



Research Strategy 2014 – 2019

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For an Equitable Sharing of National Revenue

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0. Executive Summary

This paper presents the new Financial and Fiscal Commission (Commission or FFC) Research Strategy (for 2014 to 2019). The strategy sets out the Commission's vision for research and recommendations, encompassing:

- Individual and institutional excellence in generating and disseminating influential policy advice on using the intergovernmental system to realise impacts necessary for national development and progressive realisation of the constitutional vision
- Bringing intergovernmental fiscal relations evidence and expertise to bear on public policy challenges and applying FFC's wisdom agenda to its mandated activities.
- Highlighting and communicating the policy implications of FFC's research.

A number of principles are established for FFC's research strategy activity, which should:

- Engage through influential evidence based recommendations on topics in fiscal policy and intergovernmental fiscal relations that are of relevance to policy-makers, politicians, academics and civil society
- Focus research activities on areas where FFC has sufficient capacity or sufficient budgetary resources to insource the requisite specialist expertise
- Encompass multiple levels of engagement, tailoring the way we communicate our recommendations appropriately to each audience and their specific interests
- At all times uphold values of honesty, fairness, objectivity, reliability, flexibility, accountability and transparency
- Remain independent
- Support networks and partnerships where appropriate.

Building on the successes in the previous cycle and learning from failures, the key aims of the new strategy are identified as follows, to:

- Translate credible research and expertise within FFC Secretariat into influential recommendations on all policy decisions that are of a financial and fiscal nature
- Further develop FFC's reputation as a source of high quality research and analytical insight which can inform policy and implementation oversight to ensure an equitable and efficient use of resources among and across spheres of government
- Establish FFC as a hub for dialogue and debate on current IGFR issues as well as those pertaining to the long term evolution of the system

The strategy considers FFC's current position in terms of our institutional advantages and the opportunities and challenges regarding relevant policy engagement and impact. Finally, this document provides a high level overview of the implementation of the strategy. A more detailed implementation plan will be published separately.

1. Preamble

At the Financial and Fiscal Commission (Commission or FFC), we support a rare breadth of research excellence, generating a wealth of influential recommendations, knowledge and expertise drawn from our fiscal policy and intergovernmental fiscal relations (IGFR) research. The Commission sees its primary organisational objective, in pursuit of its vision, mission and mandate, as generating and disseminating influential policy advice on using the intergovernmental system to realise the policy impacts necessary for national development and the progressive realisation of the constitutional vision. To this end, quality research is a critical core business enabler of evidence-based recommendations.

We are constitutionally obligated to ensure that our research benefits society through better stewardship of public resources in order to realise the constitutional imperative of the progressive realisation of the socio-economic right of all South Africans. An essential part of our ethos is to use our expertise to address the pressing national and global challenges faced the IGR system today and in the future. One of the ways in which we can most effectively exploit our research strength is to ensure that the Commission's research generates influential recommendations. Effective dissemination of research insights and recommendations and effective stakeholder management is therefore a key pillar of the Commission's strategy. We are an ideas factory and we will gauge how influential our recommendations are by the extent to which our stakeholders understand our recommendations, the depth with which they engage with it, and the degree to which they adopt or adapt our insights. To this end, we should not only produce research of outstanding quality, but be able to communicate research findings clearly, simply, cogently and articulately in ways accessible to each of our many audiences. To communicate our research effectively, we need to understand our stakeholder groups and what their interests and capabilities are, package our recommendations appropriately for each audience and invest in building ongoing relationships with them in which we clearly demonstrate the value we add to stakeholder processes.

The new research strategy has been developed in recognition of the opportunity that the Commission has to interpret and test the implementability of government policy from independent perspectives and ensure a multifaceted approach to the development of possible policy solutions. The research strategy vision for 2014-2019 derives directly from the Commission's primary organisational objective and is thus:

"Influential recommendations on intergovernmental fiscal and financial issues through a research team with robust skills and reputation¹".

With a need to be consistent with the key messages and the Commission's brand, research at the Commission is effected through (1) qualitative innovative and independent research, (2)

¹This replaces the 2008-2013 Divisional Vision of "Generate quality, innovative, pioneering research that informs key IGFR strategic debates and choices".

effective administration² and (3) intensive and innovative stakeholder engagement³. Underlying these interventions are non negotiable organisational ethical values that emphasise professionalism i.e. honesty, fairness, objectivity, reliability, flexibility, accountability and transparency.

2. Mandate and History

The Commission's mandate is defined around 3 interrelated pillars of (a) making recommendations on equitable division of nationally raised revenue, (b) making recommendations on any other matters financial or fiscal with a bearing on intergovernmental fiscal relations and (c) contributing towards creation and sustenance of an effective and equitable system of intergovernmental fiscal relations.

