



**MINISTRY: FINANCE  
REPUBLIC OF SOUTH AFRICA**

## **Briefing by Finance Minister on 2011 International Monetary Fund/ World Bank Annual Meetings 28 September 2011**

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South Africa participated in the International Monetary Fund/ World Bank Annual Meetings held in Washington from 23 to 25 September 2011. South Africa also chaired the meeting of the G24 (made up of the developing countries in the IMF and World Bank), and a meeting of the Commonwealth Finance Ministers.

These meetings took place in a context of a global economy that, as noted in the Communiqué of the IMF's International Monetary and Financial Committee "has entered a dangerous phase, calling for exceptional vigilance, coordination and readiness to take bold action from members and the IMF alike".

The interconnected nature of the global economy gives rise to contagion effects, and with Europe being at the epicentre of the global economy, these effects are all the more severe. The contagion has already manifested through fiscal, financial and sovereign channels, heightening downward risks faced by emerging markets and developing economies in particular, and impacting on their future growth prospects. Weaker global demand might affect commodity prices and levels of global trade across the world.

In this context, South Africa recognises possible implications for policy options at our disposal, particularly with Europe being a major trading partner.

We welcome efforts of European countries to address the sovereign debt crisis and restore confidence. However, more needs to be done to address weaknesses in bank balance sheets and to accelerate further structural reforms to ensure stronger, sustainable growth in the Euro area. The USA has also committed to implementing measures to ensure fiscal sustainability over the medium term.

The BRICS finance ministers also met in Washington and committed to speeding up structural reforms to sustain growth and advance development domestically, and contribute to global rebalancing. Their openness to consider providing support

through the IMF to address challenges in global financial sustainability has highlighted the shift in identity that is taking place between traditional borrowers and creditors in the global system.

Key outcomes of the Annual Meetings included:

- The need to relook at the adequacy of the IMF resources and the role of the Fund in crisis management
- A need to assess the current financing tools of the Fund and Multilateral Development Banks (MDBs) and their adequacy for supporting developing and low-income countries (particularly in Sub Saharan Africa)
- A more integrated and even-handed approach is necessary to the Fund Surveillance Framework
- Further work on a flexible, balanced approach to capital flows drawing on country experiences
- Job creation was highlighted as a priority for both developed and developing countries. There was also unanimity in the need to find innovative solutions to address this

South Africa supports global measures that recognise the urgency of taking action to stabilise the world economy, and urges consistent, integrated, and coordinated responses to revitalise global growth and address financial sustainability.

For media queries please contact Bulelwa Boqwana (012) 315 5944 or [Bulelwa.Boqwana@treasury.gov.za](mailto:Bulelwa.Boqwana@treasury.gov.za)

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