

MEDIUM TERM BUDGET POLICY STATEMENT 1997

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Minister of Finance
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Next year, Parliament will for the first time in the history of this country consider a three-year budget for the national government. Provincial Finance MECs will similarly present three-year expenditure plans to their legislatures. This heralds a clear break with the past. More importantly it speaks of the government's commitment to building the institutions capable of effecting sustainable transformation.

The Statement released today makes public the policy framework within which these budgets will be framed. It makes clear the links between the Reconstruction and Development Programme, the Growth, Employment and Redistribution strategy, and the Budget.

This is a significant step in increasing transparency, openness and co-operative government.

For too long, budgets, have been made behind closed doors. These are important decisions which affect all our futures.

We are publishing today the same information that is before Government as we finalise the Budget. Every citizen, every stakeholder will be able to read this Statement and see what we are trying to achieve, and the resources we have available.

We cannot achieve all our reconstruction and development goals in a single year. We have neither the capacity nor the resources. So, we have to choose what to put first. These priorities must be the nation's priorities. They are for us all to decide together.

This Statement takes the RDP as its point of departure. It highlights how, within the limits of the resources available, we will:

- Meet the basic needs of our people;
- Accelerate infrastructure development;
- Lay the basis for sustained growth and job creation;
- Develop our human resources;
- Ensure the safety and security of the citizen and of the state; and

- Transform the organs of government to reflect the developmental and people-centred nature of our democratic state.

The Statement also makes clear how the Constitution affects the budget process.

It explains how the available funds will be distributed between national, provincial and local government.

It sets out the elements of the revenue sharing formula that determines an equitable division of resources between provinces. It introduces the notion of “conditional grants” to provinces for specialised health services and clinical training, and for the continuation of the primary school nutrition programme.

It also introduces an equitable share of revenue for local government, and explains how this will be phased in.

Although the macroeconomic framework is set out here, and you will find broad projections of government spending on education, health, welfare, economic services and safety and security, this is not the Budget. This is not the medium term expenditure framework. The detailed plans will be published at the usual time, in March next year.

The Statement does not constitute new policy. Rather it sets out the operational plan to give effect to existing policies .

It makes clear that:

- We are budgeting for a deficit of 3½ per cent of GDP next year, and 3 per cent thereafter;
- Although our macroeconomic targets for growth remain in place, we have based the Budget on more cautious economic projections – 3 per cent for the next this fiscal year, increasing to 5 per cent by 2000/01;
- Sound fiscal management means that state debt costs will fall from 6,4 per cent of GDP this year to 5,7 per cent in 2000/01, releasing substantial resources for social and economic development;
- We have set aside a Reserve, increasing to R10 billion in 2000/01, to provide both for key policy priorities and to allow for unforeseen contingencies;
- Non-interest expenditure will increase by 9 per cent a year, or about 2¾ per cent a year in real terms, over the three-year MTEF period.

The Statement also makes clear that budget-making is a difficult business.

You will find reference here to many of the new initiatives of Government that have put upward pressure on national and provincial budgets since 1994.

- We are building a new democracy and new institutions of democratic accountability.
- We are investing in economic infrastructure and broadening participation in the economy.
- We are strengthening education and training.
- The criminal justice system is undergoing a comprehensive overhaul.
- Developmental welfare services, social security reform and better targeted poverty relief programmes are amongst our priorities.
- We are committed to building a district-based primary health system and to rehabilitating historically neglected hospitals.

These are not commitments that can be met without some hardship. We have cut spending back severely in areas like Defence. We have withdrawn or reduced subsidies to historically advantaged welfare services, hospitals, schools and colleges. We have eliminated or restructured subsidies to business and commercial agriculture.

This transformation of public services will continue. Its purpose is to ensure that the needs of the poor are properly served, that our social services are equitably financed, that our administrative structures are efficient and effective.

The Budget Statement makes clear that responsibility for this transformation challenge is shared collectively within Government. Parliament will be invited to debate the medium term expenditure plans, and to solicit inputs from NEDLAC and from all of civil society.

The Budget Statement also sets out the shared responsibilities of distinct spheres of government: national, provincial and local. This has been a testing year for our new institutions of cooperative governance. In many municipalities, budgets are under review. Several provincial budgets have come under pressure in recent months. My colleagues in Cabinet and in provincial Executive Councils have faced tough choices in this budget process, and we know that there are formidable challenges ahead of us.

Key programmes, in education, health, welfare, in safety and security, and throughout the public service, require reprioritisation, improved financial management and more efficient service delivery, if our shared goals are to be realised.

Government releases today a Statement that shares this challenge with our partners.

The Freedom Charter promised that “The People shall Govern!” That remains a radical call to arms. To govern is not to elect a Government every five years. It is to have a real voice in the direction we take. In order to Govern, the people must choose.

The nation's Budget will define our ambitions and our priorities. The Government must share with the nation an understanding of our collective goals, and the constraints we face. For the people to govern, they must first be informed and empowered to make real choices. Today's Medium Term Budget Policy Statement is a significant step in ensuring that it is the people who govern the new South Africa.