





Vision

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

Mission

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

SACU Work Programme

Council of Ministers adopted the refocused Work Programme on 21st September 2020. It prioritises the following focus areas:

- Industrialisation through the development of regional value chains, investment and export promotion;
- Financing for industrialisation;
- Trade Facilitation and Logistics; and
- The implementation of the African Continental Free Trade Area (AfCFTA).

Administration

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Bankers: Standard Bank Namibia Limited
External Auditors: Auditor-General of the Kingdom of Eswatini

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Message by the Chairperson of the SACU Council of Ministers

Honourable Peggy O. Serame

Minister of Finance and Economic Development, Republic of Botswana and Chairperson of the SACU Council of Ministers

It is with great pleasure that I present the SACU Annual Report for the 2020/21 Financial Year (FY). The Report highlights the key achievements, economic performance of the SACU Member States and the audited Annual Financial Statements of the Secretariat.

The SACU region continues to be faced with the devastating effects of the COVID-19 pandemic. We have seen our economies experiencing major disruptions whilst the health systems are severely and extensively strained. It is gratifying to note that during this crisis, our region was able to work more closely as we implemented regionally coordinated measures which allowed the seamless movement of essential goods across the region. Indeed, this is highly commendable, and it demonstrated the importance of adopting common regionally coordinated measures to minimize disruptions in the flow of goods during such a crisis. As a region, I also hope that our COVID-19 vaccination programmes will gain momentum in the coming months to allow us to eventually open our economies and spur recovery.

The Member States experienced significant decrease in national revenues as a result of the pandemic which declined by 7 percent from 2019 to 2020. This resulted in most of the Member States seeking alternative sources of financing such as borrowing which have seen an increase in the debt levels. It is therefore important that efforts towards mobilisation of financial resources continue to support our economic recovery plans post the COVID-19 pandemic. The importance and need for support from regional and international institutions cannot be over emphasized as our countries are faced with fiscal constraints which are being exacerbated by the pandemic.

Prior to 2020, the world economy growth momentum was subdued but following the outbreak of COVID-19, the situation worsened with the global economy dramatically contracting by 3.1 percent. The pandemic forced most economies to shut



down production as countries implemented stringent lockdown measures in the first half of 2020, to curb the spread of the virus. However, during the period from May to June 2020, many economies slowly started to reopen, and the global economy started to recover. This recovery gained momentum towards the end of 2020 and early 2021, which led to the revised projected global growth of 5.9 percent for 2021. This is premised among other factors on an accelerated global vaccination rollout.

The Advanced Economies (AEs) were not spared from the devastating pandemic effects. They experienced a contraction of -4.5 but are projected to post a growth of 5.2 percent in 2021. The recovery in the AEs will be buoyed by the projected growth in the United States of America (USA) and Euro Zone economies with 6 percent and 5 percent, respectively. The growth will largely be driven by the addition of fiscal support measures in major economies, especially the USA, and massive COVID-19 vaccination efforts. It is worth noting that unlike in the past, this growth is not driven by the Emerging and Developing Markets (EMDEs).

Similarly, the EMDEs experienced a contraction of -2.1 percent in 2020. However, they are expected to recover in 2021 and record a growth of 6.4 percent. Emerging and growing Asia is expected to record the highest

growth of 7.2 percent among the EMDEs group and Sub-Saharan Africa (SSA) record the least growth rate of 3.7 percent in 2021. This growth may be hampered by the slow roll-out of the COVID-19 vaccination in the region and the constraints in the Governments' fiscal space to finance the post COVID-19 recovery plans.

The performance of the SACU economies during the reporting period was largely influenced by the global trends amid the pandemic. SACU's overall weighted growth is estimated at -7.4 percent in 2020 compared to 0.3 percent recorded in 2019. Similar to the global trends, the region is projected to further recover to 2.9 percent in 2021. This growth is expected to be driven by among other factors, the improved growth prospects beyond 2020 amid a better global economic outlook with the advent of vaccines and therapeutics to fight the pandemic. Amongst some of the key sectors that are expected to rebound are, mining, agriculture and manufacturing, as external demand and commodity prices improve.

At the continental level, the implementation of the AfCFTA has gained momentum with the declaration by the AU Assembly of Heads of State and Government in October 2020 to commence

trading on the 1st January 2021. This is one major milestone in the African continental integration process which is expected to contribute to the recovery process of the SACU region post the pandemic period. The AfCFTA is expected to enhance intra-Africa trade, deepen continental integration and accelerate development, which provides an opportunity to our business community to access a larger market with an estimated 1.3 billion consumers and a combined Gross Domestic Product (GDP) of about \$3.4 trillion. This requires SACU to strategically position herself to maximise the benefits accruing from the implementation of the Agreement.

The SACU Council of Ministers convened a Ministerial Retreat on the 21st September 2020 during which it agreed to adopt a refocused Work Programme. Industrialisation was reaffirmed as an overarching objective that will support the region's economic development and integration agenda. This work will be underpinned by the development of regional value chains, export and investment promotion, as well as Trade Facilitation and Logistics. This Work Programme aims to strategically position the region to take full advantage of the AfCFTA. It will also require us to improve the trading environment to ensure seamless movement of goods across our borders and beyond.

I am pleased to note the progress towards the implementation of the refocused Work Programme especially with the identification of priority sectors for the development of regional value chains. These include: *Agro-Processing (Leather and Leather Products, Meat and Meat Products and Fruits and Vegetables); Textiles and Clothing; and Pharmaceuticals, Cosmetics and Essential Oils*. The adoption of the SACU Industrialisation Vision was also critical and will guide our work in this area. It is critical for the region to identify the development potential and challenges faced by the industries under these priority sectors. In this regard, the region plans to convene Sectoral Roundtables with a view to engaging the private sector and various key stakeholders in the selected priority sectors. To this end, the first Sectoral Roundtable on *Leather and Leather products* was successfully held on the 19th March 2021.

In the area of Trade Facilitation and Logistics, the main priority for SACU is to ensure the seamless movement of goods across the borders and to reduce obstacles and hindrances to intra-SACU trade and beyond. To complement this Programme, as part of the SACU Customs Modernisation Programme (CMP), SACU is developing a Regional Authorised Economic Operators (AEO) Compliance Programme. Its implementation is expected to reduce turn-around time for the traders at the borders as well as secure the supply chain. The COVID-19 pandemic has brought to the fore the need to accelerate investment in Information Technology (IT) capabilities in our region. I am pleased to note that the IT Connectivity Project that aims to improve administrative efficiency and show data integrity is progressing very well. During the reporting period, we successfully completed the interconnection between Namibia and South Africa and including the testing of real-time automated exchange of Customs information.

I wish to take this opportunity to sincerely thank the SACU Council of Ministers for their endless support and guidance extended during the year under review. I am very pleased with the direction we are taking to expand our industrial capacity which will allow us to maximise the benefits that accrue from the establishment of the AfCFTA. The success of our program will also require accelerated implementation of the various programmes that are currently underway and aimed at fast-tracking the pace of industrialisation in SACU as well as improving and enhancing the competitiveness of our trading environment.

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



Honourable Peggy O. Serame
Minister of Finance and Economic Development, Republic of Botswana and Chairperson of the SACU Council of Ministers



