

## **Business Day**

### **Rural councils must generate their own revenue streams**

by [Khulekani Magubane](#), 30 May 2016, 13:13

SA'S MUNICIPAL financing model and its rural development systems need to push rural municipalities to accumulate sources of their own revenue now more than ever before.

This is according to the Financial and Fiscal Commission (FFC), which made the remarks at a media briefing on its latest submission for the division of revenue, to Parliament.

The commission warned that as the government faces more pressure to maintain services, it will be harder for rural communities to depend on grants and transfers to deliver services, instead of self-generated revenues.

According to the commission, sluggish economic growth, a weak currency, the effects of the drought and stubbornly high unemployment are reasons economically active rural communities are needed to guide SA out of its economic quandary.

FFC acting chairperson and CEO Bongani Khumalo said while urban areas and cities were under pressure due to inward migration, infrastructure in many rural areas was not being developed fast enough to meet the needs of residents.

"The country's economy is not strong enough to fund the tax burden it would take to develop infrastructure in rural area. Although poverty and economic deprivation have been reduced, the rural areas remain far behind on a number of key indicators," Mr Khumalo said.

He said fiscal reform incorporating rural development could bring about more regional equity, in turn unlocking greater potential for economic growth. Rural development cannot only be anchored on agriculture, which contributes less than 3% to gross domestic product (GDP).

"Government has recognised the need for integrated rural development .... However, this new approach has not yet been accompanied by a substantial reallocation of resources," he said.