REQUEST FOR TENDER (RFT)

STUDY ON THE DYNAMIC EFFECTS OF THE EXPANSION OF SOUTHERN AFRICAN CUSTOMS UNION (SACU) MEMBERSHIP

RFT Number: SACU/005/13/O

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5 MARCH 2013

Delivered by hand clearly marked

“STUDY ON THE DYNAMIC EFFECTS OF THE EXPANSION OF SOUTHERN AFRICAN CUSTOMS UNION (SACU) MEMBERSHIP ”

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1. INTRODUCTION AND BACKGROUND

1.1 The Southern African Customs Union (SACU) is the oldest customs union in the world still in operation, comprising five Member States, namely, Botswana, Lesotho, Namibia, South Africa and Swaziland. The current Treaty binding the five Member States is the 2002 SACU Agreement, which entered into force on 15 July 2004. Annex 1 of the 2002 SACU Agreement outlines the Revenue Sharing Formula for the calculation of Member States’ revenue shares.

1.2 The implementation of the current Revenue Sharing Formula has been faced with a number of challenges, associated with the data that informs the variables in the formula and some exogenous factors including the global economic and financial crisis. The recent global economic crisis exposed some weaknesses in the structure of the current Revenue Sharing Arrangement. As a consequence, at the Special Council Meeting held on 15 January 2010 in Johannesburg South Africa, Council decided to review the recurrent revenue sharing arrangement. The Council of Ministers established a Task Team on the Review of the Revenue Sharing Arrangement at the level of Senior Finance Officials. The Task Team was mandated to undertake the following: identify areas requiring improvement and develop options for the collection and distribution of revenue, and consider options for financing mechanisms to support industrial and infrastructure work programmes in SACU.

1.3 At their first meeting the Task Team identified areas requiring further study in the current revenue sharing arrangement and commissioned a consultancy study to evaluate issues relating to the operations of the current revenue sharing arrangement and develop possible options on an equitable revenue sharing arrangement. The study on the Review of the Revenue Sharing Arrangement for the Southern African Customs Union was submitted to Council for consideration during the 23rd Council meeting held on 24 June 2011 in Windhoek Namibia. Council noted the outcome of the study and decided that the study should be used as input in the process of the review of the revenue sharing arrangement. Following this, the Task Team considered proposals from Member States on a new revenue sharing arrangement and Task Team has identified similarities as well as the divergences in the proposed formulae.

1.4 As part of the process of the review of the revenue sharing arrangement, the Task Team prepared some simulations assuming the expansion of SACU’s membership. This analysis was based on the proposals presented by Member States on a new revenue sharing arrangement. In assessing this work, Council decided that work should be undertaken to understand the dynamic impact and implications of expanding SACU as well as necessary policy and institutional reforms required.
2. **OBJECTIVE**

2.1 The objective of the study is to provide an independent evaluation of the dynamic effects of expanding SACU membership, in particular, to assess the impact of SACU expansion on income growth through an increase in productive capacity and output. The study should evaluate the dynamic effects of the expansion on SACU within the context of on-going regional integration developments. It is anticipated that the outcome of this study will be used to inform the process of reviewing the current revenue sharing arrangement.

2.2 The areas that need to be covered by the study include the following;

- Assessment of economic performance of the SACU Member States, in particular, economic policies, investment incentives; economies of scale and factors of production, competitive behaviour of local and regional industries;
- Identification of countries that may hypothetically be interested in joining SACU and an admission criteria based on their economic characteristics as well as their institutional and regulatory frameworks;
- Assessment of whether expansion of SACU membership will result in
  - A large competitive market which can enhance investment and productivity;
  - Increased income growth through enhanced productive capacity and output;
  - Increased mobility of goods, services and productive factors;
  - Reduction of market distortions through harmonisation of economic policies.
- Economic gains of SACU membership notwithstanding possible loss of revenue;
- A strategy of how SACU economies will adapt and exploit large economies of scale brought by the expansion of membership.

3. **SPECIFIC TASKS**

3.1 The following core tasks have to be undertaken by the consultants doing the study. The structure of this study, will be divided into three main sections: Section I will address the situational analysis of Member States economic performance, section II will identify hypothetical countries that may be interested
in joining SACU based on their economic and institutional profiles while section III will address the impact assessment of expansion of SACU membership.

