INTERNATIONAL MONETARY AND FINANCIAL COMMITTEE

Forty-Ninth Meeting
April 18–19, 2024

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Statement by Mr. Kganyago
South Africa

On behalf of
Angola, Botswana, Burundi, The State of Eritrea, Kingdom of Eswatini,
The Federal Democratic Republic of Ethiopia, The Gambia, Kenya,
Kingdom of Lesotho, Liberia, Malawi, Republic of Mozambique,
Namibia, Nigeria, Sierra Leone, South Africa,
Republic of South Sudan, Sudan, United Republic of Tanzania,
Uganda, Zambia, and Zimbabwe

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Statement by Honorable Lesetja Kganyago, Governor of the South African Reserve Bank On behalf of Angola, Botswana, Burundi, Eritrea, Eswatini, Ethiopia, The Gambia, Kenya, Lesotho, Liberia, Malawi, Mozambique, Namibia, Nigeria, Sierra Leone, South Africa, Republic of South Sudan, Sudan, Tanzania, Uganda Zambia, and Zimbabwe

We express our concerns to the on-going regional conflicts, as well as the humanitarian crisis in Gaza, and call for concerted international efforts to restore peace and stability.

1. **The global growth recovery has demonstrated resilience, while the faster pace of disinflation is expected to facilitate a soft landing.** The post-pandemic global recovery has, however, remained slow with widening divergences within and across regions. The medium-term global growth outlook is projected to remain lackluster, accompanied by the slow pace of income per capita convergence. While near-term risks have become more balanced, global growth prospects remain conditioned by the long-term effects of the pandemic, intensified geopolitical tensions, weak productivity, withdrawal of fiscal support, strict lending standards, the lagged effects of tight monetary policy, and rising geoeconomic fragmentation. An accelerated recovery in some Emerging Market and Developing Economies (EMDEs) continue to be challenged by rising protectionism, increasing inequality, high debt service costs, elevated geo-political tensions, severe climate shocks, and depleted fiscal buffers. Meanwhile, the weak economic momentum in some key EMDEs, continues to weigh on global demand. Against this backdrop, coordinated policy actions should focus on durably bringing inflation to target, growth friendly fiscal consolidation to contribute to debt sustainability and replenishment of fiscal buffers, rejuvenating productivity growth, building climate resilience, and strengthening cross-border cooperation.

2. **The growth rebound in Sub-Saharan Africa (SSA) has been slower than expected, and income divergences persist.** The SSA regional outlook is gradually improving, amid lingering effects from the pandemic, geo-political tensions, underlying structural impediments and persistent liquidity constraints. Furthermore, strong headwinds from higher-for-longer interest rates, elevated debt vulnerabilities, debt distress, and a food crisis occasioned by the El Nino phenomenon, warrant vigilant monitoring, and renewed multilateral cooperation. We welcome the Fund's report on Macroeconomic Developments and Prospects for Low-Income Countries (LICs) that articulates the significant challenges confronting this diverse group of countries. Timely Fund policy guidance would, therefore, be essential to help vulnerable countries achieve higher and more inclusive growth and bolster resilience. We welcome the IMF and World Bank's collaborative work on the Domestic Revenue Mobilization Initiative (DRMI). Further Fund work to help countries design concrete steps to strengthen social safety nets would be important to cushion the most vulnerable.

3. **We welcome the faster inflation deceleration but stress the need to secure the final inflation descent.** Considering that inflation is yet to firmly return to target in many countries, we are concerned by conflict spillovers and disruptions in the Red Sea that could cause supply chain disruptions and therefore trigger renewed inflationary pressures and delay the return of inflation to target, specifically for the EMDEs. In this regard, we stress the need for the IMF to guide countries on the appropriate pace and scale of policy calibration across jurisdictions to remain data-dependent, well-timed, and clearly communicated to avoid policy missteps. Further**,** we view guidance under the IMF's Integrated Policy Framework (IPF), as important in designing appropriate policy responses to help manage capital flow and currency volatility.

