


# Participation of Each Sphere of Government in Intergovernmental Fiscal Processes and Structures


“10 Years of the FFC: Consolidation for Greater Equity”

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August 12, 2004


# Outline

- Background
  - Roles of Spheres of Government
  - Intergovernmental Fiscal System
  - Mechanisms and forums for priority setting and coordination
  - Inherent Weaknesses
  - Recommendations
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# Background

- Unitary state with decentralized system of government
  - Three spheres of government— national, nine provinces and 284 municipalities
  - The three spheres are distinctive, interdependent, and interrelated
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# Background

- Constitution provides framework for intergovernmental relations and intergovernmental fiscal system
  - Legislation (including IGFR Act and FFC Act) and intergovernmental forums support constitutional provisions
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# Roles of Spheres

- National government:
  - Policy-making, regulation and oversight
  - Most significant revenue-raising powers – VAT, Income Tax
- Provincial government:
  - Delivery of social services - education, health and welfare
  - Largest budgets but limited revenue-raising powers
- Municipalities:
  - Municipal basic services – water, refuse removal
  - Own revenue, fiscal transfers

# Intergovt Fiscal System

- Intergovt fiscal system suited to SA given the regional disparities in income and revenue raising powers
- Allows for centralised collection and allocation based on need and poverty levels
- Fiscal transfers to provinces and municipalities take the form of both unconditional and conditional grants

# Reforms

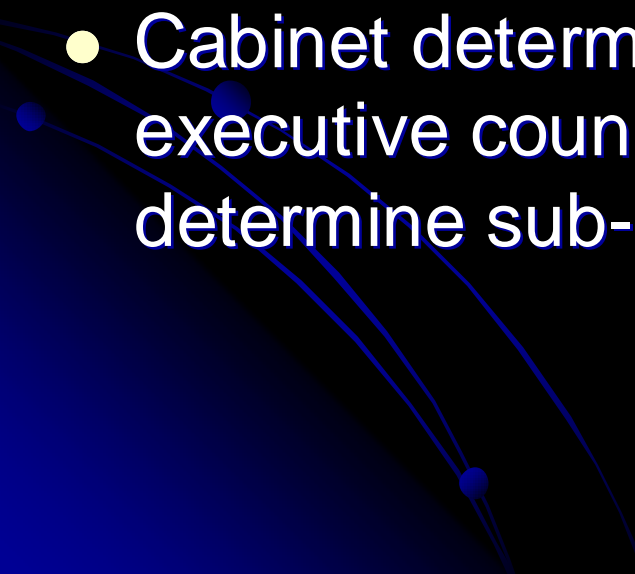
- Major budgetary and planning reforms introduced post 1994
- Underlying the reforms were the principles of predictability, accountability, responsibility
- Most significant planning reform including the introduction of municipal Integrated Development Plans (IDP)

# Reforms


- The introduction of three year budgets for the national and provincial spheres, now being extended to the local sphere of govt
- The other set of reforms included the Public Finance Management Act and Municipal Finance Management Act, to strengthen financial management and improve accountability



# Core Business of Government

- Three activities referred to as Policy Cycle of Government:
    - Priority setting
    - Planning
    - Implementation
  - Cabinet determines national priorities, provincial executive councils and municipal councils determine sub-national priorities
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# Mechanisms for Priority Setting

- Cabinet Lekgotla: January and July each year
  - Medium Term Expenditure Framework
  - Medium Term Strategic Framework (not yet implemented)
  - National Spatial Development Perspective (NSDP), Provincial Growth and Development Strategies (PGDSs) and municipal Integrated Development Plans (IDPs)
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# Intergovernmental Structures

- Presidents Coordinating Forum, made up of Premiers and coordinating Ministers, chaired by the President
- Budget Council is constituted of the Minister of Finance and the MECs for Finance
- Budget Forum is made up of the Budget Council and organised local government
- The above are supported by technical committees of officials


# Inherent Weaknesses

- Lack of shared focus on key national development priorities. There is no national strategic development framework of priorities for the country that is informed by provincial and municipal priorities and objectives.
- Lack of coordination between policy making and the budget. Danger of policy making through the budget - no mechanism that systematically link policy to budgetary process

