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# SACU News

SOUTHERN AFRICAN CUSTOMS UNION

Quarterly Newsletter

September - December 2012



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## 28TH SACU COUNCIL OF MINISTERS MEETING

*The SACU Council of Ministers meeting for the 3rd Quarter of 2012/2013 financial year took place in Swakopmund, Namibia on 07 December 2012.*



Namibia, being one of the SACU Member States, played host to the SACU Council of Ministers' meeting, at the Seaside Hotel & Spa Swakopmund, Namibia. This was the 28th Council of Ministers' meeting following the coming into force of the SACU Agreement, 2002 on 15th July 2004. The meetings are held quarterly, and are preceded by Commission meetings, a body comprising of Senior Government Officials from all the five SACU Member States.

The highlight of this particular meeting was the commission workshop on the Findings of an IMF Report. The workshop took place on 02 December 2012, where the IMF discussed with the SACU Commission a report by the IMF on integration in Southern Africa. The IMF report reviews the benefits of SACU's integration as well as the challenges and opportunities.

The Chairperson of the SACU Council Hon. O.K. Matambo, Minister of Finance and Development Planning, Botswana, in his opening remarks started by welcoming two Ministers who were attending the Council meeting for the first time in their current portfolios. He recognized Honourable Minister Ts'olo, the Minister for Trade and Industry, Cooperatives and Marketing in Lesotho. He also recognized the former Deputy Minister for Finance in Namibia, Honourable Minister Schlettwein and congratulated him for his appointment as Minister of Trade and Industry. He stated that he looked forward to working with both of them in their respective portfolios.

It is a great honour and privilege for me to welcome you all to the 28<sup>th</sup> Meeting of the SACU Council of Ministers. On behalf of all of us, let me take this opportunity to thank the Government of the Republic of Namibia for the warm hospitality and the excellent arrangements made for this meeting.

This Council meeting is taking place at a crucial time when uncertainties regarding the global economic recovery are still prevalent. The recently published IMF World Economic Outlook report (October 2012) highlights that, in advanced economies, growth is now too low to make a substantial dent on unemployment. For the major emerging market economies, growth that was strong at the start of 2012 has also been revised downwards. Relative to their April 2012 forecasts, the most recent IMF forecasts for 2013 have been revised downwards. Growth for advanced economies has been revised from 2.0 percent to 1.5 percent, while growth for emerging economies has been revised from 6.0 percent to 5.6 percent.

The fragile global economic recovery has suffered several setbacks and created an uncertain outlook. Policies in the major advanced economies have not rebuilt confidence in medium-term prospects and risks relating to the viability of the euro area. The uncertainty about the direction of the U.S. fiscal policy also continues to preoccupy investors. Unemployment is likely to stay elevated in many parts of the world and financial conditions will remain fragile.

As a region, a key issue that we need to consider is whether the global economy is just hitting another bout of turbulence in what was always expected to be a slow and bumpy recovery or whether the current slowdown will stay with us for a long period.

The concerns about the major developed economies such as USA and Europe have profound implications for our region. We are well aware of the spill over effects of the recessionary period and the resulting decline in export demand and indeed our economic growth rates.

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As a region we need to position ourselves and respond to these challenges. We should not lose the focus on our development imperatives. We should also ensure policies to mitigate against the impact of the sluggish global growth are put in place so that poor households remain protected.

Turning to our agenda for today, I note that during this meeting we will receive updates on progress achieved by the Task Teams on the Review of the Revenue Sharing Arrangement and Industrial Development Policy. We will also consider the allocation of Member States' revenue shares for the 2013/2014 financial year; updates on the trade facilitation programme; and the on-going trade negotiations. In addition, we will consider the proposed amendments to the SACU Agreement aimed at institutionalising the Summit as well as on the establishment of the SACU Tribunal and Tariff Board.

Without further ado, I would like us to turn to our agenda for the day. In doing so, may I also wish us fruitful deliberations.

In response to the Chairman's remarks, the newly appointed Minister of Trade for the Host Country Honourable Minister Calle Schlettwein, Minister for Trade and Industry Namibia, expressed appreciation for the welcome and acknowledged that he is happy that his new portfolio allows him to remain part of the SACU family.

He welcomed the Honourable Ministers and their delegations to the Republic of Namibia, especially to Swakopmund. He expressed hope that the arrangements made for the Meeting would meet their expectations, and that he hoped the long drive for those who travelled from Windhoek was not too tedious.

He observed that SACU is still grappling with some issues to enhance integration in the region, specifically Trade Facilitation; the SACU-wide Industrial Development Policy; Trade in Services and other common policy issues. He also noted that SACU is engaging in negotiations on certain reforms, particularly on the existing Revenue Sharing Formula. He also observed that SACU is considering whether some initiatives may result in the possibility of expanding existing membership.

