

Description : 34th Annual Meeting of the Board of Governors of the African Development Bank

Date : 28 MAY 1998

Speaker : DEPUTY MINISTER GILL MARCUS

Address by the Honourable Ms Gill Marcus, Deputy Minister of Finance, Republic of South Africa

34th Annual Meeting of the Board of Governors of the African Development Bank.

25th Annual Meeting of the Board of Governors of the African Development Fund.

Mr Chairperson,
Mr President,
Fellow Governors,

Distinguished Delegates, Observers and Guests,

It is an honour to represent South Africa on this august occasion. Allow me, on behalf of the Government and people of the Republic of South Africa, to express our sincere appreciation to the Government and people of Cote d'ivoire for your warm hospitality.

The theme chosen for this year's symposium, "regional co-operation and integration in Africa" could not be more appropriate. Our deliberations are taking place in a very specific context. They must, of necessity, be informed by recent world events. The Asian crisis, and the consequences thereof; the giant mergers taking place; the rapid growth of information technology and the implications for nation states all form the backdrop to our discussions. Within this environment we need to soberly examine the enormous challenges before us as the people and countries of our great African continent.

South Africa, four short years into her new-found democracy, faces the challenge of crossing the great divides of the 20th century: bridging the centuries-old racial divide that mirrors the poverty divide; tackling poverty through also addressing gender and the status of women.

We are deeply committed to an African renaissance where, as we enter the 21st century, Africa begins to take her rightful place in the world. We know that such a renaissance begins at home, for each of us. For the first time in decades South Africa is at peace with her neighbours and, together, we have linked our regional co-operation and strategic development initiative efforts to the region and the Southern African Development Community. Our young democracy is now an integral part of Africa, no longer a disfiguring mark at the southern tip of the continent.

And as a part of Africa we are keen to play a meaningful role in the institutions created to meet the great challenges we all face. In this context there is an urgent need for the Bank to define and play a catalytic role in promoting regional integration, in particular in Southern Africa, for the developmental impact of its operations to be realised.

Since becoming a member in December 1995, we have witnessed significant changes in this institution. Sustainable development, sustainable democracy, requires credible, viable institutions. Change has not been easy, and it remains necessary for the Bank to demonstrate its operational flexibility to take advantage of the opportunities arising from an improved investment climate on the continent. It is in this light that we urge the Bank to conclude

negotiations on the Fifth General Capital Increase, so essential to meet the pressing needs of member countries.

Aware of the enormous challenges facing all of us, and optimistic about the future of the Bank, I am pleased to announce the South African Government's approval of an increased South African shareholding in the Bank. Last year we said that internationally recognised principles of giving effect to economic weight in calculating capital subscriptions should be followed. South Africa is therefore prepared, subject to a satisfactory conclusion of the GCI-V negotiations, to accept a shareholding of 6% of the capital stock of the Bank, and in so doing, make a further contribution to this premier African development institution.

We are pleased to note that after lengthy discussions, agreement has been reached on

- (a) the 35% capitalisation increase;
- (b) the 60:40 share structure;
- (c) valuation of shares at par and we confirm our support.

On the voting rules making provision for a 70:30 percent split, we appreciate the real concerns of non-regional countries on this matter, and confirm our support for the agreement to be reached on a defined special procedure. However, the matter raises a number of issues. It assumes that when Africa is involved there is a need for democracy of a special type; that we as member states are not equally concerned with issues of good governance, accountability and sound financial management. At the same time we as African states need to address a legacy, whether real or perceived, of scant respect of governance matters. We need to do this as part of building real partnerships with non-regional members.

There is a new mood in Africa that we need to build on and strengthen. We need a shared responsibility for our future. We hope that the prevailing practice of consensual non-voting decision-making continues.

We thank the Board of Governors for their approval earlier this morning of South Africa's membership of ADF. As you know, South Africa has committed itself to contributing to the ADF and has already commenced payment of its ADF-VII contribution, in accordance with an agreed schedule. We also look forward to our participation in the eighth replenishment of the ADF, which should proceed without undue delay.

However, of great concern to us is a stipulation in the Articles of Agreement that regional members may only be admitted as non-voting participants in the Fund. It would appear that it was never envisaged that *regional members* of the Bank would or could contribute to the resources of the Fund, and thereby contribute as Africans to the building of our own credible development finance institution. South Africa believes that regional contributors to the Fund should enjoy meaningful participation in ADF Board deliberations. Is it not time for a thorough review of the Articles of Agreement?

The decision by the Board of Directors to approve the introduction of the South African Rand as the first African currency to be included as one of the Bank's mainstream lending currencies was very significant for us. The benefits accruing from Rand-denominated loans will be for both the borrower and the Bank. For borrowers, particularly those in the Southern African region, Rand-dominated loans will promote access to an additional borrowing currency, provided that loans are issued on competitive terms, in order to promote intra-

regional trade and development. Rand-dominated loans will also increase operations in countries that have not as yet benefited from the Bank's operations.

The 1998 election of Executive Directors allows South Africa to play a more meaningful role in the Bank Group. Over the last three years, South Africa only participated informally in a constituency of the region, although we were treated on par with other constituency members. With South Africa participating in the election of Executive Directors, our voting strength will be added to that of our fellow constituency members, allowing the region greater representation in ADB Board deliberations.

Consistent with our Country Strategy Paper approved in January 1997, the Bank has taken up equity participation in two venture capital funds in South Africa, promoting private sector infrastructure as well as SMME development. It has approved an amount of R750 million to assist in financing the cost of infrastructure service projects. The Bank also undertook a social sector mission to identify priorities and develop appropriate financing strategies. We look forward to greater interaction with the Bank as we approach the next millennium and the developmental challenges that it presents.

We believe that the African Development Bank is well placed to carry out its mandate of reducing poverty on this continent. This is a huge task. But in *partnership and unity*, we will be able to contribute meaningfully towards a better life for all our people.

The Bank and the Fund must work for the whole continent and needs to be relevant and a resource to member states. In doing this, there are a number of further issues the ADB might wish to consider. These include:

- a greater participation in the campaign on debt relief for poor countries, in particular those emerging from recent conflict;
- the debate on the social cost of adjustment; and
- the opportunities for extending telecommunication infrastructure on the continent, some of which were identified at the recent Africa telecommunications conference in Johannesburg.

In expressing our heartfelt gratitude to the people of Cote d'Ivoire for hosting the 1998 Annual Meetings, we look forward to the next meeting in Egypt, and to the possibility of extending Southern Africa's warmest welcome to the ADB Group for the annual meetings in the near future.

I thank you.