Financial and Fiscal Commission:

20 Year Intergovernmental Fiscal Relations Conference Report

For an Equitable Sharing of National Revenue

Final Report

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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

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1. Introduction and Conference Summary

From the 11th to the 13th of August 2014 the Financial and Fiscal Commission (the Commission or FFC) hosted an Intergovernmental Fiscal Relations (IGFR) International Conference at the International Conference Centre, Cape Town, South Africa. This conference commemorated 20 years of freedom in South Africa through reviewing 20 years of IGFR practice and then drawing lessons for the future IGFR in South Africa. All participants were provided with branded Commission bags containing copies of conference resources. This report records activities, deliberations, conclusions, key recommendations and next steps of the conference. The conference financial statement and report is given in Appendix 1 while the detailed conference agenda appears as Appendix 2.

1.1 Background

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. Each of these government spheres is assigned certain powers, functions and financial resources; each of which may be exclusive, concurrent or shared. While national government raises the bulk of aggregate revenues, its expenditure responsibilities are much lower. There is thus a mismatch between revenues raised and expenditure responsibilities amongst spheres. This vertical mismatch is known as vertical fiscal imbalance. The converse mismatch exists at provincial level exacerbated by vast interprovincial disparities. For instance, about 34% of gross domestic product is generated in Gauteng Province while 65% of gross domestic product originates in only three of the nine provinces (Gauteng, Western Cape and KwaZulu-Natal). The imbalance itself is the outcome of constitutionally established allocation of revenue and expenditure powers, something that the transfer system seeks to ameliorate. Two factors that have worsened the imbalance are (i) increased demand for public services in an environment of slow economic growth, and (ii) increased demand that has necessitated shifting of functions and mandates performed by subnational authorities. The regional inequalities are primarily a holdover from what existed in the Union of South Africa and the manner of South Africa's development between then and during apartheid. The focus on the industrial areas of Johannesburg, Durban and growth in cities of East London, Pretoria, Cape Town coupled with the apartheid system of pushing certain areas to the periphery meant that development focused on certain areas. The growing rural-urban migration in these cities bears testimony to this holdover of regional inequality. These regional inequalities coexist with significant social challenges (such as persistent unemployment, poverty and inequality) at the personal 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 addressed primarily through the national fiscus (the system of fiscal transfers).

In this respect, South Africa is unique (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 Bill of Rights guarantee important basic rights and responsibility is shared, which is unusually progressive. As a result, South Africa has a unique system of equitable revenue sharing that is highly centralised, especially with respect to the provincial level – a consequence of the top-down nature of the system. This conference will adopt the 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 explores the processes by which they are brought into being. The Commission is mindful and recognizes as fundamental the complex relationships which inevitably exist within multilevel systems of government, none of which is more important than the fiscal relationship.

As a result, *Review of South Africa's Intergovernmental Fiscal Relations System: An African Perspective on Fiscal Decentralization* was the chosen theme of the plenary sessions of the Conference. Participants looked back and evaluated 20 years of South Africa's IGFR practice, as well as the choices that will have to be made going forward given developments such as the new growth path and the development policy objectives of a developmental state (encapsulated in the National Development Plan (NDP)) that has been agreed in Parliament in general and government in particular.

1.2 Summary of Conference Activities and Process

The conference program was divided into seven plenary sessions focusing on the main themes dedicated to the discussion of the future of IGFR policy. Each session consisted of presentations of case studies, discussants as well as floor discussions.

Following opening and welcome remarks by City of Cape Town Deputy Executive *Mayor Ian Douglas Neilson*, the conference commenced in Session 1 with keynote addresses by Honourable *Lechesa Tsenoli (Deputy Speaker, National Assembly)*, Mr. Bongani Khumalo (Acting Chairperson, Financial and Fiscal Commission) and Professor Anwar Shah (Brookings Institution, USA and SWUFE, Chengdu/Wenjiang, China). The session was chaired by Dr. Sibongile Muthwa (Financial and Fiscal Commission).

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, therefore, presented a 20-year review of the Commission. The session featured two presentations by distinguished scholars. Jaap de Visser, Professor and Director of the Community Law Centre (University of the Western Cape, Cape Town) kicked off the proceedings with a look at *A 20 Year Review of the Financial and Fiscal Commission*. Next was *The Financial and Fiscal Commission: Two Decades of Evolution* by Tania Ajam, former FFC Commissioner (and Member of Davis Tax Committee). Discussions on these papers were led by Mr Joel Netshitenzhe who is the Executive Director and Board Vice-Chairperson of the Mapungubwe Institute for Strategic Reflection (MISTRA) and Dr. Renosi Mokate who is Executive Director at Unisa School of Business Leadership. The session was chaired by Honourable *Lechesa Tsenoli (Deputy Speaker, National Assembly)*.

Session 3 was chaired by Honourable *Paul Mashatile*, (Chairperson of Standing Committee on Appropriations). The session looked at Social Justice in Decentralised Intergovernmental Systems. The session reviewed reactions to, and criticisms of the existing pattern of justiciable socio-economic rights and norms and standards. There were three papers in the session. Saras Jagwanth and Friedrich Soltau (both leading analysts at the United Nations Headquarters in New York) presented a paper on *Accounting for Economic Rights in South Africa's Intergovernmental Fiscal Relations System*. This was followed by *Re-thinking the fiscal implications of different types of norms and standards* by Amanda Jitsing, Megan Govender and Stephen Chisadza (all distinguished public finance economists currently plying their trade at Development Network Africa (Pty) Ltd). The final paper by Professor Vivienne Taylor was a review of the institutional and development impact of South Africa's social welfare grants. Paper discussants were led by *Prof Narnia Bohler, Democracy, Governance and Service Delivery (DGSD), HSRC*, and Ms. Ronette Engela, (*GTAC)*.

Chaired by Honourable *Yunus Carrim*, Chairperson of Standing Committee on Finance, the fourth session featured 3 papers that looked in detail at the intergovernmental transfers used in South Africa, Kenya and Ethiopia to gauge where the need is. Margaret Chitiga, Jaya Josie and Annette Verryn (all distinguished scholars and thought leaders from the Human Sciences Research Council) looked at *Fiscal decentralization and the provision of constitutionally mandated basic services: a review of the South African system*. Next was *Fiscal decentralization for sustainable and inclusive development in emerging African economies: a comparative study of Ethiopia and Kenya* by Dr Meheret Ayenew, Executive Director, and the Forum for Social Studies (FSS), Ethiopia. Finally, Dr. Mekki El Shibly, Vice Chancellor of Omdurman Ahlia University, Sudan discusses *Restructuring IGFR in an African Country in Transition – The Case of Sudan*. The paper discussants were *Mrs Wendy Fanoe*, National Treasury, *Mrs Phindile Ngwenya* (World Bank) *and Mr Eddie Rakabe* (Financial and Fiscal Commission).

The fifth session was chaired by Professor *Nico Steytler*, (Commissioner and Chairperson of Research Committee at the Financial and Fiscal Commission). The session continued with the theme of restructuring IGFR systems in Africa and also looked at sectoral expenditures by level of government in detail. The first paper by Dr Tassew Woldehanna, Dean of the College of Business and Economics at Addis Ababa University and Senior Research Fellow at the Ethiopian Development Research Institute discussed *Fiscal decentralization grant schemes to* *address geo-spatial inequality and poverty in rural African economies: the Ethiopian perspective*. The second paper by Dr. S. Ndhleve, Walter Sisulu University, Dr A. Obi, University of Fort Hare, and Dr. MDV Nakin, Walter Sisulu University looked at *Public Spending in Agriculture and poverty reduction linkages analyses for fiscal planning: Case of Eastern Cape Province*. Paper discussants were led by *Dr Mkhululi Ncube* (Financial and Fiscal Commission, and *Dr Precious Zikhali* (World Bank).

Session 6 was chaired by Professor *Daniel Plaatjies*, (Commissioner at the Financial and Fiscal Commission). The session featured keynote addresses by Honourable *Pravin Gordhan*, MP, *Minister of Cooperative Governance and Traditional Affairs,* Republic of South Africa and Honourable *Mcebisi Jonas*, *Deputy Minister of Finance*, Republic of South Africa. This was followed by two other papers. *Dr. Ramos Mabugu* (Financial and Fiscal Commission) and *Dr. Steve Kayizzi-Mugerwa* (African Development Bank) presented *An African Perspective for intergovernmental fiscal relations policies to meet the infrastructure needs for economic development*. This was followed by *A Case Study Evaluating the Impact of Equalization Grants in the DRC* presented by Dr. Claude Sumata, Professor, Catholic University of Congo (Kinshasa/DRC). Paper discussants were led by *Dr. Catriona Purfield* (World Bank and *Professor Andy Reschovsky* (*University of Wisconsin-Madison, USA*).

Finally, Session 7 featured two public/private sector policy panel discussions chaired by Honourable *CJ de Beer* (Chairperson of the Select Committee on Finance, *National Council of Provinces)*. It sought to draw lessons for the South African IGFR as thought is given in the future to revamping our own pattern of IGFR system. Policy makers, eminent economists and scholars from all over the world, development partners and researchers from Africa and beyond took turns to debate the issues. These covered 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. A vote of thanks to conference participants was given by *Mr Bongani Khumalo* (Financial and Fiscal Commission).

2. Session 1: Opening and Introduction

Deputy Executive Mayor, Mr. Ian Douglas Neilson reviewed some of the pertinent facts concerning the work of the Commission over the years, and noted that from a local government perspective, there is great interest in the work of the Commission. The interest in the work of the FFC stemmed from its high-level recommendations around the local government equitable share and transfers of conditional grants to municipalities. Mr. Neilson argued that while local government has become the focal point for key service delivery initiatives, a significant imbalance still exists between the allocation of revenue powers, and expenditure needs of municipalities. Furthermore, the outcome of the process of revenue/resource allocation had not yielded a favourable outcome over the past 20 years. This unfavourable outcome is reflected in the skewness of resource allocations towards rural areas at the expensive of metropolitan centers and large cities that are major drivers of poverty alleviation and economic growth.