He acknowledged that there are many challenges facing SACU, but observed that Southern Africa has shown resilience compared to global economic recovery. In conclusion, he urged the Honourable Ministers to work together to improve the positioning of SACU in the region.

The meeting then proceeded to deliberate on the issues on the agenda for the 28<sup>th</sup> Council of Ministers Meeting, which included the following:

**SACU Executive Secretary's Report;** The report tabled issues around a planned retreat for the SACU Commission scheduled for January 2013. The retreat will discuss issues around a SACU wide strategic plan, to facilitate implementation of the SACU work programme as well as develop a work plan for the implementation of the recommendations from the recent Council of Ministers retreat.

**Trade Facilitation;** In January 2010, SACU commenced implementation of a three year comprehensive customs reform and modernisation programme as part of an effort to promote trade facilitation and develop modern Customs Administrations in SACU. The programme enjoys support from

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the World Customs Organization (WCO) and the Swedish International Development Agency (SIDA). The overall objective of the Programme was to contribute to the development of a sustainable and improved economy in SACU with regard to trade, security and social protection through development of Customs Authorities as fair and effective trade management partners as well as modern social protection and revenue collection services. The programme also aims at assisting the Member Countries of SACU to comply with international customs instruments and to modernize their respective customs administrations. A number of pilot initiatives have been started under this programme. In November 2012, the WCO and SIDA agreed to extend their support and funding for this programme for an additional year.

**Review of the Revenue Sharing Arrangement;** The Council also considered a report from Commission on the on-going review of the Revenue Sharing Arrangement. Council was informed that the Task Team working on the Review of the Revenue Sharing arrangement met to consider the Terms of Reference (TORs) for the study on dynamic effects of the expansion of SACU membership. The objective of the study is to provide an independent evaluation of the dynamic effects of expanding SACU membership. The study will be undertaken by an external independent consultant. It is anticipated that the outcome of this study will be used to inform the process of the review of the current revenue sharing arrangement.

**Harmonisation of GDP in SACU Member States;**

The Council received a report on the ToRs for a study on the harmonisation of estimation of taxes on products in the compilation of GDP among the SACU Member States. This Study will be undertaken by a study Group comprising Member States' officials who compile the data on excise and customs duties. The Study Group will be supported by technical experts from some international organisations.

**Allocation of Revenue Shares;** The Council received a report on the recommended allocation of revenue shares to Member States for 2013/14.

**Trade Negotiations;** On the SACU-MERCOSUR Preferential Trade Agreement, Council received a status report on the ratification of this Agreement.

**Report of the commission workshop on the Findings of the IMF Report;**

The Council of Ministers also considered the outcome of a Commission workshop on a report prepared by the IMF on integration in Southern Africa. The IMF report reviews the benefits of SACU's integration as well as the challenges and opportunities.

## MAIN ISSUES DISCUSSED BY THE SACU COUNCIL OF MINISTERS DURING 2012

***This report covers the Council Meetings for the period December 2011 to September 2012. In June 2012 there was no Council Meeting and this was agreed by Council in accordance with Article 8(9) of the SACU Agreement, 2002.***

**Ministerial Retreat**

At the 25th Council Meeting held on 25 December 2011, Council considered the agenda, structure, timing and venue of the Ministerial Strategic Retreat. In addition, the Council considered a proposal on the Strengthening of the Secretariat in a closed session. Council approved three broad themes for the Retreat, as follows:

- (i) Using integration as a tool for equitable and sustainable development in SACU;
- (ii) The internal approach to deepening integration in SACU; and

- (iii) The external positioning of SACU as a building block for integration in Southern Africa.

The Council also approved that the Chairperson of Council be the facilitator for the Retreat; and noted that Lesotho offered to host the Retreat. Council further approved that participation at the Retreat be limited; and that a preparatory meeting of Senior Officials be held at least one month before the Retreat. Council initially approved that the Retreat be held on 18 – 20 May 2012 in Lesotho, but it was later held on 30 – 31 August 2012 at Daan Viljoen Game Reserve in Namibia. Council approved that following the Ministerial Retreat, the Commission and the



# MAIN ISSUES DISCUSSED BY THE SACU COUNCIL OF MINISTERS DURING 2012

Secretariat convene a Strategic Planning session to draw up an action plan that will outline how the Retreat outcomes will be implemented.

## Ground-breaking Ceremony

In March 2012, Council approved that a Ground Breaking Ceremony be arranged to commemorate the commencement of the construction of the SACU Headquarters Building; and that it be planned to coincide with the 27th Council meeting to be held in Namibia in June 2012. However there was no Council Meeting in June 2012. The ceremony was therefore postponed.

## Commission Retreat

At the 26th Council Meeting held in March 2012, Council noted that the Secretariat has commenced internal work on developing a comprehensive organisational strategy. Council agreed that an appropriate Secretariat strategy to deliver on the organisational mandate needs to be derived from a SACU wide strategy. As a consequence Council agreed that the Commission hold a retreat to undertake this work.

