

T T Mboweni: Building Africa's future

Address by Professor T T Mboweni, Governor of the South African Reserve Bank, at the 6th Africa Regional Girl Guides Conference, Cape Town, 2 July 2001.

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1. Introduction

Good morning Premier, honoured guests, ladies and gentlemen. I thank you for inviting me here today and I am honoured to be included on this occasion. Some of your responsibilities as members of the World Association of Girl Guides and Girl Scouts lie in preparing the young women of today for the positions of strength and leadership they will occupy in the future.

These young women will be the ones we look towards for guidance and leadership in the coming period. We have a duty to lead them, instil in them solid values, ideals and morals, among these a respect for democratic authority and education, such as your organisation upholds. If we fail in this duty, we will be doing ourselves and future generations a great deal of disservice. It is vital that we instil a sense of discipline in the youth in our care. It is this sense of discipline which will mould them to grow up to be reliable, respected, and independent-minded adults. I commend you for the worthy tasks you have both set for yourselves and achieved.

The youth you lead and nurture have a vital role to play in the future of this country and this continent. They are the leaders of the African Renaissance. The future we envisage is very different to the reality of today but it is heavily influenced by it. I will give a brief overview of where we stand in Africa and in South Africa, particularly. And then I will discuss the possible path ahead of this continent and country and how the young people you have under your wing could make a valuable contribution.

2. The need for change

Your organisation is, as is this continent, in the throes of immense change. I was particularly struck by a statement contained in one of your pamphlets, and that is: "Why change is necessary". Change is inevitable, we cannot stop it. What we can do, however, is to manage change so that it becomes an instrument for the better, not worse, of all our people. The Girl Guides South Africa and the World Association of Girl Guides and Girl Scouts are well-placed. As part of an international organisation you are in a prime position to reach beyond your national boundaries, to become citizens of the world and draw on your immense human resources in making life a little brighter for all our people. There are windows of opportunity within this process and it is up to all of us to identify those opportunities and choose how we are going to take advantage of them, how we are going to turn night into day.

The transformation of South Africa to democracy is a good example of how change could be managed for the good of all. It is painful for some, joyous for others, and the outcome could have been a costly confrontation with destructive consequences. Yet, as most of you know, some have referred to this change as a miracle. But I fear that the time has come when we can no longer ride on the coat tails of that "miracle", we in South Africa need to get down and do some serious work.

This continent and this country face a number of key challenges going forward. Just as you strive to alter the face of your organisation to deepen certain values and to embrace others, so we as a country and a continent broadly face the challenge of developing our people, and in so doing, propelling our continent to the fore in the international arena.

When President Thabo Mbeki was inaugurated on 16 June 1999, he had these words to say: "Recorded history and the material things that time left behind also speak of Africa's historic contribution to the universe of philosophy, the natural sciences, human settlement and organisation and the creative arts. Being certain that not always were we the children of the abyss, we will do what we have to do to achieve our own Renaissance.

"We trust that what we will do will not only better our own condition as a people, but will also make a contribution, however small, to the success of Africa's Renaissance, towards the identification of the century ahead of us as the African Century."

Indeed, our President's words have encapsulated the growing awareness in this globalised world that the bettering of people's lives must accompany efforts towards sustainable economic growth and

development. No longer are the world's citizens a means to an economic end, but it has become increasingly recognised that they must be part of the end result. The modern day measures of country success are no longer solely high economic growth rates and balance of payment surpluses, but include the broader development goals that these high growth rates and budget surpluses can help to generate. In other words, the overriding challenge we face has become broader, deeper and infinitely more complex than was thought of before.

This growing awareness has been the catalyst behind the development of the Millennium African Renaissance Programme or MAP. The Programme, which is being spearheaded by President Thabo Mbeki, Nigerian President Olusegun Obasanjo and Algeria's President Abdelaziz Bouteflika, is aimed at achieving strong sustainable economic growth, boosting Africa's share in world exports over the next five years and accelerating the achievement of various development goals. The Programme, although still in its infancy, demonstrates a concerted collective effort on the part of African leaders to overcome the continent's poverty and drive the continent forward to become a significant role player to be reckoned with in the global arena. The success of this Programme also relies on the goodwill, co-operation (the G7 in particular) and willingness of our industrialised counterparts to join us.

