Economic Environment

Economic Stimulus Plan

The economic stimulus and recovery plan announced by president Ramaphosa in Pretoria today will focus on the reprioritization of spending on activities that will have the greatest impact on economic growth, domestic demand and job creation.

The economic stimulus plan was adopted by cabinet this week. The president added that reprioritized spending will be directed “towards investments in agriculture and economic activity in townships and rural areas”. According to the president, agriculture has big potential to create jobs in the “immediate and long term”.

The stimulus and recovery plan consists of four broad parts:
- implementation of growth enhancing economic reforms;
- reprioritisation of public spending to support job creation;
- the establishment of an Infrastructure Fund;
- addressing urgent and pressing matters in education and health; and
- investing in municipal social infrastructure improvement.

Reprioritized spending and new project funding of approximately R50 billion is on the cards. The president indicated that more detail on the final amounts involved and the specific areas affected will be provided during the Medium Term Budget Policy Statement in October 2018.

The stimulus plan prioritises infrastructure spending as a critical driver of economic activity. A South Africa Infrastructure Fund will be set up which “will fundamentally transform our approach to the rollout, building and implementation of infrastructure projects”.

In the realm of home affairs, over the next few months, amendments will be made to “regulations on the travel of minors, the list of countries requiring visas to enter South Africa will be reviewed, an e-visas pilot will be implemented, and the visa requirements for highly skilled foreigners will be revised”. According to the president, the measures have the potential to boost tourism and assist business travel.

The president also announced that cabinet has approved the revised Mining Charter. “This will revitalize the mining industry and provide certainty to investors while charting a sustainable path towards a transformed and inclusive industry”. The president also confirmed that parliament will be requested to not proceed with the Mineral and Petroleum Resources Development Act Amendment Bill.
Separate legislation will be drawn up for the regulation of the oil and gas industry.

Government has also initiated a review of various administered prices in order to reduce the cost of doing business, boost exports and render South African industry more competitive. Electricity, port and rail tariffs will first come under the spotlight.

Report by Nick Garvie, Sabinet

Statement by President Cyril Ramaphosa on economic stimulus and recovery plan is attached hereto.

[Ramaphosa on Economic Stimulus Package]