



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

**Annual Meetings 2006
African Development Bank
Ouagadougou, Burkina Faso
17 May 2006**

**Statement by the
Honourable Minister of Finance
Mr Trevor A. Manuel**

**Chairperson of the Board of Governors, our most gracious host, the
Honourable Bouda Seydou
President of the ADB, Dr Donald Kaberuka
Distinguished Governors
Respected Delegates
Ladies and Gentlemen**

The key challenge facing us in Africa is to take bold steps to ensure that we get back on track to meet the Millennium Development goals and alleviate poverty. It is critical that we ensure that the current growth path of more than 5 per cent is sustained over the next few years, and that this growth also be attained by non oil exporting countries. The key question that confronts us is: what new policy and implementation measures do we need to achieve this objective?

Three specific measures are essential. Firstly, effective use of the fiscal space created by the MDRI, through better budgeting, planning and execution of our budgets. Secondly, to increase our infrastructure spending, particularly on economic infrastructure. Thirdly, to facilitate greater regional economic integration, starting with the removal of high tariffs and other barriers to trade and investment between African countries.

We have managed to create a real momentum over the last two years with the recommendations of the Commission for Africa Report, the Paris Declaration on Aid Effectiveness, the announcement of the Multilateral Debt Relief Initiative and the G8's pledge to double aid to Africa by 2010. The challenge now confronting us is to ensure that such initiatives are fully implemented.

The Bank has begun to do so, and we applaud its efforts in seeking to finalise the MDRI. By mid-April 2006, **indicative pledges** on financing commitments received from donors have exceeded their required levels.

Actual delivery of debt relief to the beneficiaries will begin as soon as the effectiveness triggers are met through the deposit of Instruments of Commitment **by donors to match their indicative commitments.**

South Africa is disappointed to note IDA's decision to roll back the cut off date for MDRI debt relief from December 2004 to December 2003, diminishing the impact of the MDRI. We are grateful for the firm leadership shown by the President Kaberuka who stood his ground on this matter. As a result, the cut of date for ADF remains December 2004,

and we look forward to the Bank's report on the implementation modalities of the MDRI during these meetings. We encourage all donors to stick to their commitments, and to ensure that all ODA is truly **additional, predictable and sustainable**.

To demonstrate our own commitment, South Africa has responded to the ADB and World Bank's appeal for binding commitments to the financing of the MDRI. On the 30th of March 2006 South Africa made a single upfront payment to ADF of its donor share to the MDRI for the full 40 year period, and is similarly finalising its full upfront payment to IDA.

As Finance Ministers on the continent that is the furthest away from meeting the MDGs, we must maintain our vigilance in ensuring that our global partners discharge their commitments to us. We must also demonstrate the boldness of our vision and the quality of our planning and our resolute determination to see the effective use of these resources.

The second requirement for the continent to shift to a higher and more labour-absorbing growth path is increased expenditure on infrastructure. We explored this issue in some detail yesterday and I believe that we have grappled with the key implementation issues. We must now proceed with implementation and monitor the impact of higher expenditure on infrastructure. I know that the ADB stands ready to deliver.

Another essential requirement to achieve a higher continental growth path is that we make progress with regional integration. The poor and often non-existent linkages between African countries poses a constraint to the continent's growth. It is worth repeating that the starting point to easing

this constraint is the removal of self-imposed barriers that prevent trade and other economic linkages, which we have the power to remove.

We are not alone. We stand together here every year and benefit from sharing our experiences. We take this home with us and try harder, inspired and invigorated by our engagement.

The realisation of our shared vision of a continent that is developing rapidly, sustainably and equitably is supported by the reforms currently being implemented by the ADB's new leadership. The commitment of the Bank's new President, Donald Kaberuka, to substantially enhance its operational efficiency, will greatly enhance our ability to accelerate the continent's growth. If President Kaberuka is to effectively enhance the ADB's ability to support our developmental aspirations, he requires the support of all its Governors. I want to assure him of South Africa's continued and sustained support for the hard work that lies ahead.

Colleagues, the developmental challenges confronting us as Finance Ministers are formidable.

These challenge must be seen against the positive conditions that have been created – both on our continent and in the global economy - to enhance growth and alleviate poverty.

The conditions for lifting our development trajectory to a substantially higher level have never been better.

I remain optimistic that we are equal to this challenge.