

SIYABONGA MKHWANAZI

THE GOVERNMENT is reviewing its system to allocate money to provinces to help those that are buckling under pressure to maintain infrastructure and deliver basic services.

Financial and Fiscal Commission chairman Bongani Khumalo said yesterday they would start with the review of the equitable share formula in due course as they believe it deprives poor provinces of more cash from the national fiscus.

Khumalo said the formula was not in line with the developmental needs of provinces, particularly those that are poor.

He said the migration of people from poor provinces like the Eastern Cape, Free State and Limpopo had denied these provinces of more cash for the development and maintenance of infrastructure as well as delivery

Rethink on money for provinces

of basic services.

He said the formula benefited rich provinces like Gauteng as the money followed the people.

In terms of the equitable-share model, provinces are allocated 43.5 percent of the total Budget.

The formula looks at the demographics and developmental needs of provinces.

But Khumalo said the changing social and economic patterns in South Africa warranted a shift from the current system to be able to benefit poor provinces.

He said they would soon begin with the work of the review with the National Treasury and Statistics

South Africa.

He said the current formula was not working as poor provinces receive less and less of the pie.

The system benefited rich provinces where people tended to relocate to seek a better life.

"What it then means is that when people move from one province to another province, they move with the money," he said.

"With the economy coming down, you find people moving to areas of economic activities. What it means is that richer provinces are getting more in terms of infrastructure and services."

This system completely cut out poor provinces in the allocation of funds by the government.

The weighting attached to the indicators used to distribute funds to provinces would be reviewed.

The task team that would be set up would give provinces an opportunity to make a case for more cash.