



International Monetary and Financial Committee

Thirty-Third Meeting
April 16, 2016

**IMFC Statement by Pravin Jamnadas Gordhan
Minister of Finance, South Africa**

On behalf of Angola, Botswana, Burundi, Eritrea, Ethiopia, The Gambia, Kenya, Lesotho, Liberia, Malawi, Mozambique, Namibia, Nigeria, Sierra Leone, Somalia, South Africa, Republic of South Sudan, Sudan, Swaziland, Tanzania, Uganda, Zambia, Zimbabwe

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Global Economy

1. The global recovery continues at a moderate pace, but the elevated risks have weakened the outlook. For advanced economies, unfavorable demographic trends, and low productivity growth, as well as legacies from the global financial crisis, continue to slow recovery with weak demand and low potential growth. In addition, while there has been some improvement in a few indicators, significant and robust policy action is required to strengthen economic activity and raise potential output.
2. Emerging market and developing countries continue to account for a higher proportion of global growth. However, prospects are weaker and uneven across these countries. Trade growth has slowed, investment levels are declining, continuing currency depreciation is increasing inflationary pressures, and financial conditions have tightened. To restore strong growth, a potent policy mix that reduces macroeconomic and financial vulnerabilities, and rebuilds resilience is therefore essential.
3. Growth in the sub Saharan African region has weakened due to unfavorable external conditions, including the declining commodity prices, and tightening global financing. In particular, commodity exporters are experiencing significant macroeconomic challenges with lower than projected revenue, and significant currency depreciation, which have eroded fiscal and foreign exchange buffers. For the oil importers, the effect of declining oil prices was smaller than expected. To promote diversification of economic activity while maintaining macroeconomic stability and improving economic resilience it is important to prioritize growth-enhancing policies.
4. In addition, various non-economic pressures have had a severe impact on different parts of the region and created significant intra-regional spillovers. The legacy of the unprecedented Ebola epidemic in West Africa, persistent security tensions and negative geopolitical developments continue to undermine inclusive growth and macroeconomic stability. Adverse weather conditions have also added inflationary pressures through rising food prices and increased fiscal pressures.

Supporting Growth in sub Saharan Africa

5. We are committed to strengthening the policy framework to promote macroeconomic stability that is essential for strong inclusive growth. The engagement with the Fund will help in establishing a growth-friendly policy environment and rebuilding of policy buffers. As economies in the region evolve to forward-looking monetary policy frameworks we urge the Fund to provide technical assistance to support in smoothing the transition, and in building sufficient capacities. We welcome the upcoming review of the Debt Sustainability Framework for low income countries to support in maintaining sustainable debt in pursuit of growth-enhancing fiscal policies.
6. In addition to deepening structural reforms, infrastructure spending remains a key priority in creating an enabling environment for private sector growth. We look forward to implementation of the Fund's new infrastructure policy support initiative to help in improving efficiency in public investment in the efforts to close existing infrastructure gaps.
7. Furthermore, the Fund's focus on international tax issues, as well as assisting countries strengthen domestic resource mobilization, and global action on illicit financial flows will indeed contribute to boosting resources to finance sustainable development agenda. In addition, we urge the Fund to enhance its support for financial deepening in the region.

Fund Surveillance

8. We welcome the development of a framework to guide evenhanded surveillance. However, we urge the Fund to widen the scope for evenhandedness to cover other Fund activities as well to enhance its traction. In addition, strengthening the framework for analyzing structural reforms is important to appropriately guide the prioritization and sequencing of reforms in support of economic diversification and transformation in the region.
9. Widening the scope of analysis of risks and vulnerabilities to capture climate change, inequality and gender issues will deepen surveillance. However, we urge the Fund to remain focused on issues that are critical for macroeconomic stability, and enhance its collaboration with other institutions. Strengthening focus on country-specific issues will also assist to tailor policy advice more appropriately. In addition, there is need for a concerted effort to monitor shocks and policies that may have negative spillover effects to the region.
10. We welcome the Fund's support in building capacity to improve data quality for countries in the region. This support needs to be sustained to ensure appropriate data is available and timely for policymaking, as well as fruitful Fund engagement. The integration of technical assistance and training with the surveillance to complement the policy analysis and advice is a positive development.

Fund Lending

11. Enhancing financial safety nets is important for the Fund to continue providing appropriate and timely financial support to the membership in crisis periods. This is especially important for low income and developing countries that do not have access to other layers of the global financial safety nets (GFSN). In this regard, we welcome the stocktaking on the International Monetary System and look forward to positive outcomes from the ongoing review of the GFSN, and adequacy of Fund resources.
12. We support and welcome a review of the precautionary financial support and blending GRA with PRGT to allow more access to PRGT-eligible countries with strong macroeconomic policies. In addition, we urge the Fund to create a facility that meets specific needs of countries in fragile situation that require financial support and have limited capacity to advance reforms to restore macroeconomic stability. We also appreciate creating a facility that supports diversification agenda for commodity exporters. In addition, we welcome Fund commitment mobilizing additional PRGT resources to ensure adequate coverage of the members with the heightened global challenges.

Diversity and Inclusion

13. Although in 2015 some progress was made towards achieving the new 2020 diversity benchmarks, strengthening the pipeline and promotion representation is important to meet the benchmark for managerial level. We continue to urge the Fund management to increase focus on both recruitment and retention of nationals from underrepresented regions to ensure the benchmarks are attained. Further, we reiterate a review of the benchmarks to ensure they are set to adequately address the representation of the region. We reaffirm our call to expand the pool of institutions to include universities in Africa and urge that this translates into actual hiring of African nationals. It is our position that diversity of views and experience will go a long way in enriching the Fund's delivery of services to its membership.
14. As with staff, the Executive Board of the IMF benefits from a diversity of views and experience. In this regard, we believe that gender balance in the board is important.

Quota and Voice

15. We welcome the entry into force of the 2010 Quota and Governance Reforms as it strengthens the effectiveness, credibility, and legitimacy of the Fund. It also boosts the Fund's permanent resources allowing it to remain a quota-based institution. In addition, the inclusion of the renminbi in the SDR basket reflects the changing global landscape with a multi-polar and complex system.
16. We however remain concerned that 45 countries are represented by only two chairs at the IMF board and wish to re-state our call for a Third Chair for the sub Saharan Africa region to enhance its voice and representation.

17. We also look forward to the completion of the 15th General Review of Quota, including the review of the quota formula by 2017 Annual Meetings. We remain of the view that the current formula has shortcomings as it has consistently generated a loss in the voice and representation of some emerging and developing countries.

Conclusion

18. We are committed to reduce vulnerabilities and improve economic resilience with an appropriate policy mix to improve growth prospects for our countries. We will maintain our engagement with the Fund to improve institutional and human capacity to take the policy agenda forward.