While the Millennium African Renaissance Programme is broad in focus, we must not omit the Southern African Development Community from this discussion. Many of the objectives contained in the SADC treaty, which was signed in 1992, are echoed along these broader goals. Among the objectives are to achieve development and economic growth within the framework of regional integration, to alleviate poverty, enhance the standard and quality of life of the citizens of the region and support the socially disadvantaged. The SADC treaty also lists the promotion of self-sustaining development on the basis of collective self-reliance and the interdependence of member states as one of its objectives. In achieving these goals, SADC recognises that sound and co-operative economic policies are key elements. South Africa has been given the task of co-ordinating SADC's Finance and Investment Sector. Within this the South African Reserve Bank plays a pivotal role in that it chairs the Committee of Central Bank Governors in SADC.

3. The current development picture

Let me take a moment to paint a picture of where Africa, and particularly Sub-Saharan Africa, stands at present. Africa remains the world's poorest continent. Currently, the world's richest 20 per cent of countries claim an 82 per cent share of global exports. The poorest 20 per cent of countries get a one per cent share. Similarly, the richest 20 per cent attract two thirds of the world's foreign direct investment. In contrast, the poorest 20 per cent attract a meagre one per cent of foreign direct investment. These 1997 figures from the Human Development Report Office highlight the stark disparities between the world's rich and poor. And the accompanying public outcry over these differences, reflected in the often vociferous and violent protests at IMF, World Bank and WTO meetings around the world, serve to highlight even further the international realisation that the collective effort towards economic and social development must be intensified.

The World Bank's World Development Indicators 2000 report concludes that the proportion of poverty-stricken people can be halved by 2015. This assertion rests on two conditions, namely that economic growth resumes and that inequality between the world's poorest and richest countries does not increase. According to this report, a sixth of the world's population, primarily in the developed world, received nearly 80 percent of world income while the poorest 57 percent of the world's population received only 6 percent of world income.

However, there has been some progress in fighting poverty. In East Asia the proportion of people living in extreme poverty has fallen sharply since 1987, mainly because of progress in China. But in almost all other developing regions the number of poor people has been on the increase. In South Asia the number of people living in extreme poverty rose from 495 million to 522 million, an increase of 5,1 percent. However, in Sub-Saharan Africa the number of very poor people increased by about 48 million to 291 million – that is an increase of some 16,1 percent. The report also points out that 17 developing countries managed to reduce their mortality rates of children under the age of five between 1990 and 1998. But in 13 countries the mortality rates worsened. Many of these are African countries where armed conflicts and the spread of HIV/AIDS have compounded the evils of poverty.

In terms of economic growth, Asia once again scores highly. Over the years from 1990 to 1998, the fastest growing region in terms of Gross National Product per capita was East Asia and the Pacific with growth averaging 6,4 percent. South Asia followed with 3,8 percent. The Middle East and North

Africa showed small gains while Sub-Saharan Africa fell behind with a negative growth rate of 0,3 percent. Still, the positive aspect is that the service industry has been progressing in developing countries. This includes Sub-Saharan Africa, which has been shifting towards the service sector. However, the World Bank indicates that this has been at the expense of industry, with the share of agriculture remaining more or less constant at 17 per cent.

The World Bank's African Development Indicators for 2001 shows that growth on the continent slowed significantly after 1998. Average per capita GDP fell by almost 1 per cent from 1998 to 1999 while official aid to Sub-Saharan Africa fell from US\$32 per head in 1990 to US\$19 by 1998. This occurred despite the improvements in some of these countries social and economic policies. The World Bank gives this reason, and I quote: "The slowdown in growth was the result of regional and civil wars, poor governance in some countries, and serious external shocks such as the rapid hike in oil prices at the same time that export earnings from primary commodities collapsed."