Statement by the Executive Secretary of SACU

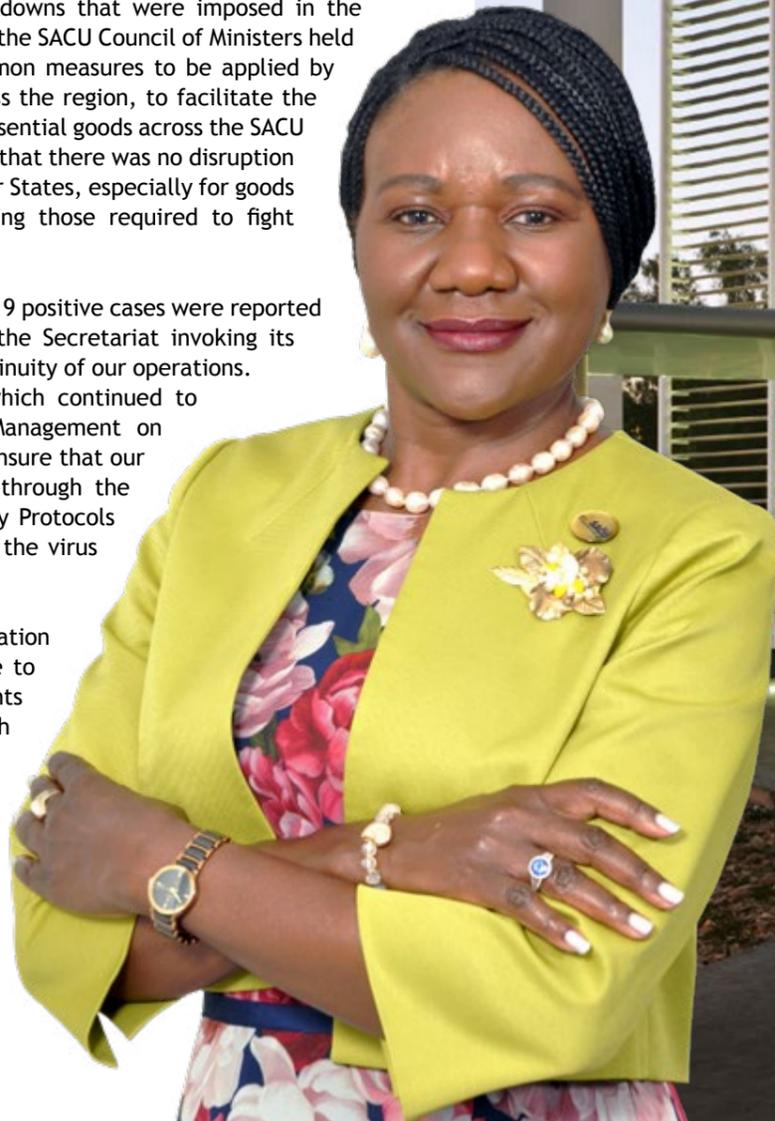
Ms. Paulina Mbala Elago
Executive Secretary of SACU

The 2020/21 FY was certainly one of the most challenging years we have ever experienced in our lifetime, due to the outbreak of the COVID-19. The COVID-19 pandemic impacted and changed every aspect of our economies and people's livelihood.

An important undertaking by SACU in response to the pandemic, was the coordination of regional efforts to facilitate the movement of essential goods at the height of the restrictions and lockdowns that were imposed in the Member States. In this regard, a Meeting of the SACU Council of Ministers held on the 25th June 2020, approved the common measures to be applied by the Customs and Revenue Authorities across the region, to facilitate the movement and expedite the clearance of essential goods across the SACU region. This decision was aimed at ensuring that there was no disruption of cross-border trade amongst SACU Member States, especially for goods that were designated as essential including those required to fight COVID-19.

Within the Secretariat, a number of COVID-19 positive cases were reported amongst Staff Members. This resulted in the Secretariat invoking its emergency response systems to ensure continuity of our operations. A COVID-19 Task Team was established which continued to advise and make recommendations to Management on mitigating measures against COVID-19, to ensure that our work environment was safe and secured through the development of relevant Health and Safety Protocols and procedures to minimize the spread of the virus at the workplace.

With the support of Information Communication Technology (ICT), the Secretariat was able to adapt swiftly and without major adjustments switched to working remotely through online platforms. This enabled all staff members to continue undertaking and executing planned activities in line with the Secretariat's Business Plan and Budget for the 2020/21 FY. This has also enabled us to convene all the meetings of SACU institutions as scheduled. With the rolling out of COVID-19 vaccines in the Host Country, Namibia, there is hope that there might be light at the end of the tunnel, in terms of containing the pandemic.



The most urgent task was to sensitise staff members to consider getting vaccinated as quickly as possible and to remain vigilant and religiously observe the safety protocols for our own protection. Such actions helped to contain the spreading of the virus, eased the pressure on our health systems and most importantly saved lives.

Having said this, I wish to now reflect on the milestones and achievements during the year under review, at the operational level. The Institutions of SACU convened all their scheduled statutory Meetings, through virtual means and continued to provide oversight on SACU's operations. The SACU Council of Ministers convened four (4) Meetings in June, July, October and December 2020, respectively. The SACU Commission held seven (7) meetings. The increase in the Meetings of the Commission compared to the usual four (4), was due to the need to consider appropriate interventions to mitigate the effects of COVID-19 in the SACU region. The Finance and Audit Committee (FAC) met three (3) times. The SACU Summit of the Heads of State or Government did not convene as the planned consultations on the SACU Work Programme were still ongoing.

Another important milestone during the year under review was the successful convening of the 4th Ministerial Retreat in September 2020, which paved the way for a streamlined and refocused Work Programme. A key outcome of the Retreat was a decision by the Ministers to refocus the SACU Work Programme on Industrialisation through the development of regional value chains, investment and export promotion, financing for industrialisation, Trade Facilitation and Logistics, as well as the implementation of the AfCFTA. This decision is significant as it brought about greater clarity and a clearer direction to the SACU Work Programme and Agenda.

To advance the refocused Work Programme following the Retreat, two (2) Technical Committees of Senior Officials were established, one on Industrialisation, Investment and Export Promotion; and another one on Trade Facilitation and Logistics. The two Committees were to produce a framework that would guide the SACU Work programme in those areas. On Industrialisation, Investment and Export Promotion, key milestones were achieved, notably the: (i) approval of the SACU Industrialisation Vision; (ii) endorsement of the priority sectors of Agro-processing, textiles and clothing and Pharmaceuticals and Chemicals including cosmetics and essentials. for the development of the regional value chains; and (iii) convening of Sectoral Roundtables on the priority sectors (iv) convening of the Investment Roundtable in April 2022. On Trade Facilitation and Logistics, the key achievements to note were the: (i) identification and adoption of a Programme that sets out high-level areas of focus; and (ii) initiation of work on the development of the Comprehensive SACU Trade Facilitation Programme.

In addition, a number of milestones were also achieved in Trade Facilitation and Revenue Management. Key amongst them being the continued implementation of the SACU Customs Modernisation Programme, which remained critical given the lessons learnt from COVID-19. This required us to fast-track enhancement of the ICT environment and minimise physical interactions at the borders. In this regard, substantial progress has been made on IT connectivity and real-time data exchange at borders. These activities are extremely critical for traders and the business community in the SACU region. The completion of the SACU IT Connectivity Project

therefore remains one of our top priorities alongside the development and implementation of a SACU Authorised Economic Operator Programme. We have also successfully coordinated and facilitated the work leading to the determination of revenue shares for the Member States that were approved by the Council of Ministers in December 2020.

On the Trade Negotiations, the Secretariat continued to support Member States in their engagements with trading partners. This included facilitating the convening of Meetings of SACU Senior Trade Officials to consider and guide the trade negotiations Agenda. An important achievement was the facilitation of SACU's engagement with the United Kingdom (UK) towards the conclusion and subsequent entry into force of the Southern African Customs Union Mozambique - United Kingdom Economic Partnership Agreement (SACUM UK EPA) on the 1st January 2021. This followed the ratification of the Agreement by all the Parties. The entry into force of this Agreement ensured that there was no disruption of trade between the Parties, after the UK left the European Union (EU). The Secretariat also coordinated SACU's participation in the African Continental Free Trade Area (AfCFTA) negotiations process, including the preparation of SACU's initial Tariff Offer. The commencement of trading and implementation of the AfCFTA was therefore an important milestone for SACU as the Agreement provides an opportunity for the region to build its productive capacity and deepen the integration of markets at the Continental level. The Secretariat further facilitated a Meeting between SACU and India to resuscitate the SACU-India Preferential Trade Agreement (PTA) negotiations in July 2020.

As regards our operational environment, the Secretariat leveraged its ICT infrastructure to support and ensure a smooth transition to working remotely while also maintaining prominent levels of efficiency. Similarly, the Secretariat was able to convene almost all the Meetings, both internal and external virtually. At the same time the Secretariat accelerated its ambition of going paper-lite using online platforms. In this regard, we have successfully rolled out electronic forms for a few workflows including some procurement requests, petty cash requests and Budget Virement, amongst others.

I am further pleased to report that the Secretariat continued to receive unqualified financial audits, which demonstrate the soundness of our Financial Management practices. In this regard, I would like to express gratitude to the Auditor-General of the Kingdom of Eswatini for successfully conducting the audit of the Secretariat for the 2020/21 FY, despite the challenges brought forth by COVID-19, including travel restrictions.

As in the previous years, the Secretariat continued to value and build strategic relations and partnerships with regional and international stakeholders in support of its Work Programme. In this regard, the Secretariat collaborated with the SADC Secretariat to formalise the relations between the two Organisations. The Secretariat also engaged and collaborated with other strategic partners and stakeholders such as TradeMark East Africa, the World Bank Group, African Development Bank and World Customs Union, amongst others.