This 3 pillar mandate is executed through focused research, recommendations and policy advice and outreach activities (including public hearings, training, briefings, publications, etc). The Commission has adopted a set of operational guidelines in carrying out its mandate to ensure it:

- Respects the Constitutional status of each sphere of Government
- Adheres to Constitutional principles
- Is mindful of the fact that the Constitution's Bill of Rights mandates the provision of basic services
- Considers other principles of good intergovernmental fiscal relations
- Undertakes extensive research to inform the basis of its recommendations
- Takes into consideration stated government programme objectives and priorities

The Commission marks its 20th anniversary in August 2014 as one of the recognized leading institutions giving advice to organs of the state in the national, provincial and local spheres of government on financial and fiscal matters⁴. Between 1994 and 2005 the Commission has played a central role in the development of the IGFR system. It has played this role through a long-standing and broad-based research program focused on the many challenges of equitably distributing nationally raised revenue. The Commission has made significant recommendations on the size and distribution of the provincial and local government equitable share. Indeed, it is recognized as one of the foremost contributors to the provincial equitable share formulae used by government. During this period, it has also made notable contributions on issues of expenditure assignments and financing issues with respect to local government (including the borrowing framework), developed a "costed norms approach" and carried out a comprehensive review of the intergovernmental fiscal relations system and conditional grants.

²This is effected through Research Policy, Research Management and Research Indicators, Time Management and Research Planning and Reporting.

³This is effected through Stakeholder Strategy, marketing, communications, knowledge management, branding and outreach activities.

⁴ The origins of the Commission can be traced back to Section 128 of the Republic of South Africa Act, 1993 (Act 200 of 1993). The Commission was appointed in August 1994.

From 2006 to 2008, work at the Commission has both been “reactive to current issues within the intergovernmental fiscal system and also forward-looking – seeking to manage change within the system in a consistent, logical and managed fashion”. This period has been characterized by a deliberate attempt to beef up the Commission’s modelling capacity and begin to question the initial parameters that condition equitable sharing of national revenue. This has meant that the Commission has increasingly dealt with cross-cutting issues which must be addressed by all three spheres of government – fiscal frameworks, issues related to poverty reduction and pinning down precisely notions of progressive realisation of rights, environmental issues and so on.

Furthermore, the Commission has also had to increasingly deal with important changes to the environment especially during the period up to 2008. The following have especially been pertinent:

- High turnover of research staff led to loss of institutional knowledge and continuity in research projects, downscaling of research projects and so on.
- Increases in volume of work where it has been asked to respond to policy and legislation referred to it. In particular, the change in legislation relating to appropriation of money bills by parliament implied higher volumes of work for the Commission.

To respond to the changing environment, the Commission began an extensive research strategy formulation and research policy development in 2008 culminating in:

- Adoption of a 5 Year Research Strategy premised on seeking to identify a broader set of institutional and governing arrangements that are capable of achieving positive public expenditure outcomes. These second generation issues extended the existing emphasis on allocation formula and intergovernmental budgeting which had constituted the first generation issues confronted by the Commission during the establishment of the IGFR system. It also adopted a Research Policy in July 2009. These two major developments constituted the foundation upon which a successful future rested upon.
- Progressively restructuring the Research and Recommendations Programme (RRP) to respond to these new developments. In particular, discussions with National Treasury and Department of Public Service Administration (DPSA) in 2009 culminated in a revised organizational structure which in a nutshell expanded the budget analysis unit into three (national, provincial and local) and introduced a local government sub unit.

In terms of progress made up to this stage, restructuring in the RRP Division has seen:

- Establishment of an expanded budget analysis unit with three separate units focusing on national, provincial and local government.
- Local government analysis capability has been further enhanced by the setup of a local government unit, which was initially housed under the Fiscal Policy Unit and was later moved to the Local Government Budget Analysis Unit in May 2010 to further enhance its delivery.
- The Data and Information Unit which was then dysfunctional was partially resuscitated, resourced with a Program Manager and a Data Analyst.
- The Commission has also started to locate research capacity in its Cape Town office to build closer ties with Parliament, one of the Commission’s critical stakeholders.

Work has been ongoing on 3 fronts, namely:

- Responding to challenges in administration of the RRP division
- Integrating the intergovernmental financial relations unit as a cross cutting theme, and
- In April 2010 the Commission decided that it wanted an alternative delivery model that prepares the organisation to address today’s questions and positions the organisation for research leadership and advice in the IGFR field then and into the future. The proposed model details constitute ongoing work.

