

Business Day

Provincial, local government should raise own revenue, says HSRC

by [Linda Ensor](#), 12 August 2014

THE implementation of fiscal decentralisation policies for the delivery of public services in South Africa has not resulted in more efficient and effective delivery, delegates to a conference to mark the 20th anniversary of the Financial and Fiscal Commission heard on Tuesday.

The three day conference is focusing on the systems of intergovernmental relations and revenue sharing both in South Africa and other countries on the continent, such as Sudan, Ethiopia and the Democratic Republic of Congo.

In their presentation Human Sciences Research Council (HSRC) experts Margaret Chitiga, Annette Verryn and Jaya Josi argued that there were still major shortcomings in South Africa's system and said reforms were needed.

While provincial governments and municipalities had formal responsibilities over major categories of spending and accounted for more than half of government spending, including basic services, health and education they had few powers to raise their own revenue. The system was fiscally unbalanced as much of the national tax revenues available for equitable sharing were raised by national government.

The authors suggested that provincial and local government should be granted significant powers to raise their own revenue. This would enhance efficiency, strengthen fiscal responsibility and also compensate the richer provinces that would lose from a more equalisation-based system of transfers.

"Increased own-revenue generating capacities could be achieved, for instance, by allowing provinces to levy, with limits, a surcharge on the fast-growing personal income tax, or by shifting to them the power to levy domestic excises.

"While property taxes are already assigned to the local governments, increased freedom in setting their rates — as well as improved property valuation methods — could also boost this source of revenue, especially for the more urban and prosperous localities.

"The ability to raise their own revenues offers subregional governments a valuable degree of freedom that allows them to implement programmes of their own choice and size. This is an important aspect of sub-regional autonomy. International experience suggests that greater levels of revenue autonomy tend to bring significantly higher benefits than costs."

The HSRC experts said that the South African system of concurrent powers between the three spheres of government gave rise to duplication, wasteful use of resources and the avoidance of responsibility for delivery outcomes.

There was a lack of clarity in the assignment of powers and functions of concurrent responsibilities particularly in the areas of education and health.

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