

Notes for a speech at the opening of the Conference of African Economics Editors

Johannesburg, 22 October 2000

Mandisi Mphalwa, Deputy Minister of Finance

Good evening and thank you for inviting me here to address you tonight. I know I speak on behalf of the Minister, Trevor Manuel, when I say that we warmly welcome you here to our country and particularly to our largest financial and business centre, Johannesburg. He is sorry that he couldn't be here with you, but is his way to a meeting of the G20 group of nations in Canada, a forum where we hope we can make an African voice heard.

We welcome this initiative especially as it can help facilitate an engagement between business, the media and ourselves. It's an idea whose time has come. Because people need access to information about finance and economics.

Because everyday people are involved in economics. For instance, 50% of what SA Breweries delivers goes to the townships. What is this if not economic activity?

There is also the question of consumer affairs. This is an important area of coverage that affects everyone.

We welcome today particularly our brothers and sisters from other parts of our continent. For too long South Africa was cut off from the rest of the continent. With the advent of our democracy in 1994, we know that isolation has irrevocably ended. We see our future as part of this continent. We know that if we don't grow together, in prosperity and stature, with our neighbours whatever growth we experience will be seriously stunted.

And so we are particularly pleased that we can host this conference on our soil, and pleased too for an opportunity to engage with one of the most important elements of civil society in Africa – the media. Your job is as important – if not sometimes more so – than any government's. It is to inform both government and the people; it is to keep track of both the good and the bad developments in our quest for upliftment of our people; it is to reflect the myriad voices that make up our countries and our continent.

Your job as business and economics editors is particularly crucial as Africa enters the 21st century, because the story of the moment is really an economic one.

All around the continent, government, civil society, ordinary people are grappling with the major problem that besets us: the impoverishment and underdevelopment of our countries.

You heard the Minister say on his video message that if Africa grows at an average rate of 5% per year, it will be just enough to stop our people getting even poorer than they already are. What this really means is that just to stay as poor as we are we have to grow at 5%.

We live in an increasingly globalised, and wealthy, world where the greatest economic tragedy of our time is poverty. The goal of halving severe poverty in Africa by 2015 will require annual growth of more than 7 percent.

It is particularly disconcerting that globalisation has had little impact on this tragedy. The latest *World Development Report* reminds us that some 2.8 billion people, almost half of the world's population, live on less than \$2 a day and that 1.2 billion people live on less than \$1 a day. Most of these people are located in South Asia and the African continent. What is even more disquieting is

that this tragedy is experienced at the same time that unimaginable riches are enjoyed by a small number of the world's economies and individuals. The income gap has doubled in the past 40 years. Life expectancy in our continent is declining, while, in the developed parts of the world, it has increased more in the past 40 years than in the previous 4,000 years. This downward trend in life expectancy will be exacerbated by the tragedy of the HIV/Aids epidemic that has so afflicted our continent, and particularly southern Africa. Reporting on the economic effects of this disease will no doubt become a consuming challenge for many of you, as will combating it become one for our continent's governments.

Two years ago, the figures indicated that Africa as a continent had a GDP averaging only 35% of the whole of the developing world.

We are faced with the major problem of capital flight. Over one third of capital leaves Africa, as opposed to 17% in Latin America and just 3% in Asia. A lot leaves in the cost of servicing debt.

We live in a continent that is the poorest in the world. Where, if we are not careful, the future economic growth engine of the world – information technology – threatens to pass us by. There are 19 times more Internet hosts in the United States than in the whole of the developing world.

There are more telephone connections on the tiny island of Manhattan than in the whole of sub-Saharan Africa with a population of 700 million people.

It is what the economist Manuel Castells calls the new technological apartheid. Unless we make some dramatic intervention to turn the trend around, the gap is going to get worse. Because progress in technological development is not incremental. The more you have it, the greater the leaps and bounds one can make to the next level. The less you have of it, the more you fall by the wayside.

All of us – journalists, policy makers, citizens – need to ask the reason why our continent remains trapped like this in poverty and underdevelopment.

It is a question that has occupied some of our best minds, and there are no easy answers.

There is, on the one hand, the legacy of colonialism – a system that skewed economic development by extracting mainly the raw materials needed by the metropolis, and a system that thus failed to invest in diversifying economies or in human capital.

There is also in the post-colonial period a sorry record of poor governance in some parts of the continent and a legacy of civil wars that have devastated us. It is alarming to note that Africa, with about 10% of the world's population, has almost half the world's population of refugees, many of them fleeing from civil wars, where civilians, not soldiers, are at the front-line of violence.

This is an important issue because whomever we believe we are fighting for, it's those very people often who are suffering the most. We had this debate about the armed struggle [in the ANC] in 1990, and came to our decision because we thought that the people we represented were the ones who were suffering the most – the civilians.

We also come from a continent where the post-colonial state was often the only access to wealth for a growing educated elite. When there are few opportunities for self-betterment, patronage and even corruption can take root.

One of Africa's greatest writers, the Nigerian Nobel-Prize winner, Wole Soyinka, once recounted how the former Nigerian military dictator Sani Abacha had threatened to wipe out some of the oil wells where the labor unions had a strong presence. Putting his finger on one of the great illnesses

of the time, he wrote in his book, *The Open Sore of a Continent*: “Anyone who believes that Abacha will not kill the goose that lays the golden egg forgets that, in any case, the generals’ private barn is already bursting with a vast deposit from Nigeria’s obliging goose.”

You, as journalists, will know the price that many of your colleagues have paid for trying to expose corruption at high levels.

