



# ANNUAL REPORT 2018





**Members of the SACU Council of Ministers and the Executive Secretary of SACU, Ms. Paulina M. Elago, at the Meeting of the 35<sup>th</sup> Council of Ministers held in June 2018 in Gaborone, Botswana.**

**Seated:** *Hon. Bogolo Joy Kenewendo, Minister of Investment, Trade and Industry of Botswana; Hon. Dr. Moeketsi Majoro, Minister of Finance of Lesotho; Hon. Tjekero Tweya, Minister of Industrialization, Trade and SME Development of Namibia; Hon. Dr. Martin G. Dlamini, Minister of Finance of Eswatini; and Hon. Dr. Rob Davies, Minister of Trade and Industry of South Africa.*

**Standing:** *Hon. Calle Schlettwein, Minister of Finance of Namibia; Hon. Kenneth O. Matambo, Minister of Finance and Economic Development of Botswana and Chairperson of the SACU Council of Ministers; Hon. Jabulani Mabuza, Minister of Commerce, Trade and Industry of Eswatini; Ms. Paulina M. Elago, Executive Secretary of SACU; Hon. Tefo Mapesela, Minister of Trade and Industry of Lesotho; and Hon. Nhlanhla Musa Nene, Minister of Finance of South Africa.*

# Vision

“An economic community with equitable and sustainable development, dedicated to the welfare of its people for a common future.”

## Mission

- » To serve as an engine for regional integration and development, industrial and economic diversification, the expansion of intra-regional trade and investment, and global competitiveness;
- » To build economic policy coherence, harmonization and convergence to meet the development needs of the region;
- » To promote sustainable economic growth and development for employment creation and poverty reduction;
- » To serve as a building block of an ever closer community amongst the peoples of Southern Africa;
- » To develop common policies and strategies for areas such as Trade Facilitation effective customs controls and competition; and
- » To develop effective, transparent and democratic institutions and processes.

## Work Programme Priorities

- ◇ Regional Industrial Development;
- ◇ Review of the Revenue Sharing Arrangement;
- ◇ Trade Facilitation;
- ◇ Development of SACU Institutions;
- ◇ Unified Engagement in Trade Negotiations;
- ◇ Trade in Services; and
- ◇ Strengthening the Capacity of the Secretariat.

# Administration

## **Business Address**

Corner Lazarett and Feld Street, Windhoek, Namibia

## **Postal Address**

Private Bag 13285, Windhoek, Namibia

## **Bankers**

Standard Bank Namibia Limited

## **External Auditors**

Auditor General of the Kingdom of Eswatini, P.O. Box 98, Mbabane, Eswatini

# CONTENTS

Message by the Chairperson of the SACU Council of Ministers	page 6
Executive Secretary's Statement	page 10
Corporate Governance Statement	page 14
Secretariat: Organisational Structure	page 15
CHAPTER 1	
Institutional Development	page 21
CHAPTER 2	
Trade Facilitation and Revenue Management	page 25
CHAPTER 3	
Policy Development and Research	page 30
CHAPTER 4	
Secretariat's Operational Environment	page 36
ANNEX 1	
SACU Member States' Economic Performance	page 43
ANNEX 2	
Intra-SACU Imports 2015/2016	page 49
ANNEX 3	
Annual Financial Statements	page 52
List of Abbreviations	page 86
List of Tables and Figures	page 87



**Honourable Dr. Moeketsi Majoro**  
Minister of Finance of the Kingdom of Lesotho  
Chairperson of the SACU Council of Ministers

# Message by the Chairperson of SACU Council of Ministers

I am pleased to present the SACU Annual Report for the 2017/18 Financial Year. The Report provides an overview of the major achievements, economic performance of the SACU Member States and the audited Annual Financial Statements of the Secretariat.

The global output continued to improve in the reporting period, which is building on the growth rate of 3.2 percent achieved in 2016. The world economic activity grew by 3.7 percent in 2017 amid the mounting trade tensions among the major economies. The global output is projected to grow at 3.7 percent in both 2018 and 2019 respectively. The advanced economies recorded a growth rate of 2.3 percent in 2017 and are projected to grow by 2.4 percent in 2018. However, the advanced economies are expected to record a slightly lower rate of 2.1 percent in 2019.

This performance is largely influenced by the performance of some major economies such as the US, which are gaining momentum due to the fiscal stimulus, robust private final demand and growing imports. The US economy grew by 2.2 percent in 2017 and is expected to grow by 2.9 percent and 2.5 percent in 2018 and 2019 respectively. The Eurozone is expected to experience a lower growth of 2.0 percent in 2018 compared to the 2.4 percent recorded in 2017. This is mainly due to revision of the projected growth rates for countries such as Germany, Italy and France.

In the Emerging Markets and Developing Economies (EMDEs), growth is projected to remain unchanged at 4.7 percent in both 2018 and 2019. In some of the leading economies in the EMDEs such as China, growth is projected to moderate from 6.9 percent recorded in 2017 to 6.6 percent in 2018 as government seeks tighter financial sector regulations while external demand softens. India recorded a 6.7 percent growth in 2017, and the economy is expected to further improve in 2018 and 2019 with a growth of 7.3 percent and 7.4 percent respectively. However, there are potential risks to the global growth, including in the EMDEs. These include the rising oil prices, potential trade wars, and pressure on some currencies whose economies exhibit weaker fundamentals and political uncertainty.

Growth in Sub-Saharan Africa (SSA) remains relatively positive and will improve from the 2.7 percent recorded in 2017 to 3.1 percent in 2018

and 3.8 percent by 2019. This growth trajectory is largely buoyed by the increase in commodity prices.

It will largely be sustained by the Nigerian economy, as outlook for crude oil prices looks positive.

In the SACU region, growth continues to be uneven across the Member States. In the reporting period, the average weighted growth rate for 2017 was 1.3 percent, which was a slight increase from 0.8 percent in 2016. While the average weighted growth in the reporting period was an improvement from 2016, only two Member States, Botswana and Lesotho, recorded growth rates of more than 2 percent. All Member States recorded growth rates of less than 2.0 percent in 2017. The performance of the SACU economies in the reporting period was largely influenced by the global economic recovery amid improving commodity prices, and a rebound in world merchandise trade since the middle of 2016. In 2018 the growth prospects remain positive although uneven among the Member States. The economies of the Member States are expected to record growth of between 0.7 percent and 4.6 percent in 2018.

On the trade agenda, I am pleased to note that the establishment of the African Continental Free Trade Area (AfCFTA) is at an advanced stage following the signing of the AfCFTA Agreement during the 10<sup>th</sup> Ordinary Session of the African Union Heads of State or Governments on 21<sup>st</sup> March 2018 in Kigali, Rwanda. There are many benefits that will come with the establishment of the AfCFTA. These include among others, a larger market whose free flow of goods and services will enhance economic growth, investment in cross-border infrastructure and job creation through industrialisation. It is important that SACU as a region continues to work closely to ensure that she is well positioned to maximize the benefits of Free Trade Areas.

I am further pleased to note that in the reporting year, SACU continued to implement trade facilitation-related activities under the WCO-SACU Connect Project. The activities in trade facilitation are aimed at enhancing border efficiencies to reduce clearance times at our borders. Such interventions will also contribute towards the improvement in our region's ranking in the "Ease of Doing Business Index"; especially on the "Trading Across Borders"

indicator and the “Logistics Performance Index”. The improvement in these rankings will not only enhance the region’s competitiveness in general, but will also enhance trade and investment opportunities.

The SACU Council of Ministers continued to provide strategic direction and an oversight role in the implementation of the SACU Work Programme. I am pleased to note that all the quarterly Meetings of the Council of Ministers that were scheduled during the year under review took place. This demonstrated the Council of Ministers’ dedication and commitment to SACU as an organization that supports economic development in the Member States.

With regard to the Work Programme for the Ministerial Task Teams on Trade and Industry and on Finance, I am pleased to note that progress, albeit limited, has been made to implement the Ministerial Work Programme despite some challenges. Despite the limited progress made, I am confident that the successful implementation of the Ministerial Work Programme will bring positive benefits towards the improvement of the livelihood of our people in the SACU region.

I wish to express my appreciation to the Council of Ministers for the cooperation and support in ensuring that the SACU Work Programme is successfully implemented. Looking ahead in the coming year, 2018/19, I remain optimistic that we will continue to work very hard in the implementation of the Work Programme for the Ministerial Task Teams and other SACU related activities.

Lastly, I would like to extend my appreciation to Ms. Paulina M. Elago, the Executive Secretary, for her leadership, professionalism, dedication and insightful support provided to the SACU Institutions and the Secretariat Staff.



**Dr. Moeketsi Majoro (MP)**

Minister of Finance of the Kingdom of Lesotho and  
Chairperson of the SACU Council of Ministers





**Ms. Paulina Mbala Elago**  
*Executive Secretary of SACU*

# Executive Secretary's Statement

The 2017/18 Financial Year was yet another historic and exciting year for SACU as an organisation for regional economic integration and development.

On the institutional front, the 5<sup>th</sup> Summit of the SACU Heads of State or Government was convened on 23 June 2017, in Lozitha, Kingdom of Swaziland (now Kingdom of Eswatini), where the Heads of State or Government considered and endorsed the Work Programme for the Ministerial Task Teams on Trade and Industry and on Finance. The convening of the 5<sup>th</sup> Summit was indeed historic and a milestone for SACU given that the last SACU Summit was held in 2013.

The Work Programme for the Ministerial Task Teams outlines detailed activities, key deliverables and the timelines within which the proposed activities will be undertaken. The main focus areas of the Work Programme for the Ministerial Task Teams are: (i) the review and development of a suitable architecture for tariff-setting, application of tariffs, rebates, duty drawbacks and trade remedies; (ii) a review of the Revenue Sharing Formula and the long-term management of the Common Revenue Pool; (iii) the establishment of a Stabilisation Fund; (iv) exploring the feasibility of establishing a regional financing mechanism for SACU-wide infrastructure projects and industrialisation; (v) the development of public policy interventions/tools to promote industrial development and regional value chains; and (vi) strengthening existing cooperation and collaboration on Trade Facilitation to improve border efficiencies.

The Work Programme is led by the Ministerial Task Teams on Trade and Industry and on Finance, supported by the Task Teams of Senior Trade and Industry and Finance Officials and Technical Officials on Finance and on Trade and Industry. Implementation of the Work Programme commenced following the 5<sup>th</sup> SACU Summit and is expected to be completed by December 2019. The Ministerial Task Teams will present their progress Reports to the 6<sup>th</sup> SACU Summit scheduled for June 2018, in Gaborone, Botswana.

Besides the convening of the 5<sup>th</sup> Summit of the Heads of State or Government, the Council of Ministers, the Commission and the Finance and Audit Committee also held their quarterly Meetings in April, June, September and December 2017 to consider technical and strategic issues and provide oversight and strategic guidance on the SACU Work Programme.

The Secretariat had an opportunity to host His Majesty King Mswati III of the Kingdom of Eswatini and former Chairperson of the SACU Summit on 11 May 2017. His Majesty visited the SACU Headquarters in his capacity as the Chairperson of the SACU Summit and to familiarise himself with the working environment. This was indeed a historic occasion as it was the first ever visit to the Secretariat by the Chairperson of the Summit since its establishment in 2004. The Secretariat also hosted His Excellency Lieutenant General Dr Seretse Khama Ian Khama, president of the Republic of Botswana, on the 5<sup>th</sup> February 2018. His Excellency Lieutenant General Dr. Seretse Khama Ian Khama succeeded His Majesty King Mswati III as Chairperson of the SACU Summit.

On the operational front, considerable progress was made in the implementation of SACU priorities including the Trade Negotiations, Trade Facilitation, and Revenue Management.

In the area of Trade Negotiations, SACU Member States continue to engage in trade negotiations with third parties. These include, amongst others, (i) the ongoing African Continental Free Trade Agreement Negotiations; (ii) commencement of a Dialogue between SACU, Mozambique and the UK to roll-over the EU-SADC Economic Partnership Agreement into a new agreement which will come into force in April 2019 when the UK exits the EU; and (iii) COMESA-EAC-SADC Free Trade Agreement for which SACU has demonstrated commitment with South Africa and Botswana signing the Agreement on 7 July 2017 and 30 January 2018, respectively. In addition, the Secretariat facilitated the Review Meeting of the Free Trade Agreement between SACU and the European Free Trade Association (EFTA) as well facilitating and coordinating the SACU Member States' participation in the negotiations for the African Continental Free Trade Agreement.

The SACU Secretariat played a pivotal role in these negotiations through coordinating the adoption of SACU Member States' positions and providing technical advice. These included convening and facilitating consultative meetings prior to each round and briefing sessions for Senior Trade Officials and at Ministerial level. The consultative process within SACU assisted Member States in formulating common negotiating SACU positions, thereby effectively and successfully engaging in the negotiations as a block.

In the area of Trade Facilitation, the Secretariat continued to facilitate, and coordinate activities to strengthening existing Customs Cooperation in order to improve border efficiencies and facilitate trade seamlessly in the region. The key highlights in this regard include the development of the SACU IT Connectivity Blueprint to standardise interconnectivity of Customs IT Systems in SACU; and training of twenty-five Customs Officers on the Preferred Traders Programme (PTP) in order to increase the pool of Trainers that will help to build capacity on the PTP in Member States. In addition, the Study to review and streamline the SACU Trade Facilitation Programme was completed to serve as an input to the work of the Ministerial Task Teams on strengthening existing cooperation and collaboration on Trade Facilitation to improve border efficiencies.

On Revenue Management, the Secretariat facilitated the process for the determination of the revenue shares for the Member States. The actual CRP collections for the 2017/18 FY stood at R90.29 billion compared to R84.75 billion collected in the 2016/17 FY and this represents an increase of R5.54 billion during the period under review.

Regarding the Operational environment, the Secretariat continues improving the efficiency and operations of the Secretariat. A major development was the procurement and operationalisation of the reporting module of the budgeting system, IDU. Its implementation will be concluded in the next financial year. In addition, various Policies of the Secretariat were reviewed and approved by the Council of Ministers. These include, amongst others the Financial Policy and Guidelines, Procurement Policy and Procedures, and the Investment Policy and Procedures. The Secretariat also continued to work towards the implementation of the Business Continuity Plan. In this regard, a Strategy for establishing a suitable Disaster Recovery Environment for the Secretariat has been developed.

I am pleased to report that the Secretariat continues to receive unqualified audits for its financial statements, which clearly demonstrate that the finance and other resources of the Secretariat are managed in a prudent and professional manner. The Secretariat will continue to strengthen its efforts in this regard.

Secretariat also held a successful Public Awareness Roadshow in Windhoek, Namibia on 9 to 11 March 2018 to create visibility of SACU and engage with

different stakeholders to dialogue on issues related to the SACU Work Programme. The key stakeholders, who participated in the event included universities, private and public sectors, media and the general public. The event was concluded with a donation of office equipment to the Namibia Service Centre of the Visually Impaired, a Windhoek-based Non-Governmental Organisation.

Further, as part of the Secretariat's Corporate Social Investment, the Secretariat identified and sponsored two orphanage homes. The first was Megameno Children's Home with thirty (30) children, whilst the second CSI project was Takuluya Day Care and Pre-Primary School that consists of 98 under privileged children in a neighbourhood named Havana in Windhoek, Namibia. The sponsorship included educational materials and food items.

I would like to express my deep gratitude to the SACU Heads of State or Government, the SACU Council of Ministers, and the members of the SACU Commission and the Finance and Audit Committee for their unwavering leadership, strategic guidance and the continued oversight provided to the Secretariat. Finally, I acknowledge and commend the Secretariat staff for their commitment and hard work, without which we may not have achieved the successes and milestones highlighted in this Report.



**Paulina Mbala Elago**  
Executive Secretary of SACU

## Visit by His Majesty King Mswati III of the Kingdom of Eswatini and the Chairperson of Summit of Heads of States or Government to the SACU Secretariat Headquarters in May 2017



*The Executive Secretary of SACU, Ms. Paulina M. Elago stepping down to receive His Majesty King Mswati III at SACU Headquarters, accompanied by the Secretariat staff.*



*His Majesty King Mswati III together with the Executive Secretary of SACU, Ms. Paulina M. Elago and the Namibian Minister of Environment and Tourism Hon. Pohamba Shifeta on arrival at the SACU Headquarters in May 2017.*



*His Majesty King Mswati III with the Minister of Finance of Eswatini and Chairperson of the SACU Council of Ministers, Hon. Martin G. Dlamini, together with the Executive Secretary of SACU, Ms. Paulina M. Elago and the Secretariat's staff.*



*His Majesty King Mswati III with the Executive Secretary of SACU, Ms. Paulina M. Elago.*



# Corporate Governance Statement

The Executive Management and the Finance and Audit Committee set standards and manage the implementation of systems of internal control, accounting and information systems. These aim to provide reasonable assurance that assets are safeguarded and the risk error, fraud or loss is reduced in a cost-effective manner. These controls which are contained in established Policies and Procedures include the proper delegation of responsibilities and authorities within a clearly defined framework, effective accounting procedures and adequate segregation of duties.

