

T T Mboweni: Joining hands in support of development

Address by Mr T T Mboweni, Governor of the South African Reserve Bank, at the Variety Club, Water Relief Campaign Launch Banquet, Johannesburg, 14 November 2006.

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Honoured guests
Ladies and Gentlemen

1. Introduction

I am pleased and honoured that you have accepted our invitation to this banquet whose purpose is to launch the Variety Water Relief Campaign. As has been explained by the organisers, this campaign is an initiative to support the Government's efforts in reaching out to some of the poorest schools in our country. It is a worthwhile campaign which I am glad that you have decided to join in. The needs out there are many and thanks to your support, the Variety Club can make some contribution towards improving the lives of school children or learners.

Our campaign is the Variety Water Relief Campaign. As we all know, water is absolutely essential for the sustenance of human life and maintenance of basic human dignity and should, therefore, be a fundamental human right. Also, there could easily be enough water for everyone if the resource was shared equitably while ensuring the sustainability of natural ecosystems. Yet, globally over a billion people do not have access to clean water supplies and over two billion lack access to adequate sanitation, the primary cause of water-borne diseases.

As many of you might know, I grew up in the province of Limpopo in a village just outside the little town of Tzaneen. There was no clean water system there. In fact we depended on water drawn from the nearest Nwaveti River. This task was more often than not assigned to women and young girls. The conditions were not conducive for a healthy life. As a matter of historic fact, in 1969 or thereabout, my two siblings and I fell ill from typhoid and spent three to four weeks in hospital. The environment was just ripe for disease. Boys would be swimming upstream whilst girls and women would be collecting water downstream! I regret to say this evening that many of the people in that area and others still do not have access to clean water. My former cabinet colleagues know of my Mrs Mboweni water story that I told in 1994. Up to today, Mrs Mboweni is still struggling for clean water.

2. Water and the Millennium Development Goals

It was against this backdrop that, at the United Nations (UN) Millennium Summit, in September 2000, the leaders of the world adopted the eight Millennium Development Goals (MDGs). The MDGs constitute a developmental framework with time-bound goals and targets for measuring progress, and have since been embraced by all development institutions across the globe. By 2015, the MDGs seek to, among a range of other things, halve poverty, halt the spread of HIV/AIDS, provide universal primary education, reduce by half the proportion of people without sustainable access to safe drinking water and the proportion of people who do not have access to basic sanitation.

The UN's *Millennium Development Goals Report (2006)* shows significant progress towards the attainment of the MDGs. It also shows that we still have a long way to go. Unfortunately, with half of developing country populations still lacking basic sanitation, the world is unlikely to reach its target. Nevertheless, according to the report, between 1990 and 2004, sanitation coverage in the developing world increased from 35 to 50 per cent. This meant that 1, 2 billion people gained access to sanitation during this period – 300 million less than the requirement to meet the target.

The report sees the world as being on track to reach the drinking water target with as many as 81 per cent of people in the developing world having access to improved sources of drinking water in 2004. This can be compared to 71 per cent in 1990. However, issues such as population growth and the urban-rural divide pose challenges going forward. In parts of sub-Saharan Africa, for example, urban dwellers are twice as likely to have safe water as those in the countryside.

3. South Africa and the MDGs

And how does South Africa compare? According to the triennial *World Water Development Report (2006)* of the United Nations, 19 per cent of the South African population still lack access to safe water, and 33 per cent lack basic sanitation services. Public institutions also suffer from a lack of access to safe water and sanitation services: 59 per cent of all schools (over 16 000) and clinics (over 2 500) lack access to acceptable sanitation facilities, while 27 per cent of all schools (over 7 500) and 48 per cent of all clinics (over 2 000) lack access to safe water supplies.

The report also cites the occurrence of water-related epidemics and diseases such as diarrhoea, cholera, dysentery, hepatitis and bilharzia. In 2004, there were 2 780 cholera infections with 35 fatalities and 9 503 hepatitis A infections with 49 fatalities. These diseases significantly affect the economic productivity and social activities of affected households.

