

Financial and Fiscal Commission

Independent Survey and Impact Assessment of the Financial and Fiscal Commission



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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For an Equitable Sharing of National Revenue

EXECUTIVE SUMMARY

Introduction

The Financial and Fiscal Commission (FFC) was established in 1994 with the primary mandate to make recommendations and provide advice on financial and fiscal matters to the organs of the state in the national, provincial and local spheres of the South African government. Mthente Research and Consulting Services (Pty) Ltd was Commissioned to undertake an independent survey of the current levels of awareness, understanding, perceptions and attitudes of the existence, mandate and role of the FFC among its varied stakeholders; and conduct an independent assessment focused on evaluating the impact that the recommendations and other work of the FFC have had on the decisions taken by policy makers and researchers in intergovernmental fiscal relations in South Africa, and on the lives of ordinary South Africans, across its lifespan. This study will form the basis for the development of a strategy and plan to drive the Commission's efforts to attain its vision and deliver on its mandate into the future.

Methodology

A multi-faceted methodological approach was adopted in this study. This approach included the following core elements:

- Desktop research.
- An internal workshop with senior staff members of the FFC.
- Five in-depth case studies on the impact of selected recommendations made by the Commission.
- 25 one-on-one telephonic, face-to-face or email interviews with high-level stakeholders.
- An electronic perception survey administered to a database of the FFC's stakeholders.

Desktop Research Report

Internal Perceptions of the Saliency of the FFC

In the view of the Commission, its saliency lies in its independent and impartial role in influencing the equitable division of national revenue within the context of competition over the allocation of resources. The FFC also believes that it is likely to remain relevant in the future as differences of opinion over the collection and distribution of national revenue are likely to intensify.

To date, the Commission believes it has played a central role in the development of the IGFR system in South Africa. The FFC also believes it has been one of the foremost contributors to the provincial equitable share formulae used by government. In the area of financing local government, the Commission has argued that it has made notable contributions on issues of expenditure assignments and financing issues with respect to local government.

Repositioning the FFC

In the 2006/07 financial year, the FFC launched an institutional strategic review. As a primary outcome of the review process, the following key goals underpinning the future strategic direction of the FFC were set:

- Enhancing past positions.
- Proactively strengthening stakeholder relations.
- Widening the interpretation of the FFC's research agenda and scope within its mandate.
- Actively seizing networking opportunities for the generation of further knowledge and advisories within the IGFR system.

More recently, the Commission has developed a Five-Year Research Strategy for the period 2009-2014. The Five-year Research Strategy sets out how it will aim to achieve its primary objective of enhancing the developmental impact of public resources through the financial and fiscal system in South Africa. The Strategy indicates a shift in emphasis from first generation issues related to revenue sharing formulae towards second generation issues concerning the impact of the intergovernmental system and the allocation of public funds on service delivery outputs and community development.

The Commission's desired outcomes delineated in its Five-Year Research Strategy include:

- To deliver better policy advice and recommendations that are more responsive to emerging issues of development to Parliament, provincial legislatures and to organised local government.
- To enhance the capacity of its researchers and practitioners in areas related to the modeling, measurement, analysis and monitoring of the developmental impact of public resources.
- To enhance collaboration through its joint research initiatives between researchers, experts, policymakers and other relevant stakeholders on matters related to fiscal sustainability and the allocation of resources towards achieving a developmental impact.
- To generate wider dissemination of its research and recommendations, and to ensure that these have a more substantial influence on government policy outcomes.

Internal and External Challenges faced by the FFC

Since its inception, the FFC has faced a number of challenges, with some of these challenges evolving over time. The most prominent challenges include:

- Critical skills flight.
- A shortage of human resource capacity.
- Budgetary pressures.
- Concerns over the long-term structure of the Commission.
- The absence of a governance framework for the Commission.
- The need for further development of stakeholder relationships.
- Challenges to the Commission's approach amid a changing socio-political environment in South Africa.

Internal Perceptions Assessment

On Wednesday 1 December 2010 Mthente Research and Consulting Services (Pty) Ltd facilitated an internal workshop with two members of the FFC's senior staff. The workshop included the following assessment of internal perceptions related to the Commission's key strengths, weaknesses, opportunities and threats:

Strengths

- The Commission's work is backed by an entrenched constitutional and legislative mandate.
- The Commission is a leader in terms of research within South Africa's intergovernmental fiscal system
- The Commission benefits from the advantage of being able to consider issues with a long term perspective in mind.

Weaknesses

- The Commission is small in size and constrained by limited resources.
- The absence of clear terms of reference for the Commission makes it difficult to judge the impact of its work internally.
- The Commission's ability to adopt a long-term perspective often means that it does not receive credit for recommendations made some time before they become topical issues within the fiscal landscape.
- The Commission's recommendations on the Division of Revenue are made to Parliament and Provincial legislatures and these institutions influence whether or not recommendations are accepted.

Opportunities

- The Commission has the freedom to define its own work scope and focus within the broad mandate of the FFC Act.
- Opportunities exist for the Commission to work with government departments and organs of the state on the basis of shared costs for specific projects.

Threats

- There is a lack of understanding among some external stakeholders concerning the role, functioning and work of the Commission.
- Key stakeholders for which some of the Commission's recommendations and submissions are intended to benefit may not be involved in the decision making process concerning whether or not they are actually accepted.
- While the Commission has never been denied financial resources to perform its mandated functions, it does have very little influence on its budgetary allocation, compounding the threat that the Commission could be under-resourced in terms of budgetary resources in a given year.
- There are still no formal institutional mechanisms in place to encourage government ministers to utilise the services of the Commission rather than consultants that often have a very limited understanding of the functioning of the South African fiscal system.
- A lack of "institutional learning/memory" in some government departments poses a threat to the external perceptions of the Commission and its importance.

Stakeholder Interviews Report

In-depth one-on-one stakeholder interviews were completed with 25 of the Commission's key stakeholders. The most prominent findings from these interviews are summarised below.

Understanding of the FFC's mandate

- The majority of interviewees had a good understanding of the Commission's mandate.
- Seven interviewees had a more limited understanding of the mandate.

Perceptions of the Commission's delivery in terms of its mandate

- The majority of interviewees felt that the Commission has fulfilled its mandate thus far.
- Three interviewees felt that challenges or constraints have affected the Commission's ability to fulfill its mandate.
- Five interviewees felt that the Commission could do more to fulfill its mandate.
- Three interviewees felt that while the Commission has fulfilled its mandate, its work has generally not had much impact on decisions and actual fiscal transfers.

Perceptions of the Commission's delivery in terms of its vision statement

- Eight interviewees believed that the Commission has achieved what it has set out to do in its vision statement.
- Four interviewees felt that, for a variety of reasons, its goal of enhancing the developmental impact of public resources has not been fully achieved.

The importance of the Commission within the IGFR system

- Almost all interviewees strongly believed that the FFC has an important role to play within the IGFR system.
- The Commission's independence and role in ensuring an equitable distribution of revenue in the country were cited among the key reasons for this importance.
- Many interviewees felt an oversight body is still required in the IGFR system.
- Two interviewees felt that the Commission plays a more peripheral role in the IGFR system.

The future role and relevance of the Commission

- Almost all interviewees believed that the Commission will remain relevant within the South African fiscal landscape.
- Most interviewees did not think an alternative institution could perform the role of the FFC.
- Three interviewees were concerned that the Commission's role may overlap with that of the Parliamentary Budget Office in the future.

The overall impact of the Commission's work

- Eight interviewees felt that the Commission's work has not achieved the impact that was initially envisaged.
- This is mostly because they felt its work has not sufficiently influenced government decisions.
- Seven interviewees were unhappy with perceived inequalities in the distribution of revenue across provinces and feel the Commission's work has contributed to these inequalities.
- Several internal and external factors were identified by interviewees as affecting the impact of the recommendations and other work of the Commission.

Perceptions of the Commission's main achievements

- Six interviewees felt that the FFC's involvement in developing the equitable share formulae is its most significant achievement.
- The Commission was also praised by three interviewees for shaping the IGFR and the fiscal architecture in South Africa.

The socio-political impact of the Commission's work

- Ten interviewees felt that the FFC has made an impact within South Africa's socio-political environment.
- Four interviewees felt that the FFC has achieved little or no impact in this regard.

The Commission's influence on policy

- There was widespread understanding among interviewees that the FFC is not a policy making body.
- Fifteen interviewees did not agree with criticism that the FFC is encroaching on policy.
- Six interviewees felt that the FFC's influence on policy is confined to its advisory role on fiscal and financial matters.

Interaction with the FFC

- Almost all interviewees had some previous interaction with the Commission.
- Only five interviewees described the level of interaction as minimal.
- The nature of the interviewees' previous interaction with the Commission varied depending on their position.
- 13 interviewees described their interaction with the Commission as a positive experience.
- Only two interviewees expressed negativity about their own engagements with the Commission.
- These interviewees felt that the Commission should consult them more.

Electronic Stakeholder Perception Survey Report

The electronic stakeholder perception survey was severely hampered by an extremely low response rate, with just 11 stakeholders completing the questionnaire. This meant that it was not possible to conduct a quantitative analysis of the collected survey data. Instead, a brief qualitative analysis was undertaken. Among the very limited sample of stakeholders that did respond there was at least some level of understanding of the mandate and role of the Commission. Furthermore, most of these stakeholders felt that the broad contribution of the FFC in terms of the development of the IGFR system in South Africa and in addressing issues related to expenditure assignment at the national, provincial and local government levels has been significant. At the same time, the bulk of these limited number of stakeholders felt that the presence of the Commission within the IGFR system in South Africa is important; and that the FFC should continue to remain relevant in five years time. These stakeholders' views on the extent to which the Commission has influenced fiscal policy in South Africa were, however, significantly more diverse. In addition, most of the stakeholders believed that there is room for the Commission to improve the effectiveness of the way in which it communicates with its stakeholders and disseminates information.

Case Studies on Selected Recommendations

Case Study 1: Capital Grants

In 2000/01 the FFC proposed that capital grants be allocated to the provinces from the national sphere as an interim solution to address social infrastructure backlogs. Following on from this, in 2001/02 the Commission proposed a capital grants allocation formula to allocate funds to provinces from the national sphere to address social infrastructure backlogs.

The impact of the recommendation was as follows:

- The recommendation was accepted by the Minister of Finance and adopted for the following Medium Term Expenditure Framework (MTEF).

- At the time there was no analytical model in place for allocating the capital grant to provinces in a consistent and objective manner. Consequently, the FFC proposed and presented a capital grants model, initially as a conceptual framework.
- In June 2001, the FFC proposed a capital grant scheme mechanism that takes into account inherited backlogs, on-going capital needs, maintenance and depreciation.
- The proposed model was received positively by the national government.
- Nevertheless, while recognising the potential practical contribution of the FFC's proposed capital grant scheme and the proposed capital grants model, the need for further refinement and development of the model was recognised by both the Commission and the government.

Case Study 2: Costed Norms Approach

In 2001/02, the FFC proposed that a costed norms approach for determining the provincial equitable share should be adopted by government.

The impact of the recommendation was as follows:

- The recommendation was not supported by the government.
- While recognising the power of the costed norms approach as an analytical tool, the government expressed a number of concerns related to its practical application.
- The response to the recommendation from a number of other stakeholders outside of the government was mixed.
- The government expressed the view that the costed norms approach should serve as a tool for analysing expenditure. The government was of the view that the costed norms approach could potentially contribute more generally to the evolution of a more scientific approach to the fiscal transfer system in South Africa.

Case Study 3: National Agency to Oversee the Legacy Effects of the 2010 World Cup

In 2007/08, the Commission proposed that the government appoint a national agency to oversee the national legacy effects of the 2010 World Cup. The Commission also proposed that the government should

make the hosting cities responsible for sustaining location-specific legacy effects. As legacy benefits accrue to the city it recommended that the city fund these from their own revenue sources.

The impact of the recommendation was as follows:

- The national government did not support the Commission's proposal that a national agency should be established with the purpose of overseeing the legacy effects of a national character.
- The government felt that there are already existing institutions within the country that were well placed to manage the national legacy effects of the World Cup and, in so far as it is necessary these existing institutions could be strengthened for this purpose.
- Others were more critical of the FFC's views on managing the legacy effects of the 2010 World Cup.

Case Study 4: National School Nutrition Programme

In the 2008/09 Submission on the Division of Revenue, the FFC proposed that the National School Nutrition Programme (NSNP) should be extended to secondary schools.

The impact of the recommendation was as follows:

- The government agreed in principle with the Commission's observations and advisories related to the NSNP.
- Despite this, the government cautioned that the Commission's recommendation to extend the programme to include learners in secondary schools fell outside the scope and mandate of the FFC.
- The government cautioned against any decision to extend the NSNP to secondary schools arguing that it was necessary to first improve the effectiveness of the existing programme as it was structured at the time, before any consideration should be given to extending the programme.
- In 2009, the national Department of Education expanded the NSNP to 1 500 "quintile one" secondary schools to benefit an estimated 1 million learners in Grades 8 to 12.
- In April 2010, the Programme was introduced into quintile two public secondary schools, and will be extended further into quintile 3 public secondary schools in 2011.

- The NSNP is currently accessed by 235 secondary schools across quintiles one and two; and, in total, 162 160 secondary schools benefit from the programme.

Case Study 5: National Water Regulator

In the 2010/11 Submission on the Division of Revenue, the FFC recommended that the government should consider establishing an independent National Water Regulator (that would report to Parliament) to allow for a separation of the policy function from the regulatory function within the water service sector.

The impact of the recommendation was as follows:

- The national government indicated that it agreed with the proposal to establish an independent National Water Regulator subject to its cost and affordability.
- To date, however, an independent National Water Regulator has not been established.

Conclusion

Through a limited stakeholder engagement process the study has highlighted a number of pertinent insights that can be used to inform the future strategic direction of the Commission and ensure that it continues to meet the needs and expectations of its stakeholders into the future. Among these stakeholders, there are a number of positive perceptions and a relatively high level of understanding and awareness related to the Commission's existence and mandate within the financial and fiscal system in South Africa, as well as its overall contribution to the fiscal landscape in the country. Most of these stakeholders consulted during the research process feel that the Commission has fulfilled its mandate since its inception. Most stakeholders also described their previous engagements with the Commission positively. The stakeholders also generally expressed favourable perceptions and attitudes related to the significance of the role of the FFC within the fiscal landscape in South Africa.

Despite this, there is a convergence in feeling among both internal staff and external stakeholders that the Commission is essentially 'toothless' in terms of the extent to which it is able to influence the decisions and thinking of the government in South Africa. This issue is further highlighted in the report through the in-depth case studies of specific recommendations made by the Commission which show, for the most part,

that these have only had a limited influence on government decision making. There is also a perception that the success of the Commission in moving towards so-called second generation issues concerning the impact of the intergovernmental system and the allocation of public funds on service delivery outputs and community development has been limited.

The current perceptions held by stakeholders are shaped, at least in part, by the level of interaction that specific stakeholders have had with the Commission. Most stakeholders that have worked more closely with the Commission tend to hold positive perceptions of its role, mandate and contribution within the fiscal and financial system. Others have bemoaned the lack of interaction that they have had with the Commission to date. This is congruent with a broader issue that the Commission still lacks presence within South Africa. The FFC has maintained a very low-key public profile and does not feature prominently in the media nor does it have a significant presence in key public forums. The absence of a major public platform and presence for the Commission may have had a negative influence on the existing levels of awareness and perceptions of its role and mandate and the impact of its work and recommendations among its core stakeholder base. In turn, this is likely to have constrained the extent to which the Commission has been able to influence the decisions taken by policy makers in intergovernmental fiscal relations and on the lives of ordinary South Africans.

Recommendations

The recommendations presented below should be considered by the Commission as it looks to review its position itself within the financial and fiscal system in South Africa and develop its short, medium and long term strategic direction.

Recommendations related to the role and mandate of the FFC:

- ❖ Develop a pro-active strategy focused on generating more income internally.

Recommendations related to the internal functioning of the FFC:

- ❖ Improve the Commission's internal research capacity by offering more competitive salaries.

Recommendations related to the contribution of the FFC in the South African fiscal landscape:

- ❖ Lobby for a dedicated research fund for research on fiscal and financial issues.
- ❖ Develop an education programme on budgeting issues and financial and fiscal matters.

Recommendations related to the FFC's delivery to key stakeholders and the impact and value of its work:

- ❖ Ensure that the Commission's recommendations and research on fiscal issues are tied to overarching socio-economic outcomes.
- ❖ Develop a proactive publications strategy and continuous engagement with government officials at all levels.
- ❖ Make the Commission's recommendations and research more accessible to government officials and members of the public.
- ❖ Improve the public profile of the Commission through an enhanced media presence.

Recommendations related to the FFC's interaction with stakeholders:

- ❖ Expand the outreach and engagement of the Commission to stakeholders outside of government.
- ❖ Create a formal mechanism for all three spheres of government to voice their research needs to the Commission.
- ❖ Enhance the Commission's alignment with the provincial and local spheres of government.
- ❖ Raise the Commission's level of consultation and interaction with communities and ordinary South Africans.

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List of Acronyms

ANC	African National Congress
COSATU	Congress of South African Trade Unions
DoR	Division of Revenue
DWAF	Department of Water Affairs and Forestry
FFC	Financial and Fiscal Commission
FIFA	<i>Fédération Internationale de Football Association</i>
IGFR	Intergovernmental Fiscal Relations
IT	Information Technology
KPI	Key Performance Indicator
MPFU	Macroeconomics and Public Finance Unit
MTEF	Medium Term Expenditure Framework
NERSA	National Energy Regulator of South Africa
NGO	Non-governmental Organisation
NSNP	National School Nutrition Programme
PED	Provincial Education Department
PFMA	Public Finance Management Act
SANGOCO	South African NGO Coalition
SMS	Short Message Service
SWOT	Strengths, Weaknesses, Opportunities and Threats



1. INTRODUCTION

South Africa has traditionally enjoyed a stable fiscal regime on the back of sound fiscal management and an open and progressive financial market system. Despite this, the country's fiscal challenges at both the national and sub-national levels continue to command attention, particularly amid South Africa's significant developmental challenges.

The Financial and Fiscal Commission (FFC) was established in 1994 with the primary mandate to make recommendations and provide advice on financial and fiscal matters to the organs of the state in the national, provincial and local spheres of the South African government.¹ This forms part of the overarching vision of the Commission to serve as a pre-eminent and leading institution influencing the Intergovernmental Fiscal Relations System (IGFR) in South Africa.² To this end, the Commission has been a central figure in the development of the IGFR system in the country; and has focused its broad-based research programme on addressing the varied issues and challenges related to the equitable distribution of national revenues.³ This has seen the FFC contribute significantly to the development of the provincial equitable share formulae currently utilised by the South African government. In addition, the Commission has made "notable contributions" in relation to issues concerning expenditure assignments and financing at the local government level in South Africa.⁴

Having been in existence since 1994, the FFC has recognised the need to take a step back and assess the impact and relevance of its work and presence within the South African fiscal landscape. To this end, the FFC commissioned Mthente Research and Consulting Services (Pty) Ltd to undertake an independent survey of the current levels of awareness, understanding, perceptions and attitudes of the existence, mandate and role of the FFC among its varied stakeholders. In addition, Mthente was tasked with conducting an independent assessment focused on evaluating the impact that the recommendations and other work of the FFC have had on the decisions taken by policy makers and researchers in intergovernmental fiscal relations in South Africa, and on the lives of ordinary South Africans, across its lifespan.

This will form the basis for the development of a strategy and plan to drive the Commission's efforts to attain its vision and deliver on its mandate into the future. An independent assessment and survey of this nature will serve as the basis, and a key point of reference, to inform changes that ensure that the FFC adheres to both its constitutional requirements and the needs of its stakeholders in the future. Prior to this

study, neither a perception survey nor an independent impact assessment that has focused solely on the work of the FFC had been undertaken on any significant scale.

The remainder of this report is structured as follows. The next chapter outlines the methodological approach adopted in the study. This is followed by a presentation of the key findings emerging from the desktop research process, focusing on the role and mandate of the Commission; internal perceptions of the salience of the Commission, key stakeholder relationships; past and present challenges confronting the Commission, and external media perceptions of the work and relevance of the Commission in the media. Thereafter, the results of the internal perceptions assessment conducted with key FFC staff are presented. This is followed by a chapter presenting detailed case studies of the content and impact of five recommendations made by the FFC that were selected for in-depth analysis. The next two chapters outline the results from in-depth, one-on-one interviews with key stakeholders and an electronic perception survey conducted with the FFC's broad stakeholder base, respectively. This is followed by the broad conclusions drawn from the research study and, thereafter, a series of recommendations designed to assist the Commission in its efforts to develop its future strategic direction and formulate appropriate responses to the needs and expectations of its stakeholders.



2. METHODOLOGY

This chapter outlines the methodological approach adopted in undertaking the survey of current levels of awareness, understanding, perceptions and attitudes about the existence, role, mandate, recommendations and other work of the FFC, together with the impact assessment of this work within the South African fiscal landscape. The methodology involved a multi-faceted research approach including desktop research, an internal workshop to assess the perceptions of key FFC staff, the development of case studies on selected recommendations, and external stakeholder engagement through in-depth one-on-one interviews with key stakeholders and an electronic perception survey of the Commission's broad stakeholder base.

2.1 Desktop Research

The research process began with a brief desktop research phase. The desktop research centred on an initial assessment of the work undertaken by the FFC; the impact of this work in terms of its influence on the decisions taken by policy makers and researchers in intergovernmental fiscal relations and on the lives of ordinary South Africans; and the internal functioning and challenges faced by the Commission and how these relate to the impact and relevancy of its work in terms of making recommendations and providing advice on financial and fiscal matters to the organs of the state in the national, provincial and local spheres of the South African government.

To this end, the desktop research process included a review of key internal documentation produced by the FFC, including the Commission's Annual Reports, Submissions, Technical Reports and other relevant documentation. Furthermore, the desktop research also encompassed the identification and analysis of previous external performance reviews, surveys, impact assessments and other external reports relating to the FFC's functioning and performance.

The core findings from the desktop research process were utilised to inform the development of Key Performance Indicators (KPIs) to underpin the impact assessment. The work, impact and relevance of the FFC, as measured through the views and perceptions of external stakeholders, were ultimately assessed against these KPIs in drawing conclusions from the research process.

2.2 Internal Workshop

Before embarking on the engagements with external stakeholders, a workshop was facilitated with senior staff members of the FFC. The three-hour workshop was attended by Bongani Khumalo, the FFC's Acting Chairperson, and Mashumi Mzaidume, the Commission Secretary; and was facilitated by Neil Balchin, a Senior Researcher and Consultant at Mthente.

