

## **NOTES FOR A SPEECH DELIVERED BY MR TREVOR MANUEL, FINANCE MINISTER TO THE BEELD FORUM, SEPTEMBER 7, 2000**

Good evening...

I should be intimidated speaking to an audience comprising the media and business about knowledge. After all you deal with facts each day. It's part of your bread and butter.

But it strikes me sometimes that things have moved so fast in this country in the past decade that sometimes we don't have the time to assimilate new knowledge, new facts.

Either we don't ask the question or we don't know the right questions to ask.

That came out very clearly last night when we went to launch the new Poverty report and map compiled by Stats SA. The report tells us more than we've ever known before about where poverty is in this country, what its key features are, and who its main victims are.

At the end of the presentation, a young man pointed to the differing maps of poverty that showed that Eastern cape is the poorest province, and Gauteng the richest. He asked why, if the conventional wisdom is that crime goes hand-in-hand with poverty, why the province with the highest crime rate was actually the richest.

Ros Hirschowitz, the acting head of Stats SA answered him and said that their data painted a completely different picture of crime in the country than the one we're used to hearing about or reading about.

Do you know what the most common crime in SA is? Cattle rustling. And the second most common? Bicycle theft. Its more common than car theft or hi-jackings. And who are mostly the victims of crime? The poor.

Doesn't this tell a slightly different story than the one we're used to hearing?

As I approach middle-age, it makes me feel like pulling my age rank when I speak to younger people. It reminds me of the words of Chinua Achebe, the great Nigerian novelist and poet:

“When old people speak, it’s not because of the sweetness of words in our mouths, its because we see something which you do not see.”

We see something that you do not see.

Perhaps its not necessarily wisdom. But I must tell you that being in government and touching base with many of our citizens in very different life situations, I always feel that the one sees what the other does not or cannot.

For instance, I spoke to a group of Pretoria businessmen – they were mainly men – last night and another old man – but older than me – asked me whether the system of affirmative action didn’t diminish the future for young Afrikaans men.

I’m not saying this feeling is not a serious one that we mustn’t address seriously. But when the poverty report tells me that many more South Africans don’t have toilets or taps or even proper houses, we’re saying we need to worry about those feelings too.

We believe we need democracy in order to deliver. But without delivery, our democracy may not survive.

Delivery should be welcomed by all South Africans, because it promotes peace, it promotes development, it promotes prosperity.

We in the government can make a major input into delivery but we can’t do it alone. But we have in our country a well-developed private sector, which has resources to work with government to develop our economy into one that is prosperous and competitive. And one that can deliver to our people.

We already have a framework for this sort of co-operation in the public-private partnerships, a way to harness private sector investment into developing public infrastructure that will help both business and our citizens in the short and long run.

We have a framework to do this in the Skills development Levy, a fund designed to allow the private sector to help finance skills development in our economy. Given the seriousness of our skills shortage, one would think that long-term thinkers would have earmarked it as a priority. In truth, collecting the money is turning out to be harder than we expected.

But this aside, we are even concerned at businesses reluctant to do what business usually does: invest.

Despite our fundamentals looking extremely sound, our rate of domestic investment dropped this year to 14,9%.

This in a climate where less than a year ago, the Financial Mail reported, in a story headlined: “We’ve never had it so good.”

*The economy is looking up! Foreign investor confidence is growing. So why are so many South Africans so glum?*

*Economic fundamentals are falling into place – and the road to sustained growth lies straight ahead. South Africans have never had it so good. But a broad spectrum of South Africans lack confidence in the economy’s ability to create prosperity and social stability.*

*But the payoff for the pessimists is probably psychological. Those who feared the worst from the ANC when the party came to power in 1994 are not necessarily happy to learn that the worst hasn’t happened. And those who declared government’s Growth, Employment and Redistribution (GEAR) policy dead on arrival are reluctant to admit it’s alive and working.*

Since that article was written we’ve tabled a Budget that was generally well received: our deficit, estimated at 2,6% looks set to come in even lower at around 2.4. The funds from privatisation have substantially lowered the interest on debt. And except for the rocketing oil price – something which in contrast to urban legend – is quite outside of my control – we are on track to meet our inflation target in the year 2002.

Today we just got good news about our second auction of inflation-linked bonds.

But some of the gloomy perceptions about the economy make us wonder. The Africa Competitiveness Report is an example of where perceptions rule reality.