3.2 **Situational Analysis of Member States Economic Performance**

3.2.1 Provide an overview of economic performance for SACU Member States for the past five (5) years and outline the economic outlook;

3.2.2 Assess Member States economic policies, investment incentives, productivity levels as well as sources of growth. This assessment should also review the extent to which the following factors have contributed to Member States economic growth:

- Trade policies and tariff regime in SACU;
- Level of competition within industries at the national and regional level;
- Investment climate;
- Economies of scale and productivity;
- Fiscal policies taking into account tax regimes;
- Monetary policies taking into consideration that all SACU Member States belong to the Common Monetary Area except Botswana;
- Structural reforms

3.2.3 Identify similarities and divergences with regard to the Member States economic policies and propose a strategy for convergence;

3.2.4 Assess the static as well as dynamic effects of trade diversion and creation in SACU;

3.3 **Assessment of Economic and Institutional Profiles of Hypothetical Countries that May Want to Join SACU**

3.3.1 Develop a criteria for countries that may want to join SACU within the context of on-going regional integration developments;

3.3.2 Based on the criteria, identify potential hypothetical countries that may join SACU based on their respective economic policies and institutional framework;

3.3.3 Outline advantages and disadvantages of these hypothetical countries joining SACU.

3.4 **Impact Assessment of the Expansion of SACU Membership**

3.4.5 Based on the situational analysis as well as the assessment of potential member countries that may want to join SACU, use appropriate economic models like the Computable General Equilibrium (CGE) to evaluate the impact of the expansion of SACU focusing on the following:
3.4.6 Undertake a comparative analysis between the tariff structures of SACU and that of the prospective members and identify product line that may require tariff adjustment;

3.4.7 Outline the current and likely trade pattern and flows between SACU Member States and the new members taking into consideration major import and export products as well as major trading partners;

3.4.8 Assess the welfare effects on SACU Member States assuming expansion of SACU membership;

3.4.9 Based on the analysis, outline how the expansion of SACU membership will result in efficiency and economic growth through increased investment and competition, exploitation of economies of scale, harmonised economic policies to remove market distortions as well as mobility of factors of production;

3.4.10 Identify structural and institutional impediments and recommend remedial measures with a view to pave way for expansion of SACU membership;

4 APPROACH

4.4 The consultant(s) will meet with relevant officials and role players in all SACU Member States to discuss issues identified in the Terms of Reference and to gather more information on the subject matter. The consultant(s) will be required to prepare and circulate a set of questions to Member States in advance of visits in order to facilitate discussions.

4.5 The consultant(s) should be familiar with regional agenda of economic integration as well as operations of a customs union and demonstrate evidence of having undertaken related work.

5 DELIVERABLES

5.4 It is anticipated that this consultancy will be undertaken within a period of
sixteen weeks.

5.5 The consultant(s) will produce an inception report within two weeks of the start of the project and a draft report at week six. The draft final report will be presented to the Task Team on the Review of the Revenue Sharing Arrangement on week seven. Member States will provide comments to the report and the consultant will be expected to incorporate the comments and submit a final report to the Secretariat by week sixteen.

5.6 Electronic copies and six (6) hard copies of the report will be supplied to the Secretariat for appropriate distribution.

5 RESPONSIBILITY OF THE TASK TEAM ON THE REVIEW OF THE REVENUE SHARING ARRANGEMENT

6.1 The consultant(s) will be required to present the findings of the study to the Task Team on the Review of the Revenue Sharing Arrangement.

6 RESPONSIBILITY OF THE SECRETARIAT

7.1 The consultant(s) will be coordinated and managed by the SACU Secretariat. The SACU Secretariat will liaise with Member States and facilitate visitations and provide any information that may be required by the consultant(s) relating to the study.

7 TIME FRAME

8.1 It is anticipated that this consultancy will be undertaken within a period of sixteen weeks.

8 SUBMISSION TENDER PROPOSAL

8.1 The tender proposal should be delivered by hand/couriered to the address specified herein in six (6) hard copies, suitable for redistribution, using a two envelope system (a technical and financial proposal in different envelopes). All envelopes should be sealed and clearly marked as indicated below:

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The deadline for submission of the Tender is 5 March 2013.
9 FINANCIAL ARRANGEMENTS

9.1 Bidders are solely responsible for their own costs in preparing the Tender.

9.2 Payments for all services covered by this RFT shall be made upon receipt of appropriate invoices and the satisfactory completion of work.