The internal audit function operates unimpeded and independently from operational management,

and has unrestricted access to the Finance and Audit Committee. The Internal Audit appraises, evaluates and when necessary, recommends improvements in the systems of internal control and accounting practices, based on audit plans that take cognisance of the relative degrees of risk of each function or aspect of the business.

The Finance and Audit Committee, together with the external and internal auditors play an integral role in matters relating to financial and internal control, accounting policies, reporting and disclosure.

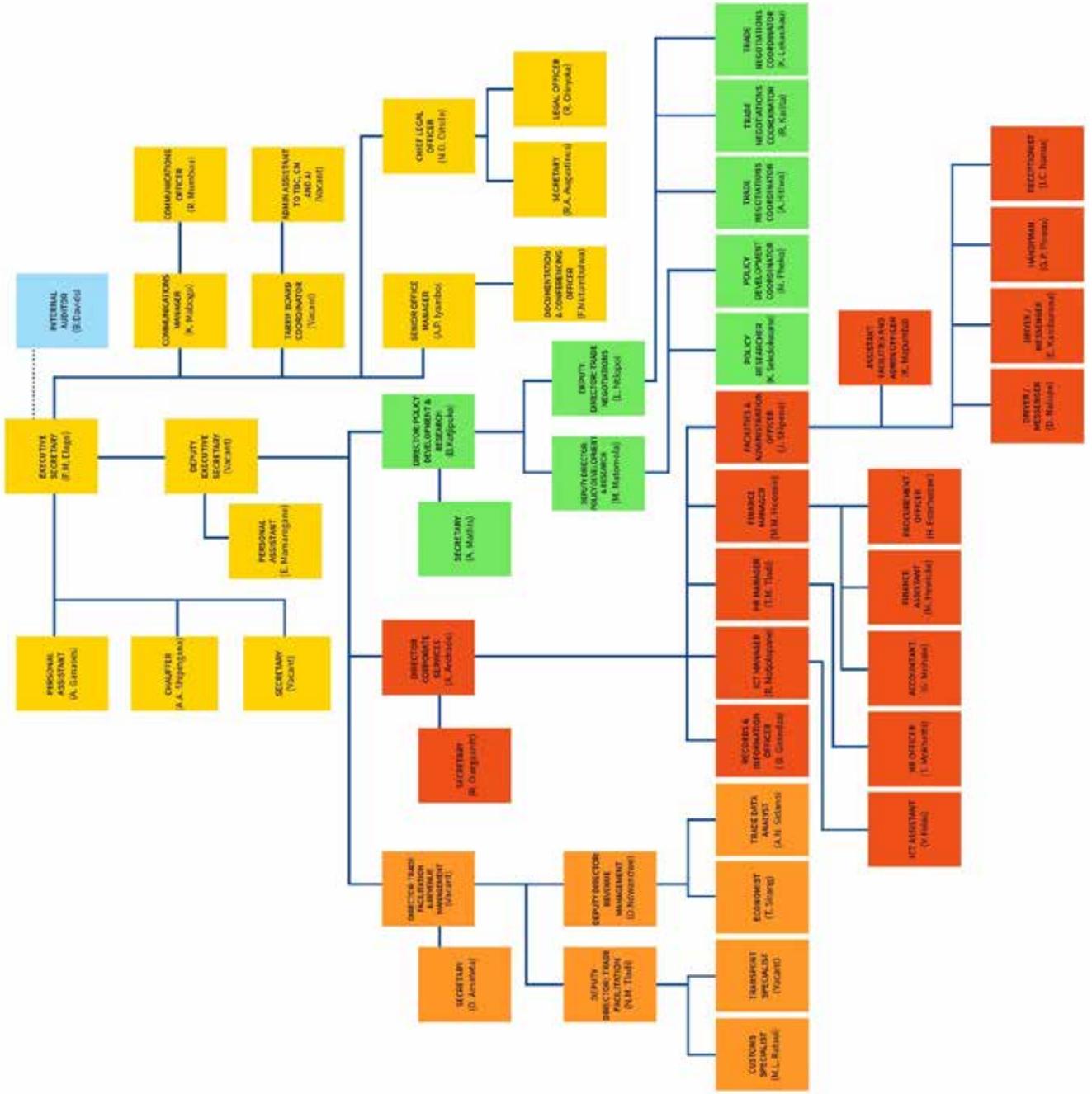


*The SACU Finance and Audit Committee Members at the 47<sup>th</sup> Meeting of the Finance and Audit Committee held in Windhoek, Namibia, April 2018.*

**Front row (from left to right):** Ms. Nolundi Dikweni, Chief Director: African Economic Integration in the Department of National Treasury of the Republic of South Africa; Ms. Ericah Shafudah, Executive Director in the Ministry of Finance of the Republic of Namibia.

**Back row:** Dr. Taufila Nyamadzabo, Secretary for Economic and Financial Policy in the Ministry of Finance and Economic Development of the Republic of Botswana; Ms. Paulina M. Elago, Executive Secretary of SACU; Mr. Bheki Bhembe, Principal Secretary in the Ministry of Finance of the Kingdom of Eswatini; Ms. Nthoateng Lebona, Principal Secretary in the Ministry of Finance of the Kingdom of Lesotho.

# Secretariat: Organisational Structure



# Executive Committee



*Paulina M. Elago,  
Executive Secretary*



*Alma Andrade,  
Director: Corporate  
Services*



*Benjamin Katjipuka,  
Director: Policy  
Development and  
Research*



*Abed Iyambo, Senior  
Office Manager*



*Ndibo D. Oitsile, Chief  
Legal Officer*



*Ngoanamokgotho  
Maggie Tladi, Acting  
Director Trade  
Facilitation and  
Revenue Management*

# Executive Secretary's Office



**Front row (from left to right):** Rauna Mumbuu, Communications Officer; Paulina M. Elago, Executive Secretary; Rosalia Augustinus, Secretary; Chief Legal Officer; Abed Shipingana, Chauffeur; Executive Secretary.

**Back row:** Elsie Mamaregane, PA: Deputy Executive Secretary; Rumbidzaishe Chinyoka, Legal Officer; Blessed Davids, Internal Auditor; Kungo Mabogo, Communications Manager; Ndibo Oitsile, Chief Legal Officer; Fransina Mutumbulwa, Documentation and Conferencing Officer; Anitha Ganases, PA: Executive Secretary.

**Insert:** Abed Iyambo, Senior Office Manager.

## Directorate: Corporate Services



**Front row (from left to right):** Bonginkosi M. Ginindza, Records and Information Officer; Rassidy Diergaardt, PA to the Director Corporate Services; Marie Hewicke, Finance and Administration Assistant; Alma Andrade, Director Corporate Services; Tselane Mokhethi, Human Resources Officer; Ingrid Nanus, Receptionist; Elson Kamburona, Driver/Messenger.

**Back row:** Themba Tladi, Human Resources Manager; James Shipena, Facilities and Administration Officer; Kenia Mapumba, Assistant Facilities and Administration Officer; Leon Esterhuizen, Procurement Officer; Mohammed Maez Hoosain, Finance Manager; Gaelekane Mohale, Accountant; Refiloe Motjoloane, ICT Manager; Victor Felas, ICT Technician; David Nalupe, Driver/Messenger; Gideon Pinehas, Gardener/ Handyman.

# Directorate: Trade Facilitation and Revenue Management



**Front row (from left to right):** Ngoanamokgotho Maggie Tladi, Acting Director Trade Facilitation and Revenue Management; Donald Ndwandwe, Deputy Director Revenue Management; Tiroyaone Sirang, Economist.

**Back row:** Dorian Amateta, Secretary to the Director Trade Facilitation and Revenue Management; Marcel Ratsiu, Customs Specialist.

**Insert:** Abel Sindano, Trade Data Analyst.

# Directorate: Policy Development and Research



**Front row (from left to right):** Albertina Hitiwa, Trade Negotiations Coordinator; Anneline Mathis, PA to the Director Policy Development and Research; Benjamin R. Katjipuka, Director Policy Development and Research; Rejoice Karita, Trade Negotiations Coordinator; Khutsafalo Sekolokwane, Policy Researcher.

**Back row:** Kelebogile Lekaukau, Trade Negotiations Coordinator; Moureen Matomola, Deputy Director Policy Development and Research; Lerato Ntlopo, Deputy Director Trade Negotiations.

**Insert:** Molupe Pheko, Policy Development Coordinator.

# CHAPTER 1

## Institutional Development

### Introduction

In accordance with the SACU Agreement, 2002, as amended in April 2013, the following institutions are established: Summit of SACU Heads of State or Government; Council of Ministers; Customs Union Commission; Secretariat; Tariff Board; Technical Liaison Committees; and ad hoc Tribunal.

### Key highlights for the year under review

During the year under review, the following milestones were achieved:

- (a) the convening of the 5<sup>th</sup> Summit of the SACU Heads of State or Government on 23 June 2017, in Lozitha, Swaziland (now Eswatini); where the Work Programme for the Ministerial Task Teams was endorsed;
- (b) the adoption of the Work Programme for the Ministerial Task Teams by the 31<sup>st</sup> Meeting of the SACU Council of Ministers; to be implemented over a period of twenty-four months;
- (c) the convening of all the quarterly Meetings of the Finance and Audit Committee, the SACU Commission and the Council of Ministers; and
- (d) the continued administration of SACU by the Secretariat and provision of technical support to the institutions of SACU.

### The Chair of SACU

The Chair of SACU institutions rotates amongst the Member States in an alphabetical order, for a period of 12 months. For the period under review, the Republic of Botswana was the Chair effective on 15 July 2017, following the end of the Kingdom of Eswatini term on 14 July 2017.

### The SACU Summit

The Summit consists of the Heads of State or Government of the SACU Member States and provides political and strategic direction to SACU. During the period under review, the 5<sup>th</sup> SACU Summit was convened on 23 June 2017, in Lozitha, Eswatini. The Special Summit considered the Report of the Council of Ministers, on the progress made on the implementation of the Roadmap to reinvigorate the SACU Work Programme that was endorsed by the Heads of State and Government, on 12 November 2015, in Windhoek, Namibia.

The Summit endorsed the main focus areas of the Work Programme, as agreed by the Council of Ministers at their 3<sup>rd</sup> Ministerial Retreat held on 19 - 20 June 2016, as well as the detailed activities, key deliverables and the timelines within which the proposed activities will be undertaken. The focus areas are as follows:

- (a) the review and development of a suitable architecture for tariff-setting, rebates, duty drawbacks and trade remedies;
- (b) strengthening existing cooperation and collaboration on Trade Facilitation to improve border efficiencies;
- (c) a review of the Revenue Sharing Formula and the long-term management of the Common Revenue Pool;
- (d) the establishment of a Stabilisation Fund
- (e) exploring the feasibility of a financing mechanism for regional industrialisation; and
- (f) the development of public policy interventions to promote industrial development and value chains.

### The SACU Council of Ministers

The Council of Ministers is responsible for decision-making on the overall policy direction and functioning

of SACU institutions, in accordance with Article 8 of the Agreement. For the period under review, the following Meetings of the Council of Ministers were convened:

- (a) 31<sup>st</sup> Meeting, on 21- 22 June 2017, in Ezulwini, Eswatini
- (b) 32<sup>nd</sup> Meeting, on 21 September 2017, in Muldersdrift, South Africa; and
- (c) 33<sup>rd</sup> Meeting, on 8 December 2017, in Windhoek, Namibia.

At its 31<sup>st</sup> Meeting, the Council of Ministers considered and approved the Work Programme for the implementation of the outcomes of the 3<sup>rd</sup> Ministerial Retreat; that was held on 19-20 June 2016, in Muldersdrift, South Africa. The Council of Ministers also agreed to establish two Ministerial Task Teams on Finance and on Trade and Industry, to implement the Work Programme. The Council of Ministers further considered and approved the Terms of Reference for the Ministerial Task Teams.

As part of its mandate, the Council of Ministers is also responsible for amongst others, the formulation of procedures for the SACU Institutions. In this regard, the Council of Ministers adopted revisions to the Rules of Procedure of the Council of Ministers, SACU Commission and the Technical Liaison Committees, in December 2018.

The Council of Ministers further discharged its mandate on issues presented to it by the SACU Commission and the SACU Secretariat, in accordance with the SACU Agreement, 2002, and the revised Rules of Procedure for the Council of Ministers.

### **The SACU Commission**

In accordance with Article 8 of the SACU Agreement, the SACU Commission is mandated to ensure the implementation of the SACU Agreement and the decisions of the Council of Ministers. Consequently, the SACU Commission convened quarterly meetings during this year under review, as follows:

- (a) 4 - 5 April 2017, in Windhoek, Namibia;
- (b) 19 - 20 June 2017, in Ezulwini, Eswatini;
- (c) 19 - 20 September 2017, in Muldersdrift, South Africa; and

- (d) 5 - 6 December 2017, in Windhoek, Namibia.

In accordance with the SACU Agreement and the Rules of Procedure for SACU Institutions, the SACU Commission submitted recommendations to the Council of Ministers for consideration and decision. The issues covered trade, finance as well as institutional matters, as reflected in the other Chapters of this Report.

### **The SACU Secretariat**

In accordance with Article 10 of the SACU Agreement, the SACU Secretariat continued to discharge its mandate of ensuring the day-to-day administration of SACU. During the period under review, the SACU Secretariat facilitated and provided technical support to the meetings of the SACU Summit, Council of Ministers, SACU Commission and the Finance and Audit Committee. The SACU Secretariat further coordinated and monitored the implementation of the decisions of the SACU Summit and the Council of Ministers, particularly in relation to the attainment of the key deliverables in the Work Programme for the Ministerial Task Teams. The SACU Secretariat also continued to coordinate and assist the SACU Member States in their negotiations of Trade Agreements with third parties as well as the implementation of these Agreements, as reported in other Chapters of this Report.

### **Challenges during the year under review**

- (a) The consideration of the revisions to the Rules of Procedure for the SACU Institutions, took longer than had been planned. The revised Rules of Procedure were finally adopted in December 2017.
- (b) Following the approval of the Work Programme for the Ministerial Task Teams on Finance and Trade and industry, there was a slow pace at the commencement of the implementation of the activities. The momentum only strengthened towards the end of the Financial Year.

### **Outlook for the financial year 2018/19**

It is expected that implementation of the Work Programme for the Ministerial Task Teams, will continue. It is also expected that the institutions of SACU that are operational will achieve their initiatives as mandated.

## 5<sup>th</sup> SACU Summit in Eswatini



*His Majesty King Mswati III of the Kingdom of Eswatini (centre), His Excellency President Jacob Zuma of the Republic of South Africa, His Excellency Mokgweetsi Masisi, Vice President of the Republic of Botswana, Right Honourable Barnabas Dlamini, Prime Minister of the Kingdom of Eswatini, with the Executive Secretary of SACU, Ms. Paulina M. Elago and Honourable Calle Schlettwein, Minister of Finance of Namibia and Ms. Motena Tsolo, Chief Executive in the Department of Economic Policy and Development Planning of Ministry of Finance of Lesotho.*

*From left to right: Hon. Calle Schlettwein, Minister of Finance of the Republic of Namibia; Hon. Jabulani Mabuza, Minister of Commerce, Trade and Industry of the Kingdom of Eswatini; Hon. Kenneth Matambo, Minister of Finance and Development Planning of the Republic of Botswana; Hon. Martin G. Dlamini, Minister of Finance of the Kingdom of Eswatini; Ms. Paulina M. Elago, SACU Executive Secretary; Hon. Dr. Rob Davies, Minister of Trade and Industry of the Republic of South Africa and Hon. Sfiso Buthelezi, Deputy Finance Minister of the Republic of South Africa.*



*SACU Commission Members at the 44<sup>th</sup> SACU Commission Meeting in Ezulwini, Eswatini, in June 2017.*





# CHAPTER 2

## Trade Facilitation and Revenue Management

### Introduction

This Chapter provides highlights and milestones achieved in the area of Trade Facilitation and Revenue Management. This entails, amongst others, simplification of the cross-border movement of goods and the facilitation of equitable sharing of revenue amongst the SACU Member States. The Chapter also highlights challenges experienced during the year under review and the outlook for the Financial Year, 2018/19. The following are the key highlights and achievements of the **Trade Facilitation and Revenue Management Programme in the 2017/18 Financial Year:**

- (a) as part of the implementation of the Customs Modernisation Programme, the following were achieved:
  - (i) **Trade Partnerships:** developed the SACU Preferred Traders Programme Internal and External Procedure Manuals, as working documents pending the completion of Annex to the SACU Agreement on Mutual Recognition. Trained 25 Customs Trainers to increase the pool of Trainers in the Member States on the Preferred Traders Programme;
  - (ii) **Customs Legislative Framework:** completed the legal assessment on data protection to support the implementation of Annex E to the SACU Agreement on Mutual Administrative Assistance in the SACU Member States, and also supported drafting of the Annex on Mutual Recognition of Preferred Traders;
  - (iii) **IT Connectivity:** developed the Blueprint to standardise interconnectivity of Customs IT Systems in SACU; and
  - (iv) **Risk Management Enforcement:** concluded the draft SACU Customs Compliance Management Strategy. The Strategy will be finalised in the 2018/19 Financial Year.