As part of its Corporate Social Investment (CSI), the Secretariat has been implementing initiatives to support various community projects in the Member States since 2016. These initiatives are aimed primarily at uplifting the social welfare of the most vulnerable members of the society and to contribute to the promotion of the SACU brand recognition and enhancement in the Member States. For the year under review, the Secretariat sponsored the two SACU adopted projects, namely (i) the Itjareng Vocational Rehabilitation Centre; and (ii) the Mohloli oa bophelo Rehabilitation Training Centre in Lesotho. The sponsorships were in the form educational materials.

The milestones highlighted above and achievements for the year under review were made possible through the outstanding performance of my team at the Secretariat. I would therefore like to thank the entire TEAM SACU, for their continued devotion to service, dedication and hard work in making sure that we continue to deliver on our mandate to serve SACU to the best of our abilities. I wish to also thank the members of the Council and Commission for their leadership, unwavering support and guidance provided to the Secretariat in executing its mandate.



Ms Paulina M. Elago
Executive Secretary of SACU





Corporate Governance Statement

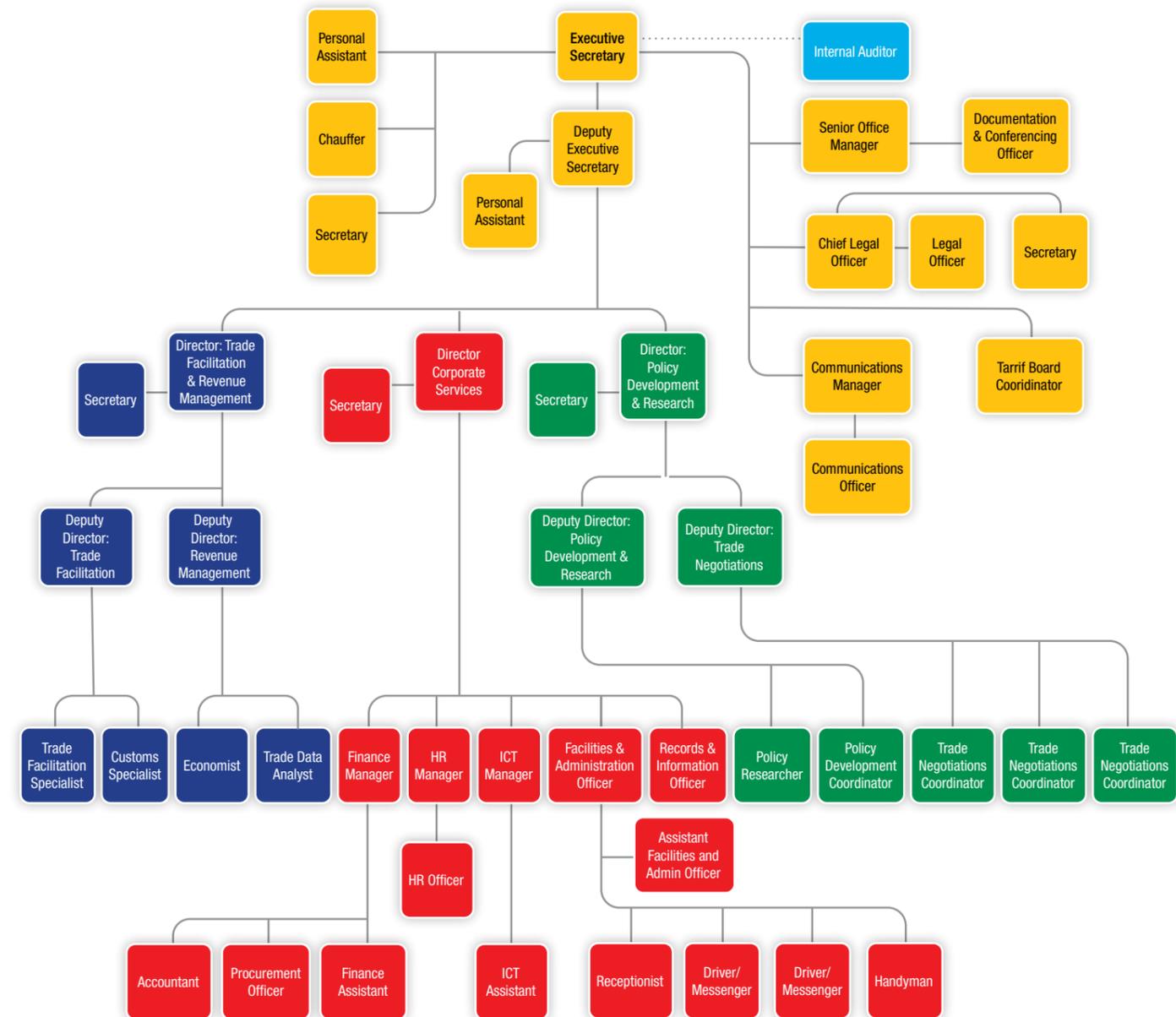
The Executive Management of the Secretariat and the FAC set standards and manage the implementation of systems of internal control, accounting and information systems.

This is to provide reasonable assurance that assets are safeguarded, and the risk of error, fraud or loss is reduced in a cost-effective manner. These controls are contained in established Policies and Procedures, including the proper delegation of responsibilities and authorities within a clearly defined framework as well as effective Risk Management, accounting procedures and adequate segregation of duties.

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

The FAC, together with the External and Internal auditors, play an integral role on matters relating to financial and internal control, accounting policies, reporting and disclosure. The Auditor-General of the Kingdom of Eswatini concluded their audit during the Financial Year under review.

ORGANISATIONAL STRUCTURE



Executive Committee



Executive Secretary of SACU
Ms. Paulina M. Elago



Director: Corporate Services
Ms. Alma Andrade



Director: Policy Development and Research
Mr. Benjamin R. Katjipuka



Senior Office Manager
Mr. Abed Iyambo



Chief Legal Officer
Ms. Ndibo D. Oitsile



Acting Director Trade Facilitation and Revenue Management
Mr. Donald Ndwandwe

SACU Member States



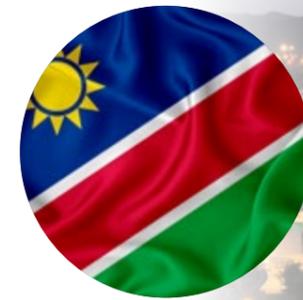
Gaborone, Botswana



Mbabane, Eswatini



Maseru, Lesotho



Windhoek, Namibia



Cape Town, South Africa

Office of the Executive Secretary



Executive Secretary of SACU
Ms. Paulina M. Elago



Internal Auditor
Ms. Blessed Davids



Senior Office Manager
Mr. Abed Iyambo



Chief Legal Officer
Ms. Ndibo Oitsile



Tariff Board Coordinator
Mr. Thuto Mathetsa



Communications Manager
Ms. Kungo Mabogo



Legal Officer
Ms. Rumbidzaishe Chinyoka



Communications Officer
Ms. Rauna Mumbuu



Documentation and Conferencing Officer
Ms. Fransina Mutumbulwa

Office of the Executive Secretary



PA: Executive Secretary
Ms. Anitha Ganases



PA: Deputy Executive Secretary
Ms. Elseptoy Mamaregane



Secretary to the Chief Legal Officer
Ms. Rosalia Augustinus



Chauffer
Mr. Abed Shipingana

Directorate of Corporate Services



Director: Corporate Services
Ms. Alma Andrade



Finance Manager
Mr. Mohammed Hoosain



Human Resource Manager
Mr. Themba Tladi



ICT Manager
Mr. Refiloe Motjoloane



Facilities and Administration Officer
Mr. James Shipena



Records and Information Officer
Mr. Bonginkosi Ginindza



Accountant
Mr. Gaelekane Mohale



Human Resource Officer
Ms. Tselane Mokhethi



Procurement Officer
Mr. Hermanus Esterhuizen

Directorate of Corporate Services



Finance Assistant
Ms. Maria Hewicke



ICT Assistant
Mr. Victor Felas



Facilities and Administration Assistant
Mr. Kenia Mapumba



Receptionist
Ms. Ingrid Nanus



Secretary to the Director: Corporate Services
Ms. Rassidy Diergaardt



Driver
Mr. Elson Kamburona



Driver
Mr. David Nalupe



Handyman
Mr. Gideon Pineas

Directorate: Trade Facilitation and Revenue Management



Deputy Director: Revenue Management
Mr. Donald Ndwandwe



Deputy Director: Trade Facilitation
Ms. Ngoanamokgotho Tladi



Economist
Mr. Tiroyaone Sirang



Trade Data Analyst
Mr. Katiso Ramalebo



Trade Facilitation Specialist
Mr. Bevuya Mdlankomo



Secretary to the Director:
Trade Facilitation and Revenue Management
Ms. Dorian Amateta

