



International Conference Vote of Thanks and Release

A Review of South Africa's Intergovernmental Fiscal Relations System: An African Perspective on Fiscal Decentralization

For an Equitable Sharing of National Revenue

13 August 2014

Honourable members, Ladies and gentlemen, all protocol observed

I am indeed greatly humbled and honoured to have witnessed such active participation on the occasion of the celebration of this auspicious and memorable 20th Anniversary International Conference, “A Review of South Africa’s Intergovernmental Fiscal Relations System: An African Perspective on Fiscal Decentralization”.

Let me now take a moment to reflect and pick up on pertinent issues of the past 3 days.

As with all other aspects of each nation's existence, IGFR stem in essence from the peculiarities of the country involved. As the discussion with the Minister of Cooperative Governance and Traditional Affairs and Deputy Minister of Finance **yesterday** indicated, South Africa’s IGFR system is a product of constitutional negotiations that led to the interim and final Constitutions and the country’s history of inequity and inequality. The country has established a unitary state with three spheres of government namely, local, provincial and national. Regional inequalities coexist with significant social challenges (such as persistent unemployment, poverty and inequality) at the individual level. Despite successive governments giving priority to reducing poverty and inequality, South Africa remains saddled with one of the highest income inequalities in the world. Horizontal fiscal

imbalance exists amongst provinces, and also amongst localities within provinces. There are massive relative differences amongst provinces' expenditure responsibilities, and existing (also potential) revenue sources. The IGFR system is predicated on the understanding that the redistribution challenge is largely a national issue and must be driven primarily through the national fiscus (the system of fiscal transfers).

In this respect, you will agree with me and as raised on countless occasions by panellists that South Africa is sophisticated (and progressive) among multi-jurisdiction countries, with several distinctive and important features that call for a different development perspective. The Constitution establishes the rights of citizens to have access to basic public services (health care service, sufficient food, water, social security and right to basic and further education). The Constitution also explicitly recognizes that these rights can only be realized progressively because of limited resources. The Constitution and the Bill of Rights guarantee important basic rights and responsibility is shared, which is unusually progressive. This conference has adopted the multi-faceted stance that the IGFR system consists of the rules, the role-players and the processes that manage the division of revenue and related policy, financial and reporting relationships between the three spheres of government. Moreover, the disparities among spheres, regions, sections, groups and people are the target of much of the fiscal policy developed in the country. Moreover, because fiscal policies evolve and get shaped rather than pre-ordained, the conference has explored the processes by which they are brought into being.

Following opening and welcome remarks by City of Cape Town Deputy **Mayor and keynote addresses** Honourable Tsenoli and myself, the conference went into overdrive mode with the fascinating presentation by Professor Anwar Shah who painted the antiquated architecture in multilevel governance that the world is stuck in and the huge potential that exist to tap into the information revolution for better arrangements and outcomes of such multilevel governance. The FFC has thought about this and internalised it (submission on 2010 Division of Revenue).

As with the evolution of the IGFR system, the Financial and Fiscal Commission itself stems in essence from the peculiarities of South Africa's history. **Session 2** of the conference, presented a 20-year review of the Commission from the lens of an independent observer and those of someone that had been a Commissioner for 10 of the 20 years under review. FFC's early history has emphasised the importance of an expert Commission. You will agree with me that the picture painted by the analysis is that we have every reason to celebrate; the organisation is a long-lived, resilient partner in the IGFR framework and has generated absolute wealth of relevant knowledge, usually way ahead of our times.

Session 3 reviewed reactions to, and criticisms of the existing pattern of justiciable socio-economic rights and norms and standards. Panelists and discussants pointed out that while the South African Constitution is uniquely progressive with a Bill of Rights wherein national government can mandate program norms and standard and minimum service levels for provincial and local programs in areas of concurrent responsibility, and can also impose minimal standards on areas of exclusive provincial legislative jurisdiction. If not exercised carefully, this national pre-eminence can lead to too much centralization of decision making. The role of courts in this respect was a recurring theme. It is thus important to cooperatively decide on these.

