



SACU

Since 1910

SOUTHERN AFRICAN CUSTOMS UNION



Annual Report 2012
Implementing a
common agenda towards
REGIONAL INTEGRATION



SACU – THE BIG PICTURE

As the world's oldest custom union, the Southern African Customs Union (SACU) dates back to 1889 Customs Union Convention between the British Colony of Cape of Good Hope and the Orange Free State Boer Republic. A new agreement, signed on June 29, 1910, was extended to the Union of South Africa and the British High Commission Territories (HCTs), i.e. Basutoland (Lesotho),

Bechuanaland (Botswana), and Swaziland, South West Africa (Namibia) "was a defacto member, since it was administered as part of South Africa" before it became a de jure member. The primary goal was to promote economic development through regional coordination of trade.



NEW REVENUE SHARING FORMULA: REVISION OF THE RSF TO INCLUDE A CUSTOMS EXCISE AND DEVELOPMENT COMPONENT.

As early as 1925, South Africa adopted import substitution industrialization (ISI) policies, backed by the common external tariffs on non-SACU products. These measures guaranteed a regional market for South African manufactures, while relegating

the British High Commission Territories (HCTs) to producing primary commodities. Under apartheid, South Africa was the sole administrator of the common SACU revenue pool, setting SACU import duties and setting excise policy.



1910

AGREEMENT

FREE MOVEMENT OF SACU MANUFACTURED PRODUCTS WITHIN SACU, WITHOUT ANY DUTIES OR QUANTITATIVE RESTRICTIONS.



1969

AGREEMENT

A MULTIPLIER IN THE REVENUE SHARING FORMULA THAT ENHANCED BLS REVENUES ANNUALLY BY 42 PERCENT.

SACU MEMBER STATES

BOTSWANA

LESOTHO

NAMIBIA

SOUTH AFRICA

SWAZILAND

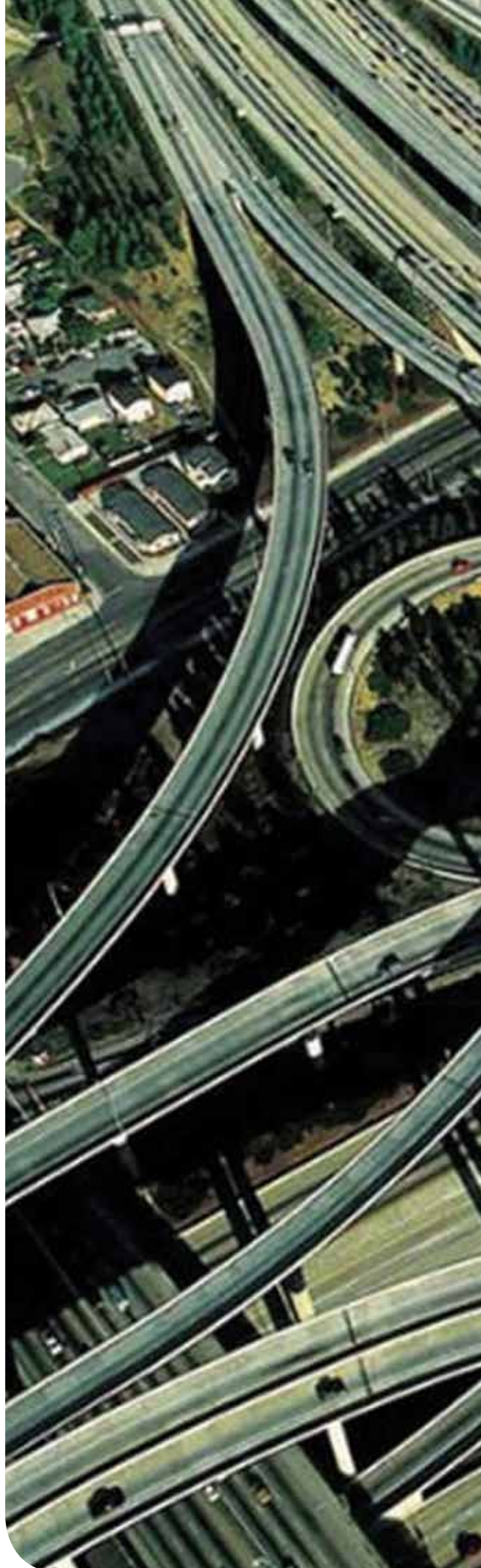
ADMINISTRATION

Business address: 66 Robert Mugabe Avenue
Windhoek
Namibia

Postal address: Private Bag 13285
Windhoek
Namibia

Bankers: Standard Bank Namibia Limited

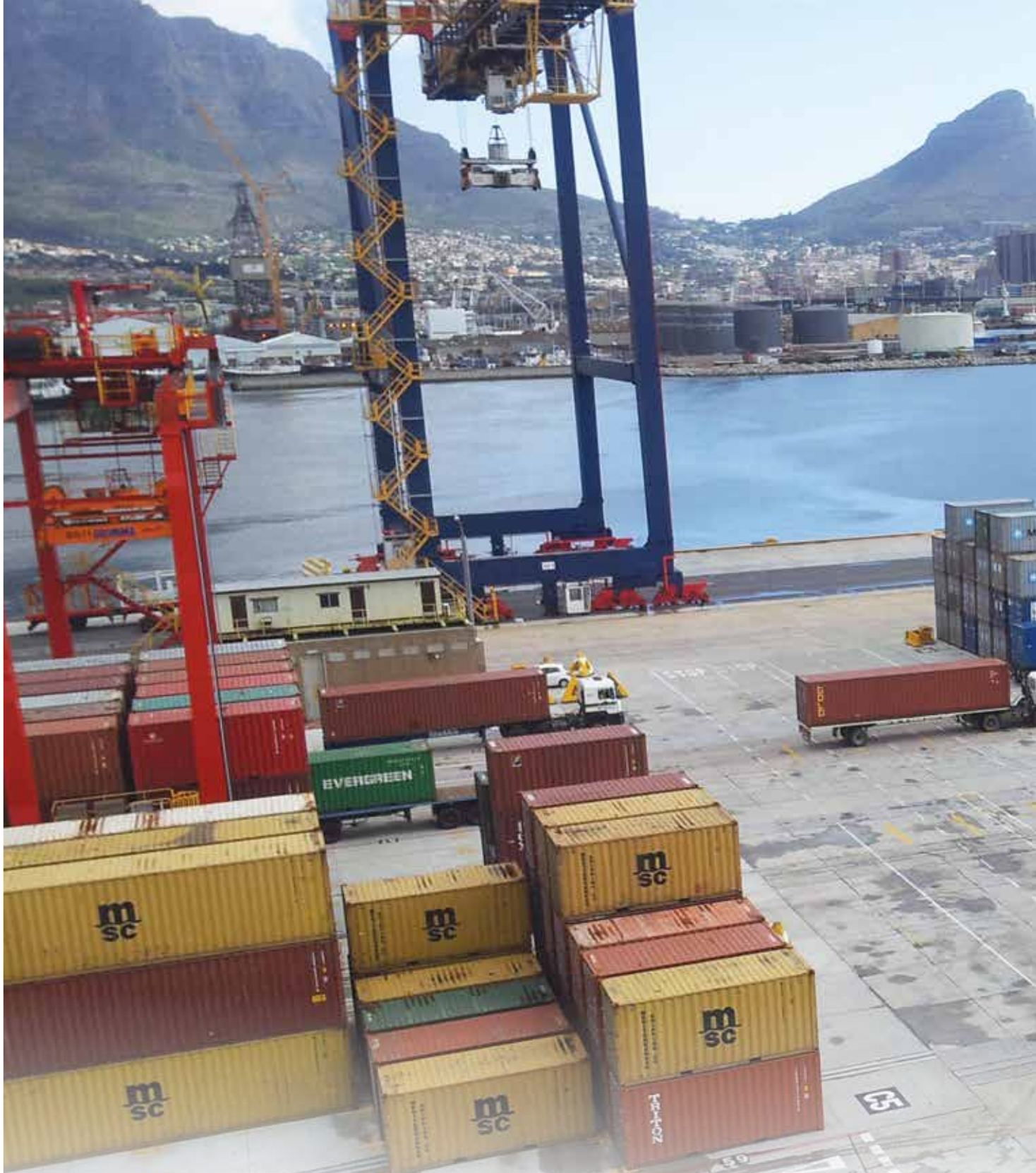
Auditors: Office of the Auditor General
269 Independence Avenue
BPI Building, 6th Floor
Private Bag 13299
Windhoek, Namibia





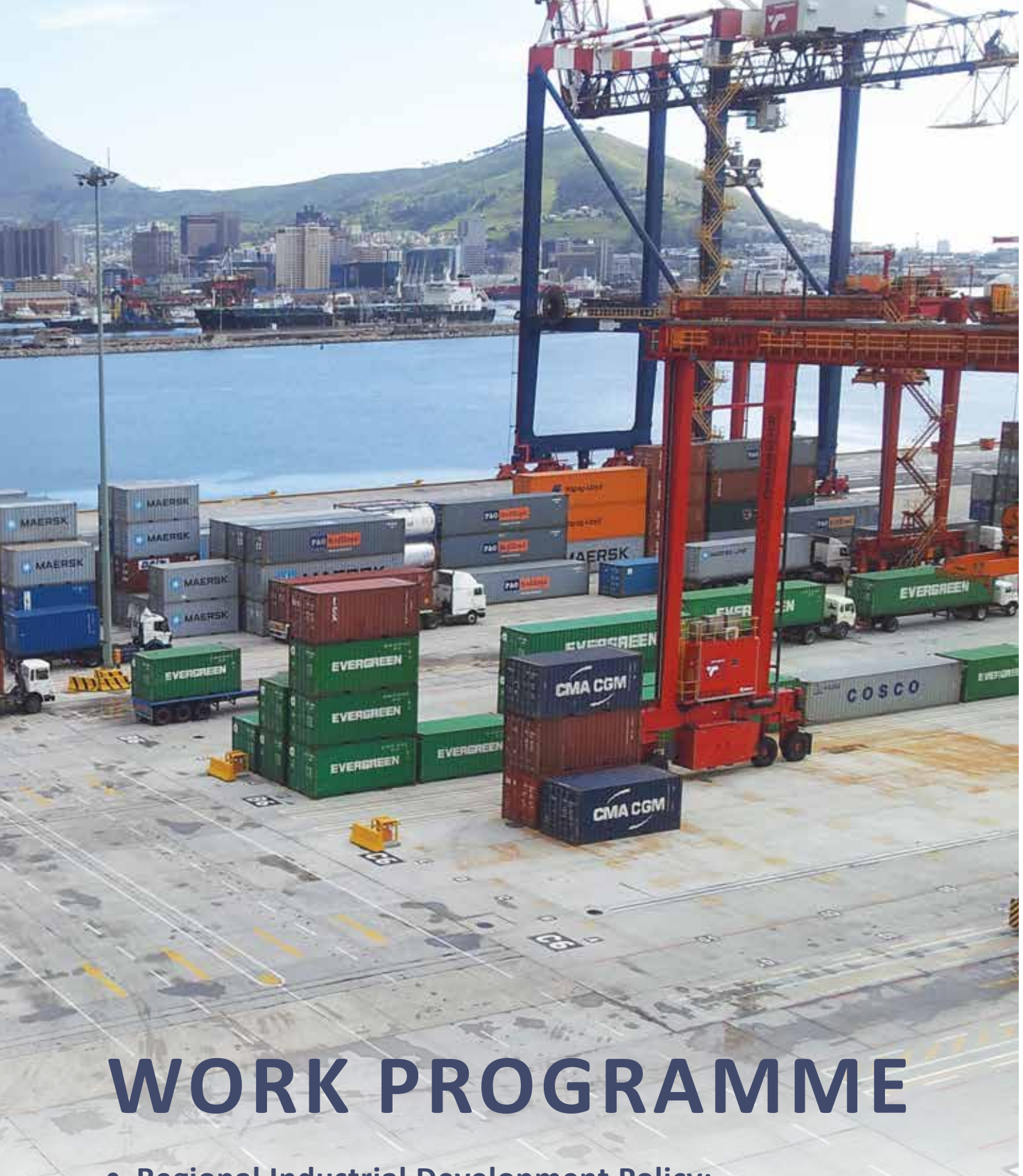
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VISION

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

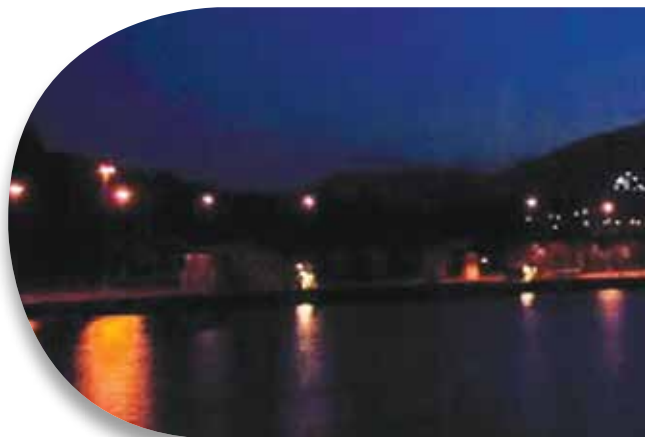


WORK PROGRAMME

- Regional Industrial Development Policy;
- Review of the Revenue Sharing Arrangement;
- Trade Facilitation;
- Development of SACU Institutions; and
- Unified Engagement in Trade Negotiations.

MESSAGE FROM THE CHAIRPERSON OF THE SACU COUNCIL OF MINISTERS

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It is a great honour and privilege for me to introduce the SACU Annual Report for the 2011/12 financial year. This past year has seen several new developments which SACU had to respond to in order to meet its own development priorities.

Significant developments are taking place on the African continent. There is a growing realisation that African countries are on the verge of a new phase of economic development. Sub-Saharan Africa has witnessed sustained growth while global economic conditions have remained rather bleak.

The global economy was underpinned by weakened economic activity in developed economies as a result of the Eurozone sovereign debt crisis, uncertainties regarding the US fiscal policy and supply pressures arising from the Japan earthquake and tsunami. Consequently, the growth prospects for emerging and developing economies were also negatively affected.

Sub-Saharan Africa showed some resilience to the global economic slowdown. Capital flows continued to increase due to better yields that prevailed in African equities and bonds. A stable macroeconomic environment coupled with strong commodity prices contributed to positive economic growth. In the SACU region, economic recovery continued during the year, supported by growth in consumer demand. At the same time, the Governments in the SACU countries continued with fiscal consolidation efforts in response to lower receipts from the Common Revenue Pool.

In addition, we have witnessed a new impetus towards deeper integration through trade facilitation and through the negotiation of new free trade arrangements. In June 2011, the Heads of State and Government of the 26 countries of SADC, COMESA and EAC launched the negotiations for the Tripartite Free Trade Area in Johannesburg, South Africa. This initiative offers a real opportunity to improve market access, deepen integration and enhance intra African trade. As members of a Customs Union, the SACU Member States are in a unique position to negotiate as a single block with regard to trade in goods. To achieve this, joint strategies and policies will have to be developed to ensure that all the Member States benefit from this arrangement.

There are challenging times ahead. The ambitious roadmap adopted at the Tripartite Summit is evidence of the priority placed by the Member States on the speedy conclusion of the negotiations in order to adopt and ratify the Tripartite Free Trade Agreement. The successful conclusion of the negotiations will inspire other efforts to enhance the deeper integration plans of the African Union.

The convening of an AU Summit with the theme of boosting intra-African trade has been a significant additional development during the year under review. African leaders have reaffirmed their commitment to deepen Africa's market integration through the establishment of the Continental Free Trade Area (CFTA) by the indicative date of 2017 and the implementation of the Action Plan for Boosting Intra-African Trade. The Summit recognised the critical importance of infrastructure development in supporting trade and deeper economic integration. SACU is adapting and transforming itself in order to play an active role in all of these strategic developments.



In order to position SACU to reap the benefits of integration, SACU Member States need to develop appropriate policies and strategies. Member States have to move beyond being the exporters of commodities and raw materials to the rest of the world. It is in this regard that the Member States have identified the development of a Regional Industrial Development Policy as an overarching priority. We believe that the development of a Regional Industrial Development Policy is a critical aspect of SACU's joint efforts to promote sustainable development for all its peoples. This conforms to the SACU Vision to be "an economic community with equitable and sustainable development, dedicated to the welfare of its people for a common future" adopted by the Heads of State and Government in April 2010.

During the year under review, the Council of Ministers continued to meet on a regular basis to review progress on the implementation of the SACU Work Programme and to provide strategic policy guidance. Furthermore, the Council decided to convene a second Ministerial Strategic Retreat to focus on broad strategic matters and their effects on Member States, on SACU's institutions, and the Customs Union as a collective. The Retreat will offer an opportunity for a robust debate on regional and multilateral issues affecting SACU and afford Member States the space to develop appropriate strategies.

SACU's vision is to serve the needs of all of those who live within its borders. We should therefore continue to strive for better communication with all the Stakeholders. Member State Governments should take responsibility for creating an enabling environment by developing appropriate policies. The active involvement and input of the private sector is paramount to ensure sustainable economic development.

In this regard the SACU Council of Ministers has directed that a strategy be developed to enhance SACU's engagements with Non-State Actors. The challenges and opportunities ahead require that SACU interacts with Non-State Actors on a continual basis. It is my wish that in future there will be heightened awareness about SACU among all relevant stakeholders.

As a final observation, I would like to take this opportunity to extend my profound gratitude to the Executive Secretary and the staff of the SACU Secretariat for their hard work, dedication and commitment during the past financial year. This is demonstrated in the preparations and follow-up with regards to all areas of the SACU work programme which are captured in this Annual Report.

Honourable Ontefetse Kenneth Matambo
 Minister of Finance and Development Planning (Botswana)
 Chairperson of the SACU Council of Ministers

EXECUTIVE SECRETARY'S REPORT



The publication of SACU's Annual Report is a unique opportunity to communicate with all SACU stakeholders and to share with them information on the activities of the preceding year, SACU's internal developments and strategic thinking.

The Secretariat is responsible for both continuity and innovation in the Organisation. The Secretariat has to ensure that all SACU institutions are provided with the logistical support and the technical information required for their meetings. In performing these functions, the Secretariat must maintain effective communication with the Member States.

With regard to the year under review I wish to highlight the following:

Substantial progress was made in implementing the Trade Facilitation Programme Action Plan. A regional Customs Policy was adopted by the SACU Council of Ministers during the year. This Policy provides a guiding framework for regional cooperation in the areas of: information technology interconnectivity, partnerships with the trade community, joint enforcement, risk management and customs legislation. Furthermore a SACU strategy for addressing illicit trade in tobacco was developed. In addition the Secretariat provided assistance in the establishment of national customs to business forums. The SACU Council of Ministers also approved an Annex on Mutual Administrative Assistance to facilitate greater customs enforcement cooperation and information sharing among the Member States. In addition, priority needs in the transport sector were identified and these will underpin a regional transport programme whose implementation will commence next year.

Over the years there has been a growing demand for easily accessible economic data within the Customs Union. To meet this need, the Secretariat initiated the development of a SACU statistical database that will serve as a central depository for a wide range of economic data. The database will inform the process of policy development and trade negotiations, while allowing for the monitoring of the performance of the economies of the Union. A prototype of the database which covers national accounts, consumer price indices, merchandise trade, monetary statistics, balance of payments, and government finance was developed. The database will be launched in the 2012/2013 financial year and will be available online.

The review of the SACU Revenue Sharing arrangement continued during the year under review. The SACU Council of Ministers decided upon a set of principles to underpin and guide negotiations for a new Revenue Sharing arrangement. A Task Team at the level of the Customs Union Commission was established to oversee the development of options for a new Revenue Sharing arrangement. This Task Team has made progress and has identified the key policy issues to consider in the review of the arrangement. It is expected that this work will gather momentum during 2012/2013.

The SACU Trade Negotiations Agenda continued with negotiations between SACU and India, SACU and the United States, SACU and the European Commission (in the context of SADC-EU Economic Partnership Agreement), and a Tripartite Free Trade Agreement negotiations involving the Common Market for East and Southern Africa (COMESA), the East African Community (EAC), and the

Southern African Development Community (SADC). The implementation of the SACU and European Free Trade Association (EFTA) Agreement is on course. On the SACU-MERCOSUR Preferential Trade Agreement, Member States have embarked on domestic procedures for ratification.

SACU continues to facilitate the development of a joint Regional Industrial Development Policy. It is expected that this policy once completed will assist SACU Member States in promoting regional industrial development. The development of this Policy will be underpinned by an expert study which will be completed by mid-2013.