Directorate: Policy Development and Research



Director: Policy Development and Research
Mr. Benjamin Katjipuka



Deputy Director: Policy Development and Research
Dr. Pelotshweu Moepeng



Deputy Director: Trade Negotiations
Ms. Lerato Ntlopo



Policy Researcher
Ms. Khutsafalo Sekolokwane



Policy Development Coordinator
Ms. Mpho Masupha



Trade Negotiations Coordinator
Ms. Albertina Hitiwa



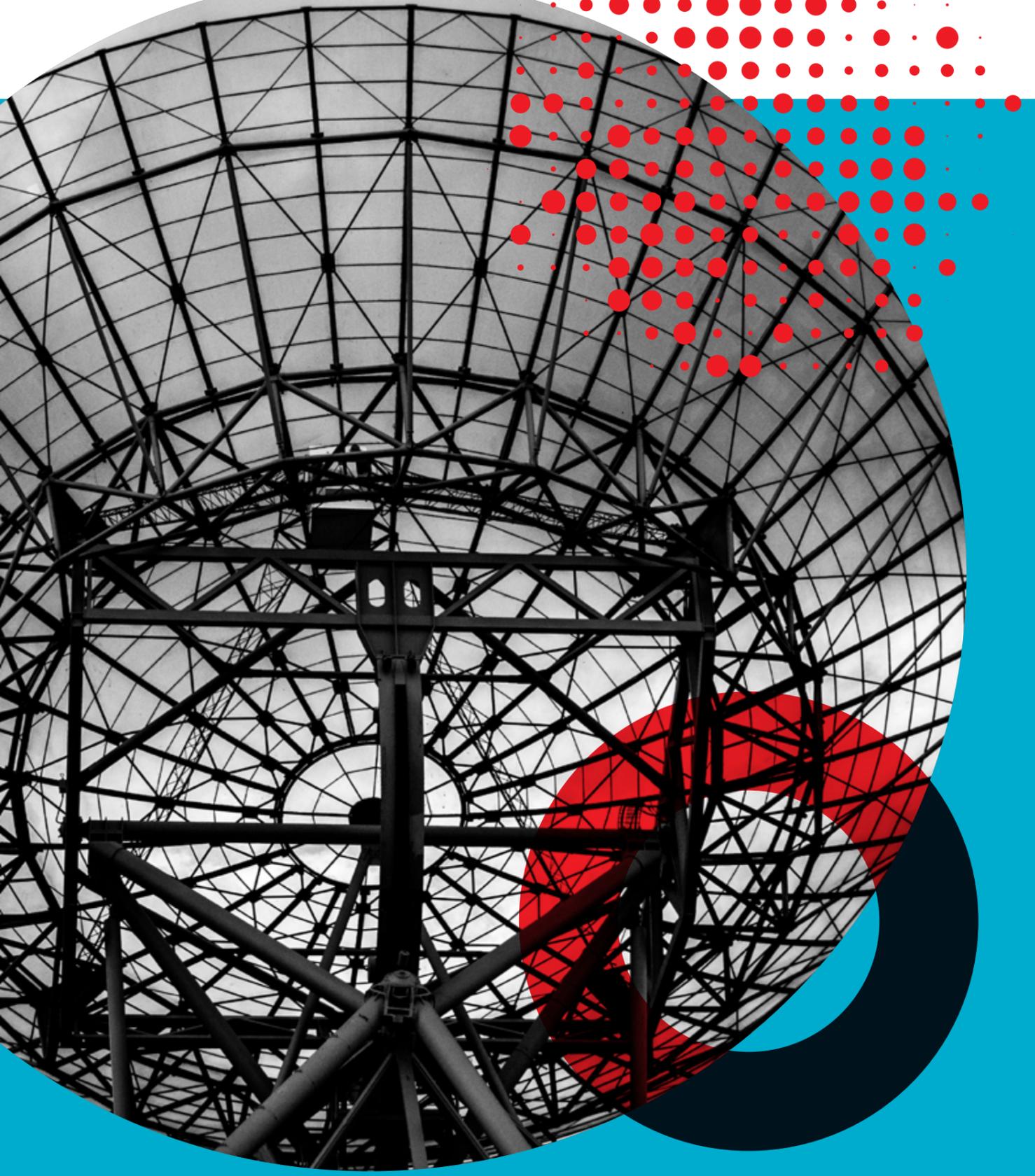
Trade Negotiations Coordinator
Ms. Rejoice Karita



Trade Negotiations Coordinator
Ms. Kelebogile Lekaukau



Secretary to the Director: Policy Development and Research
Ms. Anneline Mathis



CHAPTER 1

Institutional Framework

Introduction

SACU executes its objectives through various Institutions established in accordance with the SACU Agreement, 2002, as amended in April 2013. These are the: Summit of the SACU Heads of State or Government; Council of Ministers; Customs Union Commission; Secretariat; Tariff Board; Technical Liaison Committees; and ad hoc Tribunal.

Chair of SACU Institutions

In accordance with the SACU Agreement and the Rules of Procedure for the Institutions of SACU, the Chair of the SACU institutions is held for a term of twelve (12) months and rotates amongst the Member States in alphabetical order. Consequently, the Republic of South Africa was the Chair with effect from the 15th July 2020, following the Republic of Namibia's tenure, which ended on the 14th July 2020.

Key highlights for the year

Except for the SACU Summit, all the other Institutions of SACU were able to convene their Meetings to discharge their functions as set out below.

SACU Council of Ministers

As mandated by Article 8 of the SACU Agreement, the Council of Ministers is responsible for decision-making on the overall policy direction and functioning of SACU institutions. The Council comprises the Ministers responsible for Finance, and Trade and Industry, from the SACU Member States. To discharge its mandate during the reporting period, the Council convened virtually, due to the restrictions imposed by the Member States on travel as a measure to contain the COVID-19 pandemic. The Council convened as follows:

- a. 39th Meeting, on the 11th June 2020;
- b. 40th Meeting, on 9th July 2020;
- c. 4th Ministerial Retreat, on the 21st September 2020;
- d. 41st Meeting, on the 29th October 2020; and
- e. 42nd Meeting, on the 14th December 2020.

At these Meetings, the Council considered Recommendations from the SACU Commission on the implementation of the Work Programme and the

broader SACU Agenda. The Council also considered measures to combat the spread of COVID-19 in the SACU region and adopted appropriate interventions to facilitate the cross-border movement of essential goods. Further details on these outcomes are reported in other Chapters of this Publication.

At its 4th Ministerial Retreat, the Council approved a refocused SACU Work Programme which prioritised industrialisation through the development of regional value chains, implementation of cross-border investment, export promotion, trade facilitation and planning as well as the implementation of the Agreement on the establishment of the AfCFTA. Progress on the implementation of this Work Programme is reflected in other Chapters of this Publication.

Customs Union Commission

The SACU Commission comprises Senior Officials at the level of Permanent Secretaries, Principal Secretaries, Directors-General, Executive Directors, or other officials of equivalent rank, from the Ministries responsible for Finance, and Trade and Industry. In terms of Article 9, the Commission is mandated to ensure the implementation of the SACU Agreement and the decisions of the Council. As a result of the travel restrictions imposed to curtail the spread of COVID-19, the Commission also convened virtually, as follows:

- a. 55th Meeting, on the 1st April 2020;
- b. 56th Meeting, on the 24th April and 4th May 2020;
- c. 57th Meeting, on 7-8 July 2020;
- d. 58th Meeting, on the 26th October 2020;
- e. 59th Meeting, on the 1st December 2020;
- f. 60th Meeting, on the 8th December 2020; and
- g. 61st Meeting, on the 26th March 2021.

The increase in the Meetings of the Commission during the reporting period, was due to the need to consider appropriate interventions and collaboration amongst the Member States, to ensure the flow of trade and expedited cross-border movement of essential goods in the SACU region, in the midst of the COVID-19 pandemic. The Commission also considered various issues covering, trade, finance as well as institutional matters, as reflected in the other Chapters of this Publication. The Recommendations from the Meetings of the Commission were presented to the respective Meetings of the Council, for consideration and decision.

The Secretariat

In furtherance of its mandate as set out in Article 10 of the SACU Agreement, the Secretariat continued to facilitate and provide technical support to the

other Institutions of SACU during the reporting period. In this regard, all the planned Meetings of the Council, Commission, Finance and Audit Committee, as well as the various Technical Experts, were successfully convened virtually. The Secretariat's support also extended to the provision of technical analyses on the negotiation and implementation of Trade Agreements with third parties. Additionally, the coordination and monitoring of the implementation of the decisions of the Council and Commission were undertaken effectively, as reported in other Chapters of this Publication.



