



**MINISTRY: FINANCE
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Speech by Minister of Finance

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Introduction

Good evening ladies and gentlemen. Thank you for inviting me to address this august conference representing a constituency of people who are often amongst the poorest, most marginalised members of our global village. Rural women are often the poorest strata in society, they suffer from a range of both formal and informal barriers to develop themselves and are often prevented from organising themselves. This gathering and the wide representation present here today is a victory in itself. I commend you on your ability to organise, to meet, to talk and make your voices heard. A democracy where the most marginalised sectors are organised in a healthy, thriving democracy.

At the risk of repeating figures that may not be new to you, allow me to paint a picture of the conditions that rural women in South Africa face. You've probably heard of the term

triple oppression. Black women and rural women in particular, were discriminated against because of the colour of their skin, because of their gender and because they were workers. As a result of centuries of these types of discrimination, black women in rural areas are often the poorest. In our country, they also had to endure the hardships of a land tenure system that discriminated against them, a migrant labour system that favoured men and a system of forced removals to homelands that were neither economically viable nor places suitable for subsistence agriculture.

According to a survey by Markinor (a local survey company) released last week, only 15 per cent of rural women have a matric (or have completed secondary schooling) compared to 50 per cent for urban women. About 16 per cent of rural women have no schooling relative to just 3 per cent for urban women.

Educational qualifications are a good predictor of earning potential. While about 50 per cent of urban women live in households earning more than R2 500 a month, only 30 per cent of rural women live in such households. About 36 per cent of urban women are employed compared to only 20 per cent in rural areas. Over 40 per cent of rural women are unemployed. According to Martin Wittenberg, a University of Cape Town academic, at peak employment age of 40, just 30 per cent of rural women are employed. For rural men, this figure is 60 per cent. A survey by Finmark Trust also pointed out that female unemployment is much higher on tribal lands.

Poverty amongst rural women also has an effect on children since many rural women are lone mothers. Let me give you a statistic that surprised me. Let's see if you can guess which country this is from. In 1997, 56 per cent of lone parent families headed by women were living below the poverty line, compared to 24 per cent of lone parent families headed by men. That statistic is from Canada, one of the richest countries in the world. Even in developed countries, rural women and single mothers suffer much higher rates of poverty and social exclusion than the rest of the population. Poor, single female headed households are the least likely to break out of poverty.

Rural women produce about 80 per cent of the food grown in Africa, 60 per cent in Asia and between 30 and 40 per cent in Latin America. Rural women own just 2 per cent of all agricultural land and receive only 1 per cent of agricultural credit. Two thirds of all the illiterate adults in the world are rural women. These statistics confirm what you know already – that rural women are critically important to our society yet they are often the most marginalized sector of society.

Today I want to talk about economic growth, the effects of economic growth on a population and the types of things that government's can do to ensure that growth is shared more evenly amongst all citizens.

The world has experienced rapid economic growth for much of the past 15 years. Despite a slowdown in the late 1990s in Asia and in developed countries in the early part of this century, global GDP growth has accelerated, and has averaged over 5 per cent over the past few years. Faster growth is mainly driven by technological change, rising world trade, the entrance of new labour forces and consumers into the global market, rising wealth and consumption in developed countries and industrialisation in China and India. Commodity prices are higher than at any other period in the past twenty five years.

While most countries in Africa experienced declining prices for their exports in the period 1980 to 2000, today the picture has reversed. Africa itself is experiencing a prolonged period of economic expansion, driven mainly by commodity prices but also buoyed by better government, greater access to global markets and fewer conflicts. Despite the attention on Sudan, Somalia or Zimbabwe, there are fewer conflicts in Africa today than twenty years ago. In some cases, faster growth has been accompanied by increased donor assistance and debt relief. While oil exporting countries are doing particularly well, almost all African countries are seeing the fruits of sound economic management and their noble efforts at building stable institutions.

Rapidly growing economies such as India and China are drawing tens of millions of people out of poverty through faster growth and industrialization. In South Africa, after

years of moderate growth, our economy is growing much faster and is now creating jobs at a pace sufficient to begin tackling our huge unemployment rate.

Closer observation of these trends over the past decade show some interesting features. In some countries that are growing rapidly, the number of people living in poverty is declining. However, in other countries, despite high growth, there is little impact on poverty. In countries such as Zimbabwe where the economy is shrinking, the number of people living in poverty is rising. Rapid economic growth is a necessity for lifting people out of poverty. However, on its own, economic growth will not make the impact we desire unless governments act in the interests of the poor to ensure that growth is shared.

A clear feature of the present growth path globally is that the returns to education are rising and skilled labour has been able to capture a disproportionately large share of the growth. People who have been denied access to education or who have a set of skills that is not commensurate with today's economic structure have not seen their incomes rise, and in some cases, have seen falling real incomes. This observation is particularly pertinent when, in South Africa's case, 85 per cent of rural women have not completed their schooling.

A related feature of growth in the world today is that as incomes have risen, the level of inequality has also risen. This trend is observable in countries ranging from the USA to China, India to Russia, Brazil to South Africa. As India has grown, its middle class has burgeoned. A similar trend is visible in China. Middle class families are often urban, educated, have stable incomes, spend on consumer goods, can afford to travel and are highly mobile in terms of where they can work. However, poor communities where education levels are low, where access to markets are distorted and transport linkages weak are trapped in poverty.

Without rapid growth, we do not have the ability to lift people out of poverty. But more importantly, even with rapid growth, government must play a countervailing influence on the side of the poor to ensure that wealth is redistributed and opportunities are shared

equally. Only an active state can provide services such as education, health care, public transport and clean water – these services open up opportunities for growth and development.

