international engagements

Presentation to PCOF by
Minister of Finance,
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Overview of Presentation

International engagement at three levels:

– **Development in Africa** – alleviating poverty, and promoting the developmental agenda and regional integration, in Africa

– **Institutional participation** - represent SA at finance, economic and development forums, and supporting capacity building initiatives

– **International policy** – develop and advocate SA’s position on international policy issues related to mandate
SACU

Formation of Customs Union – SA and British Protectorates

1910

1969

1969 SACU agreement reinforces fiscal transfers – residual to SA

2001

New SACU agreement – revenue sharing formula

2006

SA calls for review of revenue sharing formula

SACU based on common external tariff and revenue-sharing – members comprise SA, Botswana, Lesotho, Namibia and Swaziland.

Challenge facing SACU is:

Revenue sharing arrangement has not encouraged trade integration, and created more dependency, and no enlargement

Development intention of ‘fiscal transfer’ not applied

Deepening regional integration under SADC umbrella implies a transition from SACU to SADC Customs Union
SACU Revenue Sharing

Revenue-sharing based on customs and exercise revenue from extra-SACU trade, redistributed on intra-SACU trade

Slight decrease btw 2004/05 and 2005/06 due to transition from 1969 to 2001 agreement

SACU revenue increase due largely to growth in SA imports

SACU transfers to the BLNS has increased from R3,2 bln in 1994/05 to R23,1 billion in 2007/08
SADC

SADCC formed by frontline states

South Africa joins SADC

SADC adopts its Regional Indicative Strategic Development Plan

SADC Free Trade Area

SADC Customs Union


SADC comprises 14 members. RISDP objectives include:

- Economic cooperation, mutual assistance and joint planning
- Liberalise trade
- Support domestic growth and poverty alleviation

Critical issues:

- EPA negotiations with EU shaping regional integration agenda
- Overlapping memberships and Incompatible Policies in Member States constrains regional integration
Overlapping membership

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Pan-African institutions

- **African Development Bank**
  - Temporarily located in Tunisia (Abidjan)
  - Lending windows through ADB and ADF

- **UN Economic Commission for Africa (ECA)**
  - Located in Addis Ababa
  - Undertakes critical research and support to regional institutions

- **African Union**
  - Located in Addis Ababa
  - Strategy of RECs moving towards African Economic Community
  - Ministers of Finance meet annually (AU Financial Institutions)

- **Capacity building**
  - CABRI
  - SATI
African Development Bank

- Key challenge for Africa is development of infrastructure to increase intra-Africa trade
- Reduce revenue dependency from tariffs by developing taxation system
- ADB priorities focus on infrastructure, governance and human development
- Increasing role for SA in guiding new ADB leadership and reforms
- Increased shares and ADF donor contributions
- Proposed CSP focuses on regional integration
World Bank

- Process to appoint President raised issue of voice, representation, governance and transparency
- Reform of Bank critical to economic growth and development.
- Bank priorities need to align with economic growth, incl infrastructure – critical in meeting MDG goals
- SA’s partnership outlined in Country Strategy Paper
- Challenge for the World Bank is the Middle Income Countries
IMF

- Process to appoint MD and IMFC voice and governance
- IMF reform critical for Africa, includes
  - Increased diversity of staff and control of key institutions
  - Understanding and addressing needs of Low Income Countries
- Crocket Report
  - Funding crisis due to low lending
  - Managing gold sales to fund IMF
- Examine role in international market volatility
- SA’s article 4 report published:
  - Broadly positive on SA growth prospects
  - Risk on current account and inflation
G20

- G20 countries include G7, Russia, IBSA, China, Australia, Saudi Arabia, Turkey, Mexico, Indonesia, South Korea, Argentina, EU
- SA chair in 2007, Ministerial in November
- Trioka leadership: Australia – SA - Brazil
- Overarching theme is *partnership and sharing*
- Three main focal issues during SA’s chair
  - Bretton Woods Reform
  - Commodities and financial stability
  - Fiscal elements of growth and development
- Opportunity used to engage African countries
  - Aid effectiveness
  - Fiscal elements of growth
International policy issues

Strong focus on MDGs:
- indications that sub Saharan Africa lacks behind on most goals
- need policies that promote sustainable economic growth and poverty alleviation

Deepening regional economic integration:
- agreements to liberalise trade, but also focus on underlying trade facilitation – infrastructure, systems, etc
- Investment in regional infrastructure

Doubling aid to Africa
- OECD/DAC reports that aid declined between 2005 and 2006, if Nigeria debt relief and Iraq is excluded.
- G8 commitments at Gleneagles and Heiligendamm
- developing SA’s policy on ODA
Thank you