INTERNATIONAL MONETARY AND FINANCIAL COMMITTEE

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Statement by Mr. Kganyago
South Africa

On behalf of
Angola, Botswana, Union of the Comoros, Kingdom of Eswatini, Kingdom of Lesotho, Republic of Madagascar, Malawi, Mauritius, Republic of Mozambique, Namibia, South Africa, United Republic of Tanzania, Zambia, and Zimbabwe

International Monetary Fund Africa Group 1 Constituency (AfG1)
International Monetary and Financial Committee
Fifty-first Meeting
April 25, 2025

Statement by Honorable Lesetja Kganyago, Governor of the South African Reserve Bank
On behalf of Angola, Botswana, Comoros, Eswatini, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, South Africa, Tanzania, Zambia, and Zimbabwe

The global economy has entered a fundamentally new conjuncture, with risks firmly tilted to the downside, threatening stability and resilience previously demonstrated, and the economic recovery from the aftermath of the 2020 crisis. Growth momentum is slowing across advanced and emerging markets alike, as heightened uncertainty and policy unpredictability reshape trade and capital flows, weakening the outlook. This conjuncture poses a risk to the current disinflation trajectory, with varying impact across economies. As many economies face significant challenges emanating from heighted uncertainty and volatility, targeted policy measures to build resilience, effectively implementing progressive and adaptive structural reforms to rejuvenate growth and promoting stronger regional trade cooperation have become urgent.

We are deeply concerned about the developments in trade policies, including the newly imposed trade tariffs, which further threaten the stability of the global economy and outlook. These actions risk undoing years of progress in poverty reduction, as well as sustainable, balanced and inclusive growth. For Sub-Saharan Africa (SSA), the consequences thereof, such as tighter financial conditions and volatile currencies, would have a disproportional impact, further exacerbating existing vulnerabilities. We are also concerned by the extent to which the current developments and spillover effects, threaten the existing regional trading block arrangement, such as the African Growth and Opportunity Act (AGOA). Furthermore, as economies are seeking new trading markets, we are concerned about the unintended consequences of flooding smaller markets and thereby affecting local industries. We urge the Fund to leverage its convening power and near-universal membership, to advocate for a rules-based, fair, open, inclusive, equitable, sustainable, and transparent multilateral trading system with the World Trade Organization (WTO) at its core. We call for guidance from the Early Warning Trade Tools and the New Industrial Policy Observatory by the Fund, in collaboration with Global Trade Alert.

Growth in Sub-Saharan Africa has been revised down significantly, reflecting the cumulative impact of past shocks and rising trade fragmentation. The persistent low-growth, high-debt conundrum experienced by some countries also presents severe challenges and undermines the long-term economic resilience in a region that continues to grapple with eroded fiscal buffers, structural weaknesses, underdeveloped infrastructure, and vulnerabilities to climate shocks – all of which hinder its capacity to recover strongly and converge towards global income levels. Furthermore, the renewed capital flow volatility and tightening of financial conditions are set to exacerbate the heavy debt burden, while limited market access remains a challenge. As inflation remains elevated in many economies, with downside risks emanating from currency pressures and volatile capital flows, we support the call for central banks to remain vigilant, adjusting policies based on evolving evidence while managing spillovers, to ensure price stability and that the inflation expectations remain anchored. We value the IMF's tailored guidance under the Integrated Policy Framework (IPF) to navigate exchange rate volatility and welcome the emphasis on credible medium-term fiscal frameworks to rebuild buffers, support consolidation, and safeguard debt sustainability.

Debt vulnerabilities in SSA remain a challenge safeguarding macroeconomic and financial stability. Strengthening debt restructuring mechanisms, including through the Common Framework (CF) and the Global Sovereign Debt Roundtable (GSDR), as well as the adoption of a comprehensive three-pillar approach, are particularly relevant in SSA, where financing constraints are rising. We welcome progress made under these frameworks. We continue to call for an efficient debt restructuring processes, broader private-creditor participation, transparent, timely, and orderly crisis resolution mechanisms to support countries undergoing debt treatment. The LIC Debt Sustainability Framework (LIC-DSF) is still essential for managing debt in low-income countries, and we encourage the continuity of this initiative. We welcome the emphasis on enhancing credible medium-term fiscal frameworks to rebuild buffers, support consolidation, and ensuring debt sustainability.

The resilience of the global financial system has also been disrupted by emerging risks, which disproportionately impact the SSA region. To this end, we call for enhanced vigilance in supervision to mitigate macro-financial stability risks. We believe that timely adoption of macroprudential measures is essential to address interconnected risks within the financial system, specifically those stemming from the growing role of Non-Bank Financial Institutions (NBFIs) and increased adoption of Artificial Intelligence (AI). We look forward to the upcoming Comprehensive Surveillance Review (CSR) as a crucial step in enhancing the IMF's capacity to deliver timely, even-handed, targeted, and impactful policy advice through deeper analysis of macro-financial risks, structural challenges, and global spillovers. We concur that continued efforts to address remaining Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) deficiencies remain vital for financial integrity.

