



**NATIONAL  
TREASURY**

## **SPEECHES**

---

**Mr Trevor Manuel  
Minister of Finance**

**Address at the Official Launch of  
the Southern African Tax Institute (SATI)  
Sunday, 23 June 2002**

Ladies and Gentlemen:

It gives me great pleasure to welcome you all to this very important event heralding the official launch of the Southern African Tax Institute.

### **THE IDEA**

The words "taxation" and "celebration" usually evoke very different emotions, and few people would contemplate using them in a single sentence. However, tonight marks an occasion where "taxation" indeed calls for celebration - as we are gathered to celebrate the establishment of an institution devoted to the furthering and sharing our knowledge of "taxation".

The idea of establishing a tax training and research facility that could provide much-needed instruction to tax policymakers and tax administrators on the African continent is not new, nor is it exclusively homegrown. In the United States this idea has been mooted occasionally over the past 50 years, however, nothing materialized and it remained but a dream. On this side of the Atlantic there were sporadic calls for the creation of independent institutions or think tanks that could facilitate applied research in the areas of public finance, and especially tax policy. These calls also went unanswered for many years. So what we are celebrating this evening is indeed the materialization of a dream shared by past visionaries and the enthusiasm and effort of a handful of present-day missionaries both in academia and Government who made it happen.

## **THE PROCESS**

Firstly, we are celebrating the end of a difficult and prolonged pregnancy, that eventually resulted in the birth of the Southern African Tax Institute. Despite minor political coordination problems within SADC and considerable logistical and financial hurdles experienced during this pregnancy, a seemingly healthy baby has indeed been born. This is evidenced by the more than sixty participants from thirteen countries in southern and east Africa who have enrolled for SATI's first ever Winter Program in Taxation, starting tomorrow, Monday, 24 June until 27 July this year.

Secondly, we are celebrating the beginning of an exciting future of an institution that will undoubtedly play an important role in capacity building and research on the African continent. The formal establishment of the African Union in Durban in July 2002, suggests that SATI's birth has indeed been well-timed.

## **THE NEED FOR CAPACITY BUILDING ON THE AFRICAN CONTINENT**

Benjamin Franklin said in 1789 -

"In this world nothing can be said to be certain, except death and taxes."

But I would like to add to this unfailing truth, namely that continuous change in the world of taxation is yet another absolute certainty.

The ever-changing and ever more sophisticated world poses a serious challenge to treasuries and revenue administrations in both developed and developing countries and gives rise to a serious question: Are our tax policymakers and administrators sufficiently equipped to manage and address constant change in the employment market and commercial world? As you are aware, the acceptability of tax instruments and systems varies over time and as commercial transactions advance in terms of sophistication, the complexities of appropriate tax treatment increase commensurately.

This set of challenges is further impacted upon by the opportunities and risks of globalisation that in the final analysis can be reduced to an ever increasing competitive struggle to attract local and foreign investment to developing countries - that of course includes southern Africa.

The growing international policy convergences that are intended to create multi-national economic alliances and liberalize trade, increasing sophistication of tax planning both by companies and tax auditors, the proliferation of tax havens or harmful tax practices for highly mobile financial flows, the impressive growth in e-commerce, are examples of important trends that will have an impact on national tax policies and revenue collections. Such trends will increasingly necessitate co-operation and co-ordination of international trade and tax policies. Again, SATI could play a pivotal role in researching areas such as tax harmonization, and in providing training to the officials who will be managing the changes in the financial and fiscal landscape within SADC, and ultimately within the African Union.

Clearly, governments must respond to these dynamics by proactively equipping their officials so that they can confidently face these challenges on an informed basis. This therefore calls for a dedicated institution that focuses on developing the knowledge base, professionalism and expertise of its tax policymakers, tax officials and tax lawyers with a view to developing an enabling environment that is supportive of life-long training, development of skills and learning, and promoting research for adopting best practices in respect of the unique situation or constraints on this subcontinent.

In a nutshell, this should be and is the mission statement of the Southern African Tax Institute. We in the South African Ministry of Finance and National Treasury are daily reminded of these huge challenges facing us and, hence, our strong support for the laudable initiative from the very beginning.

