



FFC Briefing to the Select Committee on Appropriations on FFC Support and Interventions in the Local Government Sector

28 January 2014

INTRODUCTION

- Basis for FFC interaction with organs of state is grounded in legislation, namely the Constitution of 1996, FFC Act of 1997, IGFR Act of 1997 and Money Bills Amendment Procedures and Related Matters Act of 2009
- Legislation empowers FFC to:
 - Make recommendations to organs of state on financial and fiscal matters
 - Provide advice to organs of state on financial and fiscal matters
- National Development Plan (NDP) is at the centre of the FFC's research thrust for the 2014/15.
 - FFC recommendations and advice will be centred around this theme, thus providing advice and guidance for organs of state on key issues related to NDP and fiscal landscape

INTRODUCTION [cont.]

- To appropriately deal with LG issues, FFC has set up a LG Unit to:
 - Undertake research that informs the LG sector and prepare policy briefs on LG issues
 - Comment on legislation and policy that have bearing on the LG sector
 - Make submissions on the Division of Revenue Bill, Medium Term Budget Policy Statement and budgetary issues as they pertain to LG
 - Engage actively with stakeholders on the LG research agenda, research findings and policy debates
 - Provide periodic advisory inputs to the LG sector on LG issues

DIRECT INTERVENTIONS: TRAINING OF COUNCILLORS

- FFC has made recommendations on capacity building interventions in the LG sector (e.g. 2010/11 and 2013/14 annual submissions for the division of revenue)
- Without reasonable capacity, efforts to build a capable local government has no chance of success
- Thus FFC has seen it fit to compliment efforts by other stakeholders to train councillors
- Recent training of councillors took place in Bushbuckridge and Namakwa municipalities. Training related to the:
 - Intergovernmental fiscal relations system in South Africa and how it works
 - Manner in which the division of revenue process works
 - Tools that councillors can utilise to improve oversight responsibilities
 - Basic financial management



DIRECT INTERVENTIONS: ADVICE TO MUNICIPALITIES

- FFC provides advice to municipalities when requested
- Examples include:
 - Xhariep: Representatives from Xhariep met with the FFC to discuss and ask for assistance with challenges related to funding and the municipality's subsequent ability to deliver services. FFC conducted analysis and used that as a basis for providing advice and suggesting a way forward for Xhariep
 - Tshwane: In 2013 Tshwane municipality approached the FFC regarding the merging of certain municipalities into its borders without a concomitant increase in resources

DIRECT INTERVENTIONS: ADVICE TO MUNICIPALITIES [CONT.]

- eThekweni: In line with requirements of the Municipal Fiscal Powers and Functions Act, and the need for the FFC to be consulted when a municipality applies for a new tax, eThekweni consulted with the FFC regarding its application to National Treasury to implement a local business tax. The role of the Commission was to evaluate the application and make recommendations to the Minister of Finance

DIRECT INTERVENTIONS: INPUT IN COMMITTEES AND PARTICIPATION IN VARIOUS LG FORA

- South African Local Government Organisation (SALGA):
 - The FFC annually presents its research and recommendations to various SALGA committees particularly the National Executive Council and Finance Committee
 - Presently FFC is being consulted by SALGA on the funding model for Municipal Health Services

INDIRECT INTERVENTIONS

FFC works with other stakeholders on several areas to improve the situation of the LG sector

- Conditional grant reforms
 - Government under the leadership of the National Treasury is currently conducting a review of infrastructure conditional grants
 - FFC sits on the technical team and inputs into the process/research
- Local government equitable share formula reforms
 - FFC is/was part of steering committee and technical task team that devised the revised LES formula in 2013
 - That team continues to discuss further refinements to the LES formula
- Public hearings
 - Approach used when undertaking review of the local government fiscal framework and options around housing financing
- Methodology used allows municipalities to input and voice concerns
- Inputs into benchmarking exercises

INDIRECT INTERVENTIONS: DEMARCATION PROCESSES

- Demarcation Processes
 - Questions around the impact of demarcations on LG sector have been raised: e.g. Mangaung ANC Conference, Cogta
 - Sentiments are that demarcations render some municipalities unviable
 - Need to make demarcation process to promote a capable and truly developmental LG Sector
 - FFC involved in demarcation processes from 2 angles:
 - 1. FFC member of Demarcation Process Review Task Team**

INDIRECT INTERVENTIONS: DEMARCATION PROCESSES [CONT.]

- Report makes recommendations on:
 - How to improve the demarcation criteria
 - The review of the legal, regulatory and institutional framework for demarcation including recommended legislative amendments that may be required
 - The public participation framework for engagement to inform the process of dealing with municipal boundary demarcation in the long term
- Report is with Minister of COGTA

INDIRECT INTERVENTIONS: DEMARCATION PROCESSES [CONT.]

2. FFC sits on various MDB Committees and provides advice

- FFC is a member of a steering committee advising MDB on quality assurance on applications for redemarcation
 - FFC provides advice on the MDB's Capacity Assessment Reports
 - FFC is an independent member of MDB Bid Adjudication Committee
- FFC's involvement with MDB is designed to improve the performance of the LG sector

INDIRECT INTERVENTIONS: FFC ANNUAL SUBMISSIONS ON THE DIVISION OF REVENUE

- Recommendations through the Commission's annual submissions on the division of revenue
 - Recommendations cover a wide array of areas and provides critical analysis on policy-relevant issues for policy-makers at all levels of government, for example:
 - Alternative revenue sources
 - Debt management
 - Identification of distressed municipalities
 - Function shifts
 - Climate change and LG
 - Gender budgeting in LG
 - Capacity Constraints in LG
 - Budget analysis
 - Efficiency improvements
 - Improving expenditures

IN THE FUTURE

- FFC will continue to undertake research that is relevant to the LG sector and research that would improve performance of the LG sector
- Expand training programme of councillors
- Hold more public hearings to provide municipalities with a platform to discuss issues that affect them
- Make FFC more accessible to municipalities for advice on IGFR issues



THANK YOU.

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