

# FUNDS BATON PASSED ON

State expenditure trends reveal smaller allocations to infrastructure and education

The Financial & Fiscal Commission (FFC), established 10 years ago to rebalance the skewed distribution of national revenue, is worried that national and provincial governments are allocating less funding than before to economic and infrastructural spending.

Presenting the FFC's annual analysis of state budgets at the commission's 10th anniversary conference last month, programme manager Conrad van Gass expressed concern that between 1996 and 2002 economic and infrastructural spending had declined from 26,7% to 20,3% of the total national budget. Over the same period, spending on administration and finance had increased from 11,2% to 13,2%, while the share of the integrated justice sector (police, justice, prisons) had risen from 29,1% to 31,5%.

"This is of concern because it's infrastructural spending that drives economic growth," said Van Gass.

At a provincial level, the trend is equally worrying since education spending is being sacrificed for provinces to meet their social development and health-care obligations (see table).

Asked for her reaction to these findings, new FFC chair Renosi Mokate says the FFC's role is limited to making recommendations. It is not always possible for its recommendations to be implemented immediately, or at all, because ultimately such decisions are the outcome of a political process.

Mokate, formerly CEO of the Central Energy Fund and an executive director of the Human Sciences Research Council, says government must explain in terms of the constitution why it has not adopted a recommendation so that parliament can take the finance minister to task.

Outgoing FFC head Murphy Morobe has cautioned that, given the ANC's large majority, the temptation could arise to do away with the FFC. Ensuring this does not happen is the most im-

portant challenge in the years ahead.

The FFC was established to address concerns that a large national government could abuse its position as the collector of national revenue.

The FFC determines on objective grounds (including population and poverty levels) how revenue is to be shared between the national provincial and local spheres of government. Though these allocations are not binding on the national treasury, they carry great weight in determining what is allocated to provinces.

Mokate says she is "comfortable that, for as long as we have a system of co-operative governance and the country remains true to the constitution and principles of participatory democracy, there will be a need for the FFC".

She says the FFC is trying to strengthen its relationship with parliament. At present its recommendations go only to the speaker and several parliamentary committees heads, but it is also willing to interact with provincial legislatures and local governments.

Among the commission's achievements has been the development of a costed norms approach to revenue sharing. This is based on the notion that allocations should be provided according to the minimum package of services a province or municipality is expected to provide.

In the decade ahead, Mokate says, the

FFC will continue to refine the provincial equitable share formula, focusing specifically on improving the definition and costing of social welfare services and economic infrastructure provision.

The FFC will also continue to press for provinces to exercise meaningful revenue-raising authority, which at present is limited to taxing gambling revenues.

"Allowing provinces to raise a certain amount of money improves accountability over how that money is spent. It would also enable provinces and local governments to set priorities and raise expenditure over and above national norms to accommodate their particularities," Mokate says.

The FFC's recommendations on this score have culminated in the Provincial Tax Regulation Process Act of 2002. The act will be implemented once provinces have made specific tax proposals to the finance minister.

Claire Bisseker

## PROVINCIAL GOVERNMENT SPENDING

% of provincial spending	Education	Health	Social dev	Economic & infrastructure
1996	39,8%	22,5%	17,3%	20,4%
2002	36,4%	22,8%	21,4%	19,4%

• All social assistance grants are to be shifted to the national sphere during the forthcoming medium-term budget cycle

Source: FINANCIAL AND FISCAL COMMISSION