## Revenue Management

Despite the fact that uncertainties regarding global economic recovery prevail, indications are that the SACU region has held up under these circumstances. According to the IMF World Economic Outlook Report of October 2012 the advanced economies continue to face growth challenges. For these countries economic growth was in 2012 revised from 2% to 1.5%, while growth for emerging economies was revised from 6% to 5.6%. The disparity indicates that the advanced economies have a slower recovery rate.

In accordance with the provisions of the SACU Agreement, 2002, regarding the Revenue Sharing Formula (RSF), work on the review of the Revenue Sharing Formula continues. Work of the Task Team on the Review of the Revenue Sharing Arrangement is focused on simulations of Member States' proposals on a new formula and considering policy issues arising from the proposals. To the proposal that a development component be included in the new revenue sharing arrangement to finance development projects in SACU, Council directed the Secretariat to conduct a study on the feasibility of this, taking into account the experiences of other Regional Economic Arrangements.

Council also directed the Task Team to undertake an analysis that will determine the impact of including or excluding rebates and duty drawbacks in the Common Revenue Pool. One of the recommendations of the Ministerial Retreat was that SACU become a building block for regional integration. In this regard, Council instructed the Secretariat to conduct a study on the dynamic effect of SACU expansion, especially with regards to the impact on revenue collection.

## Trade Facilitation

Under Trade facilitation, Council approved a proposal that the Preferred Trader Programme be introduced as part of the first phase in the development of a trade partnerships strategy for SACU. The programme is geared towards encouraging legitimate trade by extending benefits to traders as an incentive. Under the Preferred Trader Programme the following set of benefits have been proposed;

- (a) Pre-clearance, pre-release and deferred account;
- (b) Exemptions on requirements for National Nominal Bonds, transit bond, road bond, warehousing bond;
- (c) Flexibility on inspections;
- (d) Expedited VAT refund; and
- (e) Periodic Export Declarations

Since the programme is still at pilot stage, it will be tried on a temporary basis for a short period. If it is successful it will be implemented.

The Council also approved a proposal by the World Bank to conduct a Trade and Transport Facilitation Assessment for SACU. This assessment will identify the major impediments to trade in the region, with respect to trade facilitation. It will also provide policy recommendations to overcome these challenges, and further, outline policy and project options for consideration. The recommendations will be presented to a validation workshop of key stakeholders. In addition, the Council directed that since the SACU transport programme is focused on road transportation, the Secretariat must prepare a proposal on how rail transport can be used to facilitate trade in the region.

## Regional Industrial Development Policy

After the Council approved that a study on a Regional Industrial Development Policy for SACU be conducted, a tender for bids was advertised in the newspapers of all SACU Member States. The study will identify areas of regional collaboration and priority sectors for SACU. The tender for the study was awarded to GBRW/BIDPA, a company based in South Africa. UNIDO will give technical assistance.

## SACU Headquarters Building

Work on the construction of the SACU Headquarters building has commenced. The Tender for the construction was awarded to New Era Investments (Pty) Ltd, a company based in Namibia. Council directed the Secretariat to ensure that the labour and building material used for the construction of the SACU Headquarters building be sourced from within the SACU region, and that in future, the Finance and Audit Committee should ensure that work for SACU is carried out by institutions that originate from within the SACU region.

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# MAIN ISSUES DISCUSSED BY THE SACU COUNCIL OF MINISTERS DURING 2012

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## **Trade Negotiations**

SACU continues to engage in trade negotiations with different configurations. Negotiations towards the COMESA/EAC/SADC Tripartite FTA are ongoing. Regarding the SADC-EC EPA negotiations, some SACU Member States stand to lose markets with the pending withdrawal of Market Access Regulation 1528. The SADC EPA group is currently lobbying the EC to extend this regulation while the negotiations towards the conclusion of the EPA are ongoing.

Council directed the Secretariat to undertake a study to analyse the implications for SACU and SACU Member States of a change in Rules of Origin for trade in Textiles and Clothing in SADC and to propose a Rules of Origin option that SACU can submit into the review process of the SADC Rules of Origin. The Terms of Reference drafted by the Secretariat were approved by the Council and work on the study will commence soon. A preferred Rule of Origin option will be recommended to Council for adoption, once the study is complete.

Trade in Services was approved by the Ministers as a sixth priority area to be incorporated into the current SACU work programme. A Task Team on Trade in Services constituting representatives from the Member States has been formed.

## **SACU Institutions**

Council approved the Draft Rules of Procedure for the Summit and recommended them to the Summit for approval, this was after the SACU legal experts concluded the work of redefining SACU's institutional structures and reporting procedures to include the Summit.

