

**STATEMENT OF GOVERNOR TREVOR A. MANUEL, MINISTER OF FINANCE,  
REPUBLIC OF SOUTH AFRICA AT THE ANNUAL MEETING OF THE ADB  
28 MAY 2002**

**DEVELOPING PARTNERSHIP: FROM MONTERREY TO JOHANNESBURG**

Minister, my brother Sufian Ahmed, Mr. Chairman, Mr. Omar Kabbaj, my fellow Governors, Distinguished delegates,

We stand on a path from Monterrey to Johannesburg. But the path does not end there in Johannesburg on 10 September 2002. It ends with the realisation of the commitments we made to reduce poverty – with the Millenium Development Goals.

As elected leaders, we must move more quickly down our path, because Africa teems with people striving for economic renaissance – for a rebirth in which the means to lift themselves out of poverty are within reach.

Governments are put in place to accept the responsibilities of helping our people in their striving. Our people are dynamic and innovative and our continent both ageless in its wisdom and rich in its resources. Where better than in Ethiopia than to host us in a country of such ageless beauty.

Yet poverty, especially in Sub-Saharan Africa has become more acute in the past decade.

As leaders, we must recognise that nothing that has been done before has been good enough to reduce poverty.

As Africans, we frequently frame our challenges in terms of developments in the rest of the world. Much of this effort goes unrequited. The fact of the matter is that the path we follow has been set by our own condition. This means that we cannot wait for help, but that we must be creative, tenacious and strong, and build our own future as a continent of accountable governments and dynamic, equitable economies.

This does not mean that we should ignore the actions of our development partners. The Millenium Development Goals require developed and developing countries to work together – to create mechanisms such as NEPAD, alter the international economic environment, and provide assistance that is truly helpful.

I welcomed the generous offers made by the United States and Europe to increase the levels of development assistance – but this cannot be implemented at our expense. The marginal benefit from assistance that flows back into exports and consultants from developed countries is just that – marginal. In some cases, it is just in fact plainly destructive.

Many of us have experienced structural adjustment. Can it be that the conditionalities -- that are required for assistance – are simply the sharp end of a dogma espoused most fervently by those who are also free to reject that same dogma at will?

I am never really sure who is at greater fault here. Is it Europe, with its Common Agricultural Policy that for decades has heavily subsidised Europe's farmers... at about 35% of total farm income? Or is it the United States, which has just raised its subsidies massively by 83 billion US dollars over 10 years

to 21% of total farm income? Or is it both of these major economic powers as they jockey for dominance in world agricultural markets at ever greater cost to the developing world?

Mr. President, by my best estimate, the increase in US subsidies is larger than the combined GDP of Africa's poorest 34 countries. I hope someone will have the courage to publicly tell that to Paul O'Neill tomorrow.

I don't see how anyone in developing countries, or even anyone in the developed countries, can possibly believe that the US and Europe are serious about development when they subsidise their farmers by 350 billion US dollars per year.

Not only is this six times the total amount of development assistance given to the developing world, but the subsidies themselves destroy our agricultural industries. Sixty percent of employment in our countries is due to agricultural production.

Where agricultural markets in developed countries remain closed to exports of developing countries, production remains the activity of small peasant farmers.

Now, some of us, like my own country, have dismantled agricultural subsidies, tariff and production boards because we do not believe that they are good for our economic development. South Africa is a member of the Cairns group, and has campaigned vigorously for free markets in agricultural products. But some of us have dismantled them in response to dictates by the IMF and World Bank – conditionality requested by the largest shareholders.

In my view, and regardless of the reason for the dismantling of protection, it is the developing countries that stand on the right side of good economic policy. Has anyone in the US or Europe bothered to inquire into the economic cost to other sectors of their own economies and the people of our economies of these subsidies?

The G8 meets in June in Kananaskis. The message that Minister Whelan must take back to them is this – how can you expect good economic and political governance, political stability, and peaceful societies if you continue to implement policies that – not marginally – but fundamentally undermine the economic basis for growth in developing countries? I know you will in fact take that message back Minister Whelan.

### Reducing poverty in Africa

I had thought that I experienced something new in Monterrey – that developed and developing countries could achieve the Millennium Development Goals working together. I am not so sure about this anymore – but this unease will not stop South Africa from working tirelessly to achieve our Millennium Development Goals.

