

This Day 13 Aug 2004

Manuel wants debate on constitution

NIC DAWES

CAPE TOWN — Trevor Manuel, the finance minister, opened up what he described as a “massive debate” on Wednesday, calling for a reconsideration of the powers and functions assigned to national, provincial and local governments by the constitution.

Director general in the national treasury Lesetja Kganyago echoed him yesterday morning, warning that the way municipalities raise revenue through property rates and service fees could hamper growth. He suggested a redesign of the intergovernmental system.

At the core of the debate appears to be a desire on the part of the national government for more flexibility in redistributing resources to poorer regions and implementing delivery in areas such as health, education, infrastructure and social development, which are largely reserved for provinces.

Manuel reminded the 10th anniversary conference of the Financial and Fiscal Commission that the centrist approach of the ANC has lost out in negotiations over the shape of government.

And he suggested that a decade of experience in government could now inform changes in the way the constitution assigns powers and functions to provinces and municipalities, softening the boundaries of the governmental “spheres” and replacing them with “tiers”.

“We must commit to greater levels of efficiency and accountability. This commitment will not be attainable if we have sacred cows in the way of rational discourse.”

Kganyago agreed, pointing out that provinces raise very little revenue of their own “and yet they deliver services most crucial to the development of our human capital”.

But he warned that the various taxes and other charges levied by municipalities now totalled almost 6 percent of GDP, and were beginning to threaten economic growth as rates and service fees are hiked sharply in numerous municipalities.

“The rapid rise in local tax revenue of the past two years can become a macroeconomic issue if current trends continue,” he said.

Kganyago also expressed concern over the way local governments were interpreting their obligation to provide free water and electricity to the poor.

Unplanned funding and cross-subsidisation between wealthy and poor neighbourhoods is introducing distortions in the pricing of water and electricity.

This hurts business and residents while increasing inflation, he told the conference.