Work to establish the SACU Tariff Board and Tribunal as per the requirements of the SACU Agreement, 2002 is on-going. Work on the establishment of the Common Negotiating Mechanism is also on-going.

The Technical Liaison Committees have been revived and reconstituted. They will begin meeting before the end of the first quarter of 2013.

## **Publication of the SACU Arbitration Award**

After the Secretariat received correspondence from the Permanent Court of Arbitration (PCA) enquiring whether the SACU Arbitral Award rendered on the 10th March 2010 had been made public, or may at this stage be made public, the Council deliberated on the issue and instructed the SACU Legal Experts to undertake a detailed assessment on the benefits and implications of publicizing the award. After this assessment, Council decided not to have the award publicized.

## **Summit of Heads of State and Government**

The last Summit of the SACU Heads of State and Government was held in March 2011, in South Africa. At that Summit the Heads of State and Government endorsed five priority areas in SACU's work programme focusing on regional industrial development policy, review of the revenue sharing arrangement, trade facilitation, and the development of SACU institutions as well as unified engagement in trade negotiations. The next Summit is scheduled for 12 April 2013 in Botswana. This Summit will receive an update on the implementation of the SACU work programme across the SACU Member States.

## SACU COUNCIL OF MINISTERS RETREAT 30 – 31 AUGUST 2012

*The SACU Council of Ministers held a Strategic Retreat from the 30 - 31 August 2012, in Windhoek, Namibia.*

The aim of the retreat was to afford The Council of Ministers an opportunity to focus on operationalising the SACU Vision to be "An economic community with equitable and sustainable development, dedicated to the welfare of its people for a common future", that was adopted by SACU Heads of State and Government in April 2010. In adopting this

Vision, Heads of State and Government also approved a new work programme focused on the priority areas of: (i) Development of a Regional Industrial Development Policy; (ii) Review of the Revenue Sharing Arrangement; (iii) Trade facilitation; (iv) Development of SACU institutions; and (v) Unified Engagement in Trade Negotiations.



# SACU COUNCIL OF MINISTERS RETREAT

## 30 – 31 AUGUST 2012

In the course of developing programmes to address these priority areas, the SACU Council of Ministers took a decision to have a strategic and forward looking discussion on the fundamental issues that can inform and provide impetus to SACU as it pursues its new work programme to achieve the SACU Vision and Mission. The retreat will provide an opportunity to consider the full implications of pursuing the new SACU work programme and the concomitant capacity and resource requirements for both Member States and the Secretariat. At the same time, the Retreat allowed Ministers to reflect upon the challenges arising as SACU seeks ways to advance and strengthen deeper regional and continental integration. The Retreat was therefore intended to afford an occasion for Ministers to engage on broad strategic matters affecting SACU Member States, its Institutions and the Customs Union as a collective.

The objective for deeper integration should also be seen within the context of, continental and regional integration efforts as provided for in the Abuja Treaty and more recently the African Union initiative to foster intra African trade and position Africa as the next frontier for growth. The envisaged SADC Customs Union, the COMESA-EAC-SADC Tripartite FTA negotiations and the Eurozone crisis all hold implications for SACU and these were also considered during the Retreat.

The Retreat took place following the Republic of Botswana's assumption of Chairmanship of SACU on 15 July 2012. The Chairmanship of SACU rotates annually on an alphabetical basis. Botswana's term as Chair follows that of the Kingdom of Swaziland's tenure as Chair.

In His opening remarks, the Chairman of Council Honourable Hon. O. K. Matambo, Minister of Finance and welcomed his colleagues the Ministers, the Executive Secretary, Members of Commission and all those present. He went on to thank the Government of Namibia for the warm hospitality and the excellent arrangements made for the Retreat. He then went on to say; Honourable Ministers, I am aware that this is not an occasion to pay tribute to the outgoing Chairperson of Council, Hon. Majozi Sithole. I believe that this opportunity will come on the occasion of the 27th Council meeting in Swaziland. However, I would like to thank him for the enormous work he has put in place in preparation for this Retreat. I would also like to recognise amongst our midst the new Minister of Finance from Lesotho, Hon. Dr. Leketekete Ketso and the Deputy Minister for Trade, Industry, Cooperatives and Marketing, Hon. Sekhulumi Paul Ntsoale. As you know, Dr. Ketso is not new to the SACU

Council but we recognise his new role as Minister of Finance. We look forward to your contributions to the work of the Organisation in your new role.

Honourable Ministers will recall that the first SACU Ministerial Retreat took place in Kasane, Botswana on 29 August to 1 September 2008. That Retreat was convened in response to the challenges facing SACU at the time, including the the internal challenges relating to the pace of implementation of the SACU Agreement, the challenges arising out of the negotiations of the SADC-EPA Negotiations and the need to position SACU in relation to the establishment of the SADC Customs Union. Our response was to recommit to the Objectives of the Organisation and out of that we also identified the need to define a strategy for positioning SACU going forward.

