

Bill to curb govt say on provincial loans

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CENTRAL government will no longer be able to exercise total control over provincial borrowing, in terms of legislation due before Parliament early in the session, after complaints from the Financial and Fiscal Commission.

The commission's representations to the parliamentary standing committee on finance late last year led to the appointment of a working group to fine-tune the draft Bill and to rewrite a key section.

ANC MP Rob Davies, who is a member of the finance committee, said yesterday that the Provincial Borrowing Powers Bill was being changed, so as to take away the finance minister's power to override the provinces should there be disagreement.

"The minister will retain a negative veto as no borrowing will be possible if he refuses, but his ability to set the provinces' borrowing totals unilateral-

ly if they all disagree with him will be removed," Davies said.

The new draft Bill had not been presented to the full standing committee yet, but Davies believed it would have a smooth passage through Parliament.

It is scheduled to be debated before the Easter recess.

Davies said provincial borrowing would be decided by a loan co-ordinating committee which would be set up to ensure fiscal policy was consistent at all levels of government. The provinces would be represented on the committee. The idea was to reach consensus on an aggregate level of borrowing.

In terms of the original draft Bill, the minister would have the final say if consensus could not be reached. After the commission's submissions, the finance committee decided the total borrowing could be set only by the minister along with four provinces.

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"The change partly reflects the commission's concerns with provinces' accountability and responsibility for their own finances," Davies said.

A source said the commission had also been worried that provincial borrowing decided by the finance minister would be viewed as effectively carrying a guarantee. Davies said the original

legislation had made it clear that a guarantee could not be assumed, unless it was explicitly given, as would be the case for foreign loans.

The commission has said care should be taken to avoid the province being reduced to spending agents of central government.

It has sought greater fiscal autonomy for the provinces. The draft constitution explicitly prohibits provinces from charging surcharges on income taxes — one of the commission