- (b) developed the Exit Strategy to facilitate completion of the WCO-SACU Connect Project in December 2018.
- (c) coordinated the work of the Ministerial Task Team on Finance which included the review of the revenue sharing arrangement, establishment of a Stabilisation Fund and exploring the feasibility of establishing a Regional Financing Mechanism for SACU-wide Projects and Industrialisation;
- (d) provided technical support to Statistics Botswana, to re-configure the EUROTRACE domain and interface the system with the new Custom Management System introduced by the Botswana Unified Revenue Services; and
- (e) facilitated the process for the determination of the revenue shares.

**Below are the summary briefs of the key highlights listed above:**

### (a) Customs Modernisation Programme

The SACU Customs Modernisation Programme is anchored on Trade Partnerships; Customs Legislative Framework; IT Connectivity; and Risk Management and Enforcement. The key highlights are enshrined in the components of the Programme, as outlined below;

- (i) **Trade Partnership** consist of the *Preferred Trader Programme (PTP)* and the *Stakeholders Engagement*. The PTP seeks to promote traders' compliance with the Government laws and regulations. The *Stakeholders Engagement* seeks to promote partnership between Customs and the Private Sector through the established National and Regional Customs Trade Forums. For the period under review, the SACU Member States developed the regional Preferred Trader Programme core competencies training of trainers Modules and the related materials.

As a result, the Modules were used to train 25 Customs Trainers in order to increase capacity and to build a pool of Customs Trainers on the Preferred Traders Programme in all the SACU Member States. Further, South Africa launched the national Preferred Traders Programme. Botswana, Eswatini, Lesotho and Namibia continued to pilot their national Preferred Traders Programmes.

- (ii) Customs Legislative Framework focuses on alignment of the Customs legislations in the SACU Member States. During the period under review, the SACU Member States completed the legal assessment on data protection to support the implementation of Annex E to the SACU Agreement on Mutual Administrative Assistance. As an outcome of the legal assessment, Member States commenced with the development of bilateral Mutual Arrangements, which is an administrative instrument, to facilitate the protection of personal information when information is exchanged between the SACU Member States. Eswatini and South Africa have concluded the draft which will be signed between their Customs Administrations in the 2018/19 Financial Year. Other Member States' Customs Administrations have commenced drafting their bilateral Mutual Arrangements. SACU Member States also continued to draft the Annex to the SACU Agreement on Mutual Recognition for SACU Preferred Traders. The Annex will serve as a regional legal framework to facilitate the mutual recognition of Traders accredited under the Member States' Preferred Trader Programme.
- (iii) IT Connectivity seeks to facilitate the connectivity of Customs Systems to enable the automated exchange of data on trade transactions between the Customs Administrations. The full implementation of IT Connectivity in SACU will contribute to expedited clearance of goods. During the period under review, Member States concluded the SACU IT Connectivity Blueprint, which addresses the standardisation of technical IT interfaces between the Member States' Customs Management Systems.
- (iv) Risk Management and Enforcement seeks to facilitate the implementation of regional initiatives to adopt a common approach on

detection, management and treatment of risk, compliance and enforcement thereof. For the period under review, the SACU Member States developed a draft SACU Customs Compliance Management Strategy which aims to augment the Regional Customs Risk Management Strategy. The draft will be approved in the 2018/19 Financial Year.

**(b) Develop an Exit Strategy for the WCO-SACU Connect Project**

During the year under review, an Exit Strategy was developed to facilitate completion of the WCO-SACU Connect Project in December 2018. This will assist to mainstream the outcomes of the WCO-SACU Connect Project into the SACU Trade Facilitation Programme. This will also ensure continuity and sustainability of the Customs reform and modernisation at a regional level when the Project comes to an end in December 2018.

**(c) Review and develop a comprehensive SACU Trade Facilitation Programme**

The SACU Member States have agreed to review and develop a comprehensive SACU Trade Facilitation Programme that considers the trade facilitation activities currently pursued by the SACU Member States at national, regional and global levels. To this end, SACU commissioned the Study to review and streamline the SACU Trade Facilitation Programme. The objective of the Study is to assess the effectiveness and adequacy of the programme in improving the trade environment and enhancing regional competitiveness. The outcome of the Study will be used as an input to the work of the Ministerial Task Teams on "strengthening existing cooperation and collaboration on Trade Facilitation to improve border efficiencies".

**(d) Implementation of the Work Programme of the Ministerial Task Teams**

The Secretariat facilitated and supported the implementation of the Work Programme of the Ministerial Task Teams. Some of the activities undertaken include a Workshop on the Review of the Revenue Sharing Arrangement, which was

attended by the SACU Member States. Experts from international organisations which include the European Union (EU), World Bank and International Monetary Fund were invited to share their experiences, and from which SACU could draw lessons. The Workshop was held on 19-20 October 2017 in Johannesburg, South Africa.

The international experts shared their experiences on namely;

- (i) EU's Regional Development Fund, Social Fund and Cohesion Fund,
- (ii) investment project financing instruments from the World Bank,
- (iii) approaches and perspectives on the establishment of Stabilisation Funds and
- (iv) the EU's Stability Mechanism.

#### **(e) Technical Support to Statistics Botswana**

The Secretariat, at the request of Statistics Botswana, provided technical assistance to re-configure the Eurotrace domain and interface it with the new Customs Management System that has been introduced by the Botswana Unified Revenue Service. The technical assistance also facilitated the migration of the domain to Eurotrace Structured Query Language (SQL) from the Access platform. The mission was undertaken in two phases on 31 July to 4 August 2017 and 6 to 15 November 2017.

To use the capacity that has been built within the SACU region, the Secretariat was accompanied by an official from the Eswatini Revenue Authority, who is acquainted with the IT aspects of the Eurotrace software.

#### **(f) Facilitation of the Process for the Determination of Revenue Shares**

During the period under review, the Secretariat facilitated the process that determines the revenue shares for the Member States. The revenue sharing process coincided with the continued world economy's recovery since the mid- 2016. The growth rate for 2016 was recorded at 3.3 percent which further improved to 3.7 percent in 2017 as per the IMF World Economic Outlook. The slight recovery in the global economy had a minimal positive impact on the Common Revenue Pool (CRP) performance as it recorded an overall surplus of R100 million in 2015/16.

In 2015/16, the actual CRP collections exceeded the forecast by R100 million, however, customs revenue recorded a negative variance of R802 million and excise revenue with a surplus of R902 million. This was incorporated into the Member States' revenue shares for 2017/18. Table 1 below presents a comparison of the 2017/18 and 2016/17 revenue shares for the Member States, which includes the adjustments for the 2015/16 outturn.

The overall revenue shares for all Member States increased in the 2017/18 Financial Year in comparison to the shares received in 2016/17. The highest increase was recorded by Botswana (48.1 percent), followed by Namibia (39.3 percent) with the lowest by South Africa (9.6 percent). Eswatini and Lesotho experienced an increase of 35.4 percent and 36.2 percent, respectively.

#### **Challenges during the year under review**

During the year under review, challenges identified were:

- (a) delays encountered towards the conclusion of the Study to review and streamline the SACU Trade Facilitation Programme, which impacted the timely delivery of the final Report.

**Table 1: Member States' Revenue Shares (Billion Rand) for 2016/17 and 2017/18**

Financial year	Botswana		Eswatini		Lesotho		Namibia		South Africa	
	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18
Revenue shares	18.6	23.3	6.3	7.2	5.5	6.2	17.0	19.8	39.2	43.1
Adjustments	-3.1	-0.2	-1.1	-0.05	-1.0	-0.04	-2.9	-0.2	0.7	0.6
Total	15.5	23.0	5.3	7.1	4.5	6.2	14.1	19.6	39.9	43.7
% Change		48.1		35.4		36.2		39.3		9.6

Source: SACU Secretariat

### Outlook for the financial year 2018/19

Trade Facilitation and Revenue Management will focus on the activities below:

- (a) technical support to the SACU Member States towards the implementation of the outcomes of the WCO-SACU Connect Project;
- (b) facilitating the work of the Ministerial Task Team on Trade and Industry, which includes the conclusion of the review of the SACU Trade Facilitation Programme and the development of a Comprehensive SACU Trade Facilitation Programme;
- (c) facilitating the work of the Ministerial Task Team on Finance which includes the review of the revenue sharing arrangement, establishment of a Stabilisation Fund and exploring the feasibility of establishing a Regional Financing Mechanism for SACU-wide Projects and Industrialisation;
- (d) concluding the trade data audits in the Member States and presenting a report to the Commission; and
- (e) coordinating and providing technical support to the trade data reconciliation process.



# CHAPTER 3

## Policy Development and Research

### Introduction

This Chapter provides an overview of the activities of the Secretariat in Policy Development, Research and Trade Negotiations and support to the implementation of the SACU Work Programme. These included facilitation and coordination of the development of SACU common policies and strategies towards industrial development, as well as the integration of the SACU Member States into the global economy through trade negotiations for preferential markets. Furthermore, work in this area included undertaking research to inform policy developments and trade negotiations.

### Key highlights for the year under review

The following are the key highlights and achievements of the Policy Development, Research and Trade Negotiations Programme in the 2017/18 Financial Year (FY):

- (a) technical support, coordination and funding of Member States' consultative Meetings in preparation for the African Continental Free Trade negotiations and SACU Member States signing the AfCFTA Declaration during the 10<sup>th</sup> AU Extra-Ordinary Summit held on 21 March 2018 in Kigali, Rwanda;
- (b) continued technical support to the SACU Member States in the COMESA-EAC-SADC Free Trade Agreement (TFTA) negotiations and signing of the TFTA by South Africa and Botswana on 7 July 2017 and on 30 January 2018, respectively;
- (c) commencement of a UK-SACU plus Mozambique Dialogue to roll-over the EU-SADC Economic Partnership Agreement (EU-SADC EPA) into a new agreement which will come into force when the UK exits the EU;
- (d) finalisation and submission of the SACU Offer on the SACU-India Preferential Trade Agreement to India;
- (e) convening the 1<sup>st</sup> Review Meeting of the Free Trade Agreement between SACU and the European Free Trade Association (EFTA);
- (f) full implementation of the Preferential Trade Agreement between SACU and the Common Market for the South (MERCOSUR);
- (g) submission of SACU's initial offer for the Review of the SADC Rules of Origin on textile and clothing;
- (h) consolidation of the Member States' national position papers in relation to Public Policy Interventions and Tools to promote industrial development and value chains;
- (i) Secretariat consolidated Member States' national position papers in relation to Architecture for tariff setting, application of tariffs, rebates, refunds, duty drawbacks and trade remedies;
- (j) commissioning of the SACU-EFTA Study to assess the export market and investment opportunities in EFTA; and
- (k) participation in the African Growth and Opportunity Act (AGOA) Forum.

Below are the summary briefs of the key highlights identified above:

### The African Continental Free Trade Agreement (AfCFTA) Negotiations

During the period under review, the negotiations for the AfCFTA intensified. As a result, there were several engagements that took place at all levels of the AfCFTA negotiating structures to advance the work of establishing the AfCFTA.

The SACU Secretariat played a pivotal role in the AfCFTA negotiations by coordinating the SACU Member States' position and providing technical advice. This included convening and facilitating consultative meetings prior to each round, briefing sessions for Member States. In total, the Secretariat convened and funded five (5) Consultative Meetings in preparation for the AfCFTA-Technical Working Group Meetings, while four (4) Consultative Meetings were held prior to the rounds of negotiations by the AfCFTA-Negotiating Forum. This practice was also extended to three (3) briefing sessions for the SACU Senior Trade Officials (STOs) and SACU Ministers of Trade and Industry to prepare for AU-STOs and the African Ministers of Trade (AMOT) Meetings, respectively.

The consultative process within SACU prior to AfCFTA Meetings assisted the Member States in forging a common understanding of the negotiating issues, thereby effectively and successfully advancing their common position during the AfCFTA negotiations.

The highlight for the period under review was the 10<sup>th</sup> Extraordinary Summit held on 21 March 2018 in Kigali, Rwanda, where forty-four (44) AU Member States signed the AfCFTA Agreement, and forty-seven (47) AU Member States signed the Declaration launching the AfCFTA. All other SACU Member States only signed the Declaration, while Eswatini also signed the AfCFTA Agreement.

### **COMESA-EAC-SADC Tripartite Free Trade Agreement (TFTA) Negotiations**

The TFTA negotiations aim to establish a single market for 26 African countries with a combined population of about 700 million people (57% of Africa's population) and Gross Domestic Product (GDP) above USD 1.4 trillion once fully implemented.

As a Customs Union with a common external tariff for trade with third parties, SACU Member States engage as a group in the TFTA negotiations. The Secretariat continued to provide support to the Member States' participation in the TFTA negotiations on the outstanding issues. This was in relation to facilitating the development of common positions and approach prior to the negotiating rounds. In this respect, seven (7) Consultative Meetings were organised in preparation for the Meetings of the TFTA organs, being the Technical Working Group on Rules of Origin, Tripartite Negotiation Forum

(TTNF), Tripartite Committee of Senior Officials and the Tripartite Sectoral Ministerial Committee. As a result, SACU continued to play a key role in the TFTA negotiations, particularly on tariff liberalisation, Rules of Origin, Trade Remedies, and Dispute Settlement.

SACU continues to provide leadership with respect to tariff negotiations in the TFTA. Although not finalised, negotiations with the Eastern African Community (EAC) are at an advanced stage.

Furthermore, the Secretariat facilitated bilateral negotiations with Egypt.

Launched in June 2015, thus far, twenty-one (21) Member/Partner States have signed the TFTA Agreement. Within SACU, four (4) Member States have signed, namely, Botswana, Eswatini, Namibia, and South Africa. Lesotho is in the process of undertaking national consultations to sign the TFTA Agreement. This is a clear demonstration and commitment of the SACU region to wider continental economic integration. The Agreement will come into force upon ratification by two-thirds of the Member/Partner States. By the end of the period under review, only two (2) countries had ratified the Agreement.

### **UK-SACU plus Mozambique Dialogue**

SACU and Mozambique, as part of the EU-SADC Economic Partnership Agreement (EPA) Group commenced a Dialogue with the UK on a Trade Agreement, to ensure predictability and continuity of market preferences post-Brexit. This followed the UK's decision of 23 June 2016 to leave the EU. All the SACU Member States are parties to the Economic Partnership Agreement between SADC and the EU, which entered into force on 1 November 2016. The UK's exit from the EU presents challenges for the SADC-EPA Configuration and necessitates a new trade arrangement to ensure that there is no trade disruption between the parties.

To this end, a SACU-UK Ministerial roundtable discussion was held on 19 July 2017 in Johannesburg, South Africa. The Ministerial dialogue agreed that the EU-SADC EPA should be rolled-over into a new agreement. It was agreed that this process should maintain the existing EPA provisions while focusing on technical amendments to ensure that the new proposed agreement would be operational by the

time the UK exits the EU. A notable achievement was the adoption of the roadmap and Terms of Reference to guide the dialogue by the Joint Senior Officials during a Meeting held on 13-14 October 2017.

The Secretariat successfully coordinated six (6) SACU internal and SACU plus Mozambique Consultative Meetings, and four (4) Joint Technical and Senior Officials Meetings with the UK. The Secretariat has been playing a key role in the engagement through the provision of technical support to SACU and Mozambique as well as facilitating the Meetings with the UK. By the end of the year under review, the Parties had exchanged textual proposals and negotiations at the technical level were on-going.

### **SACU-India Preferential Trade Agreement Negotiations**

Negotiations towards a Preferential Trade Agreement between SACU and India commenced in 2008. However, the tariff preference request lists were only exchanged in January 2012. During the period under review, a regional engagement to review the SACU Offer to India continued. The aim of the review was to improve the offer in terms of product coverage as well as the margins of preference. In September 2017, Member States concluded their consultations. It is anticipated that the Joint SACU-India Senior Trade Officials Meeting will be held during the second half of 2018, to resume the negotiations and to agree on the way forward in order to advance the negotiations process.