42nd Meeting of the Council of Ministers



56th Meeting of the FAC



58th Meeting of the Commission

Interim Structure to support the refocused SACU Work Programme

Following the decision by the Council during the 4th Ministerial Retreat, to refocus the Work Programme and pursuant to Article 8(8) of the Agreement, an interim institutional structure was established for a period of twenty-four (24) months. This took into account the demands on the Member States' time and resources to combat COVID-19, which necessitated that the frequency of the Meetings be streamlined to ensure the effective implementation of the Work Programme.

The following new structures or Committees were thus established, in addition to the existing institutions:

- Ministers of Finance;
- Ministers of Trade and Industry;
- Senior Finance Officials;
- Senior Trade Officials;
- Commissioners-General of SACU Revenue Administrations;
- Technical Committee of Senior Officials on Industrialisation, Export Promotion and Investment;
- Technical Committee of Senior Officials on Trade Facilitation and Logistics; and
- Heads of Customs.

This interim structure is supported by various Committees of Technical Experts and full details on the work of this structure are covered in other Chapters of this Publication.

Challenges identified are:

The COVID-19 pandemic distorted some of the initiatives that were planned to be undertaken physically at the beginning of the Financial Year. Measures implemented by the SACU Member States to curb the spread of COVID-19 included restrictions on travel and limited numbers on gatherings for interactive activities. In accordance with the Rules of Procedure of the Institutions of SACU, all the Meetings were therefore convened virtually to facilitate the implementation of those initiatives.

Outlook for 2021/22

It is anticipated that the Institutions of SACU will continue to discharge their mandates as usual. In addition, the implementation of the refocused Ministerial Work Programme is expected to lead to the development of the Strategic Plan and detailed Work Programmes, that will advance SACU's industrialisation ambitions.



CHAPTER 2

Trade Facilitation and Revenue Management

Introduction

This Chapter highlights progress in the areas of Trade Facilitation and Revenue Management, which entails simplification of the cross-border movement of goods and ensuring equitable allocation of revenue shares amongst the SACU Member States. The Chapter also addresses challenges experienced during the reporting period and the outlook for the next FY, 2021/22.

Key highlights for the year under review

The following are the key highlights and achievements of the Trade Facilitation and Revenue Management Programme:

- a. **implementation of the Customs Modernisation Programme (CMP);**
 - i. support to Member States to configure the Customs IT Management Systems to the IT Connectivity Utility Block “Your Export Is My Entry” (YEIME) and the UCR to support and facilitate real-time automated exchange of information as part of IT Connectivity;
 - ii. implementation by all Member States of the Regional Customs Risk Management Strategy;
 - iii. implementation of the SACU AEO Compliance Programme, formerly known as the National Preferred Trader Programme which has to date respectively accredited a combined one hundred and forty-five (145) AEO as part of the implementation of the SACU AEO Programme; and
 - iv. Namibia and South Africa commenced testing their real-time automated exchange of export and import transactions. This followed the signing of a Bilateral Arrangement with South Africa to facilitate transactions, as part of implementation of the Customs Legislative Framework.
- b. **facilitation of the process to determine the revenue shares for the Member States.**

Below is the summary of the highlights listed above:

a. **Implementation of the CMP;**

The implementation of the SACU CMP has continued with a few changes introduced as follows to re-organise the work streams to enhance delivery: (i) Preferred Trader Programme and Stakeholders Engagement Working Groups were merged into one Working Group, which was renamed as the AEO Working Group; (ii) AEO Programme and IT Connectivity were prioritised as the core areas of focus, with the Customs Legislative Framework, Risk Management, Compliance and Enforcement work continuing in support of the core areas of focus; (iii) Monitoring and Evaluation remained an overarching component intended to assess overall progress on implementation of the CMP (iv) Capacity Building and Gender Mainstreaming Working Groups were merged into one Working Group to provide overall support to the CMP (v) inclusion of the Expert Working Group on Harmonised System (HS), Classification, Valuation and Rules of Origin; as well as (vi) inclusion of support to the implementation of the AfCFTA and the work of the African Union Sub-Committee of Directors General of Customs (AUSCDGC).



The Championship for the respective areas of focus have been revised as follows: (i) Botswana - Customs Legislative Framework; (ii) Eswatini - IT Connectivity; (iii) Lesotho - Risk Management, Compliance and Enforcement; (iv) Namibia - Capacity Building and Gender Mainstreaming; and (v) South Africa - AEO The Monitoring and Evaluation component of the Programme is coordinated by the Secretariat.

- i. **The IT Connectivity:** focus was on implementation of the UCR, data matching and procurement and configuration of the software to link and connect Namibia with the rest of the SACU Member States. The UCR is a reference number that is generated electronically to match both import and export data from one country to another. Botswana and South Africa advanced work on data exchange with data match remaining low at 17% from the SARS perspective, and at 48% from Botswana Unified Revenue Services (BURS) perspective. Eswatini and South Africa continued to improve the quality of the UCR data match from 70% to 80% from both countries' perspectives. Lesotho and South Africa continued to implement automated data exchange. The current data match between Lesotho and South Africa is at 3% from South Africa's perspective and Lesotho is working on UCR improvements to be able to match export declarations with SARS. The Team has also received training on the Customs Connect solution. Namibia has configured the *YEIME Utility Block* IT Connectivity Framework, procured and deployed a Customs Connect Software to enable their Customs IT Management Systems "ASYCUDA" to automatically exchange import and export data with other SACU Member States. To date Namibia has connected with South Africa have commenced testing of the automated exchange of data in real-time. Namibia further undertook comprehensive awareness sessions for exporters and Customs Officials on the use of the UCR;
- ii. **AEO Programme:** all Member States continue to implement the National AEO Compliance Programmes. The region had accredited one hundred and forty-five (145) AEOs. Botswana, Eswatini and Lesotho maintained their three (3), two (2), and ten (10) AEOs respectively; Namibia accredited one (1) AEO; and South Africa accredited additional eleven (11) AEOs which brings its total to one hundred and twenty-nine (129);
- iii. **Risk Management, Compliance, and Enforcement:** all Member States continued to implement the SACU Customs Risk Management Strategy. The Member States identified clothing as a high-risk commodity group traded in the region. As a result, a regional Joint Customs Enforcement Operation focusing on the clothing sector was conducted. The operation identified some areas of non-compliance related to declaration of origin of goods and tariff classification of goods by traders;



- iv. **Customs Legislative Framework:** a bilateral arrangement to support automated exchange of Customs information was signed between Namibia and South Africa. In addition, a Regional Arrangement to enable automated exchange of Customs information in real-time was signed by all Member States;
- v. **Capacity Building and Gender Mainstreaming:** a number of activities at the regional level were completed including: (i) development of the Monitoring and Evaluation Framework to enhance assessment of progress, success and impact of the CMP; (ii) engagement of an AEO Expert to support the development of the Regional AEO Programme for SACU; and (iii)

development of a Plan for Gender Mainstreaming. The main purpose of this work stream is to ensure that the Programme is implemented within a robust and gender inclusive environment for Customs and Trade. With the support of the UK Government, a Working Paper on Gender Mainstreaming within the CMP is being established; and

- vi. **New activities under the Customs Modernisation Programme:** new activities were added within the CMP. These included: (i) development and implementation of regional measures to facilitate trade during the COVID-19 pandemic. These measures enhanced coordination and cooperation for Customs to seamlessly process cross border movements of goods in the Common Customs Area;

(ii) development of a regional framework for the Business Continuity and Operational Resilience Plan to enhance response and operations by the Member States during crisis and disasters; (iii) support towards the implementation of the AfCFTA to ensure that the necessary Customs measures are in place; and (iv) migration of the SACU Common External Tariff (CET) from HS 2017 to a new system, HS 2022, which also led to establishment of a new Expert Working Group on (HS), Classification, Rules of Origin and Valuation.



b. Facilitation of the Process for the Determination of the Member States' Revenue Shares

The Common Revenue Pool (CRP) was estimated at R114.41 billion, reflecting an increase of 8.2 percent from R105.70 billion estimated in the 2019/20 FY. The notable improvement in the CRP stems from the upward revision of specific duties which were largely driven by changes in tax bases. On the economic front, the global economic growth was projected to remain weak from 2019, which was further suppressed by the outbreak of COVID-19 in 2020. Several response measures to contain the spread of COVID-19 were put in place by most countries, resulting in the prohibition and restriction of the movement of persons or goods or services (negatively affecting global supply chains). These measures had an overall negative impact on the CRP. Nonetheless, the revision in tax bases accounted for an increase of the revenue shares for all the Member States in the reporting period. Table 1 below is an illustrative presentation of the revenue shares allocated to the Member States between the 2019/20 FY and 2020/21 FY.

