



# Briefing By Minister of Finance: Participation in International Organisations

Presentation to Standing Committee on  
Finance and Select Committee on Finance

08 February 2011

14:00 – 17:00

# Overview of our International Engagements

***Our international engagements are informed by the following priorities:***

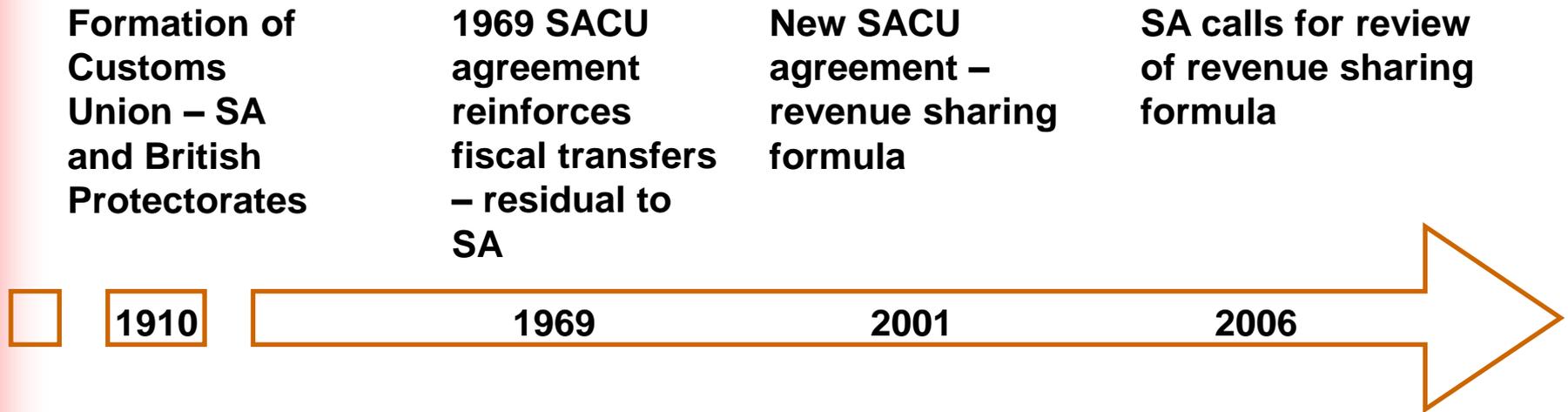
## In Africa

- Promotion of Regional Integration through Multilateral and Bilateral engagements
- Supporting capacity building initiatives to fast track Africa's development

## Internationally

- Promoting South Africa's interests in international fora, and linking these to National and Regional Economic Initiatives
- Mobilisation of resources for Africa's development
- Reformed global governance institutions

# Starting closest to home - SACU



- ✿ SACU based on common external tariff and revenue-sharing – members comprise SA, Botswana, Lesotho, Namibia and Swaziland
- ✿ In 2010 SACU celebrated 100 years of existence
- ✿ Participate through a Council of Ministers of Finance and Trade
- ✿ Finance Ministers meet to discuss the state of their economies, economic integration issues and agree on the distribution of revenue shares
- ✿ Trade Ministers meet to discuss trade integration issues and agree on common negotiation positions
- ✿ Financial crisis of 2008 elevated the SACU meetings to those of Heads of State

# Southern African Customs Union (SACU)

## Achievements to date

SACU transfers to the BLNS has increased from R3,2 billion in 1994/05 to R23,1 billion in 2007/08

SACU has negotiated several trade agreements with third parties as a bloc (specifically the SADC Trade Protocol, with EFTA, the USA and MERCOSUR)

HOS Summit (2010) agrees on a mission and vision for SACU and to translate it into a strategic work programme

## Challenges

Slow progress in the development of common policies as mandated by the Agreement

Sustainability of, and dependency on the current revenue sharing arrangement, specifically in view of the challenges arising out of the global financial crisis

