

### **Analysing Child Support Grants using Economy-wide Models**

In this research project a combined micro- and macroeconomic model is proposed to capture the multiplier effects in the economy brought about by the main South African social protection schemes (*in primis*, the Child Support Grant - CSG). An innovative *bottom-up/top-down* approach is proposed. In particular, the micro-economic module identifies two main channels through which the extension of the social grant affects the economy: labour supply and household consumption. After the consumption and labour supply models are estimated, we propose to simulate (1) an increase by 20% of the value of the CSG for children already benefiting and (2) the extension of the CSG in order to reach around 2 million eligible children that are not covered by the scheme.

### **Framework and Tools for Understanding Green Job Creation in South Africa**

Considerable attention is being given to the development of a green economy and the creation of green jobs. At the global and national levels, this attention has been prompted by growing concerns about climate change and the projected inability of the world economies to sustain into the future the growth rates that they have enjoyed in the past without irreversible environmental consequences. South African administration sees investing in a green economy as a way of helping the economy attain the goals of its New Growth Path and National Development Plan. These shifts will cause major structural changes in economies and labour markets. This raises a series of questions for businesses, workers, and policy makers at all levels – internationally, nationally, and locally such as (1) What does a shift to a low-carbon economy mean for jobs and skills? (2) In which sectors are jobs likely to be created and destroyed? (3) Does moving to a low-carbon economy necessarily mean lower productivity, lower wages, and slower economic and job growth? (4) Or is the green economy the next wave of growth and innovation that will stimulate growth at the local and provincial levels, raising overall standard of living? (5) What are the skills and technology needed to accommodate growth in the green economy? The purpose of this project is fivefold. First, it presents a simple framework that emphasizes the complex nature of an economy and how one needs to appreciate and understand the interactions among the various sectors in order to recognise the benefits and consequences of the transformation toward a low carbon and clean energy economy. Second, the paper offers an example of a study that takes into account the interactions of the various sectors in estimating the employment effects of moving toward a clean energy economy. Third, several studies using different methodologies are carried out that provide estimates of the size of the green economy and its growth during this decade. Fourth, an example of addressing the skill needs of a green economy is described briefly. Finally, a list of tools that can be useful in addressing the questions listed above is provided.

### **Budget Consolidation in South Africa: A Disaggregated Approach**

This is an extension of the fiscal consolidation model, the findings of which can be used to inform the Commission's recommendations on how to create a much needed fiscal space. In other words, the question that the project will seek to answer is should South African government be pursuing spending cuts, tax increases or decreases in debt in order to consolidate its budget. Hence, the idea is to model the disaggregated components of the budget and state debt and to examine their effects on the budget consolidation process (and also economic growth). This project can also look at the fiscal guidelines and long-term fiscal reporting as further instruments of consolidation.

### **The Effects of Social Spending on Economic Activity in South Africa**

The primary objective of this project is to look at the effects of social spending on the budget and how that feeds into the economic growth process. Subcategories of social spending will be considered and compared to total government spending in terms of their effect on economic activity in South Africa (i.e. the paper will look at the government spending multipliers and how government spending shocks are transmitted through the economy). In terms of economic activity, consumption, investment and economic growth measures will be considered in the paper.

### **Short-term Forecasting Model for South Africa**

A macroeconomic model is built which will be used to generate quarterly forecasts of selected macroeconomic variables. The idea is to use this model as a foundation for a more comprehensive model of South Africa which seeks to model and describe the behaviour and interactions between the four agents (sectors) of the South African economy (i.e. households, firms, government, as well as trade and financial linkages between South Africa and rest of the world).

