



International Monetary and Financial Committee

Thirty-Sixth Meeting
October 14, 2017

**IMFC Statement by Malusi Gigaba
Minister of Finance
South Africa**

On behalf of

Angola, Botswana, Burundi, The State of Eritrea, 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, Kingdom of Swaziland, United Republic of Tanzania, Uganda, Zambia, and Zimbabwe

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Zimbabwe**

The Global Economy

1. Although there is an uptick in global economic activity, we believe that global growth could be stronger and more durable. We note from the flagship reports that medium-term risks are tilted to the downside. For developing countries, the prospects of capital flow reversal are of particular concern during monetary policy normalization. Of even bigger concern is the increasing role that climate change and changing global weather patterns are playing in economic prospects, especially for small states. These and other non-economic macro-critical issues, including geopolitical threats and forced migration, are further exacerbating the difficult challenges faced by policy makers.
2. We note the tremendous heterogeneity among emerging market and developing countries (EMDCs). Although large dynamic economies continue to grow and the risk of a disorderly adjustment in China has abated, many countries are vulnerable to spillovers and still face significant policy challenges.
3. In Sub-Saharan Africa (SSA), fiscal buffers are relatively weaker than they were prior to the global financial crisis, thus requiring difficult trade-offs in the context of slower-than-desired growth and the need to complete structural adjustments. This is especially true for commodity exporters, whose prospects depend heavily on the process of adjustment to lower commodity prices, especially those of oil. Broader development goals remain the key focus area for low-income countries. Related to this is the need to make firmer progress in domestic resource mobilization, improving conditions for doing business, and better access to education, health-care and improved labor market participation for women and youth.

Supporting Growth in Sub-Saharan Africa

4. Although regional growth is expected to rebound, prospects for commodity exporters will likely remain subdued. At the same time, while non-commodity exporters should experience healthy growth, debt levels and fiscal deficits have risen substantially in these countries, and there are also signs of increasing financial sector risks. Therefore,

fundamental and longer-term structural reforms should be the main policy focus within the context of the 3-pronged approach of the Global Policy Agenda (GPA). In this regard, we welcome the Fund's integration of the 2030 Sustainable Development Goals (SDGs) and the Financing for Development Agenda into its work, and emphasis on several macro-critical issues. We also welcome efforts to build fiscal capacity in fragile states, as well as improving data quality and availability.

5. Countries in the region need to improve the environment for doing business, strengthen domestic revenue mobilization, expand access to financial services, diversify their economies, and scale-up private and public infrastructure. To achieve these objectives, strengthened collaboration between international organizations and more effective technical assistance and capacity building will be required. In view of the significant infrastructure gaps in the region, we continue to support the Infrastructure Policy Support Initiative and the Public Investment Management Assessment (PIMA) framework. We also wish to reiterate our support for the G20 Compact with Africa (CWA) initiative and the Fund's involvement therein.
6. We believe that financial inclusion and deepening domestic financial markets are critical to making growth more inclusive. In this regard, we agree with the need to ensure stability of foreign exchange markets, central bank independence, stronger macro-prudential policies and micro-prudential supervision, as well as improving broader governance and policy management. Nevertheless, we note that exogenous factors also play a role. Therefore, we continue to call for concrete solutions to the withdrawal of correspondent banking relationships and illicit financial flows. We also note that country-specific Fund advice on appropriate sequencing and timing of liberalization is critical. We further call for deeper engagements with country authorities on appropriate policies to address external imbalances and the rebuilding of reserve buffers.

Fund Surveillance

7. We believe that pockets of balance sheet weakness should be dealt with according to country-specific features, as the implications of fiscal consolidation, the size of the tax base, debt management and monetary policy settings vary across the membership. We welcome the recent enhancements to surveillance activities, such as embedding macro-financial issues, assessing fiscal space and the inclusion of macro-structural issues. We also note the Fund's ongoing work on improving its role in governance issues. While we broadly support efforts to improve governance and fight corruption, we urge that this be undertaken in an evenhanded manner, and we do not support the use of third-party indicators as the main analytical source. In improving this work, the IMF should improve its collaboration with other organizations and, where shortcomings in governance are assessed to be macro-critical, sufficient resources should be made available for country

teams to appropriately address the issues. Overall, we look forward to the upcoming Interim Comprehensive Surveillance Review in December 2017.

8. Priority should be given to helping countries rebuild fiscal buffers and improve overall debt management, while at least maintaining the level of public investment. In this regard, we welcome the recent reforms to the Debt Sustainability Framework for Low-Income Countries (LIC-DSF), and look forward to improved engagements between the Fund and country authorities on appropriate risk mitigation. This will be further helped by the refinements to the technical assistance (TA) for the Medium-Term Debt Management Strategies (MTDS), including for program countries, which we also welcome. We urge that TA include issues of data management and quality, and offer more granular advice on preventing FX mismatches in debt portfolios.

Fund Lending

9. We welcome the ongoing work on strengthening the Global Financial Safety Net (GFSN), including the completion of the study on the IMF's collaboration with Regional Financing Arrangements (RFAs). Nevertheless, we note that the study confirmed the fragmentation of the GFSN outside of the Fund, thus confirming the need for the Fund to remain the central and most effective part of the GFSN.
10. We support recent proposals for toolkit reform, including the introduction of a Short-term Liquidity Swap instrument and the introduction of a non-financial policy coordination tool, which will operate alongside the existing policy support instrument (PSI). We also look forward to the 2018 LIC Facilities Review.

Governance and Fund Resources

11. We reiterate our support for an adequately-resourced and quota-based IMF that responds to the needs of the full membership in an agile manner. We note that recent reviews of the GFSN, adequacy of Fund resources, and the Quota Formula present compelling arguments for an increase in quota-based resources and realignment of calculated quota shares to reduce out-of-lineness and give a greater share to dynamic developing economies. In this regard, we look forward to the completion of the 15th General Review of Quotas, including the introduction of a new quota formula, by the 2019 Spring Meetings but no later than the 2019 Annual Meetings.
12. We reiterate our call for a third chair for Sub-Saharan Africa on the IMF Board, to improve the voice and representation of our countries.

Diversity and Inclusion

13. While the recent stock-taking of the 2020 Diversity and Inclusion benchmarks reflects some progress, there is still a long way to go. We call upon Fund management to accelerate the recruitment drive from underrepresented regions, and to focus on effective retention strategies. We also reiterate our call for the benchmarks to be reviewed to ensure they adequately represent the region, as well as for the Fund to expand the pool of institutions to include those in our region. We believe that diversity of views and experience will go a long way in enriching the Fund's service to its membership. Finally, we welcome the focus on gender diversity at the Executive Board.