Slow progress in the establishment and effective operationalisation of the outstanding institutions like the SACU Tariff Board and the Tribunal

## HOS Expectations

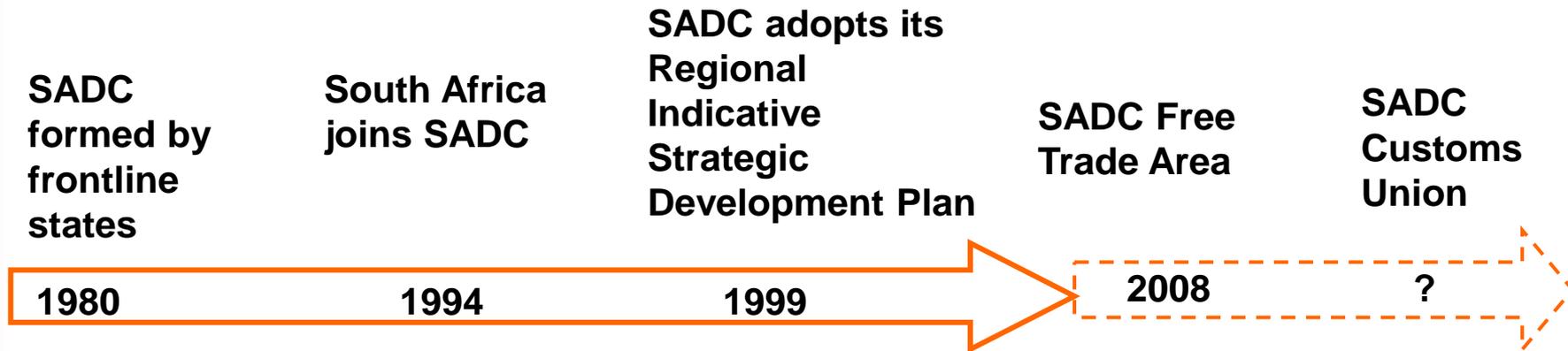
### Revenue Sharing

**Arrangement:** Complete review of SACU revenue sharing formula, and agree on developmental objectives

**Trade Negotiations:** Develop a basis for a common negotiation position

**Industrial Policy:** Agree on industrial complementarities and related policy convergence

# Broadening regional integration - SADC



✿ SADC comprises 15 members. RISDP objectives include:

- ✿ Economic cooperation, mutual assistance and joint planning
- ✿ Trade liberalisation and infrastructure development
- ✿ Support domestic growth and poverty alleviation

✿ Critical issues :

- ✿ Consolidation of the Free Trade Area
- ✿ Overlapping memberships and Incompatible Policies in Member States constrains regional integration

# Overlapping membership



	SACU	SADC	COMESA	EAC
Angola				
Botswana				
DRC				
Lesotho				
Madagascar				
Mauritius				
Malawi				
Mozambique				
Namibia				
RSA				
Seychelles				
Swaziland				
Tanzania				
Zambia				
Zimbabwe				

# Pan-African institutions

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## ✿ African Development Bank

- ✿ Temporarily located in Tunis (host capital is Abidjan)
- ✿ Lending windows through ADB and African Dev Fund

## ✿ UN Economic Commission for Africa (ECA)

- ✿ Located in Addis Ababa
- ✿ Undertakes critical research and support to regional institutions

## ✿ African Union

- ✿ Located in Addis Ababa
- ✿ Strategy of RECs moving towards African Economic Community
- ✿ Ministers of Finance meet annually (AU Financial Institutions)

## ✿ Capacity building

- ✿ Collaborative Africa Budget Reform Initiative
- ✿ SA Tax Institute
- ✿ Also African Tax Administration Forum located in SARS