Following that, in April 2010, SACU convened the first Summit of Heads of State and Government which acknowledged the challenges facing SACU and decided that SACU should remain a viable institution and should be transformed into a vehicle for regional integration capable of promoting equitable development. In this regard, the Heads of State and Government adopted a Vision and Mission for SACU and decided to translate it into a strategic work programme. Finally, the Heads of State and Government identified a number of challenges facing SACU and directed the Ministers to develop strategies for addressing them.

Consequently, in March 2011, the SACU Heads of State and Government endorsed five priority areas to underpin the SACU Work Programme. Task Teams, at the level of Commission, have been set up to examine particular issues and report back to Council on a periodical basis. This work is on-going and reports are provided during Council meetings.

Consideration of the Reports that are presented to Council on the work of the Task Teams reveals that there are some implementation challenges which have necessitated that Ministers convene this Retreat to seek ways to expedite implementation and advance SACU's integration efforts.

In planning for this Retreat, Council decided on three main themes, within which to approach their discussions, namely:

- a) Using integration as a tool for equitable and sustainable development in SACU
- b) The internal approach to deepening integration in SACU
- c) External positioning of SACU as a building block for integration



# SACU COUNCIL OF MINISTERS RETREAT

## 30 – 31 AUGUST 2012

The first two themes deal with internal SACU matters which are critical for transforming SACU into a modern organisation that can assist in achieving the Vision. Indeed some of these issues have been the main focus of SACU meetings in the last few years. Regarding the third theme, this is of critical importance given the developments at the regional and continental level.

I hope that Ministers will agree with me that these three themes give us a good platform to take our agenda on regional integration forward. The themes are broad enough to allow us flexibility in our discussions. At the same time, the background document has been structured to focus our discussions on the critical issues affecting the Organisation at this particular point in time. I am certain that Ministers will take account of the issues raised in the background documents but also bring up some of their own experiences to enrich the debate.

Finally, as we begin this Retreat, it is necessary to recognize that SACU is not operating in isolation. In this regard, I would like to highlight a few issues relating to the global and continental economic environment, which I believe are important and should be taken into account in our discussions.

- The global economy is facing severe challenges, with the sovereign debt crisis in the Euro-Area, and the slowdown in the US economy. As a result, the IMF World Economic Outlook Update, of July 16, 2012 has revised downward the estimates of global growth by between 0.1 and 0.2 percentage points between 2012 and 2013. Consequently, within the region, some of us have had to change our growth forecasts, due to our close connection with the euro area and the US economy.
- The Doha Round of Negotiations is presently at a stalemate, with the Ministerial Conference of December 2011 having provided no guidance for the on-going technical work. The consequence of this is delayed benefits from what we had considered to be a development round of negotiations.
- Efforts at the regional and continental level for enhanced integration are continuing. In this respect, the negotiations for a Tripartite FTA between COMESA, SADC and EAC as well as the decision to establish a continental FTA present a glimmer of hope for our region. The challenge is to ensure that this prospect becomes a reality.

The totality of these developments requires that we think innovatively about how we position SACU going forward. They

require that we put together plans to convert the challenges into opportunities as well as measures for taking advantage of the opportunities.

This will require that we expeditiously move beyond plans and begin to implement strategies for ensuring that we remain a viable vehicle for integration and development.

In conclusion, I would like to recognise the enormous work by our Senior Officials and the Secretariat in preparing for this Retreat. Even though we all would have wished the Retreat to have taken place much earlier, I would like to believe that this delay has given Member States ample opportunity to undertake internal preparations. I am therefore looking forward to some innovative inputs on how to take this Organisation forward.

Setting the scene at the Ministerial retreat the SACU Executive Secretary Tswelopele C. Moremi, made the following remarks; Honourable Chairperson of Council of Ministers, Honourable Ministers, Commission Members; I would like to also start by extending a warm welcome to you Honourable Ministers and your officials to this Retreat. I would also like to thank our Host, the Minister of Finance, Namibia and her staff for the spirit of cooperation and support which Namibia displayed even at the time of uncertainty on the date for the Retreat. This has resulted in the excellent arrangements made for this Retreat at short notice.

The preparations for the Retreat started in 2011 under the Chairmanship of Swaziland. The commitment and leadership demonstrated by Swaziland during the preparations were instrumental in getting us to this stage of the Retreat materializing. In the same vein we look forward to Botswana's leadership in taking us through this Retreat to achieve a successful outcome.

