

Research Thematic Focus for 2011/2012

Over the last few years, South Africa has experienced a significant decline in income and employment. Approximately 1,000,000 jobs have been lost since 2008. These developments have exacerbated serious structural unemployment problems that the country suffers from. Alongside unemployment is a phenomenon of high inequality manifesting through huge social and spatial divisions. The country exhibits one of the highest Gini coefficients in the world reflecting income, geographic, gender and age dimensions. While absolute poverty has fallen largely due to the extension of government social grants, challenges remain especially among African and female-headed households. The symptoms of poverty and inequality are apparent in health and educational outcomes, settlement patterns and vulnerability to crime and environmental disasters. Coupled to this are problems associated with adaptation to global climate change for the whole country. Climate change will be reflected in increased frequency and intensity of extreme weather events, reduced precipitation in many regions and an increased probability of flooding episodes with accumulated precipitation in heavy rainy periods. On the agricultural sector front, there are likely to be net adverse effects emanating from negative impact of temperature change and from pressures on available water supply.

There will be differential impacts across regions, with shifting to different crops in different zones adding to the already dire problems of unemployment, inequality and poverty. The way in which the Government raises revenue and the means by which it spends it have significant impacts on these problems as well as Government's own accounts. Government of South Africa is proposing substantial changes to urban housing and transport that will change the urban space and shape in fundamental ways compared to how we have known them. Changes in the delivery of basic services at the municipal level such as extra-ordinary intervention to speed up the delivery of basic services at municipal level (special purpose vehicles) that are being proposed will have far reaching impacts as well. At the provincial level there are discussions taking place about the future configuration of provinces. This, coupled with the realisation that dates for meeting Millennium Development Goals (many of which are directly linked with areas where provinces have a constitutionally assigned mandate to deliver on) will hugely influence the trajectory provinces will follow. At the national level, ever large social reforms are being proposed to address the poverty, growth and inequality problems. The National health Insurance (NHI) promises to be the largest reform yet undertaken in the health sector since the end of apartheid. Government has recently given top priority, and is gearing itself up to pursue a new economic policy in the form of the New Growth Path (designed to boosting employment

and to tackling poverty and inequality). Government as a whole has shown a direct intent to use strategic planning to address these issues. Moves by the government since 2009 are casting government firmly in the role of a developmental state and the installation of the National Planning Commission indicates increased centrality of planning. Indeed, the country's budget process is undergoing reform shaped by the outcomes approach as well as the Money Bills Amendment Procedure and related Matters Act (2009).

These are hugely challenging undertakings and government faces many difficult dilemmas and balances to be struck – between stabilisation, interconnectedness, broad-based development and short-term growth, economic inclusion/equity and productivity/efficiency, and social transformation and stability/confidence. Government's institutional capacity and unity across and within the spheres of government will be substantially strained. Government will need all the ideas, advice and research assistance it can get if it is to address these challenges. The Commission's work for 2011/12 examines the analytical and policy possibilities to create an enabling fiscal framework for such development transformations. The research plan envisioned is designed to complement Government growth framework and is based around six policy drivers: *improved public sector performance and cooperation; improved skills and education; quality infrastructure; innovation; improved health for all and a focus on economic growth*. All or parts of the planned research pillars are really inter-connected through sectors, geography (local/province/region/nation/continent/world and rural/suburban/urban), demographics and natural environment). With a broad mandate as government advisor on all matters financial and fiscal, the Financial and Fiscal Commission has a unique opportunity to contribute to the formulation and refinement of the new policy. As an organisation whose independence derives directly from the constitution, it is in a prime position to help shape the policy over time.