Mr. Neilson hoped that future discussions around reforming resource allocation to municipalities should ensure that the revenue sharing mechanisms evolve and reflect the peculiar characteristics and differences between the different categories of municipalities in terms of both service delivery capacity and as drivers of growth and poverty alleviation programs. In this regard, Mr. Neilson advocated that for the future, the Commission should focus on ensuring sustainable local government initiatives on service provision are supported and reflected in the organization's work on South Africa's system of intergovernmental fiscal relations.

The welcome address was made by the Deputy Speaker of the National Assembly, Honourable Lechesa Tsenoli. The Deputy Speaker stated the conference was timely and appropriate for two reasons: (**i**) South Africa marking 20 years of full democracy and its 5th democratic administration, and (**ii**) the discussions around the country's IGFR system against the background of economic policy articulated in the National Development Plan (NDP), as well as lingering effects of the 2008 global financial crises. Mr. Tsenoli noted that the financial crises had a significant bearing on resources available to all spheres of government in order to effectively implement the policies set out in the NDP. To this end, institutional responses, especially within the country's IGFR system was vital to ensuring that innovative methods are used to mitigate against constraints imposed by the financial crises. He also noted that service delivery across the three spheres of government faced substantial sustainability challenges arising from effects of both internal and external migration into South Africa's major economic centers.

In terms of the role of the FFC, the Deputy Speaker argued that the work of the FFC needed to be placed within the context of how well it has done in terms of its contribution to the Bill of Rights issues as detailed in Chapter 2 of the 1996 Constitution. Future relevance of the FFC should relate to assessing the extent of its contribution to Chapter 2 issues and evaluating factors that hinder the Commission's work in this regard. Mr. Tsenoli further expressed the view that other actors within the IGFR need to take heed of political economy issues around administrative and service delivery capacities of all spheres of government, with particular attention to be devoted towards evaluating how well institutions have enhanced the functioning of the country's IGFR system.

The keynote address for the first session was delivered by Mr. Bongani Khumalo, Acting Chairperson and Chief Executive of the FFC. The address considered three key issues: (a) South Africa's own history with fiscal decentralization and the role of the Financial and Fiscal Commission in shaping this history; (b) observed, practical shared experiences of fiscal decentralization within the context of the Commission's interactions with similar institutions/agencies on the African continent; and (c) highlighting a few policy matters, based on the FFC's own experiences, on improving future decision–making of what exists in implementing fiscal decentralization within the context of developing countries.

3. Session 2: The Role of IGFR Institutions in South Africa

This session received the following three papers:

a) The architecture of multi-order governance for the information age by Professor Anwar Shah, Director of the Centre for Public Economics, Chengdu/Wenjiang, China
b) Reflections on 20 Years of the Financial and Fiscal Commission's Role in IGFR in South Africa: A 20-Year Review of the FFC by Professor Jaap De Visser, Director of the Community Law Centre, University of the Western Cape, Cape Town.
c) The financial and fiscal commission: two decades of institutional evolution by Tania Ajam, Former FFC Commissioner

The **discussant** for the first two papers was Mr Joel Netshitenzhe, Executive Director and Board Vice-Chairperson, Mapungubwe Institute for Strategic Reflection (MISTRA). The

discussant of the third paper was Dr Renosi Mokate, Executive Director of UNISA-SBL. The subsequent paragraphs report on each paper and the ensuing discussions.

3.1 Multi-order governance for the information age

In his opening remarks, Professor Shah identified globalization and the information revolution as the major change factors that have transformed governance systems and structures over the past three decades. Professor Shah argued that information revolution was especially significant, as it has allowed citizens to demand for open, transparent governments/administrations that are focused on efficient service delivery and economic growth. Professor Shah stated that in the context of globalization, skills have come to matter for increased shift towards technologically driven economies. As such, the quality of education matters for such economies, and by extension should matter for sub-national states and central authorities within federations seeking to enjoy the benefits of technologically driven economies.

In the context of globalization and information revolution, Professor Shah advocated the need for intergovernmental relations to adapt to changes brought about by the information revolution. Local government has a key role to play in ensuring that gains of the information revolution are achieved. However, a significant drawback is that across decentralized structures and institutions in the developing world, the operational framework guiding many sub-national governments had been poor during the pre-information age. Thus, many lack the capacity to act as responsive governments, able to cater to rising demands of local citizens around service delivery. In this respect, the functionality of multi-level and multi-order governments can only be enhanced via a rethinking of their operations during this information revolution.

Professor Shah's presentation focused on (i) spectrum of decentralization across the world, and the interplay of decentralization within different regimes; (ii) the pros and cons of decentralization within systems discussed in (i); (iii) framework for evaluating how multi-order governments must operate, and (iv) a qualitative and quantitative assessment of the Fair, Accountable, Incorruptible and Responsive (F.A.I.R) characteristics within different decentralized settings across the world.

The following comments and issues were raised by the discussant:

- The purpose of governance is to improve the lives of people. Cooperative governance in particular has three primary responsibilities: (i) to reverse the effects of apartheid (ii) to create a structure for accountability (iii) to deliver quality services speedily and sustainably. The discussant argued that there is no perfect multi-order governance as the indicators used in the analysis are few and fluid, while causality is multidirectional and choices are multidimensional.
- The discussant emphasised the need for thorough planning within the IGFR space. Plans across spheres of government should be aligned and basic planning units identified. He noted that the NDP seeks to build a capable state where planning is critical. He stated that currently there was a disjuncture in the planning mechanisms. He challenged the FFC to provide fiscal levers to operationalise the NDP and that it was important for the FFC to be part of the debate of ensuring that planning instruments are strengthened and aligned across all the spheres of government. He further challenged the FFC to provide evidence based policy research on spatial planning.
- The discussant advised against the temptation of reducing municipalities to mechanical institutions. He concurred with Professor Shah that municipalities should be facilitators of growth in their own jurisdictions.
- The discussant noted the important role the FFC has played in the IGFR system. He noted that FFC should be given credit for always being consultative and generating evidence based policy. He praised FFC for sticking to principles, even when regional/geographic interests are at variance. He underscored FFC contribution to the medium-term budgeting process. The FFC needs to be understood and treated as an instrument of government as a whole, and not just that of a particular department/ministry. In addition, he challenged FFC to work with the Auditor General's office to ensure that the allocated resources are appropriately deployed.
- Mr Netshitenzhe advised FFC to be at the centre of the following game-changers: (i) long-term visioning and planning (ii) vertical and horizontal integration of governmental planning activities (iii) social activities impacting on inclusive economic growth

From the audience and ensuing floor discussions, a number of issues were raised on Professor Shah's paper. Of note were the following comments:

- The example given of the Swiss form of decentralisation may not be feasible in South Africa and many other countries as local governments in these countries are heterogeneous.
- The example of China used was also queried. A member of the audience argued that China is a bad example as it went through a revolution which many countries did not experience.
- It was also pointed out that technical capacity in municipalities should not be a constraint to their growth as this capacity can be borrowed out outsourced. But Joel Netshitenzhe noted that capacity should be viewed holistically and should ideal include capacity to organise, monitor and evaluate.

The paper also generated a number of policy issues, namely:

- In the information age, are provinces necessary? Or do provinces have economic relevance? What should be the role of provinces or districts?
- The local government sector should not be seen as a provider of goods and services but a facilitator of the provision of goods and services. It should coordinate the provision of goods and services.
- From a policy point of view, how do we ensure that local governments are catalysts of economic prosperity and growth?
- Strong, institutional provisions must exist for citizens to hold governments accountable
    - For this to be sustained, multi-order governments must act in a fair, transparent and responsive manner.
- The need to move to a new vision of multi-order government
    - This will mainly take the form of stronger local governments able to influence policies on service delivery programs as well as fiscal frameworks developed at national and provincial levels.
    - There is a need to have a leaner provincial governments and an increased role for local governments in impacting the lives of citizens. To highlight this point, Professor Shah cited the example of China where rather than using provincial governments, the central government via the Communist Party, has actively sought to enhance the role of local governments in socio-economic

infrastructure outlays intended to improve welfare of citizens. In the Chinese case, spending and revenues are geared towards local governments playing a leading, active role in economic development programs that reflect the needs and demands of citizens within their jurisdictions.

3.2 A Twenty Year History of the Financial and Fiscal Commission

Jaap de Visser's paper reviewed the history of the Financial and Fiscal Commission over the past 20 years, using both the thematic and chronological approach. The review touched on the development of the Commission since its establishment. It looked at some of the debates that surrounded the constitutional establishment of the commission and the policy process that underpinned the Financial and Fiscal Commission Act of 1997. It assessed how the role of the FFC unfolded in the subsequent years. It gave insight on the relations between the FFC and its key stakeholders. The paper looked at the impact of the Commission measured by output volume, consistency and response rate. Lastly, it evaluated the administrative performance and governance of the Commission. The following discussion issues came up:

- Clear reasons need to be given by the National Treasury if it rejects or omits recommendations made by the FFC.
- The need for the FFC to establish a good working relationship with provinces and also contribute to debates on the role of provinces.
- The conflated role of the chair should be examined and lessons from other local institutions and international practices should be used to assist in this debate.

The main objective of Tania Ajam's paper was to assess the performance, role and functions of the Commission over the last 20 years. The paper covered the constitutional genesis of the Commission, and early responses to the FFC recommendations. It examined the role of the FFC's recommendations in shaping the intergovernmental fiscal relations (IGFR) trajectory over the past two decades. In this paper, the author also reflected on her experience as a former commissioner of the commission. Lastly, the paper spoke to important issues in the South African IGFR system that are still unsettled. The following discussion issues came up:

- Public participation should be at the centre of multi-order governance because without it, bringing the government to the people will be an exercise in futility.
- Culture influences the IGFR system, therefore where necessary, the role of traditional leadership should be considered.

