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)
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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

Escalating geopolitical tensions, alongside trade fragmentation, have disrupted the global economy and tested its resilience. The global economy entered the year with moderate momentum, supported by resilient private demand, supportive fiscal policy, easing financial conditions, and strong investment in technology. The war in the Middle East has triggered a large and highly asymmetric energy and commodity shock: Oil prices have risen sharply, leading to higher prices for gas, diesel, fuel, fertilizers and food**.** Inflation expectations have edged up, while financial conditions have tightened through a stronger US dollar and higher borrowing costs, and fiscal buffers remain constrained. The outlook is increasingly fragile and uneven, with low-income countries (LICs) and fragile and conflict-affected states (FCS) mostly exposed. Risks are firmly tilted to the downside, including further escalation of geopolitical tensions, financial market repricing, capital flow volatility, increasing trade fragmentation, and uncertainty related to the impact of artificial intelligence (AI). However, the de-escalation of the war and faster productivity gains remain potential upside risks to the global outlook.

Markets have remained orderly thus far, but financial stability risks are elevated and unevenly distributed. Vulnerabilities are rising, as evidenced by the growing sovereign-bank nexus and the regulatory challenges arising from the rapid expansion of nonbank financial institutions (NBFIs), including the growth of private credit, leveraged investment vehicles and crypto-assets. A prolonged shock could trigger abrupt market repricing, capital flow reversals, and forced deleveraging, thereby amplifying cross-border spillovers. Strengthening resilience requires rebuilding fiscal buffers and maintaining low and stable inflation. Closing data gaps is essential to improve monitoring of capital flows and NBFI-related risks. Monetary authorities should prioritize deepening domestic bond markets and reinforcing cross-border coordination through enhanced information sharing and communication.

Multilateral cooperation is essential for maintaining global stability and consolidating prior achievements. Heightened uncertainty emanating from geopolitical tensions, compounded by rising fragmentation, is driving up energy and food prices and financing costs, disrupting trade and supply chains, and intensifying fiscal and debt pressures, thereby eroding livelihoods, especially in vulnerable economies. Without coordinated efforts, these shocks risk amplifying cross-border spillovers and entrenching fragmentation in trade and finance. Reinforcing multilateral cooperation through greater policy coherence and sustained support to members as they navigate an increasingly volatile global environment is therefore vital. Timely and decisive measures are needed to support global stability and enable pragmatic policy actions.

Sub-Saharan African countries have made meaningful progress in strengthening macroeconomic frameworks and implementing complex reforms. We therefore welcome the growth outlook for Sub-Saharan Africa (SSA), which shows greater resilience, although divergence across countries persists. The highly uncertain global environment, policy shifts in major economies, and renewed conflicts are disproportionally impacting LICs and FCS, and delaying sufficient recovery to reduce per capita income gaps. Inflation pressures have eased in several countries; however, emerging risks could quickly reverse these gains, particularly in countries with limited policy buffers. Medium-term prospects remain uneven, constrained by weak buffers, volatile capital flows, high debt service burdens, and declining official development assistance (ODA), weighing on job creation and the development agenda.

Middle-income countries in SSA, while relatively resilient, remain exposed to significant global headwinds. While stronger fundamentals and market access often reduce reliance on Fund financing, sustained and tailored Fund engagement through surveillance, policy advice, and capacity development remain essential to maintain reform momentum and prevent setbacks. These engagements are also critical for regional stability, as some middle-income countries (MICs) serve as anchor economies, whose performance generates spillovers to neighboring countries. Therefore, we call on the Fund to provide strategic engagement with lower MICs to improve their resilience.

Resilient policy frameworks are central to safeguarding macroeconomic stability and supporting inclusive growth. Monetary policy should remain data-dependent and well calibrated to secure price stability and anchor inflation expectations, with the Integrated Policy Framework guiding the appropriate use of complementary policy tools to manage capital flows, where needed. Fiscal policy should focus on rebuilding policy buffers, while prioritizing essential spending and targeted support for vulnerable households. Sustaining recovery and reducing divergence will require structural reforms that improve the investment climate, attract high-quality foreign direct investment, and support private sector-led growth and job creation. Harnessing safe and responsible AI to boost productivity and support human capital development will be key to raising long-term growth and resilience. We call for stronger and more consistent coverage of the SSA region in the Fund’s flagship reports, informed by inclusive and evidenced based analytical work.

We welcome the Managing Director’s Global Policy Agenda, which appropriately balances the Fund’s readiness to respond decisively to emerging shocks while safeguarding medium-term priorities and sound policy frameworks. Beyond deploying its full toolkit, the Fund should remain ready to swiftly reactivate proven facilities when needed and provide tailored, country-specific support through integrated policy advice and capacity development. We also welcome the Fund's renewed focus on global imbalances to provide clear guidance on orderly adjustment for deficit and surplus countries. Continued leadership on how to address debt vulnerabilities and fortifying the lending toolkit will be essential to reinforce stability, resilience, and reform momentum amid renewed shocks.