Table 1: Member States' Revenue Shares (Billion Rand) for 2019/20 and 2020/21

Financial Year/ Member States	Botswana		Eswatini		Lesotho		Namibia		South Africa	
	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21
Revenue Shares	21.71	21.97	7.13	7.87	6.92	8.52	21.43	20.67	48.43	55.31
Adjustments	-2.97	1.77	-0.82	0.48	-0.69	0.46	-2.51	1.58	-2.32	2.34
Total Payment	18.74	23.74	6.32	8.35	6.23	8.98	18.92	22.25	46.11	57.65
% Change		26.7%		32.1%		44.1%		17.6%		25.0%

Challenges identified are:

- a. capacity building activities planned for the Member States, private sector and business community not fully implemented due to the COVID-19 pandemic. These activities include technical training on Customs Connect for Eswatini, Customs systems enhancement for Botswana, and Monitoring and Evaluation Framework training at national and regional levels. These activities will therefore be carried forward to the 2021/22 FY; and
- b. the development of the SACU Regional Trade Information Portal in partnership with a Development Partner, due to the pandemic and the reprioritisation of resources by the Partner.

Outlook for 2021/22

In the Trade Facilitation and Revenue Management areas, the focus will be on the following activities:

- a. implementation of the 2021/22 FY Annual Work Plan for the SACU CMP;
- b. development of the SACU Regional Trade Information Portal;
- c. finalisation and implementation of the SACU Trade Facilitation and Logistics Programme;
- d. supporting the process of trade data reconciliation and determination of the Member States' revenue shares for the 2022/23 FY; and
- e. migration of the SACU CET from HS 2017 to HS 2022 by January 2022.





CHAPTER 3

Policy Development and Research

Introduction

This Chapter provides an overview of the key highlights and achievements towards the implementation of the Secretariat's work in the areas of Policy Development, Research and Trade Negotiations and support to the implementation of the SACU Work Programme. These include facilitation and coordination of the development of SACU common policies and strategies towards industrial development, integration of the SACU Member States into the global economy through trade negotiations for preferential markets.

Key highlights for the year under review

The key highlights and achievements of the Policy Development, Research and Trade Negotiations Programme in the 2020/21 FY includes the following:

- a. refocusing of the Ministerial Work Programme to prioritise industrialisation, development of the regional value chain, investment and export promotion;
- b. supporting the start of trading under the AfCFTA on the 1st January 2021 and ratification of the AfCFTA Agreement by Lesotho;
- c. supporting the process leading to the entry into force of the SACUM-UK EPA on the 1st January 2021; and
- d. resuscitation of negotiations between SACU and India for a Preferential Trade Agreement.

Below is the summary of the key highlights identified above:

- a. **The Refocused Ministerial Work Programme on Industrialisation through development of the regional value chains, investment and export promotion**

The Secretariat continued to coordinate the implementation of the Ministerial Work Programme, which reaffirmed industrialisation as an overarching objective to underpin the region's economic development and integration agenda. A dedicated Technical Committee of Senior Officials was established to spearhead the implementation of the refocused Work Programme. The following sectors were identified as the priority sectors for development of regional value chains: Agro-Processing (Leather and Leather Products, Meat and Meat Products and Fruits and Vegetables); Textiles and Clothing; and Pharmaceuticals, Cosmetics and Essential Oils.

A Sectoral Roundtable was held on Leather and Leather Products on the 19th March 2021. The purpose of the Sectoral Roundtable was to engage the Stakeholders with a view to identifying the development potential and challenges faced by the industry, the investment and export related opportunities and propose policy interventions and recommendations.



b. Implementation of the African Continental Free Trade Area (AfCFTA)

The Secretariat continued to provide technical support towards the formulation of common positions and active participation of the SACU Member States in the AfCFTA negotiations. Among the key priorities was the formulation of the SACU Tariff Offer to the AfCFTA, develop common positions on Rules of Origin and putting in place the necessary measures in preparations for the start of trading on 1st January 2021. In this regard, four (4) regional Consultative Meetings were held at Expert and Senior Officials level, respectively.

Four (4) SACU Member States have ratified the AfCFTA Agreement during the period under review.

Furthermore, the Secretariat coordinated the completion of administrative processes to facilitate the implementation of the Agreement. These included legislative processes such as gazette of the AfCFTA tariff schedules; the procurement of Certificates of Origin; submission of the authorised signatures and stamp impressions to the AfCFTA Secretariat; and training of Customs Officers.

c. Entry into force of the Economic Partnership Agreement between SACU, Mozambique and the United Kingdom and Northern Ireland (SACUM-UK EPA)

The Secretariat facilitated the entry into force of the SACUM-UK EPA on the 1st January 2021, following the withdrawal of the UK from the European Union (EU) and ratification by all Parties to the Agreement. The Agreement replicates the effects of the European Union- Southern African Development Community Economic Partnership Agreement (EU-SADC EPA) signed on the 10th June 2016, except for Tariff Rate Quotas (TRQs).

A total of four (4) SACU and Mozambique Consultative Meetings to advance positions; and five (5) Joint Meetings of SACUM-UK Senior Officials and Experts were held during the period under review. These paved the way to the conclusion of the negotiations between the parties.

d. SACU-India Preferential Trade Agreement negotiations

The Secretariat supported the Member States in resuscitating the bilateral negotiations between SACU and India PTA. A key milestone during the year under review is the Joint Meeting of the SACU-India Senior Officials in July 2020, during which the Parties agreed on the next steps. Among these is the review of the modalities for the negotiations, which are expected to set out the parameters for the negotiations.



Challenges identified are:

- a. development of a Monitoring and Evaluation Tool for Implementation of concluded Trade Agreements was delayed following the re-assignment of key staff to facilitate the implementation of the refocused Work Programme; and
- b. overstretched capacities in the Member States due to working on a congested Trade and Industry Agenda coupled with COVID-19 related activities and restrictions, and inability to convene physical meetings.

The Outlook for 2021/22

In the Policy Development, Research and Trade Negotiations areas, the focus will be on the following activities for the 2021/22 FY:

- a. convene the Sectoral Roundtables for the Meat and Meat products, Fruits and Vegetables, Textiles and Clothing and Cosmetics and Essential Oils sub-Sectors are scheduled to take place in the following financial year in May, June and July 2021, respectively;
- b. implementation of a refocused Work Programme, with industrialisation as an overarching objective;
- c. facilitating research in the areas of trade and industrial policies, Rules of Origin, Trade in Services, and Regional Value Chain that would inform policy decisions; and
- d. continue with technical support to the Member States on the SACU Trade Agenda including facilitating internal consultations related to ongoing trade negotiations. These will include the negotiations for the built-in Agenda for the AfCFTA, SACU-India PTA, and the COMESA-EAC-SADC Tripartite FTA; as well as implementation and review of the Southern African Customs Union-Economic Free Trade Agreement Free Trade Area (SACU-EFTA FTA), SACU-MERCOSUR PTA, EU-SADC EPA and SACUM-UK EPA.





CHAPTER 4

Secretariat's Operating Environment

Introduction

This Chapter provides an overview of Corporate Services performance which includes Finance, Procurement, Human Resources, Information and Communications Technology, Records and Information Management, Facilities and Administration, as well as Risk Management. The projects and activities undertaken sought to enhance operational efficiency, and support for the achievement of SACU objectives, in addition to responding to emerging challenges.

Key highlights for the year under review

The following are the key highlights of the Operational Environment of the Secretariat:

- a. effective development and implementation of the Secretariat COVID-19 pandemic response strategy to ensure employees safety and adherence to the World Health Organisation (WHO) and Host Country regulations;
- b. installation of the video-conferencing equipment in the Member States to facilitate ease of virtual meetings;
- c. development and revision of operational Policies; and
- d. management of Risks.

Below is the summary of the key highlights identified above:

a. the Secretariat COVID-19 Pandemic Strategy and Response

The COVID-19 pandemic continued to affect the operations of the Secretariat. The Secretariat's Task Team on COVID-19, as the Emergency Response Team, remained active and continued to assess and advice management on the Secretariat's response to the changing landscape of the pandemic and the emerging risks that it posed. This was especially necessary due to the advent of more variants of the virus. Increased and stricter safety protocols were therefore implemented, conforming with the Host Country's COVID-19 regulations.