### **Free Trade Agreement (FTA) between SACU and the European Free Trade Association (EFTA)**

The Free Trade Agreement (FTA) between SACU Member States and European Free Trade Association (EFTA) States, consisting of Iceland, Liechtenstein, Norway and Switzerland entered into force in May 2008. The main objective of the FTA is to achieve the liberalisation of trade in goods. The Agreement distinguishes between Industrial Products, Processed Agricultural Products and Basic Agricultural Products. The FTA provides for a gradual implementation over a period of nine (9) years with provisions to review it thereafter. The review of the FTA commenced in 2016. In November 2016, the two parties agreed on the modalities, scope and coverage of the review and to have two (2) to three (3) engagements during the 2017/18 FY.

In 2017, SACU commenced its regional consultations in order to prepare for the review of the Agreement, to consolidate its market access request to EFTA and to formulate the EFTA offers. The Review includes Trade in Goods for the BAPs, PAPs where both SACU and EFTA are seeking better market access. The work culminated in the First Joint SACU-EFTA Review Meeting which was held in January 2018 in Geneva, Switzerland. The Meeting was a major achievement in terms of fulfilling the requirements of the FTA to hold the Review Meetings as well mapping a way forward in the review process. The negotiations under the review of the FTA are on-going, with the Second Review Meeting scheduled for May 2018 to continue the engagements.

In July 2017, the Secretariat commissioned a Study to assess the Export Market and Investment Opportunities in the EFTA. The objective of the Study was to assess SACU's export potential into the EFTA market and identify potential investment opportunities that SACU could tap into. The study assisted the SACU Member States with the knowledge of the EFTA market, in terms of the export market and investment opportunities; and how best to take advantage of the SACU-EFTA FTA and improve the economic and trade performance of the SACU region.

### **Preferential Trade Agreement between SACU and the Southern Common Market of the South (MERCOSUR)**

SACU activities on SACU-MERCOSUR PTA were geared towards the full implementation and operationalisation of the Agreement. The SACU-MERCOSUR PTA was signed in 2008 and came into force on 1 April 2016, following the deposit of Instruments of Ratification by all the signatory parties.

As provided for in the PTA, the Parties held their inaugural Joint Administration Committee Meeting on 25-26 May 2017, to consider implementation issues. At that Meeting, the Parties agreed on a number of issues to be undertaken to ensure the full operationalisation of the Agreement.

In this regard, SACU concluded the following legislative amendments; exchange of the specimen impression of stamps and signature for the Certificate of Rules of Origin; exchange of contact points on SPS, TBT and Customs Cooperation matters

and inputs on the Rules of Procedure for the Joint Administration Committee.

### **SADC Protocol on Trade**

The SACU Secretariat continued to monitor the developments on the implementation of the SADC Protocol on Trade, especially on issues which affect SACU. These include the Review of the SADC Rules of Origin on textiles and clothing, the Rules of Origin for wheat flour and the comprehensive review of SADC Rules of Origin.

In this regard, the Secretariat coordinated SACU's position on textile and clothing tariff lines which Member States proposed to be moved from double to single stage transformation. The Secretariat facilitated the regional consultative process of developing SACU's position which was approved by the 32<sup>nd</sup> Meeting of the SACU Council, and thereafter transmitted to the SADC Secretariat.

### **Economic Partnership Agreement between the European Union (EU) and the Southern African Development Community (EU-SADC EPA)**

The Secretariat coordinated the Member States' implementation of the EU-SADC EPA which came into force on 10 October 2016, on aspects that have a regional dimension. In this regard, the Secretariat has been facilitating the process for the allocation, monitoring of the utilisation and reallocation of unused quotas for the nine (9) products on which SACU offered Tariff Rate Quotas (TRQs) to the EU. These are: Pork, Pig fat, Butter, Cheese, Barley, Wheat, Cereal Based Food Preparations, Ice Cream and Mortadella Bologna. While the development of the permanent TRQ Management System is ongoing, the Secretariat continues to transmit quota utilisation to the EU.

The Secretariat hosted two (2) SACU Consultative Meetings prior to SADC EPA Meetings. The Secretariat also coordinated the process of SACU Member States' nominees for arbitrators in accordance with Article 94 of the EPA, as well as the development of the Code of Conduct for Arbitrators and the Rules of Procedure for Dispute Settlement.

A key highlight for the year under review is that the Special Committees to address specific implementation issues established under the

Agreement convened their inaugural Meetings. Further, the Parties adopted that Rules of Procedure for the Trade and Development Committee, to be used for developing the Procedures for the Joint Council for the EU-SADC EPA.

### **African Growth and Opportunity Act (AGOA)**

The SACU Secretariat attended and facilitated a consultative meeting for SACU Member States in preparation for the 2017 AGOA Forum. AGOA remains a key instrument for preferential market access of key SACU exports for the US.

### **SACU Public Policy Interventions and Tools to promote regional industrialisation and value chains;**

Member States commenced work towards the development of public policy interventions and tools to promote regional industrialisation and cross-border value chains as well as the review and development of a Suitable Architecture for Tariff Setting, Application of Tariffs, Rebates, Refunds or Duty Drawbacks and Trade Remedies as part of the broader Ministerial Work Programme. To this end, the Secretariat convened two Workshops in August and September 2017, for Member States to develop a common understanding on these issues. Following the Workshops, the Secretariat facilitated and coordinated the Member States' positions in both areas with the view to identify issues that require further work.

### **Challenges during the year under review**

During the year under review, challenges identified were:

- (a) a congested trade negotiating agenda;
- (b) the volume of technical work that needed to be undertaken, particularly in relation to tariff liberalisation process, affected the human capacity at the Member States and Secretariat levels and resulted in delays in coordinating common positions amongst others; and
- (c) the slow pace of concluding national consultations in respect of implementation of Ministerial Task Teams Work Programme

## The Outlook for financial year 2018/19

The Policy Development, Research and Trade Negotiations Directorate will focus on the activities below during the 2018/19 FY:

The Secretariat will continue to support the Member States in their negotiating Agenda, including negotiations and implementation of Agreements. This will entail:

- (a) coordination of SACU's position on the AfCFTA Built-in Agenda, especially tariff negotiations and General/Product Specific Rules of Origin;
- (b) completion of the bilateral tariff negotiations with the EAC under the TFTA;
- (c) conclusion of the legal text to roll-over the EU-SADC EPA into a new agreement between the UK, SACU and Mozambique;
- (d) completion of the review of the SACU-EFTA FTA and the implementation thereof, as well as coordination of the implementation of the recommendations from the SACU-EFTA Market Access Study;
- (e) coordination of the implementation by the SACU Member States, of the Economic Partnership Agreement between the EU and the SADC EPA States;
- (f) facilitation of the Work Programme towards the development of public policy interventions and tools to promote industrial development and value chains; as well as the review and development of a suitable architecture for tariff-setting, application of tariffs, rebates, refunds or duty drawbacks and trade remedies.



# CHAPTER 4

## Secretariat's Operating Environment

### Introduction

This chapter provides an overview of activities undertaken in the areas of Finance, Human Resources, Procurement, Records and Information Management, Information and Communications Technology (ICT) and Facilities and Administration.

### Key highlights for the year under review

The following are highlights and achievements under Corporate Services for the 2017/18 Financial Year:

- (a) major upgrade of the financial system, SAP Business One;
- (b) review of the Conditions of Service
- (c) review of the Secretariat's Policies
- (d) development of a Disaster Recovery Plan;
- (e) staff recruitment; and
- (f) team-building for the Secretariat and continued Wellness Programmes.

The Secretariat's focus was on continuing to improve the efficiency of operational processes to service the Secretariat and the Member States. Therefore, various activities were undertaken and completed, in line with the approved Business Plan.

Below are the summary briefs of the key highlights above.

#### (a) Major upgrade of the financial system, SAP Business One

During the year under review, a major upgrade of the financial system, SAP Business One, to the latest version, was concluded successfully.

#### (b) Review of the Conditions of Service

Review of the Conditions of Service is ongoing. This is being undertaken by a sub-committee of the Finance Audit Committee which will progress it to the Council of Ministers once completed.

#### (c) Review of the Secretariat's Policies

The following revised Policies were approved by the Council of Ministers and rolled-out:

- (i) Financial Policy and Guidelines;
- (ii) Procurement Policy and Procedures;
- (iii) Investment Policy and Procedures;
- (iv) Travel Policy and Procedures;
- (v) Fixed Assets Policy and Procedures;
- (vi) ICT Security Policy and Procedures;
- (vii) Communication Device Policy;
- (viii) Bring Your Own Device Policy;
- (ix) Risk Management Policy and Procedures;
- (x) Records Management Policy; and
- (xi) Fleet Management Policy and Procedures.

#### (d) Development of New Policy

A Health and Safety Policy was approved by the Council of Ministers on 8 December 2017. The Policy regulates a safe and healthy environment for secretariate staff, contractors and visitors in line with relevant regulatory requirements as provided by the national laws and regulations on health and safety standards.

#### Development of a Disaster Recovery Strategy and Plan

Following approval of the Business Continuity Policy, the Secretariat developed its Disaster Recovery Plan and Strategy.

#### Staff Recruitment

As part of strengthening the capacity of the Secretariat, staffs was recruited into the organisation to fill some key positions, following the end of contracts and the creation of additional positions.

The following vacancies were filled:

- (i) Records and Information Officer;
  - (ii) ICT Technician;
  - (iii) Facilities and Administration Assistant;
  - (iv) Human Resources Officer;
  - (v) Accountant;
  - (vi) Trade Negotiations Coordinator x 2;
  - (vii) Trade Data Analyst;
  - (viii) Internal Auditor; and
  - (ix) Director: Policy Development and Research.
- (e) **Enhancement of the Performance Management Process**

The Secretariat continued to ensure that the highest levels of performance and professionalism are maintained and to this extent, the existing Performance Management System was enhanced through a review process.

The Performance Management System plays a key role in motivating and retaining staff through rewarding performance. The Performance Management System was also complemented by staff development and training, which served to build capacity in areas which were identified through the organisational Skills Assessment exercise.

- (f) **Team-building for the Secretariat and continued Wellness Programmes**

The Secretariat promotes a culture of working as a unitary team. A team-building session was held from 27 February 2018 to 1 March 2018. The

session was robust, interactive, informative and motivating. It covered teambuilding, strategy planning, communication and motivational sessions. The team-building session was highly appreciated by staff. It prepared them to begin a new financial year with a better organisational focus, and as a strong team which shares the same goals. Further, the Secretariat undertook a staff wellness initiative.

### **Challenges during the year under review**

The challenges identified during the year under review are as follows:

- (a) the implementation of the IDU reporting module in the budgeting system was delayed as the system required special customisation.
- (b) the revision of the Conditions of Service was not completed and further consultations with the Member States were required.

### **The Outlook for financial year 2018/19**

The planned activities to achieve during the 2018/19 Financial Year are as follows:

- (a) improvements to the financial reporting standards;
- (b) development of an ICT Governance Framework;
- (c) implementation of the ICT Strategy;
- (d) continued review of the Conditions of Service; and
- (e) implementation of the Online Performance Management system.

## Visit to the SACU Secretariat Headquarters by His Excellency Lt. Gen. Dr. Seretse Khama Ian Khama, the President of the Republic of Botswana and the Chairperson of Summit of Heads of State or Government in February 2018



*H.E. Lt. General Dr. Seretse Khama Ian Khama, President of the Republic of Botswana and Chairperson of the SACU Summit of Head of States or Government, together with Hon. Vincent T. Seretse, Minister of Investment, Trade and Industry of the Republic of Botswana; Hon. Calle Schlettwein, Minister of Finance of the Republic of Namibia; Ms. Paulina. M. Elago, Executive Secretary of SACU and the SACU Executive Committee Members.*



*H.E. Lt. General Dr. Seretse Khama Ian Khama, President of the Republic of Botswana and Chairperson of the SACU Summit of Head of States or Government, together with Ms. Paulina. M. Elago, Executive Secretary of SACU.*



*Secretariat staff following the visit of H.E. Lt. General Dr. Seretse Khama Ian Khama, President of the Republic of Botswana and Chairperson of the SACU Summit or Head of States or Government to the Headquarters.*



## Secretariat's Corporate Social Investment Activities

During the period under review, the Secretariat supported three community projects as part of its Corporate Social Investment (CSI). The CSI is an initiative that aims to contribute to development of community projects whilst enhancing the SACU brand recognition in the Member States. A total of R160,000.00 was spent in this regard.

In November 2017, a donation of educational materials and other necessities valued R45,000.00 were donated to the Megameno Children's Home. This is a non-profit organisation that serves as a shelter for the orphan and vulnerable children. The shelter had 24 children under its care.

During the SACU Roadshow Campaign held in Windhoek, Namibia, in March 2018, the Secretariat donated computers, a binding machine and an air conditioner to the Namibian Federation of the

Visually Impaired Center, worth R60,000. The Centre is a non-profit organisation that provides training and rehabilitation courses such as braille, community-based rehabilitation and computer training for the visually impaired in the country.

Additionally, educational materials and a new toilet facility worth R55,000.00 were donated to the Tuyakula Kindergarten and Pre-Primary School. The Kindergarten and Pre-Primary School is located in Havana, Katutura, Khomas Region.

Going forward, the Secretariat intends to continue supporting deserving community initiatives in all five Member States, to positively impact the lives of the SACU communities.



*Ms. Paulina M. Elago, the Executive Secretary of SACU, with Mr. Benedict Likando, the Deputy Director: Legal, Enforcement and International Matters at the Ministry of Finance, and Mr. Tobias Mumoye, the Chairperson of the Board of Directors of the Service Centre for the Visually Impaired in Namibia, Members of the Namibia Roadshow Organizing Committee and some of the students and staff members at the Service Centre during the handover of equipment.*



Ms. Paulina M. Elago, SACU Executive Secretary, hands over four computers, a binding machine and the air-conditioner to Mr. Tobias Mumoye, the Chairperson of the Board of Directors of the Service Center of the Visually Impaired.



Ms. Paulina M. Elago, the Executive Secretary of SACU, hands over items to Honourable Ruben Sheehama, the Councillor for Katutura East Constituency, who received the items on behalf of the Megameno Children Home in November 2017 in Katutura, Windhoek, Namibia, together with Ms. Emily Nguvauva, the Senior Customs International Relations Officer at the Ministry of Finance and Ms. Maria Shalukeni of the Megameno Children's Home.



*The Executive Secretary of SACU, Ms. Paulina M. Elago, handing over the study materials to the Councillor of the Moses Garoeb Constituency, Honourable David Martin, and the Principal of Tuyakula Kindergarten and Pre-primary School, Ms. Asteria Josephat.*



*Learners of the Tuyakula Kindergarten and Pre-primary School receiving their items.*

# ANNEX 1

## SACU Member States' Economic Performance

### Global Economic and International Trade Outlook for 2017/18

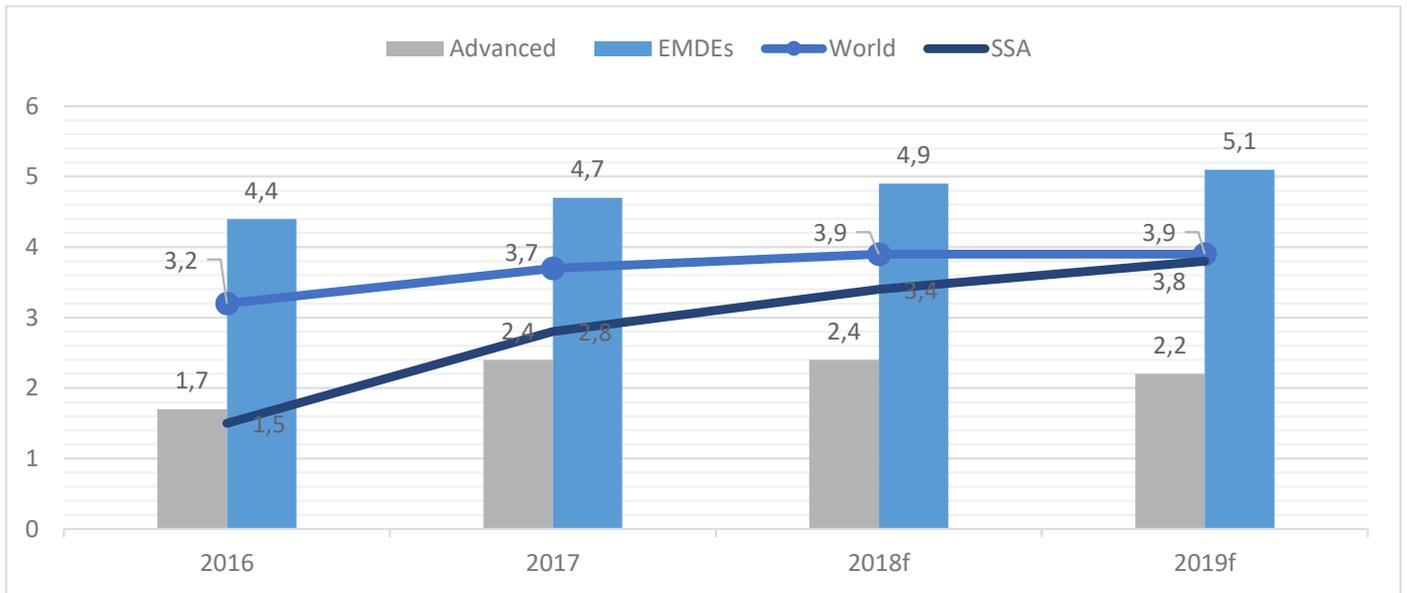
The world economic activity continued to firm towards recovery since the middle of 2016 albeit with unsynchronised expansions and amid mounting trade tensions. According to the IMF World Economic Outlook (WEO), October 2018, the global economy recorded 3.3 percent growth compared to 3.7 percent in 2017. The global growth estimates for both 2018 and 2019 have been revised downwards to 3.7 percent. However, growth in advanced countries improved from 1.7 percent in 2016 to 2.3 percent in 2017. Growth is expected to remain subdued with projected growth of 2.4 percent in 2018 and later slightly reducing momentum to 2.1 percent in 2019. The Emerging Market and Developing Economies (EMDEs) experienced higher growth compared to the global output with 4.4 percent in 2016 compared to 4.7 percent in 2017. Looking ahead, the EMDEs are projected to remain at similar growth levels of 4.7 percent for both 2018 and 2019.

