



SOUTH AFRICAN RESERVE BANK

**Keynote address by Lesetja Kganyago,
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Introduction

Good morning.

It is a privilege to speak to you today.

Let me start with a simple observation: many of the most important decisions that shape your lives are made in rooms you will never enter, and based on debates you will never hear.

Decisions about inflation, interest rates, education policy, infrastructure, climate action or public health determine whether jobs are created or lost, whether prices remain stable or spiral out of control, and whether opportunities expand or narrow. And, at the centre of these decisions, is something we often take for granted: policy leadership.

Today, I want to speak to you about what leadership in policymaking really means – and what it requires from those who choose this path. In particular, I want to highlight three things. First, the central role of analytical work and evidence. Second, the need for courage and independence under pressure. And third, the responsibility to act with humility and integrity.

To do so, I will draw on some of my own experiences as a policymaker over the past 30 years.

Let me share four experiences from my own career that illustrate the pressures and responsibilities of policy leadership.

The first example concerns the provision of antiretroviral (ARV) medication for HIV/AIDS. In the early 2000s, National Treasury provided the economic and business case for expanding access to ARVs. Unfortunately, the proposal was not approved and we had to go back to the drawing board.

In August 2003, a joint National Treasury and Department of Health task team released a report which set out the considerable socio-economic benefits of expanding access to ARVs. Doing so would prevent hundreds of thousands of children from becoming orphans, for example. Three months later, the government announced that it would introduce the world's largest HIV/AIDS treatment programme – marking a welcome shift in policy.

The second example is the Gauteng e-toll system, introduced to help finance major upgrades to the province's highway network. National Treasury's proposal was grounded in the user pays principle, informed by international best practice, backed by a credible feasibility study and shaped by the country's fiscal constraints. The technical case was clear yet the proposal faced intense political and social opposition. One of the most difficult aspects for me personally was having to take a position that differed from that of my former parish priest, who baptised all of my children, whom I deeply admire and who had become Chair of the Justice and Peace Commission of the Southern African Catholic Bishops Conference.

Leadership sometimes requires you to stand firm even against people you respect, relying not on rhetoric but on careful analysis and credible evidence. Leadership, at times, requires the courage to say "no".

The next example concerns a report by the Public Protector that called for a change to the South African Reserve Bank's (SARB) mandate and, in doing so, threatened

the institution's independence. From the moment the report was published, it was clear to us that this was not simply a policy disagreement; it was a direct challenge to the constitutional framework that protects the institution. I immediately instructed our legal team to take the report on review and, at the same time, convened a staff meeting to rally the SARB to battle. We came under considerable pressure but we held our ground – and ultimately prevailed.

You will face pressure – whether in policy, business or any other profession. The real question is not whether pressure exists but how you respond to it. Will you remain guided by evidence, principle and, in this case, the Constitution? Or will you compromise for short-term comfort or personal advantage? Good leaders understand that their first duty is to protect the institutions they serve and the legal framework that sustains them.

My final example concerns the introduction of the 3% inflation target. Both the SARB and National Treasury had undertaken extensive technical work in support of the reform, and the case was reinforced by independent research. Even so, the proposal encountered significant resistance. Those opposed to it were unable to challenge the substance of the analysis, so the debate shifted to process. They sought to delay the decision by claiming that the correct procedures had not been followed and by overstating the costs to the public.

We had to navigate a difficult environment, continually explaining the benefits of the new target and engaging a wide range of stakeholders. This required drawing on the credibility of our research and our policymaking record to make the case for the change. At the same time, there was a public disagreement with the Minister of Finance on the process but not the end game. At this stage, the Minister reminded me that he had known me since I was a young 24-year-old accountant. That longstanding relationship was what the two of us were able to leverage to deliver an outcome in the best interest of South Africans. It also required relying on our legal mandate to address procedural objections and keep the focus on the substance of the reform. We found each other, as the Minister said we would.

This experience reinforced an important lesson: policy leaders must be able to communicate effectively and use more than one instrument to achieve their objectives. If a policy is not understood, it is less likely to gain support. If it is not trusted, it can fail, even when it is technically sound. That is why I undertook several public engagements on the new target and supported research events that tested the strength of the analytical case, assessed global developments, and helped communicate the rigour behind the move to a lower target.

These examples also show that effective policy leadership depends on credibility, humility, collaboration, independence and strong analytical work. Let me spend the rest of my time on those themes.

Leading under uncertainty

We often associate leadership with confidence, decisiveness and authority. But policymaking is different.

In policymaking, leadership is not about having all the answers. It is about making decisions when answers are incomplete, data is imperfect and consequences are uncertain.

There is no policy setting in which you have all the information you would like. The economy is complex. Human behaviour is unpredictable. Shocks, whether global or domestic, can change the landscape overnight.

So, leadership in policymaking is, at its core, leadership under uncertainty.

It requires the ability to ask the right questions. What problem are we trying to solve? What evidence do we have? What do we not yet understand? And what are the risks of getting this wrong?

For young people, the lesson is clear: do not wait for perfect certainty before acting. But equally, do not act carelessly when uncertainty is high.

The importance of analytical integrity

At the heart of good policymaking lies something that is often invisible but essential: rigorous analytical work.

Policy decisions should not be driven by instinct alone, or by ideology, or by what is convenient in the short term. They must be grounded in evidence.

Why does this matter? Because poor analysis leads to poor policy – and poor policy has real consequences. Good analysis, by contrast, does not guarantee perfect outcomes, but it does reduce the likelihood of costly mistakes.

So, what does good analytical work actually look like?

First, it starts with clarity of the problem. If you misunderstand the problem, no amount of technical sophistication will save you.

Second, it requires data and evidence. This does not mean blind reliance on numbers. Data must be interpreted, questioned and contextualised.