- The role of courts in settling IGFR disputes should be interrogated. Could there be alternative institutions for this?
- The role of provinces should be interrogated, especially in the new information age.
- Cities should be seen and promoted as engines for growth.

The key lessons and implications drawn for the Commission from the two papers and ensuing discussions are:

- The Commission should strengthen collaboration with other research institutions (including the Auditor General) and similar international bodies.
- The Commission needs to improve its relationship with sub-national governments (provinces and municipalities) and use inputs from these institutions to develop its long-term research agenda for it to remain relevant and effective.
- Research on the possibility of aligning Medium Term Expenditure Framework (MTEF) which currently covers a period of three financial years with the Medium Term Strategic Framework should be part of the Commission's future research agenda.

4. Session 3: Towards Social Justice in Decentralised IGFR Systems

South Africa's Constitution has been widely hailed as transformative. The Bill of Rights entrenches an ensemble of basic rights, including so-called economic and social rights related to health, education, housing, and social assistance. The Constitution led the way to broaden rights guarantees beyond the traditional civil and political sphere, acknowledging the imperative of remedying South Africa's legacy of economic and social deprivation. With socio-economic rights in the Constitution, judicial enforcement became a means of advancing realization of these rights.

The first paper titled the 'accounting for economic rights in South Africa's Intergovernmental Fiscal Relations System' focused on the role of courts in enforcing socio-economic rights and meeting constitutional imperatives. The speaker noted that the notion of socio economic rights needs to ensure appropriate resources are available. It was further emphasised by the speaker that the court will enforce socioeconomic rights if government does not take steps in addressing the issue and if measures are unreasonable as per outcome of the court they will be reviewed in accordance with the standard of reasonableness.

The second paper was a review of the institutional and development impact of South Africa's social welfare grants. In this session the speaker emphasised the need for an efficient, effective and equitable use of resources so that socioeconomic rights can be realised. It was further noted that provinces raise about 3-4% of revenue yet they are accountable for service delivery. It was further stated that efficiency in social grants have been made through the re-registration as more jobs and savings were attained. It was also found that Blacks and women have been the beneficiary of social grants by ratio of 2:1. More importantly, it was note that 58 percent of the household will be living below the poverty line without grants but at the same time the number of people experiencing income poverty is not changing rapidly. While there may have been concerns over the sustainability, grants spending as percentage of GDP remain below 4 percent.

The third paper was on 'rethinking the fiscal implications of different types of norms and standards'. In this paper, it was emphasised that norms and standards need to be based on constitution and shared responsibilities as stated in the constitution. Different types of norms and standards are were discussed ranging from access norms, input norms, process norms, quality norms and output norms. The speaker note the following key points: Norms and standards are not fully understood and they are interpreted differently; legislated and policy norms have funding implications; norms and standard are used for allocations and regulations. However fiscal implications and the compliance costs of norms and standards are not always considered beforehand. There are also concerns over the capacity of the national departments to implement the norms.

All three papers were commended as they provided a clear picture on a number of issues:

- The role of government on realizing constitutional rights and how the government should prove that reasonable steps have been taken to realize rights. This includes government giving detailed information on its resources and plans to prove its lack of resources, if taken to court because of its failure to fulfil the realization of rights.
- It is a responsibility of all organs of state to take steps to fulfil socio-economic rights.
- Obligations to take financial measures to achieve rights extends to all the rights in the Pact
- There is a need to evaluate the importance and relevance of norms and standards for intergovernmental fiscal relations in South Africa
- The FFC need to continue to provide estimates on 'costed norms'

- A poised to become a party to the Covenant on Economic, Social and Cultural Rights
- Fiscal implications depend on the cost of implementing policies these norms and standards
- Providing benefits from moving social welfare grant to the national (this includes savings realized).
- Are social grants used to compensate for other failures in the system?
- Social grants cannot achieve everything unless inclusive social protection is exercised for decent leaving.
- The paper on '*Socio-economic rights and implications for intergovernmental fiscal relations in South* Africa' should also include the international dimension. The paper on norms and standards has provided with three categories of norms and standards. There is therefore a need to further discuss how those categories have been described and chosen as well as reasons for such categorization. The paper should also be realistic on cost implications of norms and standards.

The following emerging operational issues and opportunities were highlighted:

- Generally, there are different interpretations and understanding of norms and standards.
- In most cases, norms and standards are set without taking into account costs implications and it becomes difficult to meet.
- When general sectoral norms and standards are set, it becomes difficult to implement them across provinces and municipalities because of different and specific conditions, so norms and standards may work well in some areas and bad on others.

Policy issues emerged from presentations and discussions include the following:

- Lack of understanding costs associated with norms and standards and the actual costing of norms and standards (lack of aligning norms and standards to available resources) open up government to greater liabilities.
- When determining norms and standards affordability and ability to implement such norms and standards need to be taken into account.
- It is important to revise or reduce norms and standards where necessary to a lower level and focus on key ones.
- How much of the disjuncture between socio-economic rights is attributable to lack of accountability

- Sectoral norms result in budget constraints and contingent liabilities
- Norms are incentive for inefficient management

5. Session 4: Social Justice and Sustainable Development in IGFR Systems in sub-Saharan Africa

Three papers were presented in the session. The first paper titled 'Fiscal decentralization and the provision of constitutionally mandated basic services: A review of the South African perspective' pointed out the need to balance progressive provision of Constitutionally Mandated Basic Services (CMBS) against prevailing macro-economic and public finance constraints. It argued that disparities/inequalities between provinces remain high measured by the Gini-coefficient. These disparities can be reduced by three basic interventions, namely increasing economic growth, increasing borrowing and increasing taxes. These three interventions to reduce inequalities and evaluating consequences and implications is analysed in the paper. The second paper was on 'Fiscal decentralization for sustainable and inclusive development in emerging African economies: A comparative study of Ethiopia and Kenya'. *Fiscal decentralization for sustainable and inclusive development in emerging African economies: A comparative study of Ethiopia and Kenya*: Using key central indicators, the paper conclude that decentralization is happening. Technology is advancing around the world and being used to track decentralization and fiscal decentralization. The paper implies that there are no implementation challenges in these two countries and elaborate on revenue generation issues as well as accountability of authorities to household. Lastly, it was presented that formula for distributing resources was developed by consultants and this might present some risks which the paper did not cover. The third paper was on 'Restructuring IGFR in an African Country in transition: The case of Sudan'. Reforms already implemented benefited the system and households were intended to be beneficiaries. The paper looks at the extent of decentralization in Sudan and outlines the extent of expenditure needs and expenditure responsibilities in detail.

The critical policy concerns and questions that arose from session are as follows:

- A key issue that arose is whether fiscal decentralisation fulfils its objective of equal access of constitutionally mandated basic services, regardless of where citizens reside

- It is also important to understand what social indicators such as the Human Development Index (HDI) and/or Millennium Development Goals (MDG) tell us about the impact of fiscal decentralisation
- Would it be better for a Central Agency to collect revenue instead of various agencies?
- How much of an impact does capacity at the local government have on fiscal decentralisation fulfilling its desired role?
- In order to better understand the outcomes of decentralisation would it be helpful to develop taxonomy of decentralisation measures relevant to a developmental context, and how they relate to one another?
- Is fiscal decentralisation in South Africa viewed as a comprehensive system or a once-off piecemeal reform, encompassing only one element of the system (e.g. revenue sharing)?

6. Session 5: Social Justice and Sustainable Development in African IGFR Systems

Fiscal decentralization is identified as a tool to achieve sustainable development in the IGFR system. It allows for an improved delivery of services to the citizens as it makes responsiveness easy to any issues pertaining to service delivery. Expenditure in the agricultural sector is seen as a vehicle to bring stability in the IGR as research has proven that expenditure in the sector has an effect in reducing poverty. Session 5 featured two papers. The first paper addressed the issue of 'fiscal decentralisation grant schemes to address geo-spatial inequality and poverty in rural African Economies' with particular emphasis on Ethiopia. It was indicated that while decentralisation became effective in 1995, less progress has been made since then. The second paper focused on public spending on agriculture and fiscal planning in Eastern Cape. What emerged from the paper was that although Eastern Cape has shown significant progress in spending, it has not reached its target in reducing poverty and therefore there is a need for the province to increase pro poor spending.

The following discussion and comments were made on the paper *Fiscal decentralisation grant schemes to address geo-spatial inequality and poverty in rural African economies: The Ethiopian perspective*

- Accountability is an issue in this system, checks and balances must be put in place
- Horizontal imbalance is highly visible

- There is a need to review the allocation formula for the grant schemes
- Need to test how equitable the equitable share formula is in the system
- The Ethiopian case is not comparable to EC case study

The following discussion and comments were made on the paper *Public spending in Agriculture and poverty reduction linkage analysis for fiscal planning: Case of the Eastern Cape Province*

- Pro poor expenditure must be undertaken by provincial or local government and should not happen at a National level as this delays responsiveness.
- Spending from the fiscus cannot be linked to agriculture output. Agriculture is a commercial enterprise driven by commercial farmers.
- There is no incentive from the peasantry to use agriculture as a form to escape poverty because other social grants cover on what any agricultural activity would have been a self-financing mechanism.
- From a PESTLE analytical view with regards to land claims:
  - land claims will reduce agricultural output
  - some of government's white papers on land restitution and redistribution have further disenfranchised the remaining commercial farmers

7. Session 6: Towards Social Justice in Decentralised IGFR Systems

In most Sub-Saharan countries the adoption of socioeconomic policies to ensure the decentralization of institutions and decisions has in recent years become a major government priority. In multi-level systems of government, the harmonization of intergovernmental relations between public finances institutions, central government and decentralized institutions remains a persuasive obligation. Session 6 was split into a session for guest speeches and two guest papers. In attendance was the Minister of Cooperative Governance and Traditional Affairs, Honourable Pravin Gordhan and the Deputy Minister of Finance, Honourable Mcebisi Jonas.

