



# **SACU Secretariat Presentation Visit by the European Union Officials 18 March 2008**

**Member States: Botswana, Lesotho, Namibia, South Africa, and Swaziland**  
**[www.sacu.int](http://www.sacu.int)**

# Presentation Outline

## 1. Broad Policy Issues

- Regional Integration Programme for SACU
- SACU Secretariat closer cooperation with the EC

## 2. Policy and Research

## 3. Trade Facilitation and Revenue Management

## 4. Institution Building

## 5. Internal Operations

Regional Integration Programme for SACU:

Executive Secretary:

Ms T C Moremi

# Regional Integration Programme for SACU

- SACU's Regional Integration Programme is driven by the need to address the following:
  - *Regional Developments that has implications for the effective functioning of SACU as a Customs Union.* This included the attainment of the full SADC FTA by 2008 and the envisaged SADC Customs Union in 2010 and the envisaged impact it would have on the different Member States of SACU.
  - *The current institutional condition of SACU in terms of its mandate, capacity and capability and how it intends to deal proactively with the process of consolidation* itself and be ready to contribute its experience to the broader regional integration dynamics within the Southern African region.

# Regional Integration Programme for SACU ctd.

- To address the challenge for deeper Regional Integration, the SACU Council of Ministers established SACU Task Team in September 2006 consisting of Permanent Secretaries of Trade and Industry as well as Finance.
- The primary mandate of the SACU Task Team is to address issues of accelerating the implementation for the 2002 SACU Agreement and to advise Council on issues and challenges for deeper Regional Integration.
- One of the key task of the Task Team is to advice and formulate a SACU position on the proposed SADC Customs Union. Taking into cognizance what is currently happening in the region, especially as regards to the decision taking by SADC in October 2006 to fast track establishment of a SADC Customs Union, SACU considered various options for a SADC Customs Union and what implication it would have on SACU.
- The preferred model currently is for SACU to offer itself as a **building block** for a SADC Customs Union. This can be motivated on the fact that SACU is the oldest customs union and having up to now the most comprehensive tariff phase down in SADC.
- To ensure preparatory work to this regard, **two studies** have been commissioned namely to analyze the impact of the proposed SADC FTA And Customs Union on SACU Member States by 2010 and a comprehensive analysis on the Consolidation of SACU.

# Two Studies on SACU Regional Integration Programme.

The two studies are :

1. *Analyze the impact of the proposed SADC FTA And Customs Union on SACU Member States by 2010*
  - Cost Benefit Analysis of trade liberalisation and Economic Integration of SACU Member States
  - Potential Economic, Developmental and welfare impacts of the attainment of the full SADC FTA by 2008 and the envisaged SADC Customs. Union in 2010
  - What are the realistic and feasible options for SADC CU establishment taking into account up to date SADC policy recommendations.
  - Impact Analysis on Customs Revenues due to SADC CU and recommended tax policy options.
  - Implications on SACU Expansion and criteria for admission of new members to SACU
2. *Comprehensive analysis on the Consolidation of SACU.*
  - Defining Consolidation in context of SACU
  - Compare SACU as customs union against best practice and point out gaps etc.
  - Assessing SACU's Implementation of the 2002 Agreement.
  - Outline the Challenges to Consolidation of SACU taking the 2002 Agreement into account
    - A. *Assessing the Agreement*
    - B. *Institutions*
    - C. *Common Policy Processes*
    - D. *Trade/Economic Integration*



# Challenges for future Regional Integration

- The major challenge for SACU to ensure deeper and wider regional integration lies in its implementation of the 2002 SACU Agreement.
- The immediate challenge is that SACU Member States are also members of SADC and SACU is cognizant that there is need to harmonize policies with those of SADC and defining its future role on the regional integration agenda. This harmonization processes can be extended to COMESA/EAC to achieve continental integration(?).
- The regional developments of the Regional Economic Communities started as SACU was trying to revitalize itself within the regional sphere. SACU is currently at a point where it is consolidating as well as to keep pace with the regional integration dynamics. There are therefore efforts ongoing to make it a model organization. There is a need for a clear recognition of the achievements made by SACU and has a important role to play at a continental level.
- SACU is at a juncture where in order to play that role of deepening regional integration requires that it is pursuing clear policies and action programmes. We are aware that regional integration brings both opportunities and challenges and such as Southern Africa pursues greater integration in the context of a very dynamic World Economy, SACU aims to play a catalytic role in ensuring that its Member States improves its trade competitiveness and enhance economic development at a regional level.

# SACU Secretariat Closer Cooperation with the EC

Executive Secretary:

Ms T C Moremi



## Closer cooperation with the EC

- Exchange Programme
- Speakers coming from the EC
- Visit to Brussels.

