

Minister Pandor's opening address to the New Development Bank Board of Governors' fourth Annual Meeting

ICC, Cape Town

1 April 2019

Distinguished Members of the NDB Boards of
Governors and Directors,
President of the New Development Bank
Business Leaders, civil society representatives, media
partners, senior management and staff of the bank
Distinguished guests,

A warm welcome to Cape Town, South Africa.

This month, marks 6 years since our country hosted the 5th Annual BRICS Summit in eThekweni. Not only did the Summit complete the first full cycle of Summits, but it was in eThekweni that the five nations announced the intention to establish an infrastructure-focused development bank.

I regard the eThekweni Summit as a seminal moment for BRICS countries, as the occasion marked the first time the group recognised the importance of opening and strengthening their engagement with non-BRICS countries.

Under the stewardship of South Africa, a retreat with BRICS and African leaders was held to discuss opportunities towards unlocking Africa's potential, as well as BRICS and Africa cooperation on infrastructure.

It is against this backdrop that I welcome the New Development Bank's first Annual Meeting on Africa soil with sweeping optimism.

The expectation from this engagement is that there will be greater understanding in all areas of mutual cooperation among development partners.

I hope that these meetings will positively inspire discussion on the role the New Development Bank and

development partners can play in South Africa and Africa's greatest economic opportunity – investing in infrastructure in order to provide a better life for all.

Ladies and gentlemen, as you know, our continent has experienced significant economic growth over the last two decades and real growth rates have reached levels above 5% during 2000 to 2015.

However, in the recent years, growth has lagged, on the back of the commodity downswing and negative spillovers from the global economy.

Nonetheless, Africa remains the second fastest growing region in the world after developing Asia. Consequently, the continent is attracting increasing interest and investment from the international financial community.

While we celebrate that Africa is finally rising to take an important place in the global economy, we recognise that more needs to be done to ensure that this translates into a direct and measurable impact on the quality of our

people's lives.

Unfortunately, economic and development indicators across the continent remain worlds apart. For example, recent World Bank data shows that the number of people living in extreme poverty is on the rise in Sub-Saharan Africa, comprising more than half of the extreme poor in 2015. Forecasts also indicate that by 2030, nearly 9 in 10 extremely poor people will live in Sub-Saharan Africa.

With this in mind, we need to start thinking about what it will take for Africa to improve its odds of overcoming poverty faster over the next decade.

Continentially, regionally and sub-regionally, policy makers must identify synergies in investment, both capital and social.

For most African countries, including South Africa, this will require policies and initiatives that foster inclusiveness and sustainability, faster growth, as well

as an improvement in the distribution of the gains from growth.

Achieving these goals will, however, necessitate substantially higher and innovative approaches to financing development.

I want to briefly speak about global partnerships, about Africa's development priorities, and about infrastructure financing in South Africa's renewed growth path.

Globally, we have a lot of work to do to establish partnerships ...

Achieving the Sustainable Development Goals (SDGs) represents tremendous investment opportunities.

However, it requires an effective strategy for attracting development finance. Despite growing momentum for investments in sustainable development, the financing gap remains significant.

A major challenge in financing the 2030 Agenda will be

attracting and directing collective efforts and partnerships to invest in areas that support the achievement of the SDGs.

Financing for sustainable development, guided by the SDGs and the Addis Ababa Action Agenda, will require action by diverse actors – governments fostering enabling environments for financing and investment; and development actors and the private sector working together to champion innovative solutions towards mobilising resources for long-term investment.

As a continent, we also have a lot of development work to do ...

The attractiveness of development finance lies in Africa's ability to explore non-traditional ways of financing projects, as well as mobilising and pooling large financial resources in a less costly manner.

With that said, one question remains: what do Africans really need?

We need social and economic infrastructure.

We need a healthy and skilled population.

We need employment and economic growth.

These are needs that must guide development partners in order to demonstrate agility in responding to the region's evolving needs.

Official Development Assistance to the continent has continued to fall due to the challenging economic conditions faced by donor countries.

To deal with the uncertain aid environment, we need innovative thinking to complement traditional financing methods.

Importantly, as a continent we need to do more to enhance our domestic resource mobilisation.

This requires amongst others, updating and improving tax laws and regulations.

These efforts will create an environment for increased fiscal space, sovereign credit worthiness and will also aid capital market development.

Being overly reliant on financial aid from developed countries places the continent's developmental agenda at the mercy of business cycles as we have recently learnt.

We must also preserve the capital that is generated on the continent. Between 2000 and 2010, the African continent lost approximately \$510.9 billion through capital flight. Efforts towards identifying and curbing illicit financial flows from Africa will greatly assist our efforts to mobilise domestic resources and will thus also empower the continent to play a more critical policy and governance role in its development agenda.

As a country, infrastructure projects are crucial ...

There can be few economic opportunities as exciting as South Africa. South Africa has achieved many things in its 25 years of democracy, but one of the most remarkable has been the way we have embraced a shared future, and the way we have reversed a history of division.

South Africa has committed huge resources to infrastructure projects over the medium term. These projects are financed at national, provincial and local government levels - in public entities, public investment in public-private partnerships, as well as state owned enterprises.

We are mindful of the need to ensure the quality of infrastructure investment.

We require that investment decisions are backed by sound feasibility studies so that we can make rational investment decisions.

Our policy is to use diverse sources of funding for meeting our identified infrastructure and service delivery needs in a manner that is cost effective and appropriately adapted to the circumstances of each particular project.

Development is difficult and takes time.

However, South Africa is on a path of renewal and growth. We are a country determined to strengthen partnerships and collaboration domestically and internationally for inclusive economic growth and development.

President Kamath, our involvement in the New Development Bank is driven by our passion and desire to realize our vision of “A prosperous Africa based on inclusive growth and sustainable development”.

I hope that you and your management will seize the opportunity to help us think of new ways to make the NDB respond to our development needs in an efficient

and tangible manner.

The role of our domestic development finance institutions, such as the Development Bank of Southern Africa (DBSA), the Industrial Development Corporation (IDC) and the Land Bank in realising this goal cannot be understated.

These institutions play a key role in our efforts to harness financial flows for long-term economic growth in South Africa, the Southern Africa region, as well as across the continent.

We will need to ensure that our policies foster linkages between multinational companies, the domestic private sector as well as state owned enterprises, specifically in facilitating the transfer of skills, knowledge and best practices for our country and the region.

In conclusion, as South Africa and the African region is poised to enter a period of social and economic transformation, I believe the New Development Bank

and its development partners will be ready to support infrastructure imperatives at national and regional level to help overcome the legacy of the past and enhance the quality of life of all our people.

With these remarks, I welcome you once again to Cape Town, and wish you well in the meetings you are about to have. I therefore declare the 4th Annual Meetings of the New Development Bank, officially opened.

I thank you!