MINISTRY OF FINANCE
REPUBLIC OF SOUTH AFRICA

OPENING REMARKS BY DEPUTY MINISTER OF FINANCE MR MCEBISI JONAS

AT THE MEETING OF THE AFRITAC SOUTH STEERING COMMITTEE

VENUE: DA VINCI HOTEL, SANDTON
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INTRODUCTION AND WELCOME

On behalf of the Government of South Africa, it is my great pleasure to welcome you, members of the AFRITAC South Steering Committee, to South Africa. I hope that you have all travelled safely, and that your experience in the country - the heartland of South Africa - has been one of warmth and hospitality.

As you probably know, you are gathering in the country's economic engine room. At R1 trillion Gauteng, the province in which Johannesburg is located, makes up 36 percent of South Africa's GDP, and accounts for an equivalent of 10 percent of Africa's GDP. This makes it the ideal place to discuss Africa's economic management and the important role of capacity-building institutions like the AFRITAC South.

Before proceeding further, let me thank you for the invite. I am quite aware that the Steering Committee is meeting in South Africa because we are the incoming Chair. So it is appropriate to pay tribute to Seychelles for its sterling work of guiding the activities of the AFRITAC South over the past year as Chair of the Committee. Thanks must also go to Mauritius for being a willing and generous host.

The decisive support received from the international cooperating partners deserves our appreciation for ensuring that AFRITAC South's activities are fully funded. In particular, our thanks must go to the German Agency for International Co-operation (GIZ) for the hosting of this meeting. Last but not least, we should all thank the IMF staff for working diligently towards the fulfilment of AFRITAC South's mandate.

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LINKING CAPACITY BUILDING AND EFFECTIVE ECONOMIC MANAGEMENT

I want to begin my remarks by raising the importance of the link between capacity building and economic development, and the need for institutions such as AFRITAC South. In its 2014 Human Development Index (HDI) report, the United Nations underscored the importance of human development in laying a foundation for sustained development, without which countries are susceptible to vulnerability. Regrettably, in terms of the HDI, Sub-Saharan Africa scores the lowest against all regions.

Thus, it is my conclusion that Africa's desired social and economic transformation must be underpinned by rational policy choices that seek to bridge the human capital investment gap. Amongst others, this would entail investment in skills development, especially in policy-making and monitoring and evaluation of development results. This also requires that we had to build resilient institutions, which continued to make sound economic governance a reality.

South Africa's Experience

Indeed, this is the difficult path that South Africa chose early on in our development process. Let me reflect for a moment on our capacity building journey over the past two decades. Globally, South Africa has been commended for macroeconomic prudence, infrastructure development and transparency in fiscal and monetary management.

However, twenty years ago, the country faced intractable challenges of creating an economic system that would cater for the betterment of all our people, and at the same time successfully integrating into the global economy. At the time, we lacked a clear approach to the intergovernmental process for channelling resources to the lower spheres of government. Also, we did not have the kind of frameworks that we successfully established later in the form of the Public Finance Management Act and the Municipal Finance Management Act.

Urgent fiscal reforms were needed to deliver on the aspiration of the Reconstruction and Development Programme in reducing inter alia the housing backlog and improving the quality of maternity health care. Amongst other things, this meant prioritizing tackling head-on the fiscal albatross of high debt service costs. Over the years, we managed to scale down the debt service costs to around 2.8 percent of GDP for the 2013/14 fiscal year.

The decision was motivated by deliberately cultivating internal capacity in specific areas such as debt management. This was a humbling experience as we had to source external skills. In certain instances, without commitment and support from organizations such as the IMF, the African Development Bank and the World Bank, the path to a robust institutional framework would have taken longer to achieve.

The lesson we continue to draw from this experience is that lacking capacity for policy making can also be significantly addressed by drawing on other institutions and country experiences. This is where institutions such as AFRITAC South can play a very instrumental role. Other forms that can be used to enhance capacity are through peer-countries sharing experiences and lessons learnt from positive strides in addressing development issues of poverty, economic growth, fiscal policy and social development. Tapping into the private sector is another innovative way of sharing knowledge and building strong bridges between policy and implementation.

