INTERNATIONAL MONETARY AND FINANCIAL COMMITTEE

Forty-Fifth Meeting
April 21, 2022

Statement No. 45-21

Statement by Ms. Ahmed
Nigeria

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, Somalia, South Africa,
Republic of South Sudan, Sudan, United Republic of Tanzania,
Uganda, Zambia, and Zimbabwe

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Statement by Ms. Zainab S. Ahmed, Nigerian Minister for Finance, Budget, and Planning On behalf of Angola, Botswana, Burundi, Eritrea, Eswatini, Ethiopia, The Gambia, Kenya, Lesotho, Liberia, Malawi, Mozambique, Namibia, Nigeria, Sierra Leone, Somalia, South Africa, Republic of South Sudan, Sudan, Tanzania, Uganda, Zambia, and Zimbabwe

We express our deepest sympathies and condolences for the loss of human lives in the Russia-Ukraine war and call for an end to the war to restore peace and stability.

Global growth is expected to decelerate in 2022, owing to the adverse effects of the Russia-Ukraine war, and lingering effects of the pandemic. The consequences of the geo-political shock that have culminated in weakening international trade, and market confidence, highlight the need for measures to mitigate significant spillovers and inflationary impacts including in developing countries. The economic fallout from the geo-political shock, that combines with the gradual withdrawal of pandemic related policy stimulus, is weighing on global growth. The ripple effects of the war on food and energy prices threaten to erode incomes of vulnerable populations in Low-and Middle-Income Countries (LICs and MICs) and elevate food and energy insecurity. At the same time, the impact of rising interest rates on borrowing and debt service costs in vulnerable countries, alongside elevated risk of capital flow reversals in Emerging Market and Developing Economies (EMDEs), are equally concerning. We, therefore, urge the Fund to provide timely policy guidance to strike a delicate balance between safeguarding the recovery, containing inflation, and protecting the most vulnerable, while rebuilding fiscal buffers. We also urge the Fund to ensure continued access to concessional resources to restore debt sustainability, preserve macro-financial stability, and preserve social cohesion.

Strong international cooperation is critical to effectively end the geo-political tension. This is necessary to address the strain on global supply chain crippling the economies in SSA. The negative effect of the conflict on agricultural production and food security in our region, remains concerning. The costs of fertilizer have risen significantly coupled with the fertilizer export bans. The ban on fertilizer exports affects food production and risk entrenching food shortages in future, particularly in the context of adverse climate shocks. We, therefore, urge the Fund to strengthen its advocacy on removal of trade restrictions to avoid a retreat from a rules-based multilateral trade system, and enhance food security.

We urge the Fund to intensify stronger response to fight the pandemic. Considering that the pandemic remains a constant risk, particularly in LICs, we reiterate the need for enhanced access to vaccines, tests, and treatments to help attain the global goal of 70 percent vaccine coverage by end-2022. We also call on the Fund to advocate against trade restrictions on vaccines to help consolidate pandemic gains. To tackle the shared pandemic challenges, cooperative efforts would be instrumental to bolster resilience to novel virus mutations and enhance pandemic preparedness, including facilitation of local production of vaccines. Further, building the resilience of global value chains and preventing decoupling of the payments system, will help countries withstand future shocks. In addition, we call for coordinated humanitarian responses to countries affected by the war. The IMF and other international financial institutions should stand ready to provide affordable financing including in countries hosting refugees, to address Balance of Payments (BoP) pressures created by negative terms of trade shocks.

Growth in SSA remains constrained by the lingering pandemic, spillover effects from the geo-political tensions, and high public debt. Economic growth in SSA is projected to slowdown in 2022, in the context of high levels of poverty and inequality, and low vaccination rates. The war in Ukraine will further fuel the already high inflation in many countries, with the broad-based rise in the cost of living, erosion of purchasing power, and food insecurity also compounded by recurrent climate shocks. Consequently, the risk of social and political tensions, that materialized in some countries in our region, remains concerning. Meanwhile, fiscal space remains constrained in the context of elevated pandemic spending and subdued revenue performance. The rise in inflation and borrowing costs will also undermine fiscal sustainability and complicate already difficult debt dynamics. Against this backdrop, we support the calls for careful withdrawal of fiscal support while targeting support to the most vulnerable. At the same time, on-going food and energy subsidy reforms should be carefully calibrated to avoid unintended social and welfare repercussions. We also encourage the Fund to provide proper guidance and advisory support for the purpose of recovery and sustaining resilient growth in SSA.

We welcome the Managing Director's Global Policy Agenda (GPA) tailored to help countries respond to the lingering pandemic effects and consequences of the war. Considering the exceptional uncertainties compounded by the dual pandemic and geo-political shocks, building resilience is important to moderate the socio-economic fallout. Within the crisis context, initiatives transformative reforms are required to address challenges from fragility, climate change, digital money, gender, and inequality. We, therefore, welcome the increase in the Fund's structural budget, to help address these new imperatives. Further, we underscore the need to leverage recently approved strategies on Climate and on Fragile and Conflict-affected States (FCS) and advance work in this direction.