- Policy and Research

Director Policy Development and Research  
Mr. Anton Faul

# Common Negotiating Mechanism

Article 31 of the 2002 SACU agreement deals with trade relations with third Parties. Member States

- May maintain existing trade and other related arrangements,
- Shall establish a common negotiating mechanism (CNM),
- Not negotiate new or amend existing agreements without consent of the other Member States,
- Charge normal import duties when a product imported under an existing trade agreements is removed to another Member State

## Implications

- Existing agreement, e.g. TDCA, Botswana/Zimbabwe bilateral trade agreement or Namibia/Zimbabwe trade agreement unaffected
- All new agreements to be negotiated as SACU, bilateral and multilateral

## Measures taken to implement this requirement:

- SACU notified to the WTO under Article XXIV of GATT (1994)
- Draft annex on CNM developed and submitted to SACU Council for adoption
- Developing common negotiating positions on all areas under discussion
- Provision in CNM Annex for a common trade strategy
- Current negotiations already as SACU with a SACU Member State appointed as lead negotiator

# SACU Trade Negotiations

## Agreements completed:

- SADC Protocol on Trade, concluded 1999, implemented September 2000
- SACU-EFTA Free Trade Agreement, concluded August 2004, to be implemented in May or June 2008

## Ongoing negotiations:

- SACU-MERCOSUR PTA, expected conclusion April 2008
- SACU-India PTA, expected conclusion December 2009
- SADC-EU comprehensive EPA, expected conclusion December 2008
- SACU-USA Trade, Investment and Cooperation Agreement, negotiations concluded, to be signed during 2008
- WTO Doha Development Round

## Future negotiations:

- SACU – East African Community, initial discussions planned for April 2008
- SACU – China, initial research started

# Challenges

- Adoption and implementation of CNM
- Developing common negotiating positions and trade strategy
- Trade negotiating capacity both within Member States and the SACU Secretariat
- Regional integration agenda in SADC
- SADC-EU EPA negotiations – maintaining the integrity of the Customs Union
- Long-winded ratification procedures in SACU Member States

# Areas of cooperation with EC

- Trade negotiating machinery in Commission – drawing on EC expertise and experience
  - Establishing required institutional setup (“trade negotiating unit”)
  - Developing common positions and negotiating mandate
  - Trade negotiations – actual process
  - Ongoing consultations with Member States leading to conclusion on negotiations
  - Implementation of agreement in all Member States
- Trade negotiating capacity building in SACU Member States (already received verbal requests in this regard)



# SACU Policy Harmonization

The 2002 SACU agreement recognises the need to develop common policies amongst the members on

- industrial development (Article 38),
- agriculture (Article 39),
- competition policies (Article 40),

## Industrial Policy Development

### Objective:

- Common SACU Policies and Strategies to deal with Industrial development
  - To achieve balanced economic development and deal with the effects economic polarisation and with the industrial concentration.
  - Enable a revision of the current tariff structure and implication for the industrialisation process
  - Guide selective intervention and consider infant industry protection needs.
  - Consider geographic location of economic activity across international frontiers

# SACU Policy Harmonization ctd.

## Coordination on Agricultural Policy

### Objective:

- Cooperate on agricultural policies in order to ensure the coordinated development of the agricultural sector within the common customs area.
- Adoption of common tariffs on agric products and elimination of all existing NTBs
- Harmonisation of import policies
- Greater co-ordination of export marketing
- A well articulated agricultural policy could
  - boost agric exports in member states.
  - improve agricultural productivity through technical progress and
  - develop more rational production systems that would employ resources more effectively.
  - guarantee stable and acceptable farm incomes to farmers-ensure a fair standard of living for farmers and farm workers-
- Policies on food security- strategies towards collective self reliance in dampening the effects of food security

# SACU Policy Harmonization ctd.

## Competition Policies & measures to deal with Unfair Trade Practices

### Objective:

- Rests on the developmental linkages between competition and trade.
- Policies formulation falls within the remit of individual Member States but these should be complementary
- Provide for some policy action to address private practices that are acting to restrict trade in goods
- The formulation of national competition laws and capacity for implementation especially for BLNS
- Capacity for domestic legal structures necessary to form the basis for enforcement cooperation in the competition law

# Trade Facilitation and Revenue Management

Director Trade Facilitation and Revenue Management  
Mr. Dumisani Mahlinza

&

Deputy Director Trade Facilitation  
Mr. Yusuf Daya

# Implementation of Customs Initiatives

## Capacity Building

- Priority training needs have been identified.
- Currently working on developing uniform customs training programmes in these priority areas.