4. **We welcome the improved financial market sentiment and continued easing of global financial conditions**. Specifically, we positively note that the international bond markets are beginning to reopen for SSA countries. That said, we underline the need for intensified efforts to rein-in sovereign debt vulnerabilities, while bolstering pre-emptive financial sector regulatory and supervisory practices. An enhanced Common Framework for Debt Treatments beyond the Debt Service Suspension Initiative (DSSI), a multilateral tool, may assist in addressing these vulnerabilities. Further, we see merit in scaled-up Fund efforts aimed to provide tailored Capacity Development (CD) to partner with authorities in designing workable solutions to engender financial stability, considering risks from the non-bank financial sector, digitalization, and cyber-attacks. Fund technical support would also be important to bolster the SSA region's fight against money laundering, terrorism financing and proliferation financing. Despite progress made thus far in several countries, we continue to advocate for concrete Fund actions to further bolster financial integrity by strengthening AML/CFT frameworks in many of our countries.

5. **Enhanced international cooperation would be vital to tackle geoeconomic fragmentation and revive global trade.** We note with concern the reversal of gains from cross-border economic integration, owing to geoeconomic and geopolitical fragmentation. This trend continues to pose risks to the free flow of capital, labor, goods, and services. The increased deployment of trade restrictions and inward-looking policies, which have almost tripled since 2019, threaten to reverse the hard-won gains from international trade. We, therefore, urge the Fund to use its convening powers to strengthen the advocacy on the removal of trade barriers, and promote a rules-based global trading system to reinvigorate trade.

6. **We welcome the Managing Director's Global Policy Agenda (GPA),** and positively note the Fund's renewed commitment to help countries accelerate the post-pandemic recovery and narrow the income gap. We, therefore, view the GPA's theme to **Rebuild**, **Rebound**, and **Renew** as an apt characterization of the Fund's important role in the context of depleted buffers triggered by the multiple shocks. Additionally, we are re-assured by the Fund's re-affirmed commitment to provide timely policy advice through bilateral and multilateral surveillance, while adapting its lending toolkit

to support vulnerable members. We endorse the GPA's key policy priorities, including enhanced multilateral cooperation to address the shared climate challenges of fostering the green energy transition, alleviating debt burdens in vulnerable countries, tackling food insecurity, and understanding the potential benefits and vulnerabilities of Artificial Intelligence (AI) to advance an inclusive and resilient global economy.

7. **We welcome the Fund’s continued efforts to adapt its lending toolkit to the rapidly evolving financing needs of the membership.** Considering the persistent liquidity constraints facing many countries in SSA, the role of the Fund’s countercyclical financing remains indispensable. While the first phase of fundraising efforts to replenish the Poverty Reduction and Growth Trust (PRGT) subsidy resources was successful, focus should now be placed on the second phase. We also look forward to the Comprehensive Review of Concessional Facilities and Financing, to reinforce the self-sustainability of the PRGT. We call on the Fund to maintain parity of access limits for both the GRA and PRGT in the wake of the equiproportional increase in quotas. We also stress the need to keep all financing options on the table, including the use of internal Fund resources, such as the modest sale of gold reserves. Importantly, the World Bank and the IMF collaboration to leverage synergies with the International Development Association twenty-first (IDA21) replenishment efforts would help find a holistic solution to ensure adequate concessional financing resources. Recognizing the expiry of the Food Shock Window at the end of first quarter of 2024, with the acute food security situation in our region, we call for an assessment of the facility in addition to providing emergency financing facilities alongside augmentations in program countries. Concurrently, the replenishment of the Catastrophe Containment and Relief Trust (CCRT) should be prioritized to bolster the response to frequent and large natural disasters. We also call for the review of charges and surcharges to unlock resources that could help respond to external shocks.

8. **We call for expedited work to facilitate re-channeling of SDRs to enhance the Multilateral Development Banks’ (MDBs) lending capacity.** In this regard, we view the use of SDRs in the acquisition of hybrid capital instruments in prescribed holders, as important to support the vulnerable economies to leverage their multiplier effects and unlock further climate and development financing. We commend the initiative of the African Development Bank and the Inter-American Development Bank in submitting proposals towards effecting this rechanneling and urge the IMF Executive Board to conclude the discussion. We call on the IMF to encourage members, with strong external positions, to consider rechanneling a portion of their SDRs to MDBs.

