

Business Day 25 May 2010

FFC warns on REDs, cutting local powers

WYNDHAM HARTLEY

Two controversial government initiatives — setting up “wall to wall” regional electricity distributors and a constitutional amendment to dilute local government powers — should be reviewed, the Financial and Fiscal Commission said.

The commission every year recommends to the government how national revenue should be divided among the three spheres of government. This year it also suggested tightening control over the way the equitable share allocated to provinces and municipalities is spent so that money for education or health is actually applied to these sectors and not somewhere else.

The commission said there seemed to be no reason at this stage to increase personal income tax for the 2011-12 financial year.

Chairman Bethuel Setai told a news conference the “blanket regionalisation approach” as proposed in the 17th Constitutional Amendment Bill “should be approached with caution. Current legislative provisions allow for alternative and creative service delivery arrangements that do not call for a dilution of local government executive authority”.

This applied particularly to the differences between municipalities in exercising the powers vested in local government by the constitution . A one-size-fits-all approach would not work.

Commissioner Krish Kumar took aim at the regional electricity distributors, saying 80% of electricity was supplied by only 12 municipalities while hundreds of smaller ones accounted for only 20%. The many years spent trying to establish them raised the question, “Is there still a need for them and will there be any benefits?”

The government’s plan to implement the bodies and take electricity reticulation away from local government is blamed for making municipalities uncertain about electricity as source of revenue, resulting in insufficient investment at local level in reticulation expansion and maintenance.

The constitutional amendment bill would give national government the power to take over municipal powers and functions. It has been widely criticised, particularly by the Democratic Alliance, as an African National Congress strategy to retain control of local government even if it were to lose an election.

On equitable share funding, Setai said the commission recommended mechanisms that would give early warning of municipalities in fiscal stress. The commission also supported reviewing the local government equitable share formula as a matter of urgency.

<http://www.businessday.co.za/Articles/Content.aspx?id=109822>