INTERNATIONAL MONETARY AND FINANCIAL COMMITTEE

Fiftieth Meeting
October 24–25, 2024

Statement No. 50-18

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

International Monetary and Financial Committee
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October 25, 2024

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

1. **The global economy is approaching a soft landing against the backdrop of a resilient recovery in output growth and the continued moderation in inflation.** As such, initial recession fears in advanced economies have dissipated, supported by an easing of cyclical imbalances, and more synchronized economic activity, that have in turn facilitated a narrowing of output gaps. Nevertheless, multiple global economic challenges persist, contributing to elevated levels of uncertainty. Inflation, while on a steady decline, remains high due to persistently high services and food price inflation. The medium-term outlook, although expected to remain benign, is overshadowed by risks stemming from policy uncertainty, financial market volatility, rising energy and agricultural commodity prices, increased trade barriers, debt vulnerabilities, and climate shocks, amongst others. Notably, spillover effects from these exogenous shocks are expected to disproportionately impact Emerging and Developing Economies (EMDEs), and more specifically those in Sub-Saharan Africa, underscoring the need for greater vigilance and policy prioritization. To secure a soft landing, monetary policy should be carefully calibrated to durably entrench price stability. Meanwhile, fiscal adjustment efforts should be gradual and tailored to rebuild buffers and ensure debt sustainability. Structural reforms aimed at enhancing productivity should be accelerated, along with multilateral cooperation to address shared global challenges. These combined measures are essential to safeguard economies from further economic stagnation.

2. Growth in Sub-Saharan Africa (SSA) is projected to strengthen from 3.6 percent in 2023 and 2024 to 4.2 percent in 2025, as the adverse impacts of prior weather shocks subside, and supply bottlenecks continue to unwind. The region's recovery momentum, however, remains sluggish, although macroeconomic imbalances are gradually moderating. The post-pandemic recovery has remained subdued, largely due to regional conflicts and climate shocks, including the effects of the El Nino phenomenon, which has caused devastating floods and severe droughts in many of our countries. Consequently, food prices have increased sharply, leading to headline inflation remaining well above targets in many SSA countries. Thus, the cost of living remains high, while per capita incomes in SSA continue to lag behind global income levels. The continent remains vulnerable to volatile capital flows, exerting undue currency and inflationary pressures, and worsening debt dynamics. Against this background, the IMF's Fund policy advice on prudent monetary policy actions to bring inflation durably within targets, as well as the Fund's technical support to manage volatile capital flows within the Integrated Policy Framework (IPF), are essential.

3. **While near-term risks to financial stability appear contained, recent financial market turbulence and the build-up of vulnerabilities call for caution.** We, therefore, call for

vigilance regarding these vulnerabilities to minimize risks to macro-financial stability, amid heightened policy uncertainty, and associated geo-political risks. At the same time, we believe that the timely adoption of macroprudential measures is essential to addressing the interconnected risks within the financial system, specifically those stemming from the growing role of Non-Bank Financial Institutions (NBFIs). Moreover, the increased adoption of Artificial Intelligence (AI) facilitates further expansion of NBFIs, potentially exacerbating financial sector fragilities. Continued efforts to address remaining Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) deficiencies remain vital to enhance financial integrity.

4. **Considering the subdued medium-term growth outlook, steadfast implementation of targeted structural reforms would be essential to strengthen the foundations for strong, sustainable, balanced, and inclusive growth.** We place a high premium on ambitious and well-designed structural reforms to lift productivity and ensure inclusive and durable growth in SSA. Specific attention should be paid to efforts to harness the benefits of digitization, achieve country-specific fiscal adjustments to address rising public debt levels and safeguard debt sustainability, reduce poverty and inequality, and build climate resilience. Additionally, we continue to stress the need for enhanced global cooperation to address the region's long-term vulnerabilities. Importantly, given concerns about recent episodes of social discontent, the Fund's policy advice and program design should carefully consider the distributional consequences and acceptability of structural reforms to preserve social cohesion.

5. **Enhanced multilateral cooperation and coordinated policy efforts would be important in addressing geoeconomic fragmentation and rejuvenating global trade. We remain concerned about risks from geopolitical and trade fragmentation** and their impact on supply chain resilience, cross-border capital flows, funding costs, as well as transfer of knowledge. We, therefore, stress the need to maintain stable and transparent trade policies, and ensure the responsible use of industrial policies. We also urge the Fund to leverage its convening power and near-universal membership to strengthen advocacy for a rules-based, fair, open, inclusive, equitable, sustainable, and transparent multilateral trading system with the World Trade Organization (WTO) at its core. We welcome the recently developed Early Warning Trade Tools and the New Industrial Policy Observatory by the Fund, in collaboration with Global Trade Alert. We also consider the launch of the joint IMF/OECD/WTO subsidy platform, as a welcome step in developing indicators to track trade policy development. Going forward, stronger, and more urgent multilateral cooperation would be essential to tackle impediments to growth and support the Bretton Woods Initiative.

6. **We welcome the Managing Director's Global Policy Agenda (GPA), which reaffirms the Fund's resolve to adapt support to the needs of the membership, secure a soft landing, and facilitate an orderly exit from the low growth-high debt path.** We note the rising debt vulnerabilities, and burdensome debt service costs that continue to crowd out priority investment and social spending mostly in EMDEs. In most SSA countries, where domestic revenues remain depressed and spending pressures persist, tailored and gradual fiscal adjustment efforts would be essential to place public finances onto a sustainable footing.