The workshop was designed to investigate the views and perceptions of the FFC's staff related to the impact of the Commission's work, the main issues of concern and current areas of strength for the Commission, as well as the challenges that they have encountered in meeting the Commission's constitutional requirements and the needs of its stakeholders. In gathering this information, the workshop provided a basis from which to compare the input from internal stakeholders with the information gathered thereafter through the engagements with the Commission's key stakeholder base. Moreover, the input from the workshop provided an important internal perspective as an additional information source to inform the development of recommendations to guide the future strategic direction of the FFC and provide a basis for the development of appropriate responses to the needs and expectations of its stakeholders.

The workshop agenda was structured so as to provide a degree of flexibility for both discussion and assessment of the perceptions of senior staff and management, and to brainstorm key issues related to the project. The first half of the workshop was devoted primarily to a focus group discussion in which key questions were posed to both Mr. Khumalo and Mr. Mzaidume. These questions were designed to form the basis for the internal perceptions assessment, and addressed issues related to the understanding and evolution of the Commission's mandate, the principal achievements of the Commission from the perspective of senior staff and management, internal perceptions of the impact of the work of the Commission, and the primary constraints and challenges faced by the Commission and how these have impacted on the Commission's work.

The second part of the workshop was conducted in the form of a brainstorming session with the main focus on the finalisation of the KPIs to underpin the analysis of the impact of the recommendations and other work of the Commission. This process involved an initial presentation and explanation of the KPIs by the Mthente facilitator. Thereafter, the proposed KPIs were discussed and input and comment was provided by

both Mr. Khumalo and Mr. Mzaidume. Through this process, agreement was reached between the senior staff and management of the FFC and Mthente as to the final KPIs to form the basis of the impact assessment analysis (these KPIs are presented later in this report). Some time was also devoted to a discussion of the key criteria that should underpin the selection of four or five recommendations to be analysed in the form of case studies with a view to assessing the impact of the Commission's work within the intergovernmental fiscal relation system in South Africa. Based on this, five recommendations were selected for in-depth analysis through the development of case studies.

2.3 Development of Case Studies on Selected Recommendations

Additional desktop research was conducted for each of the five recommendations selected for in-depth analysis. To this end, a common format was developed for each of the case studies, with the desktop research focusing in each case on the context underpinning the original recommendation, the nature of the recommendation, and the impact of the recommendation (both in terms of the government's response to the recommendation and any further impact that could be observed related to the government's decision either to accept or implement the recommendation or not to do so.

2.4 Stakeholder Interviews

A total of 25 interviews were conducted with high-level stakeholders representing institutions and departments across all three spheres of government: national, provincial and local.ⁱ These stakeholders were drawn from a list of key stakeholders approved by the FFC prior to embarking on the process of scheduling interviews. In order to ensure the broadest possible access to these stakeholders, all stakeholders were provided with the option of participating in a face-to-face or telephonic interview or, alternatively, responding to the interview questions electronically via email at their own convenience.

In each of the interviews, the interviewees were encouraged to speak openly about their perceptions, experiences and attitudes related to the FFC, while being assured that their responses would remain confidential. The responses provided by the interviewees were fully transcribed and then qualitatively

ⁱ See Appendix I for a full list of names and positions of the stakeholders that participated in the face-to-face, telephonic or email interviews.

coded and analysed thematically using the Atlas.ti software. It is important to note that these responses provide a snapshot of the existing perceptions and levels of awareness and understanding among high-level government stakeholders and should not be interpreted as being representative of the entire population of government officials in the country.

2.5 Electronic Stakeholder Perception Survey

Following the in-depth interviews with key stakeholders, an electronic perception survey was undertaken with a broad selection of the Commission's stakeholder base. As a starting point, the research team identified an extensive list of 1 376 stakeholders to be surveyed. Thereafter, a stakeholder database was compiled comprising those stakeholders for which contact details could be obtained. This final stakeholder contact database comprised a total of 711 stakeholders dispersed across various stakeholder groups including Parliamentarians and representatives from the Presidency, National Treasury, local government and Chapter 9 institutions. The stakeholder database was presented to the FFC and approved prior to the onset of the electronic survey.

Thereafter, the Mthente research team developed an electronic perception survey questionnaire based on the key findings derived from the desktop research, internal FFC perceptions assessment and in-depth stakeholder interview components of the study. The survey questionnaire was designed in such a way that it could be completed online via the Survey Monkey tool. In addition, a survey questionnaire with identical content was also developed in Microsoft Word format in order to provide the stakeholder respondents with the option to complete the survey via email.

Despite extensive efforts on the part of the Mthente research team, the response rate to the electronic perception survey was extremely poor. Of the 711 stakeholders originally invited to complete the electronic survey questionnaire, only 11 stakeholders responded with complete (or semi-complete but workable) questionnaires.

2.6 Research Scope and Limitations

The difficulties encountered with the electronic stakeholder perception survey are discussed briefly above and outlined in detail in the chapter reporting on the electronic perception survey below.ⁱⁱ The very poor response rate to the survey questionnaire and the resulting sample size meant that it was not possible to conduct any form of quantitative analysis on the collected survey data; and the research team was confined to a brief qualitative analysis of the data. This compromised the overall outcome of the research study in that it precluded a quantitative assessment of the current levels of awareness and understanding of the role, mandate and existence of the FFC, as well as a quantitative assessment of stakeholder perceptions of the impact of the recommendations and other work of the Commission. Despite this, the qualitative information gathered through the in-depth stakeholder interviews (spanning 25 key stakeholders) and the very few perception survey questionnaires that were completed provide a range and depth of insight to inform the stakeholder assessment provided in this study.

In addition, it is important to note that an in-depth analysis of the impact of each of the recommendations made by the FFC since its inception was beyond the scope of this research study. Consequently, the selection of five recommendations for in-depth analysis does not allow for any broad conclusions to be made concerning the overall impact of all of the recommendations made by the Commission since 1994.

ⁱⁱ The section on Scope and Limitations in the chapter reporting on the electronic perception survey provides a detailed outline of the attempts made by the Mthente research team to encourage stakeholders to respond to the questionnaire, as well as the implications of the poor survey response rate for this component of the research study.



3. DESKTOP RESEARCH REPORT

3.1 Introduction

This chapter outlines the current role and mandate of the Commission. This is followed by a brief assessment of internal perceptions of the salience of the FFC within the South African fiscal landscape. Thereafter, an outline of both previous and current efforts to reposition the Commission within South Africa's fiscal system is presented. The next section presents a brief review of the FFC's relationships with key stakeholders in the country. Thereafter, a number of past and present challenges that have confronted the Commission (both externally and internally) are presented. This provides a crucial perspective into factors that have influenced or affected the quality of the recommendations and work of the Commission since its inception. The chapter concludes with a chronological assessment of external perceptions and reporting on the work and relevance of the Commission in the media.

3.2 The Role and Mandate of the FFC

Provision for the establishment of the FFC was made in the South African Constitution, and the origins of the Commission can be traced back to the country's Interim Constitution which came into operation on 27 April 1994. At the time, the establishment of the Commission represented "an important element of the settlement reached through the political negotiations for the new democratic order in South Africa."⁵

"The concept which brought light to the establishment of an independent, objective and impartial financial advisory body was stipulated in both the Interim Constitution and the Constitutional Principles, with which the final Constitution was intended to comply."⁶

The FFC is designed to serve as an impartial advisor on sustainable public finance and fiscal systems in South Africa. In this sense, the Commission is mandated to provide insight and advise government on the equitable division of nationally raised revenue, thereby contributing towards the creation of an equitable and sustainable system of intergovernmental fiscal relations in the country. Importantly, the Commission is designated to make recommendations on the division of nationally raised revenue across the three spheres of government in an impartial, objective and independent manner that takes cognisance of the needs of local, provincial and national government.⁷

The FFC's mandate within the intergovernmental fiscal relations system in South Africa is delineated in the Constitution. At the most fundamental level, the establishment of the FFC as an independent and impartial advisory institution is set out in Section 220 of the Constitution. The mandate of the Commission is derived principally out of the need to ensure an equitable division of nationally collected revenue:⁸

"Section 214 of the Constitution states that an Act of Parliament must provide for the equitable division of revenue raised nationally among the national, provincial, and local spheres of government, and that the FFC should be consulted in this regard."

The central roles of recommendations provided by the FFC are outlined in other sections of the Constitution as well. For instance:⁹

- Section 218 of the Constitution states that national legislation relating to provincial or municipal loan guarantees may be enacted only after any recommendations of the FFC have been considered.
- Sections 228, 229, and 230 state that legislation relating to provincial taxes, municipal fiscal powers and functions, and provincial and municipal loans respectively may only be enacted after any recommendations of the FFC have been considered.

"...the Commission is an independent, objective, impartial and unbiased advisory institution that has to be consulted by Government with regard to division of revenue among the three spheres of government and in the enactment of legislation pertaining to provincial taxes, municipal fiscal powers and functions, and provincial and municipal loans."¹⁰

The role of the FFC is further delineated in the following laws that have been promulgated since the enactment of the Constitution. These acts give effect to the way in which the Commission fulfills its mandate.

- Borrowing Powers of Provincial Governments Act, No. 48 of 1996.
- Financial and Fiscal Commission Act, No. 99 of 1997 as amended (No. 25 of 2003):
 - Section 3 of the Financial and Fiscal Commission Amendment Act of 2003 requires that the FFC provide its advice regarding the assignment of a power or function between any of the spheres of government.¹¹
- Intergovernmental Fiscal Relations Act, No. 97 of 1997.

- Public Finance Management Act, No. 1, 1999 as amended (No. 29 of 1999).
- Municipal Systems Act, No. 32 of 2000:
 - Stipulates that the assessment of the FFC should be obtained when a function or power is assigned by national or provincial government to local government (Section 9).
- Provincial Tax Regulation Process Act, No. 53 of 2001:
 - States that the FFC is required to comment on any proposal by a province to impose a new provincial tax.¹²
- Municipal Finance Management Act, No. 56 of 2003:
 - Section 4 of the Local Government: Municipal Finance Management Act requires the FFC to comment in writing on any draft legislation directly or indirectly amending the Act.¹³
- Intergovernmental Relations Framework Act, No. 13 of 2005.
- Division of Revenue Act, No. 2 of 2006.
- Municipal Fiscal Powers and Functions Act No. 12 of 2007.
- Money Bills Amendment Procedures and Related Matters Act No. 9 of 2009.

The core business of the FFC can be summarised as follows:¹⁴

- In-depth research of the Intergovernmental Fiscal Relations (IGFR) Act.
- Development and submission of recommendations for the Medium Term Expenditure Framework (MTEF) budget cycle and the Annual Division of Revenue.
- High-level input on fiscal matters.

With this role and mandate firmly in mind, the FFC's Vision Statement reads as follows:

*"To enhance the developmental impact of public resources through the financial and fiscal system in South Africa."*¹⁵

Similarly, the FFC's Mission Statement states that the Commission sets out:

*"To provide proactive and independent advice through cutting-edge research capabilities."*¹⁶

The Commission's mission is centred on providing "independent intergovernmental fiscal relations research excellence to all stakeholders".¹⁷ In order to achieve this, the Commission cites the following as key elements of its approach to communicating with key stakeholders and disseminating research output:¹⁸

- Attracting, retaining and developing top-class research capability.
- Adopting collaborative relationships with other world-class research institutions.
- Building and leveraging intellectual capability.

3.3 Internal Perceptions of the Salience of the FFC

In the view of the Commission, its salience lies in its independent and impartial role in influencing the equitable division of national revenue within the context of competition (much of which may be political) over the allocation of resources.

As it is possible that the position taken by the majority of the parties represented in provincial and local government may differ from that of national government, and because the allocation of resources can become a major instrument of political control, the Constitution thus makes provision for an independent assessment of the DoR collected nationally and its apportionment amongst the spheres of government.¹⁹

The FFC anticipates that differences of opinion over the collection and distribution of national revenue are likely to intensify into the future, maintaining and perhaps even boosting the relevance of the Commission.

“Since the advent of democracy in South Africa, the country’s political landscape has been marked by a remarkable degree of cohesion, resulting in differences of opinion on the collection of the national DoR, between the spheres of government, not being overtly pronounced in the public domain. However, the time will come when this status quo will be changed, at which point the existence and role of the FFC will be crucial.”²⁰

In the view of the Commission itself, it ranks amongst its most significant contributions the central role it has played in the development of the IGFR system in South Africa. The Commission also considers itself to have been one of the “foremost contributors to the provincial equitable share formulae used by government”.²¹ In the area of financing local government, the Commission has argued that it has made “notable contributions on issues of expenditure assignments and financing issues with respect to local government”.²² Finally, amongst its other principal contributions, the Commission also lists the

development of a costed norms approach and carrying out a comprehensive review of the intergovernmental fiscal relations system and conditional grants in South Africa.

3.4 Repositioning the FFC

3.4.1 The FFC's Five-Year Research Strategy: 2009-2014

In looking to develop a framework to guide the future direction of the research output produced by the FFC, the Commission has acknowledged that in the past it has not underpinned its research in an "explicit strategy approach". Consequently, the Commission has acknowledged that its previous research projects have "tended to be ad hoc and severely affected whenever there is staff turnover".²³ With these issues in mind, the Commission has developed a Five-year Research Strategy that sets out how it will aim to achieve its primary objective of "enhancing the developmental impact of public resources through the financial and fiscal system in South Africa".²⁴ This Research Strategy has been crafted within the context of the existing capacity challenges faced by the Commission which, it has argued, include declining real budgets, shifts in the nature of important research questions, and dynamic and evolving stakeholder expectations for research products.²⁵

Perhaps most significantly, the FFC's new Research Strategy indicates a shift in emphasis from first generation issues related to revenue sharing formulae towards second generation issues concerning the impact of the intergovernmental system and the allocation of public funds on service delivery outputs and community development.

*"Its newly formulated Research Strategy responds to the changing political, institutional and socio-economic environment by sketching a five-year research trajectory that will extend the Commission's focus from first generation issues relating to revenue sharing formulae to include second generation issues relating to the impact of the intergovernmental system on development outcomes. The Research Strategy will also be the platform for collaborative research in intergovernmental fiscal relations and related [areas]."*²⁶

In looking to fulfill its mandate and achieve its goal of becoming a "pre-eminent and leading institution", the Commission has outlined a number of desired outcomes in the Five-year Research Strategy. These include

a desire to deliver better policy advice and recommendations that are “more responsive to emerging issues of development to Parliament, provincial legislatures and to organised local government”.²⁷ The Commission is also looking to enhance the capacity of its researchers and practitioners in areas related to the “modeling, measurement, analysis and monitoring of the developmental impact of public resources”.²⁸ Moreover, going forward the Commission also seeks to enhance collaboration through its joint research initiatives between researchers, experts, policymakers and other relevant stakeholders on matters related to fiscal sustainability and the allocation of resources towards achieving a developmental impact. The Strategy also includes an explicit aim to generate wider dissemination of its research and recommendations, and to ensure that these have a more substantial influence on government policy outcomes.

The central tenets of the Research Strategy are grounded in four thematic areas, namely: Expenditure Outcomes, Accountable Institutions, Equitable Growth and Distribution of Resources and Flexible Response. The Expenditure Outcomes area focuses on assessing, in a large part through monitoring and evaluation, whether the policies and expenditure of the various government spheres are achieving the intended developmental outcomes and service delivery targets. Within the realm of Accountable Institutions, much of the focus rests on strengthening direct citizen oversight, and on ensuring that public institutions are accountable and responsive by monitoring and evaluating decisions taken by these institutions, with the latter grounded in a more outcomes-based approach.

A chief consideration of the Commission within the area of Equitable Growth and Distribution of Resources relates to the need to ensure that there is sufficient balance between the focus on equitable share allocations and the efficiency with which these allocations are actually spent in practice. In terms of the Commission’s own research objectives, this translates into a desire to achieve the correct balance between research aimed at deepening the understanding of the “implications of expenditure assignments across spheres” and research focused on “reviewing fiscal performance within and across spheres within existing interpretations of assignments”.²⁹ Concerning the distribution of revenue, the Commission has identified several key issues to be considered in its future research endeavours, including:³⁰

- The adequacy of revenue assignment and discretion over own source revenue.
- Obstacles to effective revenue administration/mobilisation.
- Internal revenue allocation, including issues of adequacy, dependency and effectiveness in achieving vertical and horizontal fiscal balance.

- Local political will in revenue mobilisation and collection.

Similarly, focusing on expenditure within the realm of equitable growth and the distribution of resources, the Commission is looking to focus its future research efforts in the following primary areas:

- The range of effective local budgetary autonomy.
- The adequacy of compensating transfers for devolved functions.
- Central government budgetary mandates without compensating fiscal transfers.
- Nationally raised revenue sharing mechanisms and their reforms.
- Analysis of fiscal transfers and their impact on efficiency and equity of service delivery and inter-governmental equity.

Finally, the FFC's strategic direction within the thematic area of Flexible Response is centred on a need to respond timeously to stakeholder requests that cannot be anticipated in advance. Within the context of this dynamic role, looking ahead the Commission has "identified the need for a more flexible and broadly representative research team to coordinate the rapid response to stakeholder requests", and ensure that this is done so timeously and within budget while also ensuring that responses are coherent.³¹

The Research Strategy delineates four areas of intervention where the FFC is looking to make an impact going forward within the thematic areas discussed above. These strategic interventions related to Expanding Public Services, Public Expenditure Management Systems, Macro Management and the Division of Revenue, and Sustaining Public Service Delivery. Interventions related to Expanding Public Services will focus on assessing the government's progress in increasing the "quantum of public services" in South Africa. The Commission has highlighted several key areas for research interventions related to Public Expenditure Management Systems including performance budgeting in the public sector; immovable asset management and budgeting for maintenance; the measurement of government outputs in national accounts; and centrality of citizen oversight.³²

In terms of interventions related to Macro Management and the Division of Revenue, emphasis is placed in the Commission's Five-Year Research Strategy on the following:

- Identifying the institutions of economic and fiscal policy coordination within and among the three spheres.

- The institutional framework for monetary policy (and relations to the government).
- Studying issues of central bank independence, its mandate and concerns regarding monetary policy.
- The institutional setting for fiscal policy, including research on the coordination of fiscal policy, issues of rules for fiscal discipline and coordination, the framework for debt management, and other concerns regarding fiscal discipline and fiscal policy coordination.

In terms of interventions related to Sustaining Public Service Delivery, a key strategic focus for the Commission will be on the issue of improving service delivery and the accountability of public servants, rather than focusing on expanding public services. Central to the Commission's research strategy in this area will be a focus on developing norms and standards, as well as on the need to enforce the delivery of public services.³³

Finally, an important factor in determining the impact of the recommendations and research provided by the Commission within the country's intergovernmental fiscal space is the way in which this information is communicated and disseminated to key stakeholders. The Five-year Research Strategy sets out some key areas around which this will occur. Specifically, the Commission's communication and dissemination will be organised around the following:³⁴

- Direct contact with stakeholders electronically or through personal interaction.
- Specific events, including national workshops.
- Publications and communications and dissemination through the media, including the internet.
- Public hearings and other participatory activities.

3.5 FFC's Key Stakeholder Relationships

Across the three spheres of government, the FFC's stakeholders include the National Government, Parliament, the Ministry of Finance, provincial governments and local governments. The Commission's network of stakeholders also extends to sponsors, donors and partners, tertiary institutions and academia, and the media.

The nature of the relationships between the FFC and a selection of these stakeholders are outlined briefly below.

3.5.1 Parliament

The key elements of the FFC's relationship with the South African Parliament include:

- The FFC reports directly to the South African Parliament.
- The Commission is required to submit annual recommendations to Parliament on the Division of Revenue.
- The Commission is required to maintain regular communication with individual Members of the National Assembly and the National Council of Provinces.
- The FFC monitors relevant information emerging from a variety of Parliamentary processes.

3.5.2 Ministry of Finance

The Commission's relationship with the Ministry of Finance is centred on the following elements:

- Provides recommendations and advisories directly to the Minister of Finance and the National Treasury ten months prior to the tabling of the budget and Division of Revenue Bill.
 - The Minister of Finance is also expected to consult the FFC at least 14 days prior to the introduction of the Division of Revenue Bill.
 - The FFC's relationship with the Ministry of Finance extends to the implementation of all other obligations in terms of protocols and relevant legislation and regulations administered by the Ministry.

3.5.3 National Government

The FFC's relationship with the National Government extends to the following:

- Ongoing consultation and meetings.
- The Commission is required to submit recommendations and advisories to Government on IGFR matters.
- Commission responds to specific requests emanating from the Government, Parliament and other organs of state.

- The President, in consultation with the Minister of Finance, is directly responsible for the appointment of FFC Commissioners, as well as the establishment and maintenance of protocols with the Commission.

3.5.4 Provincial Governments

The key elements of the relationship between provincial governments and the FFC relate to the following:

- The FFC reports directly to the Provincial Legislatures in terms of submitting its annual recommendations for the Division of Revenue.
- The Commission also reports directly to the Provincial Legislatures when responding to specific requests related to IGFR issues.
- The Commission consults with provincial governments and provincially owned entities on an ongoing basis.

3.5.5 Local Governments

The Commission's relationship with the local government sphere is focused on the following elements:

- Submission of annual recommendations on the Division of Revenue to local government.
- Regular consultation with local government.
- The Commission is also required to respond to requests for advisories to organised local government in line with its mandate in the context of IGFR.

3.5.6 Tertiary Institutions and Academia

Tertiary institutions and academics can assist the Commission by providing technical expertise in highly specialised fields.

3.6 Internal and External Challenges faced by the FFC

Since its inception, the FFC has faced a number of challenges, with some of these challenges evolving over time. A selection of the most prominent challenges is outlined below.

3.6.1 Critical skills flight

In recent years, the FFC has been confronted with the loss of a number of researchers. This has had a negative impact both on the Commission's institutional memory as well as its ability to undertake research projects. Importantly, one view expressed by the Commission is that the critical skills flight that has affected the institution has been compounded by "current budget constraints".³⁵

The extent of the challenge facing the FFC in terms of critical skills flight is captured succinctly in the following passages drawn from Commission's Annual Reports:

*"In the past eight years, the Commission has experienced unprecedented levels of critical skills flight and with it the severe drain of its institutional memory and a serious decline in its knowledge holdings."*³⁶

*"...in the last two years, the Commission has had to scale down on certain necessary research projects while others have had to be put on hold because they could not be accommodated in the available resource envelope."*³⁷

*"Eleven (11) researchers have been lost to the institution in the past four (4) years with only three (3) being replaced, one during the latter part of 2008, another at the beginning of 2009 and the last in July 2009"*³⁸

The FFC has reported that it has experienced particularly high staff turnover and loss of expertise in its recommendations and research programme. For instance, in the 2003/04 financial year, the Commission noted challenges related to recruiting women for the recommendations and research programme. This was reiterated in the FFC's 2005/06 Annual Report.

A lack of capacity resulting from the loss of key skills has affected the Commission's output in certain cases. For instance, in the FFC'S 2006/07 Annual Report, the Commission cited a "lack of capacity" (following the resignation of the Programme Manager in the Intergovernmental Fiscal Relations Unit) as the reason for the intended outputs of the division being "unexpectedly delayed".

