

Intergovernmental Fiscal Relations in
South Africa and the Role of the
Financial and Fiscal Commission:
A 20 Year Review

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Origins

- early 90ties: **impossible** to demarcate equal wealth in each “SPR”
- solve regional inequality through **equitable distribution of national revenue**
- 1993 ANC Regional Policy: first mention of financial commission
 - “...it would be unwise to leave such control entirely to central government...”

1993 Constitution

- FFC advises nat & prov legislatures on
 - **equitable share** for provinces and municipalities
 - **taxing powers** for provinces and municipalities
 - provincial and municipal **borrowing**
- 18 members, one nominated **by each province**
+ 9 appointed by President

1996 Constitution

- 1993 model continued - Commission enlarged to 22 members
- S 214: list of **criteria** for division of revenue
- 1997: IGRFA + FFC Act
 - regulates engagement towards annual DoRA (key: requirement to **consider & respond**)
 - Budget Council & Budget Forum
- 2000: FFC must guard against unfunded mandates to local government
- 2001 Constitutional amendment:
 - Size: 22→9
 - **no direct provincial representation**

FFC as platform for provincial interests?

“I was nominated by [a province] and they would ask me: why are you not fighting **for us** in the commission?”

“That was wrong. That was a **mistake**. It was never the idea from the beginning but it ended up being written up like that in the Constitution...”

→ **expert Commission** (2001 Const Amendment)

Mandate

- **beyond DoR** – developmental impact / value for money
 - interpretation of s 214(2) of the constitution
 - limits
- impact/value for money wrt **national govt**?
 - “We are constantly monitoring provincial and local government but the Commission should also assess the efficacy of **national** government departments.”

Relationship with NT

- **no interference** by NT in content
- no unreasonable **budget squeeze**
- some pressure to keep FFC to narrow **mandate**
- periods of **tension**
- **intensify** relationship with NT?

nomination of commissioners

- NT central to **nomination** process
- 2012/2013: 55%
- 2014: 100%
- 2010 – now: Chair vacant
- **Change** nomination procedure?

“We have such a wealth of smart people. Whether you get smart person A or smart person B, I don’t think that’s the issue. The issue is regular appointments and that being a managed process.”

Parliament

- **accountability**: report to Parliament
- 1996-2006: absence of protocols in parliament to **consider FFC recommendations**
- since 2009: committees must consider FFC's recommendations during their deliberations on money bills
- engagement depends on
 - intensity of Parliamentary engagement
 - committee **chairperson**
- spread too **thin**?

- engagement with provincial executives
 - ‘uptake’ **uneven**
 - provinces challenging FFC’s **relevance**
- engagement with provincial legislatures
 - ‘uptake’ **uneven**
 - capacity building or engagement?

Impact

- volume & consistency
- response rate
- impact stories

Volume & consistency

output	No
DoRA submissions + technical reports	18
further DoRA submissions	19
MTBPS submissions	15
other submissions	>62
research papers	>150
Recommendations (2010-2014)	160

Response rate

- 1994-2014 increased specificity of responses

year	Recommendations	responses	no response	positive	negative	unspecific
2014	36	13	23	8	1	4
2013	43	17	26	9	0	8
2012	23	20	3	13	3	4
2011	31	18	13	15	2	1
2010	27	12	15	8		4
Total	160	80	80	53	6	21

“The Treasury has become quite adept at ‘batting away’ the recommendations of the FFC.”

Impact stories

- first equitable share formula
- costed norms
- vertical division of revenue
- 'top slicing' of national debt
- review of LG Fiscal Framework

- 1994 – 1997: first equitable share formula
- clear signal: allocations will be **rational & formula-based** ('95 Framework Document)
- **odds not in favour** of rational IGR fiscal relations

“Ask yourself: **how much anger, contestation** - which you get in many parts of the world – do we have about the distribution of national resources? If the discourse is about how many people are moving and about the **data**, then that is fine.”

key themes to explain / improve impact

- FFC 'ahead of its time'? / ideas 'take time to percolate'
- relationship with NT
- quality of research
- 'drop and go' recommendation?

Governance

- consistent budget **growth**
- unqualified audit reports
- **'legacy deficit' cleared** in 2014
- challenge: **staff turnover** rates
- role of part-time commissioners

Conflation of Chair & CEO

- **corporate governance** concerns
 - (Asmal Report)
- practical?
 - “...**beneficial** for research...because the conflation has meant decisions have been taken faster”

“drags the chair into a whole lot of **management** issues, out of the strategic issues”
- link with FFC’s **impact**?

Conclusion & recommendations

- every reason to celebrate
- long-lived, **resilient** partner in IGR framework
- wealth of relevant materials
- IGR actors argue about **numbers, not the process** or the framework

- **ambiguity** has set in about what is expected of the Commission
 - management of vacancies / addressing concerns surrounding governance framework
 - role of FFC in assignments to local government
 - role in Parliament?
 - uptake by provinces?
 - synergies with other IGR actors?

FFC's strategic focus

focus & follow through?

“... better to make 1 recommendation that you really believe in and win ... than making 150 that are everywhere and you don't know which one is the game changer”

provide & predict?

“put stuff on the table....even if it only generates debate five years later”

- FFC's early history emphasises **importance of expert commission**
- **who** will provide independent and impartial rationality for difficult choices that lie ahead?

“A wise Minister of Finance would ensure that the Commission is strong. It is like paying your medical aid: **one day you'll need it badly.**”

Thank You

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