I would therefore like to accentuate the point that South Africa attaches significant value to our continued participation in the Steering Committee, and assistance through the Centre contributes towards addressing our remaining constraints in policy implementation.

Reflecting on AFRITAC South's work and citing some examples of success

Ladies and gentlemen, the need for technical assistance is greatest in fragile, conflict-affected and low-income countries (LICs) hence our support of the Steering Committee's decision to allocate more than half of the Centre's resources to this group of countries. As a country that's active in the World Bank's International Development Assistance (IDA) and the African Development Bank's African Development Fund (ADF), it is logical for us to support this approach towards LICs, including the six focal areas of the AFRITAC South that attest to the need for durable macroeconomic prudence, which no doubt links positively to economic outcomes.

We should be mindful that although LICs are the priority, the demand for more support will extend to lower middle income countries, which still face significant poverty and inequality challenges.

Demand for technical assistance has also been high in upper middle income countries due to effective absorption capacity. In South Africa, for example, we continue our partnership geared towards further improvements in South Africa's fiscal framework and long-term fiscal sustainability. Building, in a sustainable manner, the right amount and level of quality of development capacity is therefore not a once-off process. Training programmes for sustainable capacity development must evolve in relation to the changing needs of the countries. The challenge therefore is to sustain, and more importantly, to institutionalize received capacity.

Areas of success

In spite of the scale of demand, AFRITAC South has delivered impressively on its mandate. It managed to train more than a hundred officials in macroeconomic and financial management. At the same time, we welcome the evaluation report, which will provide indications of lessons learnt and areas to be improved with the provision of technical support. Notably, the feedback from the countries themselves on the relevance of the support, and its long-term sustainability will help AFRITAC South to tailor relevant solutions.

Members of AFRITAC South have implemented critical policies that have led to economic growth. Some of the reform initiatives are that 9 out of 13 members updated or developed the public finance management reform strategies. In addition, all members have begun to use new tools and skills in budget formulation. VAT, for example, has been implemented in Seychelles and Swaziland, whilst organizational improvements have taken place in countries such as Botswana, Comoros and Namibia. In spite of serious constraints, we also welcome that the Centre is now being fully engaged in Madagascar and Zimbabwe.

Maximising Linkages

The other point to highlight is that linkages across institutions are essential. Going alone is not a viable option in the long run. There are too many competing objectives that lead to resources being wasted without achieving optimal outcomes. Pooling resources give countries efficient and cost effective ways of accessing technical assistance that, by themselves, they cannot afford. In this instance, the role of AFRITAC South is that of a vital partner-for-development, and not merely to be seen as a distributor of idle knowledge.

We therefore observe positively the network AFRITAC South has built over the course of its existence. These include amongst others the collaboration with the Africa Training Institute; the Collaborative African Reform Budget Reform Initiative (CABRI); the African Capacity Building Foundation (ACBF); the Macroeconomics and Financial Management Institute, including partnership with regional bodies such as the Southern African Customs Union and the Southern African Development Cooperation.

I would like to urge more work by AFRITAC South on the strengthening of capabilities in the management of regional programmes. Harmonization of policies and practices will be an important milestone in this regard.

CONCLUSION

I would like to conclude my remarks by emphasizing a few points. Firstly, it is the importance of linking technical assistance to good policies and the connecting thread running from technical support to economic management and development. Secondly, is that I am keen on AFRITAC South partnering with various institutions by adopting smart ways of delivering assistance and promoting inter-country knowledge sharing. Thirdly, it is very crucial that delivering capacity is accompanied by the creation of long-term resilience and improved policy space, especially for low-income countries.

Even at this time of a prolonged slowdown in the global economy, AFRITAC South has managed to increase its resources and activities. The agenda over the next two days reflects continuity of the work done since inception in 2011. The sustainability of these programmes is going to be critical for entering the second phase of AFRITACS's existence.

I thank you