3.6.2 Shortage of human resource capacity

The challenges relating to the loss of critical skills have been compounded by evidence of inadequate human resource capacity within the Commission. According to the FFC's 2008/09 Annual Report, this has compromised the Commission's delivery on its mandate. This problem was identified through an exercise conducted by the Department of Public Service Administration in conjunction with the National Treasury, which found that the Commission had been operating at more than 100 percent "below optimal human resource capacity".³⁹

3.6.3 Budgetary Pressures

The FFC recorded a budget deficit of R3 million in the 2006/07 financial year. This sparked the implementation of a series of austerity measures as the Commission looked to cut back on its expenditure. According to the FFC's 2007/08 Annual Report, the key areas affected by these austerity measures were:

- Human resources (the suspension of the rollout of a human resource and retention strategy, and the deferment of all new training).
- Travel (which was reduced to a bare minimum but is a key input in the Commission's work).
- Capital expenditure (a freeze was initiated on all capital spending with the exception of maintenance expenditure).

In previous years, the Commission has argued that the austerity measures have affected its ability to retain staff, and the cut backs on travel expenditure have affected the Commission's interaction and consultation with stakeholders. While this issue is not currently affecting the Commission, it remains relevant within the context of assessing the impact of the recommendations and other work of the Commission from an historical perspective.

The cut backs experienced in terms of the Commission's travel expenditure at the time were previously exacerbated by the additional responsibilities imposed on the FFC through the implementation of the Money Bills Amendment Procedure and Related Matters Act, which "exponentially increased" the need for the Commission to interact with stakeholders.⁴⁰ The freeze on capital expenditure was also said to have affected the Commission's information technology (IT) infrastructure at the time, which in turn impacted on

the quality of its work. Prominent arguments, which were cited in the FFC's 2007/08 Annual Report, are captured in the following quotes.

*"However the challenges that arise from the combination of the austerity measures are quite significant. The delayed implementation of the retention strategy has resulted in uncertainty among staff both in the research program and elsewhere and a significant number of staff resigned. This meant reallocating the work load among the remaining staff which further creates conditions for staff to look for alternatives elsewhere. Due to the nature of the skills required and reduced spending on training, the quality of the Commission's output may be negatively affected if nothing changes from a resource point of view."*⁴¹

*"The reduced spending on travel also impacted on the stakeholder liaison and consultation processes of the Commission as the bulk of the travel is within the Research Recommendations Programme of the Commission. It became increasingly more difficult to incorporate non full-time Commissioners in the Public Hearings processes of the Commission and imposed an even more onerous burden on the two full time Commissioners. The public accountability of the rest of the Commissioners thus becomes increasingly elusive."*⁴²

*"The freezing of spending on capital items is also having a negative impact on the work of the Commission. Examples include the Commission's four year old Information Technology infrastructure that has negative implications for the quality of its work."*⁴³

More recently, according to the FFC's 2009/10 Annual Report, budgetary constraints have also been a primary reason why the Commission has been forced to scale down on "certain necessary research projects while others have had to be put on hold". For instance, in the 2009/10 financial year, a number of research areas could not be accommodated within the Commission's resource envelope, including research related to: Primary Health Care, Concurrent Functions and Funding; Financing and Implementation of Inclusive Education in the South African Schooling System; Municipal Water Pricing and Finance; and Spatial Perspectives of Unemployment and the Expanded Public Works Programme Incentive Grant.⁴⁴

The Commission has pointed to the requirements of complying with a number of pieces of legislation as a key contributory factor to the budgetary pressures that it has experienced in recent years. At least some of this pressure comes from the need to comply with legislated auditing requirements and the accompanying costs incurred by the Commission through both internal and external auditing fees.

“Compliance with the Constitution of 1996, the Public Finance Management Act of 1999; the Supply Chain Management Regulations of 2003; the Preferential Procurement Policy Framework Act 2000; and the Broad Based Black Economic Empowerment Act of 2003 requires an investment in both expertise (permanent human resource capacity) and systems.”⁴⁵

The Commission has also cited the relatively recent emergence of capital expenditure challenges as contributing to the pressure that has been exerted on its budgetary resources. In particular, in its 2009/10 Annual Report, the FFC referred to budgetary pressure created by the implementation of the Framework for the Devolution of Budgets and Associated Accommodation Charges in April 2006 which “devolved the maintenance; property rates; municipal services and leasing budgets to user entities such as the Financial and Fiscal Commission from the Department of Public Works where these previously resided”. Furthermore, the Commission noted that “no budgetary provision has to date been made for the assumption of this responsibility by the Commission nor has the Commission been advised of any transitional arrangements that have been put in place.”⁴⁶

3.6.4 Concerns over the long-term structure of the Commission

In the FFC’s 2003/04 Annual Report, concern was raised that the growth in the Commission’s organisational capacity and support functions has not been “done within a framework for a long-term structure for the Commission”. This issue related to the organisational structure was seen to be particularly important within the context of the reduction in the number of Commissioners from 22 to nine.

In that same financial year, the need to reconceptualise the structure of the FFC was identified, principally as a result of the following factors outlined in the 2003/04 Annual Report:⁴⁷

- Amendments to the FFC Act, which made it mandatory for the Commission to respond to the assignment of functions and powers to local government. This was envisaged to result in more

data intensive research and analysis, thereby putting a strain on the FFC's research personnel and its budget.

- Amendments and revised regulations to the Public Finance Management Act (PFMA) which impose new obligations for the Commission, demanding a high level of skill for implementation.
- The emergence of a "wider canvas of fiscal issues requiring more in-depth research and analysis.
- A growing need for high level co-ordination and knowledge management of policy, legal issues and research activities given the multi-faceted and inter-disciplinary nature of fiscal issues in South Africa.

Similarly, problems were identified with the organisational structure of the Commission during the aforementioned strategic review and repositioning phase initiated in the 2006/07 financial year. Specifically, it was suggested that the Commission's organisational structure "was not designed in a manner that facilitated interaction, interconnectedness and information-sharing between support and research divisions."⁴⁸ Also in relation to the Commission's organisational structure, concerns related to limited proactive and inter-unit research were raised, principally within the context of the Macroeconomics and Public Finance Unit (MPFU).

The current operational structure of the Commission has been described as "organic" and one that "can change depending on the environment" in which it operates. In any event, the issues outlined above must be taken into consideration when assessing the work of the Commission from an historical perspective.

3.6.5 Absence of a governance framework for the Commission

According to the FFC's 2008/09 Annual Report, concern was raised in the Report of the Parliamentary Ad Hoc Committee on Chapter 9 and Associated Institutions (August 2007) about the absence of a governance framework for the Commission. This prompted the development of a first draft Corporate Governance Code for the FFC, which was subsequently finalised in the 2008/09 financial year for consideration by the Commission.

3.6.6 Need for further development of stakeholder relationships

According to the FFC's 2008/09 Annual Report, many of the Commission's stakeholder relationships remain "in their infancy and require nurturing". In some respects, the Commission also believes that efforts to further these relationships have been affected by the aforementioned "budget constraints", which have limited travel and thereby affected the Commission's interaction with stakeholders. These arguments are illustrated in the following passages drawn from the FFC's 2008/09 Annual Report:

"With stakeholders located throughout the country and with the responsibility to consult them, account to them and serve all of them alike, travelling and accommodation has been one of the more substantial line items in the Commission budget. Budget constraints and the imposition of austerity measures have however severely limited person to person interaction with them with the result that research, consultation, ongoing interaction, and stakeholder needs assessment has all but been in name only. This undermines the Commission's ability to discharge its mandate and is antithetical to communication excellence and good governance."

"Non-executive Commissioner involvement in the processes of the Commission has, for reasons that also have their root in budget inadequacy, been limited to formal intermittent interaction with the Secretariat. This has minimised the value-add of Commissioner contribution to Commission output and in a sense undermined the Constitutional ideals that informed the establishment of the institution."

3.6.7 Challenges to the Commission's approach amid a changing socio-political environment in South Africa

In the 2008/09 financial year, the prevailing socio-political environment in South Africa was identified as challenging the Commission's approach to delivering on its mandate. The FFC's 2008/09 Annual Report notes that its assessment of the socio-political environment in the country, and its implications for the Commission's mandate and the South African system of intergovernmental fiscal relations, "led to the conclusion that there was a need for the Commission to radically revise its approach to delivering on its mandate". In particular, it was noted that:

“There was recognition that although the Commission had made some groundbreaking and useful contributions in the intergovernmental fiscal relations arena especially in the areas of formula development for the equitable allocation of revenues, this had not been achieved within a context of an explicit strategic approach.”

In response to this, the Commission has developed Corporate and Research Strategies for the period 2009-2014, which:

“...constitute a major break from the past and aim firstly to manage Commission effort in a manner that is significantly more structured; secondly to enable the Commission to be forward looking, aspiring to manage change within the system in a consistent and logical way; thirdly to deemphasise first generation issues of the equitable division of national revenue, expenditure assignments and development of relevant research tools shifting focus to second generation issues where the question that is posed is whether financial resources can be translated into service delivery outputs which actually have an impact on the quality of life of the communities that they are intended to benefit.”

3.7 Issues and Perceptions Related to the FFC in the Media

This sub-section outlines some key themes emerging from issues and perceptions about the FFC that have been documented in the media since its inception.

3.7.1 The work, role and mandate of the FFC

- In 2000, there was tension between the National Assembly's Portfolio Committee on Finance and the FFC. The tension related specifically to anger raised by the Portfolio Committee concerning the FFC's recommendations on the division of revenue for the following budget cycle, with the Portfolio Committee charging that the FFC was meddling in its roles and responsibilities.
- Criticism was made in 2001 that the FFC has been complacent since its inception in terms of its “watchdog” provision in the Constitution. This raised questions regarding whether the role of the Commission should be enhanced or reduced.

- Question marks were raised in 2001 concerning the complex issue of ensuring fair provincial representation in the Commission. In particular, the Commission's impartiality and the fairness of its political and provincial representation were questioned given that the State President has the power to elect the members of the Commission. It was believed that this may disadvantage the provinces that are not run by the African National Congress (ANC).
- This was echoed in 2001 by further criticism of the proposed changes to the provincial members' composition of the FFC. There was a feeling that these proposed changes could serve to marginalise the FFC's work.
- The perception was also raised in 2001 that the President's influence over the Commission undermines its independence and impartiality.
- The FFC itself also complained in 2001 that it was being marginalised in the decision making process on the division of revenue, particularly with respect to decisions on the powers and functions of local municipalities. The FFC felt that it was being sidelined by government and that there was a lack of clarity concerning its role.
- The FFC was criticised for not being specific enough on some of the recommendations it made to local government. This was believed to undermine the practicality of the recommendations to local government.
- In 2004, doubts were raised about the capacity of the FFC in relation to its oversight functions. It was argued that there was a need to strengthen the FFC's role in advising Parliament and the Provincial Legislatures.
- In 2007, the Commission was also criticised on the basis of its existing financial controls and its financing model after it recorded a loss of R3 million in the 2007 financial year. It was argued that the funding model used by the FFC was flawed and recommendations were made for how it could be improved.

3.7.2 The existence and relevance of the FFC

- In 2001, perceptions were raised concerning the FFC's marginalisation in the budgetary process in the context of the Government's refusal to take up some of its recommendations. This sparked questions concerning the FFC's continued relevance.
- In 2003, a view was expressed by Members of Parliament that the FFC had become irrelevant as the skills of the National Treasury in the allocation of funds across the three tiers of government had been enhanced sufficiently.
- In 2004, it was reported that the ANC was considering doing away with the FFC, prompting the then incumbent Chairperson, Murphy Morobe, to caution that the FFC would need to meet the challenge of opposing "attempts to render it irrelevant".



4. INTERNAL PERCEPTIONS ASSESSMENT

4.1 Introduction

On Wednesday 1 December 2010 Mthente Research and Consulting Services (Pty) Ltd facilitated an internal workshop with senior staff and management from the FFC. The three-hour workshop was attended by Bongani Khumalo, the FFC's Acting Chairperson, and Mashumi Mzaidume, the Commission Secretary; and was facilitated by Neil Balchin, a Senior Researcher and Consultant at Mthente.

The primary objective of the workshop was to gauge the internal perceptions of key senior staff and management in the FFC in relation to the impact and relevance of the recommendations and other work of the Commission. The workshop also sought to establish the main challenges faced by the Commission, and to gather insight into how these challenges have impacted on work of the Commission and influenced its ability to deliver on its mandate.

The assessment of the internal perceptions of senior staff and management within the Commission makes an important contribution towards achieving the broader objectives of the research. The study seeks to undertake a survey of the current levels of awareness, understanding, perceptions and attitudes among key stakeholders concerning the existence, mandate, role, recommendations and other work of the FFC. The research brief also calls for an independent assessment of the impact that the recommendations and other work of the Commission have had on the decisions taken by policy makers and researchers in the IGFR system in South Africa, and on the lives of ordinary South Africans. Within the context of these research objectives, the input gathered from the FFC's senior staff and management in the workshop setting serves to contextualise the external assessment of stakeholder perceptions, attitudes, awareness and understanding of the work and impact of the Commission that followed when undertaking the fieldwork phase of the research process.

This chapter is structured as follows. The next section presents a brief outline of the methodological approach adopted in facilitating the workshop. Thereafter, an analysis is presented of the Commission's key Strengths, Weaknesses, Opportunities and Threats (SWOT) from the perspective of the senior staff and management that attended the workshop. This is followed by a presentation of the Key Performance Indicators (KPIs) that will underpin the impact assessment and qualitative perception survey components of the research. In the final section, a selection of five recommendations previously made by the FFC are

presented to form the basis for the development of five case studies designed to provide insight into assessing, in detail, the impact of the work of the Commission. These recommendations were selected by Mthente based on the input and guidance provided by Mr. Khumalo and Mr. Mzaidume in the workshop. After the conclusion of the workshop, the selection of recommendations was approved by the FFC.

4.2 SWOT Analysis

The focus group discussion conducted with Mr. Khumalo and Mr. Mzaidume provided valuable input into internal perceptions of the strengths and achievements of the Commission, as well as insight into their views on the challenges, opportunities and threats faced by the Commission within the existing fiscal landscape in South Africa. This formed the basis for an assessment of internal perceptions of the Commission's key strengths, weaknesses, opportunities and threats. The key findings from the SWOT analysis are presented in the table below.

Table 1: Internal SWOT analysis of the FFC

STRENGTHS
<p>The Commission's work is backed by an entrenched constitutional and legislative mandate.</p> <ul style="list-style-type: none"> The mandate of the Commission is grounded in legislative measures that enable it to carry out its work. For instance, Section 13 of the Constitution provides for legislation that enables the Commission to perform its mandate.
<p>The Commission is a leader in terms of research within South Africa's intergovernmental fiscal system.</p> <ul style="list-style-type: none"> <i>"...the FFC is ahead of everyone in the fiscal system in terms of its research".</i>
<p>The Commission benefits from the advantage of being able to consider issues with a long term perspective in mind.</p> <ul style="list-style-type: none"> This affords the Commission an advantage of being able to see in advance that decisions within the fiscal system that are taken now may have problematic impacts at a later stage.

- The FFC is able to offer insight and perspective that relates to future issues that players within government “only realise at a later stage as events unfold”.

WEAKNESSES

The Commission is small in size and constrained by limited resources.

- The Commission is small and operates with a “limited basket of resources” in terms of budgetary capacity and critical skills.
- These limitations in terms of the FFC’s size and the extent of resources available to the Commission have, in the past, forced it to typically focus only on “one sphere of government” at any given time. By its own admission, the Commission’s “choice of where we would like to focus is not as broad as we would like”.

The absence of clear terms of reference for the Commission makes it difficult to judge the impact of its work internally.

- Aside from its Constitutional and Legislative mandates, there is no existing terms of reference to guide the work of the Commission in any given year, except what the Commission itself determines. One implication of this is that the Commission can only objectively judge itself on the basis of whether or not it meets its constitutionally mandated requirements in terms of submissions timeously. All other ways in which the Commission can judge itself essentially involve a “manner that is subjective.”

The Commission’s ability to adopt a long-term perspective often means that it does not receive credit for recommendations made some time before they become topical issues within the fiscal landscape.

- FFC also often does not receive credit for proposed recommendations that were not accepted or implemented by government but, retrospectively, would have been highly effective had they been implemented.

- Refers to a sort of “lost” or “missed impact” of the Commission’s recommendations and other work.
- *“...sometimes the impact of our recommendations is not solely based on whether or not our recommendations are accepted but also on how much difference in change, resources and avoiding of wastefulness there would have been had they been approved by government.”*

The Commission’s recommendations on the Division of Revenue are made to Parliament and Provincial legislatures and these institutions influence whether or not recommendations are accepted.

- Within this context, whether or not a recommendation made by the Commission is accepted is contingent on whether the Commission has managed to convince Parliament as to the merits of its recommendation and, in turn, whether Parliament engages with the government based on the Commission’s recommendation.
- In addition, prior to 2009, Parliament did not have any enabling legislation to perform the task of interrogating government on the budget. This meant that Parliament was effectively ‘rubber-stamping’ what was tabled by the government in the budget, including the government’s response to the Commission’s recommendations.
- This situation has, however, changed with the enactment of the Money Bills Amendment Procedure and Related Matters Act. One implication of this legislation is that Parliament is now in a position to amend the budget.

OPPORTUNITIES

The Commission has the freedom to define its own work scope and focus within the broad mandate of the FFC Act.

- Over and above its involvement in issues related to the Division of Revenue, the Commission’s mandate in terms of the FFC Act also makes reference to its role in “any other financial and fiscal matters”. The Commission is at liberty to provide its own interpretation of its work scope and focus within this mandate.

Opportunities exist for the Commission to work with government departments and organs of the state on the basis of shared costs for specific projects.

- The Commission is free to work with any organ of the state on specific projects, wherein that organ of the state can make a contribution to the cost of the project that is outside of the Commission's approved budget.

THREATS

There is a lack of understanding among some external stakeholders concerning the role, functioning and work of the Commission.

- The role and functioning of the FFC is also poorly understood by many players within government owing to the perceived dominance of the National Treasury in the processing of the Commission's recommendations and submissions by government. Provincial governments, led by their Treasuries, have not been very active in the processing of the Commission's recommendations.
- *"...if they can't see the value of our work then we can easily stay in the background to many people."*

Key stakeholders for which some of the Commission's recommendations and submissions are intended to benefit may not be involved in the decision making process concerning whether or not they are actually accepted.

- In some instances, the National Treasury uses its discretion in deciding whether or not the Commission's recommendations are accepted, without sufficient consultation with key stakeholders in other relevant government departments.

While the Commission has never been denied financial resources to perform its mandated functions, it does have very little influence on its budgetary allocation, compounding the threat that the Commission could be under-resourced in terms of budgetary resources in a given year.

- The Commission's budget is determined by the National Treasury, and the Commission has very little opportunity to discuss its budgetary needs. Specifically, the Commission's budgetary requests "are processed without any formal engagement between the Commission and the Treasury".

- The level of budget allocated to the Commission is reliant, at least to a certain degree, on the Commission's existing relationship with the Minister of Finance

There are still no formal institutional mechanisms in place to encourage government ministers to utilise the services of the Commission rather than consultants that often have a very limited understanding of the functioning of the South African fiscal system.

- This has also meant that the FFC is sometimes excluded from issues that affect the national fiscal system.

A lack of “institutional learning/memory” in some government departments poses a threat to the external perceptions of the Commission and its importance.

- It was argued that the work of the Commission is not always fully appreciated by external stakeholders in cases when they have only engaged with the Commission in recent times and do not have a historical perspective of the Commission's work.

4.3 Finalisation of Key Performance Indicators

Following the conclusion of the focus group discussion, the KPIs developed by Mthente were presented and explained to Mr. Khumalo and Mr. Mzaidume. As part of this presentation, it was explained that the KPIs should represent specific outcomes that can be objectively measured as a means to assess the impact of the recommendations and other work of the Commission. This was followed by a brainstorming session in which both Mr. Khumalo and Mr. Mzaidume provided comments on the proposed KPIs and offered their input towards finalising the set of KPIs to underpin the impact assessment of the recommendations and other work of the Commission. This section presents the final set of KPIs derived through the brainstorming session.

It was agreed that the five Key Performance Areas (KPAs) that will form the focus of the KPIs should be as follows:

- Role and Mandate of the FFC.
- Internal Functioning of the FFC.
- Contribution of the FFC to the South African Fiscal Landscape.
- Delivery to Key Stakeholders and the Impact and Value of the FFC's Work.
- Stakeholder Interaction.

It was further agreed that the Contribution of the FFC to the South African Fiscal Landscape should be at the centre of these five KPAs given its influence and level of interaction with the other four areas, and given that it "encompasses the overall purpose of the FFC". This gives rise to the following framework to underpin the KPAs and focus for the impact assessment:

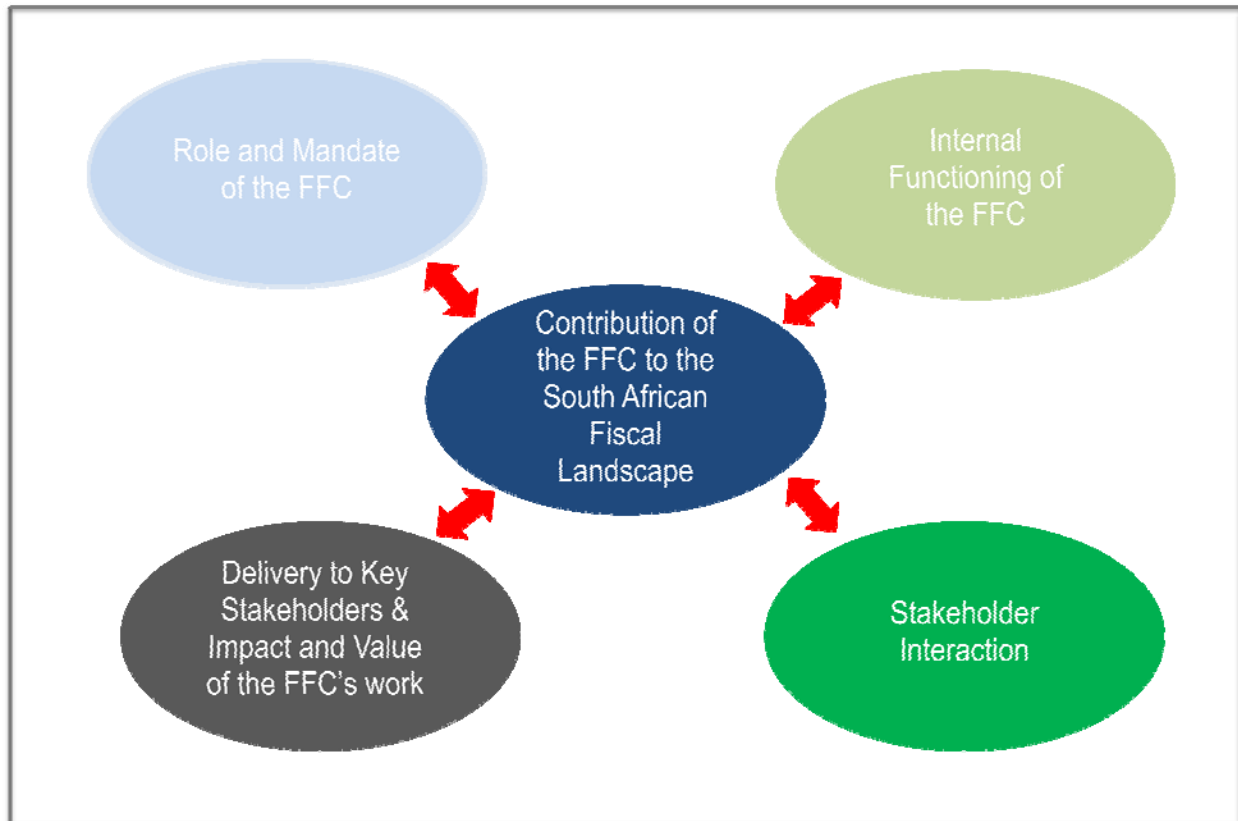


Figure 1: Key Performance Areas [Source: Mthente Research and Consulting Services, 2010]

Within each of these KPAs, the table below outlines the final list of KPIs agreed between the FFC and Mthente as the basis to underpin the impact assessment of the recommendations and other work of the Commission. The final column in the table provides space for the FFC to develop specific targets for each KPI to form the basis for setting the future strategic direction of the Commission.