9. **Further improvements are needed to ensure an efficient debt resolution framework and consolidate the gains from successful debt operations.** We welcome progress made in Zambia’s debt restructuring under the G20 Common Framework, including that all official creditor committee members have signed the Memorandum of Understanding to implement the debt treatment. We also welcome the in-principle agreement reached with the Ghanaian authorities and their official creditors

on a debt treatment package. We call for expedited efforts to complete debt treatments for Ethiopia and Malawi. We also reiterate our call for a stronger and more robust global debt restructuring architecture and urge the Fund and its partners including the World Bank, to continue efforts to refine the Common Framework, to enhance its effectiveness and timeliness. We note progress on the Global Sovereign Debt Roundtable (GSDR) to support closer coordination and assist with common practices and procedures for debt restructuring cases. In addition, we look forward to the Review of the LIC's Debt Sustainability Framework, to better integrate external shocks and enhance its robustness to climate change. We welcome the reforms approved to promote the Fund's capacity to support countries undertaking debt restructuring. We welcome efforts undertaken to support capacity development related to debt management strategies and transparency.

10. **The global climate crisis underscores the need for urgent international actions to support the climate transition.** We look forward to the review of the Resilience and Sustainability Trust (RST), as an important opportunity to assess its effectiveness and efficiency in operations, as well as inclusion of the pandemic preparedness theme, which the Trust was also created to tackle. We call on the Fund to enhance its support on capacity building in LICs to design and implement effective climate change strategies, including on disaster risk reduction, sustainable land and water management, and environmental conservation, in partnership with relevant institutions. Additionally, the Fund should support initiatives to reduce debt burdens on LICs by linking debt relief to climate and environmental objectives, where appropriate. Concurrent efforts to strengthen collaboration between the World Bank and the IMF to help develop an efficient and fair carbon pricing system, would be beneficial to support adaptation efforts in many of our countries.

11. **We reaffirm our advocacy for a strong quota-based IMF at the center of the Global Financial Safety Net (GFSN).** We, therefore, welcome the resolution of the Board of Governors to conclude the 16th General Review of Quotas (16th GRQ), with the approval of a quota increase. We consider this as an appropriate step in enabling the Fund to respond to members' needs in a highly uncertain and shock-prone world. To this end, we encourage members to prioritize their domestic approvals for all agreed elements of the 16th GRQ, to enable the timely implementation of the increase in quotas, the rollback of the New Arrangements to Borrow (NABs) and the 2020 Bilateral Borrowing Arrangements (BBAs) that are due to expire at the end of 2024. We also support the transitional arrangements for bilateral borrowings and review of guidelines, to help maintain the Fund's lending capacity. Looking ahead, we urge the IMF to expedite the work on developing possible approaches to guide quota realignment, including through a new quota formula, under the 17th GRQ, by June 2025, as agreed.

12. **We commend the Fund in championing reforms aimed to increase the voice and representation of Sub-Saharan African (SSA) countries.** We strongly welcome the on-going work to create the Third Chair for Sub-Saharan Africa (SSA) by the upcoming 2024 Election of Executive

Directors. In the same spirit, we also see merit in the creation of the fifth Deputy Managing Director to improve regional representation in the IMF’s senior management and representation of LICs.

13. **Finally, we recognize the progress made on Diversity and Inclusion (D&I) but stress the need to timely meet all the benchmarks.** We call for continued commitment to D&I, to make meaningful strides to tackling the ongoing challenges of greater recruitment and promotion of staff from underrepresented regions (URRs), as well as more female appointments at all levels. Relatedly, we call for a more ambitious D&I agenda to position the Fund as a leading institution in diversity and inclusion and ensure a level playing field and equitable treatment for staff at all grade levels and across the membership. As such, addressing the legacy of underrepresentation, especially in today’s increasingly complex global environment is of paramount importance for the Fund, as it seeks to remain a trusted global policy advisor, which values and integrates diverse views, workstyles, cultural norms, skills, and competencies. Additionally, we continue to call for gender parity in the Executive Board of the IMF, as well as enhanced gender balance on all grade levels in the offices of Executive Directors.