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Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

MEDIA STATEMENT

RESPONSE TO THE OECD'S 2015 ECONOMIC REPORT

Government notes the OECD's 2015 Economic Survey on South Africa and its assessment of our country's economic developments since 1994.

The OECD notes the South African government has, since 1994, done well to champion policies that have broadened access to basic service and lifted millions of South Africans out of poverty.

Despite these gains, there are challenges, some which have been exacerbated by the global financial crisis of 2009. The OECD forecasts a 1.9 per cent growth rate for 2015, mainly due to electricity challenges.

It says government's commitment to a reform programme and initiatives to tackle infrastructure bottlenecks and support SMEs are an important indication of South Africa's commitment to diversify its economy, reduce the cost of doing business and utilise its resources much more efficiently to enable more inclusive economic growth.

It is also acknowledges that South Africa has a well-balanced and administered tax system which underpins its sound fiscal position and a finances a high degree of income redistribution since 1994.

Government Response

The OECD report is broadly supportive of South Africa's macroeconomic stance even as it notes risks to the economic outlook. The South African government has acknowledged that electricity constraints have a negative impact on the economy, and has thus prioritized the restoration of energy security in South Africa.

To support the economy, government is committed to sustaining public sector capital investment by attracting private sector capital into public infrastructure projects. Initiatives such as the Independent Power Producers programme will therefore, continue to increase in the future.

We have noted the OECD's proposals on improving labour activation policies. Government is committed to inclusive growth with high levels of employment. There are ongoing initiatives to foster employment creation. We will engage all stakeholders on some of the recommendations made in the report.





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On taxation, government has identified the need for reviewing South Africa's taxation framework. The work of the Davis Tax Committee is expected to make proposals that can enhance the contribution of tax policy to growth, employment and fiscal sustainability.

Government policy is also focusing on reducing barriers to small and medium enterprises (SMEs), recognising that SMEs can be an important job-creation driver. There are ongoing programmes to reduce the regulatory burden on business. The establishment of the Department of Small Business Development is intended to foster integration of SME into the main economy.

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