With respect to institution building, the SACU Council of Ministers has prioritised the establishment of the SACU Tariff Board; which will be responsible for recommending changes on SACU's common external customs tariff to the SACU Council of Ministers. The Secretariat has formulated a detailed plan on the processes to be followed in the establishment of the Tariff Board. The Secretariat acknowledges the active participation by the Member States in formulating this plan.

One of the major achievements in 2011/2012 was the approval by the SACU Council of Ministers of the architectural drawings and budget for the construction of the new SACU Headquarters Building in Windhoek, Namibia. Construction will start during the 2012/2013 financial year. The commencement of this project is a significant milestone in the history of SACU and reconfirms the commitment of Member States towards the Organisation.

The fast-changing economic landscape in which SACU operates requires the Secretariat to be equipped to deal with the emerging challenges. As part of the long term strategy to strengthen the Secretariat, the SACU Council of Ministers approved the creation of the position of the Deputy Executive Secretary. The incumbent to this position will assist the Executive Secretary, in managing the Secretariat and will focus on supervising the operations of the Directorates. A process to start recruitment for this position is underway.

The Secretariat also commenced a review of its strategy in order to ensure alignment with the new mandate provided for in the SACU Vision and Mission, and the new Work Programme approved by the Summit of the Heads of State and Government on 25 March 2011 in Pretoria, South Africa. This review will involve the restructuring of the Secretariat's operations to ensure increased efficiency. The on-going guidance and oversight of the Customs Union Commission will be critical in this process.

During the financial year under review, the Secretariat once again achieved an unqualified audit report, continuing the trend of demonstrating fiduciary responsibility over finances. The Secretariat is committed to continue to improve its performance in this area by adhering to good corporate governance principles and best practices.

SACU functions within a regional and a multilateral context. This requires cooperation with other international organisations operating in the areas of economic and trade policy, finance and regional integration. Over the past year, the Secretariat held several consultations with the International Monetary Fund and the World Bank in an effort to explore possible technical areas of collaboration. The outcome of these consultations has been reported to the Council of Ministers on a regular basis. These consultations have provided useful technical input to some of the key priority areas in the SACU Work Programme. In addition, SACU has a joint programme with the World Customs Organisation to support trade facilitation. Finally, the Secretariat continues to benefit from collaborative exchanges and assistance in common areas of operation with COMESA.

In conclusion, I would like to express my gratitude and appreciation to the following:

- The SACU Council of Ministers for providing the required policy direction and strategic leadership;
- The SACU Customs Union Commission for their guidance and oversight on the implementation of the SACU Work Programme;
- The host Country (Republic of Namibia) for their unrelenting support and hospitality;
- The cooperating partners who have contributed to the implementation of the SACU Work Programme; and last but not least
- The SACU Secretariat staff for their on-going commitment and dedication.

The realisation of the SACU Vision depends on the cooperation and support of all stakeholders.

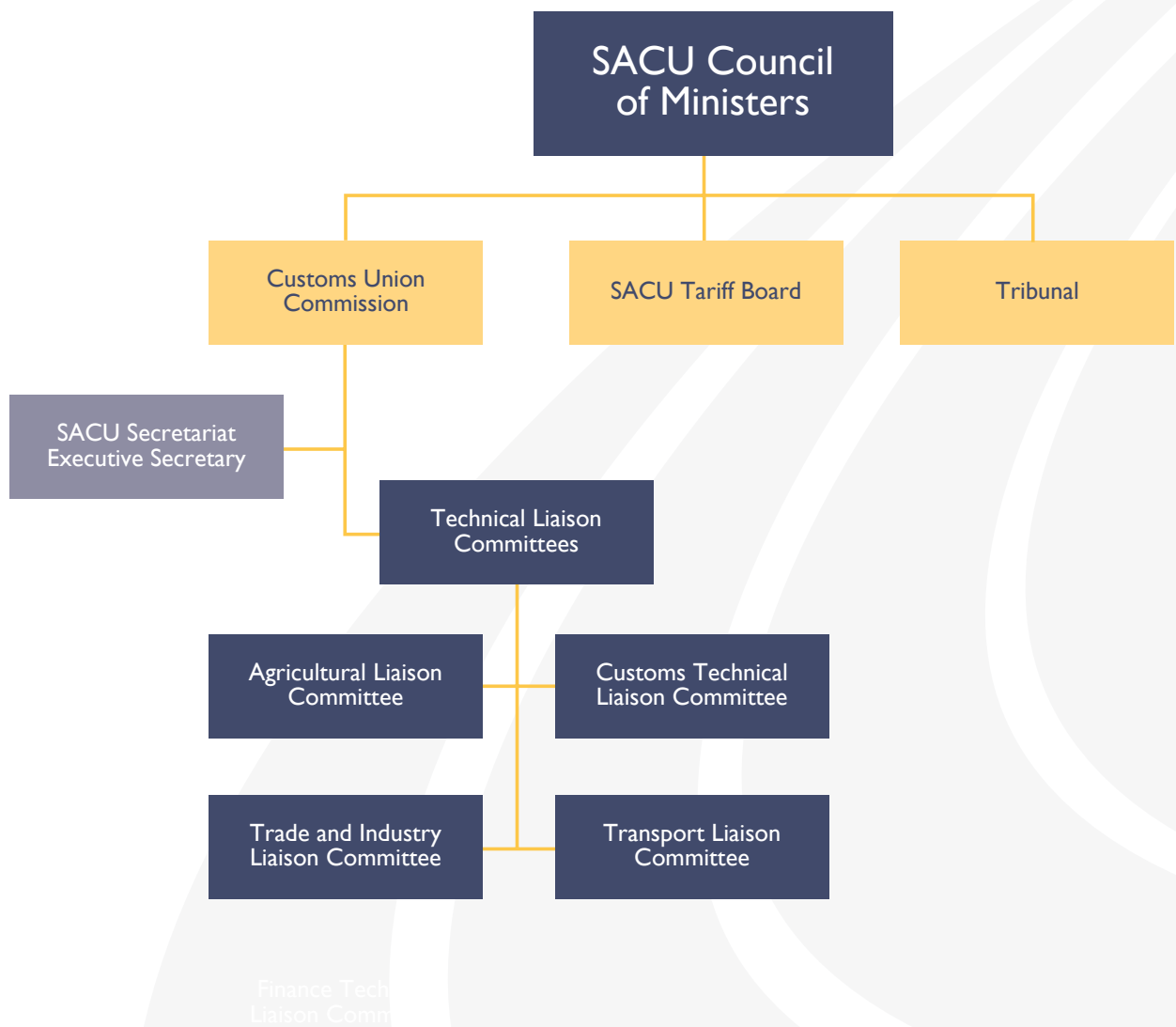


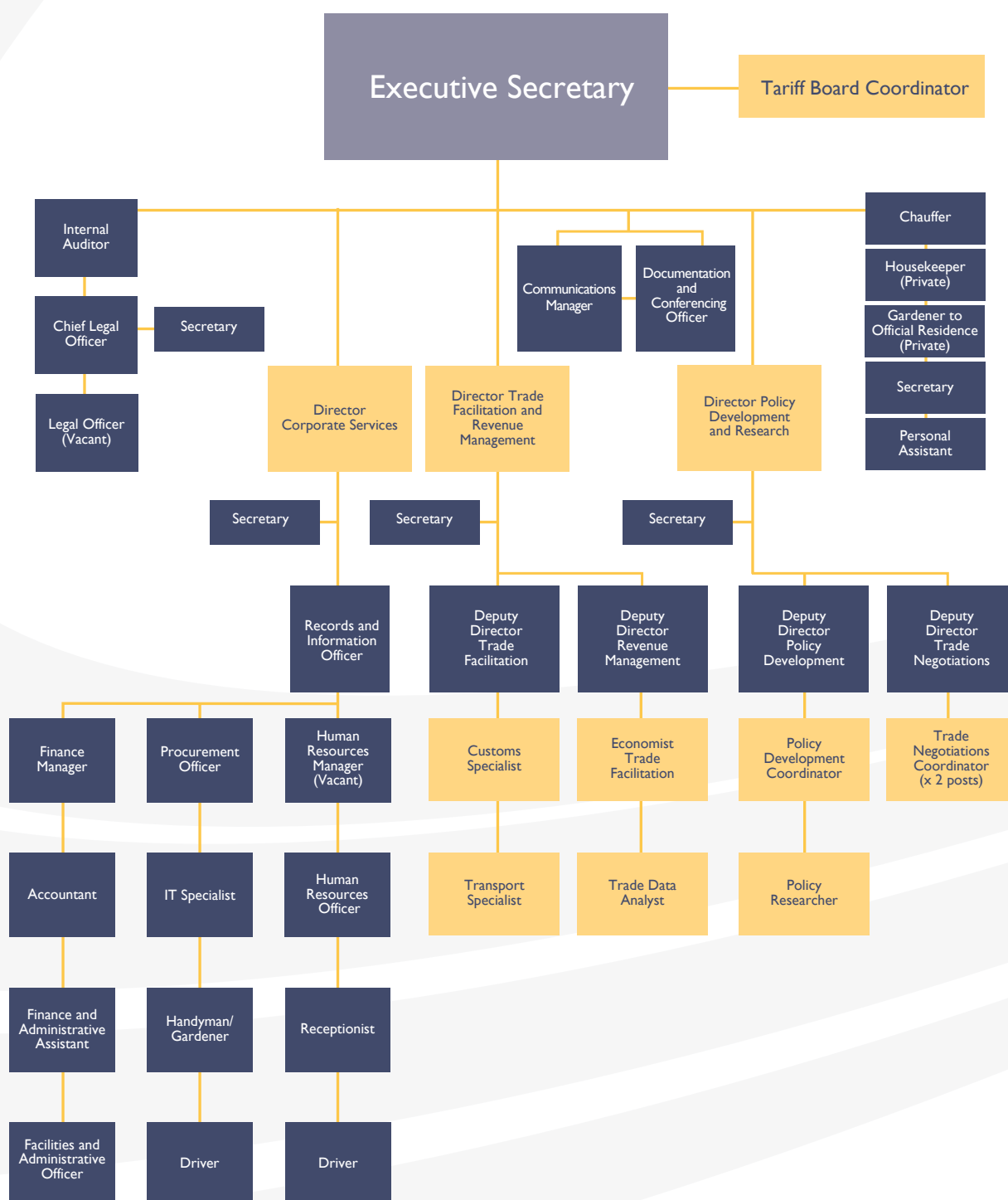
Tswelopele Cornelia Moremi
Executive Secretary



STRUCTURES OF SACU

Organisational Structure





management

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- 1 DUMISANI MAHLINZA**
Director: Trade Facilitation and Revenue Management
- 2 HISKIA NDJAVERA**
Internal Auditor
- 3 DAVID MALELEKA**
Deputy Director: Revenue Management
- 4 ANTON FAUL**
Director: Policy Development and Research
- 5 TSWELOPELE MOREMI**
Executive Secretary



6 JULIUS MAPATHA

Director: Corporate Services

7 YUSUF DAYA

Deputy Director: Trade Facilitation

8 MOUREEN MATOMOLA

Deputy Director: Policy Development and Research

9 NDIBO OITSILE

Chief Legal Officer

10 ROLF-JOACHIM OTTO

Deputy Director: Trade Negotiations

staff members

14



1 MOHAMMED HOOSAIN
Finance Manager

2 LINDIWE DLAMINI
Communications Manager

3 MOLUPE PHEKO
Policy Development Coordinator

4 SUSARA VAN RENSBURG
Trade negotiations Coordinator

5 KHUTSAFALO SEKOLOKWANE
Policy Researcher

6 LEONARD PHUTHI
Trade negotiations Coordinator

7 ABEL SINDANO
Trade Data Analyst

8 MARIA HEWICKE
Finance Assistant



9 RICHARD YAWE
IT Specialist

10 LESLIE MPOFU
Transport Specialist

11 MARCEL RATSU
Customs Specialist

12 MOTSELISI MATSELA
Economist

13 EGIDIUS NAMBARA
Facilities & Administration officer

14 ALETTA SHATONA
Records and Information Officer

15 SOPHIA LUBAKI
Human Resources Officer

16 HERMANUS ESTERHUIZEN
Procurement Officer

staff members

16



17 ISABELLA KWALA

Accountant

18 RASSIDY DIERGAARDT

Secretary: Director Corporate Services

19 ANNELINE MATHIS

Secretary: Executive Secretary's Office

20 ROSALIA AUGUSTINUS

Secretary: Chief Legal Officer

21 ANITHA GANASES

Secretary: Director Policy Development and Research

22 DORIAN AMATETA

Secretary: Director Trade Facilitation & Revenue Management



23 ELSIE MAMAREGANE
PA: Executive Secretary

24 INGRID NANUS
Receptionist

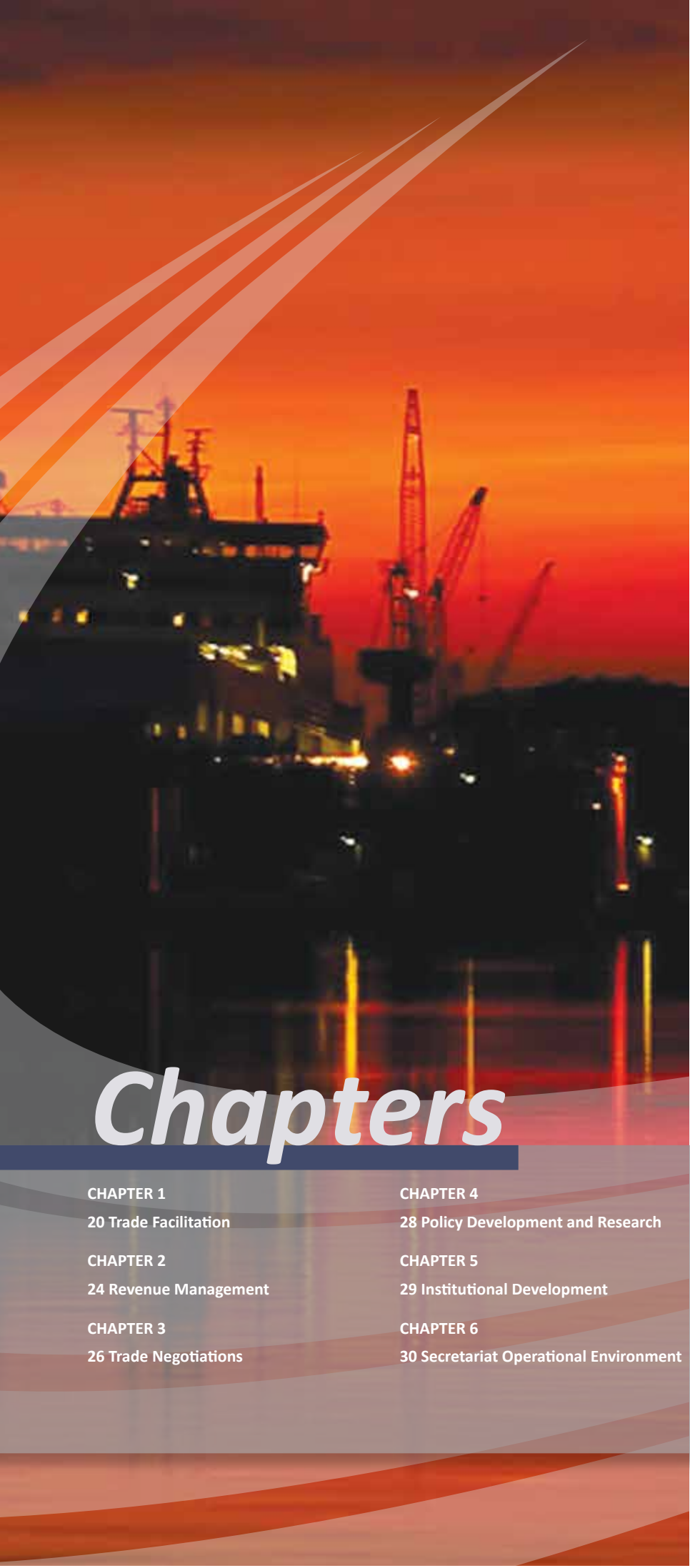
25 DAVID NALUPE
Chauffeur

26 ABED SHIPINGANA
Driver

27 ELSON KAMBURONA
Driver

28 GIDEON PINEAS
Handyman





During the year, guidelines for establishing national Customs to Business stakeholder forums were developed.

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CHAPTER 1: TRADE FACILITATION

In seeking to improve the trade environment within Member States and the Customs Union, trade facilitation is a key component of the SACU's mandate. The primary goals of trade facilitation are to reduce the transaction costs and complexity of international trade for business and to improve the trading environment in a region, while simultaneously optimising efficient and effective levels of government control and revenue collection. Trade facilitation is largely used to improve the regulatory interface between government bodies and traders at national borders.

Trade facilitation demands a comprehensive and integrated approach to develop a consistent, transparent and predictable environment, encouraging seamless international trade transactions. It includes all measures necessary to facilitate the movement of goods across borders.

At SACU, trade facilitation procedures are based on internationally accepted norms and practices, that seek to simplify formalities and procedures and applicable laws and regulations pertaining to the cross border movement of goods.

SACU's trade facilitation programme addresses a number of issues in economic development and trade in Member States. The programme consists of two parts – the SACU-WCO Customs Development Programme, which incorporates the five key customs initiatives, and the Transport Sector Programme. Other areas include customs reform and modernisation; promoting greater customs cooperation; removal of non-tariff trade barriers; and enhancing the role of transport.

During the 2011/2012 period, SACU continued to concentrate on the main trade facilitation components, which form part of the SACU-WCO Customs Development Programme. These are customs policy development; customs legislation; standard operating procedures; IT connectivity; risk management; and trade partnerships. In addition, the five customs initiatives, which are development of a single administrative document; electronic data interchange; one stop borders; joint customs controls; and capacity building continued to be pursued under the ambit of the SACU-WCO Customs Development Programme. SACU also identified priority areas in the transport sector which were required to strengthen regional trade facilitation.

SACU-WCO Customs Development Programme

Increasingly, attention is shifting to international coordination of border activities, not simply national or regional coordination. SACU Member States are all members of the World Customs Organisation (WCO), and of the World Trade Organisation (WTO). In response to the changing demands of international trade, these organisations are promoting initiatives to modernise the processes underpinning trade between economic operators. Under its Columbus Programme, the WCO Capacity Building Directorate has entered into an agreement with SACU to provide technical and strategic support in the design and implementation of new initiatives. Today, the SACU-WCO Customs Development Programme is one of the Union's flagship programmes.

In December 2008, the Council of Ministers adopted the comprehensive Customs Development Programme for SACU. The programme builds upon the progress achieved under the five customs initiatives that SACU has pursued since 2004. The main goal of the SACU-WCO programme is to contribute to the development of a sustainable and improved economic environment in SACU regarding trade, security and social protection, where customs authorities become fair and effective trade management partners. The programme will assist SACU member countries to comply with international customs instruments and modernise their respective customs administrations. It will also facilitate the design and implementation of a comprehensive regional reform programme with a focus on policy development; legislation; risk management; trade partnerships; standard operating procedures in common areas; and IT connectivity. The programme is supported by the Swedish International Development Cooperation Agency (SIDA) and the WCO.

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southern



During the past year, implementation of the SACU-WCO Customs Development Programme continued. Significant progress was achieved with the adoption of a Regional Customs Policy. Progress was also made in the development of a Manual for the Single Administrative Document (SAD); the Customs IT Interconnectivity Programme; Customs Enforcement and Risk Management Programme; customs legislation; and partnerships with the trading community.

