



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

MEDIA STATEMENT

RESPONSE TO THE INTERNATIONAL MONETARY FUND (IMF) ARTICLE IV REPORT ON SOUTH AFRICA FOLLOWING THE 2021 CONSULTATION

The International Monetary Fund (IMF) held virtual consultations with South Africa from 17 November to 7 December as part of its surveillance function. The objective of the consultations is to conduct economic and financial assessments of government policies and provide policy recommendations.

Today, the IMF published its “Staff Concluding Statement”, outlining its staff’s preliminary findings. The IMF staff held meetings with the South African government, the South African Reserve Bank, Eskom, business, organised labour and academia. The outcome of their consultation will be summarised in an Article IV Report, which is expected to be considered by the IMF Executive Board in February 2022.

IMF Findings

The IMF staff’s preliminary findings point to a lack of progress in the implementation of structural reforms and continued weaknesses in State-Owned Enterprises (SOEs). The staff recommended that structural rigidities be tackled immediately to increase the economy’s productivity and competitiveness and reduce poverty and inequality.

Additionally, the IMF argues that growth-friendly fiscal consolidation needs to focus on reversing the expansion on current expenditure while broadening the tax base. The IMF notes that there is an urgent need to condition any support to SOEs on the implementation of concrete and measurable actions that would significantly improve their performance and restore their viability.

Government’s response

The National Treasury notes the contents of the IMF Staff Concluding Statement with the identified key risks, as well as the proposed policy recommendations. In general, the IMF’s concerns are aligned with Government’s response programme to stimulate economic growth, which is guided by South Africa’s Economic Reconstruction and Recovery Plan.

(a) NT’s outlook on growth

GDP growth is expected to recover to 5.1 per cent in 2021 and average 1.7 per cent over the next three years. Positive developments on the fiscal side have been tax collections, which exceeded expectations in the short term. However, the recent spike in commodity prices is considered temporary.

(b) Fiscal policy considerations

In the 2021 Medium-Term Budget Policy Statement (MTBPS), the government underscored its commitment to fiscal sustainability, enabling long-term growth through narrowing the budget deficit and stabilizing debt. Furthermore, to improve transparency, reports from Organs of State on COVID-19 related expenditure are published regularly on National Treasury’s public website.

(c) Structural reform implementation

There has been some progress in implementing structural reforms to support economic growth. Key actions and announcements include:

- The President and the Minister of Mineral Resources and Energy announced that the licensing threshold for embedded generation will be raised to 100 MW, which will enable an increase in private sector investment in electricity generation.
- The President and the Minister of Public Enterprises announced that the Transnet National Ports Authority will be corporatized through the creation of an independent subsidiary with its own board.

Other reforms where work has advanced include:

- Work on the restructuring of Eskom which is on track to meet targets
- Streamlining the application process for water-use licenses
- Preparatory work on the establishment of a National Water Resources Infrastructure Agency
- Development of the e-visa system has been completed to be rolled out in 2022
- Speedy resolution of issues blocking the release of high demand spectrum and making affordable data available to firms and households as well as ensuring the completion of digital migration by March 2022.
- Reviewing the legal regime governing skilled migration.
- Accelerating infrastructure investment of 62 priority infrastructure projects
- At the 26th United Nations Climate Change Conference of Parties (COP 26) government announced that a mobilisation of R131 billion (US\$ 8.5 billion) in concessional and grant funding over the next three to five years to support South Africa's just transition to a low-carbon, climate -resilient future.

Conclusion

Government continues to work towards moving South Africa forward and realising strong, sustainable, balanced, inclusive and green growth that will improve the lives of all South Africans.

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