Minister Gordhan began by re-emphasising the point that South Africa's fiscal system is a product of history, circumstance, political arrangement and an outcome of contestation. He outlined each of these various aspects and how they had evolved over 20 years. He then gave a brief account of the Financial and Fiscal Commission in this context, from the drafting into the Constitution through to present day practice. When discussing the country's intergovernmental fiscal relations system, he lamented that the conception and practice of concurrency over the last 16 years or so has been unnecessarily constrained and limited and needs to be reviewed in the light of experiences to date. Government and stakeholders such as the Financial and Fiscal Commission need to give further thought to the governance of this system. The Minister then went on to outline issues and challenges that confront the fiscal and financial system. The first is to ensure that delivery of essential public services to poorer households does in fact take place. The second challenge arises from the redrawing of boundaries and the significant organisational and transaction costs of delivering public services that go with it. Third is the building of capacity at sub-national levels. Fourth is the challenge of building a proper information system to enable efficient and equitable design and implementation of national revenue allocation on the one hand and prioritisation of public service provision within each of the spheres on the other. Sixth, greater cognisance must be taken of the length between intergovernmental fiscal systems on the one hand and the challenge of economic growth and job creation. Eighth is the inclusivity of this growth and the distribution of benefits and the social wage to citizens. The last two issues revolve around the increase in the tax base. Not enough attention is being given to how to expand and deepen the tax base, particularly in the non-metropolitan areas and the efficiency of spend and the value for money. The Minister stated in his concluding remarks that it was perhaps time to review the equitable share distribution amongst national, provincial and local spheres of government, to ensure that resources are allocated with appropriate supervision and vigilance at the coalface of delivery. A lot needs to change in order to encourage more integrated and collaborative planning, more integrated and collaborative delivery, aligned to more integrated and collaboratively developed budgets and more integrated and collaborative vigilance over money being spent in order to ensure that we have the optimum impact, both in respect of the economy of this country, but most importantly in improving the lives of our citizens. Given the Minister's previous 5 years with the Commission, he believed that these are some of the issues that it should refocus on in in its next 5-10 years and add greater depth and insight to for government to properly orientate their policies and practices.

Deputy Minister Jonas was extremely positive about past cooperation with the Financial and Fiscal Commission, as embodied in research and recommendations tabled over the past twenty years and evolution of evolution of South Africa's intergovernmental fiscal relations. He stressed many important steps in the development of the intergovernmental fiscal system that have taken place, including development of an in-year-monitoring system, introduction of financial management laws and regulations through the Public Finance Management Act and the Municipal Finance Management Act, publication of provincial and municipal budget information and in-year spending reports and more collaborative when undertaking reviews on matters impacting on the provincial and local government fiscal frameworks. A good example is the review of the local government equitable share formula that took place in 2012. This collaboration between multiple stakeholders, which included the Financial and Fiscal Commission and municipalities, largely benefited the review by drawing on the expertise and experience of the widest range of stakeholders and in building a common understanding of our challenges and agreeing on a common response to them. He stressed that it is not all about finances. Effective service delivery, particularly when services are shared, will only be achieved when there is proper coordination of policies, implementation and budgeting across the spheres. The focus should therefore be on building a capable state across the three spheres of government (NDP). The Deputy Minister went on to discuss several reform initiatives underway to improve the financing and financial administration of provinces and municipalities at National Treasury. It is hoped that all these initiatives will contribute towards creating a better functioning state at provincial and local levels that are more capable of delivering on their developmental mandates. In concluding he reflected briefly on the role the Financial and Fiscal Commission has played over the last 20 years and the role it can play in future. While there is much interesting work to be done on many aspects of policy and implementation in this country, it is important, he stressed, that the Financial and Fiscal Commission's research and recommendations are devoted to the changes needed to the intergovernmental fiscal framework to implement the NDP.

The Ministerial presentations were followed by 2 featured two papers. The first paper titled 'An African Perspective for IGFR to Meet Infrastructure Needs for Economic Development' argued that there is a correlation between revenue and economic growth, and this relationship requires further exploration. Metros and emerging cities should drive local economic growth. It is imperative that the supply-chain of municipalities be closely monitored so that economic growth emanating from infrastructural investment can be realised. In order to stimulate local economic growth, there is a need to improve on planning and management at local level. There is a need to deal with political interference, as it has had an impact on the implementation of growth policies.

The discussant and floor discussion were complementary and raised the following issues:

- Provide detailed analysis and discussion of what is so special about infrastructure compared to other forms of infrastructure (social infrastructure).
- The paper should discuss ways to improve coordination and explore whether municipalities are merely implementing agencies of projects and programs decided on at the national level.
- Enrich discussion on differences between municipalities' capacity challenges and how these challenges need problem driven approaches.

The second paper was 'A Case Study Evaluating the Impact of Equalisation Grants in DRC'. The speaker argued that the implementation of the process of democratization and decentralization of IGFR institutions in the Democratic Republic of Congo (DRC) is an essential step in setting up fiscal decentralization financing instruments for the equitable sharing of nationally collected revenues. The equalization fund was established as a key policy instrument to equitably disburse 10% of nationally collected revenues to provinces. The following points came from the discussant:

- Provide statistics on spending by the level of government.
- Provides discussion on the funding of local government operation.
- Make some conclusions/recommendations whether the DRC should continue with the implementation of decentralization or not.
- What institutional, organisational and funding arrangements need to be in place in order for equalisation grants and IGFR to achieve its purpose in the DRC?
- Can decentralisation be achieved in DRC given its history? Is there political buy-in /credible leadership?

Policy issues that emerged from presentations and discussions include the following:

- Public participation should be at the centre of multi-level governance because without it, bringing the government to the people will be an exercise in futility.
- How does the FFC ensure the developmental agenda of the NDP and economic growth is achieved through the IGFR system?
- Will South Africa's intergovernmental fiscal relations (IGFR) institutional arrangements and fiscal decentralization policies meet the challenges of the developmental state in addressing poverty, inequality and unemployment?

- Can experience from other countries, especially on successes, be assimilated in the South African context?

8. Session 7: The Way Forward for the IGFR Systems

Chaired by Honourable CJ de Beer, Session 7 consisted of two panels. The first panel addressed some of the key issues and concepts that are of general relevance with respect to intergovernmental fiscal relations. Based on the experiences of a number of countries it seek to derive some basic principles and considerations that should be taken into account when restructuring governmental functions and finances in a country with multi-level governments. This second panel considered the implementation of public policy from a rights perspective, and relates to the broad application of justiciable rights, including civil and political rights, social and economic rights, and a *right to development*. Such a rights based agenda poses significant challenges for the state as a whole to respect, protect and fulfil rights, and specifically for organs of state tasked with implementing public policy related to human rights. The speakers' made submissions and presentations on these issues that have direct bearing on the function of the intergovernmental fiscal system. Among other things, the round table discussions brought to bear country experiences on the above issues and chart a way forward.

There was a brief review of the section 100 intervention in Limpopo and how effective it has been. The report indicated that the province was in dire fiscal stress with a reported budget deficit of over R2 billion. However, the cash position of the province has since improved since intervention by the national government. The main point coming out of the discussion was the failure of accountability at the provincial level, lack of objective criteria for instituting interventions and emphasis on spending efficiency and planning. One of the speakers noted that accountability systems cannot function properly without information on performance and explicit linkages between planning instruments and policy.

Other panellists emphasised the need for devolution of functions (transport) to local government and metropolitan municipalities in particular. However the concern was that capacity problems within municipalities inhibit further decentralisation. Some speakers did not see capacity as a problem because it is borrowed or imported. What was seen as essential to make decentralisation work is political commitment and accountability. Furthermore, uniform property tax rate by municipalities were seen by other speakers, as promoting urban sprawl.

With respect to the transfer systems and conditional grants, speakers noted that the former should not be used to correct for failures in growth and employment policies while the latter was seen as micro managing and undermining general ethos of decentralised system of government. Speakers remarked that subnational governments must be given discretion to deliver services and national government must improve incentives and institutional arrangements to support delivery. A participant from the floor proposed the idea of setting up an IGFR Working Group that would regularly meet over the next five years to discuss IGFR issues.

9. Themes Emerging From 20th Anniversary Conference – IGFR Research Agenda

Intergovernmental fiscal relations, with their implications for tax policy, revenue-subsidy effects, as well as state coercion, are ultimately a political process, or at best are tinged with politics. They imply complex layers of principal-agent relationships of the type well described in the literature, with a high risk of interference by the "principal" and capture of the process by local elites. The political economy of fiscal decentralization leading to desirable intergovernmental fiscal relations can fashion itself in different ways and take a variety of forms depending on the country's level of development, as well as its history. In many developing countries, and thus by definition resource constrained, reforms of intergovernmental relation or fiscal decentralization can be conceived of as a process which rewards substantiality i.e. innovation of the reforms but also the speed with which they are undertaken. Since the process is heavily political as argued above, there are trade-offs.

Decentralization, both administrative and fiscal, has in recent years been seen not only as a solution to the intractable bureaucratic hurdles at the centre but also as a real boost to local self-determination and hence development. Above all, decentralization would help foster local ownership of development programmes. The key questions are whether decentralization improves service delivery at the local or sub-national level, and offers modes of financing, which do not erode institutional capacities and self-determination at the local level. In practice, decentralization and associated processes have tended to be much more complex than initially hoped. At the centre of the debate is the tension between the politics of affection, as enshrined in some African constitutions, notably South Africa and the recent one in Kenya, and the issues of affordability or efficiency. Moreover, the attractive assumption that needs and aspirations at the local levels are homogeneous and therefore relatively easy to address is largely illusory. In many localities the political structures are still informed by those at the centre, and reflect on the distribution of power and influence. However, local bureaucrats have little incentive to stick to guidance from the centre with respect to national norms or standards. On the other hand, local elites, including landowners and local traders and middlemen, some well-connected with politicians at the centre, tend to take over the development agenda, not least through the marketing of local produce or provision of other services—thereby contradicting the benefits of decentralization.

