INTERNATIONAL MONETARY AND FINANCIAL COMMITTEE

Forty-First Meeting
April 16, 2020

Statement No. 41-11

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 ONE 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

We express our deepest sympathies on the extensive loss of lives due to the COVID-19 pandemic.

1. After registering 2.9 percent growth in 2019, the global economy is projected to contract significantly in 2020, following the outbreak of the Coronavirus disease (COVID-19). The ensuing contagion triggered a far-reaching health, economic, and financial crisis. Measures adopted to contain the spread of the pandemic have affected labor markets and mobility, with profound effects on business activity in sectors such as travel, hospitality, entertainment, and tourism. In parallel, the pandemic has resulted in the disruption of supply chains, business closures, job losses, and a sharp contraction in aggregate demand. Emerging and frontier market economies are facing significant risks characterized by an unprecedented and sharp reversal of portfolio flows, tightening global financial conditions, commodity price deflation, and exchange rate pressures.

2. Looking ahead, global growth is expected to rebound into positive territory in 2021. This forecast is, however, subject to great uncertainty, with the rebound conditioned on the pandemic fading in the second half of 2020, allowing for the gradual rollback of containment measures and restoration of consumer and investor confidence. It is also predicated on the effectiveness of policy instruments (where there is space) to prevent widespread firm bankruptcies, protracted job losses, and systemic financial strains.

3. In view of the enormous challenges facing the global economy, we endorse the key messages from the flagship reports on the need for carefully calibrated domestic measures alongside internationally coordinated policy actions, to limit negative outcomes. In particular, we concur on the need to focus policy actions on containing the virus and protecting lives through investment in short- to long-term human and economic health. We also support the coordinated scaling up of fiscal, monetary, and financial market measures, as necessary. In view of the exceptional circumstances, we urge the Fund to deploy all available policy tools to reduce contagion, boost confidence, restore growth, and reduce unemployment. Economic policies should be geared towards moderating the impact of the decline in activity and averting a severe contraction, while supporting economic recovery once the pandemic fades. Meanwhile, tailored exit strategies to rollback containment measures and revert to prudent pre- crisis policies will be essential.

4. We note that economic activity in Sub-Saharan Africa (SSA) is expected to decline considerably, with 3.1 percent growth in 2019 turning into recession in 2020, the first region-wide contraction since 1992. The spread of the Coronavirus presents real and serious setbacks to recent efforts to eradicate poverty, inequality and underdevelopment. At the same time, the collapse in international oil prices, underpinned by the sharp contraction in global oil demand since January, has diminished near-term growth prospects for oil exporters. Given that the channels of economic vulnerability differ across countries in the region, we underscore the need for tailored, and focused Fund support aimed at protecting vulnerable households and businesses, including the informal sector and small and medium-sized enterprises (SMEs). We also support the Fund's continued policy guidance on exchange rates and capital flow management. Mitigating the downside risks associated with capital flow reversals, and the decline in commodity revenues remains essential.

Supporting Growth in Sub-Saharan Africa

5. Within the constraints of limited policy space in many SSA countries, the crisis response by authorities has been swift. At the same time, the measures introduced to contain the impact of the pandemic on livelihoods and the economy have further exacerbated existing fiscal and debt vulnerabilities. We, therefore, call for additional support from the international community and development partners to bolster the fight against the pandemic and limit its economic and social effects. We view the reorientation of the work of international financial institutions towards the immediate priorities affecting the global economy, as warranted. In this regard, we welcome the Fund's crisis response package, aimed at enhancing the effectiveness of emergency financing facilities used to respond to the urgent needs of emerging market and developing countries (EMDCs) that face immediate financing needs induced by COVID-19 pandemic. Specifically, we welcome the temporary doubling of access limits under the Rapid Credit Facility (RCF) and the Rapid Financing Instrument (RFI). Furthermore, we support enhancements to the Catastrophe Containment and Relief Trust (CCRT) to adapt it to current circumstances. Relatedly, proactive fundraising efforts to replenish the CCRT and the PRGT, are important to ensure the adequacy and self-sustainability of concessional resources.

6. In view of the severe liquidity challenges facing EMDCs, we emphasize the need for additional Fund support. Within this context, we express our strong support for a general SDR allocation, given the magnitude and impact of the COVID-19 crisis, far surpassing that of the global financial crisis of 2008. Such broad-based support would help provide non-debt -creating support, including availing resources to fragile states that cannot access concessional and grant resources, boosting reserve positions, and reducing the demand for Fund resources. We also urge the Fund to continue assessing the adequacy of its lending toolkit, including by exploring the viability of introducing short-term liquidity instruments such as the Short-term Liquidity Line (SLL).

7. Considering that many countries in SSA lack adequate capacity to effectively deal with the crisis owing to elevated debt vulnerabilities, limited policy space, inadequate social safety nets, and weak health systems, we welcome multilateral collaboration to address common challenges. Innovative approaches to assist countries to raise external grants and concessional finance will be essential. In addition, we support the call for debt relief for poor and vulnerable members, noting that the challenges are particularly acute among fragile and conflict-affected countries. In this connection, we welcome the calls by the IMF and the World Bank for a time-bound moratorium on debt service obligations, including to official bilateral creditors. The temporary suspension of debt service payments would help in creating fiscal space required to fight the pandemic. Our authorities commit to responsible deployment of these resources. In addition, our authorities will continue to leverage Fund technical support to further strengthen their governance, transparency, and accountability frameworks. It will also be particularly helpful for the Fund to enhance the use of tailored digital platforms for capacity development, where feasible.

8. We also call on the international community to facilitate the flow of medical supplies to SSA during these exceptional times, in addition to supporting the expansion of local and regional manufacturing capacity to meet the increased need for medical supplies.

Fund Policies

9. Beyond the crisis, we emphasize the need for renewed Fund commitment to a focus on emerging macro-critical issues, including debt management, capital flow management, the integrated policy framework, climate change, inequality, diversity and inclusion, and fintech, to support economic recovery efforts and ensure a resilient and sustainable global economy. More importantly, efforts should be made to build resilience to ensure that SSA is better prepared for future shocks.

Fund Resource, Governance and Voice

10. Recognizing the current uncertainties, especially the duration of the pandemic and its magnitude, we welcome a doubling of the New Arrangements to Borrow (NAB) and the new round of temporary Bilateral Borrowing Agreements (BBAs) beyond 2020. We urge NAB and BBA creditors to expedite their domestic ratification processes. That said, we also welcome the Fund's commitment to ensuring the adequacy of Fund resources, including effecting reforms under the 16^{th} General Review of Quotas. We reiterate the need for an adequately resourced and quota-based Fund, to preserve its role at the center of the global financial safety net (GFSN). We also restate the need to prioritize outstanding governance obligations consistent with previous commitments by the IMFC to realign quota shares to reflect countries' relative positions in the global economy. Furthermore, we reiterate the need to protect the voice and representation of the poorest members of the Fund and repeat our call for a third chair for Sub-Saharan Africa on the IMF Board.