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Foreword

All budgets are about balance – weighing the needs of the present and the future, assessing competing priorities for national development and, of course, managing revenue and expenditure.

This year we face an exceptionally difficult balancing act. On one side is a raging pandemic that has led to the most severe global economic contraction in nearly a century. At the time of writing, COVID-19 has claimed the lives of 2.5 million people, including about 50 000 South Africans. On the other side is a weak economy, with massive unemployment, that is burdened by ailing state-owned companies, the highest budget deficit in our history and rapidly growing public debt.

On this razor’s edge, the 2021 Budget Review looks straight ahead. The 2020 Medium Term Budget Policy Statement set a course for economic recovery and fiscal consolidation. The 2021 Budget shows some progress: we are doing what we set out to do.

The budget funds a massive and free COVID-19 vaccination campaign. It adds R11 billion to the spending framework in 2021/22 for the public employment initiative. It exercises continued restraint in spending growth while ensuring that over the medium term nearly R3 trillion, or 56.6 per cent of public money, is allocated to learning and culture, health, and social development. It improves the composition of spending by shifting expenditure growth to investment rather than consumption. Finally, it avoids increasing the tax burden by withdrawing R40 billion in previously announced tax increases.

Government’s fiscal strategy puts South Africa on course to achieve a sufficiently large primary surplus to stabilise debt. The consolidated budget deficit is projected at 14 per cent of GDP in 2020/21, narrowing to 6.3 per cent of GDP by 2023/24. Debt is now expected to stabilise at 88.9 per cent of GDP in 2025/26. Over time, debt stabilisation will reduce borrowing costs and the cost of capital, attracting investment that can support the economy. Government’s chosen fiscal path is not easy, but it will support higher levels of economic growth and enable the country to avoid a debilitating debt spiral.

Apart from the immediate health benefits for millions of South Africans, a successful vaccination programme will allow the economy to fully reopen. Yet a faster recovery, characterised by growing investment and job creation, requires broader structural change. Government’s economic reforms will remove barriers to growth, lower the cost of doing business, and bolster confidence and investment. A key reform is to restructure the electricity sector and ensure sufficient supply.

The National Treasury and the Presidency, through Operation Vulindlela, are working to ensure the rapid rollout of these reforms, including speeding up the release of digital spectrum, expanding the electronic visa system and waivers to support tourism, improving the efficiency and competitiveness of South Africa’s ports, and strengthening the monitoring of water quality.

I would like to thank Cabinet, the Minister and Deputy Minister of Finance, Parliament’s Portfolio Committee on Finance, the Standing Committee on Appropriations, the Budget Council and my government counterparts for their contributions to this budget. And I express my special appreciation to the National Treasury team. We have lost several colleagues and many family members to COVID-19 over the past year. Their loss is irreplaceable. But the National Treasury has not faltered, and has fulfilled its constitutional mandate, producing this 2021 Budget under extremely challenging conditions.

Dondo Mogajane
Director-General: National Treasury
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