9.2 The term of payment is 30 days from the date of receipt of an appropriate invoice.

10 CONFIDENTIALITY

10.1 Tenders submitted will not be revealed to any other bidders and will be treated as contractually binding.

10.2 All information pertaining to the SACU Secretariat obtained by the bidder as a result of participation in this RFT is confidential and must not be disclosed without written authorisation from the Executive Secretary of the Secretariat.

11 OWNERSHIP OF TENDERS

11.1 All tender proposals, including supporting documents, submitted to the Secretariat become the property of the Secretariat.

12 MODIFICATION OF TERMS

12.1 The SACU Secretariat reserves the right to add, modify or omit certain portions of the Tenders’ scope at any time at its sole discretion. This includes the right to cancel this RFT at any time prior to entering into a contract with the successful bidder.

13 REQUEST OF INFORMATION

13.1 Prospective bidders have right to request clarification regarding this RFT or any other information such as personal details for employees.

14 TENDER FORMAT

14.1 Bidders are requested to address the issues and requirements as per “Appendix A” in order to ensure that each tender proposal receives full consideration.

14.2 No faxed or emailed copies will be considered.

15 EVALUATION OF TENDERS & AWARD CRITERIA

15.1 Eligibility
15.1.1 Only tender proposals received as specified in Appendix A of this Document will be considered for evaluation.

15.1.2 Tenders will not be evaluated if the bidder’s current or past corporate or other interests may, in the Secretariat’s opinion, give rise to a conflict of interest in connection with this RFT.

15.2 Qualification Criteria

15.2.1 Tender proposal will be evaluated against the following qualification criteria:

15.2.2 Completeness of tender documentation as specified in Appendix A and other sections of this document.

15.2.3 Quality of the proposed approach and understanding of the assignment;

15.3 Award Criteria

15.3.1 The provision of service will be awarded to prospective bidder on the basis of the most economically advantageous proposal applying the following award criteria, listed in order of priority:

15.3.1.1 Proof of technical knowledge in the area of the required focus of the study;

15.3.1.2 Quality of the proposed approach and understanding of the assignment;

15.3.1.3 Proof of previous relevant experience;

15.3.1.4 Proof of qualifications and skills composition of the Team who will undertake the study;

15.3.1.5 Availability of consultant(s) to undertake the study;

15.3.1.6 Costs of undertaking the study (including any specified costs related to travel, accommodation, printing; binding and copies); and

15.3.1.7 Sound methodology
Appendix A - Format of Proposal

17. Bidders should address all the issues and requirements in the sequence in which they appear in this Appendix.

17.1 General Information

17.1.1 One page letter of introduction identifying the bidder and signed by the person(s) authorised.

17.1.2 Title page listing the RFT number, organisation name, postal address, physical address, telephone number, fax number, cellular telephone number, emails address, website and full names of two contact persons.

17.1.3 Profile of the Company (bidder).

17.1.4 A record of previous similar assignments.

17.1.5 Full contact details of any third-parties involved in the proposal.

17.1.6 Certified copies of a Certificate of Registration or Incorporation with relevant national authorities.

17.1.7 Certified copy of Tax Clearance Certificate (good standing of tax) from relevant national authorities.

17.2 Reference Sites

17.2.1 Bidders must provide a minimum of three (3) existing client portfolios (names, addresses and telephone numbers) who may be contacted for references in connection with the proposed assignment.

17.3 Schedule of Costs

17.3.1 All costs must be quoted in South African Rand (ZAR). The schedule must take the following format:

- The total cost (best and final offer);
- A full breakdown of the total cost;
- An itemised breakdown of the cost of any options being proposed beyond the specified Terms of Reference;
- The applicable rate of VAT in respect of each product or service being proposed;
- Details of any other costs; and
- Confirmation that the proposal remains valid for sixty (60) days after the closing date for receipt of proposals.

17.4 Additional Information

17.4.1 Bidders may provide any other information which may be relevant to this proposal.