The hallmark of a successful democratic state is its ability to use the resources that rapid growth presents to reduce poverty and improve the quality of life for those who are marginalised. Markets on their own cannot do this. Many developing countries, including on the African continent, are witnessing a boom as a result of high oil prices. The fiscal position of most African countries, including oil importing ones, is healthy. The test is to use these additional resources wisely, to invest in education, in infrastructure; in things that will generate a return well into the future, for when the oil runs out or the price of ground nuts collapses, as it most surely will. Government's spending patterns must be pro-poor.

Markets, or the private sector, can generate wealth, spur innovation and improve the welfare of communities. However, markets fail too. Sir Nick Stern, advisor to the British government on the economics of global climate change, refers to our pollution of the air as the most spectacular market failure in human history. It is in no single person's interest to reduce pollution. However, it is in our collective interest to reduce pollution because global warming threatens all our livelihoods.

The impact of global climate change will be felt particularly by rural women. As rainfall becomes more erratic and temperatures rise, it will become much more difficult to produce food. Africa already experiences long periods of below average rainfall. We may well see increasing volatility in rainfall patterns. Rural women know better than any of us that water is life. Without water their living standards will plummet.

According to the UNDP, we presently have a situation where one in three citizens of the world does not have access to clean water. At present, waterborne diseases kill more children in Africa than HIV/Aids, Malaria, war and accidents combined. Only acute respiratory infections (which stems from airborne pollution) kill more children. Global warming WILL make water even more scarce. Furthermore, one of the consequences

of rapid economic growth without a strong state is that the private sector can get away with polluting water sources on an unimaginable scale.

Efforts to privatise water markets have, in most cases, left the problem of access to water for the poor unresolved. Private companies do invest resources, but then attempt to charge a fee for the water that prices out the poor. In Jamaica, Argentina and El Salvador, the poorest 20 per cent of the population spend 11 per cent of their incomes on water. Water is a common resource and a merit good, in economic terms. At the full economic cost of water, the poor will not be able to consume even the limited amount needed for sustenance. Governments have an obligation to ensure that the poor have access to at least a basic amount of clean water to consume, cook and for personal hygiene.

The most recent edition of Vanity Fair contains an article entitled “The rise of Big Water”. This article tells the story of Long Cun, a village in rural China far off the beaten track. It lies just down the river from a town called Liuzhou, population 1.3 million. Like most Chinese cities these days, Liuzhou is ringed by walled-off industrial zones jammed with more than 1 000 factories making cars, engines, LCD screens, processed foods, steel, paper, plastic...goods that fill our living rooms. The local paper mill dumps its waste into a tributary of the river. The locals observe that the river is ‘black as soy sauce’.

Long Cun drew its water from this river. Villagers had to boil the water, which kills the bacteria but not the heavy chemical pollutants. Then a new hydroelectric dam was built down river, which slowed the flow of the river, concentrating the toxins. Villagers sued the factory but got nowhere. Authorities came and looked at the mess, but didn’t fix it. Last year, the city of Liuzhou decided that instead of forcing the mill to clean up its act, it forced the town of Long Cun to connect to a water system run by a private French water company. The amount spent on water by the villagers has gone up from about 25 US cents to four dollars a month. A typical village household in this region earns about US\$20 to 30 a month.

This story tells a typical win – win – lose outcome. The owners of the paper mill win, the foreign private water company wins and the villagers lose.

Economic growth and globalization has many features that are positive. They provide us with the resources to invest in people, to make the lives of the poor less burdensome. However, without a strong countervailing force on the side of the poor, poor communities, of which rural women are a major component, will not get to share in the wealth that is being generated.

There are a handful of issues that are reputed to play a role in breaking the poverty cycle. First on the list would be education. Education of a suitable quality and that is appropriate expands the range of opportunities open to people to raise productivity levels and to increase their incomes. Even if rural women have not been through a system of formal education, basic literacy and numeracy would aid women to access services and take control of their lives. Good ante-natal services including ante-natal education is critical to reduce infant mortality. These services fall within the clear ambit of what governments must do, in order to intervene on behalf of the poor.

I've mentioned the role of water in the lives of rural women. Government has a clear obligation to progressively expand the infrastructure required to provide clean running water and sanitation to all its citizens. While it is entirely appropriate to charge people for using water, since it is a scarce commodity, some basic provision must be provided to all citizens, irrespective of their ability to pay. It is not good enough to provide free water...and only 60 per cent of the population has access to water. While expanding sanitation services is more difficult, the inability to do so results in pollution of the water supply and the spread of waterborne diseases. South Africa is proud of the fact that the recent UNDP Human Development Report mentions our country as one of the few in the world that spends more on water than on defence. However, even in our own country, we still have a small proportion of our people who still do not have access to clean water. We are committed to ensuring that all people have access to clean water by 2008.

Only governments, sometimes through partnerships with communities and the private sector, can provide access for rural people to places where economic and administrative services are provided. Such access is delivered through roads, public transport linkages, but increasingly through postal services, telecommunications infrastructure and broadband. Electricity is also a key service that opens up a range of possibilities and opportunities for accessing services and economic opportunities.

A developmental state is one that allows markets to work and intervenes on the side of the poor when markets fail. The provision of basic education, water, access roads, electricity and health services are services which government has an obligation to progressively expand so that the poorest sections of our community can break out of the cycle of poverty.

However, while governments have a clear role to intervene on behalf of your constituency, it is important for rural women not to become passive recipients of whatever is thrown at them. Organise yourselves, shout from the rooftops when your rights are being trampled and pressure your governments to act on your behalf, not for self interest, but to make the lives of rural women less burdensome.

I wish you well during your deliberations and I look forward to reading the resolutions that stem from this conference.

Thank you.