I should, however, hasten to add that it is not all doom and gloom. South Africa is one of a few countries that have made formal legal commitments to acknowledge a right to water and, by one account, is the only country where the right to access to water is embodied in a Constitution. Section 27(1) (b) of the Constitution states that everyone has the right to have access to sufficient water, while Section 27(2) requires the State to take reasonable legislative and other measures, within its available resources, to achieve the progressive realisation of this right.

According to *South Africa: Millennium Development Goals Country Report (2005)*, the country has already met some of the MDGs. Since 1994 South Africa has reduced the proportion of people lacking access to safe water from 40 per cent to 19 per cent. This, however, may be related to the fact that in 1994, following the birth of the new dispensation, the government set itself many targets similar to those articulated in the Millennium Declaration. The Five Year Strategic Plan (2006/07 – 2010/11) of the Department of Water Affairs and Forestry seeks to reduce the backlog by a further 1,5 million people in 2006/07, 1,7 million in 2007/08, and 1,8 million per annum in the subsequent three years to 2010/11.

These achievements are definitely laudable. But whilst many of us gathered here tonight take clean, safe drinking water for granted and even have a choice between bottled and tap water, there is a child out there who has to wait beyond 2011 to have access to a functioning basic water supply facility. But the children should not wait. One child having to wait one more day is one child too many, and one day too long.

4. The role of the South African Reserve Bank

And what is the role of the South African Reserve Bank towards the attainment of the MDGs? The attainment of the MDGs requires high and sustainable rates of economic growth. The International Monetary Fund projects real GDP growth rates of 4, 8 per cent and 5, 9 per cent for sub-Saharan Africa in 2006 and 2007, respectively. However, to attain the poverty MDG to halve the population of people living on less than US\$1 a day, the subcontinent will need to accelerate annual GDP growth to at least 7 per cent.

The primary mandate of the South African Reserve Bank is the achievement and maintenance of price stability. Indeed, we are of the firm view that the best contribution that the Bank (through monetary policy) can make towards the attainment of high and sustainable rates of economic growth and employment creation is keeping inflation at low levels thus contributing to the achievement and maintenance of overall macroeconomic stability. We target the inflation rate and not any other economic variable and currently our key task is to maintain CPIX inflation – that is headline inflation less mortgage interest costs – within a range of between 6 to 3 per cent. Since September 2003, CPIX inflation has been contained within this range and has averaged 4, 0 per cent for the past two years.

Going forward, the South African Reserve Bank remains resolute in the implementation of our mandate and we are keeping a close eye on inflation developments. If, in the view of the Monetary Policy Committee, the inflation target is being threatened by inflationary pressures, then the MPC will have the courage of its conviction to do the correct thing even as we enter the festive period. It is worth stating here that there is no rule that we are aware of which prohibits changes to the monetary policy stance just before Christmas. As the case might be, the MPC will discharge its responsibilities in the event that inflationary pressures persist. Once again our message is that we should all try to tighten our belts no matter how wide or narrow our waistlines might be.

5. Conclusion

Let me conclude by posing a rhetorical question: In the face of these enormous socio-economic challenges, should the private sector stay in its comfort zone and focus only on growing shareholder value? Most certainly not. Many South African companies are already involved in large community social investment programmes. These could be expanded and become more focussed, as some do, on facing up to the challenge of improving the lives of ordinary people.

According to a recent study¹ for every US\$1 invested in water supply and sanitation, the direct and indirect benefits range from US\$1 to US\$34, depending on the region and level of intervention. Indeed, investments targeting the poor have the highest marginal benefit.

Investing in water, we would suggest, is therefore good business. Your support today will go a long way towards contributing to meeting the MDGs, particularly the reduction of poverty.

Thank you for your attention.

¹ Making Water a Part of Economic Development – The Economic Benefits of Improved Water Management and Services: A report commissioned by the Governments of Norway and Sweden as input to the Commission on Sustainable Development (CSD) and its 2004-2005 focus on water, sanitation and related issues.