

Govt ditches proposed new funds formula

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CAPE TOWN — Government has decided against the adoption of the Financial and Fiscal Commission's proposals on a new formula for the division of revenue between provinces.

The reason for the rejection of the proposed "costed norms approach" was outlined in the medium-term budget policy statement tabled in Parliament last week.

The commission proposed a new approach to the allocation of funds to provinces, based on an estimate of the actual cost of providing basic services in education, health and welfare. Cost estimates would reflect national norms and standards in each area.

The so-called "costed norms approach" dealt only with education, health and welfare spending and not with the costing of other provincial functions, or with national and local government functions.

Government said changing the current formula had the potential to destabilise provincial budgets if the formula resulted in significant changes to provincial allocations. Also, a bottom-up approach was not an appropriate way to determine budgetary priorities.

The application of the costed norms approach only to health, education and welfare would introduce "a bias against other provincial functions", it said.