- ✿ Key challenge for Africa is development of infrastructure to increase intra-Africa trade
- ✿ AfDB priorities focus on infrastructure, governance and human development
- ✿ Critical issues for South Africa
  - ✿ Guiding AfDB leadership and reforms
  - ✿ Increased shareholding to 6 per cent as approved by Cabinet in 1998 and ADF donor contributions
  - ✿ Ensure that Country Strategy Paper focuses on regional integration

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**And beyond the African continent**

## National engagement, based on

- ✿ Country Partnership Strategy. 2008-2012 CPS
  1. **Government's Urban & Rural Development Priorities**- large cities reform agenda, land reform and agriculture, private sector development, environment; and
  2. **Regional integration**
- ✿ Bank's comparative advantage in knowledge services
- ✿ Consideration of bank projects, but demand driven.

## Challenges:

- ✿ Bank developing adequate products for delivering knowledge services to SA
- ✿ For SA it's the identification of strategic projects that the Bank fund
- ✿ Relationship improving - country office is expanding with a range of experts providing technical advice to government departments

## Global debate

- ✿ Reform of the governance structures and decision making processes
- ✿ Improved responsiveness and flexibility (SA plays an important advocacy role)
- ✿ Adequate financing to support countries who utilise the BWIs as a first stop for borrowing.

- ✿ Implications of the recent Governance and Quota reforms
  - ✿ SA lost some quota share
    - ✿ From 0,84% to 0,79%
    - ✿ Due to the relative size and rates of growth of SA's economy compared to other economies
    - ✿ South Africa retains largest quota of all African countries in the WB
    - ✿ South Africa managed to get some protection, together with other poorer African Countries
  - ✿ Sub-Saharan Africa obtains a third Board Chair
    - ✿ South Africa and Nigeria forms a third African Constituency to assume the Chair
    - ✿ Representation at the Board will rotate between Constituency Countries
    - ✿ Currently South Africa occupies the Chair

## Surveillance, and financial and technical assistance

### ☀ Surveillance includes:

1. The annual Article IV Consultation (usually May/June) - IMF annually reviews the monetary, fiscal, financial and related economic policies of its member countries. Meet stakeholders. IMF Staff Report is submitted to its Board for discussion and approval.
2. Also assesses South Africa's financial sector under the Financial Sector Assessment Programme. The 2008 FSAP report indicated that SA has a robust well regulated financial sector

### ☀ SA has not made use of financial products

### ☀ Demand led technical assistance – based on resources

## At a global level - similar to those raised in the World Bank

- ☀ Reform of the governance structures and shareholding;
- ☀ Improved conditionality for loan for MICs and LICs
- ☀ Adequate financing to support countries who utilise the BWIs as a first line of defence

- ✿ Also a quota-based institution
- ✿ Implications of the recent Governance and Quota reforms
  - ✿ SA lost some quota share
    - ✿ From 0,78% to 0,64%
- ✿ European Countries agreed to consolidate some of their board seats
  - ✿ Africa has an opportunity to obtain a third chair in the Board
- ✿ Heads of both the IMF and the World Bank will now be appointed transparently with no bias to nationality

- ✿ OECD has 30 members – SA not a member – not invited.
- ✿ OECD started a process of engagement with SA, Brazil, India, China and Indonesia - “Enhanced Engagement Process”
- ✿ Basis for SA engagement with the OECD (Cabinet decision 02/2005)
  - ✿ Incremental approach to South Africa’s relations with the OECD
  - ✿ Membership of the OECD Development Centre,
  - ✿ Will study the work of the OECD and pursue an application for Observer Status in select and relevant OECD committees
- ✿ OECD membership strengths: analytic work, benchmarking and best practices – informing international and global policy debates

# Group of 20 (G20)

## History

Formed following the 1998 Asian contagion

South Africa (only African member) G8 countries, China, India, Brazil, Australia, Saudi Arabia, Turkey, Mexico, Indonesia, South Korea, Argentina, EU

2008 Financial crisis enhanced its status as a premier forum for economic cooperation, escalates forum to Heads of State

Agenda grows to cover non-financial sector issues – to include development, trade, labour and climate change issues

