



Media Release

SUBMISSION FOR THE 2013-14 DIVISION OF REVENUE

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Financial and Fiscal Commission
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For an Equitable Sharing of National Revenue

[28 May 2012, Midrand] On 25 May, the Financial and Fiscal Commission (the Commission) tabled at Parliament its Annual Submission for the Division of Revenue 2013/2014. The Submission is made in terms of Section 214(1) of the Constitution of the Republic of South Africa (1996), Section 9 of the Intergovernmental Fiscal Relations Act of 1999 and Section 4(4c) of the Money Bills Amendment Procedure and Related Matters Act (Act 9 of 2009). The Submission is part of the Commission's constitutionally defined mandate.

The Commission's primary role is to ensure the creation and maintenance of an effective, equitable and sustainable system of intergovernmental fiscal relations (IGFR) in South Africa. To date, not enough systematic thinking has been done around ways in which the IGFR system can respond to South Africa's pressing social and economic challenges. The Submission for the 2013 division of revenue makes recommendations on how the different elements of the IGFR system, as well as the different spheres of government, can stimulate economic development (of regions) and promote inclusive growth.

Under the theme of "Moving People out of Poverty: Supporting Innovation in Intergovernmental Financing", the Submission provides insights and options for policies that lead to growth and innovation, which can move people out of poverty. The Commission believes that, despite tensions between economic growth and inclusion, growth can lead to increased economic opportunities for the poor and reduced inequality in our society.

Trends in the global economic environment, (especially protracted uncertainty in the Eurozone) are expected to stall South Africa's recovery from the recent recession and negatively affect economic growth, thereby slowing down progress in reducing poverty and inequality. The country remains trapped in a cycle of high inequality and extremely high unemployment. Regional and ethnic inequities persist. The poor and marginalised are not participating in the economy and are disproportionately vulnerable to natural disasters and climate change. The poor are also most reliant on public services and thus hardest hit by delays and failures.

Adding a new dimension to the challenge facing South Africa is the emergence of a global knowledge economy. As economies become more knowledge intensive and technology based, new socio-economic and regional gaps are opening, between those who have the appropriate skills and competencies and those who do not – in other words, the poor and the marginalised, particularly women and the youth. In the knowledge economy, the challenge for the intergovernmental system is that the emerging functional economic regions will typically not match, but will transcend, the administrative geographic jurisdictions (such as municipalities and provinces).

Informed by rigorous research, the Commission's Submission investigates how different elements of the IGFR system can be used to promote sustainable growth and to stimulate innovation. It explores what local, provincial and national government should do to enhance stronger economic development and increased employment. In particular, the Commission addresses government's slow progress in rolling out e-education (in spite of the policy imperative for universal access to all learners by 2013 adopted in 2004), which has the potential to produce better educational outcomes, greater completion rates and better prepared learners. It can provide learners in poorer and rural areas with access to knowledge and quality education on a par with that of historically advantaged communities. It can also prepare them for better chances of success in higher education, and thus better opportunities in a knowledge economy.

The Submission's unifying thread is that the innovation and knowledge economy can bring about inclusive development. It is divided into three interrelated parts: *Supporting inclusive growth: jobs, knowledge and regional development; Climate change and environmental*

sustainability: opportunities and risks for inclusive growth and innovation; Institutional development for inclusive growth and innovation.

The Commission's recommendations for the 2013/14 Division of Revenue cover:

- Unemployment and the intergovernmental transfer system
- Financing e-education and achieving policy goals in public ordinary schools
- Higher education and the post-school system as a whole
- Addressing impacts of climate change in rural areas
- Alternative financing mechanisms for disaster management
- Financing of waste management
- Alternative aggregate revenue and expenditure assignments for provinces and municipalities
- Alternative service delivery arrangements (with a focus on municipal agencies)
- Capacity challenges at local government level
- Gender-responsive budgeting in local government.

To access the entire report, go to URL:

<http://www.ffc.co.za/index.php/submissions/commission-submissions.html>

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