To ensure Staff wellness and safety and also to limit the spread of COVID-19, Employees of the Secretariat worked from home either on full-time basis or in rotational shifts. For continuity of its operations, the Secretariat leveraged on multiple established digital solutions and business process innovations effectively whilst working remotely, with most Institutional Meetings held virtually.





Outlook for 2022/23

- a. the Secretariat will continue to review and enhance its business processes and automate its systems to create greater operational efficiencies in the implementation of the refocused SACU Work Programme;
- b. the Secretariat will initiate work towards the development of a Strategic Plan and a review of the Organisational Structure; and
- c. risk will be managed with focus on: (i) continuous risk monitoring and reporting as required by the current Risk Management Policy and Procedures; (ii) continuous change management; and (iii) review of the Risk Management Policy and Procedures.

b. Installation of the video-conferencing equipment and roll out of digital platforms in the Member States

The Secretariat commenced with the installation of video-conferencing equipment in the Member States and completed the rollout of this collaborative digital platform. This platform would serve to ease remote working amidst the Covid pandemic challenges.

c. Development and revision of operational Policies

Various policies were developed, others reviewed, and approved by the Council of Ministers to enhance corporate governance and align the Secretariat's operations to international best practice.

d. Management of Risks

A situational analysis was undertaken to assess progress with respect to the implementation of the Secretariat's risk management framework in order to ensure continual improvement.

It revealed that the Secretariat is generally on track with the implementation of its Risk Management Framework as outlined in the Risk Management Policy and Procedures. During the year under review, work focused on concretising some of the key elements of the framework to ensure alignment of the policy and practice.

Challenges identified are:

- a. the effect of the ongoing global travel restrictions and national lockdown measures owing to the COVID-19 pandemic on the refocused Work Programme, which in turn affected some of the operations of the Secretariat; and
- b. while virtual meetings ensured that SACU operations continue despite the pandemic related travel restrictions, these were not without connectivity challenges. However, these were soon overcome.





ANNEX 1

SACU Member States' Economic Performance

Global Economic and International Trade Outlook for 2020/21

The road to global economic recovery seemed increasingly certain against the backdrop of vaccines development, overwhelming government fiscal support. At that time growth was estimated at 6 percent in 2021 and 4.4 percent in 2022 stronger than previously. In July 2021, global economic growth prospects remain relatively unchanged since April 2021. However, the growth projections in some EMDEs have been revised downwards like in Asia while advanced countries have been revised upwards mainly owing to pandemic support and policy.

Global growth has been revised from -4.4 percent in to an estimated -3.5 percent in 2020. This represents a 0.9 percentage growth revision than reported in the October 2020 update. Growth is now forecast at 6.0 percent for 2021 unchanged since the April 2021 update. Growth is forecast to moderate to 4.9 percent in 2022, representing some slight increase by 0.5 percentage points percentage improvement from April forecast. The growth projections would be mainly driven by AEs especially the USA, which is set to grow at 7.0 and 4.9 percent in 2020 and 2021 percent respectively. The growth projections reflect addition fiscal support in major economies especially the US and expectations of overall growth recovery owing to vaccination together with other AEs like France and the UK. Growth revisions are particularly driven by the AEs and their massive vaccination efforts, and growth is not driven by the EMDEs as commonly the case.

With the outbreak of the corona virus earlier in 2019, global economic growth has previously been suspended and faced greater headwinds only comparable to the Great Depression of the 1930s. Since 2020, global economic growth recovery has been testament that pre-pandemic growth levels will be hard to reach as economies rekindled production. In addition, global trade is forecast to grow by 9.7 percent in 2021 albeit set to moderate to 7.0 percent in 2022. Trade is mainly driven by AEs recovering by 8.9 percent in 2021 although forecast to moderate to 7.1 percent in 2022.

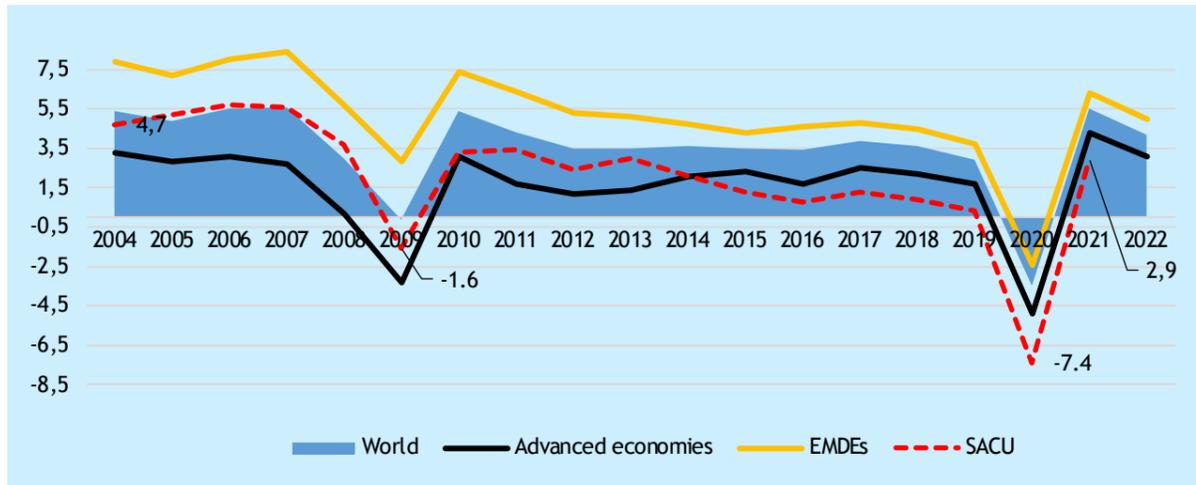
Growth prospects have now improved for EMDEs and will largely be driven by developing Asia, with China set to grow by 8.1 percent in 2021, albeit being a 0.3 percentage points downward change since April 2021. Growth prospects for the region have been reduced by 0.4 percentage points to 6.5 percent for EMDEs in July compared to April. EMDEs are however expected to grow at 5.2 percent in 2022, representing some upward revision of 0.2 percentage points. Growth prospects have been reduced in India following their second wave of COVID-19, as well as in the Association of Southeast

Asian Nations (ASEAN) region where economic activity has been undermined by the pandemic since the April update. The improved forecasts for Latin America and the Caribbean (LAC) are mainly attributed to upward revisions in Brazil and Mexico. This is primarily because of better-than-expected first quarter performance; favourable spill overs to Mexico from the improved outlook for the United States; as well as stronger terms of trade in Brazil. In addition, SSA growth remained unchanged since the April forecast at 3.4 percent in 2021 and is set to slightly improve to 4.1 percent in 2022 (some 0.1 percentage points revision).

Growth in SSA is mainly driven by South Africa with a surprise first quarter recovery which is set to grow modestly to 3.3 percent in 2021 as the economy emerges from COVID-19 ramifications and slightly declining to 2.2 percent in 2022. Like elsewhere, the pandemic shock continues to weigh on recovery in SSA. The overall weighted growth is therefore estimated to have contracted by 7.4 percent in 2020 down from 0.3 percent in 2019. Growth will later recover to 2.9 percent in 2021. Growth is expected to be moderately buoyed by improved growth prospects beyond 2020 amid a better global economic outlook with the advent of vaccines and therapeutics to fight the pandemic.



Figure 1: World and Regional Economic Growth Rates (annual % change)



Source: Data from World Economic Outlook Jan 2021 and Member States' Budgets

Real Sector, Budget and Current Account Developments¹

Revenue in the Member States is projected to be modest in 2021/22 having declined at the height of the pandemic in 2020/21. Meanwhile Government expenditure is estimated to have increased in all the Member States resulting in budget deficits across the economies. Similarly, Government debt is largely on the rise across the region driven by the need to finance rising deficits and increased Government expenditure relating to combating the pandemic. Inflation remained generally subdued across the Member States mainly due to subdued regional demand amid the pandemic but within the central banks' objective range.

¹ Data for the Member States obtained from National Statistic Bureaus; Ministries of Finance/Treasuries Budget Tables and Speeches; and or various Central Banks publications.





BOTSWANA

Nominal Gross Domestic Product (GDP) of P172.6 billion was recorded in 2020 against P178.5 billion recorded in 2019. Revenues are down as economic activity and incomes have fallen and tax payments have been deferred to ease cash flow pressures on firms. On the other hand, expenditures are up as Government spends on controlling the pandemic and supporting firms and households. Growth is estimated to have contracted by 7.7 percent for Botswana in 2020 mainly driven by falling tourism and mining sectors.

