

# **Medium Term Budget Policy Statement**

**2008**

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**Republic of South Africa**

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# Foreword

From the first State of the Nation address by President Nelson Mandela, and the first Budget speech delivered in a democratic South Africa, we have made it abundantly clear that budgets are not about markets, bonds or statistics.

Budgets are about people.

This is a timely reminder, because we have just lived through one of the most turbulent months in modern economic history. When a trader presses a button in New York it has an effect on the lives of millions of our people. It is government's responsibility to ensure that what happens in the world economy, and how it happens, is communicated clearly to South Africans. And we must ensure that in periods of global volatility, we have the tools to protect our people – in particular the poor.

The 2008 *Medium Term Budget Policy Statement* is about how we respond in the face of an international storm. The policy statement provides the framework on which the 2009 Budget will be constructed. It is not a budget, nor is it a mini-budget. The statement provides government's assessment of the state of the economy, the fiscal framework, the budget priorities and the division of revenue between national, provincial and local government. And it balances competing claims on the public finances – the need to address immediate priorities with the longer-term requirements of our economy.

Over the past 14 years government has taken some tough decisions on the budget, on spending, on taxation, on exchange controls, on banking regulation and on inflation targeting. So today, as the world faces its sternest economic test in decades, we are prepared. The benefits of taking such difficult decisions early on are reflected in a positive growth forecast, in our low levels of debt and in many other economic indicators.

*Liduduma lidhule!* The thunder will pass! Storms come and go. Some are more ferocious than others. We must look beyond the storm.

Our challenges are to eliminate poverty, to raise employment, to broaden opportunity and to improve the lives of all, particularly the most disadvantaged among us. We will remain focused on meeting these challenges during the present storm and beyond.

The budget framework presented here gives meaning to these commitments – to strive for faster economic growth, higher levels of investment, rising employment and reduced levels of poverty. Over the next three years we are prioritising education, health care, fighting crime, rural development and extending access to housing, water, sanitation, electricity and public transport.

We reaffirm the commitment of this government to put people first. We will continue to adopt policies that support growth and development, and that ensure more inclusive growth. And most importantly, we will continue to invest in a better life for all.

The thunder will pass!



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

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