NATIONAL ASSEMBLY

QUESTION FOR WRITTEN REPLY

QUESTION NUMBER 39

DATE OF PUBLICATION

21 MAY 2004

MS R TALJAARD (DA) TO ASK THE MINISTER OF FINANCE:

Whether there are specific reasons for the delay in the release of the International Monetary Fund's annual report on South Africa; if not, why has the report not been released; if so, what are the reasons? **N40E**

REPLY:

The National Treasury received the final 2003 Article IV report from the International Monetary Fund on 13 September 2003. An analysis and review of the report was completed. The report was deemed to be a very positive review of the South African economy and economic policies. I decided that the Article IV report Review should be referred to the new Cabinet constituted after the elections.

The report was considered by Cabinet on 9 June 2004 and has been placed on the National Treasury website.

NATIONAL ASSEMBLY

QUESTION FOR WRITTEN REPLY

QUESTION NUMBER 212

DATE OF PUBLICATION

11 JUNE 2004

MS R TALJAARD (DA) TO ASK THE MINISTER OF FINANCE:

(1) Whether, in the course of its annual Article IV consultations with the Government, the International Monetary Fund raised any concerns with the Government about either the current approach to black economic empowerment (BEE) or the funding and financing requirements of BEE; if so, what are the relevant details;

(2) whether the IMF made any specific proposals; if so, what was the nature of such proposals;

(3) whether he will make a statement on the matter? **N247E**

REPLY

(1) Yes, while the IMF supports the broad based BEE to address the racial disparities in income and wealth it did note that uncertainties surrounding the funding of asset transfers could deter foreign investment. The IMF also observed that the initiative did not include safeguards against the concentration of assets in a few hands.

(2) No, the IMF did not make any specific proposals.

(3) No.

NATIONAL ASSEMBLY

QUESTION FOR WRITTEN REPLY

QUESTION NUMBER 211

DATE OF PUBLICATION

11 JUNE 2004

MS R TALJAARD (DA) TO ASK THE MINISTER OF FINANCE:

(1) Whether the National Treasury made any specific recommendations regarding the Nepad Peer Review Mechanism at the recent World Economic Forum summit in Maputo; if not, why not; if so, what are the relevant details;

(2) Whether he will make a statement on the matter? **N246E**

REPLY:

(1) Yes, I made passing reference about the African Peer Review Mechanism (APRM). It an innovative mechanism for African countries as a collective to review the strengths and weaknesses of their governance systems, to address shortfalls and reinforcing best practices. National Treasury and the Minister of Finance have welcomed the commencement of the first peer review in Ghana earlier this month (May 2004).

(2) No.

NATIONAL ASSEMBLY

QUESTION FOR WRITTEN REPLY

QUESTION NUMBER 324

DATE OF PUBLICATION

25 JUNE 2004

DUE FOR SUBMISSION TO PARLIAMENT

8 JULY 2004

MS R TALJAARD (DA) TO ASK THE MINISTER OF FINANCE:

(1) Whether the National Treasury has made any specific submissions to the International Monetary Fund (IMF) Article IV consultation process to allay concerns expressed by the IMF on the sources of funding and financing for black economic empowerment (BEE) in the IMF Article IV Report; if not, why not; if so, (a) what are the relevant details of such submissions, (b) what specific funding/financing mechanism has been highlighted and (c) what specific role is the Isibiya fund expected to play in the financing of BEE;

(2) whether he will make a statement on the matter? **N362E**

REPLY:

(1) (a) The National Treasury made no specific submissions to the IMF in this regard, but in the course of our discussions we emphasised that the bulk of the funding for BEE will come from the private sector. It was noted that R10 billion has been set aside to finance medium sized transactions where ownership is broadened and value is being added.

(b) No specific financing mechanism has been highlighted.

(c) The Isibiya's mandate is to finance infrastructure, private equity and BEE. The financing of BEE will be done as a percentage of the funds allocated to the Isibiya Fund. BEE funding within Isibiya will focus primarily on BEE funding opportunities that contribute to economic transformation, job creation, broad based empowerment, creation of new assets, and development of new entrepreneurs. In most instances this will be done in partnership with other funding institutions and in all instances the funding mechanisms and pricing will achieve risk-adjusted returns.

(2) No.