But perhaps the most challenging aspects of fiscal decentralization is how to ensure that the local entities are well funded, through own local taxes and transfers from the centre. The problems are threefold. First, the institutional frameworks and legislation are fairly imprecise. Under political pressure, decentralization and related fiscal reforms are often done rather quickly and implemented over a very short period of time. Fiscal solutions are mostly of the cookie-cutter variety with little attempt at tailoring the approach to suit local needs.

In many African countries the principle of supporting the poorer regions or provinces through grants or special projects is generally well-supported and has traditional roots going back to the colonial period. For example, in many countries colonial governments provided subsidies to regional administrations to help them top up the wages of doctors or secondary school teachers as a means of attracting them from the centre. Currently owing to poor data and in certain instances political interference in collecting data during national censuses, there is little agreement on how to determine the levels of regional poverty and related needs among regions.

However, in spite of "far-reaching" decentralization efforts in Africa, governments namely the centre continue to have a stranglehold on local affairs. In fact, given the meagre sources of local financing, grants from the central government are often the only revenue available. Regions that have little access to revenue are also the poorest in terms of access to modern services. Such local governments are obviously beholden to the centre.

Alongside decentralization, African countries have in the recent past experienced an urbanization boom, with urban areas expanding, attracting rural migrants, and businesses, including in the informal sector, while the rural sector stagnates, and goes into a rural slumber. Clearly the intergovernmental fiscal relations policies to deal with the situation will require much finesse. Questions will include whether to expand urban infrastructure, and improve on the chaotic supply of services or to improve rural services, via fiscal and other support, to counteract the traditional imbalance.

While intergovernmental fiscal systems are a product of context-specific domestic political and economic realities, increasingly they are subjected, and have to respond to, global economic, geo-political and environmental dynamics as well an astounding rapid rate of technological advance (especially in relation to information technology). In older decentralised systems, intergovernmental arrangements may not have kept pace with the rapid pace of these changes, failing to exploit emerging opportunities and mitigate the risks of looming threats to growth, competitiveness and quality of life. Nascent intergovernmental institutions in developing and emerging economies have to deal with these new complexities, as well as the more traditional challenges of service delivery, democratic governance, job creation, economic growth and development.

The papers and guest presentations raise a number of future-oriented insights, including that globalisation supported by the IT revolution could eliminate the economic role of intermediate tiers of government such as provinces/state or regions but at the same time enhancing their political role. But in many new intergovernmental systems, especially in new democracies and countries emerging from conflict, these intermediate tiers may play a crucial political peace building role. It is the interplay of political values, economic realities, social and technological trends which will ultimately determine the future evolution of any intergovernmental system. Nevertheless, with increased urbanisation, it is clear that cities will become increasingly influential in shaping local economic growth, development as well as political governance.

Thus, a number of related themes emerged from discussions, and would form the basis of the next generation of IGFR research. These are all different dimensions of a larger meta-question: how should the future evolution of the IGFR system give expression to national development (see Ministerial discussions)? In the last two decades, Africa has experienced high economic growth, but evidence suggests that the growth has not been sufficiently inclusive. In many instances, both poverty and inequality have actually increased amidst the impressive growth numbers. One vehicle that can be used to foster inclusive growth is a well-crafted intergovernmental fiscal relations system. The question then is: how can governments design "pro-poor" IGFR system in order to influence – directly or indirectly – the growth and development trajectory? The rest of this section addresses some of the key issues and concepts that are of general relevance with respect to intergovernmental fiscal relations based on discussions at the conference. Among other things, the discussions will seek to bring out elements of a future research agenda on the above issues and chart a way forward.

9.1 African Perspectives on IGFR and National Development

Decentralization, fiscal decentralization and the tensions inherent in intergovernmental fiscal relations are not new concepts in Africa, although they have received fresh policy impetus in recent years. In the 1960s, decentralization seemed to fit rather well with the emphasis on political self-determination that was pursued at the time and the rural sympathies of the new rulers. Indeed fiscal federalism as an approach was well imbedded in the initial policy thinking as indicated by the national development plans of African countries from the post-independence decades—although resource constraints made these schemes very difficult to implement. The paper suggests that progress will require much innovation at the centre and the local level, especially strengthening institutions and raising local capacities. However, it also suggests that care should be taken to ensure that bureaucratic imperatives do not tramp the needs of the population.

While decentralization has been in the air in Africa for the past several decades, Africa lags far behind other regions especially the Eastern Europe and the East Asia in shifting decision making closer to people. Broad contours of this decentralization in Africa have been: (a) political decentralization at the local level; (b) limited degree of expenditure decentralization but local governments given straight jacket mandates; (c) even more restrained tax decentralization; and (d) modest administrative decentralization. Overall local government responsibilities and autonomy and their accountability to local residents in Africa remains highly constrained. There has been not been much progress on tax decentralization. Instead decentralization reforms have focused on grant finance as a means to dividing the fiscal pie through formula based revenue sharing using multiple factors that work at cross purposes. These are one size fits all transfers that apply the same formula to all local jurisdictions – large, small, urban, rural, small cities, rural towns, villages and metropolitan areas – in the process introducing inequity and injustice for all. These so-called "manna from heaven transfers" also diminish local accountability for performance in service delivery to own residents. Citizens see these grants as passing money from one government to another and seeing it vanish in thin air. Conditional transfers are intrusive and focused on input conditionality rather than accountability for results. Formula based capital grants follow a Christmas tree approach where all jurisdictions receive small amount of funds insufficient to deal with serious infrastructure deficiencies. What is needed is a focus away from dividing the fiscal pie to creating an enabling environment that provides the right incentives for fair, accountable incorruptible and responsive governance. Broad features of such a framework are:

- First local governments must be empowered to play a more expansive and unbridled role in local economic development to improve economic and social outcomes of their residents. The Chinese experience suggests that such empowerment also contributes to people empowerment and to greater international competitiveness. This should be accompanied to local finance reforms as discussed below.
- Property oriented services should be self-financed at the local level and people oriented redistributive services should primarily be financed by higher order governments. Businesses should be taxed to finance services to business and not be taxed to provide people-oriented welfare services or to finance residential services and vice versa. This means one should look for further opportunities for self -finance at the local level especially tax base sharing (piggy backing by levying supplementary tax rates on national tax bases and having the national tax administration collect these taxes for return by origin), environmental taxation(congestion tolls, carbon content taxes, pollution taxes and affluent charges) and land taxation reform options. The current system of property taxation discourages development of compact cities and encourages land grab of fertile agricultural land as uniform rate of taxation is applied to land and improvements across the urban area. Instead a property tax regime that taxes land more heavily at the periphery than at the centre and that taxes land more heavily than structures and improvements would create incentives for compact high rise urban development resulting in lower transportation and commuting costs.
- For grant finance one needs to explore results based finance options i.e. output based operating transfers to set national minimum standards. These grants would be distributed using a simple criterion of service population e.g. for schooling, school age population and distributed to all providers based upon student enrolments. No

conditions should be imposed on spending or program design but have conditions on maintaining or improving service standards from baseline benchmarks for each provider.

- One also needs to complement the output based operating grants by capital grants to fiscally disadvantaged local governments based upon a national planning view of infrastructure deficiencies corresponding to national minimum standards– not formula based grants.
- Fiscal capacity equalization would serve as a residual program to ensure comparable levels of public services at comparable burdens of taxation.
- Finally, one needs to allow responsible (regulated) access to capital market finance to credit worthy local governments to facilitate upgrading of infrastructure.

This is an ambitious and difficult reform agenda that faces important political and special interest hurdles but we owe it millions of disempowered citizens to keep trying.

9.2 Progressive Realisation of Constitutionally Mandated Basic Services and Costed Norms Approach

Over the duration of the conference, there was quite a bit of discussion about *costed norms.* This section summarises views on costed norms and suggests a future research agenda for the FFC that might move us closer to implementing changes in the Equitable Share formulas; changes that reflect the costed norms approach to measuring the expenditure needs of provincial and local governments. Implementation of formula reforms based on the costed norms is a central element in developing a system of accountability for provincial and local governments.

The starting point for the development of costed norms is the South African constitution. The Bill of Rights specifies that all South Africans have a right to receive a set of *basic services* (CMBS). For purposes of illustration, focus is on two basic services: basic education and basic (primary) health care, both of which are functions assigned to provincial governments.

The implication of the Bill of Rights is that each provincial government should have access to enough fiscal resources to finance basic health care and basic education for its citizens. Ignoring other provincial government responsibilities, this means that each province's equitable share allocation should be defined as the amount of money needed to provide these basic services minus any amount provinces can be expected to raise from their own fiscal resources.

The obvious question is, how we determine the amount of money each province needs to provide these basic services. The first step is to start with a quite specific definition of each basic service. What is required here is not a general statement, but very specific output or outcome standards. For education, this may involve x percent of all students being able to read at a third grade level by age 9, a certain set of mathematics skills by age 12, a specified matric pass rate, etc. Also a similar set of health outcome measures would need to be articulated.

The next step is to *cost out* these outcome (basic services) standards. This means we want to determine the minimum amount of money needed to achieve these standards. The process involves an explicit consideration of the efficiency of service delivery. It means that these minimum costs should reflect a set of factors (environmental, economic, social, and demographic) that are out of the control of provincial and local government officials. In effect costs are not the same thing as spending.

A lot can be said about costing methodology. Here it suffices to just say that there are both statistical approaches, case study and expert judgment approaches that have been used in other countries. The most important *pre-condition* for conducting these studies, however, is the existence of data on student educational outcomes (or health outcomes), and functional expenditure data. If these data are not available, FFC must make as strong a case as possible for the Government to begin collecting these data. In conclusion, it's worthwhile emphasizing two points for a future research agenda:

- First, determining the precise definition of basic education and basic health care needs to be an iterative process. If the process of costing out the initial definition of, say, basic education, yields a rand amount that is clearly unaffordable given national resource availability, the educational standard will need to be scaled back to a level that is affordable. Over time, as fiscal resources grow, the basic education standards can be increased, i.e. progressively realizing "basic education".
- Second, local schools, school districts, and provinces should be held accountable if they do not provide basic education (as defined by the appropriate outcome norms and standards). In the current environment, accountability standards are hard to implement because provinces can always argue that they don't have adequate resources to meet any given basic education standard. If the *costed norms* approach is used to define

equitable share allocations, then provinces can no longer use the excuse that they lack adequate resources.