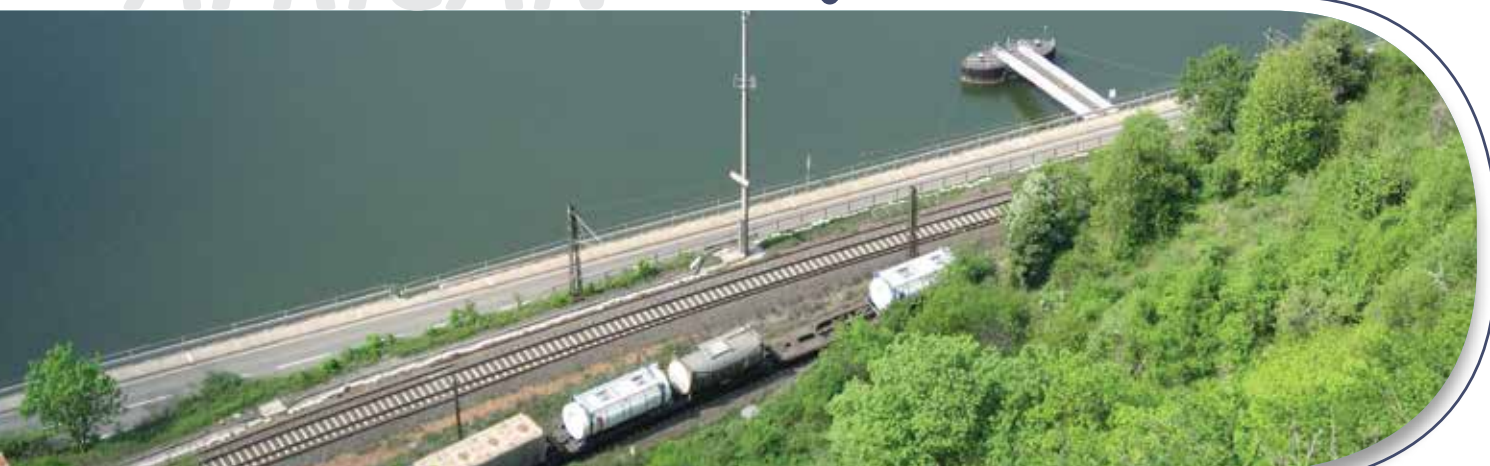
A Regional Customs Policy Document was adopted by the SACU Council of Ministers at its 25th meeting in December 2011. The policy gives effect to, and elaborates on, the common strategic objectives of facilitating legitimate trade; protecting the fiscal interests of Member States and the Customs Union through the maximisation of revenues and the provision of accurate trade data; as well as the protection of societies in the Member States. The Regional Customs Policy incorporates the areas of customs legislation; risk management; trade partnerships; standard operating procedures (SOPs); and customs IT connectivity. The policy document will continue to provide guidance as SACU pursues implementation of the specific custom's projects.

As part of an effort to improve the efficiency of Customs Administrations and to make the clearance of goods easier and more convenient for traders, the Single Administrative Document was introduced on 1 October 2006 across the Customs Union. Following the adoption of the SAD Form as a custom's declaration form for all SACU trade, the working group on the SAD commenced on the development of the SACU SAD Manual. This work initially focused on the SAD 500 and 501 forms and was subsequently expanded to include all the intra-SACU trade designated forms which include the SAD 502 (Transit Control), 503 (Voucher of Correction), and the SAD 507 (Additional Information). The manual provides a uniform interpretation and application of the SAD form in the region. The uniform SAD Manual was finalised and adopted by the SACU Council of Ministers in December 2011.

In order to facilitate trade, increase transparency, maximise revenue collection, and improve the quality of trade data, Member States agreed to pursue the automation of and interconnectivity between their customs information technology systems to enable the timely electronic exchange of data between Customs Administrations. This automated electronic transfer of trade information will allow risk assessments to be undertaken prior to the arrival of goods at the border and data matching where necessary, thus reducing the processing time at border posts. IT connectivity will also contribute to generating reliable and accurate trade data promoting the equitable sharing of customs revenue.



AFRICAN



CHAPTER 1: TRADE FACILITATION (CONTINUED)

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During the past year, work on establishing IT connectivity between Member States continued. SACU, along with the WCO and other international and regional organisations, developed a data exchange standard consistent with the WCO Globally Networked Customs (GNC) Initiative. This standard will be employed throughout the region, particularly in the two IT connectivity pilot projects between Namibia and Botswana under the Trans Kalahari Corridor Initiative on the one hand, and South Africa and Swaziland on the other. As part of this effort, the custom's administrations have agreed on the business process flows for customs clearance; the purpose for which data will be exchanged; the data elements to be exchanged; and the standards and parameters for exchange. In the coming year, the two pilot connectivity programmes will be reviewed and a comprehensive proposal developed for IT connectivity in the SACU region.

The application of similar customs and excise duty legislation in the Customs Union is a requirement in terms of Article 22 of the 2002 SACU Agreement, and the process of re-drafting the Customs and Excise Act commenced in 2003. In 2010 this process culminated in the development of a Draft Customs Control Bill and a Draft Customs Duty Bill. The Draft Customs Control Bill is intended to regulate the movement of people and goods at borders and is primarily concerned with the control of goods imported or intended for export. The Draft Customs Duty Bill will regulate the duties payable and is confined to the levying, payment and recovery of customs duties on goods imported or exported. These draft bills have been adopted as model legislation in SACU. Member States are currently interrogating the draft bills with a view to utilising them as a basis for developing similar domestic customs legislation.

Furthermore, during 2011/2012, Council adopted the Revised Annex on Mutual Administrative Assistance (MAA). This annex provides for cooperation between Member States' customs administrations and outlines the areas of cooperation. Next year, it is expected that Member States will complete ratification of the MAA Annex and that the Annex will enter into force.

The secretariat, in conjunction with the WCO, organised a Risk Management Workshop for SACU Member States. The workshop provided an opportunity to capacitate Member States on risk management techniques and tactics, and developed a regional approach to risk management for SACU. The tobacco industry has been targeted for a pilot operation on implementation of the regional risk management approach. Thereafter, a similar exercise will be undertaken for other high risk sectors in SACU.

Trade partnerships has become a valuable tool to achieve trade facilitation objectives within SACU. SACU's trade partnerships' strategy focuses on strengthening customs to business dialogue and developing an Authorized Economic Operator (AEO) programme. The AEO programme is a partnership between customs administrations and the trading community, aimed at rewarding compliance; facilitating legitimate trade; and promoting mutual recognition among Member States and third parties. In developing the AEO programme, Member States agreed on a phased approach, starting with the establishment of a Preferred Trader Programme. Preferred traders may include, inter alia, manufacturers, importers, exporters, brokers, carriers, consolidators, intermediaries, ports, airports, terminal operators, integrated operators, warehouses and distributors.

During the year, guidelines for establishing National Customs-to-Business Stakeholder Forums were developed and agreed. All Member States now have functioning Customs-to-Business Forums. The Secretariat also undertook consultative missions to Member States to engage private sector representatives on the SACU Customs Policy Document and begin dialogue on strengthening private sector engagement. Subsequently, criteria to establish regional customs-to-business stakeholder forums were created. The Regional Customs-to-Business Forum is expected to be launched in the coming year. This forum will provide a platform to discuss the role of the private sector in the implementation of the SACU trade facilitation programme as well as to obtain input on the establishment of SACU's pilot preferred trader programme.

Transport Sector in SACU Programme

At the ministerial retreat held on 30 August to 1 September 2008 in Kasane, Botswana, SACU ministers concurred that an efficient transport system is vital for trade facilitation, especially in land-locked Member States. They agreed that priority be given to the SACU transport agenda and the role of the transport sector in facilitating trade.

In 2009, SACU completed an assessment study on the transport sectors of all Member States. The assessment reviewed each of the countries' transport sectors, modes of transport, traffic volumes, routes, and issues related to regulations – all in the context of how the transport sector facilitates or hampers trade in SACU countries. The study highlighted a number of areas requiring attention within SACU. These include, inter alia:

- The institutional and legislative framework for regional transport;
- High transportation costs;
- Border crossing and enforcement delays due to inconsistent use of similar documents;
- Inconsistent application of procedures on operators by some countries;
- Policies that inhibit rather than promote improved utilisation of the use of transport assets;
- Deterioration of infrastructure on some cross-border routes; and
- Poor road safety records by global standards.

Following the completion of the study, the secretariat undertook missions to all Member States to consider the outcomes and recommendations of the report. A Senior Transport Officials Meeting was convened in November 2011 to deliberate on the report and identify priority areas to underpin a transport programme in SACU. This was followed up with focused missions to individual Member States to further identify priority transport issues for a regional transport programme.

Challenges

In the 2011/2012 financial year a key challenge was the slow pace of the Customs Development Programme implementation and the development of a Transport Programme for the region. This was as a result of capacity constraints of the Secretariat and Member States.

Furthermore, trade documentation remains a challenge for authorities and businesses, particularly in those Member States who are in the process of moving toward paperless electronic declarations and those who still require manual declarations. In general, the cross-border movement of goods and services and minimising delays at border posts are in need of continuous improvement.

Achievements and Future Outlook

A significant achievement was the adoption of the Regional Customs Policy Document. This regional policy provides the basis and guidance for regional cooperation in priority customs areas and ensures that Member States follow a common approach to customs.

In the coming year SACU intends to channel its efforts towards implementing the priority objectives in the policy document, which are risk management; trade partnerships; standard operating procedures; and legislation. SACU will also pursue the launch of the trade partnership programme, implement regional risk management measures; and ensure that customs IT connectivity between Member States is achieved.

Regionally, SACU is a fully functioning customs union with free movement of goods between Member States and a common external tariff. The 2002 Agreement, when fully implemented, will enable SACU to be more than a traditional customs union, as the agreement addresses common policies, harmonisation, cooperation and coordination of various trade and investment policies. Moving into the future, SACU will, therefore, continue to focus its efforts on implementing the initiatives required to achieve the trade facilitation objectives as per the 2002 SACU Agreement.

CHAPTER 2: REVENUE MANAGEMENT

customs UNION

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During the year under review, the world economy continued on its slow path to recovery, albeit with some degree of uncertainty. Major sources of uncertainty included the sovereign debt crisis in the Euro Zone Area, an economic slowdown in the United States and stagnation in Asia. These developments affected demand for products originating from the Common Customs Area as consumer demand slowed down. Growth of imports into the region remained positive though subdued.

The SACU economies continued to show signs of resilience amid global uncertainty. Monetary policy remained accommodative and Governments maintained vigilance in the management of fiscal policy.

The Revenue Management Programme comprises of initiatives aimed at improving the quality and reliability of trade data among SACU Member States, and development of a revenue sharing arrangement in line with the SACU Vision and Mission, as well as a revenue sharing arrangement which supports SACU-wide projects.

Review of the Revenue Sharing Arrangement

The final report of the study on the Review of the Revenue Sharing Arrangement was considered by Council during its 23rd meeting held on 24 June 2011 in Windhoek, Namibia. At that meeting, Council approved the establishment of a Task Team on the Review of the Revenue Sharing Arrangement. The Task Team was mandated to (i) review the current revenue sharing arrangement and identify areas requiring improvement; (ii) develop options on the revenue sharing arrangement; and (iii) investigate options for financing the industrial and infrastructure work programmes. A set of principles to guide the work of the Task Team was developed and approved by Council. Council also directed the Task Team to use the report as an input to their work.

Following establishment of the Task Team, which is constituted at the level of Permanent Secretaries and Directors General, all Member States prepared individual proposals on an appropriate revenue sharing arrangement. The Task Team subsequently identified similarities and divergences in the various proposals in an attempt to narrow the options in order to facilitate the negotiation process. The Task Team also established an ad hoc Technical Committee to clarify and address technical issues relating to the revenue sharing arrangement.

It is anticipated that during the next financial year, focus will be on narrowing the options on the revenue sharing arrangement, and the commencement of negotiations.

Management of the Common Revenue Pool

A draft Annex on long-term arrangement for the management of the Common Revenue Pool has been developed. The Annex outlines the roles and responsibilities of all stakeholders, including the accounts structure, frequency of remittances into, and payment out of, the Common Revenue Pool, penalty on late remittances, calculation of interest, and audit procedures.

It is anticipated that in the new year, the draft Annex will be submitted to Council for approval and once approved, the Annex will be subjected to national legislative processes for ratification.

Establishment of the Statistical Database

During the year under review, the process of the development of a statistical database for SACU continued. This process entailed developing data generating systems to ascertain data quality and reliability, and development of data domains to facilitate the uploading of data into the database. The statistical database covers the following domains: merchandise trade, national accounts, balance of payment; government financial statistics; monetary financial statistics; and consumer price index. The statistical database was launched on the 28 February 2012 and can be accessed via a link on the SACU website www.sacu.int or a direct link <http://stats.sacu.int>. During the next financial year the database will be upgraded and updated with the latest data.



Harmonisation of GDP Compilation

As part of an effort to standardise the compilation of GDP among SACU Member States, work on the programme for harmonising GDP compilation continued in the period under review. Some Member States commenced preparatory work on economic surveys for benchmarking and re-basing national accounts. Other Member States undertook assessments on how to include the non-observed economy and informal sector in their national accounts.

Trade Data Limitations Study

The Study on Trade Data Limitations amongst SACU Member States was concluded. The study assessed and reviewed general limitations that relate to the collection, compilation and dissemination of trade data. An action plan for addressing the identified limitations was drawn based on the outcome of the study.

The action plan lists, in part, technical support to Member States on the use of Eurotrace software; harmonisation of classifications and valuations of merchandised trade; harmonisation of methods and procedures on valuation of second hand cars; and capacity building for Member States on the implementation of International Merchandise Trade Statistics (IMTS). The action plan will be implemented on an on-going basis.

Trade Data Reconciliation

As part of an effort to find avenues to simplify and improve the trade data reconciliation process, an early data exchange programme was adopted. The programme allows Member States to exchange data as early as May each year, as opposed to August, allowing sufficient time to identify and quantify the causes of data discrepancies. Each Member State is then able to summarise the main causes of data discrepancies and submit the report to the entrusted agency to take appropriate actions to improve the quality of statistics produced.

Key Highlights

During the year under review, key highlights included:

- The launch of the Economic and Trade Statistical Database, which covers the following: merchandise trade; national accounts; balance of payment; government financial statistics; monetary financial statistics; and consumer price index.
- Report on Annual Economic Performance of SACU Member States.

Challenges

European sovereign debt crises and economic slowdown in other parts of the world continued to present challenges on the economic performance of Member States. This is likely to have a negative impact on the size of the Common Revenue Pool and exert pressure on financing of government budgets, especially in smaller SACU Member States.

Future Outlook

The development of a revenue sharing arrangement that is premised on SACU Vision and Mission will be a major activity for the next financial year.

The development of an Annex for the long term arrangement for the management of the Common Revenue Pool is a key target. The Annex outlines the roles and responsibilities of various stakeholders namely, the Secretariat, Member States and the Manager of the Common Revenue Pool.

CHAPTER 3: TRADE NEGOTIATIONS

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The SACU Agreement, 2002, stipulates that no individual member state may negotiate or enter into new preferential trade agreements with third parties on its own. To give effect to this provision, the SACU Council of Ministers decided that in future, SACU will negotiate all agreements as a bloc. A nominated member state will lead a specific set of negotiations, providing the chief negotiator. This approach is being followed in all negotiations that SACU was, or is, currently involved.

Since the implementation of the SACU Agreement, 2002, SACU concluded a Free Trade Agreement with the Member States of the European Free Trade Association (EFTA – Iceland, Liechtenstein, Norway and Switzerland) and a Preferential Trade Agreement with the Member States of the Common Market of the South (MERCOSUR – Argentina, Brazil, Paraguay and Uruguay). In addition, in 2008, SACU Member States signed a Trade, Investment and Cooperation Agreement (TIDCA) with the USA, which entered into force immediately upon signature.

The agreement with EFTA has been in force since May 2008 and includes bilateral agricultural agreements between SACU and Iceland, Norway and Switzerland/Liechtenstein respectively. It is working effectively, offering, on both sides, substantial market access preferences on all industrial products, as well as a large number of agricultural products. Currently, consideration is being given to reviewing the bilateral agricultural agreements, to improve market access for agricultural products even further. Problems have arisen over the scope and coverage of such a review and as a result, progress has been limited. During the coming year, the review will be extended to cover industrial and processed agricultural products, in accordance with the built-in mandate to review the market access provisions for these products under the Free Trade Agreement.

The agreement with MERCOSUR has not yet been implemented, pending ratification by all signatory parties. Once this process is complete, the agreement will enter into force 60 days later, offering margins of preferences on the tariffs applied on selected products covered under the agreement. It is expected that the agreement will be ratified by all involved and implemented during the year 2012/2013.

The TIDCA basically presents a forum for cooperation between the USA and SACU in a number of areas. These include customs cooperation, sanitary and phytosanitary measures (SPS) and technical barriers to trade (TBT), as well as trade and investment promotion. A number of technical engagements took place between officials from both sides, aimed at establishing a base for cooperation in these areas. Next year, it is hoped that this engagement will be elevated to the next level, involving senior officials from both sides. More emphasis will also be placed on trade and investment promotion. The TIDCA serves as a useful tool to engage with the USA to facilitate trade and investment flows between the two countries.

Since 2004, SACU has undertaken further negotiations on a preferential trade agreement with India. In addition, SACU is participating in the negotiations with the EU on a SADC-EU Economic Partnership Agreement (EPA), as well as the negotiations on a Tripartite Free Trade Agreement between COMESA, the EAC and SADC. Finally, SACU Member States are all participating in the World Trade Organization (WTO) Doha Development Round of negotiations by virtue of them being members of the WTO.

The negotiations with India have experienced some delays caused by differing views on the technical aspects of the agreement, specifically the use of trade data. However, these have been overcome and both sides have exchanged tariff preference request lists that indicate the products for which tariff preferences are being sought. These are currently being considered and it is expected that the negotiations will pick up momentum during the year to come. The expectation is to conclude these negotiations during the next twelve to eighteen months.

The SADC-EC EPA negotiations have significant implications for SACU and SACU Member States. Not only will they ensure preferential market access for SACU economic operators into the biggest single market in the world, but they will also allow European operators

implementing



access into the SACU market as a whole. It will also be the first time that SACU Member States' trade relations with the European Union will be coordinated.

Some progress has been made on certain unresolved issues. However, noteworthy challenges still remain, specifically relating to the market access offer SACU is expecting from the EU, as well as those to be negotiated with the EU, while some issues like the Most-favoured Nation Clause remain tricky and will require substantial negotiating skills to resolve. As a result, concluding these negotiations is of great importance to SACU which is making available the necessary skills and resources for this purpose. An added incentive to complete these negotiations as speedily as possible is the European Commission's deadline of January 2014 of withdrawing the current duty-free-quota-free market access it is currently providing to Member States. If approved by EU Member States, the negotiations must be concluded by mid-2013 at the latest, thereby allowing sufficient time for the ratification of the agreement by all signatories before this deadline is reached.

The WTO Doha Development Round negotiations have reached a stalemate. Not much progress has been recorded and it is not clear whether and when the negotiations can be resumed. Efforts are being made at all levels to resume this process. Even though SACU is not a member of the WTO as such, the aim is to develop common positions in the areas covered under the SACU Agreement, specifically market access. The technical work required will continue.

Negotiations on a Tripartite FTA between COMESA, the EAC and SADC started with the June 2011 Tripartite Summit, where heads of state and government agreed on a 36-month schedule to conclude this agreement. SACU is approaching these negotiations as a bloc, under the SADC umbrella. It is anticipated that these negotiations will lead to the creation of a free trade area, including 26 countries from eastern and southern Africa, and will, to a large extent, address the current situation of overlapping memberships by individual Member States in different regional trade arrangements.

Challenges

Each set of negotiations presents its own unique challenges, difficult to list here. However, increased attention must be given to implementation of already concluded agreements and speeding up the different ratification processes. A further challenge is ensuring that economic operators and other affected stakeholders are aware of the benefits that these agreements offer, and fully understand the conditions attached, for example the provisions on the rules of origin.

The continuing slow recovery of the global economy is an undefinable factor presenting a significant challenge. This is exerting pressure on Member States' economic growth and available resources, thereby slowing down trade flows and giving rise to increased calls for protectionist measures, both in SACU Member States and with trading partners. This may undermine the benefits of the agreements SACU has entered into, while also making negotiating positions taken in on-going negotiations more difficult.

On the other hand, slowing of the multilateral processes has increased the calls for bilateral agreements world-wide. This also includes SACU, which has had requests from a number of countries for bilateral trade agreements. The challenge is to develop common positions and create the necessary capacity and resources to deal with such requests.

Future Outlook

It is expected that the negotiations with India, the European Union and on the Tripartite FTA will continue during the next year, increasing in intensity. At the same time, the review of the agreement with EFTA will commence and cooperation with the USA expanded. Not much progress is expected on the WTO process and the focus will increasingly fall on dealing with requests for bilateral trade agreements. Simultaneously, SACU will develop responses to the increased protectionist tendencies arising from the global economic crisis.



CHAPTER 4: POLICY DEVELOPMENT AND RESEARCH

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The SACU Agreement, 2002, requires the development of common industrial strategies and policies, coordination of agriculture development in SACU, and cooperation on competition policies, laws and regulations. It further calls for the development of policies and instruments to address unfair trade practices. Another important objective of the SACU Agreement is to facilitate the development of common policies and strategies contained in Part Eight of the SACU Agreement, 2002.

Although efforts are being made to develop new policies and harmonise existing regional policies, the challenges of differing levels of development in the various Member States has been hampering this progress. This is also being exacerbated by issues such as vulnerability to third party imports, as well as tariff revenue implications that have constrained the development of common policies and strategies.

During the period under review, SACU continued to work towards the development of its common policies such as industrial, agricultural and competition policies as well as the implementation of sectoral development policies in clothing and textiles.