3. Objectives and Achievements of the previous cycle’s Research Strategy

The Commission adopted a 5 Year Research Strategy for 2009-2014 to help with the effective implementation of its mandate. The focus of the research strategy was on outcomes and impact of government interventions, premised on seeking to identify a broader set of institutional and governing arrangements capable of achieving positive public expenditure outcomes. Four thematic areas were determined to take the strategy forward, namely:

- Policy outcomes
- Equitable growth and distribution of resources and
- Accountable institutions
- Flexible response

Within the context of this strategy, the Commission identified and agreed to adopt annual thematic areas of focus for its research commencing in 2009/10. The overarching objective reported on was to **“Generate quality, innovative, pioneering research that informs key IGFR strategic debates and choices”**. This objective was further broken down into 3 sub objective summarised as the “ABC’s”:

- **A** – “Advance”: To advance knowledge that enhances the developmental impact of public resources through the fiscal and financial system;
- **B** – “Better”: Give advise that leads to “better” stewardship of public funds, namely research that has a net social benefit and ensures public funds are applied effectively and efficiently;
- **C** – “Continuous”: Continuous professional development of staff in research and policy development. This is done by entrenching a programme and project based culture within the Commission that will enable researchers to become future leaders in research management and innovation, as well as competent researchers in their own right.

A confluence of events steered research management to adopt a formal monitoring and evaluation system to demonstrate in a convincing fashion the influence of its outputs on policies and its impact on target audiences. Given the multiple sub objectives and activities of research, it is but natural that many indicators needed to be developed to be able to monitor and assess these different objectives.

As discussed above, when the research strategy was put in place in 2009, there was a general sense of uncertainty in the organisation and severely binding financial constraints, and it was important to instil a sense of stability and confidence to the organisation. With the support of the Commissioners through Research Committee in particular, we managed to stabilise the organisation in the period of just over one year. Following this stabilisation, it became clear that while the Commission had played a major role in defining thinking around the vertical and horizontal division of revenues in the past, this was under threat due to capacity constraints. We changed strategy and focused on doing more with less and designed 3 key pillars of (a) building strong analytical and technical skills (mathematics, statistics, estimation/forecasting methods and fiscal/economic analysis) and dedication to accuracy, (b) fostering teamwork and cooperation amongst researchers and (c) developing and managing credible and trusting relationships with counterparts in Government, Parliament and in other agencies. As the implementation of the strategy unfolded, these processes became more institutionalised and the relationship between staff and stakeholders continued to improve.

The RRP has set up systematic technical competencies (including micro-macro computable general equilibrium, statistics and econometrics) in the division that it hopes to grow in a manner to complement other research in world class peer divisions, and indeed to inform policy in South Africa. In this regard, the Commission’s submissions on Medium Term Budget Policy Statement, Division of Revenue and Medium Term Expenditure Framework, Fiscal Frameworks and Revenue Proposals and a significant part of adhoc stakeholder requests has been informed by research flowing from the technical competencies nurtured. Researchers have 'blossomed' and have appreciated the space and guidance given them. Several researchers have

now commenced publishing their work and write proposals meant to secure extra funding from outside sources. Yet others now sit on Government Policy and Advisory Task Teams, routinely get summons from Parliament to give expert testimonies and regularly present research papers at experts meeting locally and internationally. The Commission wants to try and repeat these activities and successes every year so as to safeguard the research capacity and sustainably provide influential recommendations and advice to stakeholders. If nobody is providing this support, it will impact on the functioning of the Commission.

The performance against set targets under the current 5 Year Strategic Review is presented in Table 1:

<Insert Table 1 about here....>

It is clear from Table 1 that the programme performance factors bear testimony to the good performance of the programme during the duration of the research strategy. During the period under review, it has been possible to meet set outputs. We can highlight the following key delivery points under mandated outputs the division has achieved:

- 4 Annual Submissions for the Division of Revenue
 - 4 Technical Reports to accompany the Submissions for the Division of Revenue
 - 4 Submissions and briefings on the Medium Term Budget Policy Statement
 - 4 Submissions and briefings on the Division of Revenue Bill
 - 4 Submissions and briefings on the Fiscal Framework and Revenue Proposals
 - Many stakeholder request and referrals documents
- Increased exposure of outputs both online and in the mainstream media

The ultimate aim of research has been to enhance the role and quality of evidence-based recommendations, directly through the dissemination and use of the research outputs and indirectly through improved skills and capabilities of the researchers themselves thereby enhancing developmental impact. A total of 31 policy briefs have been produced based on the Commission's research. Teams have also organized country policy conferences. A total of 34 peer reviewed articles in very prestigious international and regional journals, 7 papers presented at international conferences and 64 book chapters, working papers and technical reports were published in reputable internationally recognised outlets giving indication of the external impact that we are having. Several newspaper articles and citations of the Commission work have been published. More recently the Commission launched 3 rounds of Public Hearings with policy-makers on specific themes as an innovative research dissemination vehicle with huge success. While all of these efforts are noteworthy, it is

unrealistic to expect an immediately discernible impact from one particular piece of research. The impact of research on policy is much more complex and often depends on an accumulation of evidence over time. However, evidence of an emerging impact is offered in FFC's increased visibility in popular media citations and referrals for assistance from Government and Parliament and acceptance of its recommendations by government.

