

NATIONAL ASSEMBLY

QUESTION FOR ORAL REPLY

QUESTION NUMBER 126 [NO2450E]

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Ms N NSibhida (ANC) to ask the Minister of Finance:

What is delaying the conclusion of the discussions with regard to the SACU revenue formula?

NO2450E

REPLY:

Toward the end of 2010, the SACU Secretariat contracted an international consultancy, an Australian firm called the Centre for International Economics that specialises in economic policy, to formulate proposals pertaining to the SACU revenue sharing formula. First discussions of the report took place in January 2011, where after the consultancy incorporated member-state comments and a final version was circulated at the end of February 2011. Negotiations around arriving at a new SACU revenue sharing formula are, however, protracted.

Initial indications, especially those presented in the report of the consultancy, showed that the majority of SACU member states will be adversely affected through a redesign of the existing formula. The exception is South Africa, who contributes a disproportionate share to the revenue pool under the current arrangement. Lesotho will also gain under the recommended new formula recommended by CIE because of its standing as a low income country. Given the high reliance on the SACU

revenue stream for Botswana, Lesotho, Namibia and Swaziland, there has been considerable resistance to the CIE recommendations, even though the driving force behind the review is to establish a more equitable and sustainable dispensation.

The consultant's report into the revenue sharing arrangement was discussed at both the Commission and Council meeting held in June 2011 in Windhoek. At the meeting of Senior Finance officials, preceding the meeting of Commission, agreement was reached to refer the matter of arriving at a new Revenue Sharing Formula to a member-state comprised Task Team. South Africa, as chair of the Senior Officials meeting, was instrumental at arriving at this decision, and in the process keeping the issue on the agenda.

The Task Team is scheduled to have its first meeting on 12 September, immediately before the next scheduled SACU Commission and Council meetings to be held in Maseru, Lesotho.