Table 2: Key Performance Indicators

Key Performance Area (KPA)	Key Performance Indicator (KPI)	Targets to be Developed by the FFC
Contribution of the FFC to the South African Fiscal Landscape	1. Number of submissions made by the Commission.	
	2. Number of Commission's recommendations/ proposals accepted by national government.	
	3. Number of recommendations/proposals accepted and implemented by: (a) National government. (b) Provincial governments. (c) Local governments.	
	4. Number of analytical tools developed for: (a) Evaluating government decisions and proposals. (b) Developing recommendations.	
Role and Mandate of the FFC	5. Delivery in accordance with Constitutional and legislative mandates: (a) Number of submissions submitted on time and in accordance with mandate. (b) Number of requests from stakeholders responded to timeously and effectively.	
Internal Functioning of the FFC	6. Optimal allocation of budgetary resources by spending budget allocation within each financial year.	
	7. Optimal use of human capital resources, focusing on: (a) Staff turnover rate. (b) Number of staff retained. (c) Number of new employees. (d) Sufficient number of staff to meet critical skills requirements.	

Delivery to key stakeholders & Impact and value of FFC's work	8. Ability to meet stakeholder needs, in terms of: (a) Number of requests received from stakeholders. (b) Time taken from receiving a request from a stakeholder to delivering a response. (c) Number of requests responded to by the Commission.	
Stakeholder Interaction	9. Number of interactions or engagements with stakeholders on a monthly or annual basis?	
	10. Number of communications (strategic and to deliver to stakeholder needs) issued by the Commission in the following formats: (a) Press releases. (b) Presentations. (c) Research seminars. (d) Public hearings. (e) Internet or email updates.	

With reference to KPIs (2) and (3) outlined above, it is important to note the following additional points raised by Mr. Khumalo and Mr. Mzaidume in the brainstorming session:

- Those recommendations made by the FFC that were accepted and implemented should be assessed in terms of their impact.
- Those recommendations made by the FFC that were not accepted by the government should be assessed in terms of their "lost impact" – specifically in terms of how many resources could have been saved had they been accepted and implemented.

While these points are noted, it is also important to note the potential difficulty associated with quantifying the impact as defined above. The case studies on the selected recommendations presented later in this report do, however, attempt to provide an assessment of the impact of these selected recommendations in as far as it is possible to measure and quantify objectively.

4.4 Selection of Recommendations for Case Study Analysis

Owing to time constraints, the proposed discussion scheduled to take place during the internal workshop related to the selection of four or five specific FFC recommendations to be analysed through individual case studies was truncated. Mthente did, however, briefly suggest the following criteria that should be considered in the selection of the recommendations for the case studies with a view to providing a balanced view of the impact of the work of the Commission:

- The selection should allow for a balanced view of both recommendations/proposals that were accepted and those that were not.
- Focus in the selection should be on recommendations that are linked to the core mandate of the Commission.
- The selection should include a representative sample of recommendations/proposals related to the three spheres of government: national, provincial and local.

Furthermore, Mr. Mzaidume added that the selection process should not only focus on the most 'popular' recommendations made by the FFC as the Commission is seeking to ascertain a balanced view of its impact in the intergovernmental fiscal landscape in South Africa. Based on a consideration of these criteria, the following five FFC recommendations were selected for in-depth analysis through separate case studies. This selection was subsequently approved by the FFC.

Table 3: FFC recommendations selected for case study analysis

Year	FFC Recommendation	Government's Response
PROPOSED RECOMMENDATION FOR CASE STUDY 1		
<p>2000/01 & 2001/02</p>	<p>In 2000/01 the FFC proposed that Capital grants be allocated to the provinces from the national sphere as an interim solution to address social infrastructure backlogs.</p> <p>Following on from this, in 2001/02 the Commission proposed a capital grants allocation formula to allocate funds to provinces from the national sphere to address social infrastructure backlogs.</p>	<ul style="list-style-type: none"> • The approach was adopted by Government for the following MTEF. • The Government further agreed with the FFC on the need to develop a framework around Capital grants. Given that there was no analytical model available for allocating the grant, the FFC began developing a Capital grants model for the education, health and welfare sectors.
PROPOSED RECOMMENDATION FOR CASE STUDY 2		
<p>2001/02</p>	<p>Recommended that a costed norms approach for determining the provincial equitable share be adopted by government.</p>	<ul style="list-style-type: none"> • Government did not support the recommendation arguing that there was a lack of appropriate data i.e. that desired output measures, policy parameters and costs of inputs did not exist. • Government argued also that calculating budgets for health, welfare and education at national level undermined provincial autonomy and could weaken accountability. • Government argued further that the costed norms approach would create perverse incentives with provinces distorting their funding levels. • Government argued further still that maintaining consistency in the costing of policy norms for different sectors would also be difficult to achieve. • Government argued additionally that the approach would reinforce cost-raising tendencies and

		<p>unrealistic expectations of additional funds.</p> <ul style="list-style-type: none"> • Government argued finally that the approach may also result in bias towards those services that can be costed. • Government was of the view that the costed norms approach should serve as a tool for analyzing expenditure. <p>To date and in the recent formula review consultations, government has been strongly leaning towards the use of the costed norms in certain of the selected sectors where data is available. The formula is to be used to ensure that various spheres are funded based on the cost of services they provide. Such costs are to be guided by an attainment of set standards that recognize the variability in socio economic conditions and circumstances that citizens across the country find themselves in.</p>
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PROPOSED RECOMMENDATION FOR CASE STUDY 3

2007/08	<ul style="list-style-type: none"> • Appoint a national agency to oversee the national legacy effects of the 2010 World Cup. In keeping with prudent macroeconomic behaviour that has characterised government policy thus far, it is recommended that household saving be stimulated and be seen as the main source of funds to finance such projects. • Make the hosting cities responsible for sustaining location-specific legacy effects. As legacy benefits accrue to the city it is recommended that the city fund these from their own revenue sources. 	<p><i>“With respect to the 2010 FIFA World Cup financing Government has agreed with the FFC’s observations and recommendations.”</i></p> <ul style="list-style-type: none"> • Government agreed that the financing of the 2010 FIFA World Cup should be done in a manner that does not adversely impact on the considerations in section 214 (a-j) of the Constitution. Government also pointed out that it was taking steps to ensure that the costs of hosting the World Cup remained reasonable. • Government agreed with the
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		<p>FFC's observation that the macroeconomic and fiscal risks should be closely monitored and minimised.</p> <ul style="list-style-type: none"> • With respect to the legacy effects, government also agreed that these should be properly addressed, costed and financed and that these be should managed and financed by the host cities. <p>Government does not support the establishment of a national agency to oversee the legacy effects of a national nature. It is of the view that existing institutions can manage this, and if needs be such institutions can be strengthened.</p>
PROPOSED RECOMMENDATION FOR CASE STUDY 4		
2008/09	Proposed that the National School Nutrition Programme (NSNP) be extended to secondary schools.	<ul style="list-style-type: none"> • The Government supported some of the observations put forward by the Commission in relation to this proposal. • The Government did, however, caution against any decision to extend the NSNP to secondary schools and indicated that its approach was to first seek to improve the effectiveness and efficiency of the programme as it was presently structured before looking into the possibility of extending it to secondary schools.
PROPOSED RECOMMENDATION FOR CASE STUDY 5		
2010/2011	Recommended that Government consider establishing an independent National Water Regulator (that would report to Parliament) to allow for a separation of the policy function from the regulatory function within the water service sector.	<ul style="list-style-type: none"> • Government supported the recommendation provided that the actual cost of the proposal and its affordability were known up-front and any lessons learnt from the regulation of bulk and retail electricity are taken into

		<p>account.</p> <ul style="list-style-type: none"> • Government also emphasised that the Departments of Water Affairs and Environment need to continue focusing more on the support to local government with regard to water services/resources.
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The selected recommendations include a balanced selection of proposals that were accepted and others that were not accepted by government. In this way, the selected recommendations allow for an assessment of whether certain proposals that were selected by government have been implemented (and, where possible, quantify the impact of these proposals within the broader South African fiscal or socio-political landscapes) and if not, present an opportunity for an investigation of why they have not been implemented. In terms of those not accepted by government, the case studies attempt to ascertain why the proposals were not accepted and what has happened since the proposals were rejected in order to provide an assessment of the potential “lost impact” of the recommendations. This refers specifically to proposed recommendations that were not accepted or implemented by government but, retrospectively, would have been highly effective had they been implemented. In this way, the selection provides a sound basis for generating a balanced snapshot of the impact of the recommendations made by the Commission.



5. STAKEHOLDER INTERVIEWS REPORT

5.1 Introduction

This chapter presents the key findings emerging from 25 interviews conducted with high-level stakeholders representing a number of institutions across the national, provincial and local government spheres in South Africa.

The purpose of these interviews was to ascertain the levels of awareness and understanding of the mandate and role of the FFC, together with perceptions and attitudes among key stakeholders related to the Commission's main achievements, the impact of its recommendations and other work, and its future relevance within the South African fiscal landscape. The interviews were also designed to assess the views of key stakeholders with respect to the way in which the FFC engages and interacts with its stakeholders.

The sections that follow in this chapter outline the key findings that emerged from the stakeholder interviews. Wherever possible, common findings have been grouped together and discussed thematically in the sub-sections below.

5.2 The Mandate of the Commission

5.2.1 Stakeholders' understanding of the mandate of the Commission

The majority of the interviewed stakeholders demonstrated a good understanding of the Commission's mandate; and were able to outline specific aspects of the mandate. For instance, when asked to explain their own personal understanding of the Commission's mandate, several stakeholders mentioned the Commission's directive to "advise Parliament on fiscal and revenue matters", with nine interviewees framing these matters in terms of the division of revenue raised nationally across the three spheres of government (national, provincial and local). Among these stakeholders, five mentioned the fact that the Commission is mandated to deliver recommendations intended to ensure that there is an "equitable" or "fair" distribution of revenue to all three spheres of government. Similarly, five stakeholders also explicitly mentioned that the Commission's mandate extends to providing advice on the division of revenue resources both horizontally and vertically. There was also a high level of awareness among the interviewed

stakeholders that the Commission is mandated to make recommendations to government as an independent institution, and that this mandate does not extend to making “determinations or decisions”.

Six stakeholders (notably, not all of those stakeholders that demonstrated a good understanding of the Commission’s mandate) also explicitly mentioned the fact that the Commission derives its mandate from the Constitution. Among this group, there was recognition of the Commission’s mandate as a Constitutional advisory body; with some of these interviewees stressing the need for such a body to be an “independent”, “impartial” and “unbiased” advisory institution, while others emphasised the “oversight role” included in the Commission’s mandate.

This level of awareness and understanding of the Commission’s mandate was not, however, universal to all stakeholders, with seven stakeholders demonstrating a more limited understanding of the mandate, explaining it in somewhat broad or vague terms. For instance, one interviewee described the Commission’s mandate as “looking at public funding” while another understood it as making “recommendations on equitable divisions to Parliament”. Furthermore, another interviewee explained that his “understanding of the mandate of the FFC is that it is a certain body, certain structure established to assess the revenue of government.”⁴⁹ Other comments provided by individual stakeholders that demonstrated a limited, vague or sometimes even incorrect understanding of the Commission’s mandate included the following:

- “My limited understanding of the FFC is that it is an instrument which allows provinces to raise their views, a lobbying platform to raise questions or views with regard to equitable share.”⁵⁰
- “Something to do with equitable share, revenue to stakeholders.”⁵¹
- In terms of the FFC mandate, they recommend this, they recommend that.”⁵²

5.2.2 Perceptions of the Commission’s delivery in terms of its mandate

Encouragingly, the majority of interviewees felt that the Commission has, to date, fulfilled its mandate in terms of their own perceptions of what the FFC is mandated to perform. One interviewee pointed out the Commission has fulfilled its mandate in terms of “conducting independent research and making recommendations.” It was also mentioned that the Commission has added value to the “kind of process that unfolds” in the intergovernmental fiscal relations system.

"For me, I think that they [the FFC] are fulfilling it [their mandate]. I am very happy with what the FFC is doing and over the years I have seen many of the recommendations of the FFC becoming government policies. And where sometimes some recommendations have not been accepted, I think the FFC has really gone extensively into research to try to bring to the attention of government the importance of these recommendations. And [in terms of] changes generally in policy, I have found them very useful."⁵³

However, there was a feeling among three stakeholders that specific challenges, constraints or limitations faced by the FFC have affected its ability to fulfill its mandate. One stakeholder asserted that the Commission has experienced "tremendous challenges" that have weakened it "over the years" and meant that it has only been able to partially fulfill its mandate. Another two stakeholders charged that political factors have constrained the Commission from exercising its mandate in full.

"We worked closely with the Commission and know the Vice Chair and many people that worked in the FFC over the years. They have potentially a very important role to fulfill. They have had certain limitations because of the political environment they find themselves in. This has been the main limiting factor for not being able to fully exercise the mandate. One needs to understand some of the constraints."⁵⁴

"When the FFC started in 1995/96 they did great work – they influenced the direction of thinking. But they have lost the influence they had. We only see them once a year and then they go underground again. I am not sure that they are taken seriously any more. Why do I say that? For a variety of reasons: [one is] politics; it has lost its influence. I still think the FFC's research is of a good quality but it is another thing to say that it is influencing government thinking."⁵⁵

Similarly, there was also a feeling among five of the stakeholders that the Commission was partially fulfilling its mandate, but that it could still be doing more. For instance, one stakeholder argued that more work needs to be done by the Commission in terms of "provincial tax, loans and own revenue". Another stakeholder felt that the Commission needs to "employ more researchers to fulfill its mandate".

In a contrasting view, while one stakeholder felt that the Commission was fulfilling its mandate, he was aggrieved at the extent to which the Commission has consulted with stakeholders during the course of working towards delivering on its mandate:

"I have a problem with it. Fulfilling it [the Commission's mandate], yes they are. But the manner in which they do it has huge gaps. There is a lack of consultation with the provinces, especially with the Finance Committees. We only receive reports after it [the Commission] is done. There is discussion taking place at the national level but very little consultation at the provincial level, except with the MECs. The only consultation [that the Commission undertakes] is with the MECs and at the national level with the NCOP."⁵⁶

Another concern raised by three stakeholders related to the feeling that, although the Commission has fulfilled its Constitutional obligations in terms of making recommendations and proposals, this has often not translated into any meaningful impact in terms of influencing decision-makers and actual fiscal transfers. It must be acknowledged, however, that the FFC is mandated to serve as an advisory institution and to make recommendations within the system of intergovernmental fiscal relations, and that this mandate does not extend to actual policy outcomes, which are determined solely by the government. As one stakeholder explained:

"The FFC's vision can only be realised if legislatures and the executive take on board their recommendations. This means that the Commission's positive impact on the use of public resources for development is currently constrained by the fact that not all recommendations are taken up. To the extent that they are taken up, the Commission is having an impact."⁵⁷

5.2.3 Perceptions of the Commission's delivery in terms of its vision statement

The stakeholders were also asked to indicate whether they felt the Commission is currently delivering on its mission statement *"To enhance the developmental impact of public resources through the financial and fiscal system in South Africa"*. Perceptions in this regard were varied. Eight stakeholders felt that the Commission was delivering with respect to what is set out in its mission statement. Most of these opinions were based on a belief that the Commission's research includes a developmental focus.

"In our view, the Commission is delivering on this vision. This is based on the work the FFC does in ensuring that expenditure responsibilities (especially for provinces) are matched with the required financial resources. That is, it ensures that unfunded mandates to provinces are minimised."⁵⁸

"The Commission is [moving] in the right direction with respect to delivering on its vision."⁵⁹

In contrast, four stakeholders felt that the Commission has not fully achieved its desired goal of enhancing the developmental impact of public resources. A number of reasons were offered as to why this has not been fully achieved. One stakeholder felt that the Commission's vision statement was "too ambitious"; while another argued that the mandate to enhance the developmental impact of public resources lies with policy making institutions within government such as the national Departments of Health, Education and Transport and that the "National Treasury together with the President is fulfilling major responsibilities in this respect". This stakeholder felt that while the Commission was able to realise a developmental impact through its work in the early years after its inception, thereafter, its approach has become more mathematical and not necessarily developmental. Another stakeholder felt that the FFC is "trapped in the old way of doing things" and, as a result, has not made any headway in terms of enhancing the developmental impact of public resources. Similarly, it was also argued by one stakeholder that the FFC is not talking to its vision and that a more developmental focus is required in the Commission's approach to provinces such as Limpopo, Mpumalanga and the Northern Cape.

SUMMARY

Understanding of the FFC's mandate

- The majority of interviewees have a good understanding of the Commission's mandate.
- Seven interviewees have a more limited understanding of the mandate.

Perceptions of the Commission's delivery in terms of its mandate

- The majority of interviewees feel that the Commission has fulfilled its mandate thus far.
- Three interviewees feel that challenges or constraints have affected the Commission's ability to fulfill its mandate.
- Five interviewees feel that the Commission could do more to fulfill its mandate.
- Three interviewees feel that while the Commission has fulfilled its mandate, its work has generally not had much impact on decisions and actual fiscal transfers.

Perceptions of the Commission's delivery in terms of its vision statement

- Eight interviewees believe that the Commission has achieved what it has set out to do in its vision statement.
- Four interviewees feel that, for a variety of reasons, its goal of enhancing the developmental impact of public resources has not been fully achieved.

5.3 The Role of the Commission

5.3.1 Perceptions of the importance of the Commission within the IGFR system in South Africa

There was an overwhelming level of agreement among stakeholders that the FFC has an important role to play within the IGFR system in South Africa. Indeed, one stakeholder went as far as to argue that the FFC is “indispensible” and that “there will be a huge vacuum if they were not there”. The stakeholders offered a variety of reasons in support of this view. These included the importance attached to the Commission as a “platform for engagement” or for “ensuring the fair distribution of funds to all spheres of government”. The importance of the FFC in providing an “impartial view on fiscal matters, free from political bias” was also emphasised by one stakeholder. Similarly, another stakeholder pointed to the regulatory role that the Commission plays in providing checks and balances within the financial and fiscal system in the country.

“The FFC provides a good check and balance mechanism in the intergovernmental fiscal system. In a sense it keeps national and provincial treasuries ‘honest’ by providing a sort of regulatory mechanism in the system. Without the FFC, the Intergovernmental Fiscal System would have been, to a large extent, the preserve of the National Minister and MECs for finance, to a lesser extent.”⁶⁰

“The FFC is a vital source of alternative fiscal options and the only ‘depoliticised’ institution reviewing South Africa’s revenue-sharing arrangements.”⁶¹

The importance of an independent institution that is in a position to make potentially divisive or unpopular proposals within the context of the IGFR for the benefit of South African society was also emphasised. These arguments were captured succinctly by the following comments made by individual stakeholders:

“...the good thing about this independence is that it is not going to make recommendations that everybody wants to hear because the FFC’s role is not to make recommendations that would please everyone. But it is to say, ‘look this is the situation and this is what we recommend needs to be done’. So if government accepts the recommendations or does not accept [them], it is not the responsibility of the FFC. But the importance of it is to say, ‘here are the facts on the table’. And there is no way that government may not respond on the FFC’s recommendations because they remain important for what government is doing. The government does not have the capacity to do what the FFC is doing. National Treasury has got its own role

to play. I may be exaggerating but from my experience working with them [the FFC] I feel that they are a unique structure that needs to be kept intact. It can only be improved.”⁶²

“The presence of the Commission must not be underestimated. They bring knowledge to public officials. We must not underestimate the impact of institutions that serve as objective and key players in making sometimes unpopular decisions.”⁶³

Similarly, five stakeholders indicated that they felt an oversight body is still required within the context of the intergovernmental fiscal relations (IGFR) system in South Africa. In explaining why such an oversight function remains necessary, one stakeholder asserted that “otherwise the IGFR system will remain unchallenged”.

Despite this, two stakeholders did feel that while the Commission is important within the IGFR system, it does not represent the most important structure in terms of governing IGFR. Instead, they argued that the IGFR system in the country is largely driven by the strength of the National Treasury and the various provincial treasuries. These stakeholders went on to argue that they do not believe that the FFC possesses the strength or position to “enforce government interrelations” and that its role is more on the periphery.

5.3.2 The future role and relevance of the Commission

Encouragingly, almost all of the interviewed stakeholders expressed the belief that the Commission will continue to remain relevant within the South African fiscal landscape. Four stakeholders pointed to the importance of the continued presence of an independent body within the financial and fiscal system as key to the Commission’s relevance going forward. Similarly, it was also argued that it remains critical to maintain an independent oversight and assessment function within the country’s fiscal landscape.

“While the FFC has already established its policy and research credibility, increased fluidity in South African politics will require the Commission to enhance its independence to ensure that it continues to play a crucial role as a fiscal counter-weight to National Treasury and other government structures.”⁶⁴

*"As long as the current architecture of South Africa's fiscal system remains as it is, the FFC remains very relevant. Only if the fiscal interdependences of the three spheres of government are eliminated through a Constitutional amendment can the relevancy of the FFC be questioned."*⁶⁵

*"Well to me the role of the Commission has never been so important. I mean if the FFC were to be discontinued there would be a huge gap. The important thing to me about the FFC is that it is independent. It is not informed by what the department wants to do. It is normally informed by the people on the ground and also from their experience in terms of what they have recommended, what has happened in the past."*⁶⁶

*"I think we do need an independent body to look at the fiscal landscape."*⁶⁷

Similarly, most of the stakeholders did not believe that an alternative institution could carry out the role and functions currently performed by the FFC. The dominant explanation provided in support of this view was that any other government institution would not be able to perform an oversight role in an impartial and objective manner, with one stakeholder asserting that "one can become judge and jury at the same time if that function is shifted."