The policy development and research directorate continued to implement its work programme which covered among others, research studies on the development of a comprehensive SACU-wide Industrial Development Policy and the Unfair Trade Practices aimed at supporting the development of the competition policy. While the unfair trade practice study was completed, its findings and recommendations are still to be discussed by Member States. With regards to the regional industrial policy study, the tendering process to source expertise into the development of the study has been completed.

With regional industrialisation being considered an overarching objective of the SACU work programme, this area is being pursued on a number of fronts. For this reason, council constituted a SACU Industrial Development Policy Task Team (IDPTT) to drive and fast track regional development initiatives in this area.

As part of the effort to move forward, IDPTT has prepared a High Level Principles Paper to guide the formulation of the Regional Industrial Development Policy as well as the Terms of Reference for undertaking an in-depth study on a Regional Industrial Development Policy. The Terms of Reference were used in the tendering of the current study.

In addition to the commissioning of the Regional Industrial Policy Study, a parallel approach is being pursued by involving the SACU development financing institutions (DFIs) in technical analysis and value chain of the recently identified agro-processing areas, namely dairy, meat, leather, fruit and vegetable, to promote and develop bankable cross-border projects. These are designed to promote cross-border investment and collaboration between the SACU Member States.

At the sectoral level, effort is being made to assess work related to existing agricultural rebate quotas that BLNS countries have to implement in order to import duty-free staple food commodities such as wheat, butter, cheese and milk powder. An ad hoc technical committee of SACU trade, customs/finance and agricultural experts has been established and mandated to review other similar arrangements on agricultural product rebates, commencing with wheat.

Challenges

Operationally, capacity constraints and the cancellation of essential stakeholder meetings continued to play a major role in the sluggish progress observed during the past year. Previously, all the policy work programmes were initiated, developed and undertaken by the Trade and Industry and Agricultural Liaison Committees and when their meetings and activities were suspended, so too were the activities of the work programme.

The slow recovery of the global economy also continued to put pressure on Member States' economic growth and available resources, which ultimately affected their revenues earned through international and regional trade. On the positive side, these adverse circumstances presented an opportunity for the region to re-prioritise its agenda and revisit current practices and approaches towards regional and global integration.

Future Outlook

Conducting research and subsequently developing relevant policies are vital to ensure stable and balanced economic development within the common customs area. During the next financial year, SACU will therefore continue with the development of a comprehensive industrial development policy and other relevant research studies aimed at improving the SACU economies.

The on-going slow recovery of the global economy continued to put pressure on Member States' economic growth and available resources.

CHAPTER 5: INSTITUTIONAL DEVELOPMENT

The implementation of the SACU Agreement of 2002 by the institutions of SACU is intended to assist SACU in attaining its objectives. Pursuant to their establishment under Article 7 of the Agreement, the Council of Ministers, the customs union commission, the secretariat and the technical liaison committees have been operational since 2004, with each institution executing its specific mandate. Work continued to support the other institutions of SACU, these being the summit of heads of state or government, the tribunal and the tariff board.

SACU Summit

The Draft Amendments to the SACU Agreement, 2002 to institutionalise the Summit, remained an agenda item for consideration at council and commission level. The draft amendments are intended to set out the role of the summit in providing strategic and political guidance to SACU. The Draft Rules of Procedure of the Summit were also developed and reviewed by the council. These will be tabled for adoption by the summit once finalised.

During the period under review, no meeting of the heads of states or government took place. The council focused attention on the implementation of the five priority areas of the SACU work programme, as endorsed by the summit at its last meeting held on 25 March 2011 in Pretoria, South Africa.

SACU Council of Ministers

The SACU Council of Ministers held four ordinary meetings during the 2011/2012 financial year. The meetings were held on 24 June 2011 in Windhoek, Namibia; 16 September 2011 in Maseru, Lesotho; 2 December 2011 in Swakopmund, Namibia; and 30 March 2012 in Pretoria, South Africa. In accordance with the established procedure of rotating the chairing of meetings of institutions of SACU, the Kingdom of Swaziland assumed the chairmanship on 15 July 2011 following the expiry of the Republic of South Africa's term on 14 July 2011.

The council continued to discharge its mandate under the SACU Agreement, by taking decisions on various issues presented to it by the commission. These broadly covered the implementation of the SACU Agreement as reflected in the different chapters of this publication.

Customs Union Commission

The Customs Union Commission is tasked with the implementation of the SACU Agreement and the decisions of the council. The commission continued to execute its mandate and oversee the management of the common revenue pool. The commission met four times on the 20 – 23 June 2011 in Windhoek, Namibia; 12 – 15 September 2011 in Maseru, Lesotho; 28 November – 1 December 2011 in Swakopmund, Namibia; and 26 – 29 March 2012 in Pretoria, South Africa. The commission considered reports on the technical work undertaken by the various task teams and technical committees, and made the necessary recommendations to the council for decision. The details on the issues considered by the commission are reflected in the different chapters of this publication.

The Secretariat

During the period under review, the secretariat continued with its mandate to coordinate as well as discharge its responsibility of the day to day administration of SACU. The secretariat provided technical and administrative support to facilitate the work of the institutions of SACU, including the establishment of the new institutions. The secretariat coordinated various technical studies and assessments, as well as monitoring and implementing the decisions of the Council of Ministers as reflected elsewhere in this publication.

Tariff Board and National Bodies

During the period under review, work on the establishment of the tariff board continued. A decision was taken at the 25th meeting of council to expedite the enactment of legislation for the establishment of national bodies in the Member States. This would then facilitate the establishment of the tariff board by 2013.

Member States are at various stages of enacting legislation for the establishment of the national bodies. Once in place, the national bodies will carry out preliminary investigations and recommend to the tariff board any necessary tariff changes. Until the establishment of the SACU tariff board, the interim arrangement whereby the International Trade Administration Commission (ITAC) of South Africa manages the SACU common external tariff (CET), will continue as mandated by the council.

Tribunal

Work on the development of the annexes to establish the tribunal continued. The tribunal will settle disputes on the interpretation or application of the SACU Agreement. The draft annexes on the tribunal was considered by the council in September 2011, where the council provided policy guidance, particularly on the jurisdiction of the tribunal. Work is on-going to finalise the draft annexes with consultations being undertaken by the legal experts from the SACU Member States, after which the annexes will be presented to the council for consideration.

Technical Liaison Committees

A decision was taken to reinstate the meetings of the technical liaison committees (TLCs). The TLCs are mandated under the SACU Agreement to assist and advise the commission in its work. The decision required that an evaluation be undertaken on streamlining the operations of the TLCs to improve their efficacy. Work in this area is on-going. The various task teams established by the council continued to meet, focusing on technical topics as reported in other chapters of this publication.

CHAPTER 6: SECRETARIAT OPERATIONAL ENVIRONMENT

regional INTEGRATION



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Finance

The financial management sub-directorate fulfils its primary role as a strategic partner and advisor on financial management and financial reporting issues to the secretariat.

Specifically, the financial management sub-directorate is responsible for the following:

- Production of financial plans such as budgets, capital plans, cash flow forecasts and financial reports.
- Treasury management including investment of funds.
- Providing financial information to all relevant stakeholders to enhance decision-making within the secretariat.
- Compliance with all the applicable accounting standards and regulatory requirements.
- Financial risk management and corporate governance.
- Payroll management.

The financial reporting framework that has been applied in the preparation of the secretariat's annual financial statements is International Financial Reporting Standards (IFRS). These standards have ensured consistent alignment with international best practice on financial reporting.

The annual external audits of the secretariat are carried out by the auditors-general of the Member States on a three-year rotational basis. The previous financial year's audit was conducted by the Auditor-General of Lesotho, and the Auditor-General of Namibia will conduct the audit for the next three years, commencing with this financial year.

The secretariat has earned unqualified audit reports since its inception and strives to continuously achieve this milestone.

For the 2012/2013 financial year and beyond, various enhancements are envisaged, which include process automation and financial systems interface.

Information and Communication Technology

Cloud computing continues to provide organisations with an opportunity to deliver increased business agility at a reduced cost without compromising security or control. The secretariat undertook a number of initiatives during this period to standardise its information technology (IT) processes, controls, infrastructure and services to take advantage of the cloud phenomenon.

To increase availability and flexibility of the secretariat's data centre, various upgrades were implemented. These enhancements provide staff with a variety of tools that increase productivity, allow the secretariat to provide more services with fewer hardware resources and lay the foundation for a private cloud infrastructure.

An online database application was launched to provide access to consolidated merchandise trade and economic statistics of the SACU Member States. The secretariat expects the database to serve as a valuable research and planning tool for SACU stakeholders.

An analysis of the secretariat's current state of business and IT alignment, decision-making, controls, continuous improvement and programme management was concluded by Ernst & Young. The recommendations of the review will enable the secretariat to further leverage its IT investments to achieve more effective, efficient and reliable processes.



A number of future IT initiatives have been identified to further strengthen the secretariat's capacity to deliver on its mandate. These include an Enterprise Content Management System, Business Process Workflow Automation and Unified Messaging.

Human Resources

The human resources unit manages the secretariat's human resource requirements, recruitment, remuneration policy, terms and conditions of service for staff, performance management, training and skills development, and general human resources policies and procedures.

The current performance management system set the basis and parameters for managing and directing the performance of both existing and new secretariat staff. The performance management system has proven to be a useful tool for managing overall organisational performance, as well as directing individual employees towards organisational goal congruence.

One of the key priorities in the SACU work program is that of strengthening the capacity of the secretariat and ensuring availability of the skills requirements and support for the technical directorates.

Various positions were filled in core areas of communications, customs, management, procurement, facilities and administration, trade facilitation, revenue management, policy development, trade negotiations, transport, finance and accounting, enterprise content management, and general administration.

The secretariat utilises the performance management system to design tailor-made training and development programs for staff members.

Staff members underwent various training programs which covered diplomacy, general administration, information technology, finance and accounting.

Records and Information Management

The importance of the records and information management office stems from Article 10 of the 2002 SACU Agreement, which nominates the secretariat as the repository of all SACU records. In this role, the sub-directorate manages and preserves the records of all SACU institutions. The major goal is to ensure that the records of all institutions are usable and available for decision making, research and institutional memory.

A records management policy was developed to provide general principles for records management, and this will guide SACU institutions in the efficient management of records and strengthen the secretariat's record repository role.

Further work was done on the development of a record management system, including system needs specification, tendering and selecting a supplier to deliver the system. The implementation of an electronic records management system is expected to provide adequate control over information assets, enhance efficiency in creating, storing, accessing and disposing of information, facilitate efficient information sharing, enable appropriate knowledge capture, and improve decision making.





Annexes

ANNEX 1

34 SACU Member States Economic Profiles

ANNEX 2

50 Member States Economic Indicators and Trade Statistics

Growth in advanced economies is projected to expand by 1,4 percent in 2012 and 1,9 percent in 2013.

ANNEX 1

SACU Member States Economic Performance – A road to economic recovery

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1. Overview of International and Regional Developments

- 1.1 The global economic recovery was expected to be weak and fragile due to Eurozone sovereign debt crisis which worsened during the last quarter of 2011. Exogenous factors also contributed including political impasse on US fiscal consolidation; natural disasters; and high oil prices due to supply-side disruptions.
- 1.2 The Eurozone sovereign debt crisis caused economic uncertainty as the government bond rates increased, economic growth contracted and business confidence plummeted, escalating the financial pressure. During the second half of 2011, global inflation increased as a result of an increase in food and oil prices, with oil prices reaching USD120 per barrel in April 2011. Policy and structural reforms have been underway in order to restore confidence and ease financial pressure as well as to bail out heavily indebted members while implementing drastic fiscal restraints.
- 1.3 The IMF World Economic Outlook (WEO) released in July 2012 indicates that global growth is projected to moderate to 3,5 percent in 2012 and 3,9 percent in 2013 which is approximately 0,1 and 0,2 percentage point lower than forecasted in April 2012. Growth is projected to remain relatively weaker than in 2011, particularly in regions connected more closely with the Eurozone. Growth in advanced economies is projected to expand by 1,4 percent in 2012 and 1,9 percent in 2013, a downward revision of 0,2 percentage point for 2013 relative to the April 2012 WEO. The downward revision reflects weaker activity in the Eurozone, especially in the periphery economies, where the dampening effects from uncertainty and tighter financial conditions will be strongest. Growth in most other advanced economies is expected to be slightly weaker, although lower oil prices may likely dampen these adverse effects.
- 1.4 Growth in emerging and developing economies is expected to moderate to 5,6 percent in 2012 before picking up to 5,9 percent in 2013, a downward revision of 0,1 and 0,2 percentage point in 2012 and 2013 respectively, relative to the April 2012 WEO. In the emerging economies, growth is expected to be supported by the policy easing that began towards the end of 2011.

- 1.5 In contrary, growth in sub-Saharan Africa is expected to remain robust in 2012 and 2013 attributed by the region's relative insulation from external financial shocks. In 2012, growth is estimated at 5,4 percent, a modest reduction of 0,1 percent from April 2012 WEO whilst in 2013, growth is estimated to remain at 5,3 percent. Growth in the Middle East and North Africa will be stronger in 2012/13 relative to last year, as key oil exporters continue to boost oil production and domestic demand.
- 1.6 SACU economies depicted positive growth mainly spurred by revived consumer demand. The recovery was supported by accommodative macroeconomic policies, increasing commodity prices and structural reforms given that all Member States had strong pre-crisis fiscal position. In the 2012 Budget Speeches, Member States cautioned that the economic uncertainty resulting from unresolved sovereign debt crisis in the Eurozone and anaemic economic growth in the US, may threaten the economic outlook. Given that the estimated growth for global output was revised downwards for both 2011 and 2012 from the initial projections, the SACU economies also slowed down in 2011 compared to 2010 and economic growth is expected to moderate in 2012.
- 1.7 The unresolved sovereign debt crisis in the Eurozone which culminated into various bailouts is expected to adversely affect SACU economies, in particular, the financial markets and export demand. Europe is SACU's largest trading partner and the economic slowdown in the Eurozone has profound implications on the economies.
- 1.8 Member States proposed various policies to stimulate high and inclusive economic growth which is developmental. Given that SACU economies are confronted with similar social challenges, the Member States Budget Speeches called for poverty reduction, job creation and infrastructural development that would boost economic growth and create jobs, particularly for the youth. Member States policies are also geared towards improving macroeconomic stability, supplementing revenue through tax efficiency, adjusting existing tax structures and coordinated expenditure cuts.



2. Botswana

2.1 Real sector developments

2.1.1 Following the economic crisis, Botswana economy rebounded from a contraction of 4,8 percent experienced in 2009 and grew by 7,0 percent in 2010 mainly boosted by the mining sector. The economy grew sluggishly by 5,7 percent in 2011 and is expected to moderate to 4,9 percent in 2012 as shown in Figure 1. The mining sector is the mainstay of the economy and contributed 28,9 percent to GDP in 2011 compared to 30,3 percent and 30,4 percent contribution recorded in 2010 and 2009 respectively. However, the mining output increased slightly by 0,9 percent in 2011 from 6,7 percent growth recorded in 2010 as a result of a decrease in diamond and copper production.

Figure 1: Real GDP Growth



** 2011 is provisional and 2012 is an estimate.

2.1.2 Non-mining sectors grew by 7,8 percent, a moderate acceleration from 7,1 percent recorded in 2010, and the non-mining output was boosted by construction, manufacturing and services industries. Construction output, which exhibited 25,4 percent growth, was enhanced by infrastructure development which includes construction of dams and roads and the Morupule B power station. Manufacturing output increased by 12,1 percent bolstered by diamond beneficiation as well as increased demand in construction material. This is evident from the boom in construction complemented by growth in communication and transport services which increased by 7,2 percent from 5,9 percent recorded in 2010.

2.2 Employment developments

2.2.1 The overall unemployment rate is recorded as 17,8 percent, which is mostly notable amongst the youth. The Botswana Core Welfare Indicators (Poverty) Survey of 2009/10 showed improvement in poverty reduction and indicated that the number of Botswana who fall under the poverty line have declined from 30,6 percent recorded in 2002/03 to 20,7 percent. In diversifying the economy,

the Government has largely reinvested the proceeds from diamond sales into other sectors such as tourism, manufacturing and agriculture. However, the Government is cognisant of the fact that productivity span in minerals is limited to certain years within the production cycle and therefore intends to increase productivity and support non-mining sectors.

2.3 Price developments

2.3.1 Botswana pursues a medium-term inflation objective range of 3 to 6 percent. The average headline consumer price inflation increased to 8,5 percent in 2011 from 6,9 percent realised in 2010 as shown in Figure 2. The upward inflationary pressure realised in 2011 was as a result of an increase in global food and oil prices which were triggered by the political instability in the Middle East and North Africa during the second half of the year. Domestically, the upward pressure arose from an increase in administered prices which approximately increased by 2,7 percent whilst fuel approximately increased by 1,9 percent.

Figure 2: Consumer Price Index



2.3.2 The inflation rate has been following an upward trajectory and falling outside the upper band of the Bank of Botswana inflation objective range, although the inflationary pressures eased in 2010 amidst a decline in food, alcoholic and non-alcoholic beverage prices driven by low international fuel and food prices. Botswana's inflation is largely weighted on food and non-alcoholic beverages, transport and housing, water and electricity.

2.4 Interest rates

2.4.1 Monetary policy eased amidst low and stable inflation. The Bank of Botswana decreased the bank rate from 10,0 percent registered in December 2009 to 9,5 percent in December 2010 which was maintained throughout 2011. This was because the international and domestic inflationary outlook was positive, with minimal threats. Accordingly, the commercial banks also reduced prime lending rates from 11,5 percent to 11,0 percent which was also maintained in 2011.

2.5 Balance of payments

2.5.1 The overall balance of payments recorded a surplus of P3,4 billion from a deficit of P6,5 billion realised in 2010. The improved performance is attributed to an increase in exports as the economy is on the recovery path. The current account recorded a surplus totalling approximately P1 billion in 2010, recouping from a deficit of P1,9 billion and surged to a surplus of P1,9 billion in 2011. The improvement in the current account is mainly as a result of an increase in current transfers which totalled P9,5 billion including a surplus of P1,5 billion relating to merchandise trade. According to 2011 Bank of Botswana Annual Report, total exports increased by 43,5 percent and totalled R44,2 billion of which diamond exports totalled R33,7 billion. However, diamond exports fell due to the economic uncertainty in the Eurozone during the second half of the year. Beef exports to the European Union also dropped due to concerns regarding generally hygienic handling of beef and adherence to standards.

Table 1: Balance of payments (P million)

	2008	2009*	2010*	2011**
Overall balance	7 452	(4 563)	(6 511)	3 430
Current account	7 859	(1 944)	999	1 853
Financial account	3 284	7 479	158	868
Capital account	(0,2)	(0,1)	24	25

Source: Bank of Botswana

* Revised

** Provisional

2.5.2 Imports increased by P22,5 percent from P38,5 billion during 2010 to P49,7 billion in 2011 mainly boosted by increased importation of machinery and fuel geared towards the construction of Morupule B Power Station and other major infrastructural projects. The current transfers recorded a surplus as a result of increased SACU receipts and revision in the classification of transfers, particularly grants. The capital account, which only records migrants remittances, increased marginally to P25 million whilst financial account, which is made up of various investment portfolios, recorded a net inflow of P868 million from P158 million recorded in 2010.

2.5.3 At the end of 2011, the foreign exchange reserves amounted to P60,3 billion from P50,8 billion registered in December 2010, showing an increase of 18,7 percent. In December 2011, the total reserves were equivalent to 14 months cover of imports of goods and services.

2.6 Monetary account

2.6.1 The broad money supply (M2) grew by 4,4 percent in December 2011, a deceleration from 10,7 percent growth recorded in December 2010 due to slower than expected Government spending. However, the positive growth in money supply was attributed to an increase in foreign reserves mainly from export earnings on diamond

sale, increased output and growth in commercial banks credit. Year-on-year, commercial bank credit grew by 26 percent in October 2011, whilst business and household credit extension grew by 41 percent and 15 percent respectively. During 2011, Standard & Poors and Moody's rating Agencies released the sovereign credit rating for Botswana; Standard & Poors maintained foreign currency rating at A- for long-term and A-2 for short-term and rated the outlook to be stable. Moody's also retained A2 rating for foreign and domestic bonds and revised the outlook from negative to stable.

