

Medium Term Budget Policy Statement

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Foreword

In the years since the first *Medium Term Budget Policy Statement* was published in December 1997, it has come to occupy an increasingly central place in Parliament's calendar. This year, a Budget Committee will sit for the first time in our Legislature's history, bringing together members of the National Assembly and the National Council of Provinces. It begins life with a review of the 2001 *Medium Term Budget Policy Statement*.

This is a fitting and challenging place for the Budget Committee's journey to begin. In the foreword to the 1997 Statement, we wrote that it was published:

...To enable broad participation in the decision-making process affecting our medium-term budget perspectives.

...It constitutes a further step in the direction of transparency and accountability in the budget process. It empowers the nation as a whole to participate in the discussion in the run-up to the next Budget, by ensuring that there is a shared understanding of the social, economic and fiscal policy framework within which the Budget is framed.

...It is a further step towards more inclusive policy making and the reinforcement of the partnership within Government and throughout the nation.

The following year, we published the first three-year Medium Term Expenditure Framework and introduced the formal Division of Revenue between the national, provincial and local spheres, as required by the Constitution. These budget reforms have brought greater certainty to the spending envelope within which policies and programmes are framed and invite Parliament and civil society to debate and engage with the medium term objectives, policy priorities and options that underlie the indicative spending numbers for future years.

In establishing a Budget Committee to contain and advance this debate, Parliament takes a giant step forward in its fiscal responsibility and oversight role.

In shaping the 2001 MTBPS, Government has been mindful of the deterioration in the international economic outlook in recent months, while remaining sharply focused on our Reconstruction and Development Programme objectives.

South Africa, like any other medium-sized economy, has deep trade and financial relations with the rest of the world. The slowdown, and the attendant flight from risk in financial markets, have already signaled their effects on the rand and our economy. But we are unusually well-placed to respond to the slowdown in global trade in ways that contribute to sustaining the momentum of our growth and development.

Our balance of payments and public finances are healthier than ever. Inflation has steadily declined over the past year, and is now within the target range set for next year. Monetary policy has eased and real interest rates have fallen. The 2001 Budget represented a growth-oriented shift in fiscal policy and the proposals set out here for next year's Budget confirm and reinforce this stance. The tax burden on lower and middle-income families will continue to be reduced. Substantial spending increases are proposed for health services, social grants, housing, municipal infrastructure, policing and critical administrative services to citizens.

The Expenditure Framework set out in this Medium Term Budget Policy Statement outlines a bold programme of action for national and provincial departments and for municipalities, for government agencies, non-governmental organisations and the private firms who are our partners in so many public service initiatives. It takes account of progress and plans in all areas of public policy, including those key social and developmental functions reviewed in the recently released Intergovernmental Fiscal Review 2001.

The challenge before us is to ensure that capacity is mobilised, management is focused and effective and project implementation keeps pace with the provision of resources.

In bringing the *2001 Medium Term Budget Policy Statement* before Parliament and our people, I wish the new Budget Committee every success in its deliberations and endeavours.

Trevor A Manuel, MP
Minister of Finance