Beyond its strong focus on research and dissemination, the organisation has started to engage more directly in "joint research initiatives" on various themes. To this end, RRP has given effect to the memoranda of understandings signed with Human Sciences Research Council (HSRC), Municipal Demarcation Board (MDB) and the Food, Agriculture and Natural Resources Policy Analysis Network (FANRPAN). These are listed under "*Other Research Activities*". RRP has also adopted a more proactive approach, in terms of submitting research projects to potential funders with success in collaboration with partners, within its own intellectual domain. The next logical step, which has been examined as the strategy approaches the end of the cycle, is to launch joint briefing sessions of outputs with our partners. RRP has also initiated a successful training programme for parliamentary researchers, empowering them to act as effective disseminators of our research.

Despite this clear evidence of resilience and success, the research program faces two serious issues that require urgent attention. The *first* relates to the capacity of the program to continue its productive history. This capacity has been challenged by many of the forces faced by many other public institutions and that is limited resources to fulfill a very broad mandate as well isolated instances where some of the researchers performed below expectation. The latter problem is dealt with under Human Strategy and Performance. The problem focused on here is the longer term one around staff attrition coexisting with increasing workload. This has resulted in the programme operating at below capacity because there were no resources to hire necessary staff.

The other main related challenge faced has been the competitive market for talent in the financial and economic analysis domains that the program operates. Most importantly, the workload has gone beyond managing a few research projects into managing many research projects, researchers, technical advisors as well as administrative and budget functions. In short, the research portfolio for the Units has become more like a program while overall RRP has become close to a department. In a nutshell, the research program has been and continues trying to do more with less. There is a need to recognise these realities and subsequent pressures as well as urgently consider ways in which the research structure and indeed staff motivation may appropriately accommodate the expanding responsibilities and accountabilities of research staff.

These are real problems that must be addressed. The secretariat and Commissioners are aware of these problems and are taking steps to address them under the rubric of the ongoing organizational design exercise. These actions are just at formative stage, new and untested yet the organization continues to suffer under the mounting strain. Irrespective of the

organizational design, the strategic issues which will have to be resolved by the broader corporate strategy is how to ensure that a greater proportion of budgetary resources are channeled into the core business i.e. research and that RRP receives appropriate administrative support.

In our opinion, there are at least 4 ways that the program could achieve a better balance between the size of its secretariat and the scale of its activities. One would be to maintain its scale of activities but to increase the size of its secretariat, probably to increase research staff. This would require an increase in the organisation's total budget. A second, budget-neutral way would be to increase the size of its secretariat by using the savings generated by reducing or eliminating some of its activities in support services and/or poorly performing research staff/services. A third way would be to maintain the size of its secretariat but to reduce or eliminate some of its activities, resulting in a smaller program budget and/or less pressure on limited research staff. The second and third ways are less desirable from a capacity-building and humanitarian standpoint. The fourth way discussed by the Commission in respect of the new delivery model is to maintain the size of the secretariat but increase the share of the budget going to research once the deficit is paid off to create a funding pool that can be used to insource external expertise so that we can leverage specialist skills in areas where appropriate to be able to meet increasing demands for RRP research. The first way and also the second way face a potential obstacle, however: the current senior staff members do not appear to have more time to contribute to the program. In some way or another, the program needs to develop a plan for achieving a more appropriate balance between the size of the secretariat and the scale of the program's activities, to enable the secretariat to provide more of the substantive services required by a research capacity-building program.

The *second* issue is related pressure on research that has surfaced in an acute way over the duration of the strategy in the form of conflict between long term basic research and demands of rapid response on research staff. It would be amiss though to ignore the fact that an important pillar of the Commission's work is that it has stakeholder responsibilities and rapid response outputs that need to be churned out continuously. In the long-run the influence that the Commission will have on intergovernmental fiscal policies in the country will depend to a considerable degree on the quality of research that it uses for these rapid response stakeholder requests and so they need to be done extremely well. The downside though is that this may conflict with medium to long term research as more resources get devoted to these short term demands. One option is to make more funds available to RRP once the Commission has retired the lingering debt so that some of the rapid response could be outsourced. This option has to be weighed against the proposed initiative to use such funds for beefing up internal research staff complement discussed above. This is a long term solution however.

