



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

MEDIA STATEMENT:

THE INTERNATIONAL MONETARY FUND (IMF) CONCLUDES ITS STAFF VISIT TO SOUTH AFRICA

The International Monetary Fund (IMF) had virtual meetings with South Africa from 15-25 January 2021 as part of their routine Staff visit engagements with the country. The IMF staff discussed economic development in the country with the government, the South African Reserve Bank, state-owned enterprises (SOEs), business and academia. This visit by the Staff does not result in a Board discussion or publication of a report on South Africa's economy.

Main findings of IMF as contained in their press statement

1. The COVID-19 pandemic has worsened South Africa's growth and fiscal vulnerabilities and therefore the government is rightly prioritizing the response to the pandemic.
2. South Africa should reduce large fiscal deficits and debt levels through containment of the wage bill and avoid ill-targeted subsidies and transfers to inefficient state-owned enterprises (SOEs).
3. South Africa should advance its structural reforms that will raise long-term growth.

Actions that government is taking

The National Treasury notes the content of the IMF staff press release following its virtual visit, the key risks identified and proposed policy recommendations. The South African government is cognisant of these and work is underway to address them, namely:

1. The government continues to prioritize the response to the pandemic. The comprehensive rollout strategy and an accompanying logistical framework will be implemented. Government has also pledged transparency in its dealings with vaccine manufacturers and the various initiatives. Currently, different options are being considered to fund the vaccines for COVID-19, however funding will not be a constraint in the government's focus to doing the right thing and saving lives.
2. South Africa remains committed to reduce its fiscal deficit and to stabilise debt over the next five years and return the public finances to a sustainable position. We have confirmed that government's medium-term policy priorities are economic recovery, fiscal consolidation and that reductions to the wage bill will

assist in narrowing the budget deficit (October 2020 MTBPS [Medium Term Budget Policy Statement]). In December 2020, the Labour Court dismissed the application by public sector unions seeking to force government to implement salary increases for this year as part of the 2018 wage agreement. While the decision by the Labour Court is being challenged for completeness, the Labour Court decision is encouraging in the context of a constrained fiscal framework.

3. South Africa remains committed to implementing structural reforms. Operation Vulindlela remains a critical coordination tool to unlock and fast track implementation of the structural economic reform agenda. Operation Vulindlela will support the implementation of the economic recovery plan by accelerating priority structural reforms. It is based on similar “delivery unit” initiatives in countries such as the United Kingdom and Malaysia, as well as lessons learnt in South Africa. The initiative is staffed by a full-time technical team that draws on additional expertise and capacity in the public and private sectors. The team is currently assisting the economic cluster, Cabinet and the President to coordinate and accelerate the implementation of a limited number of priority reforms.

In conclusion, we reiterate our commitment to the Economic Reconstruction and Recovery Plan in order to accelerate growth, secure fiscal sustainability and create much needed jobs.

The Budget Speech in February 2021 will provide further details on government’s plan in supporting inclusive economic growth.

A copy of the IMF Press Release can be retrieved from the International Monetary Fund website www.imf.org or the National Treasury website www.treasury.gov.za

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