

NATIONAL COUNCIL OF PROVINCES

QUESTION FOR ORAL REPLY

QUESTION NUMBER 425

DATE OF PUBLICATION: 5 NOVEMBER 2010

Ms B V Mncube (ANC-Gauteng) to ask the Minister of Finance:

Whether he will consider the reviewing of the provincial allocation according to the Equitable Share funding formula as the population of Gauteng is growing yearly as a result of migration; if not, why not; if so, what are the relevant details?

CW479E

REPLY:

An objective redistributive formula, consisting of seven components: Education; Health; Basic Share; Poverty; Economic Activity; and Institutional, is used to divide the equitable share among provinces. The formula is reviewed and updated with new data annually. Only data which satisfies quality and data integrity criteria (official demographic data) is used. This includes annually updated school enrolment data provided by the Department of Basic Education, annually updated mid-year population estimates and the most recent General Households Survey and GDP-R data as published by StatsSA.

Because the formula is largely population-driven, the allocations it generates are sensitive to shifts in population across provinces. The formula therefore responds to the changes in the relative demand for public services across the provinces, including Gauteng. Data updates to provincial shares are phased in over a three year period to enable provinces to adjust to their revised allocations. A detailed discussion of the technical revisions is contained in Annexure E/W1 to the annual Budget Reviews and annual Division of Revenue Bills.

More comprehensive reviews (policy reviews) of the structure of the formula are also undertaken as and when appropriate. The outcomes of a review of the provincial equitable share formula, recently approved by Cabinet, will be announced as part of the 2010 Medium Term Budget Policy Statement for implementation from the 2011 Budget.