4. FFC Research Priorities 2014-2019

Developed economies have seen their public debt to gross domestic product (GDP) ratios increasing massively in recent years in the wake of the global financial crisis. That compelled

many governments to bail out their financial institutions by using taxpayers' money to do so and in so doing to increase their public debt levels enormously. The principal manner in which they have managed this debt has been by driving long-term interest rates down to undreamed of levels through quantitative easing, i.e. getting their central banks to purchase government bonds back from financial institutions in such a way as to inject cash back into these financial institutions, with the hope that these institutions would then on lend this money to the economy. In this way, the intention has been to boost real economic activity.

The process has only been partially successful. The real economies of the advanced countries have only responded modestly to these cash injections. Instead, much of the newfound cash has gone into investments in financial assets, including equities, commodities, emerging market bank deposits and the further purchase of government bonds. Whilst the average level of government debt to GDP in these advanced economies has risen to somewhere between 80% and 100%, South Africa seems extremely well placed in comparison, with a public debt to GDP ratio of no more than 40% at present. However, the difference is that whereas long-term interest rates in most advanced economies are below 5%, in South Africa's case they are closer to 7%. Therefore, the debt servicing burden of South Africa's government is not proportionately that much lower than it is in advanced economies. At the same time, the downward trend in long-term interest rates in advanced economies has also been accompanied by a decline in long-term interest rates in South Africa, as the wall of liquidity generated by quantitative easing has come to be invested, amongst a whole variety of emerging market alternatives, also into South African government bonds, precisely because of the attractions of being able to get 7% return as opposed to 2% in advanced economies. In turn, these capital inflows have played an important role in limiting the extent of the Rand's depreciation and the inflationary impact that a bigger depreciation would have had in the face of an enormous current-account deficit, of 6% of GDP. Typically, portfolio inflows into South African bonds have been averaging around R100bn per annum, which is about half the value of the current account deficit (the difference between imports and exports of goods and services), of about R200bn.

The problem which has attracted attention about the fiscal situation domestically has been not its absolute level, but its direction. From 22% of GDP in 2007/08, the debt to GDP ratio has risen quite sharply to close to 40% of GDP. This has raised alarm bells that, should this trend continue, then before too long South Africa might end up the same way as the advanced economies. They have now been obliged to follow fairly severe fiscal austerity in order to rein in their public debts and this is depressing their growth rates. Were South Africa to allow its public debt to rise commensurately, Government would be obliged to cut back on necessary expenditure and raise taxes, which would also have a depressing impact on economic growth and reversing gains made in access to basic services, poverty reduction and realising the Constitution vision.

Going forward, Government sees South Africa as a **developmental state** and this has important implications for the future of the IGFR system. While the term means different

things to different people⁵, for our purposes in so far as the Government's NGP, NDP, policies under discussion and aspects of the Budget shed light on the nature of the intended South African version of the developmental state, key features relevant for the future of the IGFR system and FFC research would be (1) right now there is a lot of policy uncertainty around the role of provinces to which the Department of Cooperative Governance has still to bring closure, (2) there is a move to devolve functions like public transport and human settlement to cities as well as moving certain functions to national (e.g. infrastructure coordination, FET), (3) more regulatory intervention in private sector resource allocation. South Africa is proposing substantial social reforms to address the poverty, growth and inequality problems. The National Health Insurance (NHI) promises to be the largest reform yet undertaken in the health sector since the end of apartheid. This coupled with discontent about outcomes in basic education means that core functions that provinces deliver of health and basic education will hugely influence the trajectory provinces will follow. Changes in the delivery of basic services at the municipal level such as extra-ordinary intervention to speed up the delivery of basic services at municipal level (Municipal Infrastructure Supply Agency (MISA)) that are being proposed will have far reaching impacts as well, (4) huge questions still remain as to the sustainability of the Local Government Fiscal Framework and (5) across the entire IGFR system equity in allocations is not translating into equity of service outputs delivered, much less equity in developmental and economic outcomes - for operational inefficiency and corruption reasons. Collectively, all these point to the fact that the IGR system is still in a state of flux, and the FFC has an opportunity to influence the debate on the development trajectory going forward.

Against this background, there is a clear opportunity for the Commission to position itself in the public policy arena as a source of expertise and advice that can help to inform policy development. Were the country to succeed in implementing the National Development Plan (NDP), which has been officially endorsed by government, there is reason to believe that the country's sustainable growth rate would rise sufficiently in a manner that enables the country's public debt to GDP ratio eventually to decline on the back of enhanced tax revenues. Included in the NDP as strategies to improve sustainable economic growth are an increase in the focus on education and skills development, a less adversarial relationship between business and organised labour, more focus on improving small business development of entrepreneurship, increased infrastructural investment, greater cooperation between public and private sectors, improved capacity of the public sector to implement projects and strategies to reduce corruption.

