

Business Day

Top-down fiscal transfer ‘does not foster accountability’

by [Linda Ensor](#), 14 August 2014, 11:03

THE top-down approach to fiscal transfers in South Africa from national to provincial and local government did not foster accountability for service delivery, experts argued on Wednesday, the last day of the 20th anniversary conference of the Financial and Fiscal Commission.

The three-day conference focused on the different systems of intergovernmental relations in sub-Saharan Africa and on questions of centralisation versus decentralisation in the distribution of powers and functions, including the power to raise revenue. In South Africa the national government raises most revenue, which it divides between provinces and local government. A key challenge in the system has been the capacity of local government to spend efficiently the money it is allocated.

Several international experts held the view that the ability of local and provincial governments to raise their own revenue made them accountable to citizens and that these additional powers should not be withheld from them because of a perceived lack of capacity. Capacity grew in tandem with the assignment of responsibilities, they said.

Addis Ababa University associate economics professor Tassew Woldehanna said although capacity building was important for decentralisation its lack should not be an excuse for limiting decentralisation.

"Capacity building and decentralisation have to be dealt with simultaneously."

He said he could not understand the refrain in South Africa about capacity building as there was enough money for this to be addressed. Mandates should be given to national and provincial governments and universities to undertake this.

Queens University of Canada economics professor Robin Boadway agreed, saying that exercising responsibility and building capacity went hand in hand and could be undertaken gradually.

He said that in South Africa the three spheres of government were not equal partners, so it was difficult to conceive how a system of co-operative governance, as the constitution envisaged, could be built.

"A necessary condition for co-operative government is that all spheres of government be empowered so they can be accountable and responsible," Prof Boadway said.

Provinces should have substantial revenue-raising powers and be able to design their own programmes within national norms and standards.

Professor Anwar Shah, the director of the Brookings Institute in the US and the Centre for Public Economics in Chengdu, China, argued that "manna from heaven" grants from national government limited the accountability of local government to citizens for service delivery. The system of conditional grants used in South Africa were a form of micromanagement focused on control that did not encourage accountability and innovation at the local level.

Citing a lack of capacity was just an excuse for not devolving powers. Prof Shah referred to the experience in China where until four years ago local governments did not have the responsibility to do cash budgeting, although they were overseeing the explosive growth of their towns and cities.

"They did not and do not have the capacity but they have the accountability and the political commitment for service delivery, which are key."

A one-size-fits-all approach was not appropriate. There should be different classes of municipality with different levels of powers and functions.

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