

# How equitable share formula works

THE allocation from the national Budget for each of the nine provinces is decided on the basis of the equitable share formula.

This is the largest source of provincial revenue, and Finance Minister Trevor Manuel announced, when he presented his Medium-term Budget Policy Statement at the end of last year, that the equitable share allocation to provinces would increase by 10,1 per cent a year over the three-year Medium-term Expenditure Framework Period (MTEF).

The increased allocations, he noted, would give

provinces "more flexibility in preparing their 2003 budgets".

The Eastern Cape will receive R23,8-billion in the next financial year, more than R2,5-billion more than the current financial year, and the figure is projected to rise to just under R26-billion and a little over R28-billion in the two outer years of the MTEF.

The equitable share formula is reviewed annually, taking account of the

recommendations of the Financial and Fiscal Commission (FFC).

The present formula was adopted in 1998/9 and modified the following year to add the backlog component.

The equitable share is divided among the nine provinces by means of a redistributive formula and is made up of seven components.

These are (with the percentage weighting in brackets):

□ An education share (41 per cent) based on the size of the school-age population between the

ages of six and 17, and the average number of learners enrolled in public ordinary schools for the past three years.

□ A health share (19 per cent) based on the proportion of the population without medical aid or health insurance.

□ A social security component (18 per cent) based on the estimated number of people entitled to social security grants -

the elderly, disabled and children - weighted using a poverty index derived from the Income and Expenditure Survey.

□ A basic share (seven per cent) derived from each province's share of the total population of the country.

□ A backlog component (three per cent) based on the distribution of capital needs as cap-

tured in the schools register of needs, the audit of hospital facilities and the share of the rural population.

□ An economic output component (seven per cent) based on the distribution of total remuneration in the country.

□ An institutional component (five per cent) divided equally among the provinces.