⁵ According to Leftwich (1995) a development state has been characterised as embodying among others a determined development elite, a powerful, competent and insulated economic bureaucracy and effective management of non state economic interests. There are no common denominators, with states as diverse as Botswana and China being identified as developmental states. Selective government interventions that manipulate relative prices are generally believed to be associated with successful developmental states (Grabowski, 1994).

Implementation of the NDP will both shape the Intergovernmental Relations (IGR) system and, conversely, the IGR system can contribute to moulding the outcomes which eventuate. The allocation of powers and functions in the IGR system and the fiscal flows among and within the spheres exercise a major influence on equity, quality and sustainability of public service delivery. It is in this context that the Commission has to play its IGR system leadership role. The new research strategy for 2014-2019 is envisioned broadly to position research and influential recommendations on fiscal arrangements (in particular equitable access of public resources) and other institutional reform options that enable the country to sustain growth, reduce poverty, provide public services and progressively realize constitutionally mandated basic services. The following are our new research themes identified for 2014-2019 by Unit:

- ***Macroeconomics and Public Finance***
 - Fiscal policy framework,
 - Interactions between public debt management, dynamics and sustainability
 - Global developments (and their impact on South Africa)
 - Employment, Productivity, labour supply, and potential output
 - Fiscal and financial system (stability and efficiency)
 - Analytical tools (chiefly, modeling)
 - Other: Poverty, Inequality and NDP, BRICS etc
- ***Fiscal Policy***
 - Alignment between fiscal plans, formulated budgets and budget implementation of the budget
 - Revenue analysis
 - Sustainable resource use and management - economy, effectiveness and efficiency of public spending
 - Systemic IGFR issues facing all spheres of government.
- ***Provincial Budget Analysis***
 - Provincial budget analysis focusing on efficiency, effectiveness, value for money and impact assessments of main sector departments
 - Development of robust budget analysis methodologies
 - Assessing the fiscal space for basic services (especially primary education, primary health and food security by provincial governments) and
 - Identifying relationships between spending, output growth and national development (NDP) policy priorities
- ***Local Government***
 - Maintaining an appropriate and equitable vertical and horizontal DOR to local government
 - Appropriate design and implementation of grants to local government
 - Costing and pricing of basic services
 - Urbanisation Issues and IGFR
 - Local Government Wage bill and Migration

- Monitoring, evaluating and highlighting municipal fiscal stress and related issues
- Local community social, economic, environmental and demographic dynamics and municipal response to new dynamics such as NDP
- Efficient and effective use of municipal resources, ensuring appropriate municipal institutions and monitoring the capacity within local government to deliver on its mandates and sustainable service delivery to local residents
- ***National Budget Analysis***
 - Expenditure outcomes: Assess the efficiency and effectiveness of national government in using resources to ensure that it is buying the planned outputs and supporting developmental outcomes
 - Accountable institutions: Accountability is an important element in good governance in the public sector. The budget requires institutions to be accountable for the funds they receive and for a given level of performance with those resources.
- ***Data and Information***
 - The Data and Information Unit is a service point to all research units. In line with the Commission desire for effective dissemination of research insights and recommendations and effective stakeholder management, Unit will position itself to ensure that past and current work of the Commission is made known to all stakeholders. The Unit will resuscitate direct links with all the major national departments, especially those dealing with conditional grants (10 by 10s and 4 by 4s). The Unit will also extend relations with provinces. The Unit will generate regular reports on the state of provinces and municipalities. There will be regular data supply for the provincial and local government databases in an organised storage. Included in the database, will be administrative records on both financial and non-financial output and outcomes by sector, catalogued with a descriptions (metadata) and contact details of the relevant departmental personnel. To increase focus on internal support, individual projects will be logged into a spreadsheet to track progress on customer satisfaction.

5. Anticipated challenges and how to respond to them

It is important to understand the Commission's current weaknesses in achieving successful policy engagement and impact, which include:

- An under-developed public profile in terms of public policy
- Insufficient contacts and access to policymakers
- An uneven understanding of the policy landscape
- Incomplete knowledge of the fragmented public policy activity
- Imperfect capabilities in business intelligence. While there have had cases where RRP has been able to provide very good briefings to the Commission on current and future developments, in other cases Commissioners have been disappointed when they know

more about what's happening to our stakeholders than the researchers researching in that area.