9.3 Socio-economic Rights and the IGFR System

One of the tensions in the South African IGFR system is the interplay between justiciable socio-economic rights to health, education etc. and the constitutional assignment of overlapping concurrent functions in which policy (including national norms and standards) are set within the national sphere, but implementation and budgeting takes place largely at provincial and local level. The South African constitution's emphasis on justiciable socio-economic rights is unique and there is very little comparative international experience on how this can be managed in a fiscal environment where expenditure responsibilities are decentralised.

In order to assess whether intergovernmental allocations are commensurate with service delivery mandates, explicit norms and standards are required which can be costed. From the discussion it has emerged that there is a lack of common understanding about what norms and standards are. In some cases these norms and standards do not exist, and it becomes difficult for national government to hold provincial governments and municipalities accountable for how they allocate their resources to achieve progressive realisation of socio-economic rights, and to monitor their delivery. In other cases, norms and standards have proliferated on a sectoral basis, often not clearly enough specified to be costed and hence often unaffordable. Instead of a limited number of well-defined *minimum* norms, national sector departments have often generated too many detailed norms.

Unaffordable norms and standards means that pro-poor policy objectives are undermined and inequalities are in fact entrenched as de-facto rationing (namely, long clinic waiting times) or poor quality services and infrastructure are delivered. This tends to harm the most vulnerable e.g. rural poor, children, women and the disabled) Instead of prioritising and making hard trade-off, policies and plans maintain the fiction that an unrealistically high level of service will be produced, which are frequently not supported by budget allocations or the requisite implementation capacity.

Articulating trade-offs and affordable norms and standards which promote progressive realisation require some sort of social compact, as outlined in the National Development Plan. This clearly lies in the realm of political management not technical IGR reform. Yet South

African society has been singularly unable to forge such a consensus, whether it be in relation to level of service, or in labour market policy, land reform, mining, education etc., While the NDP recognises the need for a compact which would sub-ordinate short term interests to longer term goals through mutual accommodation, it provides very little insight as to *how* this can be done. Indeed, COSATU's vehement opposition to the National Development Plan illustrates the inability to forge consensus even within the tripartite alliance, much less broader civil society. This poses a very real risk to the NDP credibility and could result in a series of deadlocks and compromises which do little more than tinker around the edges of the status quo. These are fundamental governance issues without which technical administrative reforms are unlikely to yield anticipated results.

When court orders are serially ignored by the executive which often fails to implement its own policies, this raises concerns about a potential constitutional crisis. The courts have made clear that merely asserting that budget constraints exist is not a sufficient justification for denying rights, especially when these contingencies could have been foreseen and planned and budgeted for. The courts have also indicated that in assessing the resource envelope, *all* the resources of the state should be considered and not just the budget allocation of a given organ of state. This has implications not only for the fiscal framework and the vertical division of revenue, but also for tax policy itself.

There are several areas for further research:

1. Is the IGFR system compatible with a rights based approach? If not, what would a rights based intergovernmental budget system which recognises budget constraints look like?
2. In relation to the separation of powers, what should be the role of the courts vis-a-vis Parliament and the legislatures in enforcing socio-economic rights?
3. How planning, budgeting, implementation and monitoring and evaluation within the executive be re-oriented to a rights based approach?
4. How can Parliament's implementation of the Money Bills Amendment and Related Matters Act give expression to its oversight role of funding for progressive rights realisation as well as rights-based planning, programme management and monitoring and evaluation?
5. Typically, the South African courts have tended to enforce existing rights. However, in some instances they have created new rights. How does the budget system accommodate this?

6. When South Africa becomes signatory to international treaties and conventions on progressive realisation, how does this impact on the budget system and the aggregate budget constraints?

9.4 'Hour Glass' Phenomenon – Prolonged Policy Uncertainty and 'hollowing out' of Provinces

In 2007 the then Department of Provincial and Local Government (now Department of Cooperative Government) announced a review of the role of provinces and the two tier local government system (e.g. the role of district municipalities. Several options including reducing the number of provinces and eliminating district municipalities were mooted. To date, there has been no closure on these issues, creating massive uncertainty. Without clarity and stability of the functional framework, it's not possible to craft a sustainable long term fiscal framework for provincial and local government.

In this policy vacuum, a number of ad hoc sector decisions have been taken which have cumulative impact on the provincial governments, without an explicit policy decision on the role of provinces within the intergovernmental system. So for instance social security and administration of Further Education and Training colleges have been taken up to national level, and the introduction of a National Health Insurance may also mean that certain health functions may be centralized at the national sphere. Simultaneously, housing and public transport functions are being shifted to the local sphere. Through these uncoordinated incremental sectoral decisions, provincial governments are being reduced to little more than glorified education providers. If the intention is to eliminate the provincial sphere, then this should be by explicit policy decision, rather than by gradual attenuation.

A number of research areas can be identified:

1. What should be the role of provincial government?
2. If provincial governments are to be retained, should their number be reduced from the nine at present?
3. Should district municipalities continue to exist?

9.5 Revenue Decentralisation and Accountability at the Margin

Provinces have significant expenditure responsibilities but negligible own revenue sources and are, hence, heavily dependent on intergovernmental grants. An argument has been made by the Financial and Fiscal Commission, among others, that increasing provincial tax powers would strengthen accountability at the margin.

There is a procedural vehicle for provincial governments to propose new taxes: the Provincial Tax Process Regulation Act of 2001. A province may, in terms of this Act, propose any tax not strictly prohibited by the Constitution. Section 228 of the Constitution permits provincial taxes, levies and duties other than an income tax, a value added tax, general sales tax, rates on property or customs duties. It also authorises provinces to impose a flat-rate surcharge on the tax bases of any tax levy or duty imposed by national legislation other than the tax bases of corporate income tax, value added tax, rates on property or customs duties.

The most fiscally buoyant constitutionally compliant revenue source for provincial governments would be provincial surcharges on personal income tax and/or surcharges on the fuel levy. The constitutional requirement, however, that any surcharge be on the tax base of a national tax has been interpreted to mean that a province cannot impose a surcharge as a percentage of the national tax liability due (i.e. a surtax). Rather, the province must design its surcharge as a tax on the underlying income or activity that occurs within its borders. Thus, a province cannot automatically ''piggyback'' on a national tax.

A number of objections to a surcharge on personal income tax were raised by National Treasury, both in relation to policy and tax administration, For instance, it was contended that the narrowness of the personal income tax base would lessen its attractiveness as a provincial-level tax, where taxes with a wider revenue base that reflect a large cross-section of the population are more desirable. Furthermore at that stage there were concerns that such a surcharge may hinder Government's equity and redistribution goals as well as foreclose or complicate other tax reform efforts.

The Katz Commission report on provincial taxation also expressed a number of reservations about a provincial income tax surcharge. As noted earlier, Section 228(1) (b) of the constitution specifies that any provincial surcharge must be levied at a flat rate on the base of a national tax.

In other words, the surcharge must be levied as a percentage of taxable income or activity within the province, not as an additional rate on each taxpayer's national tax liability. The complexity of this requirement, given that a rebate system is used in South Africa, means that personal income tax surcharge will not be easy to implement. For instance, a provincial surcharge, which must be imposed at a flat rate for all income classes, may require provisions for low-income protection (exemptions, tax thresholds, credits, etc.) to ensure it does not fall unreasonably on the poor. In addition, under the PAYE system, the residence of taxpayers is not required information. A major problem is lack of data on a taxpayer's province of residence, which is required to properly attribute income for provincial tax purposes. The Katz Commission also warned that other developing countries have encountered significant difficulties in attempting to apply regional or local surcharges on national income taxes, due to the burden on tax administration. According to the Katz Commission against a surcharge on the personal income tax at that stage.

In contrast, the Katz Commission found that a fuel levy surcharge would be more administratively feasible than for personal income tax, a view shared by the National Treasury. Administering a provincial fuel surcharge would, however, add to the complexity of the current system and require significant cooperation by the oil industry. The analysis also notes that provincial surcharges on fuel could have a significant impact on the national economy, given the key function of fuel as a factor in production and its importance for many different economic sectors. The surcharge on the fuel levy was perceived as having more potential as a viable option in future, but issues about consistency with national economic policy and administrative capacity would need to be addressed. In further exploring new tax sources for provincial governments, the key issue is whether there have been any changes to these binding constraints.

In contrast to provincial governments, Section 229 of the constitution confers on municipalities substantial tax powers including property rates, user charges and other taxes, levies and duties, if authorised by national legislation Various pieces of legislation support Section 229 of the Constitution in the regulation of municipal own revenues:

- The Municipal Property Rates Act (MPRA) of 2004 regulates local government's ability to impose property rates

- The Electricity Act, 1987 and the National Water Act, 1998 govern service charges and tariffs specific to the sector
- The Municipal Fiscal Powers and Functions Act (MFPFA) of 2007regulates all municipal taxes (excluding property rates), including a municipality's ability to apply a surcharge on a tariff and the various "smaller" taxes. Importantly, Section 5 of the Act allows for a municipality, a group of municipalities or organised local government to apply for a new tax.

In practice, however, there is wide variation in the ability of municipalities to generate own revenues. These huge variances in own revenue capacity across municipalities are conditioned by highly skewed and concentrated geographic location of economic activity, main in urban areas. Metropolitan municipalities are largely self-sufficient in terms of own revenues. By contrast, many other municipalities (especially rural and district municipalities) are highly dependent on intergovernmental grants received from the nation government. In term of section 214 of the constitution, the local government sphere is entitled to an "equitable share" of revenues collected nationally by SARS.

