



NORTH WEST PROVINCIAL LEGISLATURE

Legislature Building
Dr James Moroka Drive
Private Bag X2018
MMABATHO
2735

PORTFOLIO COMMITTEE ON FINANCE

REPORT ON THE PRESENTATION BY FINANCIAL & FISCAL COMMISSION ON THE SUBMISSION FOR THE DIVISION OF REVENUE 2010/11.

BRIEF OVERVIEW

- 1. The Department of Finance and the Financial & Fiscal Commission on the 15th September 2009 made a presentation to the Portfolio Committee on Finance ,the submissions for the Division of Revenue for 2010/11.**
- 2. The purpose of the submission by the Financial & Fiscal Commission is that the Commission has been established in terms of Section 220 of the Constitution and the Financial & Fiscal Commission Act of 2003.**

INTRODUCTION

The Commission's main objective is to; make recommendations on the equitable division of nationally raised revenue between the three spheres of government, and on any other financial and fiscal matters.

PRESENTATION

The Commission recommended;

- **Reviewing of the Provincial Equitable Share (PES) formula, its principles being;**
 - Clear expenditure assignments between provinces and national government.
 - Align and separate instruments and objectives in the transfer system.
 - Encourage provinces to exploit revenue raising powers in line with the Constitutional and legislative framework.

- **Public Infrastructure**
 - Increasing both departmental baselines and quantum of appropriate investment in public infrastructure, linked to basic services.
 - Adopting a comprehensive infrastructure maintenance strategy, specific to sectors with high impact on unemployment and poverty.

➤ **Social Grants in South Africa**

- Government should increase the rollout of social grants to cushion the vulnerable people from the effects of the economic meltdown.
- Social assistance should be managed in such a way as to eventually reduce dependency on social grants.
- Government should use infrastructure expansion to provide opportunity for workfare programmes as well as activities identified in the Expanded Public Works Programme. The government should consider the EPWP to pilot workfare immediately.

➤ **Public hospitals funding**

- The Commission recommends that there be legislative provisions, norms and standards to ensure the well functioning public hospital system.
- Government standardises and institutionalises budget formats and processes for public hospital systems.

➤ **Rental Housing**

- The number of designated restructuring zones to respond to excess demand for rental housing.
- Requirement for the minimum unit size for re developments of existing buildings.

- The process of disbursing funds for rental housing within the housing sector be made shorter to minimize time lags following the submission of approved project plans.
- The qualifying income bands should be reviewed to ensure that individuals are not unfairly excluded from benefiting from the subsidy.

➤ **Road Infrastructure**

- An increased and stable provision of funds for construction, maintenance and rehabilitation backlogs of roads in the long term.
- There should be greater coordination of road management functions across the three spheres of government.
- The lack of technical skills in the road management sector of sub-national governments needs to be addressed.

➤ **Water and Sanitation**

- A review of the current free basic water and sanitation subsidy policy.
- There should be no expansion of access to sanitation services, the sanitation strategy should target behavioural change in respect of sanitation practices by households, and not only the provision of infrastructure.
- There should be a separation of policy from regulatory functions in the water services sector.

➤ **Institutional and fiscal capacity support mechanisms for local government.**

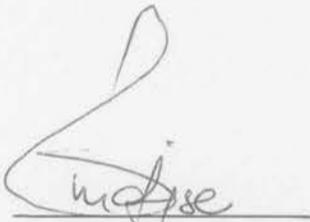
- Local government should be central to setting the agenda for capacity building programs.
- Government should establish an intergovernmental wide framework for understanding what constitutes a lack of capacity within the context of local government.
- There should be a clear separation of responsibilities as well as coherent interface, between service authority and service providers.
- Replication of poorly defined roles and responsibilities between national, provincial and district municipalities in the policy framework be eliminated.
- A variety of grant instruments should be used for addressing different capacity challenges within different functional areas.

CONCERNS OF THE COMMITTEE

- With regards to the allocation of funds to the Department of Education, more money needs to be spent on early childhood development as by the time most students reach Grade 10 they lack basic conceptualization skills that they require.
- The Provincial Equitable Share (PES) formula is unfair to those provinces that have lesser populations, as population is often one of the determining factors on the allocation of funds for a province.
- Is it possible for the formula to be changed to be fair to those provinces that have lesser populations?

RECOMMENDATION OF THE COMMITTEE

- The Committee recommends that the Financial & Fiscal Commission come back and make a presentation to the Committee on the PES formula outline for the North West Province, before the budget of the Province is taken to the Budget Council for discussion.

A handwritten signature in black ink, appearing to read 'modise', is written over a horizontal line.

Hon T Modise

Chairperson: Finance, Economic Development & Tourism