The performance of some major economies such as the US is picked-up amid sound fiscal stimulus, robust private final demand and growing imports. The US economy is recorded 1.6 percent in 2016 which later improved in 2017 to 2.2 percent. It is

further expected to grow by 2.9 and 2.5 percent in 2018 and 2019 respectively. However, growth for the Eurozone, Japan and the UK has been revised downwards, owing to lower than expected economic activity in early 2018. The growth in the EMDEs remained uneven amid rising oil prices, potential trade wars, and pressure on some currencies whose economies exhibit weaker fundamentals and political uncertainty. In China for instance, growth was 6.7 percent in 2016 and recorded 6.9 percent in 2017 as the government implemented tighter financial sector regulations while external demand softened. Similarly, India's economy grew by 7.1 percent in 2016 compared to 6.7 percent in 2017. It is expected to further maintain the 2017 momentum with projected growth rates of 7.3 percent and 7.4 percent in 2018 and 2019 respectively.

Growth in Sub-Saharan Africa (SSA) remained relatively subdued and recorded a growth rate of 1.4 percent in 2016 which remarkably improved to 2.7 percent in 2017. It is further expected to improve to 3.1 percent and 3.8 percent in 2018 and 2019 respectively. This growth trajectory is largely buoyed by Nigeria, amid an improved outlook of crude oil prices. Figure 1 depicts world and regional growth rates for the period 2016 to 2019.

**Figure 1: World and Regional Economic Growth Rates: 2016-2019**



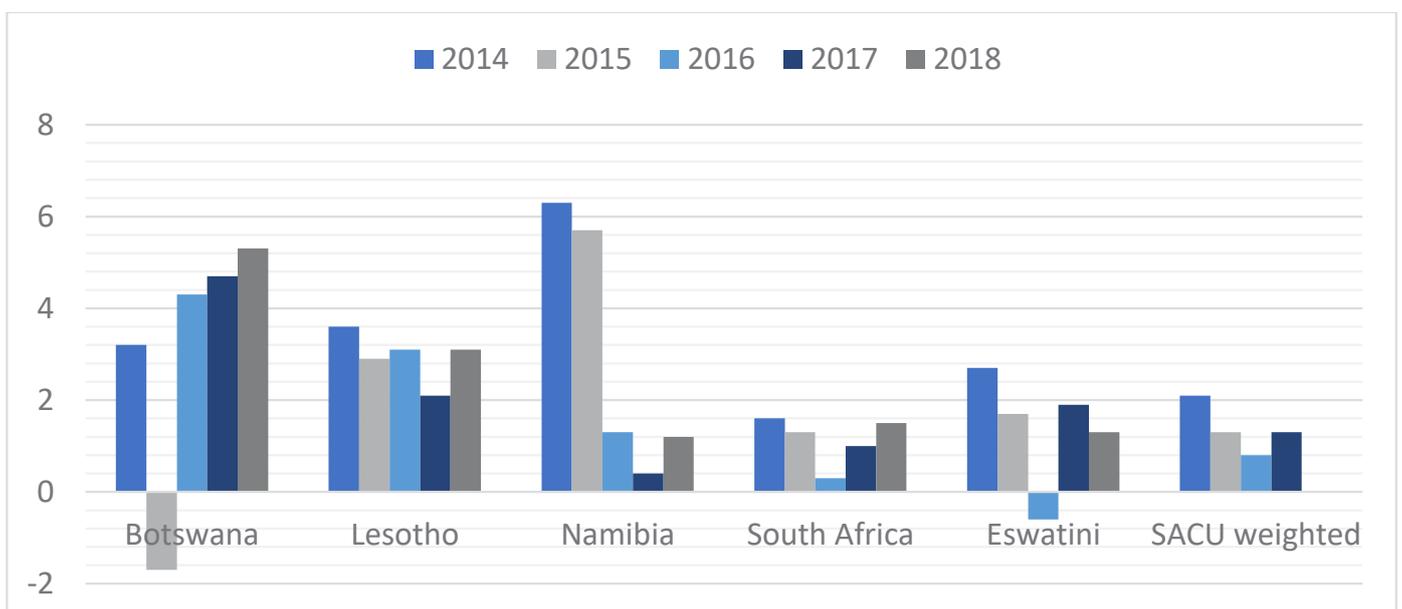
Source: SACU based on IMF WEO (July 2018)

**Economic Performance and Outlook for SACU**

In the SACU region, the growth continues to be uneven across the Member States in 2017 as reflected in Figure 2. The region’s average weighted growth rate increased slightly from 0.8 percent in 2016 to 1.3 in 2017. While the average weighted growth in the reporting period was an improvement from 2016, only two Member States, Botswana and Lesotho, recorded improved economic performance.

Botswana recorded a growth rate of 4.7 percent in 2017 which is a slight improvement up from of 4.3 percent in 2016 while Lesotho registered growth rate of 2.1 percent in 2017 down from 3.1 percent in 2016. The rest of the Member States recorded growth rates of less than 2.0 percent in 2017. This improved economic performance of the SACU economies was largely influenced by the global economic recovery amid improving commodity prices, and a rebound in world merchandise trade since the middle of 2016.

**Figure 2: Member States GDP Growth Rates (%)**



Source: SACU based on Member States Budget Speeches and National Accounts

## REAL SECTOR, BUDGET AND CURRENT ACCOUNT DEVELOPMENTS

### BOTSWANA

In the reporting period, Botswana's Gross Domestic Product (GDP) at market prices was P180.1 billion in 2017, which is an increase from P170.6 billion in 2016. Botswana's real GDP grew by 4.7 percent in 2017, which was a slight increase compared to 4.3 percent in 2016. This growth was mainly attributable to mining (which grew at 18.1 percent in 2017), and non-mining sectors. Growth in the mining sector was supported by the ongoing global economic recovery. In the non-mining sector, growth was mainly driven by the wholesale hotels and the trade sector growing at 19.2 percent, while Government services (owing to Government's drive to seek alternative engines of growth and diversify the economy) followed at about 14 percent.

The budget balance was a deficit of 1.3 percent of GDP (P2.42 billion) compared to a surplus of P1.12 billion in 2016. The balance of payments (BoP) had a surplus of P297 million in 2017, which was lower than 2016, which stood at P2.8 billion. Similarly, the current account recorded a surplus, amounting to P19.9 billion during 2016, while for 2017 it was P16.6 billion. This performance was due to the decline in merchandise exports amounting to 4.2 percent. Botswana's economy is projected to grow by 5.3 percent in 2018 and 4.5 percent in 2019. The optimistic growth projection is based on expected improvements in the mining sector amid expectations of improved commodity prices.

### ESWATINI

In Eswatini, nominal GDP stood at E58.8 billion in 2017, representing an increase from E54.8 billion in 2016. Thus, the economy grew from 1.4 percent in 2016, compared to 1.9 percent in 2017. This improvement was largely driven by improved primary sector performance following a good rainy season and a recovery in sugar production, growing at an estimated 17.2 percent in 2017. In addition, both primary and secondary sectors grew by 0.7 percent while growth in the tertiary sectors (wholesale, retail and financial sectors) was 2.7 percent.

In 2017, the estimated budget deficit for Eswatini stood at 8.3 percent of GDP and marginally higher

than the recorded 7.7 percent in the previous year, as the deficit increased from E4.2 billion to E4.9 billion in 2017. Meanwhile, public debt stood at E11.5 billion in 2017, representing an equivalence of 19.3 percent of GDP. Similarly, the current account continued to record positive balances of E8.6 billion in 2017, albeit declining from E9.5 billion in 2016. The upward trajectory and surplus were not a new occurrence, with the same account having been in positive territory since 2012. This has mainly been boosted by net surpluses with respect to merchandise trade which stood at E24.1 billion in 2017, compared to E24.4 billion in 2016.

Eswatini's economy is projected to slow down from 1.9 percent in 2017 to 1.3 percent in 2018 but rising to 2 percent over the medium-term. The medium-term growth is expected to be largely due to a rebound in the agriculture sector while in the tertiary sector, growth will be driven by demand for service support developments in the primary and secondary sectors.

### LESOTHO

The GDP at current prices for Lesotho was M37.6 billion in 2017, relative to the M34.3 billion recorded in 2016. Real GDP growth declined from 3.1 percent in 2016 to about 2.1 percent in 2017 and is projected to average 3.1 percent in 2018. Growth in GDP declined following an unexpected slowdown in the mining, construction, banking, transport and telecommunication sectors.

The fiscal position improved in 2017 to 5.7 percent of GDP (M845.7 million), compared to 6.3 percent of GDP in 2016. This improvement was achieved amid shortages in cash and foreign reserves and improving SACU revenues. The overall BoP is projected to decline in the medium term averaging a deficit of 3.1 percent from 2016 to 2018, amid global economic and regional uncertainties.

Lesotho's economic performance is projected to decline from 3.1 percent in 2016 to 2.1 percent in 2017. Further, growth is forecast to reach 3.1 percent in 2018 largely driven by mining and manufacturing (textiles) exports to the USA under AGOA. Growth is further forecast at 2.6 percent in 2019.

## NAMIBIA

Namibia's nominal GDP stood at N\$166.3 billion in 2017 compared to N\$176.3 billion in 2016. Namibia's real GDP growth declined from 0.7 percent in 2016 to -0.8 percent in 2017. On the demand side, factors such as reduced public expenditure, contracting investment and consumption as large capital projects came to completion or slowed down, contributed to the low growth. In addition, reduction in the growth of the construction industry in 2017 curtailed growth in secondary and tertiary sectors as well as in wholesale, retail trade and real estate.

On the other hand, external debt stood at about 42.6 percent of GDP in 2016, but increased marginally to 43.3 percent of GDP (an equivalent of N\$75.4 billion) in 2017. In addition, Namibia recorded a budget deficit of 6.9 percent of GDP (N\$11.4 billion) in 2016 while in 2017; there was an improvement to 5.4 percent of GDP (N\$9.2 billion). This was mainly due to higher SACU receipts coupled with improved collections in revenue. Similarly, the current account deficit narrowed down to about 1 percent of GDP.

The economic growth is forecast to reach 1.2 percent in 2018, rising to 2.1 percent in 2019. The growth will be driven largely by an anticipated export recovery in mining, improved investment and some components of final demand.

## SOUTH AFRICA

South Africa's nominal GDP at market prices in 2017 was recorded at R4.6 trillion, representing an increase of about R300 billion from 2016. This performance was mainly attributable to improved primary sector performance and investor confidence. The real GDP growth was 0.6 percent compared to the 1.3 percent achieved in 2016. This growth was primarily led by the primary sector with growth in mining and agriculture amid improvements in investor sentiments. Real value-added in agriculture increased by about 22 percent while mining grew by about 4 percent in 2017. On the other hand, manufacturing real value-added declined during the period under review amid weak demand for power and other sectors like construction and finance.

The country has experienced a narrowing current account deficit of -3.8 percent in 2016, further narrowing to 2.3 percent of GDP in 2017. This was

mainly attributable to a higher trade surplus, and the country's terms of trade (ratio of export prices relative to import prices) improved during the first three quarters of 2017. However, the terms of trade will get reversed in the medium-term as import growth accelerates widening the deficit to 3.2 percent of GDP up to 2020.

The budget deficit was 4.3 percent of GDP (R204.3 billion) compared to the 3.7 percent recorded in 2015 as South Africa continues to implement a fiscal policy geared towards consolidation measures and prioritizing capital investment as well as attaining sustainable levels of national debt.

Economic growth in South Africa is expected to reach 1.5 percent in 2018 and 1.8 in percent 2019, amid rebounding commodity prices, lower inflation and improved business and consumer confidence.

## Consumer Price Developments in SACU

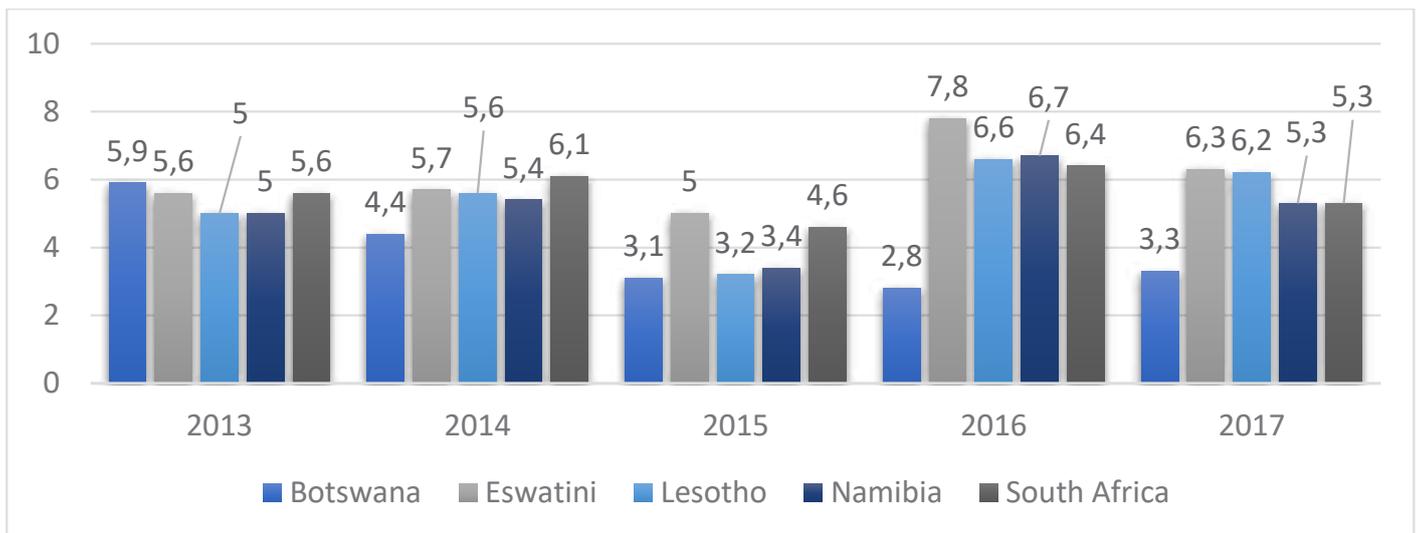
The world average inflation rates have been on the decline over the past five years, with rates often below the central bank targets particularly since 2014, when oil prices decreased resulting in lower inflation rates especially in advanced countries (Figure 3). However, owing to recent crude oil price increases, headline and core inflation has risen slightly in both advanced and EMDEs. Core inflation has risen in the US and Eurozone due to tighter labour market conditions, while in the EMDEs it is due to fuel price increases and exchange rate pass-through from currency depreciations. Inflation will average 2.2 percent in advanced countries in 2018 and 2019 respectively, and 4.4 percent in EMDEs during the same period.

Consumer Price Index (CPI) in SACU has been on a downward trajectory since 2013. Changes in the overall consumer prices in 2017, as measured by average annual consumer price index, show inflation moderation in all of the Member States.

Botswana's average annual inflation rate for 2017 stood at 3.3, which is an increase from 2.8 percent in 2016. This was largely driven by the rising prices in food and non-alcoholic beverages.

In Eswatini, the average inflation rate eased from 7.8 percent recorded in 2016 to 6.3 percent in 2017, largely owing to a tighter monetary policy stance and rebounding agricultural production

**Figure 3: Member States Average Annual Inflation Rates (%)**



Source: SACU computations based on data from Member States

which reduced somewhat the food price inflation. The food inflation has driven headline inflation for the larger part of 2016 at a high of 19 percent in December 2016, but later moderating to a record low 2.6 percent by December 2017.