Session 4 looked in detail at the intergovernmental transfers used in South Africa, Democratic Republic of Congo, Kenya and Ethiopia to gauge where the need is. The **fifth session** continued with the theme of restructuring IGFR systems in Africa and also looked at sectoral expenditures by a level of government in detail. Arguments were made that it is possible to reallocate functions among levels and units of governments so that a better match would exist between revenues available, expenditures required and development. Although some thought has been devoted to the reallocation problem in all three countries covered, it is extremely unlikely that reallocation will address geo-spatial inequality and poverty in rural Africa soon. Until it actually takes place, intergovernmental transfers will remain a primary element of fiscal federalism. **Session 6** then reviewed from an Africa wide perspective IGFR system amenable to address infrastructure needs for economic development and impacts of IGFR system of economic development. Ramos's prisoners dilemma (matrix) was quite instructive.

Finally, as we have just witnessed, an attempt has been made with much success in the penultimate **Session 7** to draw lessons for the South African IGFR as thought is given in the future to revamping our own pattern of IGFR system. A public/private sector policy panel discussion chaired by Honourable de Beer made up of senior African policy makers, eminent economists and scholars from all over the world, development partners and researchers from Africa and beyond with active discussions from the floor has brought to the surface a wide range of topics that fit into the focal areas of the conference: poverty, income distribution, socio-economic rights and food security; macroeconomic and fiscal policies, public investment and growth; public finance and resource mobilization; institutions, political economy and agricultural policy issues.

I am sure you will agree with me that the Conference has succeeded in looking back and evaluating 20 years of South Africa's IGFR practice and in creating a roadmap for IGFR research leading to policy objectives encapsulated in the National Development Plan.

Looking back at your enormous efforts over the past three days, colleagues, you know better than anyone that we didn't do it alone. We have to praise the efforts of those who have stood by us throughout the period and who are with us today, in person or in spirit, trainers, support staff, your loving family members and dear friends. To all of them our heartfelt thanks and a warm applause, especially those with whom I share jokes and a motivational whisky with!

My final request is that you maintain your link with the FFC and talk about your experience on your colleagues about engagements we have had in past 3 days. Your example will give encouragement to future generations of IGFR practitioners and analysts. And I am sure that your performance as competent and responsible emissaries will play an exemplary role in your respective countries and constituencies in promoting IGFR policy.

I would like to express my deepest thanks to the Deputy Mayor of City of Cape Town, Deputy Speaker in National Assembly, Premiers, Minister of Co-Operative Governance and Traditional Affairs, Deputy Minister of Finance, MEC's, Chairs of Committees, Honourable members, colleagues in the FISC and chair Ben Mthembu, international peer review group and chairs of sessions, discussants and panelists that have attended the conference. Words of appreciation also go to all the former and current Commissioners of the FFC.

Finally to Ramos Mabugu, Mavuso Vokwana, Ansuyah Maharaj Dowra and the team at the FFC. Thank you for a job well done and I know that Ramos and the team have a big job. Henry, thank you for managing our Honourable MPL's, MP's and MEC's. None of them complained and they remain my bosses.

For our part, we promise to support your efforts in this important task. In closing my speech, I would like to wish you a safe journey back home and that each of you live a life that becomes a supreme work of 'IGFR working for improved standards of living for all'!

For more information about this conference or the Financial and Fiscal Commission, please contact:

Ansuyah Maharaj Dowra
Financial and Fiscal Commission
Montrose Place (2nd Floor), Bekker Street,
Waterfall Park, Vorna Valley, Midrand,
Private Bag X69, Halfway House 1685
www.ffc.co.za
Tel: +27 11 207 2300
Fax: +27 86 589 1038
Email: Ansuyah@ffc.co.za

