to a dynamic, interactive and policy-driven engagement with the issues by the Ministers' Committee on the Budget and Cabinet.

The Medium Term Budget Policy Statement draws on the debates on the February 2000 Budget that have taken place within Government, the legislatures and in the public domain, and frames the issues to be considered in the 2001 Budget. We provide information on the state of the economy, the public finances, revenue performance, spending plans and intergovernmental fiscal developments. We set out policy proposals and provide a platform from which to make informed input into the 2001 Budget.

In taking the 'surprise-factor' out of the annual budget speech, we are signaling a clear commitment to open, transparent and interactive policy-making. The Budget, as a statement of Government's operational plans, must be developed and informed by Government's policies and priorities. Only a policy-driven budget process can shift resources consistently to areas of need. This Statement provides the framework within which national, provincial and local governments will prepare their budgets for the three-year period beginning in April 2001.

The economic context within which the 2001 Budget will be compiled is marked by steady economic recovery following the economic slowdown of 1998, which resulted from global financial crises. Lower debt service costs and buoyant revenue projections allow for both strong real increases in spending on public services and further cuts in income taxes.

The floods that ravaged our sub-continent have left a lasting scar on the lives of many of our people. The people worst affected live in poor, rural areas. In the Adjustments Estimate, we were able to commit additional resources to post-flood reconstruction. Despite this, the fact remains that people in poor provinces with inadequate infrastructure are most vulnerable to the moods of nature. The redistribution of resources towards poor provinces, poor local authorities and ultimately poor households can only be achieved within a consistent intergovernmental system of grants, transfers, revenue powers and borrowing powers. This Statement outlines proposals for strengthening the quality of national, provincial and local government services over the next three years.

The 2001 Budget will signal the most significant shift towards infrastructure spending that Government has yet made. Infrastructure programmes targeted to the poor will contribute to job-creation and faster economic growth. Most importantly, they will offer more people the opportunity to live a better life.



**Trevor A Manuel, MP**  
**Minister of Finance**

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