NATIONAL ASSEMBLY

QUESTION FOR ORAL REPLY

QUESTION NUMBER 2

DATE OF PUBLICATION

24 AUGUST 2004

DUE FOR SUBMISSION TO PARLIAMENT

01 SEPTEMBER 2004

MR Y S BHAMJEE (ANC) TO ASK THE MINISTER OF FINANCE:

(a) What is the current status of reform of the international financial system since the Asian financial crisis of 1997 and (b) what major new measures are considered necessary to ensure that the international financial system contributes to the promotion of equitable development worldwide? **N591E**

REPLY:

(a) Domestic policy reforms by individual countries, notably those classified as emerging markets, have contributed significantly to the stabilisation of the international financial system. Realising the need to strengthen their financial sectors, most emerging markets, including South Africa, have made significant progress in adhering to international standards for financial regulation and monetary and fiscal policy transparency. At an international level, a major accomplishment has been the internal reforms which have taken place within the International Monetary Fund (IMF). In recognition of the errors committed during the Asian financial crisis, the IMF has strengthened its surveillance activities, to enable it to identify potential crises before they occur. The Fund now increasingly concentrates on financial sector issues in its Article IV consultations with member countries, and, together with the World Bank, conducts additional assessments of member countries, in areas such as banking supervision, corporate governance and payment systems. These assessments are generally made public, providing a credible source of information for market participants. In its surveillance activities, the IMF also has begun to analyse the impact which G-3 (US, EMU and Japan) economic policies are having on the global economic environment.

Another positive development is that the IMF has changed its stance on exchange controls. Previously, the Fund's policy advice was always liberalisation of the capital account. These days, while the Fund is clear that capital account liberalisation should be a long-term goal, it also recognises that a sound financial sector is an important pre-condition for liberalisation. South Africa's gradual approach to exchange control liberalisation reflects this view.

To facilitate orderly debt workouts after a sovereign default, the international community agreed on the use of collective action clauses in sovereign bond issues. Such clauses prevent the actions of minority creditors from undermining the restructuring of the debt. This was considered to be a more market-oriented solution than the IMF's proposed Sovereign Debt Restructuring Mechanism. Currently, a group of emerging market countries, together with representatives of private creditors, are working on a voluntary code of conduct for creditors and debtors. The code of conduct will provide best practice guidelines for both parties in the event of a sovereign default.

Low-income countries have been granted some debt relief from multilateral and official creditors under the IMF and World Bank's Highly Indebted Poor Countries (HIPC) Initiative. Currently, 37 out of the 42 countries are receiving debt relief, and it is estimated that, once complete, two-thirds of the debt owed by these countries will have been written off. The World Bank and the IMF have also developed a more comprehensive method of assessing debt sustainability, which will allow these institutions to make a systemic analysis of borrowing countries' ability to repay debt before loans are approved.

Whereas previously the Fund and the Bank's focus in the context of low-income countries had been purely on structural adjustment and macroeconomic stabilization, both institutions are now explicitly targeting poverty reduction in their lending programmes. There has been a recognition of the important role which social spending plays in economic growth. There has also been an attempt to ensure that such lending programmes are country-designed and country-owned.

(b) While significant improvements have been made to the international financial system since the Asian crisis, there are still areas where we believe further reforms need to be implemented. Firstly, South Africa and other emerging market countries have requested the IMF to develop a new insurance mechanism against financial contagion, to replace its previous mechanism, which had serious design flaws. Such a mechanism would allow countries with good policies to have automatic access to IMF resources in the event of a crisis. Furthermore, we will continue to argue for the G-3 countries to improve the co-ordination of macroeconomic policy amongst themselves, in order to avoid destabilising misalignments in their exchange rates.

With regard to low-income countries, while South Africa has supported the new poverty reduction strategy approach, problems in implementation have resulted in only some of the original objectives being met. The amount of debt relief which has been granted to low-income countries has been insufficient, partly because of the strict conditions set by the World Bank and the IMF.

Finally, South Africa believes that a truly just and equitable international financial system cannot be brought into existence without greater developing country representation at the IMF and World Bank. Current voting structures are heavily weighted towards industrial countries, which has meant that the policies of these institutions has tended to reflect the views and interests of this group. South Africa is at the forefront of initiatives in this regard.