On the other hand, in Lesotho, the annual average inflation rate in 2016 was recorded at 6.6 percent, primarily due to rising food prices and pressure on the domestic currency. This later declined to 5.2 percent in 2017 following improved agricultural production.

In Namibia, the average inflation in the build-up to and after the financial crisis for the period between 2008 and 2015, was 9.5 percent and 3.4 respectively. During 2016, the average inflation rate for the country was 6.7 percent, slowing down slightly to 6.2 percent in 2017. Inflation moderated somewhat in 2017 relative to the previous year owing to weaker domestic demand and a stronger currency.

South Africa’s inflation rate breached the inflation target upper limit of 3-6 percent at 5.3 percent in 2017, compared to 6.3 percent. This was attributed mainly to lower food and non-alcohol beverage prices which declined to 6.9 percent from 10.5 percent, as agriculture sector growth rebounded.



# ANNEX 2

## INTRA-SACU IMPORTS 2015/16

1.1 In 2015/16, the intra-SACU imports increased by 15.8 percent to R200.6 billion from R173.2 billion in the 2014/15 Financial Year. For the period under review, South Africa continued to record the highest increase in imports of 34.2 percent, followed by Namibia (16.6 percent), Lesotho (16.2 percent), Botswana (10.3

percent) and Eswatini (2.9 percent). Table 1 below presents this information. Botswana and Namibia continued to account for the highest share of the total intra-SACU imports in 2015/16, accounting for 34.2 percent and 30.5 percent, respectively, followed by South Africa (18.8 percent), Eswatini (8.4 percent) and Lesotho (8.1 percent). Lesotho, Namibia and South Africa's share of the intra-SACU imports

Table2: Intra-SACU Imports

INTRA-SACU IMPORTS STATISTICS (R Billion)					
Intra-SACU Imports	2011/12	2012/13	2013/14	2014/15	2015/16
Botswana	35.7	47.3	58.0	62.3	68.7
Eswatini	12.8	13.6	16.7	16.4	16.9
Lesotho	12.0	12.7	14.5	13.9	16.2
Namibia	34.2	39.1	52.8	52.4	61.1
South Africa	17.1	22.3	25.2	28.1	37.8
SACU	111.9	135.1	167.2	173.2	200.6
Growth rates (%)					
Botswana	16.6%	32.5%	22.7%	7.3%	10.3%
Eswatini	-8.2%	6.5%	22.7%	-1.7%	2.9%
Lesotho	7.0%	5.7%	13.7%	-3.7%	16.2%
Namibia	13.4%	14.3%	34.8%	-0.6%	16.6%
South Africa	-1.3%	30.0%	13.3%	11.6%	34.2%
Share intra-SACU imports (%)					
Botswana	31.9%	35.0%	34.7%	36.0%	34.2%
Eswatini	11.4%	10.1%	10.0%	9.5%	8.4%
Lesotho	10.8%	9.4%	8.6%	8.0%	8.1%
Namibia	30.6%	29.0%	31.6%	30.3%	30.5%
South Africa	15.3%	16.5%	15.1%	16.2%	18.8%

increased in 2015/16 compared to 2014/15, while the shares of Botswana and Eswatini declined. On the supply side, South Africa remained the main source of goods imported, as reflected in Table 2.

1.2 *Natural or cultured pearls, precious or semi-precious stones or metals* (chapter 71) continued to be the leading commodity imported among the Member States in 2015/16, accounting for 14.4 percent of the total intra-SACU imports. This was followed by *mineral fuels, mineral oils, electricity* (chapter 27) accounting for 13.3 percent; *vehicles* (chapter 87) accounting for 7.8 percent; *machinery and*

2015/16, with a share of 17.1 percent of the total intra-SACU imports mainly from South Africa, followed by *vehicles* (chapter 87), with a share of 7.5 percent mainly from South Africa. South Africa remained the main source of commodities imported by Eswatini from the Common Customs Area in 2015/16, accounting for 99.2 percent of the total intra-SACU imports, followed by Lesotho accounting for 0.7 percent of the total intra-SACU import.

1.5 **Lesotho's** intra-SACU imports increased to R16.2 billion in 2015/16, from R13.9 billion recorded in 2014/15. *Mineral fuels, mineral oils, electricity* (chapter 27) continued to be

**Table 3: Intra-SACU trade 2015/16 (R million)**

	Botswana	Lesotho	Namibia	South Africa	Eswatini	Total exports
Botswana	0	4	2,517	7,042	19	9,582
Eswatini	209	54	310	16,315	0	16,888
Lesotho	10	0	7	3,891	112	4,021
Namibia	12,938	6	0	10,512	10	23,466
South Africa	55,524	16,109	58,273	0	16,776	146,681
Total imports	68,680	16,173	61,107	37,761	16,916	200,637

*mechanical appliances* (chapter 84) accounting for 6.8 percent; and *electric machinery and equipment* (chapter 85) accounting for 5.0 percent.

1.3 **Botswana's** intra-SACU imports increased to R68.7 billion in 2015/16 from R62.3 billion in 2014/15. The increase was mainly reflected in *natural or cultured pearls, precious or semi-precious stones or metals* (chapter 71) that accounted for 29.2 percent of the intra-SACU imports mainly sourced from Namibia and South Africa. South Africa remained the main source of commodities imported into Botswana from the Common Customs Area in 2015/16, accounting for 80.8 percent of the total intra-SACU imports, followed by Namibia accounting for 18.8 percent of the total intra-SACU imports.

1.4 **Eswatini's** intra-SACU imports slightly increased to R16.9 billion in 2015/16 from R16.4 billion recorded in 2014/15. *Mineral fuels, mineral oils, electricity* (chapter 27) remained the main import commodity in

the leading product imported into Lesotho, accounting for 16.7 percent of the total intra-SACU imports, followed by *vehicles* (chapter 87) with a share of 6.7 percent. South Africa remained the main source of commodities imported into Lesotho from the Common Customs Area in 2015/16, accounting for 99.6 percent of the total intra-SACU imports followed by Eswatini accounting for 0.3 percent of the total intra-SACU imports.

1.6 **Namibia's** intra-SACU imports increased to R61.1 billion in 2015/16 from R52.4 billion recorded in 2014/15. In 2014/15, *Mineral fuels, mineral oils, electricity* (chapter 27) with a share of 16.1 percent mainly from South Africa was the major import commodity for Namibia, followed by *vehicles* (chapter 87) with a share of 13.8 percent. South Africa continued to be the main source of commodities imported into Namibia from the Common Customs Area in 2015/16, accounting for 95.4 percent of the total intra-SACU imports followed by Botswana accounting for 4.1 percent.

1.7 South Africa's intra-SACU imports increased to R37.8 billion in 2015/16 from R28.1 billion in 2014/15. The main commodities imported from other SACU Member States in 2015/16, were *natural or cultured pearls, precious or semi-precious stones or metals* (chapter 71) accounting for 17.7 percent of the total intra-SACU imports mainly from Namibia and Botswana. This was followed by *essential oils, perfumery, cosmetic or toilet preparations* (chapter 33) with a share of 11.5 percent, mainly sourced from Eswatini. Eswatini remained the main source for commodities imported into South Africa from the Common Customs Area in 2015/16, accounting for 43.2 percent of the total intra-SACU imports, followed by Namibia accounting for 27.8 percent.

## 2. REVENUE SHARES

2.1 Table 3 indicates that the CRP size was forecasted at R93.3 billion in 2018/19, resulting in a decline of 6.3 percent when compared to the CRP forecast of R99.5 billion in 2017/18. The distribution of the CRP in 2018/19 indicates that South Africa shares slightly increased when compared to 2017/18, while the rest of the Member States recorded declines in their shares of the CRP.

Table 4: SACU Revenue shares 2014/15 - 2018/19

	2014/ 15	2015/ 16	2016/ 17	2017/ 18	2018/19	Annual growth%
Botswana	18.1	18.7	18.6	23.3	19.9	-14.4
Eswatini	7.0	6.2	6.3	7.2	5.8	-16.3
Lesotho	6.7	5.8	5.5	6.2	5.7	-8.5
Namibia	17.3	15.8	17.0	19.8	17.8	-10.1
South Africa	34.2	37.8	39.2	43.1	43.9	1.9
<b>Forecast of CRP<sup>1</sup></b>	<b>83.3</b>	<b>84.2</b>	<b>86.7</b>	<b>99.5</b>	<b>93.3</b>	<b>-6.3</b>
<b>% Share of CRP</b>						
Botswana	21.8	22.2	21.5	23.4	21.3	
Eswatini	8.5	7.3	7.3	7.2	6.4	
Lesotho	8.0	6.9	6.4	6.2	6.1	
Namibia	20.8	18.7	19.6	19.9	19.1	
South Africa	41.0	44.9	45.2	43.3	47.1	

<sup>1</sup> Does not represent actual payments made to Member States

**ANNEX 3**

**ANNUAL FINANCIAL**

**STATEMENTS 2017 / 8**

## General Information

### Executive Committee

Ms. PM Elago  
Mr. BR Katjipuka  
Ms. A Andrade  
Ms. ND Oitsile  
Mr. A Iyambo

### Business address

Corner Lazarett and Feld Street  
Windhoek  
Namibia

### Postal address

Private Bag 13285  
Windhoek  
Namibia

### Bankers

Standard Bank Namibia Limited  
Bank Windhoek Limited

## Table of contents

Council Approval and Statement of Responsibility	page 55
Independent Auditor's Report	page 56
Report of the Council	page 59
Statement of Financial Position	page 61
Statement of Profit or Loss and Other Comprehensive Income	page 61
Statement of Changes in Equity	page 62
Statement of Cash Flows	page 62
Significant Accounting Policies	page 63
Notes to the Financial Statements	page 72
The following supplementary information does not form part of the financial statements and is unaudited: Detailed Income Statement	page 72

# Financial Statements for the year ended 31 March 2018

## Council Approval and Statement of Responsibility

The Council of Members, duly represented by the Chairperson of Council, has delegated the responsibility of monitoring, reviewing and managing the business operations of the SACU Secretariat to the Commission, Finance and Audit Committee and the Executive Secretary. The annual financial statements are jointly signed by the Chairperson of the Council and the Executive Secretary.

The Commission and the Finance and Audit Committee meet regularly to monitor and review the affairs of the SACU Secretariat and then present them to the Council.

The Executive Secretary, Executive Committee and Internal Auditor are responsible for regular reviews and ensuring compliance with the policies and procedures in the day to day operations of the SACU Secretariat. Further, the SACU Secretariat is accountable for the implementation and maintenance of an adequate system of internal controls, dependable records and ensures the safeguarding of assets. The SACU Secretariat is further accountable for ensuring that all transactions are duly authorised.

The annual financial statements have been prepared in accordance with International Financial Reporting Standards and are based on appropriate accounting policies, which are consistently applied and supported by reasonable and prudent judgments and estimates.

The Auditor General who is appointed by the Council of Ministers is responsible for the external audit process and to give an independent opinion on the fairness of the annual financial statements.

The annual financial statements have been prepared on the going concern basis, since the Council members have every reason to believe that the SACU Secretariat has adequate resources in place to continue in operation for the foreseeable future.

## Approval of annual financial statements

Against this background, on behalf of the Council, the Chairperson of the Council and the Executive Secretary accept the responsibility for the annual financial statements set out on pages 7 to 35, were approved on 21 September 2018 and were signed by:



Honourable Dr. Moeketsi Majoro  
Chairperson of the SACU Council of Ministers and  
Minister of Finance, Kingdom of Lesotho



Paulina Mbala Elago  
Executive Secretary of SACU

## Independent Auditor's Report

### Report on the Audit of the Financial Statements of SACU Secretariat

#### *Opinion*

I have audited the financial statements of the SACU Secretariat, which comprise the Statement of Financial Position as at 31st March 2018, the Statement of Profit or Loss and other Comprehensive Income, Statement of Changes in Equity, and Statement of Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the SACU Secretariat as at 31st March 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by the SACU Agreement Act of 2013 (amended).

#### *Basis for Opinion*

I conducted my audit in accordance with International Standards for Supreme Audit Institutions (ISSAIs). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the SACU Secretariat in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to my audit of the financial statements, and I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

#### *Other Information*

The Executive Management of SACU Secretariat is responsible for the other information. The other information comprises the information included in the SACU Management Report, but does not include the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

#### *Responsibilities of Management and Those Charged with Governance for the Financial Statements*

SACU Secretariat (Executive Management) is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, Executive Management is responsible for assessing SACU Secretariat's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

## Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISSAIs, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the SACU Secretariat's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Executive Management.
- Conclude on the appropriateness of Executive Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control and value for money that I identify during my audit.

## Independent Auditor's Report *(continued)*

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



**T. S. Matsebula**

**Auditor General of the Kingdom of Eswatini**

## Report of the Council

The Council of Ministers have pleasure in submitting their report on the financial statements of Southern African Customs Union Secretariat for the year ended 31 March 2018.

### 1. General information

The SACU Secretariat has been established according to the SACU Agreement, 2002 and is responsible for the day-to-day administration of SACU.

### 2. State of affairs and results of operation State of affairs

The state of affairs of the SACU Secretariat as at 31 March 2018 and the results of its operations for the year then ended are fully set out in the annual financial statements.

The SACU Secretariat recorded total spending amounting to R79,510,523 for the year under review, out of a budget of R89,784,055. The following provides comparative information:

SACU Secretariat spending	2018 R	2017 R
Operational expenditure	78,685,300	71,922,541
Capital expenditure	825,323	2,482,168
	79,510,623	74,404,709

When formulating the annual budget, the SACU Secretariat applied the activity-based approach in conjunction with the medium-term-expenditure framework as a basis for planning.

### 3. Executive Committee

The members of the Executive Committee during the year and to the date of this report are as follows:

Directors	Designation	Changes
Ms. PM Elago	Executive Secretary	
Mr. BR Katjipuka	Director: Policy Development and Research	Appointed 1 December 2017
Mr. JA Faul	Director: Policy Development and Research	Resigned 31 May 2017
Ms. A Andrade	Director: Corporate Services	
Ms. ND Oitsile	Chief Legal Officer	
Mr. A Iyambo	Senior Office Manager	

### 4. Events after the reporting period

The Council is not aware of any fact or circumstance, which occurred between the date of the financial statements and the date of this report, which may require adjustment to the financial statements.

## Report of the Council 2017-2018

### 5. Going concern

The Council has, at the time of preparation of the annual financial statements, a reasonable expectation that the SACU Secretariat will have adequate resources to continue operations in the foreseeable future. Thus, the going concern basis of accounting was adopted in preparing the annual financial statements.

### 6. The Secretariat and the SACU Council of Ministers

The Secretariat was established by the SACU Agreement, 2002, as the technical and administrative arm of the Southern African Customs Union (SACU). The SACU Council of Ministers is the highest decision-making body of SACU and it is comprised of Ministers of Trade and Finance from the SACU Member States. The Member States are Botswana, Kingdom of Eswatini, Lesotho, Namibia and South Africa.