## Electronic Data Interchange

- Currently working on developing a template to record the data used by all Member States, in line with the WCO framework of standards.
- Linked to SAD initiative and determining data fields for exchange.

## Single Administrative Document (SAD)

- SACU Member States adopted the SAD in 2004 and began implementation in 2006.
- Work on developing common SACU SAD manual is ongoing

## One Stop Border

- Council adopted the juxtaposed model as the preferred model for SACU.
- Currently working on defining the operational modalities of this model.

## Joint Border Controls

- Working group has developed an action plan for finalizing a strategy on coordinated customs operations and joint border controls.
- Currently working on finalizing the strategy.

# Changes to the Customs Act and how it is dealt with

- SACU Agreement requires Member States to apply similar legislation with regard to customs and excise duties.
- Currently, all SACU Member States do apply similar legislation in the form of their respective Customs and Excise Acts.
- Changes to legislation occurs largely through changes in schedules to the Act , which relate to rates of duty.
- ITAC acting as SACU Tariff Board effects changes in consultation with Member States and the changes are then implemented across Member States.
- Currently reviewing the Customs and Excise Act - through consultative meetings and workshops.
- The proposed changes are reported to the respective SACU institutions for consideration.



# Review of Revenue Sharing Formula

- Art 33 provides that MS or SACU institution may be appointed to manage Pool; that RSA shall manage the CRP for transitional period
- Decision on the management of the Pool still pending
- Studies on financial analysis completed
- Currently studying rebates and duty drawbacks – as part of broader issues
- Council took a decision that RSF will only be reviewed three years after entry of Agreement
- Review has to be approached in the context of Art. 43 – proposal and motivation to be submitted to Council for consideration
- December 2007 Council agreed to review the RSF and requested RSA to submit a background paper
- Review is being conducted on the basis that establishment of the SADC CU will have profound implications on SACU revenue flows
- Important to note that in 2004, Lesotho also proposed review of dev. Comp.
- Background paper has not yet been shared

- SACU Institution Building:

Legal Advisor  
Advocate Thabang Phatela

# Tariff Board - Status of Establishment

- A roadmap detailing major milestones has been developed and SACU is in the process of developing
- (a) a detailed architecture of the operational and administrative procedures for the Tariff Board, raised in section 2 above, for submission to Council at its June, 2008 meeting.
- (b) A Tariff Board operational manual (also serving as training manual, as explained in 2 (c) above) will be submitted by the end of April, 2008 for the consideration of the Secretariat, National Bodies and the Commission, for approval by the Council.
- (c) An outline of duties and job description for the position of CLO to be submitted by the end of May, 2008.
- (d) A set of policy guidelines with respect to tariff amendments, trade remedies (anti-dumping in particular) and duty rebates to be submitted by the middle of April, 2008 for consideration and comments from the Secretariat, National Bodies and the Commission, and eventual approval by the Council.
- The Tariff Board and Tribunal shall be established in September, 2008 and shall be operational in January 2009.

## Establishment of National Bodies

- Ratification of the Annex on the Tariff Board and National Bodies is 90% complete and only Namibia is yet to deposit its ratification instruments
- Development of National Bodies legislation in Member States based on the SACU Model Law on National Bodies
- Capacity Building in Member States through full time and short term training of Officials
- Completion of Common Procedures to be applied by National Bodies

## SACU Tribunal

- Development of the Annex on the Tariff Board for Submission to Council in June-September 2008
- The Mandate of the Tribunal is covered under Article 13 of the SACU Agreement
- Date of Establishment is April 2009

# SACU Internal Operations

Ag. Director Corporate Services



## Structure of the Secretariat: size of Establishment

In line with Article 10 of the 2002 SACU Agreement, the Secretariat is headed by the Executive Secretary, who has in turn facilitated the recruitment of Professional and Support Staff.

# SACU Directorates

The different Directorates can be summarised as follows:

## DIRECTORATE 1: OFFICE OF THE EXECUTIVE SECRETARY

Comprises:

- Office of the Executive Secretary
- Legal Assurance
- Audit Assurance
- Communications

## DIRECTORATE 2: TRADE FACILITATION AND REVENUE MANAGEMENT

Objectives:

- facilitate the equitable sharing of revenue arising from customs, excise and additional duties levied by Member States;
- support Member States in implementing an agreed Revenue Sharing Formula
- promote intra SACU free movement of goods through cross-border co-operation and trade.
- provide a reliable database on key SACU economic indicators

## DIRECTORATE 3: POLICY DEVELOPMENT AND RESEARCH

Objectives:

- To Support the SACU objectives for enhanced economic development, diversification, industrialization, and competitiveness
- To Support SACU's regional and global integration through trade negotiation and trade facilitation.