The report cautions that growth needs to be above an annualised rate of 5 percent to prevent a rise in the number of poor people on the continent. Some progress is evident. Fourteen African countries have grown by an average 4 percent a year during the 1990s with a further 10 countries growing at rates above 3 percent a year. This report concludes: "Africa's future economic growth will depend less on exploiting its natural resources, which are being depleted and are subject to long-run price declines, and more on its labour skills and its ability to accelerate a demographic transition. "

South Africa is ranked as having a medium level of human development, according to the United Nations Development Programme (UNDP). This is a similar level as found in countries such as Jordan, Sri Lanka, Turkey, Indonesia and Botswana. The Human development Index, compiled by the United Nations Development Program, is a measure of what are termed "average achievements" in basic human development. The HDI measures a country's development in terms of income, education levels and life expectancy. The value of the HDI ranges between 0 and 1. South Africa's HDI of 0,628 as measured in 1998 is lower than Canada's 0,932. It is slightly lower than all developing countries index of 0,637 but higher than Sub-Saharan Africa's 0,430.

However, if we look at the scenario which factors Aids into the results and compare it with a scenario in which the illness is not taken into account we get very different pictures and thus, logically, the situations will produce different development responses. In a "no Aids" scenario, South Africa's Human Development Index is estimated at 0,647 for this year, but it falls to 0,597 in an Aids scenario. In 2005 the country's HDI is estimated at 0,65, and falls to 0,565 in the Aids scenario. And the estimates for 2010 show 0,654 for a non-Aids scenario compared with 0,542 for an Aids scenario.

This is one very grave hurdle that we all, as citizens of the world, are facing. The recent death of little Nkosi Johnson who died at the age of 12 at the beginning of June 2001 highlighted a poignant and personal account of suffering that is being played out in millions of homes around the world. Nkosi, who was born with HIV-Aids, focused our attention on this very real problem and in his own way he made his mark. Little boy Nkosi survived for a decade longer than the doctors expected. He stole the hearts and minds of many people in South Africa, and undoubtedly throughout the world, when he walked on to the stage at the 13th International Aids Conference in Durban last year and told the audience of his plight. Nkosi's story shows us what we can achieve, no matter who we are or what age we are. And in his own way, he extends a challenge to each one of us who are committed to making our mark.

I commend the Girl Guide Association of South Africa on its HIV/AIDS programme. I am particularly impressed that your Association had the foresight to tackle HIV/AIDS awareness nine years ago. And I am similarly impressed about the work you are doing to make the lives of those afflicted a little easier. Not only did little Nkosi Johnson make his mark at last year's Aids conference in Durban, but the Girl Guide Association of South Africa did too. I urge you to persevere in your partnership with the Department of Health on their HIV/AIDS education programme. Education can move mountains. Empowering the youth by imparting the appropriate knowledge and skills will help them to protect themselves and face the challenges of life.

In a bid to address the three-pronged scourge of low education, poor health and welfare services, the South African government's budgets over the past few years have focused increasingly on these key areas. This does appear to be paying off to some extent. The rate of illiteracy has shown a downward trend since 1985. From an illiteracy rate of 21 per cent among people 15 years and older in 1985, South Africa's illiteracy fell to 16 per cent in 1997, according to the World Bank's African Development Indicators for 2000. In line with this, the number of pupils enrolling in primary schools has been on an

upward slope. South Africa's life expectancy at birth has also increased from 58 years in 1982 to 65 years in 1997. Infant mortality has dropped from 6,3 per cent in 1982 to 4,8 per cent in 1997.

But South Africa, and indeed Africa, needs to boost its savings rates. Africa's savings amounted to 27,1 percent of GDP during 1975 to 1984, but for the 1990s the World Bank's 2000 report estimates the level at 17,6 percent. South Africa's savings amounted to 15 percent of GDP last year. You, as an organisation pride yourself on teaching your members the values of thrift and prudence. I would ask you to go one step further. As you educate your members about the importance of savings, without which the economy cannot reach prolonged high growth rates, educate them to be educators for the wider community. We have a dearth of economic literacy on this continent and we need resourceful people like yourselves to become well-versed in basic economic principles and make this knowledge available to the communities you serve.

4. The pre-requisites for the success of the African renaissance

So, where do we go from here? I have already mentioned some of the challenges we face. These are surmountable. However, there are certain pre-requisites we, as a continent and a country, should aim to achieve before we can claim any success along the road of the African Renaissance and its broader goals.

