

AllAfrica.com 02 June 2014

“South Africa: FCC Outlines Ways to Grow Economy”

Pretoria — For the country to achieve its desired economic growth levels, the Financial and Fiscal Commission (FFC) - an independent statutory body - says government should avoid imposing a debt-ceiling as a method of debt control.

Instead, the Commission says spending should be aligned with government priorities to ensure adequate funding of high-priority initiatives and the elimination or substantial reduction of lower priority programmes.

Bongani Khumalo, the commission's chief executive and acting chairperson, said in the current tough climate, government needed to also prioritise investments in human capital, infrastructure and innovation.

He said this in Cape Town during the media briefing of the commission's submission of its 2015/16 Division of Revenue.

"Were the government to implement more aggressive programmes to lower debt levels, this could depress demand and deter investment, which could threaten the prospects of meeting the NDP goals.

"This is why the Commission recommends that government avoid uniform across-the-board cuts or expenditure ceilings as a means of debt control. Such blunt tools treat valuable, efficiently run programmes and outdated, poorly managed programmes in the same way," he said.

Khumalo said the upgrading of human capital, through quality education, health and nutrition, produces an economic growth dividend. By making growth more inclusive, it also reduces inequality, as the less well-off are also able to enjoy many of the gains from growth.

South Africa already spends significant amounts of money on health, education and other human capital investments but, while access has improved dramatically, quality has lagged, Khumalo said.

"Upgrading and extending infrastructure, such as transport, energy, telecommunications and housing, is also crucial for economic and social development.

"The focus of this submission is on municipal infrastructure, as local government has an important developmental role to play through the roll out and maintenance of infrastructure."

The FCC on Friday tabled in Parliament its Annual Submission for the 2015/16 Division of Revenue. The submission was made in terms of Section 214(1) of the Constitution of the Republic of South Africa (1996), Section 9 of the Intergovernmental Fiscal Relations Act (1998) and Section 4(4c) of the Money Bills Amendment Procedure and Related Matters Act (Act 9 of 2009).

<http://allafrica.com/stories/201406022182.html>