



AFRITAC South Steering Committee Meeting
(June 27-28, 2024--Hybrid)
Lehakoe Recreational and Cultural Center, Maseru, Kingdom of Lesotho

CHAIRMAN'S OPENING REMARKS

1. Globally

Recent global economic activity has shown signs of resilience. Growth has been steady, even if uneven across regions and slow by historical standards.

The fears around stagflation and global recession have subsided even as the world is still reeling from the long-term effects of Covid-19 and continues to grapple with the increasing geopolitical fragmentation.

Headline inflation in most major economies is still to revert to its targets and central bank rates have been maintained higher. Encouraging developments is that inflation has receded from the peaks of Mid-2022.

2. Regionally

We will in a short-while have a regional outlook among the presentations we are going to have as part of our agenda today.

The AFRITAC South (AFS) region is gradually recovering. Economic activity prospects are improving, inflation for most members is within 1-digit, budget deficits returning to sustainable levels. Debt is stabilizing at around 60% of GDP rendering several of our members at varying degrees of debt distress.

Majority of our members continue to face funding squeeze, high borrowing costs and limited funding sources. This calls for the need for improved domestic revenue mobilization – this must be approached very cautiously bearing in mind that households and corporates are already squeezed by the elevated cost of pretty much everything and many are in distress. The events of the past few days in Kenya best illustrate the need to approach this carefully. Members should seek to exhaust buoyancy and efficiency gains that may still exist instead of burdening the already struggling households and corporates with additional taxes.

Prioritizing and rationalizing public expenditure coupled with strengthening public financial management systems remain critical.

Intentional and concerted effort should go into structural reforms for growth. Growth is the silver bullet that will align all other indicators to their desired levels.

3. Capacity Development

Capacity Development (CD) is one of the three principal functions of the IMF – together with lending and surveillance. Over the years, the Fund had to be adaptable to respond to the increasing demand for CD in the face of limited resource envelope. To date that is the enduring theme. CD demand and requests continue to outstrip the available funding even after several innovative adaptations of its delivery modes. That is true for our region serviced by the AFS.

The Centre will present in detail the CD delivery of the previous year and a detailed plan for the 2024/25 fiscal year (FY25). The plan remains ambitious, and the CD demand remains high.

Phase III CD delivery requires nearly US\$60m. US\$59.4m to be exact. As at the end of April 2024, commitments stood at US\$32.8m. Of this, member commitments were US\$4.8m by 9 of our thirteen (13) members. Commitments by the four remaining members are highly encouraged. Member can signal commitments by signing the Letters of Understanding (LOUs) as a first step. This can take member commitments to US\$7.1m.

This will signal seriousness to our funding partners. Having our skin in the game will encourage them to continue with their support.

Despite the current funding shortfall of US\$26.7m, the AFS has sustained the current level of CD. If funds run out half-way through Phase III period, an abrupt and huge cutback will befall us and that is the pain we want to avoid.

Having said this, let me place on record my thanks to our funding partners – the Peoples Republic of China, the European Commission, Germany, the United Kingdom and Switzerland – thank you for your support.

4. The Meeting

- a) We have seen and adopted an agenda of the meeting.
 - The Steering Committee main decision in this meeting will be to approve the AFS workplan for 2025
 - There are other administrative decisions for Steering Committee endorsement.

b) There will be two panel discussions on both days of the meeting – one on each day. I encourage members active participation in these and sharing of experiences for we are better by learning from one another.

5. Chairmanship Rotation

Having chaired the mid-year Steering Committee meeting in December 2023, this is my last meeting as the chairman of the Steering Committee. After this meeting, the chairmanship passes on to Madagascar.

I take this opportunity to thank you all for allowing me to preside over the Steering Committee meetings with your ready cooperation. In particular, the support of Sukhwinder and his team at the AFS Secretariat has been outstanding.

I wish Madagascar to be afforded similar support and wish them the very best in their chairmanship.