By way of background, Honourable Ministers, the decision to convene this Ministerial Retreat emanates from the 23rd SACU Council meeting that was held on 24 June 2011 in Windhoek, Namibia. In the course of developing and implementing programmes to address the priority areas identified by Heads of State and Government, Council took a decision to have a strategic and forward looking discussion on the fundamental 3 issues that can inform and provide impetus to implementation of SACU's work programme. Council agreed that such issues be addressed by Ministers outside the normal Council meetings which normally has a focussed Agenda and does not facilitate broader discussions. This was the basis for convening the Ministerial Retreat.



# SACU COUNCIL OF MINISTERS RETREAT

## 30 – 31 AUGUST 2012

However, in contrast to the Kasane Ministerial Retreat of 2008, which was convened in response to specific challenges facing SACU at the time, the need for this Retreat arose as SACU seeks to now advance in deepening integration. This second retreat should therefore be a more forward looking retreat that examines issues related to the achievement of the new SACU Vision and Mission advancement of the associated work programme, identification of the concomitant capacity and resource requirements as well as other developments at the regional, continental and global level. The retreat should therefore provide an opportunity to consider the full implications of pursuing the new SACU work programme against these developments.

Following the decision to convene a retreat, Council directed the Secretariat to undertake consultations with Member States on the proposed Agenda, Structure, Timing and Venue for the Retreat. The Agenda before you is the outcome of those 4 consultations as approved by Council at its 25th Meeting on 2nd December 2011 in Swakopmund, Namibia.

During consultations, Member States were unanimous that the Retreat should not engage on operational issues related to the work programme but rather focus on broad strategic matters and principles affecting SACU Member States, its Institutions and the Customs Union as a collective. It was emphasised that the Retreat should focus more on the fundamental issue of operationalising the new SACU Vision to be “An economic community with equitable and sustainable development, dedicated to the welfare of its people for a common future”.

In addition, Member States recalled the decisions taken at the 2nd Summit of Heads of State and Government, where Summit decided that SACU can play a role in Southern Africa as a building block for deeper regional integration, given its level of integration. Member States viewed the Retreat as an opportunity to discuss the operationalisation of this decision, taking into account ongoing regional, continental and global developments and the implications for SACU.

Finally, Member States underscored the need to have strong Institutions to support SACU's integration initiatives. It was

recognised that this matter has not yet received adequate attention during the past Council meetings and that the Retreat would provide an opportunity to further deliberate on the way forward.

Honourable Ministers, Based on the outcomes of the consultations, the Secretariat developed a comprehensive proposal on possible themes for the Retreat. The proposal centered on the three broad strategic themes highlighted by the Chairperson of Council. This proposal was approved at the 25th Council meeting held on 2 December 2011 in Swakopmund, Namibia.

During the 25th Council meeting, Council also considered the option of an independent facilitator for the Retreat. Council recognised that it may be difficult and time consuming to find a candidate that would be acceptable to all Member States. Taking into account that the first Retreat was facilitated by the Chairperson of Council and the nature of the issues to be discussed, it was decided that the Chairperson of Council also be the facilitator for this Retreat.

Regarding the documentations, at the 25th Council meeting, Council also decided that a preparatory meeting of Senior Officials be convened to distil the specific issues that the Retreat should discuss under each theme and provide a framework for the Retreat discussions. Subsequent to this, the Secretariat expanded on the themes and developed an Issues Paper which was tabled to the Commission.

A preparatory meeting of Senior Officials for the Retreat was convened on 18 May 2012 in Johannesburg. The Commission discussed the Issues Paper and took decisions on how to frame it to facilitate Retreat discussions. The Issues Paper before you is the outcome of that input and was later adopted by the Commission at its 29th meeting held on 7-11 July 2012 in Windhoek. The Issues Paper provides a context for the themes and raises specific issues under each theme for consideration during the Retreat. The Chairperson of the Commission will introduce the Issues Paper to the Retreat.





*The Architect pointing out key building features to the Executive Secretary (centre) flanked on the right by Director Corporate Services, the Procurement Officer, and on the left by the Contractor, the Chief Legal Officer and the Communications Manager*

***Following the decision of the SACU Council of Ministers of 15 July 2005, to construct a new SACU Secretariat Headquarters Office Building, construction work has finally started.***

**T**he unveiling of the plaque at the site of the new SACU Headquarters to be built in Windhoek, Namibia, on Thursday, the 22nd April 2010 in Windhoek, Namibia, by the SACU Heads of State and Government, was an indication of their commitment towards the continued existence of SACU as a vibrant regional economic arrangement. The work on the construction of the SACU Headquarters Building has commenced and is gaining momentum.

After the conclusion of detailed technical, engineering and architectural planning followed by the finalisation of the rezoning process, on 6 September 2012 the Secretariat

concluded a contract with the contractor, New Era Investments (Pty) Ltd, and the construction site was handed over to the contractor marking the commencement of the project. The option to construct a new building complex to house the SACU Secretariat was taken in order to allow for the creation of a coherent, balanced and modern design in keeping with the image of the Southern African Customs Union Secretariat. Its new building was to be designed within entirely new parameters.