### **Dynamics and implications of provincial personnel expenditure on service delivery**

Examine the dual existence of high vacancy rate and overspending on personnel in provinces and the crowding out effects personnel expenditure on complementary inputs

### **Harnessing informality into the main stream of humans settlements delivery in South Africa**

Evaluate and present options to harness informality into human settlements delivery with an aim of aligning informal housing finance with subsidy provisions

### **Evaluation of public transport operating subsidies in South Africa**

Assess challenges in the current public transport operating subsidies including the design, ability to achieve policy objectives and equity issues

### **Devolution and delivery of transport infrastructure: Intergovernmental Implications for Municipalities**

Evaluate the intergovernmental and financial implications of devolving some public transport functions to municipalities and other challenges in the delivery of transport infrastructure

### **An integrated planning approach to delivery of school infrastructure**

Focus on the planning and distributional mix of mobile and fixed school infrastructure delivery and ascertain whether norms and standards for distance from school are adhered to in school infrastructure planning such that the findings can be applied to delivery of other social services

**Intergovernmental dynamics of sub-national government budget gaps and implications for South Africa's fiscal health**

Evaluate the extent to which provinces in South Africa experience budget shortfalls, understand the underlying causes and fiscal adjustment mechanisms undertaken to ease the pressure

**An outcomes based approach to service delivery in a decentralized system of government**

Assess intergovernmental fiscal alignment in the funding of national priorities and shared outcomes for which multiple authority are accountable.

**Conditional grant performance assessment**

Ongoing assessment of spending and output performance

**Incentives for rewarding performance in the public sector**

Assess whether performance incentive are most effective at individual, organisational or program level. Review the growing body of evidence about how performance measurement and incentive systems function in practice and how individuals and organizations respond and adapt to them over time.

**Challenges, Constraints and Best Practices in Rehabilitating Water and Electricity Distribution Infrastructure**

This project seeks to investigate and propose best funding models to maintain and rehabilitate municipal infrastructure, specifically water and electricity distribution-related infrastructure. Based on this work, the project makes proposals on potential incentive instruments government can employ to encourage greater investment in maintaining and rehabilitating municipal infrastructure.

**Understanding the Dynamics of the Tax Bases of Rural Municipalities and the Constraints in Raising Revenue in these Areas**

The purpose of this research is to delve deeper into the dynamics of rural tax bases. The research will unpack the specific factors that characterises rural areas and how such factors impact on a rural municipality's revenue base. Some of the specific research questions include (1) Are traditional authorities in rural areas negatively impacting the collection of own revenues? (2) Why are rural municipalities unable to take advantage of economic externalities from adjacent richer municipalities? (3) Are performance and capacity issues the main drivers of the problems faced by rural municipalities (4) Can one conclude that rural municipalities will not be financially viable given the high levels of poverty and unemployment in these areas? (5) What national strategies can be developed to improve revenue and expenditure outcomes in these areas?

### **Determinants of Performance of Municipalities in South Africa: A Cross Sectional Analysis**

This study seeks to broaden our knowledge of what constitutes the key drivers of good or bad performance in local government sector. By identifying the key determinants of performance and designing of appropriate mechanisms of rewarding and incentivising good performance, this study will benefit policy makers when they develop policies and intervention mechanisms that are meant to enhance the performance of the local government sector. The study was part of the research gaps identified during the Local Government public hearings on the Local Government Fiscal Framework. During the hearings, participants noted the limited knowledge among players in the Local Government policy arena about why some municipalities are successful and some fail. In this regard they called for thorough research that will shed light on why some municipalities perform well and some not. In this regard many stakeholders will benefit from this study, including parliament. The latter will benefit from this study especially when it engages municipalities during the oversight visits. The study also fits well into the Commission's mandate and research strategy. The Commission is concerned about the poor performance of many municipalities which often results in inefficient or wasteful usage of public resources. Thus this study will benefit the Commission's advisory inputs especially on the broader local government fiscal framework.

### **Public hearings on housing and Local Government Fiscal Framework**

Options Analysis

### **Budget Reforms of the Health Conditional Grants and Strengthening of Health Performance**

The study will use multidimensional provincial-level data to assess the impact of health conditional fiscal transfers on health outcomes. Two key questions guide the analysis. First, do more conditional fiscal transfers assist provinces to perform better, measured in terms of health system performance indicators? Second, what role do intergovernmental transfers play in explaining different health outcomes? A time series analysis will be done on health conditional grants allocations and expenditure trends and the "fly-paper effect" which suggests that conditional grants tend to be considerably more stimulative than would be expected by economic theory will be empirically tested.