Other serious challenges include: limited resources dedicated to support research activities, particularly in research management⁶ and the potential gaps between research questions addressed and the current public policy agenda (meaning that research with policy relevance may often be a contested area and may be limit acceptability). A key strategic question is therefore the balance between longer term research projects, the time bound requirements of division of revenue mandate and rapid response.

To respond to these challenges and take full advantage of potential opportunities the FFC Research Strategy and activity should:

- Emphasise that, as a constitutional body, FFC offers rigorous and high-quality evidence and research
- Establish a distinctive identity and position for FFC within the public policy arena that communicates FFC's 'Vision'
- Develop policy advice that is drawn from different perspectives and attempts to integrate policy (in addition to developing activities and interaction from single-Unit expertise as appropriate)
- Position FFC as a gateway to executive and legislature, by virtue of our Midrand and Cape Town location and willingness to partner with other organisations on particular activities
- Be open to establishing collaboration with other organisations where there are complementary strengths / mutual benefits in order to help achieve our objectives
- Develop FFC's contacts with policymakers to improve knowledge and business intelligence
- Continue to develop awareness of the FFC Strategy internally and develop better understanding of ongoing activity within divisions
- Develop mechanisms to support staff to undertake public policy activity, including encouraging researchers to discuss research questions and projects with policymakers and network partners from the outset as appropriate.

Having identified strengths and weaknesses, the next step is to develop an action plan on the basis of these. This is the subject of the next section followed by an implementation plan.

6. Goals and Action Plan

Over the next five years, research at the Commission will pursue goals in all four of its areas of intervention to address weaknesses and consolidate on strengths identified:

- **Research:** Continue to support high quality and policy relevant IGFR research.

⁶This includes poor management of technical advisors. Some principal investigators often use technical advisors to rescue poor papers instead of getting value for money and skills transfer.

- **Promotion of FFC Researchers and FFC-supported research:** At national and international levels, in both policy and research circles.
- **Capacity building:** Enhance capacity of researchers (both senior and junior) and practitioners in South Africa and developing countries.
- **Program and partnership development:** Build a network and partnership of researchers, experts, policymakers and other researchers with administrative and management capabilities.

Specific strategies/action plan to pursue each of these goals are presented below. A separate document outlines our plan for monitoring and evaluating our progress in this respect.

6.1 Research

As seen above, FFC is slowly establishing a reputation for generating rigorous, high quality and policy relevant research. The advantage of a series of having projects centred on a unified theme is that it increases the external validity of findings beyond that of a single analysis and makes it possible to contrast and compare results in order to draw out general results and identify provincial and municipal specificities. However, researchers will continue to be provided maximum latitude to identify specific policy issues of particular importance to their programmes/Units within these themes and, in many cases, projects outside FFC priority themes are nonetheless selected for support. In the 2014-2019 period, the following strategies will be adopted to further enhance the quality and policy relevance of our research:

- i. Continue to provide financial and scientific support for high quality and policy relevant projects.
 - a. Institute more rigorous selection criteria to ensure only high quality and policy relevant proposals are supported
 - b. Provide intensive proposal development support to teams from target programmes/Units through training schools, writing and reading and supervision
 - c. Continue to provide intensive scientific support to researchers throughout the research process
 - d. Continue to use internal and external evaluators to assess RRP working papers
 - e. Continue to provide intensive support to researchers in the preparation of their research results for national and international policy and academic dissemination.
- ii. Continue to support research in new areas of IGFR analysis identified by FFC researchers, commissioners, international experts and stakeholders. Some examples of areas recently added or under consideration include: Growth and poverty dynamics, gender responsive planning and budgeting, environmental economics, knowledge economy.
 - a. Continue to allow proposals outside FFC priority themes, which are monitored to identify emerging themes

- b. Continue to monitor and participate in international policy debates (e.g., the current debates on the impacts of the global economic crisis).

6.2 Promotion of FFC Researchers and FFC Supported Research

FFC actively promotes its researchers and the research they conduct in policy and research circles both in South Africa and at the international level. To this end, FFC will continue to provide scientific and financial support for its researchers to:

- i. Present their FFC-supported research results in reputable international conferences and at policy conferences
- ii. Organise policy conferences for policymakers, researchers and other relevant stakeholders
- iii. Publish working papers, policy briefs, RRP Newsletter articles, journal articles and books.