## Statement of Financial Position as at 31 March 2018

	Note	2018 R	2017 R
<b>Assets</b>			
<b>Non-Current Assets</b>			
Property and equipment	3	97,100,435	102,925,973
Intangible assets	4	346,865	466,036
		<b>97,447,300</b>	<b>103,392,009</b>
<b>Current Assets</b>			
Trade and other receivables	5	999,110	804,650
Cash and cash equivalents	6	72,754,835	78,421,449
		<b>73,753,945</b>	<b>79,226,099</b>
<b>Total Assets</b>		<b>171,201,245</b>	<b>182,618,108</b>
<b>Reserves and Liabilities</b>			
<b>Capital and Reserves</b>			
Revaluation reserve		38,670,439	38,670,439
Accumulated funds		124,709,773	137,529,054
		<b>163,380,212</b>	<b>176,199,493</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and other payables	8	4,595,458	3,770,175
Deferred income	10	13,500	-
Provisions	11	3,149,790	2,543,285
Bank credit card liability	6	62,285	105,155
		<b>7,821,033</b>	<b>6,418,615</b>
<b>Total Reserves and Liabilities</b>		<b>171,201,245</b>	<b>182,618,108</b>

## Statement of Profit or Loss and Other Comprehensive Income

	Note	2018 R	2017 R
Revenue	12	59,797,234	59,986,476
Gain on disposal of property and equipment	22	-	60,002
Gain/(Loss) on foreign exchange	22	(25,368)	(115,788)
Operating expenses		(78,659,932)	(71,806,753)
<b>Operating deficit</b>	13	<b>(18,888,066)</b>	<b>(11,876,063)</b>
Investment income	14	6,068,785	5,898,778
<b>Deficit for the year</b>		<b>(12,819,281)</b>	<b>(5,977,285)</b>
<b>Other comprehensive income:</b>			
Items that will not be reclassified to profit or loss: Gains on property revaluation			4,814,836
<b>Other comprehensive income for the year net of taxation</b>		<b>-</b>	<b>4,814,836</b>
<b>Total comprehensive income</b>		<b>(12,819,281)</b>	<b>(1,162,449)</b>

## Statement of Changes in Equity

	Revaluation reserve R	Accumulated funds R	Total reserves R
Opening balance as previously reported	33,855,603	143,501,384	177,356,987
Adjustments			
Prior year adjustments	-	4,955	4,955
<b>Balance at 01 April 2016 as restated</b>	<b>33,855,603</b>	<b>143,506,339</b>	<b>177,361,942</b>
Deficit for the year	-	(5,977,285)	(5,977,285)
Other comprehensive income	4,814,836	-	4,814,836
<b>Total comprehensive Loss for the year</b>	<b>4,814,836</b>	<b>(5,977,285)</b>	<b>(1,162,449)</b>
Opening balance as previously reported	38,670,439	137,529,510	176,199,949
Adjustments			
Prior period errors	-	(456)	(456)
<b>Balance at 01 April 2017 as restated</b>	<b>38,670,439</b>	<b>137,529,054</b>	<b>176,199,493</b>
Deficit for the year	-	(12,819,281)	(12,819,281)
Other comprehensive income	-	-	-
Total comprehensive Loss for the year	-	(12,819,281)	(12,819,281)
<b>Balance at 31 March 2018</b>	<b>38,670,439</b>	<b>124,709,773</b>	<b>163,380,212</b>
Note		21	

## Statement of Cash Flows

	Note	2018 R	2017 R
<b>Cash flows from operating activities</b>			
Cash (used in)/generated from operations	17	(10,891,885)	(5,534,364)
Interest income		6,068,785	5,898,778
<b>Net cash (used in)/from operating activities</b>		<b>(4,823,100)</b>	<b>364,414</b>
<b>Cash flows from investing activities</b>			
Acquisition of property and equipment	3	(711,522)	(2,262,982)
Proceeds from sale of property and equipment	3	24,679	60,002
Acquisition of intangible assets	4	(113,801)	(219,186)
Customs duty refund received		-	113,911
<b>Net cash used in investing activities</b>		<b>(800,644)</b>	<b>(2,308,255)</b>
<b>Total cash movement for the year</b>			
		<b>(5,623,744)</b>	<b>(1,943,841)</b>
Cash at the beginning of the year		78,316,294	80,260,134
<b>Total cash at end of the year</b>	<b>6</b>	<b>72,692,550</b>	<b>78,316,293</b>

## Significant Accounting Policies

### 1. Significant accounting policies

#### 1.1 Basis of preparation

The financial statements have been prepared on the going concern basis in accordance with, and in compliance with, International Financial Reporting Standards (“IFRS”) and International Financial Reporting Interpretations Committee (“IFRIC”) interpretations issued and effective at the time of preparing these financial statements.

The financial statements have been prepared on the historic cost convention, unless otherwise stated in the accounting policies which follow and incorporate the principal accounting policies set out below. They are presented in Rands, which is the Secretariat’s functional currency.

These accounting policies are consistent with the previous period.

#### 1.2 Significant judgements and sources of estimation uncertainty

The preparation of financial statements in conformity with IFRS requires management, from time to time, to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. These estimates and associated assumptions are based on experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

#### Critical judgements in applying accounting policies

The critical judgements made by management in applying accounting policies, apart from those involving estimations, that have the most significant effect on the amounts recognised in the financial statements, are outlined as follows:

##### 1.2.1 Revaluation of land and buildings

The SACU Secretariat measures land and buildings at revalued amounts with changes in fair value being recognised in other comprehensive income. The revaluation is performed every two years. Two valuation methods were used namely, the replacement costs and discounted cash flow method to determine the market value of land and buildings. Refer to note 3 for more details.

##### 1.2.2 Useful lives and residual values of property, plant and equipment and intangible assets

The SACU Secretariat assesses the useful lives and residual values of equipment at each reporting date. In reassessing asset lives, factors as technology innovation and maintenance programmes are taken into account. Residual values assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

#### 1.3 Property and equipment

Property and equipment are tangible assets which the Secretariat holds for its own use or for rental to others and which are expected to be used for more than one year.

## Significant Accounting Policies *(continued)*

### 1.3 Property and equipment (continued)

An item of property and equipment is recognised as an asset when it is probable that future economic benefits associated with the item will flow to the Secretariat, and the cost of the item can be measured reliably.

Property and equipment is initially measured at cost. Cost includes all of the expenditure which is directly attributable to the acquisition or construction of the asset.

Expenditure incurred subsequently for major services, additions to or replacements of parts of property and equipment are capitalised if it is probable that future economic benefits associated with the expenditure will flow to the Secretariat and the cost can be measured reliably. Day to day servicing costs are included in surplus or deficit in the year in which they are incurred.

Property and equipment is subsequently stated at cost less accumulated depreciation and any accumulated impairment losses, except for land which is stated at cost less any accumulated impairment losses.

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting year.

When an item of property and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset.

Any increase in an asset's carrying amount, as a result of a revaluation, is recognised in other comprehensive income and accumulated in the revaluation reserve in equity. The increase is recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in profit or loss in the current year. The decrease is recognised in other comprehensive income to the extent of any credit balance existing in the revaluation reserve in respect of that asset. The decrease recognised in other comprehensive income reduces the amount accumulated in the revaluation reserve in equity.

The revaluation reserve related to a specific item of property and equipment is transferred directly to accumulated funds when the asset is derecognised.

Property and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Land and buildings are the only asset that is carried at revalued amounts, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The useful lives of items of property and equipment have been assessed as follows:

<b>Item</b>	<b>Average useful life</b>
Buildings	20 years
Motor vehicles	5 years
Furniture and fittings	5 years

Household furniture and fittings	5 years
Office equipment	5 years
IT equipment- servers or infrastructure	5 years
Equipment- laptop computers and mobile items	3 years
Land	indefinite

Land is not depreciated as it is deemed to have an indefinite life.

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting year. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate.

The depreciation charge for each year is recognised in profit or loss unless it is included in the carrying amount of another asset.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its continued use or disposal. Any gain or loss arising from the derecognition of an item of property and equipment, determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, is included in profit or loss when the item is derecognised.

#### 1.4 Intangible assets

An intangible asset is recognised when:

- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

The amortisation period and the amortisation method for intangible assets are reviewed every period-end.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software	3 years

## Significant Accounting Policies *(continued)*

### 1.5 Financial instruments

#### Classification

The SACU Secretariat classifies financial assets and financial liabilities into the following categories:

- Loans and receivables
- Financial liabilities measured at amortised cost

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis.

#### Initial recognition and measurement

Financial instruments are recognised initially when the SACU Secretariat becomes a party to the contractual provisions of the instruments.

The SACU Secretariat classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value.

For financial instruments which are not at fair value through profit or loss, transaction costs are included in the initial measurement of the instrument.

#### Derecognition

The SACU Secretariat derecognises a financial asset when the contractual rights to cash flows from the asset expires, or it transfers the rights to receive the contractual cash flows in which substantially all the risk and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial asset that is created or retained by the entity is recognised as separate asset or liability.

#### Offset

Financial assets and liabilities are offset and the net amount presented in the statement of financial position, when and only when, the SACU Secretariat has a legal right to offset the amounts and intends to settle them on a net basis or realise the asset and settle the liability simultaneously.

#### Subsequent measurement

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

## **Impairment of financial assets**

At each reporting date the SACU Secretariat assesses all financial assets, other than those at fair value through profit or loss, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the SACU Secretariat, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

Impairment losses are recognised in profit or loss.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in profit or loss.

Where financial assets are impaired through the use of an allowance account, the amount of the loss is recognised in profit or loss within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

## **Trade and other receivables**

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is an objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. Receivables of a short term nature are not discounted due to the insignificance of the amortisation amount.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss within operating expenses. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in profit or loss.

Trade and other receivables are classified as loans and receivables.

## **Trade and other payables**

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method.

Trade and other payables are classified as liabilities measured at amortised cost.

## Significant Accounting Policies *(continued)*

### Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

Cash and cash equivalents are classified as loans and receivables.

### Fair value of financial instruments

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the entity for similar financial instruments.

### 1.6 Impairment of non-financial assets

The SACU Secretariat assesses at each end of the reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the SACU Secretariat estimates the recoverable amount of the asset.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss. Any impairment loss of a revalued asset is treated as a revaluation decrease.

The SACU Secretariat assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in profit or loss. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

## 1.7 Fair values of financial assets and liabilities

The fair value of derivative instruments reflects the estimated amount the SACU Secretariat would receive or pay in an arm's length transaction. Fair values are determined according to the following hierarchy:

- Level 1 - quoted market prices: financial assets and liabilities with quoted prices for identical instruments in active markets.
- Level 2 - valuation techniques using observable inputs: quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial assets and liabilities valued using models where all significant inputs are observable.
- Level 3 - valuation techniques using significant unobservable inputs: financial assets and liabilities valued using valuation techniques where one or more significant inputs are unobservable.

Refer note 3, Property, plant and equipment, for assets measured at fair value.

## 1.8 Employee benefits

### Pension obligations

The SACU Secretariat participates in a provident fund for support staff. The fund is generally funded through payments to a trustee-administered fund, determined by periodic actuarial calculations. The SACU Secretariat has a defined contribution plan. A defined contribution plan is a pension plan under which the SACU Secretariat pays fixed contributions into a separate entity. The SACU Secretariat has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

For defined contribution plans, the SACU Secretariat pays contributions to privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The SACU Secretariat has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when they are due.

### Bonus plans

The SACU Secretariat recognises a liability and an expense for bonuses, based on performance ratings.

## 1.9 Provisions and contingencies

Provisions are recognised when:

- the SACU Secretariat has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision.

## Significant Accounting Policies *(continued)*

### 1.9 Provisions and contingencies (continued)

Provisions are not recognised for future operating losses.

If the Secretariat has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

Contingent assets and contingent liabilities are not recognised.

### 1.10 Commitments

The SACU Secretariat enters into contracts and agreements with various service providers and has a legal commitment to honour the conditions of the contracts and agreement. Commitments disclosed in the annual financial statements represent the goods and services for the contract or agreement which have not been received by the end of the financial year.

### 1.11 Revenue recognition

The SACU Secretariat recognises revenue when the amount of revenue can be reliably measured and is receivable from the Common Revenue Pool. Revenue is measured at the fair value of the consideration receivable. An exchange for goods or services of a similar nature and value is not regarded as a transaction that generates revenue.

#### *Interest income*

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the SACU Secretariat reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

## 1.12 Translation of foreign currencies

### Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The functional and presentation currency of the SACU Secretariat is the South African Rand (R).

### Foreign currency transactions and balances

A foreign currency transaction is recorded, on initial recognition in Rands, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At the end of the reporting period:

- foreign currency monetary items are translated using the closing rate;
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognised in profit or loss in the period in which they arise.

When a gain or loss on a non-monetary item is recognised to other comprehensive income and accumulated in equity, any exchange component of that gain or loss is recognised to other comprehensive income and accumulated in equity. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

Cash flows arising from transactions in a foreign currency are recorded in Rands by applying to the foreign currency amount the exchange rate between the Rand and the foreign currency at the date of the cash flow.

# Notes to the Financial Statements

## 2. New Standards and Interpretations

### 2.1 Standards and interpretations not yet effective

There are new or revised Accounting Standards and Interpretations in issue that are not yet effective as at 31 March 2018. These include the following Standards and Interpretations that are applicable to the business of the SACU Secretariat and may have an impact on future financial statements:

#### **IFRS 9 Financial Instruments**

IFRS 9 (effective 1 January 2018) is a new standard on financial instruments that will eventually replace IAS 39. The standard introduces changes in the measurement bases of the SACU Secretariat's financial assets to amortised cost, fair value through other comprehensive income or fair value through profit or loss. Even though these measurement categories are similar to IAS 39, the criteria for classification into these categories are significantly different. In addition, the IFRS 9 impairment model has been changed from an "incurred loss" model from IAS 39 to an "expected credit loss" model.

The standard will be adopted for the first time for the year ending 31 March 2019, with the cumulative impact, if any, reflected as an adjustment to the opening accumulated funds.

The SACU Secretariat performed an assessment to determine the potential impact of the new standard on the Secretariat's statement of financial position and performance. Based on the assessment performed, the Secretariat concluded that the impact on the financial statements will not be material.

#### **IFRS 15 Revenue from contracts with customers**

This standard replaces the following standards and interpretations on revenue: IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers, SIC 31 Revenue-Barter Transactions Involving Advertising Services. The new standard applies to revenue arising from contracts with customers and two approaches to recognising revenue: at a point in time or overtime. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised.

The new standard will result in possible change in the timing when revenue is recognised and the amount of revenue recognised.

The standard is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. The SACU Secretariat, plans to adopt IFRS 15 in its financial statements for the year ending 31 March 2019.

The SACU Secretariat has performed an assessment and determined that the new standard will not have a significant impact on the Secretariat as the organisation does not have contracts as defined in the standard.

## Notes to the Financial Statements *(continued)*

3. Property and equipment						
	2018			2017		
	Cost/ Valuation	Accumulated Depreciation	Carrying Value	Cost	Accumulated Depreciation	Carrying Value
Land and buildings	94,874,148	(2,971,130)	91,903,018	94,608,940	-	94,608,940
Furniture and fixtures	7,946,616	(5,170,711)	2,775,905	7,900,349	(3,507,435)	4,392,914
Motor vehicles	2,187,444	(1,061,156)	1,126,288	2,112,469	(499,255)	1,613,214
Household furniture and fittings	1,904,336	(1,237,441)	666,895	1,936,234	(967,981)	968,253
IT equipment	6,580,908	(6,042,320)	538,588	7,722,331	(6,498,695)	1,223,636
Office equipment	307,648	(217,907)	89,741	320,721	(201,705)	119,016
<b>Total</b>	<b>113,801,100</b>	<b>(16,700,665)</b>	<b>97,100,435</b>	<b>114,601,044</b>	<b>(11,675,071)</b>	<b>102,925,973</b>

Reconciliation of property and equipment - 2018						
	Opening balance	Additions	Disposals	Depreciation	Total	
Land and buildings	94,608,940	265,206	-	(2,971,128)	91,903,018	
Furniture and fittings	4,392,914	168,603	(55,836)	(1,729,776)	2,775,905	
Motor vehicles	1,613,214	74,975	-	(561,901)	1,126,288	
Household furniture and fittings	968,253	4,254	-	(305,612)	666,895	
IT equipment	1,223,636	194,713	-	(879,761)	538,588	
Office equipment	119,016	3,771	(445)	(32,601)	89,741	
	<b>102,925,973</b>	<b>711,522</b>	<b>(56,281)</b>	<b>(6,480,779)</b>	<b>97,100,435</b>	

Reconciliation of property and equipment - 2017						
	Opening balance	Additions	Disposals	Revaluations	Depreciation	Total
Land and buildings	92,406,707	891,610	-	4,814,836	(3,504,213)	94,608,940
Furniture and fittings	5,543,534	7,687	-	-	(1,158,307)	4,392,914
Motor vehicles	1,876,414	-	(113,911)	-	(149,289)	1,613,214
Household furniture and fittings	179,322	819,988	-	-	(31,057)	968,253
IT equipment	747,578	532,388	-	-	(56,330)	1,223,636
Office equipment	116,435	11,309	-	-	(8,728)	119,016
	<b>100,869,990</b>	<b>2,262,982</b>	<b>(113,911)</b>	<b>4,814,836</b>	<b>(4,907,924)</b>	<b>102,925,973</b>

The 2018 reconciliation refers to a disposal of certain assets through an internal auction. Some of the assets related to fittings were removed to cater for partitioning of additional offices.

Disposals of R113,911 reflected in the 2017 reconciliation above relates to customs duty refunded from the Ministry of Finance. This was not recognised when the asset was acquired because the amount could not be reliably estimated. The refund was treated as a discount or rebate in the prior year.

## Notes to the Financial Statements *(continued)*

### 3. Property and equipment (continued)

#### Revaluation of property and equipment

Land and Buildings consists of the following property:

- Erf 235 Eros Park, Windhoek
- Erf 5525 Windhoek
- Erf 8531 (Portion of Erf 182), Windhoek

The effective date of the revaluations was 31 March 2017. Revaluations were performed by independent valuer, Mr. PJ Scholtz, National Diploma Property Valuations, of Property Valuations Namibia. Property Valuations Namibia is not connected to the SACU Secretariat. The next valuation date is 31 March 2019.

The valuation was performed based on market values, adjusted for any difference in nature, location or condition of the specific property.

#### Measurement of fair values

The fair value measurement of land and buildings has been categorised as a Level 3 fair value based on the inputs to the valuation technique used as set out below.

The following table shows a reconciliation from the opening balances to the closing balances for Level 3 fair values.

