

New system to allocate funds to the provinces

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THE Finance and Fiscal Commission (FFC) has proposed a new financial formula it claims will help the Government to identify more efficiently the amount of money needed for social services at provincial level.

The new formula, known as the Costed Norms Approach (CNA), would greatly improve on the Government's current formula, known as the Equitable Share Formula, according to Mr Jaya Josie, the FFC's Acting Deputy Chair. Josie was speaking on the first day of the public hearings on the Government's Medium Term Expenditure Framework (MTEF) – the State's three-year budgetary plan.

At a briefing in Parliament yesterday, Josie said the new formula proposed by the FFC – the independent statutory body that assists the Government to manage its finances – would help the Government to identify the needs of provinces more accurately for such services as welfare, health and basic education.

In a presentation to the committee, Mr Selwyn Jehoma, the FFC's Social

Sector Coordinator, said that the CNA would provide an "objective" formula to determine the minimum amount of money needed to ensure delivery of basic social services.

It will also allow the Government to achieve a greater degree of accountability on provincial spending. In the past, the Government had provided provinces with extra money known as "unfunded mandates" or "conditional grants" that could be used in the event of a shortfall in social services spending.

The CNA would also enable the national Government to identify the different needs of different provinces, while allowing the provincial governments to maintain control of their budgetary process.

The new formula has been given the green light by the Gauteng provincial finance department.

While supporting most of the FFC's proposals, the Institute for a Democratic South Africa stated in its submission that it was unlikely the entire formula would be adopted by the Government. This was because the Finance Ministry had already committed itself to use the current formula until 2004.