2.7 Government finance

2.7.1 In 2010/11, total revenues and grants amounted to P31,91 billion which was P1,62 billion higher than the estimated revenue mainly due to an increase of P2.9 billion in mining revenue and P1,7 billion in domestic taxes. Total expenditure and net lending amounted to P38,42 billion, which was slightly lower than P40,51 billion earlier estimated due to under-spending to the tune of P1,9 billion on development budget. An overall fiscal deficit therefore amounted to P6,51 billion compared to P10,22 billion earlier estimated. Table 2 shows 2010/11 budget outturn as well as revised estimate for 2011/12 and 2012/13 estimate announced in the 2012 Budget Speech. SACU revenue dropped in 2010/11 and marginally increased in 2011/12 due to the repayment to Common Revenue Pool in order to offset the deficit experienced in 2008/09 and 2009/10. However, in 2012/13, revenue shares increased.

Table 2: Government budgetary operations (P billion)

	2010/11	2011/12	2012/13
Total revenue	31,91	37,99	42,91
Mineral	12,06	12,97	12,04
Non-mineral	20,85	25,02	30,87
of which SACU	4,72	7,48	12,73
% of SACU to total revenue	14,8%	19,7%	29,7%
% of SACU revenue to GDP	4,5%	6,5%	10,1%
Total expenditure	38,42	41,75	41,76
Recurrent	27,09	30,53	31,75
Development	11,37	11,34	10,06
Net lending	(0,04)	(0,12)	(0,05)
Balance (% of GDP)	(6,2)	(3,3)	0,9

Source: Ministry of Finance and Development Planning

* Revised estimate

2.7.2 The revised budget estimates for 2011/12 showed that total revenue including grants amounted to P37,99 billion compared to P31,10 billion originally budgeted, whilst total expenditure and net lending amounted to P41,75 billion compared to P41,03 billion originally budgeted. The improvement in revenue was mainly due to increases in mineral revenue and SACU

revenue. The original budget deficit amounted to P6,93 billion but the revised estimates show a fiscal deficit of P3,76 billion which is equivalent to 3,3 percent of GDP.

- 2.7.3 In 2012/13, total revenue and grants were estimated at P42,91 billion whilst total expenditure and net lending amounted to P41,76 billion, resulting in a surplus of P1,15 billion which is equivalent to 0.9 percent to GDP.

2.8 Public debt

- 2.8.1 During the economic slowdown, the Government had to finance development projects with a combination of Government revenue and debt whilst ensuring economic growth and avoiding high indebtedness. The statutory debt ceiling is capped at 40 percent of GDP distributed evenly between domestic and external debt. The full drawdown of African Development Bank loan increased the ratio of external debt to GDP to 16,5 percent in 2011/12 and it was estimated that it will moderately drop to 15,9 percent in 2012/13. Domestic debt to GDP ratio stood at 7,0 percent in 2010/11 and expected to increase to 7,4 percent in 2012/13. The external debt portfolio is almost reaching the 20 percent ceiling and the government intends to increase the domestic borrowing to finance the fiscal deficit and subsequently boost the domestic capital market by issuing government bonds.

2.9 Economic outlook

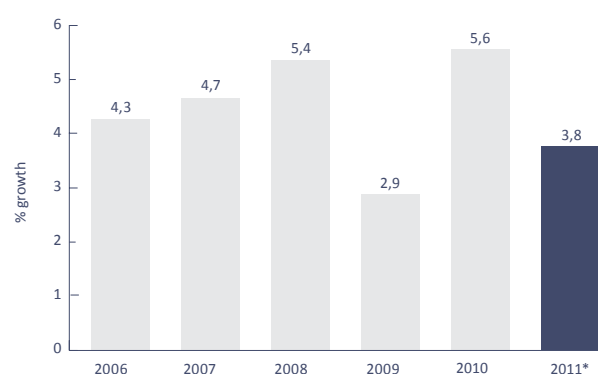
- 2.9.1 Following the economic recovery and a surge in economic growth experienced in 2010, the economic growth is moderating and in real terms, the economy is expected to grow by 4,9 percent in 2012. The economic slowdown is as a result of economic uncertainties compounded by the Eurozone sovereign debt crisis and anaemic growth experienced in the USA during the second half of 2011. Europe is Botswana's largest trading partner particularly with regard to the sale of diamonds and the economic slowdown in the Eurozone has profound implications on the economy.
- 2.9.2 Despite the economic slowdown, construction sector has boosted the economic growth and contributed 25,4 percent to GDP from 15,3 percent recorded in 2010. Construction sector is expected to depict positive growth until the completion of Morupule 'B' Power Project and other major infrastructural developments.
- 2.9.3 Notwithstanding the positive outlook, there remains some social challenges including high poverty level, estimated at 20,7 percent; HIV Aids pandemic though the prevalence is declining, and unemployment especially among the youth. In response to these challenges, the Government has embarked on structural reforms including establishment of various targeted funds for youth job creation opportunities; establishment of Economic Diversification Drive to support diversification and promotion of non-mineral exports as well as an establishment of Human Resource Development Council to enhance skills development and improvement.

3. Lesotho

3.1 Real sector developments

- 3.1.1 The economy is estimated to have grown by 3,8 percent in 2011 compared to 5,6 percent growth experienced in 2010 as shown in Figure 3 mainly due to a deceleration in the main sectors of the economy. The preliminary estimates showed that the primary sector declined by 0,4 percent whilst secondary and tertiary sectors grew by 6,5 percent and 3,3 percent respectively.

Figure 3: Real GDP Growth



* Provisional estimates

- 3.1.2 The primary sector recorded a moderate decline mainly due to a 34 percent contraction in agriculture, fishing and forestry as a result of massive flooding that occurred during the latter part of 2011. However, there was a robust performance in the mining and quarrying subsector which was marginally offset a decline in agriculture. Diamond prices continue to increase, with rough diamonds prices rising to levels higher than before the economic slowdown.
- 3.1.3 Secondary sector also depicted a high growth driven by construction which registered an increase of 6,5 percent due to continued increases in construction activities, notably the on-going construction of Metolong dam as well as other major public and private infrastructural developments such as building of roads, clinics, bridges and the referral Hospital (Queen 'Mamohato Memorial Hospital). However, there was a slowdown in the manufacturing subsector, in particular, the textile and clothing due to reduction of orders as a result of uncertainties on the possible extension of the AGOA's Third-Country Fabric Provision. The tertiary sector performance was subdued mainly due to the negative growth in wholesale and retail trade including hotels and restaurants industry.

3.2 Employment developments

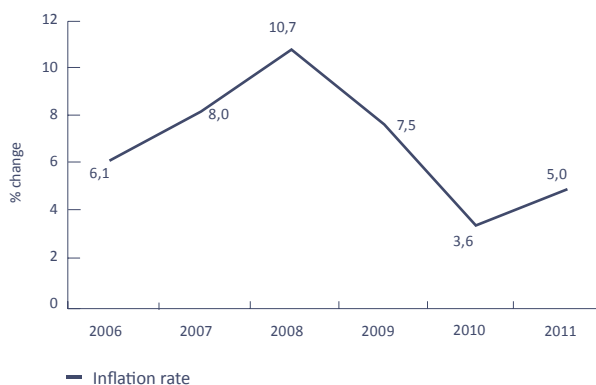
- 3.2.1 Manufacturing, especially in the clothing and textile industry, remain the single largest employer followed by general government. In December 2011, employment in manufacturing subsector dropped to 40 861 from 45 595 and 46 386 recorded in December 2010 and December

2011 respectively. The drop in employment was mainly driven by closure of some clothing and textile factories as well as the aftermath of the industrial actions that took place during 2011. With regard to public sector employment, employment declined by 0,1 percent in 2011 mainly attributed to the 0,8 percent drop in the number of teachers. Migrant mineworkers employed in South Africa continue to follow a downward trend from an average of 55 000 workers between 2005 – 2007 to 41 555 registered in December 2010. However, the construction of Metolong dam as well as other major infrastructural development is expected to increase number of casual workers.

3.3 Price developments

3.3.1 The overall inflation rate, measured as a percentage change in the Consumer Price Index (CPI), increased to an average of 5,0 percent in 2011 from an average of 3,6 percent recorded in 2010 as shown in Graph 3. The increase in inflation was mainly attributed to exogenous factors, in particular, the surge in international oil and food prices that occurred during the first half of 2011. Moreover, the Rand weakened against major trading currencies, resulting in higher imported inflation given that more than 90 percent of Lesotho's imports are from South Africa.

Figure 4: Consumer price index



3.4 Interest rates

3.4.1 In pursuit of the South Africa's monetary policy, interest rates in the Common Monetary Area (CMA) remained low in 2011 in order to stimulate the economy. The Lesotho 91-day Treasury Bill rate dropped to 5,28 percent in December 2011 from 5,52 percent recorded in 2010 whilst the average prime lending rate remained unchanged at 10,50 percent.

3.5 Balance of payments

3.5.1 In 2011, the Lesotho external position improved and recorded an overall balance of payments surplus of M512,2 million equivalent to 3,0 percent of GDP, compared to a deficit of M1,6 million (10,0 percent) recorded in 2010. The current account deficit narrowed from M2,6 billion recorded in 2010 to M1,6 billion mainly due to a decline in SACU receipts. However, the trade account showed improvement as a result of increased exports of diamond, textile and clothing including exports of water to South Africa. The income, services accounts as well as current transfers depicted a sluggish performance.

Table 3: Balance of payments (M millions)

	2008	2009	2010	2011*
Current account	5 823,5	(1,3)	(2 595,0)	(1 563,9)
Financial account	544,5	(466,8)	(1 049,2)	484,2
Capital account	189,0	592,5	991	1 351,0

* Estimates

3.5.2 The capital account recorded a surplus of M1,4 billion in 2011 from M991 million recorded in 2010 due to an increase in the financing portfolio of capital projects whilst financial account also recorded a surplus of M484 million. The stock of reserves increased to 4,7 months of import cover from 4,5 months of import cover registered in 2010.

3.6 Monetary accounts

3.6.1 The growth in money supply as measured by M2 continued a downward trend with a fall of 4,9 percent compared to growth of 2,6 percent realised in December 2010. Net foreign assets slightly declined whilst domestic credit including net claims on government as well as credit to the private sector increased. The surge in net claims on government signalled deterioration in government deposits held with the Central Bank due to the financing of fiscal deficit. Credit extended to the private sector increased by 25,3 percent as a result of decreased borrowing costs.

3.7 Government finance

3.7.1 The fiscal position deteriorated in 2011/12 and the fiscal deficit reached 9,6 percent of GDP, an improvement from an original estimate of 17,2 percent of GDP. Total revenue including grants amounted to M9,8 billion whilst expenditure totalled M11,58 billion resulting in a deficit of M1,77 billion. Tax revenue contributed

43,7 percent of total revenue whilst SACU revenue contribution to total revenue slightly dropped to approximately 28 percent from 31 percent realised in the previous year; tax revenue contributed 23,3 percent to GDP whilst SACU revenue contributed 14,9 percent to GDP as shown in Table 4.

Table 4: Government budgetary operations (M millions)

	2010/11	2011/12	2012/13
Total revenue	8 571,4	9 821,3	13 737,1
Tax revenue	3 498,7	4 291,2	4 644,0
Non tax revenue	1 244,9	1 151,6	1 213,6
Grants	1 200,1	1 625,8	1 913,2
SACU	2 627,9	2 752,6	5 966,3
% SACU to total revenue	30,7	28,0	43,4
% SACU to GDP	16,1	14,9	28,5
Total expenditure	9 377,8	11 589,9	13 119,8
Recurrent	7 454,6	8 517,1	9 467,9
Capital	1 923,1	3 072,8	3 651,8
Balance	(801,4)	(1 768,6)	617,4
% GDP	(4,9)	(9,6)	2,9

* Outturn

** Projected outturn

*** Estimate

3.7.2 However, the adverse impact of the decline in SACU revenue was slightly offset by an increase in domestic revenue, which saw Income Tax increase by 8,2 percent whilst VAT increasing by 7,3 percent. Income tax growth was mainly driven by a surge in individual income tax and company tax. Non-tax revenue improved mainly due to an increase in property income and dividends whilst capital grants also surged as a result of increased disbursement geared towards infrastructural projects, particularly construction of Metolong dam.

3.7.3 The total expenditure amounted to M11,5 billion, of which recurrent and capital expenditure accounted for 73 percent and 27 percent to total expenditure respectively. The capital budget was revised down to M5,308 billion, though in 2012/13 budget estimates it was revised upwards to finance major infrastructural projects, notably Metolong dam which is allocated M902,5 million.

3.7.4 It is estimated that in 2012/13, total revenue including grants will total M13,12 billion whilst expenditure and net lending is estimated at M617,4 million, equivalent to 2,9 percent of GDP. SACU revenue amounted to M5,97 billion which included 2010/11 surplus and contributed 43,4 percent of total revenue and 28,5 percent of GDP.

3.8 Public debt

3.8.1 The public debt comprises external and domestic debt. In 2011, external debt constituted 82,9 percent of total debt, thus, external debt constituted 28,9 percent of GDP whilst domestic debt constituted 5,6 percent of GDP. Total debt increased by 13,5 percent from a decline of 1,7 percent recorded in 2010 mainly due to the issuance of domestic bonds. The ratio of public debt to GDP remained below the 60 percent sustainability threshold, showing that public debt is sustainable as a result of high concessionality and long term nature of the bulk of external debt.

3.9 Economic outlook

3.9.1 The economic outlook is positive and the economy is expected to grow by an average of 4,0 percent in the medium term. The global economic slowdown triggered by the unresolved sovereign debt crisis in the Eurozone is expected to dampen export demand, particularly the exports of textiles and clothing destined to the US market. However, the positive development in the mining and construction subsector, specifically the construction of Metolong dam as well as phase II of the Lesotho Highlands Water Project may offset the sluggish growth in the manufacturing sector. Moreover, the extension of the AGOA Third Country Fabric Provision beyond September 2012 is expected to bring stability in the clothing and textile industry. The IMF Extended Credit Facility continues to support economic programs aimed at consolidating macroeconomic stability position.

3.9.2 Notwithstanding the aforementioned positive developments, there remains some socio-economic challenges, in particular, unemployment among the youth and rising levels of poverty. The Government has undertaken some reforms to diversify the economy and promote domestic production through private sector development and support to the small and medium enterprises.

4. Namibia

4.1 Real sector developments

4.1.1 In real terms, the economy grew by 4,9 percent in 2011, a slowdown from 6,6 percent growth experienced in 2010. The economic growth decelerated mainly due to the contraction of 0,9 percent in the primary sector as a result of a slowdown in the mining output. The mining output decreased mainly driven by a reduction of 24,4 percent in the other mining and quarrying sub-sector and a decline in the demand for diamond exports, depletion of on-shore diamonds, industrial actions that took place during 2011 and unfavourable weather conditions. The agriculture and forestry sector grew by 8,6 percent in 2011 compared to a lower growth of 2,7 percent in 2010, due to the growth in the livestock farming and crop farming and forestry sub-sectors that recorded growth of 7,8 and 9,0 percent, respectively.

Figure 5: GDP Growth



4.1.2 The secondary and tertiary sectors recorded positive growth of 4,2 and 4,4 percent respectively. Growth in the secondary industry was supported by strong performance in the construction sector which recorded growth of 16,1 percent compared to 8,6 percent during the previous year. The tertiary industry growth is attributed to growth in the transport and communication as well as the real estate sectors which recorded growth of 3,2 and 3,1 percent, respectively.

4.2 Price developments

4.2.1 Namibia's annual inflation rate saw an upward trajectory in 2011, starting the year at 3,5 percent in January

and peaked to 7,2 percent in December. The overall inflation rate for 2011 averaged 5,1 percent, compared to 4,5 percent realised in 2010 as shown in Figure 6.

Figure 6: Consumer price index



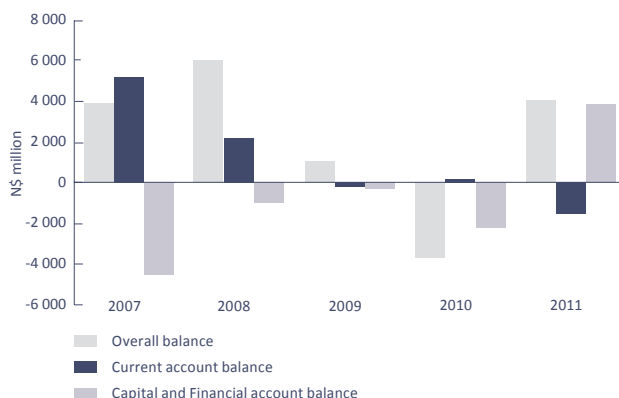
4.2.2 The upward trajectory was mainly due to increasing prices of fuel, food and non-alcoholic beverages, transport, housing, water and electricity. Increasing prices in food and fuel were fuelled by global developments whilst prices for housing, water, electricity were the main contributors to the local content of upward inflation level.

4.3 Interest rates

4.3.1 Interest rates remained unchanged at 6,0 percent in 2011 and the prime lending rate also remained the same at 9,75 percent from 11,25 percent recorded in 2009. The reduction in interest rate was boosted by improved inflation outlook, sufficient international reserves and the revised domestic demand.

4.4 Balance of payments

4.4.1 The external sector improved significantly during 2011 with overall balance of the balance of payments recording a surplus of N\$4,2 billion compared to a deficit of N\$3,8 billion realised in 2010. The turnaround performance was mainly due to an improvement in the capital and financial accounts as shown in Table 5. Notwithstanding the improved external position, the current account recorded a deficit of N\$1,6 billion from a surplus of N\$215 million recorded in 2010. The deterioration of the current account was mainly due to high trade deficit as well as increased investment payments from direct investment.

Figure 7: Balance of payments

4.4.2 The capital and financial account recorded a surplus of approximately N\$4,0 billion from a deficit of N\$2,3 billion recorded in 2010. The turnaround performance is mainly due to increased inflows from direct and other investments into the country. Notable is the issuance of Euro bond which resulted in the reduction of net outflow from long term portfolio investment. However, there was a significant outflow from short term portfolio investment due to excess liquidity experienced by the commercial banks.

4.4.3 The stock of international reserves increased by 42,5 percent to N\$14,5 billion from N\$10,2 billion recorded in 2010. The significant increase was attributed to a surge in net capital inflows due to the issuance of Euro bond. During 2010, the stock of reserves increased to 3,8 months, higher than 3,0 months of import cover registered in 2010. The 3,8 months of import cover remains in line with the international benchmark requirement of 3,0 months.

4.5 Monetary accounts

4.5.1 Broad money supply measured by M2 grew by 11,7 percent in 2011 from 9,0 percent recorded in 2010 mainly driven by Net Foreign Assets (NFA) of the banking sector. The growth in NFA was boosted by the expansion of foreign reserves accumulated through the issuance of US\$500 million Euro bond. Credit extended to the private sector was lower than that recorded in 2010 and year-on-year, it marginally slowed to 9,8 percent from 10,9 percent registered in December 2010. Financing from the private sector was mainly geared towards construction and retail industries. Credit extended to households increased by 12,2 percent totalling N\$28,5 billion compared to N\$25,4 billion recorded in

2010. Credit extended to businesses and households depicted a positive response as a result of conducive monetary policy stance.

4.6 Government finance

4.6.1 The Government has pursued an expansionary fiscal policy stance since 2008/09 in order to cushion the economy from the effects of the economic crisis. The fiscal expansion was strengthened during the 2011/12 – 2013/14 MTEF with the introduction of the Targeted Intervention Program for Employment and Economic Growth (TIPEEG). TIPEEG is part of the Government's countercyclical fiscal policy to stimulate the domestic economy amidst a challenging global economic environment and is aimed at job creation and stimulating sustainable economic growth. The programme is estimated to cost N\$14,37 billion over the MTEF period and is focusing mainly on infrastructure and transport, agriculture, housing and sanitation and tourism sectors.

Table 5: Government budgetary operations (N\$ millions)

	2010/11*	2011/12**	2012/13**
Total revenue	23 251	26 853	35 420
Domestic tax revenue	15 541	18 269	20 014
Non-tax revenue	1 706	1 402	1,565
Grants and other	28	44	45
SACU	5 975	7 137	13 796
% SACU to total revenue	25,7	26,6	38,9
% SACU to GDP	7,1	7,7	13,5
Total expenditure	27 553	37 166	40 157
Recurrent	23 056	29 616	34 009
Capital	4 497	8,070	6 148
Balance	(4 302)	(10 313)	(4 737)
% GDP	(5,0)	(11,2)	(4,4)

* Outturn

** Estimate

4.6.2 In 2011/12, total revenue and grants is estimated at N\$26,9 billion, lower than the original estimate of N\$28,0 billion, whilst total expenditure amounted to N\$37,2 billion, resulting in a deficit of N\$10,3 billion equivalent to 11,2 percent of GDP. The development budget including TIPEEG amounted to N\$6,0 billion from an original allocation of N\$8,0 billion, depicting under-utilisation of 24,9 percent.