Low own revenues per capita are associated with municipalities with low gross value added (GVA) per capita (a proxy measure for economic activity), high proportions of unemployed people, and a large share of poor households. Assigning new tax instruments, therefore, would not necessarily benefit all municipalities, given the underlying spatial skewness in the distribution of the economic and tax base.

Of concern is not only that fiscal capacity varies substantially across various municipalities, but also that fiscal capacity appears to have declines over time. In 2004/5, aggregate municipal own revenues amounted to 90% of aggregate expenditure. In 2014, this has declined to about 75% of aggregate municipal expenditure. One of the main drivers behind the decline in the municipalities' own revenue capacity and the concomitant increase in grant dependence was the abolition of the Regional Service Council (RSC) levy in 2006/7 because of several legal, economic and administrative shortcomings. Levied by district municipalities and metros on local business turnover and payroll, the RSC levy had constituted a significant own revenue source for local government, accounting for approximately 8% of total municipal operating revenues. To compensate municipalities for this loss of revenue, national government introduced an RSC levy replacement grant as an interim measure until a suitable replacement for the former tax was identified and implemented. The RSC levies replacement grant was allocated to all district municipalities and metros based on the amounts they had previously collected through the levies and was incorporated into the equitable share grant.

In 2009/10 the sharing of the general fuel level (a national tax) was implemented as the official replacement for the RSC levies for metros (along with the VAT zero rating of municipal property rates). Metros were entitled to an approximate 23% share of the revenues from the general fuel levy (equivalent to the RSC levy replacement grant), shared proportionally among the metros according to total fuel sales within their respective jurisdictions. The sharing of the general fuel levy is a direct charge on the National Revenue Account and is formalised annually through the Taxation Laws Amendment Act.

To date, an appropriate own revenue instrument to replace the RSC levy has not yet been found for district municipalities. One of the reasons is that in 2005 the Department of Cooperative Government (then known as the Department of Provincial and Local Government) announced that the roles and responsibilities of municipalities and provincial governments would be reviewed. This process has yet been concluded and the roles and responsibilities of district municipalities have to be finalised before the identification of a suitable revenue instrument.

The rationale for a local business tax is not only revenue adequacy, but also that local business taxes for which municipalities set tax rates and, less commonly base, forge a closer link between the raising of local revenues and their spending. This encourages accountability at the margin, whereas intergovernmental grants vitiate this link. At the end of 2011, EThekwini municipality submitted an application for a new local business tax (LBT) to the Minister of Finance in terms of the Municipal Fiscal Powers and Functions Act. In terms of the proposal, the LBT for economic infrastructure and services would be introduced for South Africa's metropolitan governments, the proceeds of which are to be used exclusively for economic infrastructure and services. Although the Financial and Fiscal Commission had in principle recommended to the Minister of Finance that the LBT be approved, the application has to date not yet been approved by the Minister of Finance (Financial and Fiscal Commission, 2012).

Topical research questions include:

1. Should provincial governments be given greater own revenue powers and if so, which tax handles?
2. Even if further revenue powers were devolved, would they
3. Given increased urbanization, concentrations of poverty and the need to rehabilitate ageing infrastructure in the cities, should they be given greater revenue generation powers?

9.6 Centralised Wage Bargaining and Decentralised Expenditures

While provincial government has considerable expenditure responsibilities, there are also rigidities in provincial budgets. Personnel expenditure comprises the lion's share of provincial budgets, yet wages and other conditions of service are determined through bargaining at the national level. This means that provincial government essentially has control over their personnel budgets only through controlling headcount, the rate of promotion and the extent of use of temporary personnel. The stringent labour laws also impact the ability of provincial government to hire and fire personnel, especially given strong public sector trade unions. Since 1994, personnel expenditure has burgeoned. Overspending in provincial governments tends to be driven by personnel spending pressures, which crowd out complementary inputs such as medicines or text books, severely compromising access to and quality of health, education and other services. These problems are compounded by the lack of provincial own revenue sources, as described above. Personnel spending pressures coincide with considerable vacancies, especially for professional technical and managerial staff (e.g. doctors, mathematics teachers etc.).

Wage bargaining for municipalities takes place within the local sphere under the auspices of SALGA, the South African Local Government Association. Here shortages of scarce skills such as engineers, supply chain management specialists etc. are even more acute, and bloated establishments place pressure on personnel budgets, especially in poor, grant dependent municipalities. Yet the 1996 Constitution envisaged a single civil service consisting of all three spheres of government, with centralised wage bargaining and conditions of services. In 2008, a Public Management Bill was introduced in the National Assembly, subsequently withdrawn from Parliament and re-tabled in 2013. There are concerns that any diminution of a municipality's ability to appoint its own staff would infringe on the integrity of the local sphere and undermine accountability of officials to local residence in favour of the central government allegiances.

Future research questions include:

1. How can the tension between centralised personnel expenditure and decentralized budgeting be reconciled within the provincial sphere?
2. What would be the fiscal impact of a single public service on local government and the IGR system in general?
3. What should be the optimal mix of skills within a large provincial department such as health or education, and where should those skills be located (e.g. finance and administrative support personnel sitting in head office as opposed to districts or delivery institutions)?
4. How can productivity in subnational governments be increased?

9.7 Equity, Growth and Developmental Impact

Revenue sharing has tended to focus more on allocation formulae rather than policy outcomes. But intergovernmental grants to subnational government often does not result in effective spending (e.g. in relation to infrastructure), much less service delivery outputs and outcomes. Furthermore, South African revenue sharing has tended to focus on sharing the resource envelope "cake" equitable, rather than growing the "cake" itself. In the prolonged economic downturn precipitated by the 2008 global economic crisis, the need for increased fiscal consolidation over the medium term puts these issues in sharp focus.

Research questions include:

1. How can the IGFR system support future economic growth?
2. How can intergovernmental grants to subnational government yield greater value-for-money and developmental impact?
3. In periods of fiscal consolidation increased increases in which revenue sources and decreased in which expenditure items are least growth compromising?
4. How can the IGR system create incentives not only for increased accessed to basic services, but for increased quality, innovation in delivery modalities and accountability to systems?
5. To what extent is the IGR system currently biased against rural areas or urban areas?

9.8 IGFR as Compensation for Other Dysfunctional Policies?

In the South African context, there has been a lot of recent changes to the intergovernmental assignment of powers and functions across the three spheres of government, redemarcation of municipal boundaries, centralisation of powers and functions within the national sphere, all in the name of improved service delivery. But it is not clear that merely shifting the organisational location of a function automatically enhances the underlying delivery of services. In fact there is some evidence to suggest the contrary. Furthermore, if IGR were the major stumbling block to better access and quality to services, then deconcentrated national departments such as the Department of Justice or the South African Police Services should perform appreciably better than their concurrent function departments such as health or education, where responsibility is shared between national and/or local government. This is patently not the case.

The NDP provides an insightful diagnostic into factors underlying service delivery failures: lack of accountability and consequences for non-performance and outright corruption, instability in the political-administrative interface that disrupts institutional continuity and undermines the professionalisation of civil servants, lack of capacity, dysfunctional management systems, limited data, poor oversight by the relevant institutions (national departments, Parliament and the provincial legislatures etc.). Dialogue within the conference highlighted the need for other public management reforms to support the IGR system e.g. policy and spatial planning systems, costing systems, human resource management and monitoring and evaluation systems.

In some cases changes to the intergovernmental system can indeed enhance coordination and efficiency. But in most others, proposed reforms serve little more than symbolic, political "signalling" devices designed to create the impression that decisive action is being taken. In reality, they often are little more than displacement activities which distract from solving the more intractable underlying issues. As the adage goes, when all you have is a hammer, everything is a nail. By all accounts, the design of the IGFR system is fairly sound. The temptation of proposing ongoing IGR reforms simply because they are relatively politically easy to implement, rather than the facing more difficult political management challenges such as the unfinished business relating to social compacts, should be resisted. The uncertainty, benefits, risks and costs occasioned by various proposals should be carefully weighed up.

Ultimately the evolution of the South African IGFR will be shaped, in large part, by changes in political dynamics. Experience in other countries have shown that when a regional parties become more prominent after a period of a single dominant governing party, then formal IGFR systems increasingly become the terrain of conflict. Similar, the rise of metropolitan municipalities driven by smaller opposition parties could create a more contestable governance regime which could foster increased accountability to local residents. The intergovernmental fiscal system will have to be sensitive to these broader political and social developments.

10. Annex 1 – Conference Financial Report

The conference was coordinated successfully with both financial and non-financial resources. A generous grant was received from Government to carry out conference activities that is gratefully acknowledged. This appendix provides details on the financial and administration aspects instituted to deliver the conference. It also provides how the procurement aspects of the conference were managed in terms of compliance.

10.1 Revenue

The Commission received an amount of R R5, 800, 000 from the National Treasury. The Commission contributed R365, 827. The overall budget for the conference amounted to R5, 800,000.

10.2 Expenditure

A deposit of R261, 630 was paid in advance to secure the venue. The balance of the amount was paid during the period of the conference. The other logistics of the conference including travelling, accommodation and gala dinner were arranged by an appointed service provider. Additional costs were incurred for media before the conference which amounted to R96, 706.

An open tender process was followed to ensure fairness and that there is competition. All service providers were given an equal opportunities to render the services. An estimated pre-bid amount was R4, 950,816.00 based on background research and consultation. An offer was made to In Touch Management at an amount of R 3,904, 480. The service provider which was provided with the scope work under which to render the services which were:

- Overseeing the flight and accommodation of delegates and attendees
- Venue Booking
- Venue Setup (including audio-visual, stage, set design and lighting)
- Security arrangements for the VIPs
- Creative Design of Brochures, booklets and Gala dinner menu)
- Event video recording and Onsite Visual Mixing
- Other adhoc request that are critically for the success of the conference
- Budget Control and Oversight
- Report back to the steering Committee on the progress of the preparation

In Touch Consulting was given 1 month to prepare for the 3 day conference. The Commission had to ensure there is enough budget to execute the event and that funding is available in advance before any commitment. The event coordination and logistics were pre-approved by the Commission event committee that was setup to work alongside with In Touch Consulting.