The construction of the building has commenced. The building complex has been properly placed on the site. The location of the site has places the building complex

## SACU HEADQUARTERS BUILDING

on an “island” surrounded by major traffic routes on all sides, and for that reason care has been taken to ensure that vehicular access, proper circulation and maximum safe parking has been provided, through optimised levels and a large and functional basement area which allows for more efficient development. Proposed developments of new roads in the area could expose the building complex to a high level of traffic noise in future. The creation of a “quiet zone” or central courtyard area is an advantage. Overall the new SACU Headquarters building will be a major fixed asset for the Customs Union and is also expected to project an aesthetically acceptable image in line with the desired SACU image.

The estimated duration for the construction work is fourteen months (14), with the completion date being 6 November 2013. The Ministry of Finance, Namibia, assisted the Secretariat with regard to the rezoning process that was carried out by the City of Windhoek as part of the final procedures in preparation for the commencement of the project. The Headquarters project was granted exemption from the payment of betterment fees, as well as the environmental clearance certificate, all of which ensured that the building plans were approved by the City of Windhoek and the budget was contained.



*SACU Headquarters Building Task Team Members with the architect (centre) at the site, as at December 2012*

*The Operations Coordinating Unit (OCU) for the SACU Operation Auto was manned by officers from all Member States, RILO ESA and SACU Secretariat.*

The OCU was hosted by Botswana Unified Revenue Service (BURS) who had allocated working space, internet connectivity and other resources in an effort to ensure that the work of the OCU is completed successfully. The role of the OCU was to receive information on vehicle seizure cases, analyse the results, and provide guidance to officials in Member States. Also the OCU assisted officials who had challenges with regard to access to the CENcomm for various reasons.

The WCO created a closed user group for the SACU Operation Auto and the SACU Secretariat created users (designated officers from Member States). Each user was given user name and password to use in order to access the application. The members of the OCU were nominated by national Customs Administrations and all Member States was represented. The OCU further analyzed the usage and competency of trained officers in the usage of the CENcomm platform. Using this exercise the OCU further went on to evaluate the trainees on their ability to capture accurate information into the CENcomm as well observations, successes and challenges during the operations and make recommendations on way forward.

## Evaluation of the Training Phase

During the operation period which started Monday 3 December, the OCU team observed active members of the closed user group. Mr. Fred Lunani the official from WCO RILO ESA delivered the training on WCO enforcement tools. The training focused on CEN and CENcomm in the context of enforcement operations and in particular Operation auto. The following were the training outcomes. The participants learnt the following;

- How to upload information on the CEMcomm application;
- How to share risk information and alerts in an operation;

- How to capture seizures and to locate any seizure information in the CENcomm;
- How to identify new emerging trends and other risk indicators to be used in future targeting from CEN data;
- Ability to capture accurate and useful information during the operation
- How to identify new concealments methods on cases in the CENcomm;
- Identify players in the illicit trade;
- Identity new trends in motor vehicles smuggling;
- How to use CENcomm platform as a communication tool between various stakeholders especially officials in the field in Member State;
- Analysis of information in the CENcomm for purposes of assisting future operations and to support the operation at hand;

The trainer prepared practical exercises for the participants in order to ensure that each participant or each country is able to capture correct information into the CENcomm. These practical cases provided a testing phase of the training programme.

## Preliminary Results of the Operation

The Table below indicates the total number of cases that were captured into the CENcomm for the period from 3 to 7 December 2012. The OCU team then had to conduct a detailed analysis of the operation. This analysis will include amount in taxes and duties that have been re-assessed, cases that will be further undertaken by investigations, cases ready for prosecution and any policy recommendation that emerge from the operation.

A debriefing session where the results will be tabled is scheduled for a later date. This will also include results of cases captured during the extension period (10 to 14 December 2012).



**Table 1: Cases reported per country during the operation 3 - 7 December 2013**

Day	Botswana	Lesotho	Namibia	South Africa	Swaziland	Total
1	1	0	0	3	0	4
2	1	0	0	2	0	3
3	3	0	0	2	4	9
4	5	0	3	8	0	16
5	2	2	7	80	2	92
<b>Total</b>	<b>12</b>	<b>2</b>	<b>10</b>	<b>95</b>	<b>6</b>	<b>125</b>

Source: OCU team

## Recommendations and Way Forward

The risk profiles for motor vehicles that have been created are to be implemented by each country. This will ensure that all risk associated with motor vehicles are addressed and accommodated in each administration.

The team also agreed to pursue another operation to target textile and clothing. This is to take advantage of the bilateral operation between Botswana and South Africa that is to take place. The OCU team agreed that since

textile and clothing is a risky sector in SACU as identified in the past, there will more value add for a regional operation on textile.