4.6.3 In 2012/13, total revenue including grants is projected to increase to N\$35,4 billion, depicting an increase of 32 percent, which is equivalent to 34,5 percent of GDP. SACU revenue in 2012/13, including Namibia's share of 2010/11 positive adjustments totalled N\$13,9 billion, representing a contribution of 39 percent to total revenue. However, total non-SACU revenue is projected to remain relatively constant during the MTEF period. As a share of GDP, total revenue is projected to moderate to increase to 34,6% in 2012/13, mainly on account of the large SACU transfer. Total expenditure is estimated to reach N\$40,2 billion in 2012/13, just under 40% of GDP. The budget deficit therefore is estimated at 4,6 percent of GDP in 2012/13 and will average 7,0 percent over the three year MTEF period.

4.7 Public debt

4.7.1 During the year under review, total debt as a percentage to GDP increased to 27,0 percent in 2011/12 from 16,6 percent recorded in 2010/11, still within the fiscal benchmark of 35 percent. Disaggregated, domestic debt to GDP ratio increased from 12,7 percent in 2010/11 to 18,7 percent in 2011/12 whilst external debt to GDP ratio increased from 3,9 percent in 2010/11 to 8,3 percent in 2011/12. The increase in external debt was due to the issuance of the Eurobond. It is estimated that in 2012/13, total debt stock will reach N\$28,3 billion equivalent to 27,7 percent of GDP. It is expected that total debt will increase to N\$34,5 percent in 2013/14 and reach N\$35,5 billion in 2014/15, representing 30,3 percent and 27,9 percent of GDP respectively.

4.8 Economic outlook

4.8.1 The economic projections indicate a positive outlook over the medium term. In real terms, GDP is projected to grow at an average of 4,8 percent over the MTEF. At the lower end, average GDP growth is projected at 3,5 percent whereas it is projected at 5,6 percent at the upper end. Fiscal deficit is expected to average 3,3 percent during the MTEF period, a downward revision from 7,7 percent growth rate projected in 2010/11. The growth in GDP is expected to be mainly driven by secondary and tertiary sectors which are expected to average 5,6 percent and 5,1 percent respectively during the MTEF period. However, the primary sector is expected to grow sluggishly at 1,2 percent. The downside risk to the economic growth will persist from uncertainties in the prospects of the global economy.

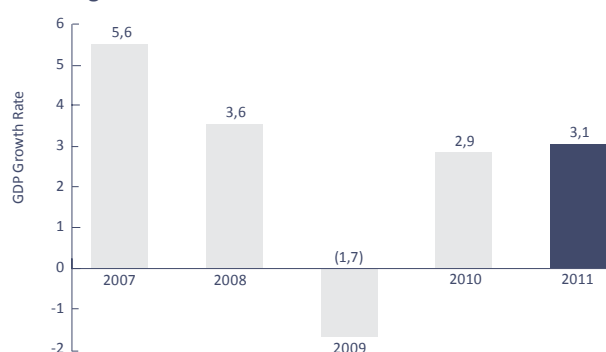
4.8.2 The unemployment rate remains high at the estimate of 51,2 percent and does, as such, exacerbate the poverty and inequality levels whilst the HIV/AIDS prevalence is also high. Government has introduced the TIPEEG to accelerate job creation in addition to various policy interventions aimed at achieving other socio-economic development objectives.

5. South Africa

5.1 Real sector development

5.1.1 In real terms, the economy grew by 3,1 percent in 2011 from 2,9 percent growth recorded in 2010 as shown in Figure 8. Growth was driven mainly by the tertiary and secondary sectors which grew by 3,6 percent and 2,1 percent respectively. Output from the primary sector remained unchanged. Mining and quarrying output experienced modest growth of 0,2 percent following a 5,5 percent expansion in 2010 due to domestic constraints including industrial action, safety stoppages, mining policy uncertainty and increasing administered prices and wages. Agriculture contracted by 0,4 percent following positive growth of 0,5 percent in 2010.

Figure 8: Real GDP Growth Rates



5.1.2 Manufacturing continues to be an important pillar of the South African economy, although it was adversely affected by global economic slowdown. Growth in the manufacturing sector decelerated to 2,4 per cent in 2011 from 5,4 percent growth recorded in 2010. The moderate growth was mainly driven by supply disruptions linked to the tragic tsunami in Japan, recurring industrial action, exchange rate volatility and a slower pace of expansion in global demand for exports. Growth in construction remained subdued, expanding by 0,9 percent and 0,8 percent in 2010 and 2011 respectively, as banks and consumers contributed to a slowdown in residential housing market and the oversupply of commercial buildings weighed on new construction activity. However, infrastructure investment by public corporations supported growth in this sector.

5.1.3 Growth in the tertiary sector was broad based. Growth in general government services accelerated to 3,9 in 2011 from 2,7 percent in 2010. Growth in the finance, insurance, real-estate and business services sector expanded by 3,5 per cent in 2011, following a 2,0 per cent rise in 2010 due to increased activity in financial markets and the banking industry. The commerce subsector, in particular, wholesale, retail and motor trade grew by 3,6 percent from 2,3 percent realised in 2010. The growth in this subsector was mainly driven by households' higher

real disposable income growth, an uptick in employment and low interest rates. The transport and communication subsector also increased from 2,0 percent registered in 2010 to 3,5 percent as consumer demand increased.

5.2 Employment developments

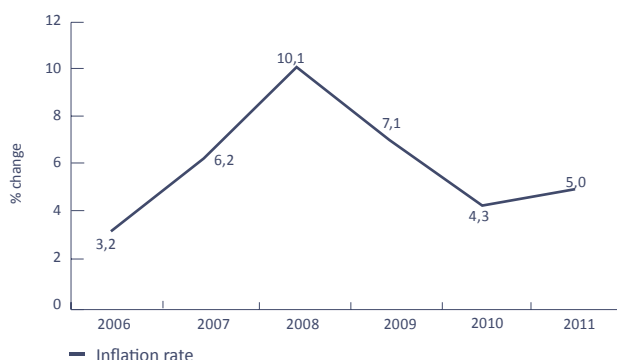
5.2.1 In 2011, unemployment in South Africa remained unchanged at 24,9 percent, an increase of a percentage point from 23,9 percent recorded in 2009. Youth unemployment decreased moderately from 50,5 percent in 2010 to 49,8 percent in 2011. The absorption rate, which represents the proportion of the population that is employed decreased marginally by 0,1 percent from 40,9 percent to 40,8 percent. Employment in the formal non-agricultural sector trended higher in 2011 and early 2012, as the public sector continued to expand its permanent staff complement. In the private sector the most significant increases in employment were registered in the construction, non-gold mining, trade and business services sectors.

5.3 Price developments

5.3.1 Headline consumer price inflation moderately increased to an average of 5,0 percent in 2011 from 4,3 percent in 2010 as shown in Figure 9. Higher prices for food, petrol and electricity pushed the inflation figures to above the 6 per cent upper limit of the inflation target range in the last three months of the year. Inflation excluding food, soft drinks, petrol and energy fell in 2011 to 3,5 percent from 4,1 percent in 2010. Since February 2012, headline inflation has decelerated primarily due to lower inflation in food and non-alcoholic beverages.

5.3.2 The producer price index of domestic output prices rose slightly in 2011 due to rising international commodity prices as well as the depreciation of the rand. Annual inflation in this index reached a peak of 10,1 per cent in October.

Figure 9: Consumer price index (CPI)



5.3.3 The August 2012 Reuters Economist poll showed that Analysts expect inflation in South Africa to average

5,5 percent in 2012, 5,3 percent in 2013 and 5,4 percent in 2014. Although higher international prices for grains are likely to be reflected in higher consumer prices for food in 2013, subdued domestic demand is likely to keep pricing power contained.

5.4 Interest rates

5.4.1 Subdued inflationary pressures allowed the Monetary Policy Committee (MPC) to adopt an accommodative monetary policy stance during 2011. The repo rate was left unchanged at 5,5 percent between November 2010 and early 2012, as a result of the volatile and uncertain economic outlook. In response to heightened global risks, the repo rate was reduced by a further 0,5 percentage points to 5,0 percent on July 2012 to further stimulate the economy.

5.5 Balance of payments

5.5.1 In 2011, the current account deficit averaged 3,3 per cent of GDP, a deterioration from the deficit of 2,8 per cent of GDP recorded in 2010 as shown in Table 6. The deterioration of the current account deficit was largely driven by the worsening trade deficit. Export prices remained reasonably well-supported in 2011, but could not offset the rise in import volumes and the impact of the rand's depreciation on import prices in the second half of the year. The worsening trade deficit coincided with a moderate R13 billion widening in the deficit in the net service, income and transfer payments to the rest of the world, driven by a 32 percent rise in gross dividends paid during quarter one in 2012.

Table 6: Current Account of Balance of Payments (R1 billions)

	2009	2010	2011	Q1 2012
Merchandise exports	503,7	565,9	671,2	697,7
Net gold exports	52,8	59,5	75,3	79,3
Merchandise imports	(554,2)	(598,2)	(730,1)	(819,1)
Trade balance	2,3	27,2	16,4	(42,1)
Net service, income and current transfer	(99,4)	(102,2)	(115,2)	(110,5)
Balance on current account	(97,1)	(75)	(98,8)	(152,6)
% of GDP	(4,1)	(2,8)	(3,3)	(4,9)

5.5.2 The volume of net gold exports decreased by 2,0 percent in 2011 following a marginal increase of 1,8 percent recorded in 2010. Global demand for gold contracted in the first half of 2011 but rebounded in the second half due to increased investment demand for gold by central banks. The price of gold increased from an average of US\$1 225 in 2010 to US\$1 569 per ounce in 2011 due to the global financial market uncertainty and its safe haven status.

5.5.3 The sovereign debt crisis in Europe, the links between banks and government debt and US fiscal policy uncertainty placed tremendous pressure on the global financial markets in 2011, particularly in the second half of the year. The second half of 2011 was characterised by the downgrading of the sovereign debt of the US, Japan and Italy, and negotiations about the bailout of, and adherence to, austerity measures by some peripheral countries in the euro area. Simultaneously, the banking system in Europe continued to remain fragile, inhibiting liquidity and restricting bank lending to the real economy. The tension in the financial market continued in the first half of 2012 as the sovereign debt six countries in the Euro zone was downgraded and some banks in Spain were bailed out to save the Spanish banking sector which almost collapsed.

5.5.4 Consequently, capital flows to emerging markets became highly volatile. Portfolio inflows into South Africa decreased substantially in 2011, but were offset by the rising level of foreign direct and other investment inflows, and lower levels of outward other investment by South Africans. Net foreign direct investment increased from R9,5 billion in 2010 to R46,7 billion in 2011, owing to higher inward investment in particular to the mining, wholesale and retail, and transport, storage and communication sectors.

5.5.5 As at March 2012, the gross international reserves of SARB increased to US\$50,7 billion, of which US\$2,8 billion was held in SDRs, US\$6,7 billion held in gold and US\$41,2 billion in foreign exchange reserves. The stock of gross reserves dropped marginally from 5,3 months of import cover in 2010 to 4,9 months import cover in 2011.

5.6 Monetary account

5.6.1 Growth in broadly defined money supply (M3) accelerated from an average of 3,5 percent in 2010 to 6,8 per cent in 2012, with strength in the second half of the year in particular, as the pace of credit extension to the private sector accelerated.

5.6.2 Growth in banks' total loans and advances extended to private sector increased by an average of 6,7 in 2011, following a contraction in 2010. Much of the growth was driven by increased general loans, extended in particular to households. Growth in mortgage advances, however, has remained subdued, constrained from the supply side by tight interest margins and relatively high levels of impaired advances, and from the demand side as prospective borrowers' remain cautious about the prospects of a significant recovery in real-estate prices.

5.6.3 Annual growth in deposit holdings of the household sector rose steadily from May 2011, reaching a three-year high of 13,4 percent in May 2012, due to growth in real income and employment. However, deposit holding

of the corporate sector decelerated from 10,3 percent in January to 7,4 percent in December 2011.

5.7 Government finance

5.7.1 South Africa's macroeconomic framework pivots around countercyclical fiscal policies to support growth and investment, alongside monetary policies creating an environment of stable and low inflation to protect the living standards of low-income households and workers. Budget policy is guided by the principles of countercyclical, sustainability and intergenerational fairness, as expressed in South Africa's fiscal guidelines. The National Budgets for both 2011/12 and 2012/13 continued to be broadly expansionary, with strong prominence given to the challenges of job-creating growth and poverty reduction.

5.7.2 In 2010/11, actual budget revenue amounted to R757,5 billion, equivalent to 27,5 percent of GDP as shown in Table 7. Tax revenue amounted to R674,2 billion, 89 percent of total revenue and 24,5 percent of GDP. In nominal terms, gross tax revenue grew by 12,6 percent from the previous fiscal year, due to strong nominal growth in value-added taxes and taxes on international trade and transactions. Non-tax revenue amounted to R13,5 billion whilst other revenue (provinces, social security funds and public entities) amounted to R87,8 billion. SACU payments amounted to R14,9 billion plus an additional R2,9 billion for adjustment compensation for error payment to SACU.

5.7.3 In 2011/12, the revised budget revenue amounted to R830,2 billion, R5,7 billion higher than the original estimate and represents 27,7 percent of GDP. Tax revenue totalled R738,7 billion, which was R10,1 billion higher than the 2011 MTBPS estimate as a result of higher than expected corporate income tax collections and equivalent to 24,7 percent of GDP. The revised estimate for non-tax revenue totalled R17,6 billion whilst SACU payments amounted to R21,7 billion.

Table 7: Budgetary operations

	2010/11	2011/12	2012/13
Total revenue	757,5	830,2	907,1
% of GDP	27,5	27,7	27,4
Tax revenue	674,2	738,7	828,7
% of total revenue	89,0	89,0	91,4
% of GDP	24,5	24,7	25,0
SACU payments	(14,7)	(21,7)	(42,2)
Total expenditure	874,2	972,5	1 058,36
% of GDP		32,5	32,1
Budget deficit as a % of GDP	4,2	4,8	4,6

5.7.4 The government follows a medium-term expenditure framework (MTEF) which outlines public service delivery commitments in pursuit of national development and transformation goals. The MTEF for the period ahead reflects government's commitment to creating jobs, growing the economy, promoting equity and accelerating access to quality social services. Growth in spending focuses on infrastructure, education and skills development, improved health outcomes, integrated and sustainable human settlements, and rural development. In addition, social and economic infrastructure investments are to be scaled up.

5.7.5 In 2010/11, total expenditure amounted to R874,2 billion, of which provincial expenditure amounted to R322 billion. In 2011/12, revised estimates for total expenditure amounted to R972,5 billion, representing 32,5 percent of GDP. According to the 2012 Budget, R844,5 billion would be spent over the medium term on public sector infrastructure programme and public sector capital investment stood at 7,4 percent of GDP whilst investment by private sector reached 12,2 percent of GDP. In a drive to expand investment in infrastructure, R3,2 trillion worth of infrastructural development is under consideration, of which a quarter of these projects are being implemented.

5.7.6 The budget deficit as a percentage of GDP reached 4,2 percent in 2010/11 and is expected to marginally increase to 4,8 percent in 2011/12 and drop to 3,0 percent in 2014/15.

5.8 Public debt

5.8.1 The deficit has been primarily financed by issuance of domestic bonds, in particular, fixed-income and inflation-linked bonds as well as Treasury Bills. The public sector borrowing requirement, which indicates the deficit financing requirement, is forecast to decline from 7,1 percent of GDP in 2011/12 to 5,0 percent in 2014/15.

5.8.2 The total gross loan debt of national government amounted to R988,7 billion, increasing from 35,7 percent to 38,9 percent of GDP between March 2011 to March 2012. Domestic debt contributes 90 percent to total debt whilst foreign debt contributes 10 percent. The substantial increase in the country's outstanding external debt mainly resulted from an increase in rand-

denominated foreign debt reflected by non-resident purchases of domestically issued bonds and their holdings of rand-denominated deposits with the South African banking sector. The low level of foreign debt reduces the government exposure to external risk whilst consolidating and strengthening domestic financial markets.

5.8.3 In March 2012, South Africa credit rating outlook was cut to negative by Standard & Poor's mainly due to slower economic growth and a risk that the government may not be able to control spending to reduce the fiscal deficit. Standard & Poor's affirmed foreign and local credit ratings of BBB+ and 'A' respectively.

5.9 Economic outlook

5.9.1 South Africa pursued countercyclical fiscal policy to support economic growth and attain sustainable macroeconomic stability by creating an economic environment that is able to adjust to the volatility of the business cycle. Global economic developments, particularly the unresolved Eurozone sovereign debt crisis, slow growth in developed markets and the slowdown in China, are expected to adversely affect economic growth prospects. According to the National Treasury's 2012 Budget projections, real GDP growth is expected to slow down to 2,7 percent in 2012 and accelerate to 3,6 percent and 4,2 percent of GDP in 2013 and 2014 respectively as the world economy recovers, and stronger domestic consumption and investment – both public and private – support rising job creation.

5.9.2 The planned public sector infrastructure investments are expected to expand the capacity of the economy to grow more rapidly, whilst the economic support package announced by government is expected to boost productivity, competitiveness and research and development across the agricultural, mining, manufacturing and technology sectors.

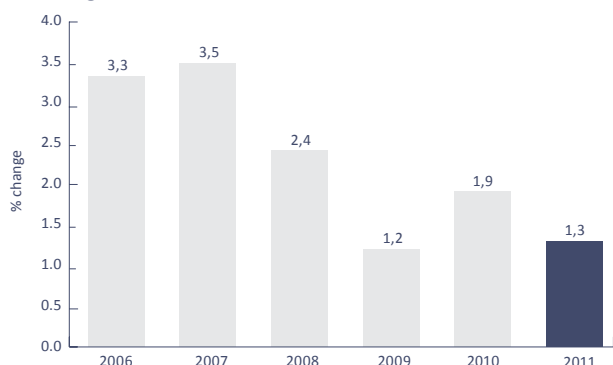
5.9.3 Export growth is expected to accelerate as the global economy recovers whilst imports will grow faster due to robust domestic demand. This will contribute to the current account deficit widening to 4,4 percent of GDP in 2014. Headline inflation is expected to increase to 6,2 percent in 2012 due to a weaker rand, high food and fuel prices as well as rising administered prices, before falling once more to 5,3 percent in 2013 and 5,1 percent in 2014.

6. Swaziland

6.1 Real sector development

6.1.1 Following the global economic slowdown, Swaziland experienced fiscal crisis due to a decline in revenue, in particular SACU revenue which was lower than expected to finance budgetary operations. As a result, the economy slowed from 1,9 percent realised in 2010 and grew by 1,3 percent in 2011, which is significantly below the long term average growth rate as shown in Figure 10. Manufacturing industry, which is the anchor of the economy, contracted by 3,1 percent whilst the central government, grew by 2,0 percent, dropping from 5,4 percent recorded in 2010. Growth in agriculture slowed to 2,6 percent from 3,3 percent recorded in 2010 whilst growth in mining and quarrying, predominately coal and quarried stone production, dropped to 9,0 percent from 27 percent realised in 2010.

Figure 10: GDP Growth Rates



6.1.2 Contrary to other SACU Member States, construction didn't depict any positive growth, instead it contracted by 2,6 percent whilst wholesale and trade grew marginally by 4,9 percent from 4,5 percent experienced in 2010.

6.2 Employment developments

6.2.1 Economic growth over the years has not translated into job creation and the level of unemployment remains high especially among the youth. The aftermath of the economic crisis coupled with the fiscal crisis, resulted in job losses of about 3,000 in the textile industry and 900 in other industries. The unemployment incidence was further exacerbated by forest fires which resulted in the closure of two paper-milling companies. However,

the number of employed people is high in the informal sector and subsistence agriculture. In addressing the youth unemployment, the government established the Youth Enterprise Fund which became operational in 2010.

6.2.2 In 2011 the Government embarked on an Economic Recovery Strategy (ERS) process drawing ideologies from the Job Summit and the Agriculture Summit. The ERS defines strategies to stimulate economic growth with the objective to attain an economic growth rate of at least 5 percent, as well as create 30,000 new jobs in four years.

6.3 Price developments

6.3.1 Inflation rate developments indicate an upward trajectory in 2011. Inflation reached 12,6 percent in 2008 and dropped to 7,6 percent and 4,5 percent in 2009 and 2010 respectively but increased to 6,5 percent in 2011 as shown in Figure 11.

Figure 11: Consumer Price Index



6.3.2 Within the consumer basket, food and transport prices increased, thus exerting the inflationary pressures. Notable increases were observed in the price of transport which grew by 14,6 percent as a result of an increase in fuel price effected in November 2011. Another notable price increases were observed in clothing and footwear which grew by 4,3 percent. Increasing prices in food and fuel were fuelled by global developments; and inflationary pressures in South Africa as a result of fuel and electricity price hikes which also contributed to the upward inflationary pressure.