As I see it, these can be achieved through an integrated set of actions:

1. Matching the actual level of ODA to the commitments made by developed countries to 0.7% of GDP.
2. Increasing debt relief through reform of the HIPC Initiative to provide additional assistance to countries and implementation of the NEPAD Debt Relief Initiative.

3. Increasing access to the markets of developed economies.
4. Reforming the system of representation in our multilateral financial institutions.

I want to turn back now to my brothers and sisters on the continent, and I want to repeat the phrase that I began this speech with – nothing we have done hitherto is good enough!

We need to look at the issue of poverty differently from the way we have in the past. Programs must be designed differently.

The PRSPs are an important improvement, and we commend the ADB for their involvement, but in truth they are not good enough. We all know that the PRSPs are administratively burdensome, not least in their formulation, and that much greater levels of technical assistance are required to draft them and begin implementation in reasonable periods of time.

Of course, PRSPs are resource intensive in part because they are meant to be comprehensive. But I am also sure that they are not comprehensive enough. That is the contradiction.

Some of the thinking around the World Summit on Sustainable Development provides an indication of the direction that I think we need to move in – poverty reduction not only as a function of our fiscal planning, but also as a function of three broader, inter-linked areas:

A social platform.

An economic platform.

And, mindful of the environmental considerations.

In this context, I would like to extend a challenge and an opportunity to the African Development Bank. Our expectations are high, and management should consider my comments in this context – to carefully consider and devise ways in which its own programmes and activities reflect the linkages between these important platforms.

Taking up this challenge will require a number of shifts in how the ADB thinks of itself. My appeal is to stop emulating the World Bank and developed countries. The ADB needs to redefine itself in terms of reducing poverty in Africa. I would like to echo my colleague, the Alternate Governor from Germany, Mr. Hoffmann, that the ADB should be the continent's champion of the cause of poverty reduction.

This is not a call to populism – banking is banking and defaults must be dealt with in the context of multilateral banking. Mine is a call for more vigorous ex ante policy support and ongoing guidance.

This means that the ADB will have to engage in serious discussions of its programmes at Board level and construct indicators of the success or failure of these programmes. It should create an advisory board of regional government ministers tasked with the review of ADB programmes, their implementation and their results. This matter was raised in the JSC report this morning, and I trust management will be supported by shareholders.

I have suggested that the indicators should reflect success and failure, and this is a critical point – we cannot expect that all the ADB's initiatives will be successful. This would be a first in development

anywhere. We must allow ourselves to be candid and to admit our failures, for in that lies the route to real success.

It matters little to me that the ADB's vision and mission is to reduce poverty – I want to see it succeed and this means that we must learn from our failures.

Despite my criticisms, in all of this lies the opportunity at hand for the ADB. The ADB must define its relevance to our African Union and NEPAD. And not have its role defined elsewhere. If it does not, then sadly it will be marginalised as an ineffective appendage of this continent, and superseded by the probably more vigorous, accountable and effective institutions that we will create.

This would clearly be a tragedy, because the ADB in some ways institutionalises the type of relationship between developed and developing countries that NEPAD envisages – and that the Monterrey consensus assured us would be the new mode of interaction between our countries going forward.

And, in this lies one source of assistance to us in redefining the ADB – development partnership means that the non-regionals must take seriously the reality of collective responsibility for the future of our Bank.

#### Representation and voice for Africa

Finally, I would like to make a few remarks about Africa's representation in the Bretton Woods Institutions.

The IMF is currently evaluating the formula for assessing voting shares. I strongly recommend that some measure of good policy and implementation of reform be part of that formula. A formula based on GDP will only serve to further entrench the OECD and marginalise the rest. What will come of development policy in the future?

In July 2001, Africa's leaders committed themselves to the creation of the African Union (AU) – creating the opportunity for us to build the institutions that will deliver our African renaissance. It also highlights the challenge of stepping up the pace of regional integration through programmes such as NEPAD.

I have said much today about what regionals and non-regionals should in my view do to help us consolidate our momentum toward the Millennium Development Goals and economic renewal in Africa.

Yet an element is missing, and this is the challenge and opportunity I would like to place before the IMF and World Bank. Through NEPAD, the AU, and through the ADB, Africa is taking control of its future. Facilitate this process by working with us to develop our voice, our representation – for this will enable us to achieve the goals for which we all strive.

In conclusion fellow Governors, it is my humble submission that we have never had a more propitious moment to favourably shift international relations – political, economic and social – in Africa's favour. Let us seize the moment. Let us transform the lives of our people. Let us prod the ADB to lead us forward!

Thank you.