However, Fund policy support would be essential to cushion the most vulnerable from the pain of adjustment and smoothen distributional effects. We also welcome the Fund's capacity development (CD) work to implement the Joint Domestic Revenue Mobilization Initiative (JDRMI). Furthermore, we look forward to the joint IMF/World Bank initiatives to support global efforts to tackle liquidity challenges and raise financing for development, and therefore endorse the proposed three-pillar strategy. Moreover, we urge the Fund's multilateral surveillance initiatives to place greater emphasis on monitoring how transformative trends, such as climate change, digitalization, geoeconomic fragmentation, NBFIs and AI, impact the functioning and stability of the International Monetary System.

7. **We welcome the Fund's continued efforts to strengthen its lending toolkit to maintain adequate support to low-income countries and restore the self-sustained lending capacity of concessional resources.** We welcome the recent reviews on the Poverty Reduction and Growth Trust (PRGT) facilities aimed at enhancing the lending envelope and restoring its self-sustainability. We, however, stress the need to ensure a flexible application of access limits based on merit while maintaining the robustness of the lending envelope against plausible shock scenarios. At the same time, the hard-won gains on normalization of access between the PRGT and the General Resources Account (GRA) should be preserved. We also underline the need to ensure that all financing options for the PRGT remain on the table, including a modest gold sale. Furthermore, we reiterate our call for coordinated efforts between the World Bank and the Fund to leverage synergies with the International Development Association's twenty-first (IDA21) replenishment efforts to ensure a holistic approach to the review of concessional facilities that also preserves debt dynamics. At the same time, we call for the replenishment of the Catastrophe Containment and Relief Trust (CCRT) to bolster capacity to respond to frequent and severe natural disasters. We also look forward to the Review of Program Design and Conditionality, and the Review of the Short-term Liquidity Line to enhance its uptake.

8. **We welcome the completion of the review of charges and surcharges to ensure that they remain fit for purpose in the challenging global environment.** We view the adjustments made to the margin for the basic rate of charge, the level-based surcharge threshold, and the time-based surcharge rate, among other reforms, as important to make access to GRA resources more affordable. Importantly, we positively note that while reducing the cost of GRA borrowing and thus easing the financial strain of the Fund's charges and surcharges on a wide range of countries accessing non-concessional resources, the changes safeguard the GRA's revolving nature and preserves the Fund's financial strength. That said, we urge for a continued drive to further reduce borrowing costs while ensuring a robust income and reserves outlook.

9. **We welcome the approval of the expansion of the authorized use of Special Drawing Rights (SDRs) to encompass the acquisition of hybrid capital instruments by prescribed holders**. We consider this decision as important to facilitate the re-channeling of SDRs to enhance the lending capacity of Multilateral Development Banks' (MDBs), and compliment efforts to support vulnerable countries. Going forward, we call on the IMF to

encourage members, with strong external positions, to consider further rechanneling of SDRs for this purpose. We also look forward to the enhancement of the limit of rechanneled SDRs for this purpose, to better optimize their multiplier effects in development and climate financing.

10. **We welcome the important steps made to enhance the efficiency of debt resolution mechanisms but encourage further efforts.** We view improved complementarity between the Global Sovereign Debt Roundtable (GSDR), the G20 Common Framework, and the low-income countries' (LICs') Debt Sustainability Framework, as a critical step that helped deliver faster and predictable debt treatments in the recent cases of Ethiopia and Ghana. Evidently, these key mechanisms have improved coordination, fair burden sharing, and analytical rigor to improve debt restructuring for LICs and countries in debt distress. We call for further stepping up of the Common Framework's implementation in a predictable, timely, orderly, and coordinated manner. The GSDR has played a crucial role in deliberating on technical aspects that assisted debt restructuring efforts. Looking ahead, we urge for continued GSDR discussions on options to further improve the speed, transparency, and fairness of debt restructuring processes, while ensuring better outcomes for debtor countries, creditors, and the global financial system at large. We also urge the Fund to provide timely technical support to address the growing stock of unidentified debts, advance work on debt for development/nature swaps, debt transparency and integration of the debt-at-risk framework in existing workstreams on debt.

11. **We urge the Fund to intensify support to countries affected by the devastating effects of climate change.** We note that climate change continues to affect countries across the world, compounding existing and emerging challenges specifically in Africa, undermining economic activity. We, therefore, welcome the efforts to expand the use of the Resilience and Sustainability Trust (RST) and to this end, we support the joint agreement on broad principles for cooperation on pandemic preparedness by the IMF, World Bank Group (WBG), and the World Health Organization (WHO). Collaborative work with the World Bank on the development of efficient carbon markets would also help unlock climate financing in many of our countries. To this end, we call for multilateral cooperation to mobilize adequate and affordable climate financing, promote best practices, and enhance climate governance systems.

12. **We reaffirm our support for a strong, adequately resourced, quota-based IMF that is at the center of the Global Financial Safety Net (GFSN**). We impress on members to expeditiously conclude their domestic consents for the 50 percent quota increase under the 16th General Review of Quotas (GRQ) by November 15, 2024, as agreed. We urge the Fund to expedite the work on quota realignment to reflect members' relative positions in the global economy, including through a new quota formula, under the 17th GRQ by June 2025. We welcome the operationalization of the third chair for SSA at the IMF Executive Board, as an important milestone in efforts to increase the region's voice and representation within the Fund.

13. **Finally, we acknowledge the progress made in Diversity and Inclusion (D&I) but encourage continued efforts to enhance gender and geographical diversity among Fund staff.** We advocate for a more ambitious agenda to position the Fund as a leader and global policy advisor in D&I, ensuring a level playing field and equitable treatment for staff across all grades and membership. We reiterate our call for enhanced recruitment and representation of citizens of SSA countries across the career ladder. Nevertheless, we commend the increased number of elected women Executive Directors in the quest to improve gender diversity in the IMF Executive Board. We also continue to call for gender parity on the IMF Executive Board at all grade levels in the offices of Executive Directors.