



2022  
MTBPS

# MEDIUM TERM BUDGET POLICY STATEMENT



**national treasury**

Department:  
National Treasury  
REPUBLIC OF SOUTH AFRICA



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# **Medium Term Budget Policy Statement 2022**

**National Treasury  
Republic of South Africa**

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The *Medium Term Budget Policy Statement* is compiled using the latest available information from departmental and other sources. Some of this information is unaudited or subject to revision.

To obtain additional copies of this document, please contact:

Communications Directorate  
National Treasury  
Private Bag X115  
Pretoria  
0001  
South Africa

Tel: +27 12 315 5944

Fax: +27 12 407 9055

The document is also available on the internet at: [www.treasury.gov.za](http://www.treasury.gov.za).

# Foreword

South Africa is restoring the health of its public finances just as the world economy is taking a dangerous turn for the worse. As a result of the COVID-19 pandemic and the continuing war in Ukraine, many developing countries face the prospect of sovereign debt crises, currency devaluation and soaring inflation without the benefit of fiscal buffers. South Africa's challenges are significant, but its stable macroeconomic policies and efforts to return the public finances to a sustainable position mean that the country is in a better position to weather the storms that lie ahead.

As a result of determined and disciplined budgeting, supported by high commodity prices, the budget deficit is narrowing. Fiscal consolidation will soon come to a close. The country's debt burden remains substantial, having increased sevenfold from R577 billion in 2007/08 to over R4 trillion in 2021/22. Yet by the end of 2023/24, revenue will exceed non-interest spending for the first time in 15 years. Net government debt will stabilise at 69 per cent of GDP in 2024/25.

These achievements will enable government to begin rebuilding fiscal space and renew real spending growth in key policy areas that support the economy. Medium-term spending increases are targeted to increase the number of teachers and police, retain health workers, and improve critical water, roads and rail infrastructure. These actions will help unblock some of the bottlenecks restricting economic activity, complemented by stable public finances that promote higher investment.

South Africa's economic growth rate is far too low to address its poverty and unemployment challenges. Rapid and decisive action is needed on reforms to lift the economic growth rate. Government's structural reforms are centred on increasing electricity production and removing associated regulatory constraints, building confidence to support increased private investment in infrastructure, and creating the conditions in which small and large businesses can flourish and create many more jobs. Over the medium term, government will also strengthen the capacity of the state, including funding investigative and prosecutorial agencies to root out corruption and bolstering financial management in municipalities.

In a volatile global environment, the medium-term fiscal strategy reduces risks to the economy and the public finances. The contingency reserve will be increased to improve responsiveness to emergencies such as natural disasters. Funds from higher-than-expected revenues will be set aside to reduce the gross borrowing requirement. And in the current year, a portion of higher revenue is used to reduce fiscal and economic risks presented by Denel, the South African National Roads Agency Limited and Transnet.

In addition, government plans to take over a portion of Eskom's R400 billion debt to enable the utility to restructure, applying strict conditions to safeguard public money. Eskom is the biggest known risk to the economy and the public finances. A lower debt burden will enable Eskom to implement a viable unbundling process and make resources available for investment in critical electricity supply and transmission infrastructure.

I would like to thank the President, my colleagues in Cabinet and the Ministers' Committee on the Budget, and the Deputy Minister for their support during this process. My thanks also go to the Acting Director-General and the staff of the National Treasury for their dedicated service and continued commitment to their constitutional duties.

**SIGNATURE**

**Enoch Godongwana**  
**Minister of Finance**

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