Steadfast implementation of targeted structural reforms is essential to boost productivity and strengthen the foundations for durable and inclusive growth. We attach a high premium on ambitious and well-designed structural reforms to lift productivity and ensure inclusive and durable growth in SSA. To this end, specific attention should be directed towards harnessing the benefits of digitization, improving the business climate, reducing poverty and inequality, and building climate resilient economies. Labor market reforms, including policies promoting healthy aging, education, and job creation, are crucial for extending working lives and achieving Sustainable Development Goals (SDGs). That said, domestic efforts alone are insufficient, and we call for multilateral cooperation to ensure timely conclusion of debt treatments where needed, concessional financing, and adequate investment to advance the SDGs and successfully navigate demographic changes. We gladly note that the Fund has been emphasizing the importance of private sector-led growth as a driver of sustainable economic development and commend the establishment of an Advisory Council on Entrepreneurship and Growth to explore ways to enhance private sector contributions to economic progress.

We endorse the Global Policy Agenda as a vital roadmap that strengthens the IMF's mandate and commitment to anchor stability amid a precarious global environment. We **commend** the GPA for its **timely and focused approach** in refocusing efforts to address the complex challenges facing the global economy**.** The GPA's emphasis on leveraging technological advancements, energy transitions, and demographic shifts to drive growth and stability are crucial. We welcome the Fund's commitment to sharpening surveillance through the CSR and the Review of Financial Sector Assessment Programs (FSAP). We applaud the IMF's prioritization of low-income countries (LICs), fragile and conflict-affected states (FCS), and small states in the GPA, indicating a meaningful step toward more inclusive, targeted and context-specific support. Furthermore, we support the focus on tailored capacity development, particularly on domestic resource mobilization, spending efficiencies and structural reforms.

We welcome the Fund's ongoing efforts to enhance its lending toolkit, ensuring effective support for its members while safeguarding the resources. We applaud the 2024 enhancement of General Resources Account (GRA) access limits, offsetting erosion since the last review in 2016. While commending the Fund's recent review of GRA charges and surcharges, we see potential for further reducing GRA borrowing costs to ease financial strain on countries accessing non-concessional resources, given the targeted precautionary balances and expected income stream. We look forward to the upcoming reviews of Program Design and Conditionality of the Resilience and Sustainability Trust (RST), which play a key role in ensuring that Fund-supported programs are better tailored to address macroeconomic imbalances and systemic shocks. We applaud the full implementation of the Poverty Reduction and Growth Trust (PRGT) reforms to provide stronger support for LICs. To enhance the Fund's capacity to respond to natural disasters, we reiterate our call for the replenishment of the Catastrophe Containment and Relief Trust (CCRT).

We also call for intensified and agile support to countries affected by climate change. We welcome efforts to expand the use of the RST and look forward to heightened support under the IMF and World Bank Enhanced Climate Initiatives. Furthermore, we support the partnership with the World Bank to develop efficient carbon markets to unlock climate financing from the private sector. We urge multilateral cooperation to mobilize additional, affordable climate finance, promote best practices, and enhance climate governance, while ensuring ongoing support through finance, technology transfer, and capacity building.

We reiterate our commitment to a strong, quota-based, and adequately resourced IMF at the center of the global financial safety net (GFSN). We call on member countries to expedite their domestic processes to implement the quota increases under the 16th GRQ. We however acknowledge the urgency and importance of realigning quota shares to better reflect members' relative positions in the world economy, while protecting the quota shares of the poorest members. In this regard, we take note of the Diriyah Declaration, which calls on the IMF Executive Board to develop by the 2026 Spring Meetings, a set of principles to guide future discussions on IMF governance. We urge that this does not compromise or delay the IMF Executive Board's ongoing work on developing by June 2025, possible approaches for further quota realignment under the 17th General Review of Quota (GRQ). We support the commitment by the IMF to strengthen the coordination across GFSN layers, working closely with Regional Financing Arrangements (RFAs).

Finally, we acknowledge the progress made in Diversity and Inclusion (D&I) but urge for continued efforts to enhance gender and geographical diversity among Fund staff. We commend the improvement in gender diversity in the IMF Executive Board and urge members to progress in this area to reach gender parity in subsequent elections. That said, we reiterate our call for enhanced recruitment and representation of the SSA economies across the career ladder. We welcome the modernization of the Fund's operations through artificial intelligence and technological advancements, while ensuring that the benefits thereof are timely and equitably distributed.