After meeting with sub-Saharan African leaders earlier this year, Horst Kohler, the International Monetary Fund's managing director, mentioned that the prospects for rapid growth, which he argued was indispensable for reducing poverty, will and I quote: "depend on the ability of those countries to unlock the creative energies of their people. African leaders," he said, "know that there is no alternative to integration into the global economy. This approach requires investment in human capital and infrastructure as well as the right economic policies and institutions. It requires, especially, an economic climate that encourages private sector investment."

The collective efforts brought together for the fulfilment of the Millennium African Renaissance Programme should unlock the creative energies of the African people, it should give Africa's leadership a new focus and it should encourage unwavering efforts to eradicate poverty, and bring about democracy and good governance. I suspect that sustainable development rests on a complex interplay of factors, an important one being good governance and accountability of a government to its citizens, full participation by the citizens in the political life of their countries, as well as sustainable economic growth and development.

It is from a sound economic base, the optimum economic climate, that we can then progress to take our place among the leaders of the twenty-first century. Firstly, we should contain our general government deficits to not exceed more than 3 per cent of gross domestic product. South Africa has had mixed success against this criteria. The relatively high budget deficits and high government expenditure during the late 1980s to the early 1990s were largely the consequence of bad economic management based on multiple financing of apartheid programmes. I am happy to say that the budget deficit fell below 3 per cent of GDP after the 1997/1998 fiscal year. This was achieved through a combination of budgeting in accordance with the country's most pressing needs, strict expenditure control and improved tax collection. With a budget deficit of below 3 per cent, South Africa's finances compare favourably with internationally acceptable levels and we could easily become member of the E.U.

Secondly, general government's gross debt should be kept to less than 60 percent of GDP. South Africa's debt levels have in recent years stayed firmly below this level. Gross debt above this level is deemed by the Maastricht Treaty participants as the level beyond which fiscal health is at risk.

Thirdly, countries should aim for flexible relatively stable exchange rates. And fourthly, price stability is key to attracting investment and boosting economic performance. The South African Reserve Bank embraced the ethos of price stability when we adopted an inflation targeting framework at the beginning of the year 2000. Under this framework the South African Reserve Bank aims to contain the Consumer Price Index less mortgage costs (CPIX) measure of inflation, to between 6 and 3 percent by 2002. In this way we should achieve a significant measure of price stability. Over the last 10 years, inflation has come down steadily from the double-digit figures of the 1980s and the early 1990s. According to the latest figures CPIX is at 6,7 percent for April. Inflation has proved sticky over the past year or so mainly because of high international oil prices.

5. Conclusion

By containing inflation and by ensuring that price stability prevails, the Reserve Bank contributes towards creating an environment in which individuals, households and businesses can thrive. The views of serious economists have changed markedly over the past 50 or so years. It is now recognised that high inflation cannot be good for economic growth. Following on this theoretically and practically, the Bank makes its contribution towards the broad development goals we are all striving towards. And this must be backed by robust and decisive decision-making institutions that are shaped by good governance, transparency, accountability and democratic full participation by all the people in the political lives of their countries.

The Girl Guide Association of South Africa and the World Association of Girl Guides and Girl Scouts have an equally important role to play. Just as little Nkosi Johnson highlighted his HIV/AIDS plight and the plight of many others, so each and every one of us in our own small way can make a valuable contribution to the communities we work in daily. As is human nature, we rarely realise how powerful we can be. Many of us are more inclined to apathy than activity. But you are doing good work. You fall into the many pockets of excellence scattered all over the continent of Africa today. As you go about your work, we challenge you to nurture in these young women the patriotic, peaceful, democratic, caring creative and entrepreneurial spirit which will spur on the dream of our African Renaissance. For it is through the future generations of leaders who can think creatively and democratically, who become innovators and find unique solutions to age-old difficulties that we could truly become a force to be reckoned with. An African continent whose time has come. In closing, then, I say build on your successes and embrace the challenges, both new and old. I wish you well in your endeavours.

Thank you for having me here. God bless.