“Had reason not given us assurance that day will daily break and the sun’s array return to disarm night’s fantastic figurations – each daybreak would be garlanded at the city gate and escorted with

royal drums to a stupendous festival of an amazed world,” wrote Chinua Achebe in his poem, *Knowing Robs us of Wonder*.

Well, knowing robs us of fear and prejudice too, and it is that appeal we make to our business sector tonight, particularly those who make investment decisions.

The old man who spoke to me about the worries of Afrikaans last night is not an isolated case. In today’s *Business Day*, Harron Borat cites disturbing figures indicating an outflow of skilled labour, or university graduates of about 43,000 in the past six years. It’s not only, as is sometimes believed, a racial phenomenon. Africa as a continent loses more capital and skills than anywhere else in the world.

The good news is that there is actually a rider to this reported today in *Sake-Beeld* under the heading: *Advertsensie gooi Perth-cliches nou in trurat.*”

Its about a new SAA ad with the message that some of those who packed for Perth, and now re-packing—this time for Port Elizabeth or Potchefstroom.”

And the creative director of the advertising agency that devised the ad is quoted as saying: “Jy kan nie Afrika van jou afskud vir die prys van 'n vliegkaartjie nie.”

But in the meantime, we’re faced with a skills gap, not only because of emigration, but because of our history.

We know from other work that Borat has done, that your chances of getting a job in this country are practically nil unless you have some skills. Over the past 30 years, employment for those with tertiary education rose by more than 2000%, while for those without matric, it dropped by 24%.

So in order to create work for our people, we have to provide hem with the relevant skills, the appropriate education, a foundation to compete in the world. That’s why we spend more, as a proportion of GDP, on education than any other developing country in the world – some R51-billion this year. It’s the biggest single expenditure item.

We believe this is one of the key ingredients to development. That’s why when we go to the IMF meeting in Prague later this month we’re going to argue the case for you neighbours to be able to

spend as much on this sort of development as we can. The reason many can't is that they spend more is that they're crippled by debt. Africa's external debt two years ago stood at US\$319 billion and its total debt to GDP ratio was over 57%. In Kenya, more than 10% of their GDP goes on interest. In fact, for many countries, grants of development aid serve only to service their debt payments.

One of the problems is that the voice of Africa in the multi-lateral institutions is structurally a very weak one within the IMF. Out for instance, 43 African countries in two constituencies share 4.38% of the vote whereas the G7 countries between them have a 47.69% this is the biggest fault-line in the decision-making process.

When the IMF began soon after World War Two, it began as a credit union. Now it's more like a creditors union with powerful countries dictating the terms of development to the poorest part of the world.

Should we, as many of the demonstrators argue, simply join them in their call for the scrapping of the Bretton-woods institutions? Its ironic that their call echoes one made by fairly right-wing US interests represented in the Meltzer Commissions that don't see why US taxes should go to help anyone anywhere else in the world.

Perhaps this is an option for countries that can raise capital ion the capital markets. But most countries in Africa don't have that option. Our easy access to the markets is an absolute exception in sub-Saharan Africa.

Making our presence felt more firmly in the world, on behalf of Africa is crucial to our own development. We cannot prosper surrounded by neighbours who cannot provide their citizens with decent lives. SA our President said at the Millennium summit today, if the rich do not respond to the appeal of the poor, "all of us including the rich, will pay a terrible price."

This year, as chair of the Board of Governors, and as chair of the poorest group of African countries, we will try to broach the question of voting rights and representativity on the Fund in a co-ordinated way, asking other governors to support us. We won't get immediate results. We don't expect to. But we believe that as small as we are we punch above our weight in these institutions and we hope to spark some degree of conscience and pragmatism in the developed part of the world about the poverty and suffering in our part of it.

Many might be dismissive of our efforts to do this, but remember in the mid-eighties what they said about our ability to bring democracy to South Africa.

Alan Greenblo, the publisher, told us a story the other day of how, on February 1, 1990, he hosted a breakfast where Murphy Morobe spoke. Murphy spoke hard about the need to release Madiba unconditionally.

After the breakfast, says Greenblo, he had numerous businessmen come up to him and said they'd never heard such communist trash in all their lives.

We know what happened the next day; we know what's happened since.

Let's not let our prejudice continue to blind us to the hope and potential that we find all over our country.