The economy is complex, so analysis often relies on simplifications. But simplification must be handled carefully: if key channels of impact are overlooked, the analysis can become misleading. Assumptions must remain grounded in reality.

Let me illustrate this with two examples from my time at National Treasury and, more recently, at the SARB.

The first example concerns fiscal expenditure multipliers, which estimate how government spending affects the wider economy. If one assumes that government faces no fiscal constraints, the multiplier will always appear large and additional spending will seem beneficial.

But that assumption is unrealistic. If governments could spend without constraint, countries would never default on their debt, and bond yields in South Africa would not have risen as public debt increased after the global financial crisis.

The second example concerns inflation targeting. Critics often assume that tolerating higher inflation has no adverse effects on growth over the medium to long term, and therefore focus only on the short-term costs of bringing inflation down. But that assumption is also flawed. Higher inflation raises borrowing costs – not because the SARB has changed the policy rate but because lenders demand compensation for the higher inflation they expect.

These examples show how unrealistic assumptions – whether made deliberately or unintentionally – can produce very different policy recommendations, with serious consequences for the economy.

The third important component is understanding trade-offs. Every policy decision involves trade-offs. No policy can deliver everything at once – higher growth, lower inflation, more spending and greater stability – without tension. The green transition, for example, offers major benefits for South Africa by creating new industries and opportunities but it also imposes costs on carbon-intensive sectors such as coal mining. The key question is whether the benefits outweigh the costs. In this case, they clearly do.

And, finally, good analysis requires honesty about uncertainty. Sometimes the most responsible answer is not a confident projection but a careful acknowledgment of what we do not know.

The test of independence

Policymaking takes place in environments shaped by political pressures, public expectations, competing interests and, often, intense scrutiny.

In such environments, the temptation is always there to prioritise short-term gains over long-term sustainability.

In South Africa, there is also a common temptation to shape analysis to satisfy political principals rather than to confront bad ideas. When that happens, analytical integrity is lost and evidence is used to justify poor decisions instead of to challenge them.

Effective policy leaders must be able to withstand pressure when necessary.

This does not mean being rigid or unresponsive. It does not mean ignoring legitimate concerns or democratic processes. But it does mean maintaining independence of judgment.

It means asking: what is the right decision based on the evidence? Not: what is the most convenient decision today? Or what choice will make me popular and improve my prospects of promotion?

History repeatedly shows us that, when policy institutions sacrifice their independence, the consequences are severe. And, once credibility is lost, it is very difficult to rebuild.

Let's go back 50 years. Central banks were very different institutions. Their independence was limited and they were often influenced by politics. They also had weak accountability.

A well-known example comes out of the United States Federal Reserve in the 1970s, under Chairman Arthur Burns.

Burns was an extremely respected economist but he faced strong political pressure. Monetary policy was often loosened to support short-term growth.¹ The result? High inflation. Low credibility. Economic instability.

This culminated in the stagflation crisis, and central banks at the time operated in secrecy.

¹ See Burton, A. 2006. 'How Richard Nixon Pressured Arthur Burns: Evidence from the Nixon Tapes', *Journal of Economic Perspectives*, 20(4): 177–88.

One former Bank of England Governor, Montagu Norman, famously said: “Never explain. Never excuse.”²

Parents often discourage their children from studying history because they see little financial reward in it. But history is essential, because it helps us understand how past policy failures occurred and how they can be avoided. Many of today’s flawed policy ideas reflect too little knowledge of the economic lessons of the past 50 years.

Nothing happens without credibility

Decisions are made within institutions – central banks, treasuries, regulatory bodies and other public entities.

The effectiveness of these institutions depends on one critical factor: trust. That is one major reason why we were able to implement the lower inflation target.

Trust is not built overnight – and it can be lost very quickly.

Once trust is undermined, even well-designed policies may fail, because they are no longer credible.

Think about it. Will your words matter if you are not trusted?

So, leadership in policymaking is not just about making the right decision today. It is about protecting the credibility of the institution for tomorrow. This is why we had to fight the report from the Public Protector.

As I noted earlier, the experience of the 1970s was followed by a growing recognition that credibility and trust are essential to central banking. They are fundamental to maintaining price and financial stability.

² See Bernanke, B. 2004. ‘Fedspeak’, Remarks at the meetings of the American Economic Association, San Diego, California.

Over the past 40 years, central banks have worked carefully to build that credibility. Leadership in central banking has shifted from secrecy and political influence to a model grounded in independence, transparency and accountability.

Collaboration and humility are key

Let me turn now to collaboration and humility. The reason I have been able to take on difficult policy battles throughout my career is that I have had the support of a strong team.

The most effective policy environments are those where diverse perspectives are encouraged, debate is open and rigorous, and disagreement is not suppressed but engaged constructively.

I often remind my staff that I do not want agreement for its own sake; I want their considered views, grounded in solid evidence. Good leaders actively seek out perspectives that challenge their own and that requires humility.

I know that the fastest way to improve my thinking is to be challenged. It makes me better prepared and it strengthens my ability to take on difficult policy fights. For young people, this is critical: surround yourself with people who think differently from you.

Conclusion

In conclusion, if there is one lesson I would leave with you it is this: leadership is not about status, certainty or always being popular. It is about judgment under uncertainty, discipline in the use of evidence, and the courage to stand by what is right when pressure mounts. In policymaking, as in life, the most consequential decisions are often the hardest ones – because they require you to balance competing interests, accept trade-offs and think beyond the immediate moment.

No leader succeeds alone. Strong institutions are built by people who can think rigorously, work with others and act with integrity even when the path is difficult. If you

can do that, you will not only make better decisions – you will help build institutions and societies that are more resilient, more credible and more just.