

Water for Growth and Development Panel discussion
Opening Remarks by Mrs LB Hendricks, Minister of Water Affairs and Forestry
WISA Public Debate, Spier Wine Estate, Cape Town
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Members of the Diplomatic Community
International Guests
South African water sector members
Distinguished guests
Ladies and Gentlemen

I would like to welcome everyone to this presentation and panel discussion on water for growth and development. Our guest speaker today is Mr David Grey, a senior water advisor in the World Bank; we also have a number of distinguished panellists for the discussion after the presentation.

For many years now economists have been vexed with the problems of how to simulate development, particularly in Africa and other underdeveloped or developing regions. There have been a number of different theories put forward and many have looked at the experiences of how the developed world achieved its industrialisation, with a view to drawing out the relevant experiences and then emulate them in developing countries. In recent years we have seen respected development economists like Alice Amsden looking at Asian economies and drawing out the success factors such as knowledge and investment in human capital. Others have taken a different approach by looking at factors such as the impact of trade relationships and low currency values in stimulating development or the importance of investment and removal of distortions in the economy in order to attract investment. Some of these theories have shown themselves to be sound advice for politicians in developing countries while others have yielded disastrous results and led to social unrest and long term problems for developing countries.

Much has been said and written on these problems, and institutions such as the World Bank and International Monetary Fund (IMF) have in recent years move away from the notorious Structural Adjustment Programmes advocated in the past. And today it is recognised that if we do not look at development from a holistic perspective we are doomed to failure.

The research contribution by David Grey in looking at the role of water in economic development therefore adds value to our thinking, and it helps to raise the debate to a new level on role of developing and investing in water infrastructure as well as importance of the institutions that manage that infrastructure.

In development economics the debate on correlation between events is often fierce. Specifically in the context of the issue of water for growth and development, the critical question we must ask is: Does investment in water infrastructure and institutions stimulate economic development, or Does economic growth yield sufficient resources that allows a country to provide water infrastructure and basic services to its people? The view which Mr Grey will no doubt go into during his lecture, and one which is articulated in his paper "Sink or Swim? Water Security as a Key to Unlocking Growth" is that in many situations water is necessary for development, and indeed the dangers of not managing water have the potential to retard development, particularly for countries that are vulnerable to the impact of climatic activities. Undiversified economies that are dependant on crops or even a single export crop would be most at risk.

The research outlined in Mr Grey's paper by Brown and Lall on positive correlation between poverty levels and countries which experience difficult hydrological situations is therefore very relevant, and I look forward to an elaboration of these ideas during our discussions today.

What is important for us as politicians is to determine how we utilise these findings and take on board the approach advocated. We need to ask ourselves what is the impact of this approach for our own economy. And more directly - should we, on the basis of these ideas, be substantially increasing our investment in water infrastructure and water institutions?

Furthermore, if we do increase our investments, how does such an increase in expenditure in water fit into our existing development plans as a country? These are some of the issues that would be of interest to discuss during the panel session.

It is quite important that we discuss this topic of Water for Growth and Development in the correct context. I would also urge us all that we relate our deliberations today to the broader government strategy of accelerating development and growth and achieving better levels of empowerment of our people, to mount an effective challenge on poverty and non-employment as articulated in the Accelerated and Shared Growth Initiative South Africa (AsgiSA) spearheaded by the Deputy President of our country.

Over the past 18 months the South African government has taken an approach of stimulating economic growth by unlocking the binding constraints that have been identified in our economy. Some of the binding constraints that we have identified are:

- Relative volatility of the currency, and current strength
- Cost and efficiency of national logistics system as well as certain parts of our infrastructure
- Shortage of suitably skilled labour and disjointed spatial settlement patterns
- Barriers to entry and competition in sectors of the economy
- Regulatory environment and burden on SMMEs
- Deficiencies in state organisation and capacity impacting on delivery

With the interventions in response to these constraints as:

- Infrastructure programmes, which will see a massive amount of approximately R450 billion being spent over the next few years
- Sector investment strategies
- Education and skills
- 2nd economy & SMME interventions
- Macro-economic issues such as exchange rate volatility, budgeting, etc
- Public administration issues and delivery

In taking forward the principles of AsgiSA by my department, during my recent National Assembly budget vote speech I said in my introductory remarks “Coming new into this portfolio I have learnt over the past year just how important water, sanitation and forestry are to our society, and the contribution these sectors play in economic development, social upliftment and in our quality of life. By contrast we are well aware of the degradation that results from lack of access to such basic services as clean water and adequate sanitation.”

And during the National Council of Provinces budget debate I elaborated on this concept of water for economic growth and poverty eradication by saying, “DWAF also has an important role to play in using water for both economic growth and in contributing towards poverty eradication - it is therefore necessary that during the coming year we use our budget towards achieving these broader government objectives. Through current initiatives such as the Masibambane Programme, our greening programme, and our support programme to resource poor farmers, we will be contributing towards poverty alleviation. This support will be provided by running projects such as food gardens, planting of fruit trees, rain water harvesting, skills development for rural women, as well as other projects that can bring food to the table of the poor using water as a strategic resource.”

It is clearly a prerequisite to achieving faster economic growth that we have sufficient water resources and that water is available for targeted industries. We have seen during the sod turning of our most recent dam – the De Hoop Dam in Limpopo – that the impact this dam will have in unlocking opportunities for platinum mining in that area, it will also provide access to clean water for over 800 000 people and contribute to lifting people out of poverty. This dam forms part of our AsgiSA programme and already our current plans for this dam, which were done in consultation with relevant stakeholders and communities, have looked at many of the economic opportunities that will arise from this dam. But if one follows the argument of David Grey then it may be necessary for us to consider whether our investments are sufficient or if

additional investment in the water infrastructure and water institutions in that area are required in order to further contribute to the economic development of the area, where unemployment currently sits at between 70% - 75%.

In the Department of Water Affairs and Forestry there has been some distinction between water for poverty alleviation and the water that is used for economic activities. And while we have made major progress in tackling the challenges of providing water to our people – we need to assess if we should be doing something different when we provide households with access to clean water so that this resource is used more effectively, and as a tool for economic growth, particularly for impoverished communities. We also need to consider during our planning of our long-term water and sanitation infrastructure needs whether we should change our approach by for example increasing the construction timelines to allow for more labour intensive construction, and thereby contribute directly to job creation and other economic opportunities.

Through the Masibambane programme and our policy review process, DWAF has been engaging with the role of water for economic growth. The discussion today is therefore coming at a good time.

To conclude ladies and gentlemen: Mr Grey points out in his paper that there is been insufficient work done in this area, and that “The economic history of water in the development and growth of nations and regions is little understood”. Clearly we then need to look at this issue in greater detail as it can have significant impact on how we approach water development not only in South Africa but across the African continent, as part of a broad suite of actions to promote development and under the framework of NEPAD.

If we are to be effective in creating a better life for our people then we need to look at how we can make an even greater impact in the delivery of services to people. If that requires a shift in how we approach water development then we must be open to change.

I thank you.