

# Renosi Mokate takes up the fiscal baton

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Cape Town – Renosi Mokate sees several challenges on her horizon as the newly appointed chairman of the Financial and Fiscal Commission (FFC), not least stepping up efforts to ensure that provincial and local governments are not lumbered with unfunded mandates and that they receive enough funding to do their work efficiently.

She succeeds Murphy Morobe, who has moved on to the presidency.

No stranger to the problems involved in intergovernmental fiscal relations, Mokate is also aware that as an unelected advisory body, the FFC can only make suggestions about the better division of revenue based on its own extensive research – and hope that the government can find its way to incorporate some of its ideas in the annual budget.

This has happened to varying degrees in the 10 years since the FFC was established, but she feels confident that the institution she now heads will continue to play an important role in tackling many of the most glaring socioeconomic disparities inherited from the apartheid regime.

Essentially, the FFC's recommendations are formula driven in that they try to divide the national revenue cake between the various spheres of government according to their needs. But calculating the extent of those needs has been something of a headache given the lack of sound and reliable statistics for much of the last 10 years. However, Statistics SA has been working on the problem and the results of Census 2001 are regarded as the best produced yet.

As finance minister Trevor Manuel said in his 2004/05 Budget Review earlier this year, those statistics would be used to review the grant formulae to allocate funds to provincial and local governments, while taking into consideration the shift of social security

payments to the national government and the restructuring of the electricity distribution industry, which would deprive local governments of an important source of their own revenue.

Provincial and local governments have been complaining about the rising number of unfunded mandates – tasks they are given without any additional funding being provided – coming from national government. A prime example

of this is the decision by the government that certain free basic services should be provided to all South Africans.

Mokate said that it was clear the

formula approach to the allocation of funds was correct, but what was contentious were the policy parameters set by the government on how to translate

the formulae so that they catered for the needs of the people on the ground.

This made it vital that the FFC continued its work of wideranging

research into the key cost drivers and variables in providing services, and then to work with the government and communities to test whether the solutions suggested would deal with the most pressing issues they faced.

“We would like to get as much input from them so that our recommendations are not abstract or out of touch with reality,” she said.

She saw unemployment as the biggest challenge facing all spheres of government and said that creating more sustainable jobs was the only way to reduce the growing burden of the state's social spending.

She would like to see the FFC do more analyses of spending trends, looking at poverty and how government policy could alleviate its worst effects on ordinary people. Also important would be to keep tabs on the ability of provincial and local governments to manage and spend their allocations in the most cost-effective way. These called for extensive training of staff so that they had the skills needed to manage funds coming from both government sources and their own revenue bases.

While some believed that the FFC should have greater powers to force the government to adopt its recommendations, the majority of people accepted that it was not an elected body and therefore could not dictate to the national government, which was accountable to the electorate.

“We have to temper our recommendations with reality, and recognise that at some point they will not be accepted, but that this does not mean a general failure on our part,” she said.

But as provincial and local governments gained expertise, the national government was likely to slacken its grip on their finances, although it would remain concerned that efforts by local governments to raise revenue through higher rates and taxes could affect macroeconomic efforts to control inflation.

“This tension is not unique to South Africa,” Mokate said. The constitution was flexible enough to allow this relationship to evolve and change over time.

Trained in the US, she has specialised in development and urban economics, and has held a number of senior posts, including an executive directorship in charge of group economic and social analysis at the Human Sciences Research Council.

