

SUBMISSION

Proposed revisions to the mandate and independence of the SARB

31 May 2025

Attention: Advocate Pilate Gwebu
Secretary to the Joint Constitutional Review Committee
Per email: pgwebu@parliament.gov.za

Committee Members:

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Dear Members of the Joint Constitutional Review Committee and Committee Secretaries,

On behalf of the Institute for Economic Justice (IEJ) thank you for the opportunity to make the following written submission on the 2025 Annual Review of the Constitution, specifically clause 223 - 225 as they pertain to the mandate of the South African Reserve Bank (SARB). Given the centrality afforded to public participation in our constitutional democracy, we trust that you will give this submission and its considered and substantiated proposals, meaningful consideration.

Should you have any questions regarding this submission, please feel free to contact Ms Joan Stott, Senior Programme Officer: Climate Finance and Resource Mobilisation at joan.stott@iej.org.za.

1. Introduction

Chapter 13 of the Constitution includes clauses 223 to 225 which establishes the existence of the SARB as the central bank of South Africa, explains the SARB's primary objective, and determines the SARB's powers and functions.

The IEJ believes that the SARB is failing in its primary objective to ensure balanced and sustainable growth (224 (1)), and that it is failing to consult and coordinate sufficiently with the Minister of Finance (224 (2)).

2. The SARB's bias to inflation targeting undermines balanced and sustainable growth

The constitutional mandate of the SARB is "to protect the value of the currency *in the interest of* balanced and sustainable economic growth in the Republic" ([SA Constitution 1996](#)). The SARB has operationalised price stability through its inflation targeting regime, adopted in 2000. The primary means of achieving price stability is the manipulation of the short-term interest rate (the "repo rate" - effectively, the rate at which the SARB lends to other banks). In the context of inflationary pressures, this has led to relatively high real interest rates (the interest rate less the rate of inflation (CPI)).

High real interest rates, by the SARB's own admission, are meant to constrain demand in the economy through making it more expensive to borrow funds (thereby reducing demand-led inflation). In addition, they have the consequence of encouraging speculative investment in financial assets through short-term portfolio capital flows and carry-trade operations¹. Both of these consequences - constrained demand and speculative inflows - have been detrimental to job creation, industrial productivity, and development, which is counter to the central theme of government policy and the thrust of clause 224 (1) of the Constitution, and undermine developmental objectives as pursued by other arms of the state.

Approaching price stability in this manner, through manipulating short-term interest rates, is also a very blunt approach. It assumes that inflation is caused by more demand for goods and services in the economy than the economy can feasibly accommodate. South Africa's main inflationary pressures, however, come from external and exogenous factors that have nothing to do with excess demand. These include oil prices, food prices, and the volatility of the Rand. Oil prices are set on global markets, and food prices are significantly influenced by climatic conditions. Both oil and food will be under strain as climate change impacts worsen and the country transitions to a low-carbon structure. South Africa's exposure to physical climate risk also increases the likelihood of financial instability as climate disasters become more frequent and extreme. Inflationary pressures also derive from administered prices, such as the price of electricity, which monetary policy is ill-suited to tackle.

The current mandate of the SARB, as it is narrowly interpreted, creates a sort of policy straight-jacket. The SARB is told its key concern should be price stability and the agreed

¹ Carry-trade investments refer to a strategy used to borrow capital at a lower interest rate for investment in assets with potentially higher returns.

policy framework centres interest rates as the primary tool, but this throttles the economy by making borrowing expensive while being ill-suited to actually tackling the drivers of inflation. This results in a failure of the SARB to actually support balanced and sustained growth. While this could be ameliorated through the SARB utilising a wider policy toolkit to give effect to its existing mandate, this is unlikely outside of an amendment to this mandate. This is because independent central banks are designed to be very conservative institutions. It is therefore incumbent on the legislature and constitutional architecture to guide the SARB towards a policy approach that places greater priority on achieving balanced and sustainable economic growth, including employment growth. This is the case with the dual mandates of other major central banks - focusing on both price stability and employment.

3. Consultation and coordination with the Minister of Finance

The independence of the SARB is not designed to be absolute. Clause 224 (2) indicates that there must be “regular consultation between the Bank and the Cabinet member responsible for national financial matters” (SA Constitution 1996). Despite this, the SARB has been given too much latitude to pursue a single objective outside of national development priorities and frameworks. As identified by research by the IEJ ([Morris 2025](#)), this has restricted the extent of cooperation between fiscal and monetary policy and thus the attainment of a more job-creating, developmental economic growth path. The IEJ therefore believes that there is insufficient cooperation between the SARB and the National Treasury when it comes to the joint pursuit of a just, inclusive, sustainable, and developmental growth path.

SARB independence and neutrality has in many ways supported the preservation of existing patterns of investment, the financial system, and concentration of the economy in capital-intensive sectors such as mining and energy. Ideally the National Treasury and SARB should be working in concert with one another to lead to the creation of jobs in the pursuit of financial, macroeconomic, and socioeconomic stability.

Recent changes to central banking practices, such as quantitative easing and asset purchase techniques following the 2008 Global Financial Crisis, have indicated that there is space for rethinking the role of central banks and the tools at their disposal for ensuring inclusive and sustained economic growth ([Morris 2025](#)). Unlike the current positioning of central banks as “investors of last resort”, institutions like the SARB should be playing a far more active role in the economy and working more closely with fiscal policy to support government’s policies on job creation, green industrialisation, development, and a socially just and worker-centred transition to a low-carbon economy. Continued neutrality by the SARB has led to macroeconomic policies that have simply entrenched the status quo that has historically prevailed in South Africa ([Morris 2025](#)).

Therefore, a more promotional monetary policy, including a rethinking of the extent of independence of the SARB is required. While the existing constitutional wording does not necessarily prevent this, it also *does not sufficiently require* the SARB to act in this way.

4. Encountering the challenge of climate change

As South Africa, and the world, face increasing risks of the impact of climate change, it is paramount to recognise that climate change leads to inflation in all economies. Furthermore, the more a country is at risk of the impacts of climate change, the higher its inflationary risk. This is because climate change threatens the availability of goods and services such as water, electricity, and food, and also increases the risks of having to finance recovery from natural disasters such as floods, storms, drought and crop failure. All this effectively devalues the capital put towards existing provision of infrastructure, health services, energy, and agriculture, while increasing the cost of a just transition to a low-carbon economy.

As climate change threatens financial stability (increased risk of investment, downgrades to credit ratings, rising interest rates, increased cost of borrowing, etc.) while raising the cost of a just transition, it is paramount that the SARB and the National Treasury undertake a coordinated approach to ensuring the structural transformation of the South African economy is financed sustainably, promotes a socially just allocation of resources, and addresses the existing challenges of unemployment, poverty and inequality.

5. List of recommendations/proposals

The IEJ recommends the Joint Constitutional Review Committee considers:

1. Reevaluating the mandate of the SARB to include greater emphasis on green structural transformation, employment-rich growth, and the reduction of poverty and inequality. These objectives would complement the mandate of price stability giving more explicit meaning to the long-term goal of achieving balanced and sustainable growth.
2. The independence of the SARB be tempered with greater emphasis on the need for coordination and cooperation between the SARB and the Executive to ensure both work in pursuit of macroeconomic and socioeconomic stability, and that the SARB does not undermine other developmental objectives.



The Institute for Economic Justice (IEJ) is a progressive economic policy think tank committed to advancing economic justice, systemic change, and the equitable distribution of resources to ensure rights realisation and planetary wellbeing.

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