

NATIONAL COUNCIL OF PROVINCES

QUESTION FOR WRITTEN REPLY

QUESTION NUMBER 61

20 MAY 2005

MR M O ROBERTSON TO ASK THE MINISTER OF FINANCE:

Why has the equitable share allocation for the O R Tambo municipality in the Eastern Cape declined for the 2007-08 financial year? **C109E**

REPLY:

The equitable share allocation of OR Tambo municipality declines in 2007/08 due, firstly, to the fall in the relative share of the municipality's population as per Census 2001. The share of Eastern Cape's population has dropped from 15,5 per cent in 1996 to 14,4 per cent in 2001 due to migration. Most components of the formula use population data, thus making allocations generated through it sensitive to population movements across municipal and provincial boundaries.

Secondly, poor households without access to services are "funded" at approximately a third of the funding level provided to households with services. For example in the case of water a household with access to a tap would be funded at R30 per month, whereas one without access would be funded at R10. It would not make sense to give money for services where there is no infrastructure to deliver services.

Lastly, the new formula becomes effective during the year 2007-08, and thus the full impact of the drop in the relative share of the population and the component of access to services by poor households becomes reflected in that year's allocations.