

**NATIONAL COUNCIL OF PROVINCES
QUESTION FOR WRITTEN REPLY
QUESTION NUMBER: 119 [CW159E]
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119. Mr F Essack (Mpumalanga: DA) to ask the Minister of Finance:

(a) What is the (i) commencement and (ii) completion date of the review of the Provincial Equitable Share formula as indicated in the Fiscal Framework and (b) to what extent is the Government committed to the implementation of the review?

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REPLY:

- (a)(i) The review of the provincial equitable share formula commenced at the end of 2015. The review was endorsed by the Budget Council (consisting of the Minister (chair) and MECs for Finance). The review will be undertaken in collaboration with the Financial and Fiscal Commission (FFC), relevant national sector departments and provincial treasuries. The purpose of the review is to assess possible refinements to the provincial equitable share formula that will enable the more accurate capturing of the relative demand for services between provinces. The review will be done in three phases where the first phase will focus on data quality issues and the second phase on improving the structure of the existing components of the formula (education; health; basic; institutional, poverty; and economic output). Based on the outcomes of the first two phases, an assessment will be undertaken whether further reforms are necessary to the structure of the formula.
- (a)(ii) As indicated in (a)(i), the completion date will be informed by the number of phases required to undertake the review. The first phase of the review will be completed in 2016 and the second phase by 2017. The FFC is also requested to make comments on any proposal completed by the Treasury
- (b) The outcomes of the review will be considered as part of the national budget process, taking into account FFC recommendations. The outcomes of the first phase of the review will be considered and implemented as part of the 2017 Budget and the outcomes of the second phase as part of the 2018 Budget.