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# FOREWORD

This Submission for the 2013 Division of Revenue is made in terms of Section 214(1) of the Constitution of the Republic of South Africa (1996), Section 9 of the Intergovernmental Fiscal Relations Act (1998) and Section 4(4c) of the Money Bills Amendment Procedure and Related Matters Act (Act 9 of 2009).

South Africa is trapped in a cycle of modest growth, high inequality and record unemployment. With unemployment at unprecedented levels, the stakes are high. As the main weapon at government's disposal, fiscal policy is where the battle against very high unemployment in South Africa will be won (or lost). To help government and communities, this Submission contributes by bringing forward the frontiers of knowledge and developing recommendations, to enhance the capacities of policy makers to implement innovative policy initiatives that enhance economic development. To gain greater insights into how the intergovernmental relations policy broadly affects economic development, and in particular the equitable distribution of public resources, this year's Annual Submission is based on the theme:

***"Moving People Out of Poverty: Supporting Innovation in Intergovernmental Financing"***

This Submission is informed by rigorous research into major cross-cutting issues, which range from job creation, to e-education, higher education, disaster management, climate change management, revenue and expenditure assignments and economic growth, capacity, and gender issues in budgeting. In line with the Commission's mandate, the Submission highlights the impact on the poor of emerging trends in intergovernmental relations and government's fiscal policy stance in an increasingly uncertain global economic environment. As powers are increasingly devolved to the sub-national governments, a central question remains: to what extent do the IGR systems support poverty eradication and what can public and private interests do about the marginalisation of the poor? Can innovative investments, scaled-up successful projects and new institutions be designed to ensure inclusion and help manage the negative consequences of disparity and deprivation? All spheres of government have an important role to play in South Africa's efforts to promote inclusive growth and development. Their role may be vital for attaining the Government Strategic Outcomes and Millennium Development Goals which agree on the importance of advancing human development and achieving a country with less poverty.

The Commission would like to express its sincere gratitude to all the stakeholders that have provided inputs at key points during the process of compiling the recommendations, the Minister of Finance for his continued support, the Chairpersons of the various Finance and Appropriations Committees and their members at both National and Provincial government, the SALGA technical team for their assistance and the staff and technical advisers of the Commission.

We, the undersigned, hereby submit the Financial and Fiscal Commission's recommendations for the 2013 Division of Revenue in accordance with the obligations placed upon us by the Constitution of the Republic of South Africa.

Mr Bongani Khumalo  
Acting Chairperson/Chief Executive  
Ms Lucienne Abrahams  
Ms Tania Ajam,  
Mr Krish Kumar  
Mr David Savage  
Ms Nelisiwe Shezi

For and on behalf of the Commission



Mr Bongani Khumalo  
Acting Chairperson/Chief Executive  
Financial and Fiscal Commission

Date: 25 May 2012

# ACRONYMS

AIDS	Acquired Immune Deficiency Syndrome
ASD	Alternative Service Delivery
AsgiSA	Accelerated and Shared Growth Initiative for South Africa
BUS	Business and Management
CBA	Cost Benefit Analysis
CES	Constant Elasticity of Substitution
CGE	Computable General Equilibrium
CHET	Centre for Higher Education Transformation
CSR	Corporate Social Responsibility
DAFF	Department of Agriculture, Forestry and Fisheries
DoBE	Department of Basic Education
DCoG	Department of Cooperative Governance
DEA	Department of Environmental Affairs
DMA	Disaster Management Act
DoC	Department of Communications
DoE	Department of Education
DoHET	Department of Higher Education and Training
DRMC	Disaster Relief Management Centres
DSD	Department of Social Development
DST	Department of Science and Technology
ECD	Early Childhood Development
EPWP	Expanded Public Works Programme
FBS	Free Basic Services
FCA	Full Cost Accounting
FEMIS	Further Education Management Information System
FET	Further Education and Training
FFC	Financial and Fiscal Commission
FRA	Fund-Raising Act
FTE	Full Time Equivalent
GDP	Gross Domestic Product
GEAR	Growth Employment and Redistribution
GIS	Geographic Information Systems
GRB	Gender Responsive Budgeting
GVA	Gross Value Add
HEMIS	Higher Education Management Information System
HIV	Human Immunodeficiency Virus