national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

MEDIA STATEMENT

THE INTERNATIONAL MONETARY FUND (IMF) CONCLUDES ITS ARTICLE IV CONSULTATION TO SOUTH AFRICA

The IMF visited South Africa from 6 - 21 November 2019 to discuss economic and financial developments in the country. The IMF staff met with government, the South African Reserve Bank, state-owned enterprises (SOEs), business, organised labour, and academia. Officials from the IMF travel to South Africa twice a year as part of their surveillance function. The IMF staff has summarised their preliminary findings in a “Staff Concluding Statement”. The more detailed IMF Article IV Report on South Africa will be finalised by the IMF post consultations and considered by the IMF Executive Board in early 2020.

Main findings of the IMF as contained in its concluding statement:

- The IMF highlights that South Africa faces three main challenges, specifically (1) weak economic growth, (2) a deteriorating fiscal situation and (3) difficulties in the operations of state owned enterprises (SOEs).

- The IMF recommends that South Africa creates an environment conducive for private sector investment and takes a decisive approach to implement structural reforms in order to boost economic growth.

Government actions being taken:

The National Treasury notes the contents of the IMF Staff Concluding Statement following the Article IV consultation, as well as the key risks identified and proposed policy recommendations. These are in line with areas that the South African government is working on to stimulate economic growth, improve the overall fiscal position and address inefficiencies in SOEs.

Since the last IMF visit (27-31 May 2019), government has made progress in the following areas:

1. The new Integrated Resources Plan has been gazetted,
2. The Infrastructure Fund is being rolled out,
3. The visa regime has been greatly simplified,
4. The unabridged birth certificate requirement for young tourists has been abolished,
5. We have upgraded a number of industrial parks and approved the demarcation of more Special Economic Zones,
6. Cabinet has directed the Independent Communications Authority of South Africa (ICASA) to accelerate the licensing of high demand broadband spectrum, and
7. A new CEO for Eskom has been appointed.

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Nevertheless, economic growth continues to deteriorate. The country's largest economic risk is Eskom. Government has announced a comprehensive set of structural reforms to support the energy sector and more specifically, Eskom.

Fiscally, a range of expenditure reductions have been proposed to stabilise and improve government's debt and budget deficit. On the revenue side, measures have been introduced to improve the capabilities of the South African Revenue Service.

The National Treasury remains committed to achieving inclusive growth that will create jobs, eradicate poverty and reduce inequality. The discussion paper released by the department has proposed a number of economic reforms that can boost GDP growth over the medium and longer term, and support increased investment and job creation.

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