

NATIONAL ASSEMBLY
QUESTION FOR WRITTEN REPLY
QUESTION NUMBER: 1566 [NW1771E]

1566. Ms H Ismail (DA) to ask the Minister of Finance:

What (a)(i) are the details and (ii) is the total breakdown of the expenditure of the \$4,3 billion loan approved and granted by the International Monetary Fund (IMF) to the Republic in July 2020, (b) are the reasons that part of the loan has not been saved for procurement of vaccines and (c) were the terms and conditions of the IMF bailout?

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REPLY:

- a) The loan from the International Monetary Fund (IMF) was a Rapid Financing Instrument (RFI) facility, which was a temporary arrangement by the IMF for its member countries in response to the Covid outbreak. It is a loan that provides rapid and low-access (including low-interest) financial assistance to member countries facing an urgent balance of payments need, without having to agree to a full-fledged IMF structural adjustment program. It provides support to meet a broad range of urgent needs, including those arising from commodity price shocks, natural disasters, conflict and post-conflict situations, and emergencies resulting from fragility. South Africa applied for the loan in the context of an unprecedented fall in government revenues, coupled with a spike in borrowing costs in the market. The loan was for the following purposes:
- 1) Implement a counter-cyclical fiscal policy, by avoiding a dramatic and damaging reduction in government spending in response to an unprecedented fall in tax revenues as a result of the CoVid-induced economic crisis; and
 - 2) Finance a sizeable portion of the Covid relief package announced by the President on 21 April 2020 and implemented in the Special Adjustments Budget of 24 June 2020. At the time, this loan financed was estimated to finance between R70 billion and R75 billion of the overall fiscal relief package overall.

The loan supported the spending plans in the 2020 Special Adjustments Budget of 24 June 2020, along with other sources of borrowing. At the time of the Special Adjustments Budget, the total planned borrowings amounted to R776.9 billion. This was revised substantially down to R670.3 billion at the time of the 2021 Budget, with the IMF loan being around R75 billion of this. South Africa will repay the loan over a maximum 5-year period as stipulated in the Letter of Intent (LOI).

- b) The loan is part of the overall pool of government borrowings and all the financing instruments that are accessed by government are used to finance spending appropriated

by Parliament. At the time of finalizing the RFI arrangement with the IMF, there was no credible information internationally on a widely-available vaccine, and this was not the intended purpose of the loan. Following the development of a vaccine, government has made allocations for a full-vaccination programme over the MTEF. The spending ceiling was lifted in 2021/22 mainly for the vaccine, meaning that borrowings are in part directed towards the vaccine.

- c) The loan was given with the broad understanding that it would assist with mitigating the effects of the economic crisis, and did not require earmarking of the funds towards specific spending items. The loan was not subject to conditionalities that compromised fiscal sovereignty. However, as outlined in the Letter of Intent (LOI) signed by the Minister of Finance and the Governor of the South African Reserve Bank (SARB), government is obligated to provide broad spending reports to the IMF in line with the requirements of the PFMA. The National Treasury has published spending reports on the 2020 Special Adjustments Budget in terms of section 32 of the PFMA, and provided an update on the spending against this package in the Budget Review published on 24 February 2021.