



**STATEMENT DELIVERED BY SOUTH AFRICA**

**MUNICIPAL FINANCE AND LOCAL FISCAL SYSTEMS (POLICY PAPER 5)**

**HABITAT III OPEN-ENDED INFORMAL CONSULTATIVE MEETINGS**

**NEW YORK**

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Chairperson,

We wish to raise three key issues, related to: grant frameworks, government management of land assets, and budget transparency.

First, Policy Paper 5 rightly emphasises that an efficient inter-governmental fiscal framework for the funding of human settlements is critical to the successful delivery of this function. In South Africa, we continue to reform our funding framework for human settlements to improve targeting and spending efficiency. Transfers to local government are a combination of unconditional grants and earmarked funds, which each serve separate but related purposes. Each local government receives an equitable share of nationally-raised revenue for the provision of a package of free basic services to poor households—including water, sanitation and electricity. In addition, earmarked grants flowing directly to local government fund infrastructure for poor households, while the major metropolitan authorities receive a consolidated grant for both social and economic infrastructure; the design of the metro grant is tailored to allow the metros more discretion in how funds are spent, and to permit less stringent reporting requirements, given their increased capacity as metro governments.

This differentiated approach in our transfer system thus covers both bases. We provide a safety net by covering infrastructure costs for the provision of basic services to poor households in smaller municipalities which lack an adequate tax base, at the same time that we expect larger metros with

greater revenue-raising capacity to cover more of the costs of economic infrastructure from their own revenue.

Second, is the issue of how government manages its land holdings as assets. In our view Policy Paper 5 fails to sufficiently address matters related to the management of government's property and land portfolio as a finance and resource issue. A major challenge experienced by all spheres of government—and government agencies and para-statal institutions—is the responsible and efficient management of land as an asset. As custodians of the public interest, government must consider both the economic/commercial value of land it owns, as well as its social value when deciding upon optimum use. We must take a long-term view in the management of our entire land and property portfolio and not fall to the temptation of selling off well-located land which could be developed for affordable housing, in order to cover operational funding shortfalls or to finance the acquisition of land in less well-located areas with fewer “Not in My Backyard” pressures.

However often bureaucratic, legal, and financial barriers block the transfer of land between spheres of government. Ideal land for affordable housing may lie dormant or, be occupied and invaded by desperate households, for years while government negotiations on the transfer of the land drag out. We must improve the legal/regulatory framework and institutional mechanisms for asset management so that well-located land suitable for human settlement can be easily and quickly transferred to the government sphere or agency which has the funds, plans and capacity to develop it for affordable housing.

Turning to the issue of budget transparency and accountability, the publication of budget allocations and spending figures allows for the public to participate in resource allocation decisions and to hold local governments to account for budget implementation. However for this budget and expenditure information to be truly useful, it must be available per geographic area. Disaggregated budget and expenditure data makes it possible to map resource allocation across the city and to visualise relative resource allocation to particular areas of the city. This is a powerful tool for assessing our progress towards equity, and spatial transformation and integration of our cities.

I thank you.