### **The Impact of No Fee Schools Policy on Equity, Funding and Learner Performance**

This project will examine the implementation of South Africa's school no fees policy and analyzes its effectiveness in tackling the issues of equity and redress as well as the impact on learner performance. It will draw data and literature partly on a study of the implementation and impact of the no-fee and exemption policies, commissioned by the Alliance for Children's Entitlement to Social Security (ACCESS) in 2008. The methodology will also include school case studies on the implementation of NFSP schooling and household expenditure trends on basic education over time.

### **Identifying Gaps and Progress Made with Government Outcomes: A Spatial Approach**

Phase 2 of this project seeks to identify areas that are in most need of government services and eventually provide methodologies and approaches that government could use in ensuring better alignment of budgets to service needs within the identified outcomes. What is unique about this research would be a spatial perspective of progress in various parts of the country in respect of government earmarked outcomes. Literature review, data related to the specified outcomes and their indicators will be collected and manipulated and analysed using GIS techniques and presented as both static maps and intelligent live maps that are web enabled for production of reports relevant to the responses the Commission needs to give in any ad hoc request at hand.

**Fiscal Rules and long Term Modelling**

A small open-economy gap model is built using South African data, where the budget deficit is endogenised by way of a fiscal policy "rule". A longer horizon Intertemporal dynamic CGE model is extended to address long term fiscal constraints of large scale government interventions (multisectoral impacts)

**Role of provincial governments in meeting national priorities**

The objective of this project is to analyse the fiscal performance of provincial governments and departments. Annual financial statements from provincial departments report on their main and adjusted budgets, as well as actual spending. Both spending and revenue are budgeted for, and actual values will deviate from that budgeted. Provincial governments and departments can be measured and analysed in terms of (a) their contribution to general government surpluses and deficits, and (b) the relationship between their actual and budgeted expenditure and revenue. The first measure provides an indication of the contribution of provincial governments and departments to macro-economic stability. Government performance is, after all, the sum of individual tier and departmental performance. The second measure is an indication of financial management performance and relates to the capacity of provincial governments and departments to spend according to their budgets. It should be noted that this provides no indication of operational management performance relating actual delivery relative to strategic plans

**Revisions to the Division of Revenue Project**

Finalise Phase I and focus on longer term research issues

**Impact of Unfunded Mandates**

Phase II

**Submission on Legislation/Policy**

MTBPS, DoRB, Fiscal Frameworks and Revenue Proposals, Amendment Bill and other referrals from government/other stakeholders

**The Role of Intergovernmental Fiscal Relations (IGFR) in Innovation Financing in South Africa**

Against the backdrop of inequality which characterises much of South African economy, and given that innovation is identified as one of the main drivers of economic development, this paper seeks to understand the role of intergovernmental fiscal relations (IGFR) in the innovation process in South Africa. Specifically, the aim is to investigate how the different elements of the IGFR, as well as the different spheres of government, can be efficiently utilised in addressing inequality issues in South Africa and stimulating innovation.

**Analysing Public Economics of Corruption**

The main objective of this study is to assess the impact of corruption on the South African economy. The study will focus particularly on the economic impacts of corruption and it will also assess the welfare implications that arise from these economic impacts for intergovernmental relations.

### **Fiscal Distress Indices**

The Commission has decided at its February and March 2012 Research Committee and Bosberaad that it must be much more involved in mitigating crises than in trying to avert them. An important tool in this regard is monitoring of indicators to look for signs of impending crises in audit reports, in addition to using various formal or informal monitoring systems. This proposal proposes such a proactive approach to monitoring and track provincial and local government financial position and uses its advice to avert more serious financial problems before they arise. Such a role would not imply takeover or financial control, where financial responsibility rests primarily with the provincial and the local government with the Commission merely in an advisory capacity. The aim would be to provide guidance to keep subnational governments financially healthy and to identify potential problems before they become serious. By identifying indicators of potential future fiscal distress, the Commission could assist subnational government officials in making positive changes to avoid imposing more aggressive financial intervention at a later date.