*"The Treasury can decide on a formula [for fiscal transfers], but it cannot perform an oversight role as well. This is where the role of the Commission is important."*⁶⁸

*"The FFC's work, I'm not sure if it can be performed by anyone else. The important thing about what the FFC is doing is that it is focused. So if you give it to someone else it may not be focused, it may be doing all other things that will be helpful to government at this stage of our democracy. So the FFC still remains very important."*⁶⁹

However, three stakeholders expressed some concern that it is possible that the Commission's mandate and functions may overlap with the Parliamentary Budget Office in the future. In this regard, one stakeholder argued that a potential option in the future would be to merge the FFC with the Parliamentary Budget Office. Another stakeholder argued that the recent establishment of the Parliamentary Budget Office represents a real threat to the continued relevance of the Commission:

“With the process of establishing the Parliamentary Budget Office and looking at the role of that Office, although the idea is that it will assist the Finance Committees and other Committees in Parliament, it will cover the very work that the FFC does. This may threaten the relevance of the FFC in the long term.”⁷⁰

Furthermore, four stakeholders did feel that the Commission will need to take proactive steps to maintain its role within the financial and fiscal system in the country. These views are captured by the following comments made by individual stakeholders:

“I think the FFC should be seen as an independent oversight institution and it should be seen to deliver its mandate, and it’s been said all the time that the FFC has outlived its mandate. But just like any other organisation or business they need to reinvent themselves to stay relevant and challenge the very same system that put them into power...”⁷¹

“...they [the FFC] must stake their claim to that space [the South African fiscal landscape]. There is too much modesty and silence on their part. They need to have more proactive engagement with stakeholders to say: ‘this is what we can offer’.”⁷²

SUMMARY

The importance of the Commission within the IGFR system

- Almost all interviewees strongly believe that the FFC has an important role to play within the IGFR system.
- The Commission's independence and role in ensuring an equitable distribution of revenue in the country were cited among the key reasons for this importance.
- Many interviewees feel an oversight body is still required in the IGFR system.
- Two interviewees feel that the Commission plays a more peripheral role in the IGFR system.

The future role and relevance of the Commission

- Almost all interviewees believe that the Commission will remain relevant within the South African fiscal landscape.
- Most interviewees do not think an alternative institution could perform the role of the FFC.
- Three interviewees were concerned that the Commission's role may overlap with that of the Parliamentary Budget Office.

5.4 The Impact of the Commission's Work

The stakeholders' perceptions and awareness of the work of the Commission and its impact were gauged through a number of questions. These related primarily to perceptions of the main achievements of the Commission, its impact within the country's socio-political environment, and its influence on government policy.

In broad terms, there was some feeling among eight stakeholders that the impact of the Commission's work has fallen some way short of what was desired or initially envisaged. In the view of five stakeholders this has been due, at least to a certain extent, to the reality that the Commission's recommendations have not achieved the desired impact in terms of influencing the decisions made by policy makers and other stakeholders. This line of argument is captured by the following comments made by individual stakeholders:

*"There have been a lot of recommendations over the years ... It is one thing to be independent, but independence should be tested by [the] impact it has: to what extent they [the FFC] have been listened to and what extent these things are taken up in the final fiscal transfer. In that sense it has been limited."*⁷³

*"Yes, it seems to be [that the Commission is fulfilling its mandate] in the sense that its recommendations are of good quality. [I am] less sure, though, of the impact of these recommendations on decision-makers such as National Treasury. [I'm] also not sure that [the] Finance Committees and other stakeholders engage in adequate detail with FFC recommendations."*⁷⁴

*"It is crucial that such a body exists, so its legal establishment is important. Again, it has had less of an impact than perhaps the Constitution envisaged."*⁷⁵

Focusing on more specific details, seven stakeholders were unhappy with various issues related to the division of revenue across provinces (and in one case across municipalities as well), and seemed to believe that the Commission's work and recommendations had played a primary role in contributing to the perceived inequalities in revenue distribution. For instance, one stakeholder argued that the formulas developed by the FFC do not adequately support rural contexts and believed that different formulas are applied to different provinces. This same stakeholder also felt that there was a need for the criteria,

formulas and 'percentages' underpinning the Commission's recommendations to be revised. Similarly, another stakeholder was critical of the equitable share formula, charging that it does not tackle the challenges faced by the poorer provinces effectively and results in unequal treatment of provinces (and even municipalities), with the 'richer' provinces continuing to get more money. There was also a feeling that the equitable share formula does not take into account socio-economic needs sufficiently. Moreover, another stakeholder blamed the Commission for not taking into account "cross-border migration". On a broader level, another stakeholder felt that the manner in which the Commission undertakes its work "has not solved the imbalances in the country".

"There needs to be more interrogation on how revenue is divided equitably. For example, we are a rural province, Limpopo. If you look at [our] equitable share it's decreasing each year. Where is the FFC in all of this?"⁷⁶

More broadly, the interviewed stakeholders outlined a number of factors that they perceived to have affected the impact achieved through the Commission's recommendations and other work within the South African fiscal landscape. These factors included both issues related to the internal functioning of the Commission as well as external factors. The most prominent of these factors are outlined in the following bullet points:

- The Commission has not adjusted adequately as the IGFR system in the country has matured.
- The FFC does not understand the "issues on the ground".
- The FFC has not communicated and established a presence with ordinary South Africans.
- After 1998 the FFC lost a large number of researchers and has since struggled to develop new research capacity. In the words of one stakeholder: "After 1998, however, the capacity of the FFC became weaker. The Commission lost 12 out of 14 researchers in the space of six months. Since then it has struggled to attract good researchers. It has battled to find relevance since then and, therefore, since then it has battled to remain important."⁷⁷
- The impact of the Commission's work has been muted due to the way that the FFC is viewed within the 'bigger' government structures.
- The FFC was 'overtaken' by the National Treasury and this diminished its importance for several years.
- Members of Parliament do not all understand the work of the FFC.

5.4.1 Perceptions of the Commission's main achievements

This negativity was by no means universal, however, and more than three quarters of the stakeholders were complimentary of the Commission's overall contribution within the fiscal landscape in South Africa in some shape or form, especially when asked to outline what they perceived to be the FFC's main achievements since its inception. Eleven stakeholders framed their responses in terms of the contributions that the Commission has made in developing, or providing input into, specific formulae, policies and programmes. For instance, six stakeholders pointed to the Commission's input into the development of the equitable share formulae as its most significant achievement. The Commission was also praised by three stakeholders for creating the foundation of the IGFR system in South Africa and shaping it into its present form or, more broadly, shaping the "overall architecture of the fiscal system" and the "overall framework for intergovernmental relations" in the country. The Commission's input into other existing programmes or policies was also credited among its most significant achievements. These included its part in the development of the Medium Term Expenditure Framework; National School Nutrition Programme (NSNP); the costed norms approach; the implementation of a grant for training nurses and health workers; basic services subsidies; and, in broad terms, assisting the government to "plan better through their recommendations and investigations" or through initiating "important and interesting research".

In support of these assertions, the interviewed stakeholders made a number of specific and instructive comments when outlining their perceptions of the principal achievements of the Commission since its inception. The most significant of the comments made by individual stakeholders are outlined below:

*"The Commission was very instrumental in the development of the equitable share formula that is used to divide provincial allocations equitably across all nine provinces, thus ensuring that no province is 'shortchanged'. Based on good research and national priorities focusing on education, health and economic development, this formula allocates significant resources to these priorities with education and health being major beneficiaries. The equitable share formula has now been in existence for well over a decade and [the] time has come for a major review ... Once again the FFC has been at the centre stage of this review providing useful advice and guidance to minimise the fiscal shock in the system."*⁷⁸

"They [the FFC] have established themselves as an important role player in terms of the financial institutions in South Africa. The recommendations they have made are important. Particularly the recommendations they have made on the equitable share to provinces."⁷⁹

"The Commission has had recent success influencing several major debates, particularly those concerning fiscal decentralisation, the enhancement of division of revenue formulas to further equity, and the mooted reform of the 'Economic Activity' component of the formula."⁸⁰

"The Commission made a lot of impact when they needed to rewrite the equitable share formula at the municipalities' level. It has been quite instrumental and vocal on this, especially in terms of the way that grants should be structured and how they should be implemented."⁸¹

"[The Commission's] ongoing engagement with National Treasury on the composition of the local and provincial equitable share formulae has also deepened the analytical context for public finances in South Africa."⁸²

"Between 1995 and 1998, the Commission was effective for two reasons. First, the IGFR system was new, and the FFC played an important role in establishing the key foundation pillars of the IGFR system. Second, the Commission had very good capacity in these early years. At the same time, the National Treasury was very weak. As a result the FFC was very well respected."⁸³

"The Commission has played an important role in shaping the IGFR system that we have today. Also, in terms of the development of the equitable share formula and the idea of conditional grants."⁸⁴

"Parliament's ad hoc committee on the 'Review of Chapter 9 and Associated Institutions' found that National Treasury had accepted, at that time, approximately 70% of the Commission's recommendations. And when the Commission's recommendations are not taken up – as was the case with the proposed 'costed norms' approach to provincial equitable shares – their proposals have sparked important debates. This shows that the FFC's recommendations do have an important direct and indirect impact."⁸⁵

5.4.2 Perceptions of the socio-political impact of the Commission's work

The interviewed stakeholders were also asked to indicate whether they felt that the Commission has made any impact within the socio-political environment in the country. Ten stakeholders felt that the Commission had done so, and cited various reasons in support of their views. For instance, it was argued by two stakeholders that the FFC has had a positive impact in terms of ensuring that the social mandate of the government (with a focus on the education and health sectors) is adequately financed. Similarly, two other stakeholders felt that the contribution that the Commission has made in terms of how money is allocated within the fiscal system has had "a fundamental knock on effect on the socio-political environment". Similarly, another stakeholder mentioned that the Commission's input into the budget process "has been very progressive, especially in its stand against fiscal centralisation and encroachment by national government."⁸⁶ In this way, this stakeholder argued that the Commission's input has impacted on the socio-political environment in the country by providing a "constitutionally enshrined counter-balance to national government."

It was also argued that the presence of the Commission has itself afforded credibility and transparency to the country's budgetary and governance structures. According to this line of argument, the Commission has provided greater transparency to the country's approach to budgeting and has also given South Africa credibility in the international political arena in terms of improving global international perceptions of the manner in which the country's finances and fiscal system are run and managed.

Furthermore, three stakeholders highlighted the impact that the Commission has had through its role in the development of social grants in South Africa for vulnerable groups such as children and the disabled. Similarly, one stakeholder asserted that the Commission's role in ensuring an equitable distribution of nationally raised resources has benefited civil society in South Africa.

In contrast, four of the interviewed stakeholders were of the opinion that the Commission has achieved little or no impact on the socio-political environment in the country. Speaking generally on the process of budgeting, one stakeholder claimed that he believed that socio-economic rights have not been sufficiently prioritised in the process of drafting budgets. In turn, another stakeholder referring specifically to the FFC

felt that the impact of the work of the Commission needs to be stronger in terms of what is “happening on the ground”.

5.4.3 Perceptions of the extent to which the Commission has influenced policy

The interviewed stakeholders were also quizzed as to their perceptions of the influence that the Commission has exerted to date over policy within the South African fiscal landscape. There was generally a widespread level of understanding and awareness that the role of the Commission is not to serve as a policy making body. Instead, ten stakeholders felt that the influence of the Commission on policy is confined to its advisory role on policy instruments and fiscal and financial matters. One stakeholder emphasised this by asserting that while the Commission makes “non-binding” recommendations to all spheres of government, “around one third of its recommendations are not taken up by government”. Six stakeholders were of the view that the Commission does, by necessity, assess the policy implications of the issues related to the division of revenue, fiscal transfers or shifts in power. In turn, one stakeholder emphasised that the Commission may assist in policy development indirectly through its input in terms of reviewing and advising on fiscal matters. Capturing these central arguments, one stakeholder explained that:

“We have always understood the role of the FFC as that of providing advice on policy instruments rather than developing fiscal policies per se. For example, the FFC has been vocal in ensuring that fiscal policy instruments do not adversely affect the poor, especially in times of fiscal constraints as we have seen recently during the economic downturn...It would not be proper for the FFC to develop (influence) fiscal policies and at the same time provide a regulatory mechanism.”⁸⁷

When asked whether they agreed or disagreed with the criticism aired in some quarters that the FFC is “encroaching on policy”, 15 of the interviewed stakeholders indicated that they felt the Commission is not doing anything that it is not mandated to do. As one stakeholder explained, he did not believe that the work of the Commission in raising its views on issues related to the IGFR system is by any means tantamount to encroaching on policy. Instead, this stakeholder emphasised the fact that it is the preserve of the government to accept or implement the proposals and recommendations made by the Commission. Another stakeholder went as far as to say that in terms of its mandate, the Commission “is meant to encroach” on policy. Similarly, a view was expressed that the Commission’s role in making

recommendations “surely implies active engagement with policy options going forward and the evaluation of policy in the past”. Another stakeholder argued that the nature of the work that the FFC undertakes means that it is not possible to confine the recommendations of the FFC to non-policy related areas. Within this context, one stakeholder argued that it would be unreasonable to view the FFC as ‘encroaching on policy’:

“...it is to be expected that there may very well be instances where the FFC may be seen to be encroaching on policy. When you ‘oversee’ the implementation of fiscal policies and also provide recommendations to Parliament, it is quite impossible to do so without ‘taking a swipe’ at the policy itself. We therefore feel that such criticism is probably unfair.”⁸⁸

5.4.4 Stakeholders’ recommendations to improve the impact of the Commission’s work

After offering their own opinions of the impact of the recommendations and other work of the Commission, the stakeholders were asked to provide suggestions on how the Commission could improve the impact of its recommendations and other work. The key recommendations proposed by stakeholders are summarised in the bullet points below:

- Base future recommendations and proposals on sound **fiscal policy and public finance principles**.
- **Revise the Commission’s research focus areas** in line with the reality that the IGFR system in South Africa has matured.
- Balance the attention of the Commission’s work across all three spheres of government.
- Facilitate **research on the fiscal and financial system through universities** to build the knowledge base.
- The Commission should implement an **education programme** to enable people and communities to be involved in discussions related to the fiscal and financial system in the country. This education should also extend to provincial officials on matters related to the IGFR system and the importance of the budget process.
- Improve the Commission’s level of **consultation and interaction with key stakeholders**, especially the National Treasury, and increase the number of modes through which it disseminates its research products.

- The Commission should **involve the provinces more** in its work and seek assistance from the provincial legislatures.
- The Commission should look to **change its external image** to one of the 'voice' of the people, municipalities and provinces.
- **Improve the level of understanding of the work of the FFC** among members of Parliament.
- The Commission should **be more aggressive and assertive** in putting across its recommendations and proposals.

Several stakeholders also offered a number of expectations related specifically to the Commission's research products. The most prominent among these included:

- The Commission's research must **contribute to a more equitable allocation of resources**.
- The Commission's research products must find their way into the country's **fiscal policy discourse**.
- The Commission's research approach should itself begin from the **bottom up** and include greater interaction with "ordinary people on the ground".
- The Commission should **make its information and primary research available to the provinces** and the research should be accessible in terms of the language used to convey key findings or recommendations.
- The Commission should develop a much clearer **long term research agenda**.
- The Commission should draw lessons from the case of the **Australian Commonwealth Grants Commission** which has "grown from when it was first established a decade ago and is very influential."⁸⁹

Similarly, a number of stakeholders also suggested specific areas in which the Commission should focus its future research endeavours. These suggestions included the need to:

- Conduct more **retrospective analyses** to understand what has changed within the IGFR system and what is required to move the system forward.
- Look at **international experiences in the successful reallocation of resources** in countries such as Brazil, South Korea and China.

- **Review the equitable share formula**, particularly in order to ensure that “the formula takes into account that there are province-specific circumstances that increase the expenditure responsibilities of certain provinces compared to others”.
- **Review conditional grants** in the fiscal system because “most provinces find some of these grants to be outdated”.
- Analyse the **implications for provinces of taking over certain functions** currently rendered by municipalities.
- Conduct fiscal and **fiscal impact analyses**.
- Assess whether South Africa is achieving its **desired objectives and goals in terms of monetary and fiscal issues**.
- Analyse **trade-offs between certain funding decisions** (especially within the education and health sectors).
- Investigate **ways to reform revenue allocations** and the horizontal and vertical division of revenue in order to address poverty and inequality.
- Conduct an **impact assessment of budgets allocated to municipalities** in areas related to their service delivery mandate, governance and local economic development.
- Conduct more research into the issue of **migration from rural to urban provinces and its fiscal implications**.
- Analyse the **impact of proposals and recommendations** that have been accepted and implemented by government.
- Include a focus on **issues related to intra- and intergovernmental relations** between provinces.
- Conduct research into the **future of the Executive authority of provinces**.
- Assess the **future revenue raising capacity of provinces**.
- Focus on “making the economic case for **maximising fungibility in transfers from central government**, particularly in the case of a creeping increase in conditional grants and decrease in provincial equitable share”.⁹⁰

SUMMARY

The overall impact of the Commission's work

- Eight interviewees feel the Commission's work has not achieved the impact that was initially envisaged.
- This is mostly because they feel its work has not sufficiently influenced government decisions.
- Seven interviewees are unhappy with perceived inequalities in the distribution of revenue across provinces and feel the Commission's work has contributed to these inequalities.
- Several internal and external factors were identified by interviewees as affecting the impact of the recommendations and other work of the Commission.

Perceptions of the Commission's main achievements

- Six interviewees feel that the FFC's involvement in developing the equitable share formulae is its most significant achievement.
- The Commission was also praised by three interviewees for shaping the IGFR and the fiscal architecture in South Africa.

The socio-political impact of the Commission's work

- Ten interviewees feel that the FFC has made an impact within South Africa's socio-political environment.
- Four interviewees feel that the FFC has achieved little or no impact in this regard.

The Commission's influence on policy

- There is widespread understanding among interviewees that the FFC is not a policy making body.
- Fifteen interviewees do not agree with criticism that the FFC is encroaching on policy.
- Six interviewees feel that the FFC's influence on policy is confined to its advisory role on fiscal and financial matters.

5.5 Stakeholders' Engagement and Interaction with the Commission

5.5.1 Existing interaction with the FFC

Almost all of the interviewed stakeholders reported having previously interacted with the Commission on some level. However, five stakeholders reported that their level of interaction with the Commission has been minimal or non-existent. Among those that did interact with the Commission on any sort of substantial basis, the nature of their interactions varied depending on the position that they hold. For four stakeholders, this interaction has been facilitated through the FFC's provincial visits and presentations made to the provinces; while other interactions have centred on Budget Council discussions. In the case of two stakeholders, interactions with the FFC have been largely facilitated by the National Treasury.

Four stakeholders reported having assisted the FFC with various tasks related to its mandate. For instance, two stakeholders mentioned that they provide feedback and comment on the Commission's recommendations when formally requested to do so. These same stakeholders also explained that they are involved in the FFC's research working group in which the Commission requests assistance with their forthcoming research endeavours. Another stakeholder explained that his interaction with the Commission is based on providing assistance to the response to the Annual Submission on the Division of Revenue as well as explanations on the Block Grant and provincial equitable share.

Encouragingly, when asked to describe their perceptions of the interaction that they have had with the FFC to date, more than half (13) of the stakeholders reported positive experiences and felt that they had a good working relationship with the Commission. In the words of individual stakeholders, some of these positive experiences stemmed from the perception that the Commission was "useful", "willing to help" and "always available". One stakeholder highlighted the competence of the Commission's staff, stating that they boasted "vast institutional knowledge and experience on intergovernmental matters." Another stakeholder pointed to the positive influence that the Commission has had on his own work, mentioning that he had "learnt a lot working with the FFC" and that the engagements have "enriched" his own work.

"Over the years our experience working with the FFC has been very positive, as most of our engagements have been based on robust analysis of fiscal issues."⁹¹

"It was most enriching and informative to interact with the FFC."⁹²

"We have a very good working relationship and regard the FFC's inputs very highly."⁹³

"...I refer to recommendations [made by the FFC], even those that have been made in the previous years. I find that they are very useful to me. But maybe it is because I understand what the responsibility of the FFC is, and I make it my responsibility to ensure that even my peers should understand it in the same way."⁹⁴

"[The Commission's] research is useful in terms of evaluating our achievements relative to other provinces, and also to strengthen our case for on-going reform to improve the revenue-sharing formulas."⁹⁵

Very little negativity was expressed by stakeholders with respect to their own engagements with the Commission. However, of two stakeholders that did express some negativity, this stemmed primarily from unhappiness with the level of consultation that they have had with the Commission to date. Specifically, as one stakeholder stated:

"Their presentations are only done after they have completed their reports. They present their Annual Report and recommendations to the province, but they do not consult with us to obtain our inputs."⁹⁶

5.5.2 Stakeholders' recommendations for improving the Commission's engagement and relationships with stakeholders

Despite the very limited level of unhappiness with their own interaction and engagement with the Commission, the interviewed stakeholders did offer a number of recommendations as to how the Commission can further develop its relationships with its varied base of stakeholder groups. The most prominent recommendations put forward by stakeholders are listed in the bullet points below:

- Raise the Commission's level of **consultation and interaction with communities** in order to understand realities 'on the ground' and to avoid working in 'silos'. This should include consultation with members of the public, civil society organisations, schools, youth groups and churches. This would also enable the Commission to be more visible to ordinary South Africans.
- Conduct more **public hearings** and debates in order to be more visible within the public domain.

- Utilise **government imbizos** to interact more with government stakeholders.
- Undertake more interactive and **continuous interaction with stakeholders** through bulletins and newsletters.
- Facilitate a **multi-stakeholder workshop** to provide a platform for the Commission and its key stakeholders to “sit down together and consider how they can be more relevant to each other [and] more useful”.
- Conduct **road shows** as a means to interact directly with stakeholders.
- Engage and **interact with legislators** on a more frequent basis. As one stakeholder argued: “The FFC gives the report to Parliament, the legislators and government. But there is no coordination in the response from these groups. They need to increase their interaction so that we can see where we fit in and how we can support them.”
- Increase the number of **bilateral engagements** between the FFC and the provinces, Provincial Legislatures and the National Council of Provinces.
- Increase the number of **research requests from the Provincial Legislatures** to the Commission.
- Provide **updates on both the Commission’s current and future work** to stakeholders.
- Cascade the current level of interaction that the FFC has with Parliament down to the provincial and local government levels.
- Participate in the induction at the new term of members of Parliament and Chairpersons of Committees.
- Conduct **quarterly or half-yearly briefing sessions** with the Chairpersons Forum on the work of the Commission (both at the level of Parliament and the individual provinces).
- Revive the Commission's participation as an independent institution in **intergovernmental forums**.