Need to implement the SACU MAA Annex in order to make information sharing easy. The Secretariat will finalize the document meant to assist sharing of information under the Annex. A debriefing session will be held in February and the full analysis containing all aspects of the operation will be presented.



Evaluation of the Training Phase

## *The SACU Secretariat has adopted a practice of bringing together staff and their families for a day of fun and games.*

The aim of this event is twofold. On the one hand it is a team building event that aims to bring together employees on an informal setting, to promote better working relations. On the other hand it is a day when the SACU employees connect through sporting activities with their families.

The family fun day tradition began in 2010 and has become an annual activity, which both staff and their families eagerly await from the beginning of the year. The popularity of the event is evidenced by the increase in the number of employees and their families that participate each year. On this day secretariat staff is grouped into two teams, the Masai and the Zulus. The allocation of staff into the teams is done randomly. Family members in attendance are automatically assigned to team under which the staff member belongs. The programme for the day consists of various field events such as soccer, relay, bag racing, egg on spoon racing, and tug of war. Another set of games organised is go-kart racing and laser paint ball shooting.

Entertainment and fun is provided for all attendees, there is face painting for children, jumping castles, music as well as food and refreshment throughout the day. Children are specifically rewarded for attendance through the distribution of educational gifts and toys. These serve as early Christmas presents for the children, whilst also demonstrating the Secretariat's appreciation of their spending the day with them.

The overall winner for the 2012 Family Fun Day Games was the Zulu Team.

The games started off with a soccer game, where both teams failed to score during the 60 minutes game time.

The Zulus got their only goal during penalty shootouts where the Masai goal keeper failed to block a penalty from the Zulu opponents. The final score was 1 – 0 in favour of the Zulus.

Other results stood as follows:

1. Bag Racing; Zulus overall winners
2. Egg Racing; Zulus overall winners
3. Relay; Masai the overall winners
4. Tug of war; Masai the overall winners
5. Go-kart racing; The gold medallist for the 2012 Family Fun Day is Mr Marcel Ratsiu, a member of the Zulu Team, thus the score for this game went to the Zulus.

It is worth noting that Saturday 3 November 2012 was a very bright & beautiful day, the temperature in Windhoek stood at around 33°C. This did not deter the spirit of fun and merriment as both adults and children were seen moving around and taking part in all the sporting activities. Those who were confined to the tent due to nursing of babies and attending to the children were also seen dancing to the music that was provided by the DJ throughout the day. Although a dancing competition was planned for later in the day, this did not take place as most people opted for the Go-karting and laser paintball shooting games.

The merriment continued well into the night. It is hoped that the 2013 games will even be more fun. Seeing that SACU is an international organisation rich in cultural diversity as a result of its composition, it might be a good idea to incorporate this dimension into the fun day. This would be an exciting addition to the fun and games of the day, and it would also go a long way in creating awareness of our cultural diversity while celebrating how well these can be integrated.



# SCHEDULE OF SACU MEETINGS FOR 2013

Activity	Dates	Venue
<b>1<sup>st</sup> Quarter 2012</b>		
SACU Commission	7 – 9 April	Botswana
SACU Council	10 April	Botswana
SACU Summit	12 April	Botswana
<b>2<sup>nd</sup> Quarter 2012</b>		
SACU Commission	24 – 27 June	Namibia
SACU Council	28 June	Namibia
<b>3<sup>rd</sup> Quarter 2012</b>		
SACU Commission	16 – 19 September	Swaziland/Lesotho
SACU Council	20 September	Swaziland/Lesotho
<b>4<sup>th</sup> Quarter 2012</b>		
SACU Commission	25 – 28 November	Namibia
SACU Council	29 November	Namibia

## External Events To Note:

AGOA Forum		TBA Addis Ababa, Ethiopia
APEC Summit	TBA	
APEC Trade Ministers Meeting	TBA	
APEC Finance Ministers Meeting	TBA	
G20 Summit	June	St. Petersburg, Russia
Easter	29 Mar - 1 April	
5 <sup>th</sup> BRICS Summit	25 – 27 March	Durban, South Africa
17 <sup>th</sup> COMESA Summit	TBA	
20 <sup>th</sup> Summit of the African Union	21 – 28 January	Addis Ababa, Ethiopia
2013 Commonwealth Finance Ministers Meeting	TBA	
2013 Spring Meetings of the IMF & World Bank	19 – 21 April	Washington, D.C.
2013 Annual Meetings of the IMF & World Bank	11 – 13 October	Washington, D.C.
SADC Summit	August	Lilongwe, Malawi
9 <sup>th</sup> WTO Ministerial Conference	1 <sup>st</sup> Week of December	Bali, Indonesia
World Economic Forum Annual Meeting	30 Jan – 2 Feb	Davos, Switzerland
World Economic Forum on Africa	8 – 10 May	Cape Town, South Africa