## **THE INSTITUTE**

The Institute as a new regional capacity building initiative grew to a large extent out of the work of the SADC Tax Subcommittee, which is chaired by the South African National Treasury and which was instrumental in helping to shape the institute's development. The Institute's major objectives are as follows:

- To provide quality training to the future middle and senior tax policy and tax administration officials in African countries;
- To assist the existing tax training institutions in African countries in designing tax training programmes;
- To offer specialized short courses in current topical tax issues to senior officials; and

- To provide a vehicle for tax-related research; and
- To establish a forum for the co-ordination and deliberation of tax policy and administration issues among African countries.

The overarching goal of SATI is to build an independent center of excellence within southern Africa (and eventually throughout Africa) to address internal tax policy and tax administration matters. There is also growing recognition that the dramatic increase in cross-border commercial and financial activity requires greater co-operation and co-ordination in the design and implementation of tax systems. As you know, within SADC, this is the key responsibility of the SADC Tax Subcommittee.

The Southern African Tax Institute is structured as an independent and autonomous institute, administratively located in the Department of Economics at the University of Pretoria, South Africa. The Institute aims to enter into a series of operating agreements and memoranda of understanding with other interested universities in southern Africa, as well as other international institutions and training facilities. SATI's competitive advantage within the African training context is that its educational mission and curriculum have initially been modeled on the world-renowned programmes offered by the International Tax Programme of the Harvard Law School.

Moreover, I am delighted to say here tonight that the SATI's Executive Committee and Advisory Board should take great pride in their achievements so far in getting this institution started. In this regard, I would like to recognize the huge involvement and personal sacrifice of Professor Eric Zolt from the Harvard Law School's International Tax Programme for his vision and tenacity in keeping all stakeholders focused on the task of translating an old idea into the promising new reality.

Furthermore, I would like to single out especially the executive committee's achievement in kicking off with a most impressive Winter Programme with 5 modules covering -

- comparative tax policy and administration;
- public finance and economics of taxation;
- tax analysis and revenue forecasting;
- international taxation; and
- value-added taxation.

What is however an even more noteworthy aspect of this initiative is the incredibly broad involvement of experienced local and international academics, tax policy and administration officials and tax practitioners, which promises to make this an effective skills transfer at many levels. The modules will be presented by lecturers from the following institutions:

- Erasmus University, Rotterdam in the Netherlands;
- Deakin University, Melbourne in Australia;
- Harvard Law School, Boston in the United States;
- University of Botswana, Gaborone;
- The Kenyan Institute of Policy Research & Analysis, Nairobi;
- Bilkent University, Turkey;
- Twente University, the Netherlands;
- University of Miami, Florida in the United States;
- IMF, Washington, DC in the United States;
- Universities of South Africa, Pretoria, Witwatersrand, Rand Afrikaans University, South Africa;
- Private tax practitioners in the United States and South Africa; and
- The National Treasury and the South African Revenue Service, South Africa.

Putting this together must surely be recorded as a major achievement in organizational talent, combined with dogged determination to provide an excellent product.

For many years those officials in southern Africa involved in policymaking and/or responsible for training in the areas of tax policy and administration, who needed to develop skills in these areas were seeking to register with American and European academic or multilateral fiscal institutions. It is a fact that such training has become extremely expensive due to the depreciation of the currencies of most African countries, and in a context where human capacity in these areas is indeed so unbelievably scarce, few African countries today can afford the absence of senior officials for prolonged periods of study. Furthermore, there is a real need to develop training modules tailor-made for African conditions. Again, the establishment of SATI is therefore a major step in achieving this goal.

## **THE IMPORTANCE OF TAX IN THE NEPAD DRIVE TOWARD BUILDING MORE PROSPEROUS NATIONS IN AFRICA**

Why is this instant initiative so important for us on the African subcontinent?

