

## **ANC PRELIMINARY SUBMISSION: THEME COMMITTEE 6 SUB-COMMITTEE 2- FINANCIAL INSTITUTIONS AND PUBLIC ENTERPRISES**

### Finance and Fiscal Commission

Constitutional principle XXVII specifies that the new Constitution shall provide for a Financial and Fiscal Commission, in which each province shall be represented, to "recommend equitable fiscal and financial allocations to the provincial and local governments from revenue collected nationally, after taking into account the national interest, economic disparities between the provinces as well as the population and developmental needs, administrative responsibilities and other legitimate interests of each of the provinces".

The ANC believes that a strong, independent and accountable FFC can make a major contribution to the achievement of the fiscal stability on which growth and development depend as well as promote equitable relations between the different tiers of government. International experience has shown that macro-economic stability depends on maintaining control at national level over borrowing at provincial and local governments, and the ANC is therefore of the view that a clause similar to section 188 of the interim Constitution - prohibiting central government from guaranteeing loans by provincial and local government unless the FFC recommends that such loans comply with national norms as laid out in a national Act of Parliament - should be included in the new Constitution.

Many of the provisions in Sections 198 to 206 of the interim Constitution can with small modifications be carried into the new Constitution. However, greater clarity will be needed on some issues, including-

- \* The lines of accountability of the FFC. The interim Constitution provides for the FFC to advise parliament as a statutory body, but it is not wholly clear how it should relate to parliament and the executive. The ANC believes that greater clarity will be needed to spell out the FFC's role in providing advice to the executive in preparing the budget and to parliament to assist in empowering it to deal with the budget presented by the executive. At this early stage, we are open to proposals for how this can best be achieved.

- \* The interim Constitution lays down in some detail the number of members of the FFC and the processes of appointing them. Flexibility should be allowed in terms of numbers, to take account of experience of the present FFC and international practice. The new Constitution should provide only that a fixed proportion ,;should be nominated by the provinces. The role of provincial nominees, once nominated, is unclear in the interim Constitution - are they required to represent specific provincial interests (and if so to whom are they accountable) or should they, once appointed, act, like other commissioners, independently in the national interest ? The ANC inclines to the view that all commissioners should act in the national interest.

### Public Enterprises

There are no specific provisions in the interim Constitution relating to public enterprises, although these are governed by legislation. At this stage, the ANC sees no reason for specific provisions on public enterprises to be included in the Constitution.