## Achievements to date

Avoidance of the worst effects of the financial crisis

Launch and adoption of the Framework for strong, sustainable and balanced growth

Mutual Assessment Process adopted as an early accountability Framework

Financial Sector Reform, establishment of the FSB

Reform of International Financial Institutions at both the World Bank and IMF to the benefit of SSA

## 2011 Work Plan

Recovery of the Global Economy

Enhancing the Framework for Strong, Sustainable and Balanced Growth through the Mutual Assessment Process

Reform of the International Monetary System

Financial Sector Regulatory Reform

Development Agenda

- Advancing the eight pillars to development as laid out in the Seoul Development Consensus

Energy, Climate Change, Trade, Anti-corruption and Food Security

# World Economic Forum (WEF)

## History

An independent economic forum committed to improving the state of the world by engaging business, political, academic and other leaders of society to shape global, regional and industry agendas

## WEF DAVOS 2011

The theme “*shared norms for the new reality*” and founded on four interconnected pillars:

- Responding to the new reality
- Economic outlook and policies for defining inclusive growth
- Supporting the G20 agenda
- Building a risk response network

## WEF Africa 2011

Co-hosted by WEF Secretariat and the Government of SA  
Co-ordination role moved from DTI to NT  
The three thematic pillars:

- Shaping Africa’s Role in the New Reality
- Fostering Africa’s New Champions of Growth
- Building Partnerships for Inclusive Development

# South Africa's key messages in WEF

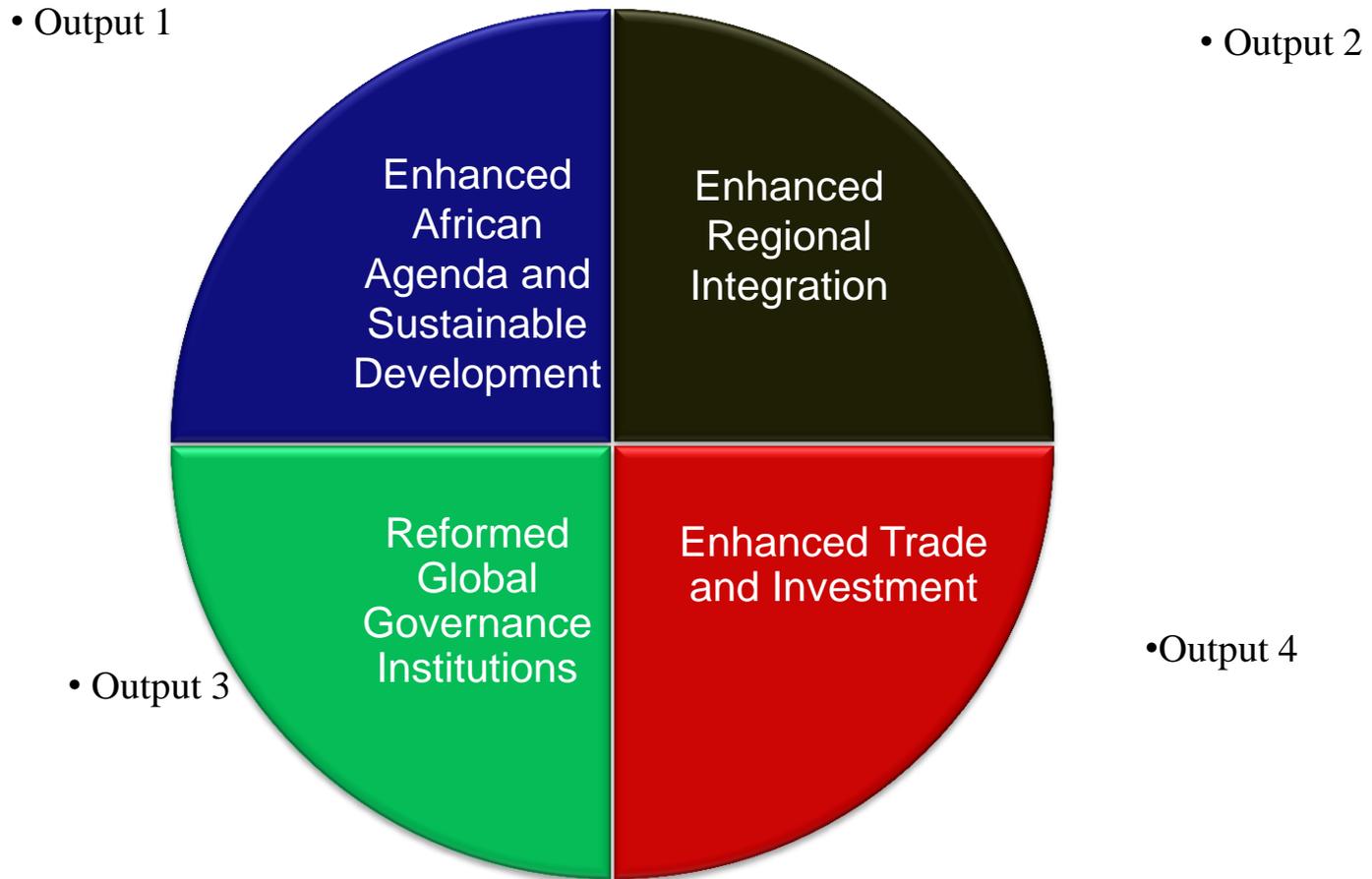
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- ✿ The key message that South Africa took to Davos was that:
  - ✿ It is indeed responding to the new reality – the country is ideally placed in the shifting poles of power, not only as an emerging market, but also as a leading economy in a continent that is home to approximately 15 percent of the world's population.
  - ✿ It is a strong promoter of inclusive growth, job creation, and the formalising of the economy.
  - ✿ The country actively participates and contributes to positions formulated in global policy making and are supportive of the G20 agenda.
  - ✿ It is a front runner of risk management, as could be seen in the minimal impact of the country's financial systems during the crisis that unfolded in 2008/09.
- ✿ Both Government and Business leaders used the meeting in Davos to communicate, with a wide array of international government and business representatives, the country's stance on political and economic developments in SA, the region and globally.