SUMMARY

Interaction with the FFC

- Almost all interviewees have had some previous interaction with the Commission.
- Only five interviewees described the level of interaction as minimal.
- The nature of the interviewees' previous interaction with the Commission has varied depending on their position.
- 13 interviewees describe their interaction with the Commission as a positive experience.
- Only two interviewees expressed negativity about their own engagements with the Commission.
- These interviewees feel that the Commission should consult them more.

5.6 Conclusion

While not generalisable to the entire population of FFC stakeholders, the findings presented in this chapter offer a number of initial insights into the current levels of awareness and understanding of the role and mandate of the FFC among a small selection of the Commission's key stakeholders. Furthermore, the findings provide insight into the prevailing perceptions held by a small group of stakeholders regarding the impact of the recommendations and other work of the Commission across a number of areas.

The role and mandate of the Commission within the fiscal and financial landscape in South Africa is generally well understood across the small sample of stakeholders. In addition, the general (although not universal) feeling among these stakeholders is that the Commission has fulfilled its mandate to date, with only five stakeholders feeling the Commission could be doing more in this regard. There is some feeling however, that the Commission's proposals and recommendations have not always translated into much impact on fiscal and financial decisions and actual fiscal transfers in the country. This view is, at least partly, in line with the internal perceptions of senior FFC staff and management that the Commission is 'toothless' in the sense that its recommendations on the Division of Revenue are made to Parliament and the Provincial legislatures and these institutions then influence whether or not its recommendations are accepted or implemented by government. With this in mind, in determining the future strategic direction of the Commission and looking to maintain its relevance within the fiscal landscape in the country, the Commission should look to be more proactive and assertive in terms of the manner in which it delivers its proposals and recommendations and, more generally, move to "stake their claim" within the IGFR system in South Africa. This is vital if the Commission is to remain relevant within the country's fiscal landscape. Encouragingly, almost all of the interviewed stakeholders feel it can, and should, remain relevant.

This is backed by the general feeling among the selection of stakeholders that the FFC does have an important role to play within the IGFR system, broadly in terms of its independent role within the system, and more specifically in ensuring an equitable distribution of resources by providing an objective and long-term perspective on issues related to the division of revenue.

In terms of strategic efforts to maintain or enhance its role and relevance, many of the recommendations made by the interviewed stakeholders centre on the need to expand the Commission's level of consultation

and engagement with its stakeholder base. This includes both consultation and interaction with officials across all three spheres of government, but also interaction with community members and ordinary South Africans 'on the ground'. This is an area that has already been acknowledged by the Commission's leadership as requiring attention, particularly as a means to improve the understanding and awareness of the role, functioning and work of the Commission among its key stakeholders.



6. ELECTRONIC STAKEHOLDER PERCEPTION SURVEY REPORT

6.1 Introduction

This report presents the key findings emerging from the electronic perception survey undertaken with a broad slice of the FFC's stakeholders that included Parliamentarians and representatives of local government, Chapter 9 institutions, the National Treasury and the Presidency. Together with the in-depth, one-on-one interviews with a limited number of key stakeholders, the perception survey was designed to provide input into the current levels of awareness and understanding of the mandate and role of the FFC among a broad cross-section of the Commission's stakeholders. The survey was also designed to assess stakeholders' perceptions and attitudes related to the existence of the Commission, its contribution and the impact of its recommendations and other work, and the Commission's future relevance within the South African fiscal landscape. Unfortunately, the extent to which the survey was able to achieve these aims was severely hampered by a very poor response rate to the survey.

The report begins by outlining the methodological approach adopted in conducting the electronic perception survey, together with the difficulties encountered during the course of undertaking the survey. Thereafter, a limited number of qualitative findings are presented based on the information drawn from the limited responses to the questionnaire that were received. The report concludes with a discussion of the implications for the FFC from the findings as well as the poor response rate to the survey.

6.2 Survey Scope and Limitations

As mentioned in the Methodology chapter of this report, the electronic stakeholder perception survey was severely hampered by an extremely low response rate. This occurred despite extensive efforts on the part of the Mthente research team to encourage a greater number of stakeholders to respond to the survey. Out of the original list of 1 376 identified stakeholders, the electronic questionnaire was initially distributed to the 711 stakeholders on the contact database (for which the research team was able to obtain email addresses) on 4 February 2011. After a very poor initial response to the survey, a follow-up reminder was sent via email to all stakeholders in the contact database a week later on 11 February 2011. A second reminder email was then sent to all the stakeholders on the contact database on 25 February 2011.

Using Mthente's electronic database software it is possible to track how many of these stakeholders actually opened the initial email invitation to complete the electronic survey and the follow-up reminders. These numbers are presented in the table below.

Table 4: Email requests to stakeholders to complete the survey

Stakeholder Group	Total Number of Stakeholders	Number of Stakeholders that Opened initial Email	Number of Stakeholders that Opened 1st Email Reminder	Number of Stakeholders that Opened 2 nd Email Reminder
Parliamentarians	363	32	36	1
The Presidency	10	1	2	0
National Treasury	3	0	0	0
Local government	318	20	19	16
Chapter 9 institutions	17	4	0	2
TOTAL	711	57	57	19

As the poor response rate for the survey persisted, the Mthente research team also sent out a short message service (SMS) reminder to all stakeholders on the database for which telephone numbers were available on 16 February 2011. A total of just 23 stakeholders responded to the SMS reminder. A breakdown of the content of these responses is provided in the table below.

Table 5: Stakeholder responses to SMS reminder

Outcome	Number of Stakeholders
Indicated that they did not receive the questionnaire (in which case it was resent to them)	16
Indicated that they did not know what the FFC is or what it does	7
TOTAL	23

In addition, the Mthente research team contacted a share of the stakeholders telephonically to ascertain why they had not responded to the survey and to encourage them to do so. To this end, an attempt was made to contact a total of 94 stakeholders – representing approximately 13 percent of the total database. A breakdown of the outcomes of these attempts to contact the stakeholders telephonically is presented in the table below.

Table 6: Stakeholder responses to telephonic follow-up

Outcome	Number of Stakeholders
No answer/not available	59
Repeatedly asked to phone back	12
Refused outright to complete the questionnaire	5
Indicated that they were not in a suitable position to complete the questionnaire	2
Did not receive the survey or asked for the survey to be resent	13
Indicated that they would get back to us or complete the survey	3
TOTAL	94

Despite several attempts, the Mthente research team was unable to establish telephonic contact with a large share (63 percent) of those identified for telephonic follow-up.ⁱⁱⁱ Furthermore, the team was repeatedly asked to phone back (either by the personal assistants or the individuals themselves) for a relatively large number of stakeholders. A handful of stakeholders declined outright to complete the questionnaire, generally indicating that they did not have time to do so, were on leave, or were out of the country for an extended period of time and, thus, unable to complete it.

Despite these persistent efforts, the response rate to the survey was extremely low. Of the 711 stakeholders originally invited to complete the electronic survey questionnaire, only 11 stakeholders responded with complete (or semi-complete but workable) questionnaires. The very poor response rate meant that it was not possible to conduct a quantitative analysis of the collected survey data owing to the small sample size. Nevertheless, a brief qualitative analysis was undertaken on the data contained in the completed questionnaires. The key findings from this qualitative analysis are outlined in the section below. It is important to note, however, that the results obtained from the small sample of just 11 respondents is by no means representative of the FFC's stakeholder base, and the findings presented below should not be generalised to the entire population of FFC stakeholders.

ⁱⁱⁱ The reasons for this ranged from the phone persistently ringing or engaged to the individual concerned being out of the country.

6.3 Qualitative Findings

6.3.1 General Awareness of the Presence, Role and Mandate of the FFC

When initially asked whether or not they were aware of the FFC, marginally more than half (six) of the 11 respondents indicated that they were aware of the Commission. Among this sub-group, the questionnaire then probed their understanding of the mandate of the Commission. With the exception of one respondent, who was unsure of the Commission's mandate, the remaining five respondents revealed at least some level of understanding of the details of this mandate. The respondents mostly framed their responses in relation to the Commission's mandated advisory function to government in fiscal matters. Specifically, the respondents provided the following comments in explanation of their understanding of the mandate:

- "To advise Parliament on future distribution of funds."
- "I know that this Commission is one of the constitutional bodies and that its mandate includes the regulation of financial and fiscal matters and advising the state on these matters."
- "To make recommendations on government spending."
- "To advise government on equitable shares for provinces and on fiscal matters."
- "Advise National government and institutions on its fiscal and financial matters and to the community at large."

The respondents were also asked whether they felt that the Commission was currently fulfilling its mandate. Six out of the 11 stakeholders responded to the question, with four of them indicating that they did believe the FFC is currently fulfilling its mandate. In contrast, the remaining two respondents felt that the Commission is not currently fulfilling its mandate.

With respect to the role of the Commission, the stakeholders were also asked to make one selection from a list of words which they felt best described the role of the FFC. This list of roles included the following: "strategic"; "advisory"; "research-focused"; "consultative"; "counseling"; and "planning body". The highest count of respondents (six out of 11) perceived the principal role of the Commission to be an "advisory" one. In turn, half of this number felt that the role of the FFC is primarily "research-focused". The remaining respondents either indicated that they did not know what the role of the FFC was, or that they had never previously interacted with the Commission.

6.3.2 Stakeholder perceptions of the impact of the recommendations and other work of the FFC

Broad contributions of the FFC to the fiscal landscape in South Africa

One of the primary objectives of the electronic survey was to assess the stakeholders' perceptions of the impact of the Commission's recommendations and other work within the South African fiscal landscape to date. To this end, the respondents were initially asked to rate the significance of the Commission's contributions to the fiscal system in South Africa in four broad areas: the development of the IGFR system in South Africa; and expenditure assignment and financing issues with respect to national, provincial and local government, respectively. A total of 10 out of the 11 respondents answered this question. Their responses are aggregated in the table below.

Table 7: Respondents' ratings of the FFC's contribution in specific areas of the fiscal landscape in South Africa

	Count of respondents (n=10)					
	Don't know	Not significant at all	Somewhat significant	Neutral	Significant	Very significant
The development of the IGFR system in South Africa.	3	0	1	2	3	1
Expenditure assignment and financing issues with respect to national government.	2	0	1	0	4	3
Expenditure assignment and financing issues with respect to provincial government.	1	0	1	0	5	3
Expenditure assignment and financing issues with respect to local government.	2	0	1	0	3	4

Notably, none of the respondents indicated that the contribution of the Commission in any of these areas had been "not significant at all". Similarly, in each of the four areas only one respondent felt that the

Commission's contribution had been "somewhat significant". In contrast, a comparatively larger number of individuals felt that the Commission's contribution in each of these four areas had been significant or very significant. Of these, the highest count of respondents (five) felt that the Commission's contribution to expenditure assignment and financing issues with respect to provincial government had been significant, and a further three felt that its contribution had been very significant. At least three respondents also felt that the contribution of the Commission to expenditure assignment and financing issues with respect to national government and local government had been either significant or very significant, respectively. In comparison, a total of four respondents indicated that the FFC's contribution to the development of the IGFR system in South Africa had been significant. Finally, it is important to note that in each of the areas, at least one of the respondents indicated that they did not know what the Commission's contribution had been.

In another broad question, the stakeholders were asked to rate the success of the Commission's contribution in terms of influencing fiscal policy in South Africa since its inception on a five-point scale ranging from "not successful at all" to "very successful". A total of 10 of the 11 respondents answered this question, providing a mix of responses across this spectrum.

One respondent felt that the FFC had not been successful at all in influencing fiscal policy in South Africa. In substantiating this claim, the respondent explained that: "There is still a large amount of inefficiency and corruption in government spheres." A further four respondents rated the Commission's influence on fiscal policy in South Africa as "neutral". The primary reason provided by the stakeholders for this response related to a lack of information or means from which to determine the extent of this influence. In this regard, specific comments made by respondents included:

- "I have no means of determining it".
- "I don't have enough information to make an informed decision."
- "I do not know enough to give fair comment."

Other stakeholders were more positive about the influence that the Commission had had on fiscal policy in South Africa. Two respondents felt that the Commission has been "somewhat successful" in the regard, suggesting that the Commission could have achieved significantly more. In support of this assertion, the respondents offered the following comments:

- “The final decisions are always made by the Party in government.”
- “The divide between the rich and the poor is still growing. It should be diminishing.”

A further three out of the ten respondents indicated that they felt the FFC had been “successful” in influencing fiscal policy in South Africa since its inception. Two of these respondents provided the following explanations to substantiate their view:

- “Overall, I am aware of the Commission’s role on fiscal policy and that its inputs are being considered to some extent whenever fiscal policy is discussed or amended.”
- “Most, if not almost all of their recommendations have been adopted by Parliament.”

Notably, however, none of the ten respondents felt that the Commission had been “very successful” in influencing fiscal policy the country.

Impact and value of specific recommendations made by the FFC

In addition, the stakeholders were also asked to rate the value of specific recommendations made by the Commission since its inception. A total of seven recommendations were selected for this purpose, including those previously selected for in-depth case study analysis. In the case of each recommendation, the respondents were asked to rate the value of the recommendation on a scale ranging from “not valuable at all” to “very valuable”. The respondents were also given the option to indicate that they did not know the value of the recommendation. A disaggregated count of the results is presented in the table below.

Table 8: Respondents’ ratings of the value of specific recommendations made by the FFC

	Don’t know	Not valuable at all	Somewhat valuable	Neutral	Valuable	Very valuable
A costed norms approach for determining the provincial equitable share should be adopted by government. (n=11)	1	0	0	0	4	6
The National School Nutrition Programme (NSNP) should be extended to secondary	0	1	0	1	3	5

schools. (n=10)						
Capital grants should be allocated to the provinces from the national sphere as an interim solution to address social infrastructure backlogs. (n=9)	0	1	0	0	2	6
Appoint a national agency to oversee the national legacy effects of the 2010 World Cup. (n=10)	0	3	0	1	0	6
Make the hosting cities responsible for sustaining location-specific legacy effects of the 2010 World Cup. As legacy benefits accrue to the cities it is recommended that the cities fund these from their own revenue sources. (n=10)	0	4	1	1	3	1
Government should consider establishing an independent National Water Regulator (that would report to Parliament) to allow for a separation of the policy function from the regulatory function within the water service sector. (n=10)	2	2	1	1	1	3
Government should give consideration to developing a differentiated approach to municipalities in such areas as borrowing, revenue sources, and municipal service partnerships. (n=10)	1	1	0	0	5	3

Notably, across the seven recommendations, the bulk of the respondents indicated that the Commission's recommendations had either been "valuable" or "very valuable". Specifically, 10 out of 11 respondents felt that the FFC's recommendation that the government adopt a costed norms approach for determining the provincial equitable share had been either "valuable" or "very valuable". Similarly, eight out of 10

respondents felt the same way about the Commission's proposal for the NSNP to be extended to secondary schools. Eight out of nine respondents indicated that the Commission's recommendation for capital grants to be allocated to the provinces had been either "valuable" or "very valuable". The Commission's recommendation that a differentiated approach to municipalities be considered in areas such as borrowing, revenue and municipal service partnerships also produced similar results. Eight out of 10 respondents felt that this recommendation was either "valuable" or "very valuable". In contrast, just one of the respondents felt that the recommendation was "not valuable at all".

The results were less convincing with respect to the Commission's recommendations related to the legacy effects of the International Federation of Association Football (FIFA) 2010 World Cup. Specifically, while six out of 10 respondents felt that the Commission's recommendation that a national legacy agency be appointed to oversee the national legacy effects of the World Cup was "very valuable"; three respondents indicated that they felt the recommendation was "not valuable at all". Furthermore, the respondents' views regarding the value of the recommendation that the host cities should be responsible for sustaining the location-specific legacy effects of the World Cup were mixed. Only one of the 10 respondents felt that this recommendation was "very valuable", with a further three respondents indicating that they felt it was "valuable". At the other end of the spectrum, four out of the 10 respondents felt that the recommendation was "not valuable at all". A similar pattern emerged in the case of the Commission's recommendation for the establishment of an independent National Water Regulator. A total of four out of 10 respondents felt that the recommendation was either "valuable" or "very valuable", while single respondents indicated that it was either "neutral" or "somewhat valuable". A further two respondents felt that the recommendation was "not valuable at all".

It is worth noting that the majority of the respondents were able to express some opinion regarding the value of the recommendations, with only a small number selecting "don't know" for specific recommendations. This suggests that the majority of the respondents were at least aware of the selected recommendations to the extent that they were able to offer an opinion on their respective value within the financial and fiscal system in South Africa.

The respondents were also asked to assess the extent to which they felt the selected recommendations made by the Commission had achieved their desired impact. This was assessed on a five-point scale

ranging from “no impact” to a “major impact”. The disaggregated count of the results for each of the seven selected recommendations is presented in the table below.

Table 9: Respondents’ ratings of the impact of specific recommendations made by the FFC

	Don't know	No impact	Very little impact	Neutral	Some impact	Major impact
A costed norms approach for determining the provincial equitable share should be adopted by government. (n=11)	2	0	3	2	1	2
The National School Nutrition Programme (NSNP) should be extended to secondary schools. (n=10)	2	2	2	1	1	2
Capital grants should be allocated to the provinces from the national sphere as an interim solution to address social infrastructure backlogs. (n=9)	0	0	2	2	1	5
Appoint a national agency to oversee the national legacy effects of the 2010 World Cup. (n=10)	2	2	0	2	2	2
Make the hosting cities responsible for sustaining location-specific legacy effects of the 2010 World Cup. As legacy benefits accrue to the cities it is recommended that the cities fund these from their own revenue sources. (n=10)	1	1	4	2	0	2
Government should consider establishing an independent National Water Regulator (that	2	0	1	2	2	3

would report to Parliament) to allow for a separation of the policy function from the regulatory function within the water service sector. (n=10)						
Government should give consideration to developing a differentiated approach to municipalities in such areas as borrowing, revenue sources, and municipal service partnerships. (n=9)	2	0	1	2	2	2

Focusing initially on the Commission’s recommendation related to the costed norms approach, of the two stakeholders that responded to the question, the highest count of respondents (three) indicated that the recommendation had achieved “very little impact”. This was, however, only marginally more than the number of respondents that felt that the recommendation had achieved a “major impact” (two) and those that selected a “neutral” response. The opposite pattern was observed in the case of the Commission’s proposal for the establishment of a National Water Regulator, with the highest count of respondents (three) indicating that the recommendation had had a “major impact”, and a further two indicating that it had “some impact”.

The responses to the assessment of the impact of the Commission’s proposal that the NSNP be extended to secondary schools were even more evenly spread, with totals of two respondents indicating that the recommendation had achieved “no impact”, “very little impact” or a “major impact”, respectively. Similar patterns emerged in the case of the Commission’s proposals that a national agency be established to oversee the national legacy effects of the World Cup; and that government should give consideration to developing a differentiated approach to municipalities in areas such as borrowing, revenue sources and municipal service partnerships.

In contrast, the respondents’ opinions related to the impact of the Commission’s proposal that capital grants be allocated to the provinces were more heavily skewed in favour of a significantly positive impact. Indeed,

the highest count of respondents (five) felt that the recommendation had been successful in achieving a “major impact”. In comparison, none of the ten respondents felt that it had achieved “no impact”, and two respondents indicated that the recommendation had achieved “very little impact”.

With the exception of the capital grants recommendation (where no respondents were unaware of the impact of the recommendation), at least one respondent (in the case of the proposal for the establishment of a national legacy agency for the World Cup) and two respondents in the case of the other recommendations indicated that they did not know what the impact of the respective recommendations had been.

6.3.3 Stakeholder perceptions of the importance and relevance of the FFC

The stakeholders were asked to indicate how important they believed the presence of the Commission is within the system of IGFR in South Africa by means of a five-point scale ranging from “not important at all” to “very important”. A total of 10 of the 11 stakeholders answered the question. Of this total, the majority (eight) of the respondents indicate that they felt the presence of the Commission within the IGFR system is either “important” or “very important”, with four respondents selecting each of these categories, respectively. In contrast, just one of the respondents rated the importance of the presence of the Commission within the IGFR system as “average”. Encouragingly, these results suggests that, at least among the small sample of stakeholder respondents, the Commission is viewed as occupying an important role within the IGFR system in South Africa.

Looking ahead, the stakeholders were also asked to indicate the extent to which they felt the Commission would be relevant within the intergovernmental fiscal relations system in South Africa in five years time. To this end, the stakeholders were provided with a five-point scale ranging from “not relevant at all” to “very relevant”. A total of nine out of the 11 stakeholders provided responses to this question. Encouragingly, of this total marginally more than half (five) of the respondents felt that the Commission would continue to be “very relevant” within the intergovernmental fiscal relations system in the country. In addition, another respondent felt that the Commission would continue to be “relevant” going forward. In substantiating this view, the respondents that felt that the Commission would continue to be “very relevant” provided the following comments:

- “Any body/organisation that can assist with good governance will have a role to play within and between government departments.”
- “We have to keep moving forward. Any attempt to improve the plight of the people is valuable.”
- “The Commission has an important role to play in the fiscal system of the Republic.”
- “There are areas that fail provinces that are scantily populated while having a large geographic area like Northern Cape especially when it comes to funding infrastructure that spans for large distances.”
- “It will improve the information awareness and more projects focused in South Africa.”

A single respondent believed that the Commission would remain “somewhat relevant” in five years time. In substantiating this view, the respondent argued that the existing legislation in South Africa lends itself to an important role for the Commission in the country, but questioned the effectiveness of the Commission in carrying out its mandate:

“Unless Parliament amends the current legislation and Constitution, I think the Commission will continue to play a role in the country’s intergovernmental fiscal relations. My only concern is that the Commission currently appears to be less effective in carrying out its mandate; possibly because of the fact that some of its officials were in the past largely drawn from the ranks of the governing party or its sympathizers; which might have encouraged them to take things easy.”

A single respondent selected the “neutral” response, citing having “no idea” as to how government reacts to the work of the Commission. Furthermore, another respondent felt that the Commission would be “not relevant at all” in five years time, citing a lack of knowledge as the motivation for this selection.

6.3.4 Stakeholder perceptions of the FFC’s communication with stakeholders

The FFC has previously identified its engagement with stakeholders as an area that requires improvement. This seems to be backed by the views of the limited number of stakeholders included in the perception survey. The stakeholders were asked to rate the effectiveness of the current ways in which the Commission communicates and disseminates its research, recommendations, comments and proposals on a five-point scale ranging from “not effective at all” to “very effective”. A total of nine out of the 11 respondents answered this question. Among these, the highest count of respondents (four) felt that the Commission’s

efforts in this regard were “not effective at all”. A further two respondents felt that the FFC has only been “somewhat effective” in communicating and disseminating its research, recommendations, comments and proposals. In contrast, just one respondent rated the Commission’s efforts as effective in this regard.

