

12TH REPLENISHMENT OF THE AFRICAN DEVELOPMENT FUND

SPEECH BY MINISTER PRAVIN GORDHAN

CAPE TOWN, 22-23 FEBRUARY 2010

The President of the African Development Bank, Donald Kaberuka

Members of the club of Finance Ministers, Syda Bbumba (Uganda) and Augustine Ngafuan (Liberia)

Deputy Minister Marie Thérèse Drabo Keita (Burkina Faso)

The Vice Governor of the Peoples' Bank of China, Liu Shiyu

Chairperson and Co-ordinator of ADF-12, Geoffrey Lamb

Distinguished Deputies

Ladies and gentlemen

Welcome to the Mother City.

Close to where you are meeting today Nelson Mandela delivered his first public speech after 27 years of imprisonment. From the balcony of City Hall, against the backdrop of Table Mountain, Mandela's unbroken spirit restored the hope of a better life in a free South Africa. The tens of thousands gathered on the Grand Parade to catch sight of their leader and the millions more across the country, were joined by a common bond with compatriots and supporters across Africa and the World.

Nelson Mandela's release and the momentous events that followed affirmed the belief, that:

- good will trump evil
- peace and security will remain elusive until poverty is tackled, and
- international solidarity reduces the lifespan of tyranny and global inequality

Mandela acknowledged the role of international solidarity in his Inaugural speech in 1994 when he thanked international guests...

...for having come to take possession with the people of our country of what is, after all, a common victory for justice, for peace, for human dignity.

Now more than ever, international solidarity is necessary for the battles that lie ahead. A global compact will be needed to tackle the ravages of the financial crisis, the fight against unemployment and poverty, and the actions that need to be taken to reduce carbon emissions and save our planet for future generations.

The negotiations for ADF-12 replenishment takes place at a difficult time. The past 18 months have been a tumultuous time.

Yesterday, I hosted a meeting of the C10, comprising of five African finance ministers and five central bank governors and the heads of the AUC, UNECA and the African Development Bank. At the time of the C10's conception in late 2008, signs of the second round effects were biting as the recession in the developed world was being transmitted through declining exports and reduced FDI, remittance, and tourism-related inflows.

As a direct result of the financial crisis, Africa's growth rate declined from around 6 percent between 2005 and 2008 to 2 percent in 2009. We also experienced a deterioration of macroeconomic balances, growing unemployment and escalation of poverty. And as expressed by the C10 representative from the Central Bank of West African States, the financial crisis will impact negatively on the achievement of the Millennium Development Goals.

Many African countries are reporting that the global crisis has subsided, and economies are on their way to recovery. The IMF revised its forecast for world growth in 2010 from 3 percent in January 2009 to 1.9 percent in April, before reaching the current projections of 3.9 percent. While the current forecast

incorporates a greater degree of confidence that the basis for a sustained recovery has been established, several risks must be considered. These include:

- The withdrawal of stimulus measures and implementation of exist strategies that reduce support for growth, even as employment remains weak;
- High fiscal deficits that have resulted in unsustainable levels of public debt in many countries. Greece and Ireland are facing the reality of sharp spending cuts and higher interest rates due to ballooning debt levels and collapsing investor confidence;
- Unprecedented support provided to bail out large banks during the crisis, and the concern that banks are returning to business as usual, and using state support to generate windfall profits. Left unchecked, this behaviour may sow the seeds of a future crisis.

However, Africa's chronic development challenges extend beyond the peaks and troughs of the business cycle. Tackling high unemployment and persistent poverty requires urgent measures in the short-term, and well-focussed policies that support economic growth.

These chronic development challenges can be overcome, but it will require an international effort, and will therefore need your preoccupation and creativity over the course of the three replenishment meetings in 2010. I'm reminded here of the words of the famous Nigerian author, Ben Okri. He writes that:

"The worst realities of our age are manufactured realities. It is therefore our task, as creative participants in the universe, to re dream our world. The fact of possessing imagination means that everything can be re dreamed. Each reality can have it"

The reality we face has to be re-dreamed. In addressing these challenges it cannot be business as usual. While the ADF must stay the course and build on its successes in regional operations, national infrastructure, fragile states, and capacity building and governance, an acceleration of effective delivery of ADF funded projects has to be the cornerstone of your deliberations.

What I do know of the co-ordinator, I am confident that he will guide your deliberations in an insightful and supportive way. My only advice would be that we remember the importance of international solidarity and that we are ready to re-dream, when this is necessary.

Lastly, I want to remind you of the need to link ADF replenishment and the general capitalisation of the Bank. These are two critical discussions that will strengthen the Bank to meet demand pressures from regional member countries as they pull-out of the current economic conditions. The resolution made by the Heads of States at their AU Summit held in Addis Ababa in February 2010, where they called for the sixth general capital increase for the African Development Bank, and the 12th replenishment of ADF resources attest to this. The role of the AfDB has never been this important as it leads the African continent to the growth path achieved before the crisis.

I am looking forward to meeting you all again in June, as we host the first Soccer World Cup in Africa.

Thank you