6.4 Interest rates

6.4.1 Swaziland is a member of CMA and therefore follows the monetary policy stance pursued by South Africa. The Central Bank of Swaziland left the discount rate unchanged at 5,5 percent whilst the commercial banks also kept the prime rate unchanged at 9 percent.

6.5 Balance of payments

6.5.1 Overall balance of payments improved from a deficit of approximately E2 billion recorded in 2010 to a deficit of approximately E1 billion. The improvement was mainly driven by current account which recorded a deficit of E1,5 billion from E2,9 billion registered in 2010 as shown in Table 8.

Table 8: Balance of payments (E millions)

	2008	2009	2010	2011
Overall balance	2 158	(1 088)	(1 999)	(996)
Current account	(1 867)	(3 478)	(2 869)	(1 480)
Capital account	323	91	106	104
Financial account	3 702	2 299	764	381

6.5.2 The trade account improved, registering a deficit of E319 million from E1,1 billion recorded in 2010 largely driven by strong export growth. Income account deteriorated with a deficit of E1,8 billion compared to a deficit of E1,7 billion registered in 2010. The drastic deterioration of the income account was mainly driven by outflows on company earnings, reinvested earnings and interest paid by the official sector. However, net current transfers account registered a surplus of E3,7 billion from a surplus of E2,97 recorded in 2010 attributed to SACU receipts and other remittances from abroad.

6.5.3 The financial account deteriorated in 2010, registering a net inflow of E381 million compared to E764 million and E2,3 billion recorded in 2010 and 2009 respectively. The weak economic performance was due to a drastic drop in net direct investment. The gross official reserves decreased by 33,6 percent to E4,0 billion, reflecting 2,5 months of imports cover compared to 3,8 recorded in March 2010. The level of reserves declined as a result of higher than expected expenditure coupled with sustained appreciation of the Rand/Lilangeni exchange rate. The 2,5 months of import cover falls below the international benchmark requirement of 3,0 months, which threatens the Lilangeni peg to the Rand.

6.6 Monetary account

6.6.1 In March 2011, broad money supply measured by M2 decelerated from 15,6 percent recorded in March 2010 to 3,5 percent. Net Foreign Assets (NFA) declined by 37 percent due to a drop in both the public sector including a 62 percent drop in SACU revenue and other depository corporations. Net domestic claims increased to E5,2 billion as a result of growth in claims on other sectors whilst Government net balances dropped by 56,9 percent due to a decline in revenue. Credit extended to public corporations increased by 24,6 percent whilst credit extended to household increased by 4,3 percent.

6.7 Government finance

6.7.1 SACU revenue shares contribute on average 60 percent of total revenue. A decline in SACU revenue experienced in the 2010/11 and 2011/12 coupled with widened public wage bill gave effect to the fiscal crisis. In 2010/11, total revenue including grants amounted to E7,26 billion whilst total expenditure amounted to E9,5 billion resulting in a deficit of E2,24 billion, which represents 9,4 percent of GDP excluding arrears. Since SACU revenue fell by almost 25 percent in 2010/11, Government through the IMF Staff-Monitored Programme, put measures to enhance domestic revenue and these measures were complemented by the establishment of Swaziland Revenue Authority. Non-SACU revenue increased by 15 percent mainly driven by income tax and sales tax. Recurrent expenditure was substantially reduced, particularly goods and services, lowering the total expenditure to E9,5 billion from E10,3 billion originally appropriated.

Table 9: Government Budgetary operations (E millions)

	2010/11	2011/12	2012/13
Total revenue	6 968	7 313	12 216
Tax revenue	6 710	7 022	11 663
Non-tax revenue	239	256	190
Grants	19	34	363
<i>of which SACU</i>	2 631	2 884	7 064
% total revenue	38	39	58
% GDP	10	10	22
Total expenditure	9 771	9 139	12 028
Recurrent	7 954	8 120	9 715
Capital	1 816	1 018	2 313
Balance	(2 803)	(1 826)	188
% GDP	(10)	(6)	1

6.7.2 The fiscal adjustment continued in 2011/12, resulting in substantive expenditure cuts. However, the constraints in accessing finance may result in higher than planned fiscal budget deficit. The projected outturn indicate that total revenue is expected to reach E7,1 billion, of which SACU revenue amounted to E2,9 billion and non-SACU revenue is expected to reach E4,2 billion. Expenditure cuts amounted to E554 million and total expenditure is appropriated at E10,2 billion though it was expected to decrease to E8,3 billion by end of March 2012. The budget deficit is therefore estimated at 9,5 percent of GDP against the FAR target of 11 percent and Government had to borrow from Central Bank and draw down reserves in order to finance budget operations.

6.7.3 The 2012/13 budget estimates show that total revenue and grants increased to E12,2 billion with SACU revenue amounting to E7,1 billion inclusive of 2010/11 surplus. SACU revenue increased by 145 percent and contributed 58 percent to total revenue. Total non-SACU revenue amounted to E4,8 billion with income tax expected to increase by 9 percent to E2,7 billion whilst tax on goods and services is expected to increase by 20 percent due to the introduction of VAT; and VAT is expected to generate E1,5 billion in 2012/13, which will be E300 million higher than the 2011/12 sales tax forecast. Project grants totalled E376 million from E207 million realised in 2011/12 mainly sourced from EU, Taiwanese Government and the UN. Total expenditure amounted to E11,55 billion resulting to a surplus of E200 million which is equivalent to 1 percent of GDP.

6.8 Public debt

6.8.1 Debt to GDP ratio is the lowest in SACU and is far below the international threshold. Total debt increased from 14,0 percent recorded in 2010 to 16,9 percent in 2011 and is expected to drop to 15,7 percent of GDP in 2012. On average, foreign debt constitutes 75 percent to total debt and Government in the process of developing domestic capital market to bolster domestic borrowing.

6.9 Economic outlook

6.9.1 Swaziland economic growth is expected to remain stagnant as preliminary forecasts show a growth rate of 1,4 percent in 2012. This is due to a lagged effect of the fiscal crisis which has resulted in:

- a) Delays in clearing outstanding arrears to the private sector, leading to job losses and company closures as small and medium scale companies struggle to remain in business;
- b) Downscaling of the capital programme which resulted in the stalling and suspension of some capital projects; and
- c) Low credit extension by banks to SMEs because of their non-performing loans due to the non-payment of Government.

6.9.2 Economic growth in the medium term is expected to follow a gradual recovery to 2,0 percent largely driven by the implementation of the Economic Recovery Strategy, the Investor Roadmap and private sector activity. These initiatives are expected to attract more FDI, empower local investors to start up new businesses leading to

higher employment and broadened tax base as well as higher economic activity that will translate into higher growth. The Government therefore identified national challenges and have subsequently devised mechanisms to address the challenges in the medium term. Amidst fiscal crisis, the Government undertook to implement fiscal reforms in order to foster economic growth and create employment as announced in the 2012/13 Budget Speech. The Government committed to undertake immediate economic reforms in 2012/13 by strengthening fiscal discipline, accelerating growth and protecting the vulnerable.

6.9.3 In the medium term, government is committed to (i) broaden tax net and enhance revenue collection; (ii) streamline the public sector wage bill and improve efficiency – freeze the wage bill; (iii) improve governance in order to build investor confidence; (iv) improve export base and increase participation of Small and Medium Enterprises; and (v) put measures in place in order to attract foreign direct investment (FDI). Government also committed to long term reforms including implementation of Fiscal Adjustment Roadmap (FAR), promotion of agriculture through expansion of irrigable area and construction of dams, regulation of non-bank financial institutions as well as consumer credit.

6.9.4 A draft Economic Recovery Strategy document was prepared addressing ten (10) thematic areas which were viewed as necessary for attaining economic development. The Economic Recovery Strategy seeks to accelerate job

creation and broaden economic participation. It proposes some strategies to grow the economy and therefore sustainable government revenue. Such strategies include improving labour intensive foreign direct investment (FDI) for export development, addressing the bottlenecks in the mining sector, enhancing and exploiting Swaziland's tourism potential, and facilitating trade through extended border hours and harmonization of border procedures. The broader objectives of the Economic Recovery Strategy include the following:

- Accelerated, shared and sustainable economic growth which is required to redress the macro economic imbalances and other structural deficiencies in the economy.
- Growing the economy so that reforms proposed in the Fiscal Adjustment Roadmap could be achievable. These include diversifying the economy so as to increase the taxable base of both individuals and companies.
- Empowerment and integrating SMEs into the mainstream economy to provide more job opportunities which can absorb retrenched civil servants under the voluntary retirement scheme.
- Provide relief to national resources as more people graduate from social grants to economic independence.
- Long term solutions to structural problems that the country faces.

ANNEX 2

Member States Economic Indicators and Trade Statistics

Table 1: Intra-SACU Trade for the Period 2009/10 fiscal year (R millions)

		Botswana import	Lesotho import	Namibia import	South Africa import	Swaziland import	Total
Botswana	Export	–	5	142	2 166	15	2 328
	% of Intra-SACU	–	0,00	0,15	2,22	0,02	
Lesotho	Export	1	–	1	2 132	5	2 139
	% of Intra-SACU	0,00	–	0,00	2,19	–	
Namibia	Export	276	8	–	4 831	43	5 158
	% of Intra-SACU	0,28	0,01	–	4,95	0,04	
South Africa	Export	29 481	10 749	26 553	–	13 612	80 395
	% of Intra-SACU	30,22	11,02	27,22	–	11,02	
Swaziland	Export	51	12	103	7 365	–	7 531
	% of Intra-SACU	0,05	0,01	0,11	7,55	–	
Total		29 809	10 774	26 799	16 494	13 675	97 551

Table 2: Trends in Member States revenue shares (R billions)

	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	Annual growth
Botswana	4 008	5 549	8 330	9 473	9 167	7 115	11 502	12 608	10%
Lesotho	1 984	2 784	3 822	4 901	4 918	2 908	4 103	4 980	21%
Namibia	3 228	5 394	6 015	8 502	8 585	6 447	9 567	11 339	19%
South Africa	13 027	16 478	20 796	24 264	24 125	22 651	25 747	28 651	11%
Swaziland	2 795	3 654	4 591	6 009	5 189	2 956	4 310	6 078	41%
Forecast of CRP (does not represent actual payments made to Member States)	25 042	33 859	43 553	53 150	51 984	42 076	55 229	63 656	15%
% Share of CRP									
Botswana	16,00	16,39	19,13	17,82	17,63	16,91	20,83	19,81	
Lesotho	7,92	8,22	8,78	9,22	9,46	6,91	7,43	7,82	
Namibia	12,89	15,93	13,81	16	16,52	15,32	17,32	17,81	
South Africa	52,02	48,67	47,75	45,65	46,41	53,83	46,62	45,01	
Swaziland	11,16	10,79	10,54	11,31	9,98	7,03	7,80	9,55	

The reconciled intra-SACU trade increased by 3,4 percent in the fiscal year 2009/10 compared to an increase of 15,4 percent registered in 2008/09 fiscal year. The slow growth was reflected in countries such as Botswana which registered a decline of 6,5 percent compared to a 26,3 percent increase recorded in 2008/09; Lesotho registered a growth of 5,2 percent compared to 10,8 percent in 2008/09; and Namibia registered a growth of 0,9 percent compared to 14,4 percent in 2008/09. On the export side, the highest intra-SACU trade growth in 2009/10 was recorded in Swaziland (25,6 percent), followed by Namibia (14,9 percent).

Botswana continued to top the intra-SACU import market share accounting for 30,6 percent in 2009/10. This was followed by Namibia (27,5 percent of the import market share), South Africa (16,9 percent of the import market share), Swaziland (14,0 percent of the import market share), and Lesotho (11,0 percent of the import market share). On the export side, South Africa continues to dominate the intra-SACU export market in 2009/10, accounting for 82,4 percent, followed by Swaziland accounting for 7,7 percent and Namibia accounting for 5,3 percent of the market. Botswana accounted for an export market share of 2,4 percent, while Lesotho accounted for 2,2 percent of the export market share.

Intra import trade among the BLNS was limited during the period under review, accounting for only 0,7 percent of the total intra-SACU trade. Botswana had the highest import trade among the BLNS accounting for a share of 49,6 percent, followed by Namibia with a share of 37,1 percent. Lesotho and Swaziland accounted for 3,8 percent and 9,4 percent, respectively.

All Members States with the exception of South Africa recorded an intra-SACU trade deficit for the year 2009/10. South Africa recorded an intra-SACU trade surplus of R63,9 billion for the year under review, while the rest of the Member States recorded intra-SACU trade deficits as follows; Namibia (R21,6 billion), Swaziland (R6,1 billion), Lesotho (R8,6 billion) and Botswana (R27,5 billion).

Table 3: Intra-SACU Imports statistics for the purposes of revenue sharing (R millions)

	2003/4 for 2006/7 shares	2004/5 for 2007/8 shares	2005/6 for 2008/9 shares	2006/7 for 2009/10 shares	2007/8 for 2010/11 shares	2008/9 for 2011/12 shares	2009/10 for 2012/13 shares	2009/10 Annual growth
Botswana	16 520	19 083	16 879	18 233	25 253	31 898	29 809	(6,5%)
Lesotho	7 928	8 358	8 483	9 638	9 246	10 246	10 775	5,2%
Namibia	16 587	13 543	15 336	17 368	23 205	26 548	26 798	0,9%
South Africa	13 099	15 162	13 424	13 598	14 770	14 809	16 494	11,4%
Swaziland	10 937	10 266	10 667	10 195	9 220	10 814	13 695	26,5%





Annual Financial Statements

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*The
Commission
and the
Finance
and Audit
Committee
meet
quarterly.*

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Council approval and statement of responsibility

for the year ended 31 March 2012

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

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

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

The 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 financial statements. The Auditor-General's report is presented on pages 56 to 57.

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

Against this background, on behalf of the Council, the Chairperson of Council and the Executive Secretary accept the responsibility for the annual financial statements set out on pages 58 to 73, which were approved on 21 September 2012 and are signed by:



Hon Ontefetse K Matambo

*Minister of Finance and Development Planning – Botswana
Chairperson: Council of Ministers*



Tswelopele C Moremi

Executive Secretary

Report of the Auditor-General to the Council of Ministers on the financial statements of Southern African Customs Union for the year ended 31 March 2012

Introduction

The financial statements of Southern African Customs Union are subject to be audited by the Auditor-General (Namibia) in terms of Decision 27, of SACU Council of Ministers meeting held on 16 September 2011 in Lesotho.

Financial statements

We have audited the accompanying financial statements of Southern African Customs Union, which comprise the Statement of Financial Position as at 31 March 2012, the Statement of Financial Performance, Statement of Changes in Equity and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory notes as set out on pages 63 to 73.

Scope of the audit

The Executive Secretary of the Secretariat is responsible for the preparation of the financial statements and for ensuring the regularity of the financial transactions. It is the responsibility of the Auditor-General to form an independent opinion, based on the audit, on those statements and on the regularity of the financial transactions included in them and to report his opinion to the Council of Ministers.

The audit included:

- examination, on a test basis, of evidence relevant to the amounts, disclosure and regularity of financial transactions included in the financial statements;
- assessment of the significant estimates and judgements made by the Executive Secretary of the Secretariat in the accounting of the transactions, her determination of and decision on relevance of the transactions to the Secretariat and of whether the accounting policies are appropriate to the Secretariat's circumstances, consistently applied and adequately disclosed; and
- evaluation of the overall adequacy of the presentation of information for its inclusion in the financial statements.

The audit was planned and performed so as to obtain all the information and explanations considered necessary to provide sufficient evidence to give reasonable assurance that:

- the financial statements are free from material misstatement, whether caused by error, fraud or other irregularity;
- in all material respect, the expenditure and income have been applied to the purposes intended; and
- the financial transactions conform to the authorities which govern them.

Audit findings

Three staff members travelled to Lusaka on 12 May 2011, and they were paid a total amount of N\$39 115 25 at a rate of US\$341 instead of N\$28 447 46 at a rate of US\$248, as a result there was an overpayment of N\$10 667 79. Furthermore, there was no substantial evidence that could explain the use of the above rate.

Recommendation

The Executive Secretary is recommended to ensure that staff members on official trips use the correct rates at all times or to attach proof, in case of deviation from the given rates.

Procurement and financial policies and procedures

Both policies are silent on when staff members undertaking official trips are supposed to receive their daily subsistence and travel allowances. Furthermore, the two policies contradict each other in terms of when to acquire three quotations, the procurement policy gives a minimum of R5 000 while the financial policy gives R1 000 as a minimum.

Recommendation

The Executive Secretary is recommended to ensure that the two policies relate to each other and necessary changes are made to the policies, in order to address the above findings.

Acknowledgements

The assistance and co-operation of staff and the Secretariat during the audit is appreciated.

Audit opinion

In my opinion, I certify that the financial statements present fairly the transactions and the financial position of the SACU Secretariat for the financial year ended 31 March 2012, in all material respects the income and expenditure have been applied to the purposes intended and conform to the International Financial Reporting Standards.



Junias Etuna Kandjeke
Auditor-General

21 September 2012

Report of the Council

The Council of Ministers has pleasure in submitting their report together with the annual financial statements of the organisation for the financial year ended 31 March 2012.

State of affairs

The state of affairs of the Secretariat as at 31 March 2012 and the results of its operations for the year then ended are fully set out in the annual financial statements.

Results of operations

The Secretariat recorded total spending amounting to R49 092 349 for the year under review, out of a budget of R57 529 189. The following provides comparative information:

	2012 R	2011 R
Operating expenditure	44 365 353	41 752 200
Finance cost	–	1 904
Capital expenditure	4 726 996	8 282 132
	49 092 349	50 036 236

When formulating the annual budget, the Secretariat applies the activity-based approach in conjunction with the medium-term expenditure framework as a basis for planning. During the year under review, budget absorption was hampered by the deferral of the construction of the new SACU headquarters building, as well as the SACU Industrial Development Policy Study.

Executive Management

The members of the Executive Management team who served during the year under review were:

Ms T C Moremi	Executive Secretary
Mr D H Mahlinza	Director: Trade Facilitation and Revenue Management
Mr I Sundarpasad	Director: Corporate Services (till 31 July 2011)
Mr J M Mapatha	Director: Corporate Services (from 21 July 2011)
Mr A J Faul	Director: Policy Development and Research
Ms N D Oitsile	Chief Legal Officer

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 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, Lesotho, Namibia, South Africa and Swaziland.

Subsequent events

No material events have occurred between the reporting date and the date of this report which could materially affect the financial statements or require additional disclosures regarding these events.

Statement of financial position

as at 31 March 2012

	Note	2012 R	2011 R
ASSETS			
Non-current assets			
Property, plant and equipment	5	17 193 963	13 802 748
Current assets			
Cash and cash equivalents	8	63 647 529	60 906 354
Trade and other receivables	7	488 636	255 558
Total assets		81 330 128	74 964 660
Capital and reserves			
Accumulated funds		68 244 917	65 423 344
CURRENT LIABILITIES			
Bank overdraft	8	318 244	536
Trade and other payables	9	10 291 892	8 508 286
Provisions	10	2 475 075	1 032 494
Total reserves and liabilities		81 330 128	74 964 660



Statement of financial performance

for the year ended 31 March 2012

	Note	2012 R	2011 R
Total revenues and other income:		43 181 393	47 049 328
Common revenue pool contribution	2.12	40 579 483	44 947 732
Host Country Contribution		2 067 895	1 932 612
WCO-SIDA Funding		534 015	168 984
Operating expenses:	16	(44 365 353)	(41 752 200)
Tariff Board		(376 019)	(880 084)
Executive Secretary and Internal Audit		(6 693 810)	(5 841 189)
Legal Assurance		(1 560 611)	(902 431)
Communications		(2 437 218)	(2 669 398)
Trade Facilitation and Revenue Management		(9 777 061)	(9 511 165)
Policy Development and Research		(6 561 009)	(7 721 014)
Corporate Services		(16 959 625)	(14 226 919)
Operating (deficit)/surplus		(1 183 960)	5 297 128
Finance income	12	4 033 659	3 225 575
Finance cost	12	–	(1 904)
Loss on disposal of fixed assets		(15 725)	(243)
Loss on foreign exchange		(12 401)	–
Surplus for the year		2 821 573	8 520 556



Statement of comprehensive income

for the year ended 31 March 2012

	Note	2012 R	2011 R
Surplus for the year		2 821 573	8 520 556
Other comprehensive income:			
Host Country donation of land	2.13	–	5 086 600
Total comprehensive income		2 821 573	13 607 156

Statement of changes in equity

for the year ended 31 March 2012

	Note	Accumulated funds R	Total R
Balance at 1 April 2010		23 429 478	23 429 478
Total comprehensive income		13 607 156	13 607 156
Prior year reclassification of deferred income	9	29 003 641	29 003 641
Prior year overstatement of receivables	6b	(616 931)	(616 931)
Balance at 31 March 2011		65 423 344	65 423 344
Total comprehensive income		2 821 573	2 821 573
Balance at 31 March 2012		68 244 917	68 244 917



Statement of cash flows

for the year ended 31 March 2012

	Note	2012 R	2011 R
Cash flows from operating activities			
Cash generated in operations	13	3 116 804	20 186 078
Interest received		4 033 659	3 225 575
Interest paid		–	(1 904)
Net cash from operating activities		7 150 463	23 409 749
Cash flows from investing activities			
Additions to Property, plant and equipment	5	(4 726 996)	(8 282 132)
Net cash from investing activities		(4 726 996)	(8 282 132)
Cash flows from financing activities			
Transfer of surplus to Deferred income	2.12	–	8 930 715
Net cash from financing activities		–	8 930 715
Net increase in cash and cash equivalents		2 423 467	24 058 332
Cash and cash equivalents at beginning of year	8	60 905 818	36 847 486
Cash and cash equivalents at end of year	8	63 329 285	60 905 818



Notes to the financial statements

for the year ended 31 March 2012

1. General information

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

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Secretariat's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

2.2 Foreign currency translation

(a) 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 (ZAR).