Looking ahead, the respondents were asked to indicate how they would prefer to receive communication and information pertaining to the Commission in the future. A total of eight out of the 11 respondents provided their preferences in this regard, with seven of these respondents citing electronic mail as their most preferred medium. In turn, a single respondent cited a preference for receiving communication and information via a quarterly publication from the Commission to relevant stakeholders. According to one respondent:

“The Commission needs to undertake a multi-pronged and multi-media campaign (e.g. national public and commercial TV; national public and community radio; electronic media and roadside billboards; including public and stakeholder consultations) to disseminate its information and research findings. However, as things stand, very little of such information reaches the public and is probably only used to reach a few stakeholders or individuals who are closely linked to the Commission.”

6.4 Conclusions

Owing to the very poor response rate to the electronic perception survey, it has not been possible to draw out any substantial quantitative findings related to the current levels of awareness and understanding of the role and mandate of the Commission or perceptions of the impact of the recommendations and work of the Commission among its broad stakeholder base. Nevertheless, the fact that so few stakeholders responded to the survey, despite the persistent efforts of the Mthente research team, is telling in itself. The poor response rate may indicate that the majority of the sample of stakeholders were not aware of the FFC, or knew of the FFC but were not in a position to answer any detailed questions on their role or function. Alternatively, it could indicate that many of these stakeholders have not engaged with the FFC on any significant level and, therefore, did not feel willing, or in a position, to contribute. Finally, the poor response rate could indicate that many of the stakeholders are disinterested in the work of the FFC or do not recognise the FFC as a significant role player in the fiscal landscape in South Africa. Indeed, the fact that 98.5 percent of the contacted stakeholders chose not to, or were unable to, complete the questionnaire

may indicate that there is a degree of apathy with the role and work of the Commission within the financial and fiscal system in South Africa. This should be of major concern to the FFC as it battles to remain relevant and continue as an important and influential role player within the fiscal and financial landscape in the country.

Despite this, while the very small sample of respondents has meant that it has not been possible to draw any firm conclusions about the views held by the FFC's main stakeholder base, some comments can be made about some of the general findings from the limited sample. Encouragingly, among the very limited sample of stakeholders that did respond there was at least some level of understanding of the mandate and role of the Commission. Furthermore, most of these stakeholders feel that the broad contribution of the FFC in terms of the development of the IGFR system in South Africa and in addressing issues related to expenditure assignment at the national, provincial and local government levels has been significant. At the same time, the bulk of these limited number of stakeholders feel that the presence of the Commission within the IGFR system in South Africa is important; and that the FFC should continue to remain relevant in five years time. These stakeholders' views on the extent to which the Commission has influenced fiscal policy in South Africa are, however, significantly more diverse. In addition, most of the stakeholders believe that there is room for the Commission to improve the effectiveness of the way in which it communicates with its stakeholders and disseminates information.

Unfortunately, however, these findings are by no means generalisable to the entire population of FFC stakeholders in the country.



7. CASE STUDIES ON SELECTED RECOMMENDATIONS

7.1 Introduction

An in-depth analysis of the impact of each of the recommendations made by the FFC since its inception was beyond the scope of this research study. Nevertheless, a detailed look at a selection of the FFC's recommendations can provide some indication of the impact that the Commission's recommendations have had on the fiscal landscape in South Africa. To this end, five of the Commission's recommendations were selected and subjected to a detailed analysis through the development of individual case studies. The selection of recommendations was driven by a desire to allow for a balanced view of both recommendations that were accepted by the government and ones that were not accepted. The focus in the selections was also on recommendations that are linked to the core mandate of the Commission. Finally, attention was also given to ensuring that the selection covered recommendations related to the national, provincial and local spheres of government.

7.2 CASE STUDY 1: Capital Grants

7.2.1 Context underpinning the recommendation

In October 1999, during public hearings on the Intergovernmental Fiscal Review in Parliament, concern was expressed by both Parliamentarians and economists that the on-going rate of capital spending by South African provinces was insufficient to address capital backlogs and on-going demands for public capital in the country. Moreover, it was argued that this was occurring despite the presence of persistent deficiencies in social infrastructure and large capital backlogs in many provinces, coupled with discrepancies in the provision of public services and the stock of public capital across provinces.

At the time, the low level of capital spending by provinces in South Africa was attributed primarily to their limited access to capital markets, very small or non-existent own revenue bases, and pressure from recurrent spending. Furthermore, for a variety of historical reasons, the country's provinces had inherited "widely different levels of public capital for the provision of services such as health, education, welfare, and general infrastructure."⁹⁷ These factors had contributed to an overall decline in the funding of capital expenditure from 5.3 percent of provincial budgets in the 1996/97 financial year to 4.2 percent in the 1998/99 financial year.⁹⁸

Against this backdrop, the FFC argued that it was imperative to address the low level of investment in public infrastructure in South Africa's provinces for a number of reasons. First, the Commission argued that it was necessary to expand and upgrade infrastructure and services in order to address the "legacy of inequity in terms of backlogs and social and economic circumstances" stemming from the "spatial distortions created by apartheid".⁹⁹ Second, the Commission stressed that social infrastructure forms the foundation for the provision of much needed services such as health and education. At the same time, it was stressed that "the lack of resources for capital expenditure means that the poor quality of services will remain a reality for most South Africans." In turn, it was felt that the lack of resources could make it difficult for provinces to meet national minimum standards in crucial sectors such as education.

Within this context, the Commission argued that a reform of the fiscal framework to allow provinces to access capital markets and increase their own revenues was necessary in order to address these issues in the long term. However, in the absence of such a reform, it was felt that a capital grant from the national government could represent an interim solution to the capital problems faced by South African provinces. The focus in this regard would be on public infrastructure within the functional areas assigned to provinces – specifically referring to social public infrastructure used in the provision of health and education services and economic public infrastructure.¹⁰⁰ The Commission argued that the aim of the capital grant "should be to supplement provinces' capital spending to allow their stocks of public capital to achieve a desired level over a period of time."¹⁰¹ The Commission argued further that any capital grant scheme should take into account the capital backlogs inherited by provinces and their deficiencies in on-going capital expenditures.¹⁰² Moreover, it was argued that the grant scheme must be cognisant of the intertemporal nature of capital.¹⁰³

7.2.2 The recommendation

These arguments gave rise to the following recommendation made by the FFC:

In 2000/01 the FFC proposed that capital grants be allocated to the provinces from the national sphere as an interim solution to address social infrastructure backlogs.

Following on from this, in 2001/02 the Commission proposed a capital grants allocation formula to allocate funds to provinces from the national sphere to address social infrastructure backlogs.

7.2.3 The impact of the recommendation

The initial recommendation made by the FFC in 2000 that the national government should supplement provincial capital spending through a capital grant was accepted by the Minister of Finance and adopted for the following MTEF. In turn, funds were provided the National Treasury for a provincial infrastructure grant. At the time that the initial recommendation was made, however, there was no analytical model in place for allocating the capital grant to provinces in a consistent and objective manner.

Recognising these issues, the FFC set about developing a capital grants model for distributing provincial infrastructure grants in the education, health and welfare sectors. To this end, the FFC proposed and presented a capital grants model, initially as a conceptual framework. Specifically, in June 2001, in its Submission on the Division of Revenue 2002-2003, the FFC proposed a capital grant scheme mechanism that takes into account inherited backlogs, on-going capital needs, maintenance and depreciation. In this sense, the model could be used to “calculate service and province-specific capital needs for the education, health and welfare sector, as well as the relative shares for each of these services per province.”¹⁰⁴ The Commission was of the view that in lieu of the progress it had achieved in the development of the capital grants model, the model should be utilised “as a method for distribution capital grants to provinces, together with certain administrative support measures.”¹⁰⁵

The proposed model was received positively by the national government. Specifically, in Annexure E of the Budget Review 2002, the government noted that:

“Given that infrastructure is an important part of the health, education, and rural infrastructure variables of the backlog component, infrastructure needs are part of the relevant conditional grants, and the equitable share grant as well. Accordingly, the potential practical contributions of the FFC proposed capital grants model should be considered as part of a comprehensive assessment of

the equitable share formula's structure and data, and its relationship to infrastructure needs funded outside the equitable share formula."

While recognising the potential practical contribution of the FFC's proposed capital grant scheme and the proposed capital grants model, the need for further refinement and development of the model was recognised by both the Commission and the government. Consequently, the Commission undertook to expand its capital grant research project as part of its contribution to the review of intergovernmental fiscal mechanisms. Specifically, the Commission undertook to expand its research in the following areas:¹⁰⁶

- The refinement, extension, and development of the current model to encompass other basic infrastructure services being provided by provinces and municipalities.
- The construction and development of the required data sets from information gathered from provinces and municipalities.
- The computer programming and simulations of the model to generate results that should test the appropriateness of allocations.

7.3 CASE STUDY 2: Costed Norms Approach

7.3.1 Context underpinning the recommendation

The inspiration for the FFC's proposed costed norms approach was born out of the need to ensure that each province in South Africa has sufficient financial resources to provide basic services to all citizens in accordance with the norms and standards that are affordable within the national fiscal framework.¹⁰⁷ The Commission argued that the logic underpinning an approach that meets these objectives can be drawn from the Constitution of South Africa. In particular, it pointed out that The Bill of Rights stipulates that certain basic services must be provided to all citizens, most notably with respect to health, welfare and education. The Commission also pointed out that the Constitution states that certain basic services are to be provided concurrently by national and provincial governments; and that minimum levels pertaining to the delivery of these services are to be determined at the national level. Moreover, the Constitution states that basic social services are to be financed by an Act of Parliament, with this occurring by means of an equitable division of the "revenue raised nationally among the national, provincial and local spheres of government".

7.3.2 The recommendation

Within this context, the Commission proposed the costed norms approach as a means to enable all provinces to achieve the nationally determined standards of basic services, while at the same time ensuring that the provinces were able to retain their autonomy to design programmes that suit their particular circumstances. To this end, the costed norms approach proposed a formula-based method for calculating the necessary financial resources for provinces to provide basic social services in accordance with nationally mandated norms and standards.¹⁰⁸ Although this was a new and different approach to the existing provincial grants system at the time, the Commission argued that it should be viewed as an extension of previous recommendations it had made.

Based on this, the following recommendation was proposed by the FFC in 2001/02.

A costed norms approach for determining the provincial equitable share should be adopted by government.

The costed norms approach began with an estimation of the costs required by individual provinces in order to meet a set of nationally determined minimum norms and standards for social service delivery. Based on these estimated costs, the approach then “establishes a principled basis for a process to determine simultaneously the vertical and horizontal divisions of revenue, and to evaluate these against the Medium-Term Expenditure Framework (MTEF).”¹⁰⁹

In practical terms, the costed norms recommendation proposed a schematic approach to determining provincial equitable shares.¹¹⁰ This approach called for mandated basic service delivery levels to be determined nationally and “expressed in terms of norms and standards for each programme area.”¹¹¹ Thereafter, based on these established norms and standards, the approach involved the determination of fiscal requirements “by taking account of factors affecting provincial conditions.”¹¹² It was proposed that the process of measuring costs related to the delivery of basic services should reflect the minimum level of financial resources required to deliver basic services efficiently and achieve the desired norms and standards.^{iv} Based on this, it was proposed that the “total costs of providing basic education, welfare, and health services should be calculated for each province.”¹¹³ In turn, the aggregate cost associated with the

^{iv} This proposed approach avoided measuring costs based on the actual level of spending in any particular province.

provision of basic services would then “serve as the basis for estimating the horizontal split of national revenues into provincial equitable shares.”¹¹⁴

The Commission argued that the costed norms approach would offer several advantages. For instance, it argued that the approach would promote efficiency and, at the same time, increase transparency and contribute to fiscal discipline. Furthermore, the Commission felt that it would provide an incentive to provincial governments to achieve their output goals.¹¹⁵ Similarly, it was argued that the approach would increase incentives to gather data on government performance and costs, while also limiting the fungibility of grants.¹¹⁶

7.3.3 The impact of the recommendation

The FFC’s recommendation that a costed norms approach should be adopted by government for determining the provincial equitable share was not supported by the government. While recognising the power of the costed norms approach as an analytical tool, the government expressed a number of concerns related to its practical application. At a fundamental level, the government noted that there was a lack of appropriate data related to the desired output measures, input costs and policy parameters that would need to be used in the calculations underpinning the costed norms approach.¹¹⁷ In addition, the government argued that the use of national norms and standards as a means to determine functional allocations for provinces “could overstep the boundaries of provincial budgetary autonomy”;¹¹⁸ and, at the same time, weaken accountability. Related to these concerns, the government also asserted that a partial application of the costed norms approach could “bias allocations between departments, provinces or spheres of government and destabilize the revenue allocation process.”¹¹⁹

The government was also concerned that the costed norms approach would create an unfavourable system of incentives for provinces to distort their funding levels.¹²⁰ At the same time, the government argued that such an approach could reinforce tendencies to raise costs and, simultaneously, create unrealistic expectations among provinces for additional funds. Furthermore, the government was concerned that the approach may lead to a bias in favour of specific services that could be costed.

The government provided the following additional reasons for not accepting the costed norms approach proposed by the FFC:

- In a multi-year budgeting framework within the MTEF, changing the methodology of the transfer system could bring in an element of instability to the budgets of sub-national governments. In particular, the government expressed concerns that any changes to provincial allocations could be detrimental to the development of predictable allocations to provinces in the short term.¹²¹
- The bottom-up approach implicit in the scheme is not considered appropriate to determine priorities. Political judgments and trade-offs have to be made.
- Adopting the costed norms approach for basic education, primary health care and social security tends to impact bias against other functions.
- Although the Commission has suggested that the approach can be used for both the vertical and horizontal distribution of revenues, this is not possible at the present stage of information, availability and identification of norms and standards.

The response to the recommendation from a number of other stakeholders outside of the government was mixed. The Institute for Democracy in Africa (IDASA) praised the FFC for devising a proposal that was strongly focused on issues related to the equitable sharing of national revenue. At the same time, however, IDASA did feel that there was a lack of clarity within the recommendation concerning the implementation process and was unhappy about the lack of norms and standards.¹²²

In a similar manner to the concern raised by the government, the Congress of South African Trade Unions (COSATU) and the South African NGO Coalition (SANGOCO) expressed concern at the time that the proposed costed norms approach may introduce “moral hazards” for provinces.¹²³ Specifically, COSATU and SANGOCO were concerned that the proposed approach may create incentives for provinces to increase or distort costs or funding levels. Furthermore, these two groups also echoed similar concerns raised by the government that the policy norms used in developing cost estimates could be “ambitious and unaffordable and generate unrealistic expectations for additional funds”.¹²⁴ Moreover, COSATU and SANGOCO shared the government’s sentiment that a significant amount of the information required to practically implement the costed norms approach was not yet available.¹²⁵

Despite these concerns, the government expressed the view that the costed norms approach should serve as a tool for analysing expenditure. To this end, the government was of the view that the costed norms approach could potentially contribute more generally to the evolution of a more scientific approach to the

fiscal transfer system in South Africa.¹²⁶ It is this recognition of the power of the costed norms approach as an analytical tool that should be viewed as the principal impact of the costed norms approach proposed by the FFC. Furthermore, according to the Commission the approach is gaining increasing prominence within government as a funding formula based on the cost of services provided by the various spheres of government in South Africa:

“To date and in the recent formula review consultations, government has been strongly leaning towards the use of the costed norms in certain of the selected sectors where data is available.” The formula is to be used to ensure that various spheres are funded based on the cost of services they provide. Such costs are to be guided by an attainment of set standards that recognize the variability in socio economic conditions and circumstances that citizens across the country find themselves in.”¹²⁷

7.4 CASE STUDY 3: National Agency to Oversee the Legacy Effects of the 2010 World Cup

7.4.1 Context underpinning the recommendation

The 2010 FIFA World Cup represented a momentous occasion for South Africa, not only from a sporting perspective but also in terms of the potential macroeconomic impact and legacy of the event. Opinions in terms of the latter were divided in the years leading up to the event, with some feeling that the World Cup would provide a strong stimulus to the South African economy, and others feeling that it could place negative pressure on the country's currently account and other external macroeconomic variables.¹²⁸

The FFC's involvement in terms of commenting on the financing and legacy of the 2010 World Cup began several years before the event. In August 2006, the Commission received a request from the Minister of Finance to comment on the financing of the event. Thereafter, in November 2006, the Commission undertook to make recommendations on government financing of the World Cup. This was inspired primarily by the Commission's belief that the legacy effects of hosting the World Cup should be "properly addressed, costed and financed".¹²⁹ Potential legacy effects identified by the Commission included increased economic investments; development of sport (particularly football); human capital development; social and political development; and infrastructure and technological development.¹³⁰ The Commission felt that these legacy effects included location-specific effects or, alternatively those that would be felt across the country. At the same, however, the FFC was of the opinion that there was "not as yet an explicit commitment of resources by the government spheres to facilitate sustainable realization of these effects."¹³¹

7.4.2 The recommendation

With this firmly in mind, the Commission proposed the following approaches designed to ensure that the positive legacy effects of the 2010 World Cup sustained.

- Appoint a national agency to oversee the national legacy effects of the 2010 World Cup. In keeping with prudent macroeconomic behaviour that has characterised government policy thus far, it is recommended that household saving be stimulated and be seen as the main source of funds to finance such projects.
- Make the hosting cities responsible for sustaining location-specific legacy effects. As legacy benefits accrue to the city it is recommended that the city fund these from their own revenue sources.

7.4.3 The impact of the recommendation

The national government was in agreement with the FFC that the legacy effects of the 2010 World Cup should be properly addressed, costed and financed. Moreover, the government agreed that these legacy effects should be managed and financed by the host cities. The government also agreed with the Commission's observation that the macroeconomic and fiscal risks associated with the World Cup should be closely monitored and minimised.

Despite this, the national government did not support the Commission's proposal that a national agency should be established with the purpose of overseeing the legacy effects of a national character. In this respect, the government felt that there are already existing institutions within the country that were well placed to manage the national legacy effects of the World Cup and, in so far as it is necessary these existing institutions could be strengthened for this purpose.

Others were more critical of the FFC's views on managing the legacy effects of the 2010 World Cup. For instance, Jeremy Cronin, a Member of Parliament representing the ANC, argued that the FFC was missing the point with its recommendations. Mr Cronin felt that the FFC had not fully understood the issues surrounding the 2010 World Cup. According to Mr Cronin, an integrated public transport network in the host cities had been earmarked by Cabinet as the primary legacy of the World Cup.¹³² In the view of Mr Cronin, the relevant national departments should assume primary responsibility for managing the legacy of the event.

Given that the FFC's proposal for the establishment of a national legacy agency was rejected, it is difficult to draw any firm conclusions regarding the impact that such an agency may have had. Nevertheless, it is possible to consider what has happened since the conclusion of the World Cup in the absence of such an agency. There is at least some evidence to suggest that difficulties have been faced with respect to the legacy associated with the stadium infrastructure constructed specifically for the World Cup. For instance, there has been some criticism related to alleged inefficiency in the planning related to the long term management and future use of the stadiums amid a scramble to meet running costs. Indeed, in the words of one stakeholder: "What we are discussing today should have been discussed before we built the new soccer stadiums. It's tragic for us as a nation that we have to act in reverse gear."¹³³ In Cape Town, question marks have been raised concerning the sustainability of the stadium in Greenpoint, which costs an estimated R46 million annually to maintain. Sections of the local media have been vociferous in questioning the continued value of the stadium which cost approximately R4.4 billion to construct. What has been particularly problematic in this regard is finding a permanent use for the stadium given the fact that the use of the stadium is regarded as too expensive by the local professional soccer teams in Cape Town. At the same time, responsibility for the maintenance of the stadium fell into the hands of the City of Cape Town following the event after it was originally intended to be managed by a private French company. Media reports have also alluded to the underutilisation of the stadiums in cities such as Port Elizabeth and Nelspruit.

The task of determining the potential 'lost impact' of the decision not to establish the proposed national legacy agency is also complicated by the fact that at this stage it is too early to tell what will happen in relation to the other legacy effects identified by the Commission in areas such as economic investments; the development of sport (particularly football); human capital development; social and political development; and infrastructure and technological development.

7.5 CASE STUDY 4: National School Nutrition Programme

7.5.1 Context underpinning the recommendation

Since its inception, the National School Nutrition Programme (NSNP) has made an important contribution towards alleviating the short-term hunger of primary school learners from poor families. Despite this success, the Programme has received criticism in the past for only catering for school learners from Grade R to Grade 7 in public schools. Most notably, in a Parliamentary Committee Hearing on conditional grants in May 2006 a number of members expressed dissatisfaction with the fact that the NSNP excluded learners in combined schools and secondary schools. Amid this criticism, the FFC was requested by the Chairperson of the Select Committee on Finance to investigate the feasibility of extending the programme to include learners in secondary schools.¹³⁴

In addition to these concerns, frustration was also expressed at what were regarded as insufficient budget allocations to provinces for the NSNP. Indeed, when undertaking an empirical study focused on a number of aspects related to the NSNP in provinces in South Africa as part of its assessment of the feasibility of extending the programme, the FFC found that all nine provinces in the country were concerned about what they felt were inadequate budget allocations for the NSNP.¹³⁵ The study found that in order to extend the programme to secondary schools, it would be necessary in some provinces to increase budget allocations by between 50 and 70 percent.¹³⁶

In providing motivation for a possible extension of the programme to secondary schools, the FFC highlighted the fact that international studies have shown that nutritional programmes in schools can have a positive impact on improving learners' punctuality and attendance in class as well as their concentration, while also aiding the nutritional well-being of learners.¹³⁷ In contrast, hunger among school learners has been shown to be a contributory factor in reducing school attendance, impairing cognitive capacity and, in some cases, contributing to high maternal and child death rates.¹³⁸

Based on the results of the feasibility study undertaken by the Commission, the FFC resolved that it would be feasible to extend the NSNP to include learners from secondary schools. However, the FFC noted that the profile of the programme would need to be raised within the provinces as a key responsibility of the

Provincial Education Departments (PEDs) “for which funds are allocated over and above the allocations from the conditional grant.”

7.5.2 The recommendation

Based on the findings of the aforementioned feasibility study, the FFC made the following recommendation in its 2008/09 Submission on the Division of Revenue:

The National School Nutrition Programme (NSNP) should be extended to secondary schools.

In its Submission the Commission also recommended that a number of measures be taken towards extending the programme. For instance, among a number of proposals, the FFC proposed that all Provincial Education Departments (PEDs) should adopt and entrench the NSNP as their full responsibility.¹³⁹ The Commission also noted that it was necessary for the PEDs to equip the necessary personnel with appropriate skills for the implementation of the programme.¹⁴⁰ Moreover, the Commission proposed that the PEDs should address the following as steps in the process towards extending the programme from primary schools to secondary schools:¹⁴¹

- Budget allocations for the NSNP in primary schools should be increased in order to cover learners that are presently not covered.
- Boost personnel numbers and skills levels in order to improve the implementation of the programme.
- Begin implementing the NSNP in schools that have been declared “no-fee schools” by the Minister of Education.
- The National Department of Education should develop national norms and standards to guide the implementation of the NSNP in the country to address the absence of uniform national minimum norms and standards for the NSNP – a situation which could encourage inequality in the implementation of the programme.
- The National Department of Education should ensure that the quality of information that would be useful for planning and budgeting purposes of the NSNP is improved.
- PEDs should supplement the NSNP conditional grant with funds from their respective budgets where necessary.

