



national treasury

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AFRICAN FISCAL FORUM DISCUSSES FISCAL POLICY CHALLENGES FACING AFRICA

Senior government officials discussed the fiscal policy challenges facing sub-Saharan Africa at the first African Fiscal Forum held in Cape Town during November 9-10, 2011. Organised by the South African National Treasury and the International Monetary Fund (with financial support from the United States Agency for International Development), in collaboration with the Collaborative African Reform Initiative, the Forum provided an opportunity for country officials to share experiences in formulating and implementing fiscal policy in the face of an uncertain global environment.

In his opening remarks, Nhlanhla Nene, Deputy Minister of Finance from South Africa, highlighted the challenges facing countries in maintaining macroeconomic stability while sustaining high growth. He noted that countries should be prepared to deal with possible spillovers from the elevated global uncertainty and emphasised the importance of maintaining adequate fiscal buffers for responding to unforeseen shocks.

Country participants shared their experiences of dealing with recent food and fuel price shocks and the growth slowdown in 2009. The fiscal policy buffers – from stronger budget balances and lower public debt – that countries had built up in previous years provided them with flexibility in responding to these and other shocks arising from the volatility of capital flows and natural disasters. This enabled countries to pursue fiscal policies in response to the external shocks that were more countercyclical than in the past while protecting priority spending.

The challenge for countries now is to strengthen the fiscal buffers without sacrificing growth to improve fiscal resilience. They will need to balance the use of fiscal space for scaling up expenditure on priority sectors against the use of fiscal space to strengthen fiscal buffers. Sustained and inclusive long-term growth will require fiscal sustainability. There was a consensus that countries should strengthen domestic revenue mobilisation, improve the quality of spending, including on public investment, and rely more on targeted social safety nets to protect the poor during shocks. There is, however, no “one-size-fits-all” approach to sustainable fiscal policy, which needs to be tailored to country circumstances.

Joint Statement by the National Treasury and the International Monetary Fund