The 2026 Comprehensive Surveillance Review (CSR) presents an important opportunity to sharpen the Fund's core mandate and reinforce evenhandedness. Spillovers from large and persistent imbalances should remain central to surveillance, supported by a strategic, risk-based focus on clearly defined macro-critical priorities, including financial sector vulnerabilities, climate-related risks, and digitalization. Strengthening data and methodology frameworks will be essential to enhancing the quality and consistency of analysis and policy advice. Deeper integration of bilateral and multilateral surveillance, alongside closer collaboration with partner institutions, will reinforce analytical rigor and reduce duplication, while considering country-specific circumstances. We support the CSR and related reviews, including the Financial Sector Assessment Program (FSAP), the Review of Program Design and Conditionality (ROC), and the Debt Sustainability Framework for Low-Income Countries (LIC-DSF), to enhance the Fund's integrated engagement approach and capacity development in support of long-term stability.

We appreciate the Fund's active engagement on trade issues and global imbalances amid evolving trade and industrial policies. Restrictive trade measures and evolving industrial policies disproportionately affect SSA economies, underscoring both the value and timeliness of the Fund's analysis in this area. Ongoing shifts in trade policy highlight the need to advance trade reforms, modernize customs, and foster deeper inter-regional trade with development partners. We welcome the ongoing review of the External Balance Assessment (EBA) model and look forward to its effective translation into EBA-Lite to support evenhanded assessments across the membership. We reiterate the importance of the Fund's support for a fair, open, and rules-based international trading system and stress the value of continued close cooperation with the World Trade Organization (WTO) to promote market access, protect essential domestic industries, and support structural transformation to sustain long-term growth.

Sustained momentum to address debt challenges and restore debt sustainability remains essential. With more than half of LICs at high risk of debt distress, rising debt service burdens and declining ODA are crowding out development and social spending. We acknowledge progress in debt restructuring processes under the G20 Common Framework and in establishing broader principles for debt restructuring within the Global Sovereign Debt Roundtable (GSDR). However, further refinements are needed to improve the efficiency and predictability of debt treatment. These include stronger debt reporting and transparency, clearer creditor practices, and greater private sector participation. We support the continued work by the IMF and the World Bank under the three-pillar approach to assist solvent countries with sustainable debt but high debt service costs that leads to liquidity pressures. We also look forward to the finalization of the LIC-DSF review to improve the realism and robustness of debt sustainability assessments.

A robust and flexible lending toolkit remains vital for meeting members' needs in a shock-prone global environment. Following the adoption of the reforms to the Poverty Reduction and Growth Trust (PRGT) subsidy framework, we urge the remaining members to complete their domestic procedures and provide the necessary assurances to facilitate the distribution of General Reserve Account (GRA) resources to the PRGT subsidy account, thereby securing support for low-income members. We encourage members with favorable external positions to accelerate the re-channeling of SDRs for the acquisition of hybrid capital instruments by prescribed holders to support lending to vulnerable economies. We also highlight the importance of the Resilience and Sustainability Trust (RST) in supporting countries to build long-term resilience to climate-related shocks. While we welcome the Fund's review of the adequacy of the precautionary balances, persistent credit concentration among a few borrowers underscores the need for robust and consistent credit risk assessments across members. We note with regret the return of cumulative access limits for the Rapid Credit Facility and Rapid Financing Instrument to their pre-pandemic levels by 2028. Given heightened global uncertainty and tightening financial conditions, maintaining flexible crisis-prevention tools and adequate liquidity options remains crucial.

We reaffirm our commitment to a strong, quota-based, and adequately resourced IMF at the center of the Global Financial Safety Net (GFSN). We urge all members to provide their outstanding consents under the 16th General Review of Quotas (GRQ) without delay to ensure that the IMF remains a quota-based institution and reduces reliance on borrowed resources as well as being capable of meeting the needs of the membership. As we prepare for the 17th GRQ, we view the Diriyah Guiding Principles on IMF quota and governance reforms as an important step toward building consensus on realigning quotas to reflect members' relative positions in the global economy, while safeguarding the shares of all EMDE, including the poorest members.

We support the Fund's FY27–29 capacity development (CD) priorities in areas where it has a strong comparative advantage. Amid heightened uncertainty, CD has become increasingly urgent for sustaining macroeconomic stability, enabling effective reforms, and supporting crisis response. We believe that its effectiveness and sustained delivery should be anchored in a strategic mix of internal resources and flexible external financing. We encourage CD to be timely, well-targeted, and fully integrated into the Fund's broader strategy for supporting member countries, ensuring coherent and impactful engagement under surveillance and lending framework.

Finally, we recognize progress in Diversity and Inclusion (D&I) and underscore the need for sustained commitment to all goals. Expanding opportunities for underrepresented regions, ensuring equitable career progression at all levels, and increasing female representation, especially in senior positions, remain key priorities. We commend the Fund's inaugural Disability Inclusion Strategy as an important step toward fostering a more inclusive and accessible workplace.