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Financial Performance, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security, and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in equity.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are included in the available-for-sale reserve in equity.

2.3 Property, plant and equipment

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

Property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only 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. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the Statement of Financial Performance during the financial period in which they are incurred.

Depreciation on Property, plant and equipment is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

– Buildings	5%	(20 years)
– Motor vehicles	20%	(5 years)
– Furniture and fittings	20%	(5 years)
– Household Furniture and fittings	20%	(5 years)
– Office equipment	20%	(5 years)
– IT Equipment and software	33%	(3 years)
– Leasehold improvements	25%	(4 years)

Notes to the financial statements (continued)

for the year ended 31 March 2012

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2. Summary of significant accounting policies (continued)

2.3 Property, plant and equipment (continued)

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and variances are recognised in the Statement of Financial Performance.

2.4 Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.5 Financial assets

The Secretariat classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as 'held for trading' unless they are designated as hedges. Assets in this category are classified as current assets.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The Secretariat's loans and receivables comprise 'trade and other receivables' and cash and cash equivalents in the balance sheet (note 7 and 8).

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Regular purchases and sales of financial assets are recognised on the trade date being the date on which the Secretariat commits to purchase or sell the assets. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss is initially recognised at fair value and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Secretariat has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the Statement of Financial Performance within 'other (losses)/gains – net' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of other income when the Secretariat's right to receive payments is established.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognised in profit or loss, while translation differences on non-monetary securities are recognised in equity. Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in equity.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the Statement of Financial Performance as 'gains and losses from investment securities'.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the Statement of Financial Performance as part of other income. Dividends on available-for-sale equity instruments are recognised

in the Statement of Financial Performance as part of other income when the Secretariat's right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Secretariat establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The Secretariat assesses at each reporting date whether there is objective evidence that a financial asset is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the Statement of Financial Performance. Impairment losses recognised in the Statement of Financial Performance on equity instruments are not reversed through the Statement of Financial Performance. Impairment testing of trade receivables is described in note 2.6.

2.6 Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Secretariat will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of a provision account, and the amount of the loss is recognised in the Statement of Financial Performance within 'bad debt provision'. When a trade receivable is uncollectible, it is written off against the provision account for trade receivables. Subsequent recoveries of amounts previously written off are credited against 'bad debt recovered' in the Statement of Financial Performance.

2.7 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of six months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the Statement of Financial Position.

2.8 Trade payables

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

2.9 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the Statement of Financial Performance over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Secretariat has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

2.10 Employee benefits

(a) Pension obligations

The Secretariat participates in a provident fund. The fund is generally funded through payments to a trustee-administered fund, determined by periodic actuarial calculations. The Secretariat has a defined contribution plans. A defined contribution plan is a pension plan under which the Secretariat pays fixed contributions into a separate entity. The 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 Secretariat pays contributions to privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The 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.

(b) Bonus plans

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

Notes to the financial statements (continued)

for the year ended 31 March 2012

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2. Summary of significant accounting policies (continued)

2.11 Provisions

Provisions are recognised when the Secretariat has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

2.12 Revenue recognition

The Secretariat recognises revenue when the amount of revenue can be reliably measured. 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.

Revenue comprises the Secretariat's share of the customs, excise and additional duties collected in the Common Customs Area. Revenue is shown net of value-added tax, returns, rebates and discounts.

During the year under review, additional revenue has been received in the form of donor funding from the WCO-SIDA Customs Development Programme.

Deferred Income:

In compliance with IAS18, unused funds received from the common revenue pool have been deferred to match the costs incurred during the period with the recognizable income for the year. The transfer to deferred income has been calculated as follows:

	2012 R	2011 R
Receipts from the common revenue pool	40 579 483	53 878 447
Donated land	–	5 086 600
Less: Expenses	(44 365 353)	(41 752 200)
Less: Capital expenditure	(4 726 996)	(8 282 132)
	(8 512 866)	8 930 715
Common revenue pool contribution	40 579 483	44 947 732

The unused funds at the end of the financial year are transferred to accumulated funds, and then used to reduce the budgetary requirements for the following year.

Interest income:

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the 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.

2.13 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Secretariat will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the Statement of Financial Performance over the period necessary to match them with the costs that they are intended to fund. The deferred funds are held in reserves, future funding takes into account these deferred funds.

The Secretariat has received the free use of the current office premises from the Government of Namibia. A notional annual rent of R2 067 895 is recognised in the Statement of Financial Performance as a rental cost and also as the Host Country Contribution. This amount is based on an evaluation that was carried out by property evaluators in March 2010 and the standard rental cost escalation in Namibia of 7% (2011: 8,5%) per annum. Rehabilitation costs were incurred to make the building habitable and these were capitalised as leasehold improvements, amortised over a period of four years.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are then credited to the Statement of Comprehensive Income on a straight-line basis over the expected lives of the related assets.

2.14 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the Statement of Financial Performance on a straight-line basis over the period of the lease.

3. Financial risk management

3.1 Financial risk factors

The Secretariat's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Secretariat's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Secretariat's financial performance.

Risk management is carried out by the Executive Committee using the guidance of policies approved by the Finance and Audit Committee.

(a) Market risk

(i) Foreign exchange risk

The 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.

(ii) Price risk

The Secretariat is not exposed to equity securities price risk at reporting date.

(iii) Cash flow and fair value interest rate risk

The Secretariat's interest rate risk arises from investments in a Current account, Call account, a Fixed Deposit account and a 32 day Deposit account. Investments at variable rates expose the Secretariat to cash flow interest rate risk. Investments at fixed rates expose the Secretariat to fair value interest rate risk.

(b) 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 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 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 Secretariat will only invest in the following:

- Call and other term deposits at major banks
- Government of Namibia Treasury Bills and Government Stocks
- 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 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 Secretariat with immediately available funds for any unforeseen payments whilst maximising the interest return.
Bank Deposits and Treasury bills up to 12 months	Up to 80% of total portfolio	These funds will be invested in money market instruments and term deposits to enable the Secretariat to have easy access to its funds but at the same time earn higher returns on its investments.

Notes to the financial statements (continued)

for the year ended 31 March 2012

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3. Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

The table below shows the credit limit and balance of the major counterparties at the reporting date.

Counterparty	31 March 2012		31 March 2011	
	Credit limit	Balance R	Credit limit	Balance R
Standard Bank Namibia Ltd	R1 million	63 324 387	None	60 903 244
Receiver of Revenue – VAT	None	325 480	None	181 430
Prepaid expenses	None	–	None	13 768
Staff allowances/advances	None	3 489	None	2 480
Interest and refunds receivable	None	12 829	None	4 531
Donor funding – WCO-SIDA	None	146 838	None	53 349
Total Trade and other receivables		488 636		255 558
Total Counterparty balances		63 813 023		61 158 802

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

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

The table below analyses the Secretariat's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date 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.

	Less than 1 year R	Between 1 and 2 years R	Between 2 and 5 years R	Over 5 years R
At 31 March 2012				
Bank overdraft	318 244	–	–	–
Trade and other payables	10 291 892	–	–	–
At 31 March 2011				
Bank overdraft	536	–	–	–
Trade and other payables	8 508 286	–	–	–

3.2 Capital risk management

The Secretariat's objectives when managing capital are to safeguard the Secretariat's ability to continue as a going concern in order to provide benefits to the Member States.

3.3 Fair value estimation

The fair value of financial instruments approximates its carrying amount due to the short-term nature of these instruments.

4. Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Critical accounting estimates and assumptions

The Secretariat makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Residual value of land and buildings

No depreciation has been provided on land, since the land has significant residual value.

(b) Deferred income

The transfer of deferred income into the next financial year was approved with the budget for the next financial year.

4.2 Critical judgments in applying the entity's accounting policies

No critical judgments were required in applying the entity's accounting policies.

5. Property, plant and equipment

2012	2012			2011		
	Cost/ valuation R	Accumulated depreciation R	Carrying value R	Cost/ valuation R	Accumulated depreciation R	Carrying value R
Land and buildings	17 697 433	1 736 351	15 961 082	13 484 559	1 484 517	12 000 042
Motor vehicles	1 164 462	885 798	278 664	1 164 462	731 331	433 131
Furniture and fittings	699 325	505 871	193 454	863 712	637 776	225 936
Household furniture and fittings	1 001 462	939 357	62 105	741 870	556 406	185 464
Office equipment	414 789	316 023	98 766	428 029	308 826	119 203
IT equipment	4 791 583	4 259 941	531 642	4 746 068	4 252 626	493 442
Leasehold improvements	1 339 540	1 271 290	68 250	1 292 326	946 796	345 530
Total	27 108 594	9 914 631	17 193 963	22 721 026	8 918 278	13 802 748

The carrying amounts of property, plant and equipment can be reconciled as follows:

	Carrying value at the beginning of the year R	Additions R	Disposals R	Reclassification R	Depreciation R	Carrying value at the end of the year R
2012						
Land and buildings	12 000 042	4 212 874	–	–	(251 834)	15 961 082
Motor vehicles	433 131	–	–	–	(154 467)	278 664
Furniture and fittings	225 936	93 816	(15 267)	(11 181)	(99 850)	193 454
Household furniture and fittings	185 464	9 119	–	6 320	(138 798)	62 105
Office equipment	119 203	38 296	(3 122)	3 891	(59 502)	98 766
IT equipment	493 442	325 676	(1 028)	970	(287 418)	531 642
Leasehold improvements	345 530	47 215	–	(248)	(324 247)	68 250
Total	13 802 748	4 726 996	(19 417)	(248)	(1 316 116)	17 193 969
2011						
Land and buildings	4 355 128	7 896 472	–	–	(251 559)	12 000 042
Motor vehicles	636 973	–	–	–	(203 842)	433 131
Furniture and fittings	299 562	49 905	–	–	(123 531)	225 936
Household furniture and fittings	308 541	21 064	–	–	(144 141)	185 464
Office equipment	187 450	13 441	–	–	(81 688)	119 203
IT equipment	779 967	283 801	(35 784)	–	(534 542)	493 442
Leasehold improvements	648 212	17 448	–	–	(320 130)	345 530
Total	7 215 833	8 282 132	(35 784)	–	(1 659 433)	13 802 748

Notes to the financial statements (continued)

for the year ended 31 March 2012

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6. Financial Instruments

6a. Financial instruments by category

	Loans and receivables R	Assets at fair value through the profit and loss R	Held-to- maturity R	Available- for-sale R	Total R
31 March 2012					
Assets as per Statement of Financial Position					
Trade and other receivables	488 636	–	–	–	488 636
Cash and cash equivalents	63 647 529	–	–	–	63 647 529
Total	64 136 165	–	–	–	64 136 165

	Liabilities at fair value through the profit and loss R	Other financial liabilities R	Total R
Liabilities as per Statement of Financial Position			
Bank overdraft	–	318 244	318 244
Trade and other payables	–	10 291 892	10 291 892
Total	–	10 610 136	10 610 136

6b. Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired are assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates. The counterparty balances and attributes are as follows:

Trade receivables

Counterparties without external credit rating, but who had no defaults in the past:

	2012 R	2011 R
Receiver of Revenue – VAT	325 480	181 430
Prepaid expenses	–	13 768
Staff allowances/advances	3 489	2 480
Interest and refunds receivable	12 829	4 531
Donor funding – WCO-SIDA	146 838	53 349
Total trade receivables	488 636	255 558
Cash at bank and short-term bank deposits		
Standard Bank Namibia Limited	63 651 634	60 903 244
Total financial assets	64 140 270	61 158 802

The residual of the Statement of Financial Position item 'Cash and cash equivalents' constitute cash on hand.

	2012 R	2011 R
7. Trade and other receivables		
Pre-payments	3 489	16 248
Other receivables – VAT	325 480	181 430
Interest and refunds receivable	12 829	4 531
Donor funding – WCO-SIDA	146 838	53 349
	488 636	255 558
The fair values of trade and other receivables approximate its carrying amounts.		
As at 31 March 2012, trade receivables of R488 636 (2011: R255 558) were fully performing.		
Trade receivables that are less than three months past due are not considered impaired. As at 31 March 2012 no trade receivables were past due and none were impaired. The ageing analysis of the trade receivables is as follows:		
Up to 3 months	488 636	255 558
Total	488 636	255 558
The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Secretariat does not hold any collateral as security.		
8. Cash and cash equivalents		
Standard Bank Call account	585	227 610
Standard Bank 32 day Deposit	63 651 049	60 673 246
Standard Bank garage card	(9 003)	2 924
Cash in hand	4 898	2 574
Total	63 647 529	60 906 354
Overdraft		
Standard Bank current account	(318 244)	(536)
Total Cash and cash equivalents	63 329 285	60 905 818
9. Trade and other payables		
Trade payables	10 291 892	8 508 286
Total Trade and other payables	10 291 892	8 508 286
Deferred income of R29 003 641 was classified under Current Liabilities in the previous financial year and has now been reclassified under Accumulated Funds and is utilised to reduce the budgetary requirements for the following financial year.		
10. Provisions for other liabilities and charges		
At 1 April	1 032 494	1 036 499
Charged/(credited) to the Statement of Financial Performance		
– Expenses charged to Statement of Financial Performance	3 196 403	(4 005)
– Additional provisions	(717 328)	–
– Unused amounts reversed	(1 036 494)	–
At 31 March	2 475 075	1 032 494
Provisions relate to:		
– The amount of R1 596 268 (2011: R1 032 499) is for leave pay which accrues on termination of the services of members of staff.		
– A further provision of R878 807 (2011: R1 361 546) is made for the payment of performance bonuses to staff.		

Notes to the financial statements (continued)

for the year ended 31 March 2012

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	2012 R	2011 R
11. Employee benefit expense		
Wages and salaries	25 218 228	22 556 408
Number of employees	38	37
The Secretariat has a defined contribution provident fund plan for support staff. There are no liabilities for defined benefits as there is no defined benefit plan.		
12. Finance income and costs		
Profit/loss on foreign exchange	(12 401)	–
Finance income		
– Interest income on short-term bank deposits	4 033 659	3 225 575
Finance costs		
– Interest expense	–	(1 904)
Net finance costs	4 021 258	3 223 671
13. Cash generated from operations		
Cash flows from operating activities		
Surplus/(deficit)	2 821 573	13 607 156
<i>Adjustment for:</i>		
– Depreciation and amortisation	1 316 116	1 746 316
– Prior year overstatement of receivables	–	(616 931)
– Non-cash adjustment to fixed assets	19 665	(51 100)
– Interest income	(4 033 659)	(3 225 575)
– Interest expense	–	1 904
	123 695	11 461 770
<i>Changes in working capital:</i>		
Trade and other receivables	(233 078)	2 625 212
Trade and other payables	3 226 187	6 099 096
	3 116 804	20 186 078
14. Commitments		
<i>Operating lease commitments – Secretariat as lessee</i>		
There are no future aggregate minimum lease payments under non-cancellable operating leases.		
15. Related-party transactions		
The following transactions were carried out with related parties:		
The Secretariat is funded from the SACU Common Revenue Pool.		
<i>Common Revenue Pool contributions</i>		
– Receipts during the year	40 579 483	53 878 447
	40 579 483	53 878 447
<i>Key Management Personnel transaction</i>		
– Sundry debt (recovered in the next financial year)	2 989	–
	2 989	–

	2012 R	2011 R
16. Detailed Statement of Financial Performance		
Income		
Common revenue pool contribution	43 181 393	47 049 328
EU donor funding	40 579 483	44 947 732
Host Country Contribution	2 067 895	1 932 612
WCO-SIDA Funding	534 015	168 984
Expenses	(44 365 353)	(41 752 200)
Advertising for procurement	(284 349)	(430 142)
Audit fees	(25 805)	(91 744)
Bank charges	(61 009)	(65 203)
Communication costs	(887 111)	(581 432)
Depreciation	(1 316 116)	(1 746 316)
Electricity, water and rates	(198 969)	(134 323)
General expenses	(1 058)	(2 187)
Hospitality expenses	(178 843)	(336 348)
Household expenses	(314 054)	(267 141)
Insurance	(139 664)	(113 266)
IT services	(508 447)	(468 763)
Media and Public relations	(323 334)	(1 175 827)
Motor vehicle expenses	(182 427)	(157 814)
Office Supplies	(194 848)	(268 281)
Professional fees	(4 262 828)	(4 859 579)
Recruitment costs	(1 408 220)	(981 991)
Relocation costs	(667 660)	(309 438)
Rent	(2 067 895)	(1 932 612)
Repairs and maintenance	(142 970)	(93 177)
Salaries	(25 218 228)	(22 556 408)
Security	(132 648)	(125 417)
Staff training and development	(129 556)	(210 827)
Subscriptions and reference materials	(32 656)	(13 190)
Travel, accommodation and subsistence	(4 222 444)	(3 972 043)
Workshops and conferences	(1 464 214)	(858 731)
Operating (deficit)/surplus	(1 183 960)	5 297 128
Loss on disposal of fixed assets	(15 725)	(243)
Loss on foreign exchange	(12 401)	–
Interest income	4 033 659	3 223 671
Surplus for the year	2 821 573	8 520 556

List of abbreviations



ACP	African, Caribbean and Pacific Group of Countries
BLNS	Botswana, Lesotho Namibia Swaziland
CET	Common External Tariff
CRP	Common Revenue Pool
COMESA	Common Market for Eastern and Southern Africa
EPA	Economic Partnership Agreement
ERP	Enterprise Resource Planning
EC	European Community
EU	European Union
FTA	Free Trade Agreement
EAC	East African Community
ECM	Enterprise Content Management
EFTA	European Free Trade Area
GARP	Generally Accepted Recordkeeping Principles
GDP	Gross Domestic Product
HR	Human Resources
ICT	Information Communications Technology
IEPA	Interim Economic Partnership Agreement
IFRS	International Financial Reporting Standards
IMF	International Monetary Fund
IT	Information Technology
ITAC	International Trade Administration Commission of South Africa
LDC	Least Developed Country
MERCOSUR	Southern Common Market comprising of Argentina, Paraguay, Uruguay, and Brazil
MIDP	Motor Industry Development Programme
MMTZ	Malawi, Mozambique, Tanzania, Zambia
MOU	Memorandum of Understanding
PMS	Performance Management System
PTA	Preferential Trade Agreement
RECs	Regional Economic Communities
RSF	Revenue Sharing Formula
RTA	Regional Trade Agreement
SACU	Southern African Customs Union
SAD	Single Administrative Document
SADC	Southern African Development Community
SAP	Systems Applications and Programs
SNA	System of National Accounts
SPS	Sanitary and Phyto-sanitary Standards
TBT	Technical Barriers to Trade
TCIDP	Technical Clothing Industry Development Programme
TDCA	South Africa – EC Trade Development and Cooperation Agreement
TESP	Trade and Economic Statistics Portal
TFTA	COMESA/EAC/SADC Tripartite FTA
TIDCA	US-SACU Trade, Investment and Development Cooperation Agreement
TLC	Technical Liaison Committee
UNCTAD	United Nations Conference on Trade and Development
US(A)	United States (of America)
WCO	World Customs Organisation
WTO	World Trade Organisation

List of tables

Table 1:	Intra-SACU trade for the period 2008/09 Fiscal Year (R Millions)
Table 2:	Trends in Member States revenue shares (R Billions)
Table 3:	Intra-SACU Imports statistics for the purpose of revenue sharing (R Millions)



