INTERNATIONAL MONETARY AND FINANCIAL COMMITTEE

Forty-Second Meeting
October 15, 2020

Statement No. 42-4

Statement by Mr. Mboweni
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, Somalia, South Africa,
Republic of South Sudan, Sudan, United Republic of Tanzania,
Uganda, Zambia, and Zimbabwe

INTERNATIONAL MONETARY FUND
AFRICA GROUP 1 CONSTITUENCY (AfG1)

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Statement by Honorable Mr. T.T. Mboweni, Minister of Finance for South Africa
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

1. Global economic activity is projected to contract significantly in 2020. However, the severity of the economic downturn is partially moderated by a faster-than-expected recovery in China and the better-than expected second quarter GDP outturn in advanced economies (AEs). Emerging market and developing economies (EMDEs), excluding China, are expected to contract in 2020 owing to the continued spread of the pandemic amidst overwhelmed health care systems and the pronounced effects of COVID-19 containment measures on tourism and commodity dependent sectors.

2. Looking forward, global growth is expected to partially recover in 2021, following the growth uptick seen in the third quarter of 2020. The economic recovery, however, remains subject to high uncertainty and unevenness related to the speed and breadth of re-opening and the resurgence of infections. In addition, uncertainty remains over the extent of loss of human capital, global spillovers from soft demand, and possible changes in financial market sentiment.

3. In view of these significant challenges, we welcome the Fund's policy advice and measures to restore confidence, build more resilient greener economies, and support vulnerable firms and households. While many measures are temporary, we caution against the premature withdrawal of policy support needed to prevent liquidity shortfalls and insolvencies, that could undermine financial stability and dampen the pace of recovery. Continued policies to protect lives and livelihoods remain critical to prevent permanent output losses. Looking ahead, we encourage sustained accommodative monetary policies to support the recovery, alongside policies to safeguard macro-financial stability. We also underscore the need for prudent fiscal management to ensure debt sustainability, while preserving priority investment and social spending to avoid further erosion of development gains, including in the context of sustainable development goals (SDGs).

4. In sub-Saharan Africa (SSA), GDP growth is expected to contract sharply in 2020, driven by pronounced declines in travel, trade, tourism, remittances, and capital inflows. The impact is high in tourism-dependent and mineral exporting economies, while diversified economies are also expected to experience a slowdown in economic activity. While the pandemic has exposed pre-existing vulnerabilities, including constrained fiscal space and weak social safety nets, fiscal and export revenues have also declined considerably. Rising health-related expenditures and imports necessitated by the crisis, have also contributed to large fiscal and external financing gaps. Concurrently, large capital outflows experienced in emerging market and frontier economies and the limited access to international capital markets have heightened financing needs. Against this backdrop, we underscore the need to scale up external support through enhanced access limits for Fund financing, alongside strengthening policy designs for domestic revenue mobilization to help anchor transformative reforms, uplift living standards, and reverse rising poverty levels. To resolve shared COVID-19 challenges, greater multilateral cooperation will also be critical, including in ensuring access to an affordable vaccine.

Supporting Sub-Saharan Africa

5. We commend the Fund for demonstrating agility and flexibility in the provision of emergency support during the initial phase of the pandemic. Specifically, we welcome the timely provision of

emergency financing, including through augmentation of existing financial programs, and temporarily increasing access limits, to help countries tackle the pandemic. Looking ahead, continued agility will be critical to ensure adaptation of the Fund's lending strategies to the evolving financing needs of the diverse membership. In this context, we support the Fund's efforts to explore ways to tailor the lending toolkit to the unique nature of the crisis and future financing needs. As the crisis evolves, we see merit in shifting the lending strategy towards Upper Credit Tranche (UCT) quality programs crafted to anchor a sustained recovery. In this context, we call for continued outreach efforts to potential donors to boost PRGT resources and for further exploration of general SDR allocations to augment global liquidity given the dire need among both low- and middle-income countries in the region. In the same vein, considering the magnitude of illicit outflows from the region through both the current and capital accounts, we urge the Fund to prioritize analytical work and policy on curbing and recouping these resources, so they can be used by the region to support infrastructure and SDG investments.

6. In view of elevated debt vulnerabilities, we support the Fund's focus on debt management initiatives and related efforts to enhance transparency and improve debt sustainability. We note the vital role played by debt relief through the Catastrophe Containment and Relief Trust (CCRT) in unlocking resources for the poorest and most vulnerable Fund members, including fragile and conflict-affected states, to bolster their fight against the pandemic. Considering the human and economic toll that the COVID-19 pandemic continues to exert on vulnerable members, reflected in the precarious macroeconomic outlook, and the continued rise in infection rates, we emphasize the need for additional debt relief. To this end, we call for intensified fund-raising efforts to ensure that subsequent CCRT tranches are adequately financed. Concurrently, we call for the extension of the debt moratorium under the G20 Debt Service Suspension Initiative (DSSI) and emphasize the need to resolve concerns regarding participation by non-Paris club creditors and private creditors.

7. We welcome the Fund's workstream to support a rules-based multilateral trading system, which remains crucial in facilitating the procurement of essential medical supplies and equipment. Furthermore, greater efforts should be directed towards promoting connectivity and digitalization, in part to help in the efficient delivery of social assistance, including to marginalized communities, but also to enhance the efficacy of fiscal and investment climate reforms, and to promote financial inclusion.

8. We view the Fund's planned resumption of bilateral surveillance and ongoing work on the Comprehensive Surveillance Review (CSR) as important to deepen the policy dialogue at the country level. At the same time, Fund policy advice on the appropriate application of the Integrated Policy Framework (IPF) tools will be important to help countries pursue domestic and external stabilization objectives in the face of volatile capital flows. More generally, Fund technical support will also be required to enhance policy effectiveness and moderate the disproportionate effects of the pandemic on the informal sector, small and medium enterprises (SMEs), and women.

Fund Policies

9. While the Fund's work continues to be directed towards COVID-related responses, priority should also be given to other core emerging issues. To this end, we emphasize the need to prioritize work on inequality, diversity, strengthening social safety nets, climate change, fintech, illicit financial flows, and management of capital flows, which remain critical to the smooth recovery and enhanced resilience to future shocks. We also call for the prioritization of other macro-critical workstreams that support policies to boost growth and productivity, in order to anchor an inclusive and transformative recovery focused on green growth and digitalization.

Fund Resources, Governance and Voice

10. We emphasize the need for a timely discussion on quota increases under the 16th General Review of Quotas (GRQ) to cement the Fund's position at the center of the global financial safety net (GFSN). In parallel, the process of governance reforms should continue in line with the guidance provided by the Board of Governors. Further, we look forward to the timely activation of NAB and BBA, to ensure that the Fund stands ready to support the membership's efforts to manage the unfolding crisis. In this connection, we impress on the need to finalize domestic processes to ratify the decision. We also strongly call for a third chair for SSA given its criticality in strengthening our representation within the Fund.