

Watchdog warns against centralisation trend

LINDA ENSOR

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CAPE TOWN — The way that powers and funds were divided between national, provincial and local government had created tensions in the intergovernmental system which needed to be smoothed out, the **Financial and Fiscal Commission (FFC)** said yesterday.

It has proposed changes to the way the government allocates funds to achieve greater balance in the system and correct what has been a trend towards greater centralisation of policy making and expenditure.

Transfer instruments should be more clearly defined, said the **FFC's** newly released 2010/11 submission on the division of revenue. Each year the **FFC** reflects on the workings of the system and submits recommendations to the Treasury.

FFC chairman Bethuel Sethai said yesterday that a misalignment between national priorities and provincial budgets had been an obstacle to service delivery, particularly for the funding of concurrent functions such as education, health, social development and housing.

Deputy chairman Bongani Khumalo said the trend towards greater centralisation of government functions over the past 15 years was apparent in the increasing reliance by the national government on conditional grants. These grants are identified for a specific programme over which provincial and local government have no say.

Khumalo believed that the proposed 17th constitutional amendment bill, which would allow the national government to impose its national priorities on other spheres of government, was another example of the scales being tipped towards centralisation and encroachment.

The **FFC** proposed both a short- term and a medium- to long-term solution to the problems. In the short term, it suggested a simple reform of the provincial equitable share formula to bring it closer to a conventional equalisation grant which would involve distinct sub-pools aligned with the objectives of the national government. The grant would equal expenditure needs minus revenue-raising capacity, with each sphere of government being responsible and accountable for its own choices.

In the medium- to long-term the **FFC** proposed that education and health be separated from the provincial equitable share formula and be converted into delegated functions with distinct conditional block grants. This would require amendments to legislation and the constitution.

Provinces would be obliged to spend the grant within the designated area but would be free to decide how to use the funds within that area and also raise their own additional funds.

ensorl@bdfm.co.za

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