

Medium Term Budget Policy Statement

2004

National Treasury

Republic of South Africa

26 October 2004



ISBN: 0-621-35427-9
RP : 201/2004

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Foreword

The State of the Nation Address delivered by President Mbeki on 21 May 2004 set out Government's policy objectives supported by specific targets in key service delivery areas. Based on these targets, a comprehensive programme of action was announced.

At the heart of this programme is our commitment to reduce poverty and create jobs.

The President stated: *“the core of our response to all these challenges is the struggle against poverty and underdevelopment, which rests on three pillars. These are:*

- *Encouraging the growth and development of the First Economy, increasing its possibility to create jobs;*
- *Implementing our programme to address the challenges of the Second Economy; and*
- *Building a social security net to meet the objective of poverty alleviation.”*

Against this clear policy context, underpinned by a strong political mandate, the *2004 Medium Term Budget Policy Statement* outlines the economic trends, fiscal parameters, revenue considerations and spending plans that will inform the Budget to be tabled in Parliament on 23 February 2005.

The South African economy has recovered strongly this year from the moderate slowdown experienced in 2003. Reinforcing growth and investment over the period ahead is the central theme of Chapter 2 of this Statement.

Our fiscal policy stance aims to support growth and broad-based development. A key feature of the framework for the next three years is the planned expansion of public sector investment in the physical landscape – contributing both to the built environment that shapes community livelihoods, and the economic infrastructure that underpins communication, the movement of goods and the provision of power to industry.

We are able to plan for increased investment spending while also budgeting for a growing social security net and material improvements in social services, because these are the fruits of sound public finance management over the past decade.

Tough challenges remain. The present growth in social grants spending needs to moderate, or we face the risk of eroding our capacity to deliver the schooling and health care and protection services that are the core responsibilities of government. Further progress in service delivery depends also on building effective administrative capacity, particularly in local government. Our programmes may need to adapt to unanticipated international developments or domestic circumstances.

The *Medium Term Budget Policy Statement* provides a framework for steadily deepening and strengthening our capacity to meet these and the many challenges before us.

Trevor A Manuel, MP
Minister of Finance

Contents

Chapter 1	A framework for accelerated growth and bread-based development	1
	A medium term strategic framework	1
	Overview of the Medium Term Budget Policy Statement	7
	Conclusion	12
Chapter 2	Economic policy and outlook	13
	Overview	13
	Global developments	15
	Developments in the domestic economy	16
	Balance of payments	17
	Real output and expenditure trends	21
	Domestic expenditure	25
	Labour market	27
	Inflation	28
	Domestic and global outlook	29
Chapter 3	Fiscal policy and the budget framework	31
	Overview	31
	Fiscal policy: goals, trends and targets	32
	Outcomes of the 2003/04 main budget	33
	The main budget framework	34
	The consolidated national budget	36
	Public sector borrowing requirement and debt cost trends	37
Chapter 4	Taxation	41
	Introduction	41
	National budget revenue 2003/04	42
	National budget revenue: medium term estimates	43
	Implementation of the 2004 tax proposals	44
	Tax policy considerations for the 2005 Budget	47
	International tax cooperation	50
Chapter 5	Medium term expenditure framework	51
	Policy priorities and the budget	51
	Division of revenue between spheres	54
	Increased spending in 2004/05 and the adjustments budget	56
	Key spending areas for the 2005 MTEF	56
	Economic classification of expenditure	64
	Conclusion	66
Chapter 6	Provincial and local government finances	67
	Introduction	67
	Funding provincial government	68
	The provincial equitable share and the horizontal division of revenue	71
	Funding local government	74
Annexure A	2003/04 Outcome and half-year spending estimates for 2004/05	77

TABLES

1.1	Macro economic projections, 2003 – 2007	9
1.2	Main budget framework, 2003/04 – 2007/08	10
1.3	Medium term expenditure framework and division of revenue 2004/05 – 2007/08	11
2.1	Annual percentage change in GDP and inflation, selected countries/regions	16
2.2	Change in employment by sector, 2003 – 2004	27
2.3	Macroeconomic projections, 2001 – 2007	30
2.4	Macroeconomic projections, 2003/04 – 2007/08	30
3.1	Fiscal trends and projections	33
3.2	Main budget outcome, 2000/01 – 2003/04	33
3.3	Main budget framework, 2003/04 – 2007/08	34
3.4	Consolidated national budget framework, 2003/04 – 2007/08	36
3.5	Social security funds ¹ , 2001/02 – 2007/08	37
3.6	Public sector borrowing requirement, 2003/04 – 2007/08	38
3.7	Financing of net borrowing requirement of national government	40
3.8	Total government debt, 2001/02 – 2007/08	40
4.1	National budget revenue, 2003/04 estimates and audited outcome	42
4.2	National budget revenue, 2003/04 – 2007/08	44
5.1	Medium term expenditure framework and division of revenue	55
5.2	Consolidated national and provincial expenditure by type of service	57
5.3	Service shares and growth	59
5.4	Consolidated national and provincial expenditure by economic classification	65
6.1	Provincial fiscal framework (adjusted for social security grant function shift)	70
6.2	Revision to provincial budget framework, 2004/05 – 2007/08	70
6.3	Equitable share phase-in percentages, 2005/06 – 2007/08	72
6.4	Provincial equitable share allocations, 2004/05 – 2007/08	73
6.5	Conditional grants to provinces, 2004/05 – 2007/08	74
6.6	Revision to local government allocations, 2004/05 – 2007/08	76

FIGURES

1.1	GDP growth and inflation estimates: 2000-2007	8
2.1	Growth in exports and imports (y-o-y), 1994 – 2004	18
2.2	Gross gold and other forex reserves, 1995 – 2004	20
2.3	Sectoral growth in the first half of 2004 (saar)	22
2.4	Year-on-year growth in mining production, 1999 – 2004	22
2.5	Manufacturing production (y-o-y) and the PMI, 1999 – 2004	23
2.6	Growth in construction (y-o-y) and the BER business index	24
2.7	Household debt as a percentage of disposable income, 1980 – 2004	26
2.8	Structural change in inflation, 1980 – 2003	28