We support continued efforts to strengthen the Fund's lending toolkit. We, therefore, support on-going efforts to replenish the Catastrophe Containment and Relief Trust (CCRT) and ensure the self-sustainability of the Poverty Reduction and Growth Trust (PRGT). This would be essential to meet rising demand for concessional resources. We also appreciate the alignment of PRGT access limits with the General Resources Account (GRA), as an important step to ensure evenhandedness in Fund facilities. Furthermore, we welcome work to customize financial support to the unique circumstances of FCS. More generally, we look forward to timely operationalization of the Resilience and Sustainability Trust (RST) as an important addition to the Fund's lending toolkit and encourage its flexible use to support resilient growth.

We encourage the IMF's increased collaborative efforts with partners to strengthen implementation of the G20 Common Framework (CF) for debt treatments. Progress on the debt agenda remains important to address elevated debt vulnerabilities but we are concerned by the significant challenges encountered in the implementation of the CF. As such, we urge the G20 to find a timely solution. We also look forward to supportive work on debt sustainability frameworks and the Multi-Pronged Approach (MPA), as this is critical to address debt vulnerabilities and promote debt transparency and support debt resolution. At the same time, we underline the importance of Capacity Development (CD) in fiscal policy, including on domestic revenue mobilization, as key to improving fiscal and debt sustainability. Additionally, we support the emphasis placed by the IMF on the need to design credible medium term fiscal frameworks. We also stress the need for continued engagement between the Fund and its members to address the longstanding challenges of illicit financial flows and a fair outcome for SSA on international corporate taxation reforms. This has important implications for domestic resource mobilization and debt dynamics.

The Fund's bilateral and multilateral surveillance efforts remain critical in providing timely and granular advice to help countries tackle complex challenges. We, therefore, encourage continued efforts to revamp the IMF's multilateral surveillance, with specific focus on global spillovers from the war. We welcome the recent update of the Institutional View (IV), which will help countries manage capital flow volatility. In addition to the use of Capital Flow Management Measures (CFMs), and of Capital Flow Management and Macro-Prudential Measures (CFM/MPMs) introduced in the latest IV, we urge the incorporation of additional insights from the Integrated Policy Framework (IPF) into policy guidance, to help developing countries better manage volatile capital flows. We look forward to policy guidance and technical support to help countries apply the updated IV and early lessons from the IPF. Further, we welcome the Fund's plan to scale up the integration of climate change into macro-financial surveillance.

We urge the Fund to lend its voice in labeling investment in natural gas a "green" energy. This will further boost investment in natural Gas as sustainable and worthwhile for the economic existence of the globe. Some of the countries in our region, are suppliers of liquified natural gas (LNG) to several European countries and plan to intensify investment in Gas to increase exports of natural gas. In the major push to tackle climate change, "Gas" should not only be needed as a bridge for transitioning towards building renewable capacity, away from fossil fuels, but it should be strongly considered as green energy following the EU declaration.

We call on the Fund to accord high priority to the climate adaptation needs in SSA. The rise in global energy is an important opportunity to accelerate the transition to a greener global economy and strengthen the ambition for the Conference of the Parties (COP27). UN analysis has shown that while emissions from the SSA region are marginal, the impacts of climate change are substantial. Therefore, adaptation needs in SSA are significant. In this regard, support from the RST and access to climate financing remain critical. We note that achieving net zero targets might require changes in employment with equity implications and underscore the need to align environmental policies with labor market policies to incentivize reallocations towards greener jobs. As such, we call on the Fund to assist member countries on climate change adaptation, while supporting an affordable transition towards a climate resilient economy. Nonetheless, transition risks should be carefully considered particularly in EMDEs that still need to balance growth and compliance to international climate standards. Importantly, we call on the international community to prioritize assistance to developing countries regarding climate adaptation and transition from fossil fuels. In this context, building capacity and tackling associated transition-related spillovers would be important. Further, adaptation and transition risk management should be the Fund's priority going forward, while reducing and mitigating emissions through domestic policies

We call on the IMF to ensure staff diversity, including by meeting the set diversity benchmarks. Intensified efforts to meet benchmarks for qualified staff from the underrepresented regions, including from SSA and Middle East and North Africa (MENA), and along gender dimensions, should remain high on the Fund's agenda. We urge the IMF to leverage diversity opportunities presented by emerging work in areas such as climate change, digital money, macro-financial surveillance, FCSs, and inclusive growth to ensure a diverse set of skills that help better serve the membership. To reflect its near-universal membership, the Fund should strive to attract, retain, and develop diverse talent to re-assert its role as a trusted advisor.

Finally, global vulnerabilities amplified by the pandemic geo-political shocks, highlight the need to ensure an adequately resourced IMF. We, therefore, reiterate the importance of expediting implementation of governance reforms under the 16th General Review of Quotas (GRQ) to enhance the Fund's quota resources in the face of successive exogenous shocks. Considering rising global shocks and the ongoing pandemic, the adequacy of Fund resources over the medium-term remains vital to enable the IMF to play its crisis management role and preserve its role at the center of the global financial safety net. Concurrent efforts are also required to advance IMF governance reforms to preserve the legitimacy of the Fund under the 16th GRQ, which should be concluded no later than December 15, 2023. Relatedly, we reiterate our call for a third chair for SSA on the IMF Board to protect the voice and representation of the Fund's poorest members.