Staff members of the support services within the Commission were tasked to work hand in hand with the service provider to ensure that arrangements were handled appropriately. In addition staff members conducted an inspection *in loco* of the venue and engaged with venue personnel with regard to the Commission's requirements including the apportionment of the venue, meals and refreshments, investigating the availability of electronic registration facilities, conference questions by text facilities, and exhibition space for the Commission and other interested parties. The said persons were also responsible for assisting and guiding the service provider in securing (where applicable) suitable accommodation within the cost containment measures applicable to the public sector institutions.

Conference Packs

Ideally, conference packs were supposed to be delivered at least a month prior to the Conference taking place. Delays arose due to the uncertainty at that stage on whether the Commission would receive sponsorship and exactly what the sponsorship would exclude. Tentative undertakings were made and eventually conference packs containing carry bags and folders were delivered a week prior to the conference. In Touch supplied pens and memory sticks.

Donation

The only donation received in kind was from Nedbank for the conference packs. The Commission had approached other institutions for funding but that did not materialise.

10.3 Financial Analysis

Revenue	Budgeted	Actual	
Funder	Budget	Revenue	Variance
National Treasury	4 950 816	5 800 000	-849 184
FFC	849 184	365 827	483 357
Total	5 800 000	6 165 827	-365 827

Expenses	Budgeted	Actual	
Item	Budget	Expenditure	Variance
Travel and Accommodation	108 714	377 218	-268 504
Honorarium and Per Diem	546 359	491 851	54 508
Venue	536 049	261 630	274 419
Project Coordinator	154 398	52 022	102 376
Publication	550 000		550 000
FFC Paper	-	218 460	-218 460
Travel and Accommodation	900 000	1 115 602	-215 602
Media	72 800	305 000	-232 200
Programme Design and Printing	156 000	96 706	59 294
Conference Costs	2 775 680	3 028 878	-253 198
Total	5 800 000	5 947 367	-147 367

Surplus		218 460	

11. Annex 2 – Conference Agenda

Monday August11, 2014

0830 - 0900: REGISTRATION

0900 -1120: OPENING SESSION

Programme Director: Dr. Sibongile Muthwa, FFC and Nelson Mandela Metropolitan University

Welcome to City of Cape Town: Mr I.D. Neilson, Executive Deputy Mayor of City of Cape Town

Welcome Address: Hon. Lechesa Tsenoli, Deputy Speaker, National Assembly

Introduction: FFC and IGFR System: Mr. Bongani Khumalo, Acting Chairperson/CE, FFC

11:00 -11.20: Tea/Coffee

1120 - 1300: SESSION TWO

Chair: Hon. Lechesa Tsenoli, Deputy Speaker, National Assembly

Key Note Address, Prof Anwar Shah

A 20 - Year Review of the Financial and Fiscal Commission (FFC), Prof. Jaap De Visser, Director of the Community Law Centre (University of the Western Cape, Cape Town)

*Discussant***:** Mr. Joel Joel Netshitenzhe, Executive Director and Board Vice-Chairperson of the Mapungubwe Institute for Strategic Reflection (MISTRA).

The Financial and Fiscal Commission: Two Decades of Evolution, Ms Tania Ajam, Commissioner, Financial and Fiscal Commission (FFC)

Discussant: Dr. RenosiMokate, Executive Director, UNISA SBL.

Open Discussion

1300-1400 Lunch

1400 - 1630: SESSION THREE

Chair: Hon. Paul Mashatile, Chairperson of Standing Committee on Appropriations

*Accounting for Economic Rights in South Africa's Intergovernmental Fiscal Relations System***,** Dr. Saras Jagwanth, United Nations, New York and Dr. Friedrich Soltau, United Nations, New York.

Discussant: Prof Narnia Bohler, *HSRC*

*A Review of the institutional and developmental impact of South Africa's Social Welfare Grant policies***,** Prof. Vivienne Taylor (University of Cape Town)

*Rethinking the fiscal implications of different types of norms and standards***,** Ms. Amanda Jitsing (DNA Economics), Dr. Megan Govender (DNA Economics) and Mr. Stephen Chisadza (DNA Economics)

Discussant: Ms. Ronette Engela, *GTAC*

Open Discussion

Tuesday August12, 2014

0900 - 1100: SESSION FOUR

Chair: Hon. Yunus Carrim, Chairperson of Standing Committee on Finance

Fiscal decentralization and the provision of constitutionally mandated basic services: a Review of the South African system, Prof. M. Chitiga, Dr. Jaya Josie, Human Sciences Research Council (HSRC) &,Ms. Annette Verryn, HSRC, South Africa.

Discussant: Mrs Wendy Fanoe, National Treasury

*Fiscal decentralization for sustainable and inclusive development in emerging African Economies: a comparative study of Ethiopia and Kenya***,** Dr. Meheret Ayenew, Executive Director of the Forum for Social Studies (FSS), Ethiopia

Discussant: Mrs Pindile Ngwenya, World Bank

*Restructuring IGFR in an African Country in Transition – The Case of Sudan***,** Dr. Mekki El Shibly, Vice Chancellor of Omdurman Ahlia University, Sudan

Discussant: Mr Eddie Rakabe, FFC

Open Discussion

1100 - 1110: Tea/Coffee

1110 - 1310: SESSION FIVE

Chair: Prof Nico Steytler, FFC Commissioner and University of Western Cape

Fiscal decentralization grant schemes to address geo-spatial inequality and poverty in rural African economies: the Ethiopian perspective, Dr. Tassew Woldehanna, Dean of the College of Business and Economics at Addis Ababa University and Senior Research Fellow at the Ethiopian Development Research Institute

Discussant: Dr Mkhululi Ncube, FFC

Public Spending in Agriculture and poverty reduction linkages analyses for fiscal planning. Case of Eastern Cape Province, Dr. S. Ndhleve, Walter Sisulu University, Dr A. Obi, University of Fort Hare, and Dr. MDV Nakin, Walter Sisulu University, Eastern Cape

Discussant: Dr Precious Zikhali, World Bank

Open Discussion

1310-1400: Lunch

1400 - 1600: SESSION SIX

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

Chair: Prof. Daniel Plaatjies, FFC Commissioner and HSRC

Key Note Speaker: Hon. Pravin Gordhan, MP, *Minister of Cooperative Governance and Traditional Affairs,* Republic of South Africa

Key Note Speaker: Hon. Mcebisi Jonas, *Deputy Minister of Finance,* Republic of South Africa

*An African Perspective for intergovernmental fiscal relations policies to meet the infrastructure needs for economic development***,** Dr. Ramos Mabugu (FFC) and Dr. Steve Kayizzi-Mugerwa, Director of Development Research, African Development Bank.

*Discussant***:** Dr Catriona Purfield, World Bank

Open Discussion

A Case Study Evaluating the Impact of Equalization Grants in the DRC, Dr. Claude Sumata, Professor, Catholic University of Congo (Kinshasa/DRC)

Discussant: Professor Andy Reschovsky, *University of Wisconsin-Madison, USA*

Open Discussion

Wednesday August13, 2014

0900 - 1200: SESSION SEVEN:

Chair: Hon. CJ de Beer, Chairperson of Select Committee on Finance, *National Council of Provinces*

Round Table I: *Perspectives on Intergovernmental Fiscal Relations Systems in Africa*: *Challenges and Opportunities*

Number	Time	Name	Institution
1.	09:00 – 09:05	Hon CJ de Beer	*Opening*
2.	09:05 – 09:15	Mr. Edgar Sishi	*National Treasury, South Africa*
3.	09:15 – 09:20	Prof Philip van Ryneveld	*Former FFC Commissioner*
4.	09:20 – 09:25	Ms. Wendy Fanoe	*National Treasury, South Africa*
5.	09:30 – 09:35	Dr. Mekki El Shibly	*Omdurman Ahlia University, Sudan*
6.	09:35 – 09:40	Dr Tassew Woldehanna	*Addis Ababa University, Ethiopia*
7.	09:40 – 09:45	Prof. Robin Boadway	**Queens University, Canada**
8.	09:45 – 09:50	Prof. Anwar Shah	*Chengdu/Wenjiang, China*
9.	09:50 – 09:55	Dr Catriona Purfield	*World Bank*
10.	09:50 – 10:30	Floor Discussion	*Floor Discussion*
11.	10:30 – 11:00	Panelist Responses	
12.	11:00 – 11:30	Coffee/Tea	*Coffee/Tea*

Round Table II: *Perspectives for social justice, policy objectives, norms and standards, and effective IGFR institutional instruments*

Number	Time	Name	Institution
1.	11:30 – 11:35	**Hon CJ de Beer (***Opening)*	*NCOP*
2.	11:35 – 11:40	Ms. Tania Ajam	*Former FFC Commissioner*
3.	11:40 – 11:45	Dr. Saras Jagwanth	*United Nations, New York*

4.	**11:45 – 11:50**	Ms. Ronette Engela	*GTAC, South Africa*
5.	**11:50 – 11:55**	Professor Narnia Bohler	*HSRC*
6.	**11:55 – 12:00**	Ms. Sheila Hughes	*Department of Cooperative Governance*
7.	**12:00 – 12:05**	Prof Govinder Rao	*Member of the Fourteenth Finance Commission, Government of India*
8.	**12:05 – 12:30**	**Floor Discussion**	*Floor Discussion*
9.	**12:30 – 12:45**	**Panelist Responses**	
10.	**12:45 – 12:50**	**Hon CJ de Beer** *(Opening)*	*Closing*

Open Discussion

1250 - 1300: Wrap-up and Vote of Thanks: Mr. Bongani Khumalo, Acting Chairperson/Chief Executive, FFC

Enquiries: Ansuyah Maharaj-Dowra (Ansuyah@ffc.co.za)

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