- Improvements in procurement procedures should be undertaken where necessary.
- Improvements in kitchen equipment and infrastructure in all provinces require attention.
- Improvements should be made in the monitoring and evaluation capacity of the NSNP.
- The number of feeding days should be increased beyond the prescribed minimum.
- The per learner per day feeding amount should be increased in certain provinces.

7.5.3 The impact of the recommendation

The government agreed in principle with the Commission's observations and advisories related to the NSNP. Despite this, the government cautioned that the Commission's recommendation to extend the programme to include learners in secondary schools fell outside the scope and mandate of the FFC.¹⁴² Furthermore, at that stage, the government cautioned against any decision to extend the NSNP to secondary schools arguing that it was necessary to first improve the effectiveness of the existing programme as it was structured at the time, before any consideration should be given to extending the programme.

Despite initially cautioning against any decision to extend the programme to secondary schools, in 2009 the national Department of Education expanded the NSNP to 1 500 "quintile one" secondary schools – thereby extending the programme to reach the poorest of the poor in secondary schools – to benefit an estimated 1 million learners in Grades 8 to 12.¹⁴³ In April 2010, the Programme was introduced into quintile two public secondary schools, and will be extended further into quintile 3 public secondary schools in 2011.

It is difficult to assess the implications of the government's original decision to initially not consider extending the NSNP to secondary schools at the time that it was originally proposed by the FFC. The absence of any specific data or studies makes it impossible to determine whether more learners and schools could have benefitted from the programme had it been introduced earlier than it was; or whether the government's decision to delay the extension of the programme until the effectiveness of the existing programme had been enhanced proved to be most effective. Nevertheless, the fact that the government did eventually extend the programme to secondary schools, and that it has reached a significant number of schools for the benefit of a large number of secondary school learners, suggests that the impact of the Commission's initial recommendation was significant. Indeed, according to the Department of Education, in

a presentation made to the Select Committee on Appropriations in 2010, the NSNP is currently accessed by 235 secondary schools across quintiles one and two; and, in total, 162 160 secondary schools benefit from the programme.

7.6 CASE STUDY 5: National Water Regulator

7.6.1 Context underpinning the recommendation

According to the FFC, the prevailing system in which the Department of Water Affairs and Forestry (DWAF) was responsible for capacity support, oversight and policy-making had led to a situation in which policy targets were inadequately monitored and, in some cases, these targets were simply shifted in instances where under-performance was occurring.¹⁴⁴ This had created a situation in which reports of corruption within the DWAF repeatedly surfaced, and concerns were expressed about the state of acid pollution within the South African water system; as well as the poor state of dams owned and managed by the DWAF, which were reported to be in need of repair.

Within this context, the Commission felt there was a need to improve institutional accountability for performance within the water services sector if the government's policy goals in the sector were to be achieved. In particular, the Commission believed that it was necessary to separate the policy function from the regulatory function within the water services sector in South Africa.¹⁴⁵

7.6.2 The recommendation

Within this context, the FFC made the following recommendation in its 2010/11 Submission on the Division of Revenue:

Government should consider establishing an independent National Water Regulator (that would report to Parliament) to allow for a separation of the policy function from the regulatory function within the water service sector.

According to this recommendation, the functions of the independent National Water Regulator would include:

- Regulating the entire water supply industry.
- Issuing licenses, regulating tariffs and monitoring the Water Integrated Resource Plans for infrastructure investments.
- Regulating compliance to industry norms and standards.
- Regulating the supply of water and sanitation services and their compliance to quality standards.
- Regulating water efficiency and demand-side management.
- Developing regulatory frameworks for Public Private Partnerships and alternative service delivery models in the water sector.
- Developing regulatory instruments to support the achievement of universal access to water and sanitation services.
- Monitoring supply and demand trends in the water supply industry.

7.6.3 Impact of the recommendation

In responding to the recommendation, the national government indicated that it agreed with the proposal to establish an independent National Water Regulator subject to its cost and affordability – which should be established up-front. Furthermore, the government was of the opinion that any lessons learnt from the regulation of bulk and retail electricity in South Africa should be taken into account.

To date, an independent National Water Regulator has not been established. A discussion on regulation in the water services sector was tabled in Cabinet in May 2009. Since then, however, discussions have stalled due, at least in part, to the fact that views on the merits of establishing an independent regulator are mixed. In the meantime, the Strategic Framework for Water Services (approved in 2003) stipulates that the Department of Water Affairs will continue to serve as the national regulator for water services until it is agreed that an Independent Water Regulator should be established.

There has, however, been some progress towards establishing an independent regulator. An independent body in the form of the Independent Water Regulation Strategic Task Team was established in 2009. The Task Team is supposed to play an important role in providing strategic guidance to the development of a

regulatory framework for water services in South Africa. The Team is comprised of representatives from a variety of stakeholders in the water sector, and is ostensibly “able to raise critical issues” to the Department of Water Affairs Director General.¹⁴⁶ In addition, there has also been some debate concerning the possibility of linking water regulation with the independent National Energy Regulator of South Africa (NERSA).

Despite this, the Chairperson of the Water Regulation Strategic Task Team emphasised in 2009 the challenges related to the development of a strong national water regulator in South Africa:

*“Developing a strong national water regulator in South Africa is going to be a challenge because South Africa is a developmental state and we need to balance between hard top down regulation and building of capacity for smaller municipalities. We can have a good set of regulations and norms and standards, but if they are not implementable we are not going to move forward”.*¹⁴⁷



8. CONCLUSION

This study has adopted a multi-faceted research process to complete a limited survey among key stakeholders of the current levels of awareness and understanding as well as perceptions and attitudes related to the existence, mandate, role, recommendations and other work of the FFC. In addition, the study has sought to provide an independent assessment of the impact that the recommendations and other work of the FFC have had on the decisions taken by policy makers and researchers in intergovernmental fiscal relations, and on the lives of ordinary South Africans. In both of these areas, through a limited stakeholder engagement process the study has highlighted a number of pertinent insights that can be used to inform the future strategic direction of the Commission and ensure that the Commission continues to meet the needs and expectations of its stakeholders into the future.

The FFC has faced a number of internal and external challenges since its inception in 1994. In recent years, the capacity and institutional memory of the Commission has been hindered by critical skills flight in the form of the loss of a number of researchers. In addition, at various times over this period the Commission has faced internal budgetary pressures as well as concerns over its long-term structure. Externally, the Commission has faced a range of new challenges related to the changing socio-political environment in South Africa. At the same time, where the Commission has featured in the media in the past, it has often been on the receiving end of criticism. This has ranged from the view that it has been complacent since its inception with respect to its “watchdog” provision in the Constitution, to criticism of a perceived lack of fair provincial representation in terms of the provincial members’ composition of the Commission. It is important to take cognisance of these varied issues and challenges when assessing the impact of the recommendations and other work of the Commission over this period.

Despite the presence of these issues and challenges, the stakeholder engagement process revealed a number of positive perceptions and a relatively high level of understanding and awareness related to the Commission’s existence and mandate within the financial and fiscal system in South Africa, as well as its overall contribution to the fiscal landscape in the country. Furthermore, most of the stakeholders consulted during the research process feel that the Commission has fulfilled its mandate since its inception. Many of these stakeholders also reported positive experiences in their previous engagements with the Commission. Indeed, more than half of the stakeholders involved in in-depth interviews felt that they currently had a good working relationship with the Commission and expressed were positive about their previous experiences interacting with the Commission.

These stakeholders also generally expressed favourable perceptions and attitudes related to the significance of the role of the FFC within the fiscal landscape in South Africa. Among these stakeholders there is widespread belief that the FFC has an important role to play within the IGFR system in South Africa, not least due to its independence and the ongoing need for an oversight body within the fiscal and financial system to ensure that public resource are distributed equitably in the country. Furthermore, the Commission has been widely praised for its contribution to the development of the foundations of the IGFR system in South Africa, as well as its work in addressing issues and challenges related to the equitable division of national revenues and expenditure assignments to the national, provincial and local spheres of government.

Despite this, stakeholder perceptions of the extent to which the Commission's work and recommendations have influenced decisions and actual fiscal transfers in South Africa are less favourable. In assessing the impact of the recommendations made by the Commission, one weakness that is immediately clear is that although the Commission consistently fulfils its Constitutionally mandated obligations in terms of submitting recommendations and proposals, it is powerless to determine whether or not these recommendations and proposals are accepted and implemented by the government. At least in this sense, internal and external perceptions appear to be aligned, with both the senior staff within the FFC and many of the external stakeholders highlighting the inability of the Commission to influence whether or not its recommendations are accepted and implemented as a major concern. This issue is further highlighted in the report through the in-depth case studies of specific recommendations made by the Commission. These case studies show that the selected recommendations have, for the most part, had only a limited influence on government decision making.

Furthermore, a comparatively large number of the stakeholders that provided input into the study were generally less convinced regarding the extent to which the Commission has thus far been able to facilitate the shift outlined in its new Research Strategy from first generation issues related to revenue sharing formulae towards second generation issues concerning the impact of the intergovernmental system and the allocation of public funds on service delivery outputs and community development. At least some key stakeholders feel that the Commission has been unable to achieve a significant impact through its recommendations and work in terms of socio-economic development outcomes and enhancing the

developmental impact of public resources in the country. This relates to comments made by several stakeholders that the impact of the Commission's recommendations and other work is currently not being felt 'on the ground'. This suggests that there is a need for the Commission to develop mechanisms and strategies that will improve the impact of its recommendations and other work on the lives of ordinary South Africans.

It is important to note that the current stakeholder perceptions drawn from the limited number of in-depth stakeholder interviews conducted through the research process appear to be shaped, at least in part, by the level of interaction that specific stakeholders have had with the Commission. While caution should be made before generalising, the research findings do suggest that those stakeholders that have worked more closely with the Commission tend to hold positive perceptions of its role, mandate and contribution within the fiscal and financial system. At the same time, however, at least some of the key stakeholders that were interviewed bemoaned the lack of interaction that they have had with the Commission to date.

The latter concern speaks to a broader issue confronting the Commission as it looks to develop its future strategic direction: the Commission still lacks presence within South Africa. The FFC has maintained a very low-key public profile and does not feature prominently in the media nor does it have a significant presence in key public forums. The absence of a major public platform and presence for the Commission may have had a negative influence on the existing levels of awareness and perceptions of its role and mandate and the impact of its work and recommendations among its core stakeholder base. In turn, this is likely to have constrained the extent to which the Commission has been able to influence the decisions taken by policy makers in intergovernmental fiscal relations and on the lives of ordinary South Africans.



9. RECOMMENDATIONS

The primary objective of this research study is to serve as a tool to inform the future strategic direction of the FFC as well as the formulation of appropriate responses to the needs and expectations of the Commission's varied stakeholders. With these objectives in mind, and based on the key research findings, the recommendations presented below should be considered by the Commission as it looks to review its position within the financial and fiscal system in South Africa and develop its short, medium and long term strategic direction.

The recommendations are designed to address issues identified in the body of this report related to the five KPAs developed in conjunction with key staff members from the FFC and presented initially in Chapter 4 of this report. These KPAs centre on:

- The role and mandate of the FFC.
- The internal functioning of the FFC.
- The contribution of the FFC in the South African fiscal landscape.
- The FFC's delivery to key stakeholders and the impact and value of its work.
- The FFC's interaction with stakeholders.

9.1 Recommendations related to the role and mandate of the FFC

Develop a pro-active strategy focused on generating more income internally

Given the budgetary and resource limitations that the Commission has experienced in the past, it is necessary for the Commission to devise a proactive strategy that is designed to generate more income internally through the Commission's research output and other services. At the heart of such a move should be a focused initiative to review the current role and functions of the Commission with a view to identifying alternative revenue sources that are in keeping with what the FFC is mandated to do. This strategy could go some way towards addressing the budgetary constraints that have hindered the Commission from carrying out its work more effectively in recent years.

9.2 Recommendations related to the internal functioning of the FFC

Improve the Commission's internal research capacity by offering more competitive salaries

In the past, the Commission has been adversely affected by a loss of internal research capacity and institutional memory stemming from the loss of a number of experienced and highly skilled researchers. In order to ensure that the Commission has sufficient research capacity to maintain or enhance its position as an expert institution in the fiscal and financial system in South Africa, it must ensure that it can draw on the best available researchers and that these researchers are remunerated competitively. This should be linked to the proposed strategic drive to generate greater financial resources internally as a means to augment its annual budget allocation received from the National Treasury.

9.3 Recommendations related to the contribution of the FFC in the South African fiscal landscape

Lobby for a dedicated research fund for research on fiscal and financial issues

Another way in which the FFC can look to increase the financial resources at its disposal is to lobby government for the establishment of a dedicated funding mechanism for research on fiscal and financial issues. As an authority on research related to the fiscal and financial system in South Africa, the Commission would then be able to apply for funding through this mechanism over and above the budgetary allocation that it receives from the National Treasury. This would create another source from which to boost the research capacity and resources at the disposal of the Commission.

The proposed research fund could be financed by the South African government through the National Treasury and be managed by the National Research Foundation (NRF). Further research would be required to ascertain the feasibility of such a proposal.

Develop an education programme on budgeting issues and financial and fiscal matters

In order to enhance its profile as the authority on fiscal and financial matters in South Africa, the Commission should develop an educational programme and conduct its own educational courses for both public officials and ordinary South Africans. These courses could be delivered on an annual basis. The educational courses for public officials could focus on providing information and advice related to budgeting issues and the importance of the budgeting process, together with other relevant financial and fiscal issues. These courses could be made available to government officials at the national, provincial and local government levels. In each case, the relevant national, provincial or local government authority could sponsor selected officials to attend the courses and pay a fee to the Commission for their attendance.

In turn, the educational programme for communities and members of the public would focus on equipping ordinary South Africans with the knowledge they require to become actively involved in discussions related to the fiscal and financial system in the country. This programme could be rolled out through public seminars and the development of educational material to be made available for interested members of the public.

9.4 Recommendations related to the FFC's delivery to key stakeholders and the impact and value of its work

Ensure that the Commission's recommendations and research on fiscal issues are tied to overarching socio-economic outcomes

Despite an acknowledged shift in its new Research Strategy towards second generation issues concerning the impact of the intergovernmental system and the allocation of public funds on service delivery outputs and community development, several stakeholders intimated that they feel the Commission's work could make a greater contribution from a socio-economic development perspective in South Africa. To this end, the FFC should look to focus its research efforts and recommendations in areas that are more relevant to specific socio-economic needs and outcomes – as articulated by both ordinary South Africans and the three spheres of government. The Commission should then look to track relevant socio-economic indicators with a view to evaluating whether or not its recommendations have been effective in contributing towards the achievement of the desired socio-economic outcomes. The latter should form part of a broader

internal strategy to conduct and disseminate research tracking the impact and influence of specific recommendations made by the Commission on an annual basis.

Develop a proactive publications strategy and continuous engagement with government officials at all levels

The internal perceptions assessment revealed that senior staff members in the FFC feel that a lack of institutional memory in certain government departments poses a threat to external perceptions of the role and importance of the Commission. It was argued that the work of the Commission may not be fully appreciated in cases where government officials have only engaged with the Commission for a short time and do not benefit from a historical perspective of the FFC's work.

The FFC can take proactive steps to address this issue. The Commission should implement a proactive publication strategy focused on ensuring that news of its work is available to all government officials. This could, for instance, take the form of regular bulletins or a monthly or quarterly newsletter delivered to officials across the three spheres of government, highlighting the current and future research and other work of the Commission as well as its historical impact or influence within the fiscal landscape in the country. This represents one way in which the Commission can ensure that it engages continuously with government departments at the national, provincial and local levels.

Make the Commission's recommendations and research more accessible to government officials and members of the public

Some stakeholders refer to the Commission's current research reports, submissions and recommendations as 'dissertations' and express a feeling that they are 'too technical'. While it is important not to compromise the intellectual rigour of the Commission's work, it does need to ensure that information on its recommendations and research work that is simple and easily accessible is made available to both government officials and members of the public in a format that they can engage with and understand. This may necessitate developing additional summarised and simplified publications of the recommendations and research work done by the Commission which can be disseminated to government officials and made available to interested members of the public.

Improve the public profile of the Commission through an enhanced media presence

The findings of this stakeholder perception and impact assessment study suggest that the FFC needs to make its presence felt in South Africa if it is to remain relevant and occupy a position of authority in the financial and fiscal system in the country. Since its inception, however, the FFC has maintained a very low profile in the media and other public forums. In order to boost its presence within the public domain, the Commission should ensure that it is more actively involved in television and radio debates related to financial and fiscal matters. At the same time, the FFC should look to develop programmes and other educational material related to the financial and fiscal system in South Africa and make these available in the public domain through the media

9.5 Recommendations related to the FFC's interaction with stakeholders

Expand the outreach and engagement of the Commission to stakeholders outside of government

At present, the national, provincial and local spheres of government represent the core components of the Commission's stakeholder base. While government should remain a key stakeholder for the FFC, it should also look to extend its existing outreach and engagement to academic institutions, the media and schools. With respect to its engagement with academic institutions, the FFC should actively facilitate research on the fiscal and financial system through universities to build the knowledge base from which to develop its own recommendations and proposals.

Create a formal mechanism for all three spheres of government to voice their research needs to the Commission

One way for the Commission to ensure that its recommendations and research are aligned to the needs of government would be to establish a dedicated channel or forum through which all three spheres of government (national, provincial and local) would have an opportunity to voice their opinions and needs in terms of the areas in which the Commission should focus its research work and recommendations. This would also go some way towards addressing the challenge identified by senior staff members of the

Commission related to the absence of a clear terms of reference for the FFC aside from its Constitutional and Legislative mandates. Moreover, the establishment of a formal mechanism of engagement across all three spheres of government could also assist the Commission to exert greater influence over government decision making through its recommendations and research by generating buy-in from policy makers and other government officials early on in the research process.

Enhance the Commission's alignment with the provincial and local spheres of government

The stakeholder engagement component of the research process revealed that a number of stakeholders from the provincial and local government spheres feel that the Commission does not consult or engage with them on a sufficient level during the course of working towards delivering on its mandate. In particular, some concern was expressed that the Commission's consultation with stakeholders is largely confined to the national level and MECs at the provincial level. In light of this, in looking to determine the future strategic direction of the Commission, consideration should be given to enhancing the degree to which the FFC is aligned with the provincial and local spheres of government. In this regard, the Commission could look to act as a mouthpiece for these two spheres of government, and at the same time focus its research towards what is happening 'on the ground' in provinces and municipalities. Furthermore, this move would place the Commission in a better position to seek input and assistance from provincial legislatures and other provincial and local government departments early in the process of developing effective and relevant recommendations and research outputs. By aligning itself more closely with the provincial and local government spheres, the Commission may also ensure that its functions and work do not overlap with that of the newly established Parliamentary Budget Office in the future – the presence of which has raised questions among some stakeholders concerning the continued relevance of the Commission.

Raise the Commission's level of consultation and interaction with communities and ordinary South Africans

In order to understand issues and realities 'on the ground' related to the fiscal and financial system in South Africa, the Commission should consider expanding its process of consultation with community members and ordinary South Africans during the course of undertaking specific research projects. This should

include consultation with members of the public and representatives of schools, youth groups, churches and other relevant civil society organisations. This consultation process could, for instance, take the form of multi-stakeholder workshops in both urban and rural settings across the country.



APPENDIX I

The table below outlines the stakeholders that participated in either face-to-face, telephonic or email interviews as part of the in-depth stakeholder interview process.

Table A.1: Stakeholders participating in the in-depth stakeholder interview process

Interview Number	Name	Position	Type of Interview
1	Mrs Catharine Cronje	MEC for Finance, KwaZulu-Natal Treasury	Email response to questionnaire
2	Mr Simiso Magagula	HoD Provincial Treasury, KwaZulu-Natal Provincial Government	Email response to questionnaire
3	Dr Johann Stegmann	HoD Provincial Treasury, Western Cape Provincial Government	Face-to-face interview
4	Ms Claire Houton	Senior Manager, Public Finance Policy Research, Western Cape Provincial Government	Face-to-face interview
5	Mr EJ von Brandis	Chairperson: Finance Committee, Western Cape	Email response to questionnaire
6	Mr Kuben Naidoo	Head of Secretariat: National Planning Commission	Telephonic interview
7	Mr N Ramdharie	Head of Department: Limpopo Provincial Treasury	Telephonic interview
8	Mr Cornelius van Rooyen	Chairperson: Finance Committee, Free State	Telephonic interview
9	Mr E M Sogono	Chairperson: Standing Committee on Appropriations	Face-to-face interview
10	Mr Alan Winde	MEC for Finance, Economic Development and Tourism	Face-to-face interview
11	Ms R Semanya	Chairperson: Finance Committee, Limpopo Legislature	Telephonic interview
12	Mr Erol Abrahams	Representative allocated on behalf of Mr Johannes Mohlala, Head of Department: Finance, North West Provincial Government	Telephonic interview

13	Mr Stewart Lumka	Head of Department: Finance, Gauteng Provincial Government	Telephonic interview
14	The Honourable Mr. RJ Tau MP	House Chairperson: National Council of Provinces	Telephonic interview
15	The Honourable Mr. MH Mokgobi MP	Chairperson: Select Committee on CoGTA	Email response to questionnaire
16	Dr Leopold Prince Mqadi	Representative allocated on behalf of Mr. Bhekinkosi Nkosi: Head of Department of Social Development	Telephonic interview
17	Mr. Len Verwey	Manager : Budget Unit of Idasa's PIMS	Email response to questionnaire
18	Mr. TE Chaane	Chairperson: Select Committee on Appropriations	Telephonic interview
19	Ms NP Mkiva (Acting HOD)	Representative allocated on behalf of Dr Eugene Mokeyane: Head of Department of Finance	Email response to questionnaire
20	Ms Engela	Representative allocated on behalf of Dr Sean Douglas Phillips: Director- General: Performance Monitoring and Evaluation Ministry	Telephonic interview
21	Mr. Lechesa Tsenoli	Chairperson: Portfolio Committee on COGTA	Telephonic interview
22	Ms Molelokoa	Chief Financial Officer, Department of Basic Education	Telephonic interview
23	Mr Selwyn Jehoma	Acting Director-General, Department of Social Development	Telephonic interview
24	The Honourable Mr. J de Beer MP	Chairperson: Select Committee on Finance	Email response to questionnaire
25	The Honourable Mrs Helen Zille MP	Premier, Western Cape	Email response to questionnaire

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