Additional strategies for this five year phase include:

- i. Contributions by FFC senior researchers, Technical Advisors and Commissioners to policy and research debates on current IGFR issues
- ii. Overhaul of FFC's RRP website
 - a. Make information on FFC researchers (bios, CV's, publications, photos, etc) more engaging and accessible (by theme, area coverage, technique etc)
 - b. Make information on FFC-supported research (approved proposals and reports, working papers, policy briefs, articles etc) more engaging and accessible by (theme, area coverage, technique etc)
 - c. Make information on the RRP Units and networks more engaging and accessible
 - d. Semi-automatically generated and more frequent and regular RRP newsletters featuring information drawn from the FFC website (working papers, new projects, events) and stakeholder interactions
 - e. Launch a quarterly blog for the RRP Director
- iii. Fostering new and nurturing existing links with other like minded institutions and related initiatives: HSRC, MDB, PSC, ERSA, AERC, PEP etc.

6.3 Policy Influence

FFC researchers are strongly assisted and encouraged to interact with policymakers and other stakeholders. To this end, FFC will continue to pursue current strategies documented in the Research Stakeholder Strategy:

- iv. Identify policy relevance as a key criterion for the selection of proposals

- v. Request information on policy lessons and dissemination activities in technical reports submitted interim and final research reports and every six months thereafter until the dissemination process is completed
- vi. Provide financial and scientific support in the preparation of working papers, policy briefs, RRP Newsletter, and external publications (journals, book chapters, newspaper articles etc) based on FFC supported research
- vii. Support policy conference (starting with 20th Anniversary Conference in 2014) to present research results to all potential users among policymakers, researchers and other stakeholders

To enhance FFC's policy influence, a number of strategies will be adopted during this five year plan:

- iv. Evidence of interaction with policymakers/or stakeholders in proposal design will be explicitly indicated among the evaluation criteria of FFC proposals/projects
- v. Encourage and support intensive interaction with potential research users throughout the research process
- vi. Preparation of a policy brief and organization of a policy conference will become a requirement for project completion.

6.4 Capacity Building

For the five year period covered by this plan, RRP will adopt the following strategies in pursuit of enhanced capacity building:

- i. Organise regular schools to provide training and proposal development support
- ii. Develop new training material
- iii. Continue to encourage the substantive participation of junior and female researchers, mentored by more senior colleagues, within RRP-supported teams
- iv. Continue to develop new tools, methodologies, and techniques to support RRP researchers
- v. Continue to foster the adoption of these and existing tools, methodologies and techniques by RRP researchers
 - a. Continue to provide training and mentoring to researchers through general meetings (presentation and discussion of proposals and reports, individual sessions with Technical Advisors and peers, advanced training workshops), study visits, detailed written comments etc.
- vi. Attendance and participation in a policy writing and critical reading course at the beginning of each research cycle under guidance of the RRP Director.
- vii. Consider short term secondments of our staff to national treasury, provincial treasuries, municipalities so that they can start to understand policy implementation.

- viii. Launch an Visiting Fellowships that provides for short-term visiting fellowships to the researchers and experts of renown coming to FFC. The programme will enable members to visit a particular centre of renown and distil a publishable journal article from their recent research. It is intended that the fellowship will support independent research and study while at the centre. Visiting fellows will interact with scholars and participate in the intellectual life of the centre. Each visit would normally last for a period of two months.

6.5 Programme and Administration Development

RRP has developed rapidly as a division since 2009. During this period it has:

- Developed efficient and robust management systems including detailed criteria for outsourcing research projects and internal administrative guidelines (e.g., research policy, research strategy, templates, weekly planning)
- Entrenched Research Lekgotla
- Established growing research capacity in the Cape Town office
- Growing reputation for excellence in research and capacity building
- Substantially devolved scientific and strategic leadership, and almost completely devolved administrative activities to programmes/Units with exception of budgets

In the coming five years, RRP will pursue its development through a number of specific goals:

- a) Continue to update and improve research management systems
 - a. Improve monitoring of RRP projects and administrative tasks through resuscitating the intranet and integrate new capabilities on an ongoing basis
 - b. Intranet generated and distributed automatic response letters to FFC researchers
 - c. Develop RRP internal administrative procedures manual
 - d. Be responsible for RRP Contract Management
- b) Continue to update promotional materials for distribution
- c) Encourage researchers to submit papers for journal/book publication
- d) Ensure maximum visibility of FFC by attending researchers and resource persons
- e) Continue to devolve the scientific leadership and support activities of the division to individual without compromising the quality of these activities
- f) Devolve budgets/move to Unit cost centres
- g) Recruit a Research Marketing Manager with the reputation and contacts to substantially increase RRP funding and visibility
 - a. Identify mandate and relationship to other RRP and non RRP staff and bodies
 - b. Determine conditions: location, salary, travel budget etc
 - c. Obtain funding for salary and travel budget
 - d. Establish recruiting committee
 - e. Recruit and initiate new RRP Marketing Manager

- h) Promotion of networks/partnerships/MoUs
- i) Explore the possibility of setting up a Research Advisory Board