# In conclusion, continuing policy issues

- ✿ Deepening regional economic integration:
  - ✿ agreements to liberalise trade, but also focus on underlying trade facilitation – infrastructure, systems, etc
  - ✿ Investment in Regional Infrastructure (Supporting the President’s role as Convener of the AU Programme for Infrastructure Development in Africa (PIDA), an initiative for the development of integrated regional and continental infrastructure in Africa)
- ✿ More resources for Africa’s development:
  - ✿ Driving the Domestic Resource Mobilisation agenda within the G20
  - ✿ Will use the forthcoming High Level Forum for Aid Effectiveness to call for mechanisms to monitor aid commitments to Africa by development partners
- ✿ More trade and investment in Africa:
  - ✿ Positioning WEF Africa forum to showcase inter and intra-Africa trade opportunities
  - ✿ Contributing to and shaping global policy e.g. financial regulation

# Participation informed by Outcome 11



*National Treasury Contributes to all four Outputs*

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**Thank you**

- ✿ AfDB: African Development Bank
- ✿ IBRD: International Bank for Reconstruction and Development
- ✿ IFC: International Finance Corporation
- ✿ MIGA: Multilateral Insurance Guarantee Agency
- ✿ ODA: Overseas Development Assistance
- ✿ OECD: Organisation for Economic Co-operation and Development
- ✿ SACU: Southern African Customs Union
- ✿ SADC: Southern African Development Community
- ✿ SADPA: South African Development Partnership Agency
- ✿ WB: World Bank
- ✿ WEF: World Economic Forum