# Inherent Weaknesses

- Sector based budgets and unclear role of clusters. Clusters set priorities, but have no budget function
  - Confusion about roles of each sphere in key aspects of intergovernmental relations.  
Variation on role of office of Premier, MEC for Finance and Local Govt in strategic planning and priority setting
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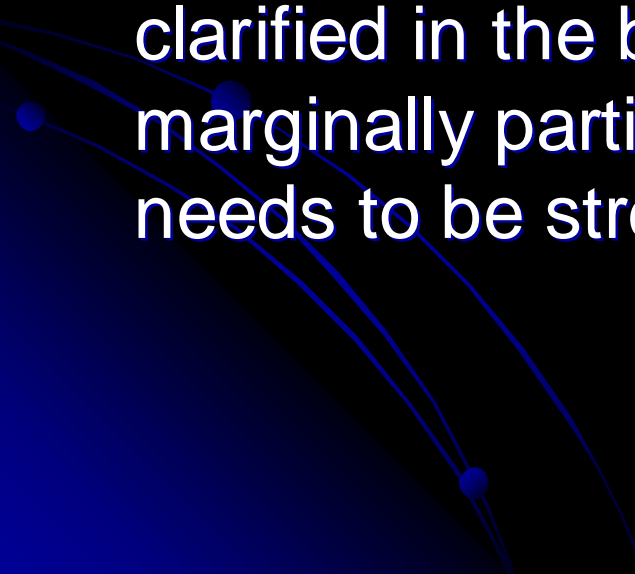
# Inherent Weaknesses

- Insufficient sharing of information. Very few departments can provide info on priorities, expenditure at a municipal level
  - Lack of capacity in key areas or functions. Poor medium term planning with clear measurable objectives linked to cluster priorities
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# Recommendations

- Sector depts. must take the lead in instituting planning process to implement the resolution that the IDP must form the basis for engaging the expenditure priorities of other spheres
- Provinces must prepare Provincial Development plans, informed by IDPs
- Provinces must est. provincial structures to coordinate and align priorities, and must include organised local govt.

# Recommendations

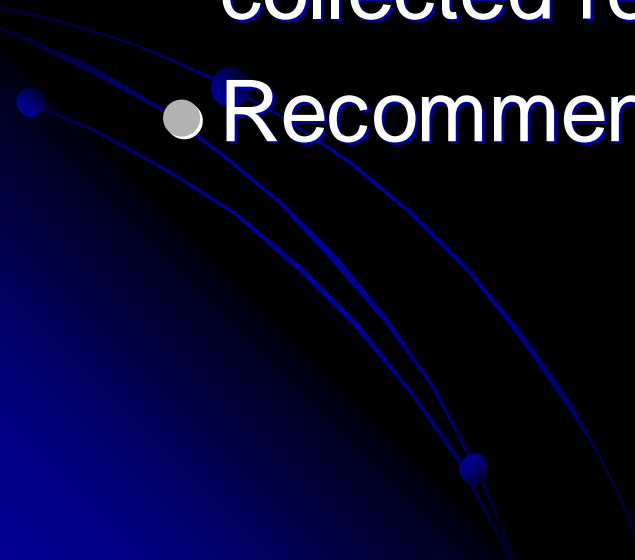
- The role and nature of the existing intergovt. fiscal structures should be reviewed as part of the draft IGR Bill
  - Role of local govt., coordinating departments (DPSA, **dplg**, Presidency) and clusters must be clarified in the budgetary process. Local govt. marginally participates in budget process & needs to be strengthened
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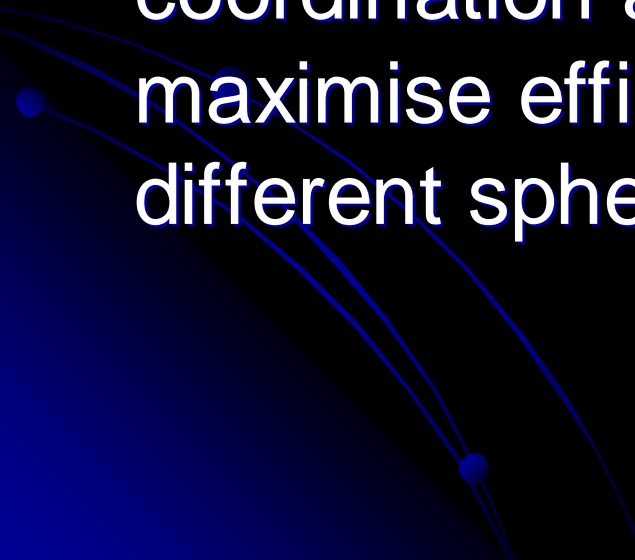
# Recommendations

- Departments must be made to provide budget info per municipal area
- Municipalities must strive to involve the community in budget processes -  
Municipal Systems Act, Property Rates and Municipal Finance Management Act require community participation in budget processes

# Recommendations

- Need to start the debate on the Vertical Division of Revenue
    - There is a need bring in some objectivity in the vertical distribution of nationally-collected revenue
    - Recommend a formula based approach
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# Conclusion

- Made substantial progress in reforming budgetary processes and instituting financial management
  - Need to focus on improving policy coordination and implementation to maximise efficiencies in spending by the different spheres
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Thank You