# SACU Directorates ctd

## POLICY DEVELOPMENT AND RESEARCH/continued.....

- To ensure that SACU's interests are safeguarded and enhanced in global (multi and bilateral) trade negotiations, as well as to ensure that SACU plays a leading role in the development and implementation of the regional integration agenda, and maintain and improve the integrity of the Customs Union.

## DIRECTORATE 4: CORPORATE SERVICES

- The main objective for this Programme is to provide professional and efficient corporate support services to all SACU Institutions.
- This Programme focuses on the internal consolidation of the Secretariat in terms of ensuring the development of sound operational policies and the provision of human resources and financial resources to support the Secretariat.
- This programme encompasses:
  - Human Resources Management
  - Financial Management
  - Information Technology
  - Facilities Management and Procurement.

# Role of the Secretariat

The role of the Secretariat is articulated in Article 10 of the 2002 SACU Agreement as follows:

1. Day-today administration of SACU
2. Implementation, coordination and monitoring of all decisions of the Council and the Commission
3. Arrangement of meetings, dissemination of information and keeping of meetings of SACU institutions
4. Assisting in the harmonization of national policies and strategies of Member States in so far as they relate to SACU
5. Responsibility for keeping a record of all transactions into and out of the Common Revenue Pool
6. Coordination and assistance in the negotiation of trade agreements with third parties
7. Performance of such other duties as may be assigned by Council and the Commission
8. Depository of all records of SACU

# Procurement Matters

Procurement of goods and services is governed by the Financial Policies and Procedures, which are currently under review.

As indicated in the organisational structure, the procurement function is under the Corporate Services Directorate and an Administration and Procurement Manager was employed on 1 May 2007 to oversee its operation.

The current procurement limits and approval of expenditure stand as follows:

- ❖ All expenditure less than R 1 000: 3 quotations are not required and Petty Cash can be used
- ❖ All expenditure over R 1 000 up to R 50 000: 3 quotations are required
- ❖ All expenditure over R 50 000 up to R 1 000 000: A tender process has to be followed and tenders have to be evaluated by the Tender Committee
- ❖ All expenditure over R 1 000 000: A tender process for ultimate approval by the Finance and Audit Committee has to be followed

In September 2006, the EC Delegation to Namibia commissioned an institutional assessment to establish efficacy of controls and procedures of the SACU Secretariat, in view of the implementation of the first Contribution under the EISP. The audit firm which conducted the assessment identified a number of areas where procedures needed to be improved in terms of both written policy and actual practice.

Some progress has been achieved on the findings, with the deployment of the Finance Manager and the Administration and Procurement Manager in November 2006 and May 2007, respectively.

# Financial Management

## Income:

Financing of the Secretariat is provided under Article 34 of the 2002 SACU Agreement, which states that the budgeted cost of financing the Secretariat, the Tariff Board and the Tribunal will first be deducted from the Common Revenue Pool (CRP) before distribution of the CRP to Member States.

## Budgeting:

The financial year of the Secretariat begins on the 1<sup>st</sup> of April. The Financial Policies and Procedures stipulate that the budgets of the Secretariat, the Tariff Board and the Secretariat should be combined as one document, unless otherwise directed by the Finance and Audit Committee.

## Internal Controls:

The checks and balances of the Secretariat include the existence of a full time Internal Auditor and submission of quarterly Management Accounts to the Finance and Audit Committee, as well as an annual audit of the Secretariat's financial statements.

At the 8th Council meeting held on 8 September 2006 in Gaborone, Botswana, the SACU Council of Ministers decided that appointments for the audit of the SACU Secretariat financial statements be rotated amongst Auditors-General of the Member States on a three-year rotational basis. In this regard, the Auditor General of Botswana was appointed to serve as external auditor of the SACU Secretariat for the years 2005/06, 2006/07 and 2007/08.



# Financial Management ctd.

The Auditor General of Botswana has issued uncertified audit certificates for the years 2005/06, 2006/07 and 2007/08, and the Auditor General of Namibia issued a uncertified audit certificate for the Secretariat's first year of operation, 2004/05.

## Revision of Policies:

The Secretariat is currently revising its Financial and Human Resources Policies and Procedures, with the first lot of revised Financial policies due for presentation in the next meeting of the Finance and Audit Committee.

In revising the policies, the Secretariat has taken into account recommendations of the institutional assessment, international best practice as well as realities of the Secretariat.

## Capacity for Implementation of Internal Controls:

Functions of the following staff provide direct capacity for strengthening of the internal control environment:

- Director Corporate Services
- Internal Auditor
- Finance Manager
- Admin. & Procurement Manager
- Accountant
- Finance and Admin. Assistant

# Financial Management ctd.

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The End