

# **Medium Term Budget Policy Statement 2023**

**National Treasury**

**Republic of South Africa**

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# FOREWORD

This *Medium Term Budget Policy Statement* (MTBPS) focuses on the hard work needed to address some of our most pressing challenges. It aims to strengthen economic growth so that the economy creates more jobs and generates higher tax revenue. It takes a balanced approach to fiscal consolidation to stabilise debt and debt-service costs. It protects vulnerable households. And it signals plans to reconfigure the state for greater efficiency, with zero tolerance for waste or corruption.

Between 2008/09 and 2022/23, annual government spending has grown from R713 billion to R2.1 trillion. After adjusting for inflation, this means public spending for each person living in South Africa has grown from R27 629 to R33 390. To date, however, this large spending increase has had little impact on economic growth. At the same time, public debt has grown exponentially to finance the budget deficit.

The MTBPS focuses on strengthening economic growth by improving electricity and rail operations, building investor confidence, attracting new infrastructure investment and speeding up delivery, and reconfiguring the state for efficiency.

Over the next three years, government will continue rebuilding the public finances by narrowing the budget deficit and stabilising debt, while maintaining the social wage. Fiscal consolidation will be implemented through spending reductions, efficiency measures across government and moderate tax revenue measures. Government remains on course to stabilise debt in 2025/26, but at a higher level than projected in the 2023 Budget.

To ensure national development, we must reduce debt-service costs. As a percentage of GDP, gross loan debt increased by 47.2 percentage points between 2008/09 and 2022/23, and new debt is more expensive. Out of every R5 collected in main budget revenue, R1 is paid to lenders. These rising debt-service costs now take a bigger share of the budget than basic education, social protection or health.

At the same time, South Africa needs to get better value for money from its R2 trillion budget. Over the medium term, government will begin reconfiguring the state to improve efficiency. The 2024 Budget will propose measures based on spending reviews, and a joint team is preparing recommendations, including closing or merging non-performing entities.

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. I also extend my appreciation to the new Director-General and the National Treasury staff for their hard work and dedication. And finally, I would like to recognise the sterling contribution of Ismail Momoniat, who has served the National Treasury for nearly 29 years in many roles, most recently as Acting Director-General. His commitment to sustainable, transparent and accountable public finances, and the values of our Constitution, is an example for us all.

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



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