Land and buildings	2018	2017
Balance at 1 April	94,608,940	92,406,707
Additions	265,206	891,610
Depreciation	(2,971,128)	(3,504,213)
Gain included in other comprehensive income		
Changes in fair value	-	4,814,836
	91,903,018	94,608,940

Discounted cash flows: The valuation model considers the present values of net cash flows that could be generated by the property in terms of rentals taking into account market conditions such as inflation rate, occupancy rates and letability of the property.

#### Significant unobservable inputs

- Expected market rentals
- Occupancy rates
- Letability of the property
- Discount rates

Interrelationship between key observable inputs and fair value measurements. The estimated fair value would increase/ (decrease) if:

- expected market rentals were higher/ (lower)
- potential occupancy rates were higher/ (lower)
- letability of the properties were higher / (lower), or
- discount rates were lower/ (higher).

#### 4. Intangible assets

	2018			2017		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Computer software	1,862,632	(1,515,767)	346,865	1,748,831	(1,282,795)	466,036
<b>Reconciliation of intangible assets - 2018</b>						
			Opening balance	Additions	Amortisation	Total
Computer software			466,036	113,801	(232,972)	346,865
<b>Reconciliation of intangible assets - 2017</b>						
			Opening balance	Additions	Amortisation	Total
Computer software			454,968	219,186	(208,118)	466,036

#### 5. Trade and other receivables

	2018	2017
Staff advances	10,069	-
Prepayments	457,457	394,648
Receiver of Revenue - Value Added Tax	524,928	347,307
Customs duty and other receivables	-	62,695
Interest receivable	6,656	-
	<b>999,110</b>	<b>804,650</b>

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The SACU Secretariat does not hold any collateral as security.

## Notes to the Financial Statements *(continued)*

### 5. Trade and other receivables (continued)

#### Fair value of trade and other receivables

Due to their short term nature, the carrying value of trade and other receivables is assumed to approximate to fair value.

#### Ageing of trade and other receivables

Trade and other receivables that are less than three months past due are not considered impaired. As of 31 March 2018 no trade and other receivables were past due and none were impaired. The ageing of the trade and other receivables is as follows:

	<b>2018</b>	<b>2017</b>
Up to 3 months	999,110	804,650

### 6. Cash and cash equivalents

Cash and cash equivalents consist of:

	2018	2017
Cash on hand	1,782	6,000
Bank balances	3,776,091	4,839,097
Short-term (32 day) deposits	68,976,962	73,576,352
Bank credit card liability	(62,285)	(105,155)
	<b>72,692,550</b>	<b>78,316,294</b>
Current assets	72,754,835	78,421,449
Current liabilities	(62,285)	(105,155)
	<b>72,692,550</b>	<b>78,316,294</b>

#### Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates:

#### Cash at bank and short-term bank deposits

	2018	2017
Standard Bank Namibia Limited: BB+ rating	3,776,091	4,839,097
Bank Windhoek Limited: AA rating	68,976,962	73,576,352
	<b>72,753,053</b>	<b>78,415,449</b>

## 7. Financial assets by category

The accounting policies for financial instruments have been applied to the line items below:

2018	Loans and receivables	Total
Trade and other receivables	16,725	16,725
Cash and cash equivalents	72,754,835	72,754,835
	<b>72,771,560</b>	<b>72,771,560</b>

2017	Loans and receivables	Total
Trade and other receivables	62,695	62,695
Cash and cash equivalents	78,421,449	78,421,449
	<b>78,484,144</b>	<b>78,484,144</b>

## 8. Trade and other payables

	2018	2017
Trade payables	2,940,029	1,889,720
Staff payable	104,621	59,492
PAYE payable to Receiver of Revenue	3,237	-
Retention payable	724,756	688,743
Accruals	822,815	1,132,220
	<b>4,595,458</b>	<b>3,770,175</b>

### Fair value of trade and other payables

Due to their short term nature, the carrying value of trade and other payables is assumed to approximate to fair value.

## 9. Financial liabilities by category

The accounting policies for financial instruments have been applied to the line items below:

2018	Financial liabilities at amortised cost	Total
Trade and other payables	4,595,458	4,595,458
Bank credit card liability	62,285	62,285
	<b>4,657,743</b>	<b>4,657,743</b>
2017	Financial liabilities at amortised cost	Total
Trade and other payables	3,770,175	3,770,175
Bank credit card liability	105,155	105,155
	<b>3,875,330</b>	<b>3,875,330</b>

## Notes to the Financial Statements *(continued)*

### 10. Deferred income

The deferred income relates to an insurance claim received which can only be recognised once the approval for the scrapping of the related asset has been received.

	2018	2017
Deferred income	13,500	-

### 11. Provisions

Reconciliation of provisions - 2018					
	Opening balance	Charged/ (credited) to profit or loss	Payments made	Unused amounts reversed	Total
Provision for leave and bonus	2,543,285	3,149,790	(1,604,491)	(938,794)	3,149,790
Reconciliation of provisions - 2017					
	Opening balance	Charged/ (credited) to profit or loss	Payments made	Unused amounts reversed	Total
Provision for leave and bonus	2,121,698	2,543,285	(1,420,844)	(700,854)	2,543,285

Provisions relate to:

- The amount of R1,676,127 (2017: R1,450,335) is for leave pay which accrues on termination of the services of members of staff.
- A further provision of R1,473,663 (2017: R1,092,950) is made for the payment of performance bonuses to staff.

### 12. Revenue

	2018	2017
Common Revenue Pool contributions	59,797,234	59,986,476

The SACU Secretariat recognises contributions from the Common Revenue Pool as revenue when the amount accrues to the SACU Secretariat.

### 13. Operating deficit

Operating deficit for the year is stated after accounting for the following:

	2018	2017
(Loss)/ gain on disposal of property and equipment	(31,602)	60,002
Depreciation and amortisation	6,713,751	5,116,042
Employee costs	44,358,432	40,433,813
Relocation expenses	561,729	552,013

	2018	2017
--	------	------

### 14. Finance income

Interest on short-term bank deposits	6,068,785	5,898,778
--------------------------------------	-----------	-----------

### 15. Auditors' costs

Disbursements	439,845	205,373
---------------	---------	---------

### 16. Employee benefits expense

Salaries and wages	44,358,432	40,433,813
--------------------	------------	------------

The SACU Secretariat has a defined contribution provident fund plan for support staff.

Number of employees	45	37
---------------------	----	----

### 17. Cash used in operations

Deficit for the year	(12,819,281)	(5,977,285)
----------------------	--------------	-------------

#### Adjustments for:

Depreciation and amortisation	6,713,751	5,116,042
-------------------------------	-----------	-----------

Loss/(gain) on disposal of property and equipment	31,602	(60,002)
---	--------	----------

Interest received	(6,068,785)	(5,898,778)
-------------------	-------------	-------------

#### Changes in working capital:

Trade and other receivables	(194,460)	438,745
-----------------------------	-----------	---------

Trade and other payables	825,283	425,327
--------------------------	---------	---------

Deferred income	13,500	-
-----------------	--------	---

Provisions and employee benefits	606,505	421,587
----------------------------------	---------	---------

	<b>(10,891,885)</b>	<b>(5,534,364)</b>
--	---------------------	--------------------

## Notes to the Financial Statements *(continued)*

### 18. Related parties

#### Relationships

#### Member States

Botswana  
Kingdom of Eswatini  
Lesotho  
Namibia  
South Africa

#### Members of key management

SACU Secretariat's Executive Committee

Related party transactions	2018	2017
Common Revenue Pool contributions	59,797,234	59,986,476
Receipts during the year		

The compensation of key management personnel who served as Executive Management during the year was as follows:

Short-term employee benefits	13,245,724	15,069,758
------------------------------	------------	------------

### 19. Commitments

#### Operating leases - SACU Secretariat as lessee (expense)

There are no future aggregate minimum lease payments under non-cancellable operating leases.

#### Tender commitments

The SACU Secretariat enters into various contracts and agreements with various suppliers for the provision of goods and services. At year end, the SACU Secretariat had the following commitments in respect of contracts and agreements signed before the financial year end for which the goods and services had not been received:

#### Commitments for contracts beyond 31 March 2018

	2018	2017
Cleaning services	473,360	430,302
Disaster recovery plan consulting	-	270,713
Media monitoring	-	99,459
Network support	100,310	-
Security services	672,227	311,400
SharePoint support	13,000	-
Short term insurance	-	141,372
	<b>1,258,897</b>	<b>1,253,246</b>

## Rollover

The SACU Secretariat undertook activities related to procurement of goods and services from various suppliers which were not completed by the end of the financial year. Approval was granted to rollover these activities to the next financial year as a commitment was made to the suppliers. The activities are in the process of being completed.

	2018	2017
EFTA Market Access Study	341,345	-
Business Continuity Plan consulting	249,016	-
IDU Reporting Module	157,945	-
Purchase of computers	178,870	-
Acquisition of fire suppression system	116,274	-
Publication of Annual Report - 2016/17 FY	141,788	-
Furniture - Official Residence	41,092	-
	<b>1,226,330</b>	<b>-</b>

## 20. Risk management

### Financial risk management

The SACU Secretariat's activities expose it to a variety of financial risks: market risk (including cash flow interest rate risk and price risk), credit risk and liquidity risk.

The SACU Secretariat's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the SACU Secretariat's financial performance. Risk management is carried out by Executive Management in accordance with policies approved by the Finance and Audit Committee. The Finance and Audit Committee provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of non-derivative financial instruments, and investment of excess liquidity.

### Liquidity risk

Liquidity is the risk that an entity will encounter difficulty in meeting obligations associated with its financial liabilities that are being settled by delivering cash or another financial assets. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the ability to close out market positions.

The SACU Secretariat's risk to liquidity is a result of the funds available to cover future commitments. The SACU Secretariat manages liquidity risk through an ongoing review of future commitments.

Cash flow forecasts are prepared and monitored.

The table below analyses the SACU Secretariat's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

## Notes to the Financial Statements *(continued)*

### 20. Risk management (continued)

At 31 March 2018	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	4,595,458	-	-	-
Bank credit card liability	62,285	-	-	-
At 31 March 2017	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	3,770,175	-	-	-
Bank credit card liability	105,155	-	-	-

#### Interest rate risk

The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The SACU Secretariat's significant interest rate risk arises from bank balances and short-term bank deposits. Interest receivable on bank balances and short-term deposits is at variable rates and expose the SACU Secretariat to cash flow interest rate risk. During 2018 and 2017, the SACU Secretariat's interest bearing bank balances and short-term deposits at variable rate were denominated in South African Rand.

At 31 March 2018, if interest rates on Rand-denominated bank balances and short-term deposits had been 10% higher/lower with all other variables held constant, the deficit for the year would have been R605,879 (2017: R 589,879) lower/higher, mainly as a result of higher/lower finance income on short-term deposits.

#### Credit risk

Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures to outstanding receivables and committed transactions. For banks and financial institutions, only reputable commercial institutions are accepted. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Council.

The SACU Secretariat will only deal with financial institutions that conform to the following criteria:

- Should have minimum audited capital and reserves of R50 million.
- Must be registered in terms of the Namibia Banks Act, Unit Trust Control Act No. 54 of 1981 and/or with the Namibian Financial Supervisory Authority (NAMFISA).

Written quotations on interest rates will be required from at least three financial institutions and the investments will be placed with the counterparty with the highest offered interest rate, provided that criteria set above have been met.

The SACU Secretariat will only invest in the following:

- Call and other term deposits at major banks
- Government of Namibia Treasury Bills and Government Stocks; and
- Money Market Unit Trust Funds registered in terms of the Unit Trust Control Act No. 54 of 1981.

Funds must be well diversified between authorised investment products and financial institutions so as to spread the risk.

Investment Type	Maximum Percentage of portfolio	Purpose of investment
Operational Bank Account	Up to 100% of total portfolio	These funds will be used to contribute towards the daily operations and will be deposited in a current account opened specifically for this purpose, which will be an interest-bearing account.
Bank Call account and Money Market Account	Up to 100% of total portfolio	These funds will be used to provide the SACU Secretariat with funds immediately for any unforeseen payments whilst maximising the interest return.
Bank Deposits and Treasury bills up to 12 months	Up to 100% of total portfolio	These funds will be invested in money market instruments and term deposits to enable the SACU Secretariat to have easy access to its funds but at the same time earn higher returns on its investments.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset as summarised in note 7.

No credit limits were exceeded during the reporting period, and management does not expect any losses from non-performance by these counterparties.

#### Foreign exchange risk

The SACU Secretariat operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the United States Dollars. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

#### Price risk

The SACU Secretariat was not exposed to equity securities price risk at the reporting date.

## Notes to the Financial Statements *(continued)*

### 21. Prior period errors

The 2017 annual financial statements have been restated to correct the prior period error relating to trade and other payables. Included in trade and other payables were long outstanding balances recognised in previous years which were not incurred and hence invalid payables. The balances amounting to R4,499 have been reversed as the amounts were incorrectly recognised in the previous financial years.

The correction of the error results in adjustments as follows:

Statement of Financial Position	2018	2017
Decrease in trade and other payables	-	4,499
Increase in opening accumulated funds	-	(4,955)
Increase in deficit for the year	-	456

### 22. Other operating gains (losses)

Gain/ (loss) on disposals of property and equipment	2018	2017
Property, plant and equipment	(31,602)	60,002
Gain/ (loss) on foreign exchange	(25,368)	(115,788)
<b>Total other operating gains (losses)</b>	<b>(56,970)</b>	<b>(55,786)</b>

<b>Detailed Income Statement</b>			
		2018	2017
	Note	R	R
Revenue			
Common Revenue Pool contributions	12	59,797,234	59,986,476
<b>Gross income</b>		<b>59,797,234</b>	<b>59,986,476</b>
Other income			
Gain on disposal of property and equipment	22	-	60,002
Interest income	14	6,068,785	5,898,778
		<b>6,068,785</b>	<b>5,958,780</b>
<b>Operating expenses</b>			
Advertising costs		(1,158,502)	(1,556,400)
Auditors' costs	15	(439,845)	(205,373)
Communication costs		(699,486)	(636,946)
Depreciation		(6,713,751)	(5,116,042)
Financial expenses		(65,004)	(63,989)
Hospitality		(547,874)	(464,067)
Household expenses		(572,922)	(712,981)
Insurance		(194,049)	(168,459)
IT services		(1,191,082)	(951,449)
Loss on disposal of property and equipment	22	(31,602)	-
Loss on foreign exchange		(25,368)	(115,788)
Media and public relations		(1,123,389)	(1,456,462)
Motor vehicle expenses		(170,297)	(169,736)
Office supplies		(395,113)	(634,910)
Professional fees		(4,582,894)	(3,575,361)
Recruitment costs		(828,764)	(979,256)
Relocation costs		(561,729)	(552,013)
Repairs and maintenance		(724,274)	(804,642)
Salaries and wages		(44,358,432)	(40,433,813)
Security		(628,388)	(380,065)
Skills development		(192,746)	(451,349)
Subsistence and travel		(10,554,829)	(9,255,423)
Subscriptions and reference materials		(187,498)	(68,682)
Utilities		(719,766)	(631,943)
Workshops and conferences		(2,017,696)	(2,537,392)
		<b>(78,685,300)</b>	<b>(71,922,541)</b>
Deficit for the year		<b>(12,819,281)</b>	<b>(5,977,285)</b>

The supplementary information presented does not form part of the financial statements and is unaudited

## Abbreviations

AfCFTA - African Free Trade Areas  
AGOA - African Growth and Opportunity Act  
AMOT - African Ministers of Trade  
COMESA - Common Market for Eastern and Southern Africa  
CRP - Common Revenue Pool  
CSI - Corporate Social Investment  
EAC - East African Community  
EFTA - European Free Trade Association  
EMDEs - Emerging Markets and Developing Economies  
EPA - Economic Partnership Agreement  
EU - European Union  
FTA - Free Trade Agreement  
FY - Financial Year  
GDP - Gross Domestic Product  
ICT - Information Communication Technology  
IT - Information Technology  
MERCOSUR - Southern Common Market  
PTP - Preferred Traders Programme  
SACU - Southern African Customs Union  
SADC - Southern African Development Community  
SQL - Structured Query Language  
SSA - Sub-Saharan Africa  
STO - Senior Trade Officials  
TFTA - Tripartite Free Trade Area  
UK - United Kingdom  
US - United States of America  
WCO - World Customs Organisation

## List of Tables

Table 1: Member States' Revenue Shares (Billion Rand) for 2016/17 and 2017/18	page 28
Table 2: Intra-SACU Imports	page 49
Table 3: Intra-SACU trade 2015/16 (R million)	page 50
Table 4: Trends in Member States Revenue Shares (R billion)	page 51

## List of Figures

Figure 1: World and Regional Economic Growth Rates: 2016-2019	page 44
Figure 2: Member States GDP Growth Rates (%)	page 44
Figure 3: Member States Average Annual Inflation Rates (%)	page 47



[www.sacu.int](http://www.sacu.int)

