ENGLISH

2016 BUDGET PEOPLE'S GUIDE

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WHAT IS THE BUDGET? In February of each year, the Finance Minister tables the national budget, whereby he announces government's spending, tax and borrowing plans for the next three years. The national budget divides money between national departments, provinces and municipalities.

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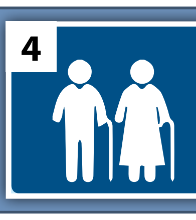

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OUR COMMITMENT TO PLACE THE ECONOMY ON THE RIGHT PATH

Government will be partnering with the private sector to invest in infrastructure projects, entrepreneurship, skills development projects and the independent power producer programme will increase power supply

The 2016 Budget affirms government's commitment to close the gap between spending and revenue and implement a plan for stronger economic growth.

It is about sticking to our plans despite increasingly challenging circumstances. Government's aim is to eliminate wasteful spending and reduce it on non-critical items so as to sustain service delivery and maintain strong public finances.

It has been a number of years since South Africa's economic growth has been strong enough to encourage employment, promote investment and reduce government's debt. In recent months, the situation has deteriorated further as expectations for growth have decreased, the rand has depreciated and confidence of business and consumers has fallen.

Economic growth was 1.3 per cent in 2015 and is expected to decline to 0.9 per cent in 2016 before rising to 1.7 per cent in 2017 and 2.4 per cent in 2018.

This low economic growth translates into reduced tax revenue. The gap between government spending and revenue stands at 4.2 percent of GDP in 2015/16. Spending has outpaced revenue as government maintained service delivery programmes in the middle of poor economic performance. In that period, debt has climbed steadily.

Over the next three years, government will lower the expenditure ceiling, increase tax revenues, and manage the size of the government workforce, which is a major source of expenditure. To achieve this, government will reduce compensation budgets by R10 billion in 2017/18 and R15 billion in 2018/19. An additional R48 billion in tax revenue will be raised over the next three years by adjusting tax and improving tax collection.

Although the spending ceiling will be lowered, it will still be growing moderately. Social grants have been protected, and core social and economic programmes will be maintained.

The country needs faster inclusive economic growth to achieve its development targets and improve its public finances. This kind of growth depends on higher levels of confidence and investment within the private sector. It is because of this that government has increased its engagements with business.

Government will be partnering with the private sector to invest in infrastructure projects, entrepreneurship, skills development projects and the independent power producer programme that will increase power supply. This partnership with the private sector, an expanding tourism sector, less labour strikes and better global growth conditions should support a pick-up in economic growth over the medium term ■