But we also live in a continent of change – and increasingly change for the better. Nigeria, one of the biggest and wealthiest countries in Africa, now has a democratic government. It has always had a vibrant civil society, and a strong media contingent.

But there are other examples of change, too. In Tanzania, president Mkapa instituted reforms whereby office-bearers and officials had to open their financial records and tax returns to public scrutiny; in Botswana, long seen as an exemplar of economic growth and stability in Africa, the very first independence government concentrated on building up a strong and independent civil service, accountable to the public; in Uganda, after President Museveni took power, he raised civil service pay and cut back on archaic rules in a determined effort to take away both the motivation and the opportunity for corruption.

In South Africa, we have rules that require our parliamentarians to declare their financial interests and to register gifts in a bid to ensure that corruption does not become an intrinsic part of our political culture.

These are some of the ways that African countries are trying to dismantle the obstacles that stand in the way of economic development.

There are international obstacles too. One, we have already referred to, is the legacy of being primary commodity producers for the developed world.

There are others too: there is the huge wall of trade barriers between Africa and the OECD countries, a wall so high, that as our representative on the IMF put it, you crack your head off craning your neck back to see the top of it.

Then there is our complex relationship with the world’s major multilateral institutions, the IMF and World Bank, which for many of our countries are the only access to capital. Only three or four countries in Africa have access to private capital markets. For economic development, we need capital to invest.

But there are many problems in our relationship with the Bretton-Woods institutions. For one thing, Africa as a whole has a paltry voice in them. The whole of sub-Saharan Africa has a voting share in the IMF of under 5%, whereas the G7’s share is nearly half.

Our other concern is that the HIPC initiative – for Highly Indebted Poor Countries – is just too slow and cumbersome to really deliver benefits to the most desperately poor countries.

As long as developing countries remain debilitated by unsustainable debt burdens, required growth rates will not be achieved. Debt remains one of the major obstacles to sustainable growth and development. The enhanced HIPC Initiative agreed to at the G7 meeting in Cologne last year has yet to be fully implemented. Full funding has yet to be realized. The cumbersome process means that only half of the countries expected to reach their decision points by the end of this year, are likely to do so.

Part of the problem is that these countries have to deliver a Poverty Reduction Strategy programme before they are eligible for HIPC and some have not yet developed the capacity to produce these papers.

Our third major problem in our relationship with the multi-laterals is their tendency to want to micro-manage African economies. In spite of what they say about good governance, such micro-management can actually undermine democracy because elected governments are often second-guessed by bureaucrats in Washington.

One example of this was when the IMF decided not to extend a fund facility to Uganda because Uganda's president had budgeted for a new presidential plane. Instead of looking at the details of costing, those in Washington simply decided that if the Ugandan president wanted a plane, there would be no more funding.

It took our executive director in the IMF – the director who represents the 23 countries in our constituency, including Uganda – weeks of work to first calculate that buying a plane would be cheaper than continuing to charter one, and then to persuade the other directors in the IMF that in the context of the conflict in east and central Africa, such transport for the Ugandan president was a justifiable expense.

The point is that our *own* societies - not least the media – need to keep our leaders accountable – not people in offices halfway across the world.

We need our elected officials to be accountable to the people they serve; we need journalists like you to monitor them.

For, in reality, covering the economy and business in Africa today is also about covering political culture, its about covering governance, its about covering international relations. The importance of building a political culture to sustain development cannot be underestimated. As the American academic, Robert Putnam pointed out, in another context, writing about development in southern Italy: “It is easier to build a road than to build an organization to maintain that road.”

Our renaissance then must also be about building the capacity to use resources wisely, not only having the resources to use. This should be a key area for journalists to monitor. You need to ask the question constantly: are governments able to use the resources available to them to promote economic development? Will the society build the political culture to sustain that development?

Because if we don't have peace, we don't have prosperity. We can no longer afford a situation where we harbour nearly half the world 's refugees; where our national resources are drained on wars; where governments accommodate only specific groups of their citizens, not all of them. There have been many signals of hope on our continent in the last decade, not least our own freedom here in South Africa. We live in a continent of rapidly emerging democracies.

This is an issue that is not covered very well. Increasingly there are countries in Africa where there are regular free and fair elections. This is a feature that is not well-known.

Your job is no less challenging though. It is to be vigilant about corruption, fair about our successes, and informative about both growth strategies and obstacles to growth. Its about giving both the governments and the governed a voice.

The fact that you are here tonight, in this forum, makes me believe that you take this role seriously, and that you believe communication between each other will enhance your effectiveness.

This is true. No country in Africa can succeed in isolation.

This is the key message I would like to leave you with. We need to identify the things we need to do to change things (from the legacy of colonialism). We cannot continue forever targeting colonialism alone for the reality of our poverty and our backwardness is there for us to deal with. Need to call on developed countries to work with us.

If we seek to turn around the economic fortunes of our countries we cannot only address the economic issues, we need to address the political issues. The questions about governance, about good governance, about corruption – these are questions we have to address. We have to have a predictable and reliable legal framework in societies.

We have to deal with these questions if we are to succeed in the globalised world.

One of the features of our continent that is also a burden, is xenophobia. I do not believe we can afford a continent that is dominated by xenophobia.

In pursuit of our struggle in South Africa, we were housed by so many countries that did not benefit anything from having us there. In fact countries suffered. So this question of xenophobia is indeed an important one.

On behalf of the National Treasury of South Africa, I wish you great success both in your deliberations here and in your continued, important work at home.

I thank you.