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SPEECH BY THE MINISTER OF FINANCE TREVOR A MANUEL, MP

DBSA ANNUAL REPORT LAUNCH

28 AUGUST 2006

Chairperson Mr Jay Naidoo
DBSA Directors
Managing Director and CEO, Mr Paul Baloyi
Dear Friends

The results of the DBSA once again tells the story of an exceedingly well managed institution capable of exceeding the targets it has set for itself both in respect of financial performance and in respect of a number of development indicators. For this both the Board and the Management are to be congratulated.

Mr Paul Baloyi is now the CEO of the DBSA. I know that he has used the time since his appointment to good effect, and that he is determined to reposition the DBSA to be better able to meet its historic responsibilities. He, and the entire management must know that government will fully support the cultural and strategic shifts that he is seeking to drive.

The DBSA occupies a difficult space. We need to remind ourselves that it is one of our premier development finance institutions – it is not merely a bank, it has to operate in those areas where the market fails. The client base of the DBSA is primarily local government, and financing its infrastructure, in particular.

The year under review has been insecure for local government – the fact of the Local Government Elections, held on 01 March, induces that measure of uncertainty where councils were uncertain of their ability to either undertake new infrastructure development or to take on new debt. This will be a cyclical feature for the DBSA, which thankfully is now behind us for the next five years.

The changes that the DBSA will have to effect include its ability to deepen relations with its client base and to attempt to even out the cyclical nature of its lending. In this regard, I have no doubt that the important initiatives taken will bear fruit – on the one hand, there is the Development Fund which has received transfers of R 479 Million since 2002, and in the year to 31 March increased its disbursements of Capacity Building Grants to R120 Million (up from R 74 million and R 41 Million in the two preceding years). On the other hand, there is the brand new initiative called Siyenza Manje, which provides hands-on technical expertise to municipalities in a range of disciplines. Both of these are very significant investments designed to overturn the reality of reduced capacity amongst municipalities. The measure of their success will not only be in stronger municipalities, but also in a strengthened partnership between these and the DBSA. It is an investment that must bear fruit.

There is a broader context within which all of this takes place – we have a responsibility, both as government and through our development finance institutions, to ensure that democracy tangibly improves the quality of life of the poorest South Africans. We have the Millennium Development Goals as a very direct measure of our commitment and endeavours. Whilst important parts of the MDG's deal directly with the immediate mandate of the DBSA – in respect of issues such as access to water, sanitation, clinics, schools and roads, we must accept that the mandate of the DBSA is broad enough to include the development of social and human capital. It is in addressing these issues that an institution such as the DBSA encounters the greatest difficulties – our Constitution vests responsibility in elected governments in three spheres – the DBSA is not an elected government, so its enthusiasm is curtailed until there is a call for its services, especially in the non-infrastructure and non-business areas. Yet, we cannot pretend that we will either deliver improved local government services or infrastructure without the necessary development of human capital. So, whilst we recognise the fine line separating responsibilities, we must continue to encourage the DBSA to think through the entirety of its mandate.

A second contextual matter that we need to lean on the DBSA in respect of, is to be the conscience of government to ensure an improvement on the built environment. The DBSA has responded and there is already a pilot project underway to create communal space in housing areas recently constructed. I am mindful of just how difficult it is to return a few years after housing has been handed over, to create space that should have been provided initially – but if this were just banking we would not have attracted the staff we employ at the DBSA. The-still-to-be-named communal space initiative will be defining of the DBSA's role in new communities. Similarly, the initiatives now being tested with the private sector in the delivery of tourist infrastructure in Port St Johns is the type of project that must provide for the DBSA an active learning process because it is so rich with opportunities for empowerment and transformation. It will have to be expanded, replete with the applied knowledge and additional private sector partners will have to be encouraged to join with the DBSA.

A third matter, that I raise repeatedly, is the need for counter-intuitive thinking about the lending book to ensure that the traditional appraisals of risk are inverted to ensure that we can channel resources to areas of greatest need. This matter has become decidedly less difficult – just a few years ago, commercial banks saw the poor as a hassle not worth providing banking services for – now we have seen that in a mere 18 months there are over 3.3 million Mzansi account-holders. Suddenly, the pyramid has been inverted and there are so many new possibilities. The DBSA will have to tackle this matter in relation to municipalities and must realise the potential of its so-called 'Market 3.'

A fourth contextual issue is the transformation of SADC. The SADC Heads of State, meeting in Summit in Maseru, just 10 days ago, strengthened their collective resolve to regional integration. The Summit emphasised the need to scale up the implementation of the integration agenda and reiterated the centrality of the Regional Indicative Strategic Development Programme (the RISDP). A special Ministerial Committee was established to work with the Secretariat to define a road map for eradicating poverty and fast-track implementation – and to report to an Extraordinary Summit in October 2006. Quite obviously, we must recognise that economic integration will not arrive either because of our commitment thereto, or simply because we know that it is the most desired step; it will have to be painstakingly and organically delivered. There are few institutions as capable and well positioned as the DBSA to partner with the SADC Secretariat in order to deliver a viable economic region. This does mean that the focus of the DBSA will shift from its primary emphasis in SADC on Private Sector Development to all of the elements of integration.

The period ahead under the new leadership of Mr Paul Baloyi, supported by the new head Strategic Initiatives, Mr Gwede Mantashe, is going to be exceedingly exciting. Their innovations need a strong, well managed institution – that is indeed what the Annual report confirms that they have. For this, we must express our heartfelt appreciation to Mr Mandla Gantsho, for his role in providing this foundation. He, of course, continues to serve us, albeit now at the African Development Bank.

It is appropriate too that we express our sincere appreciation to the Board of the DBSA who have become a model of corporate governance. I want to express a special word of thanks to Mr Jay Naidoo, in his capacity as Chair of the Board, and also to Professor Brian Figaji, in his capacity as Chair of the DBSA Development Fund.

Thank you.