In Africa we repeatedly witness the rather unfortunate reality that economic growth alone without adequate measures of good governance, adherence to democratic values and administrative fairness, maintenance of macroeconomic and fiscal stability, transparency and sound accounting standards does not result in human progress, equal distribution of opportunities and development that such economic growth should create. Hence, the long and central debate around aims that are seemingly in conflict, i.e. measures that may contribute to economic efficiency on the one hand and distributive fairness on the other. This debate continues to confound national economic policy responses to Africa's worrying incidence of widespread poverty and all too common human degradation. While growth is important, growth alone is not sufficient to enable African countries to achieve the goal of poverty reduction.

In this regard, it is important to note that African nations must generate in a sustainable manner their own fiscal resources for their growth and development strategies in order to advance their programmes of reclaiming dignity and fiscal sovereignty.

The challenge for Africa is therefore to develop the capacity to sustain growth at levels required to achieve poverty reduction and sustainable development. This in turn depends on factors such as institutional and physical infrastructure and establishing conducive environments for capital accumulation. However, without paying sufficient attention to the importance on human capacity building - especially in the public service - these ideas will result in failure. It is my belief that not only are sound tax policies and efficient revenue collections crucial for mustering the finances required to pay for government expenditures, but these are at the same time important prerequisites and are inevitably interlinked with good governance.

As I outlined earlier, revenue administrations across the world are encountering unacceptably high incidences of tax avoidance and evasion that threaten to undermine countries' fiscal balances if not countered effectively by enhancement of skills in revenue administrations. Similarly, tax policy design that is oblivious to these administrative challenges is ineffective. Needless to say, tax policymakers in Africa need to align their tax strategies to these serious capacity constraints.

Clearly, the Tax Institute is strategically positioned to address these concerns for the benefit of the participating countries. It is my hope that the Institute will in its instructions focus on such, what I prefer to call, corrosive effects of moral decay in our societies and poor corporate governance practices. Together, they have a detrimental effect on the tax systems and undermine the sense of fairness and common citizenship that binds us all individually in a country - but also in the region - in a social and constitutional contract.

## **GRATITUDE**

At this juncture I would like to express my sincere gratitude on behalf of the South African National Treasury and also as Chair of the SADC Committee of Ministers of Finance and Investment for the significant financial assistance and seed money transferred in support of the SATI initiative by the following institutions or organs of state:

- The International Tax Program at the Harvard Law School;
- The University of Pretoria;
- The University of Witwatersrand;
- The University of South Africa;
- **USAID**; and
- The UK Department for International Development for funding the infrastructure of the Institute, the costs of foreign resource personnel and the travel and accommodation expenses of the participants. This made the difference between the dream and this reality of tonight.

However, we must accept that we cannot expect that such inputs from donors are to continue indefinitely and, hence, it is my hope that the fiscal authorities in southern Africa will soon - on realization of the benefits the Institute can offer to their tax staff - begin to internalize in their own budgets the need for lifelong training and capacity building of their tax policy and administration staff.

Moreover, I would like to call on the private sector to support over time through grants and donations this very promising initiative, since a well-qualified and professional corps of tax officials within SADC and beyond would create a tax environment consisting of good, pragmatic and efficient policies underpinned by high ethical standards in tax administration. This must be to the benefit of the private sector as it would reduce compliance burdens and transaction costs within the region.

## CONCLUSION

All what remains for me is to wish the management of the Institute every success with your endeavours and I trust that you can establish an institution that would mirror a statement made years ago by Martin Luther King Jr (if I may substitute his analogy of a street sweeper with a tax collector):

"If a man is called to be a tax collector [street sweeper], he should collect tax [sweep streets] even as Michelangelo painted, or Beethoven composed music, or Shakespeare wrote poetry. He should collect tax [sweep streets] so well that all the host of heaven and earth will pause to say, here lived a great tax collector [street sweeper] who did his job well."

In the same vein, if an institution is established to train tax collectors, may it train them so well that the host of heaven and earth will pause to say, here is a great tax training facility that constantly achieves its goals.

On behalf of those present I express the hope that the Southern African Tax Institute will have a long and fruitful existence. May it play its part in ensuring that the 21st Century will indeed be the African century.

I thank you.

