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Road to the Centre

**Speech by Hans J. Blommestein at the occasion of the launch of the
Centre for African Public Debt Management and Bond Markets on 30
June 2011 in Midrand, South Africa**

Dear Mr Minister, Excellencies, Ladies and Gentlemen

Because I was present at the creation of the idea for a Centre, my remarks have in part a historical dimension. Hence, the title of my speech “the road to the Centre” (by the way, this very apt title was not chosen by me, but suggested by my South African friends).

Moreover, since Mr Amano will be speaking formally on behalf of OECD, I can also include personal reflections. This will allow me also to speak on behalf of others who played a key role in the creation of the Centre.

Naturally, I consider myself to-night among colleagues but even more so, surrounded by friends. Friends, it has been a long journey. Was it a “Long and Winding Road” like in the Beatles’ song from 1969? Perhaps it seemed so sometimes, but, we had a very solid start.



Opening of the Centre for African Public Debt Management and Bond Markets

*The long and winding road to the
Centre?* →

By Hans Blommestein, OECD

Midrand, South Africa

30 June 2011

[*Slide no 1*]

Like many good and durable partnerships, it started in a church. In fact, the First OECD Forum on African Public Debt Management was held in my home town Amsterdam on **7-8 December 2006** in a former church (now a protected historical site) from the 16th Century.

Actually, I can show you a few slides (prepared by **Jocelene**) from the beginning of the road to the Centre: our First Forum meeting on public debt management in Amsterdam in **2006**.

The beginning...



Amsterdam December 2006

2

Amsterdam 2006



Amsterdam, December 2006

3

[*SLIDES no 2+3*]

The slides show several important early players, including **Phakamani Hadebe**, former Deputy General from the National Treasury; and I am happy he joined us to-night. During our first meeting in Amsterdam, Phakamani delivered an opening address on behalf of **Mr. Trevor Manual**,

the former finance Minister from SA. Mr Manual noted on that occasion that ...*"in the last two decades governments around the world, including many in Africa, have moved away from reliance on non-market mechanisms to meet deficit financing needs.... [and that] governments are now meeting their deficit financing needs by selling debt into deregulated financial markets."* He also observed *"that these changes that are taking place in the global financial markets, especially as they affect the emerging sovereign debt markets, demand gatherings like today's [OECD] Forum."*... But he also made a policy point (which I have always used as an operating philosophy) that *"[V]olatility in global markets has, unlike in the past, become a daily phenomenon that demands sophisticated tools for market participants. This demands that all market participants, **especially from the African continent**, acquire such tools **"to keep ahead of the curve"**.*

The speech delivered by Phakamani in Amsterdam was concluded with the important commitment that the *"RSA is willing to assist in ensuring that this Forum is successful."* From that first Forum meeting on, the National Treasury was a strong and effective supporter of the OECD project. Phakamani and his colleagues (in particular **Lungisa** and **Johan, Thuto, Anthony but others as well**) told me on several occasions that the great virtue of discussions at OECD Forum meetings was their practical and operational nature. In fact Phakamani concluded his speech in Amsterdam with the following telling comment:*" I would like to inform our colleagues that there is no better training in developing the debt markets than such [OECD Forum] gatherings. While the number of books covering this sub-sector are growing in numbers, this forum still provide practical Case Studies and allow Countries to adjust such case studies to suit their own Countries'*

requirement. In South Africa, we can say without any doubt that we have learned more from these gatherings than from all the books we have read.”

By the way, the pictures I just showed you were taken by **Lars Kalderen**, former Director General of the Swedish Debt Office and for many of us, or perhaps all of us, the godfather of debt management. Lars acted as a very effective OECD senior consultant for this important project; including by securing Swedish seed money for the OECD project.

The project had a flying start because the first Forum meeting in Amsterdam was followed a few months later (already on **24-26 April 2007**) by a workshop in Joburg. Immediately after the Amsterdam meeting, officials from the National Treasury and the Bond Exchange from South Africa (in particular its former CEO **Garth Greubel**) suggested to organise a complementary Workshop in Africa focused on market infrastructure issues. This would allow us to give high priority to a focused and technical debate on the development of the infrastructure of local currency bond markets in Africa.

In this way we had the two basic ingredients in place for our policy meetings: public debt management strategies and operations, on the one hand, and the infrastructure of bond markets, on the other.

Also of this First Workshop on bond markets in Joburg in 2007 we can show you a slide (*Slide Nr 4*).

1st Workshop on African Public Debt Management and Bond Markets



Johannesburg April 2007

4

Briefly after this meeting (**in May 2007**) the suggestion was made to create a Centre on African public debt management and bond markets as a joint venture of the National Treasury and OECD. It was felt that the Centre will strengthen the OECD project by putting it on a higher, more visible level and on a stronger institutional footing. It was judged that a Centre would facilitate meetings with African market participants and function as a clearing house for information on technical assistance by the various international and regional players. Last, but not least, it would firmly anchor the project in the region.

This was followed by an exchange of letters between senior officials from the National Treasury and the OECD. In 2008, **Lesetja** (the previous Director General) mentioned in a letter to the OECD Secretary General that then Finance Minister Manual had approved in principle the suggestion to

create a Centre and that he urged the OECD to do the same. The OECD responded by thanking South Africa for its important contributions to the project since 2006 and by reacting positively to the suggestion of a Centre. In 2009, **Lungisa** (the current Director General) reiterated the National Treasury's commitment (which also included the support in principle by the current Minister of Finance **Pravin Gordhan**) to the creation of a Centre but also asked the OECD for enlightenment on the road forward.

You probably have concluded by now, that the journey was taking considerable time, although I would not say that the road was actually winding. But, for people like me, impatient to get on with the job of making the Centre operational, it felt at times as a very long road. But, in view of the importance of the matter at hand, this was inevitable as we needed to undertake several rounds of formal consultations in drafting the MOU, initially on our side but later also on the part of the SA government.

Dear Mr Minister, Excellencies, Ladies and Gentlemen, Friends

Last month, **on May 25**, we arrived at an important cross-road. The Centre for African Debt Management and Bond Markets was formally set up by the Minister of Finance of South Africa and the OECD Secretary-General, during the 2011 OECD Ministerial Council Meeting, when they both signed the MOU, with US Secretary of State Hillary Clinton in the Chair.

Also of this occasion, with the OECD celebrating its 50th anniversary, I am very happy to show you a few slides (**Slides Nrs. 5+6+7**).

Signing ceremony/1



OECD, 25 May 2011

5

Signing ceremony/2



OECD, 25 May 2011

6

Signing ceremony/3



OECD, 25 May 2011

7

Now we can move on with the task of making the Centre operational. For that we need your active input when we draft the work programme of the new Centre, as it is your Centre. I expect again a flying start as we are not starting from scratch – after all, we began our co-operation in 2006. As noted, the National Treasury and the OECD have been working together in great harmony and effectiveness for more than 5 years! And I am looking forward to the next 5 years and beyond.

Growth in Africa has been spurred by market liberalisation, sounder macro-economic policies and improved public management of finances. I am excited to be a witness of Africa's ongoing transformation to more prosperous societies. The road forward will not always be smooth but our Centre stands ready to make its contribution!

Thank you for your attention!