Botswana's total revenues and grants are budgeted at P64.6 billion against total expenditure and net lending of P70.6 billion for 2021/2022. This will result in a fiscal deficit of about P6 billion (2.9 percent of GDP). It is anticipated that this budget deficit will be financed through the issuance of domestic Government securities and external borrowing. SACU receipts declined from R23.7 billion in 2020/21 to R18.7 billion in 2021/22.

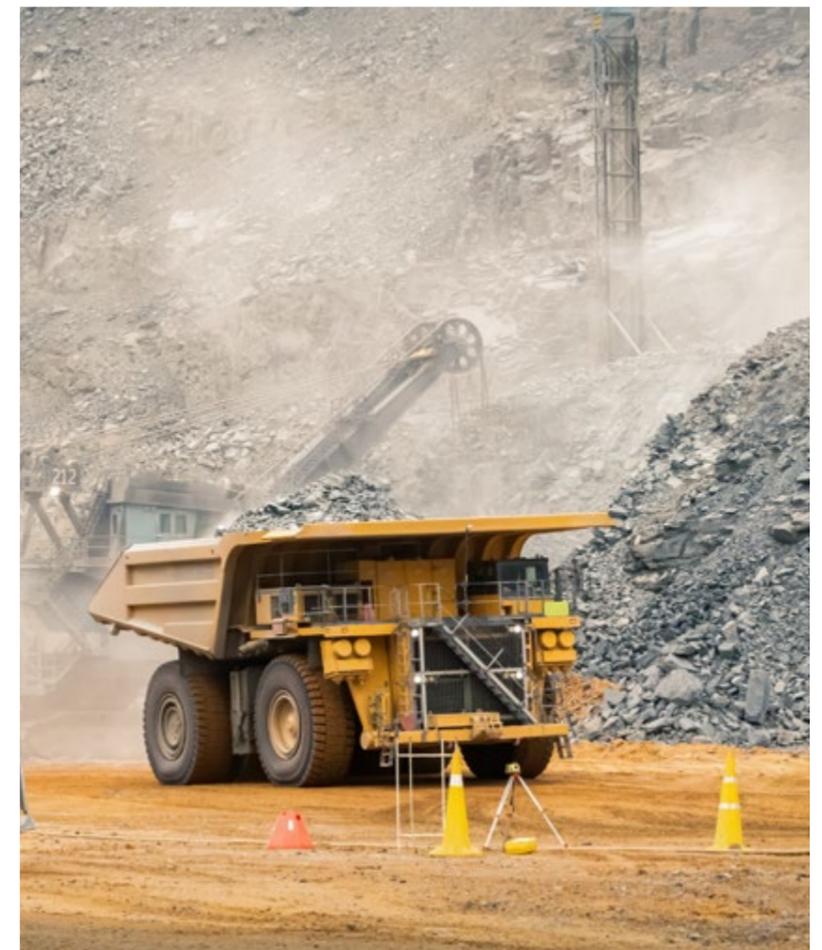


With reference to balance of payments, the merchandise trade account balance contracted the first nine (9) months of 2020, overall deficit of P14.8 billion with balance of payments recorded, compared to the previous deficit of P5.8 billion in 2019. The deterioration of the balance of payments was largely attributable to the declining level of exports which were valued at P35.21 billion compared to P50.83 billion in the first nine (9) months of 2019. Declining exports were also a sign of a slowdown in world diamond trade coupled with a generally subdued world economic growth amid reduced output owing to the pandemic.

Total public debt is projected at P27.8 billion for 2020 (17.6 percent of GDP), slightly down from 17.9 percent of GDP recorded in 2019. Nonetheless, for 2020, total public debt is expected to fall well below the statutory ceiling of 40 percent of GDP, even with the projected additional multilateral borrowing and the issuance of government bonds to finance the budget deficit.

In December 2020, headline inflation was 2.2 percent, and has been below the lower end of the Banks' objective for more than a year owing mainly to reduced domestic fuel prices, subdued domestic demand and sluggish economic activity. Inflation is expected to stay within the objective range in the medium-term as economic activity picks up.

However, growth is expected to rise sharply to 8.8 percent in 2021 amid better global economic prospects and domestic structural changes. Sectors weighing down growth included the hardest-hit *Mining; Trade, Hotels and Restaurants; Construction; and Manufacturing.*





ESWATINI

Nominal GDP amounting to E65.4 billion was recorded in 2020 compared to the with the previous year's E64.9 billion. In Eswatini, the pandemic accelerated amid economic and fiscal deterioration which had already been taking place. Economic output is estimated to have contracted by 2.4 percent in 2020 amid weak external demand and lockdowns.

Preliminary balance of payments for Eswatini points to a sizable current account surplus in 2020 of E4.3 billion (about 6.8 percent of GDP). This was attributable to a positive trade balance amounting to E3.7 billion in 2020 compared to E3.8 billion recorded in 2019 together with a surplus in the secondary income account. Exports were resilient during the period under review mainly driven by miscellaneous edibles, sugar, wood products and textiles, about two-thirds of which were destined for the South African market.



In Eswatini, revenue and grants for 2020/21 stood at E18.9 billion (28.9 percent of GDP) against an expenditure of E23.2 billion. However, in 2021/22, revenue is projected to reach E19.45 billion (27.5 percent of GDP). Total expenditure for the 2021/22 FY is expected to be E24.04 billion culminating in a budget deficit of E4.6 billion (6.5 percent of GDP). SACU receipts declined from E8.35 billion in 2020/21 to E6.38 billion in 2021/22. Eswatini will post a budget deficit of E 4.6 billion (6.5 percent of GDP) in 2021/22 compared to E2.9 billion (3.6 percent of GDP) in the previous year. Total public debt is projected at E23.4 billion for 2020 and it is expected to rise slightly to E26.1 billion in for 2021.

Headline consumer inflation averaged 3.7 percent in April 2021 year-on-year amid declining housing and utilities. Similarly, core inflation has declined weighing down the inflation outlook. Thus, the average annual inflation for Eswatini is forecast at 3.88 percent for 2021.

Growth is expected to improve over the medium term to 2.1 percent in 2021 as most sectors recover when global and domestic demand conditions improve. The uncertain outlook is expected to persist over the medium term. Projections indicate a rebound in 2021, with economic output expected to recover from a low base and increase by 2.7 percent.





LESOTHO

Nominal GDP is estimated at M36.6 billion in 2021/22 against the previous projection of M33.1 billion in 2020/21. The overall economic growth is estimated to decline to -5.8 percent of GDP in 2020/21.

Meanwhile, total revenue is projected to decline by 7 percentage points lower than the previous year, recording M17.3 billion (47 percent of GDP). This is underpinned by a sharp fall of SACU revenue from R8.9 billion (representing 27 percent in 2020/21) to R6.4 billion (being 16 percent of GDP in 2021/22). Meanwhile, expenditure is projected to increase drastically to about M21.1 billion (60.3 percent of GDP) against slower revenues and the fiscal position will remain weak through the medium term. This would lead to the overall fiscal deficit of about M4.8 billion (13.1 percent of GDP) in 2021/22. Lesotho's overall balance is in deficit of M4.8 billion (13.1 percent of GDP) in the financial year 2021/22 against a deficit of M1.8 billion (4.7 percent of GDP for the financial year 2020/21).



Regarding the external sector, the balance of payments is reported to have been vulnerable to external shocks in 2021. The current account deficit declined over the previous two (2) years amid improving diamond exports and the primary income account. However, owing to the devastating effects of the pandemic, the trade deficit is expected to widen in 2020/21 amid declining demands and exports contracting at a higher compared to imports. This would result in a higher current account deficit of 7.9 percent of GDP in 2020/21 from 3.0 percent of GDP in 2019/20.

Public guaranteed debt stood at M19.6 billion in January 2021. Debt has been on the rise over the last three (3) years, especially domestic debt mainly driven by rising budget deficits and externally by the depreciation of the local currency, the Loti. This is because the bulk of the external debt is denominated in US dollar and other major currencies.

With respect to domestic price developments, annual inflation is estimated around 4.1 percent for the 2020/21 fiscal year. Prices were mainly driven by an increase in the prices of food and non-alcoholic beverages, and clothing and footwear. Inflation is expected to maintain a steady trajectory averaging 5 percent in 2021/22 and the medium-term.

Economic growth will rebound to the average of 4.7 percent in the medium-term. The growth trajectory is underpinned mainly by *agriculture, mining, manufacturing, and construction sectors*.





SOUTH AFRICA

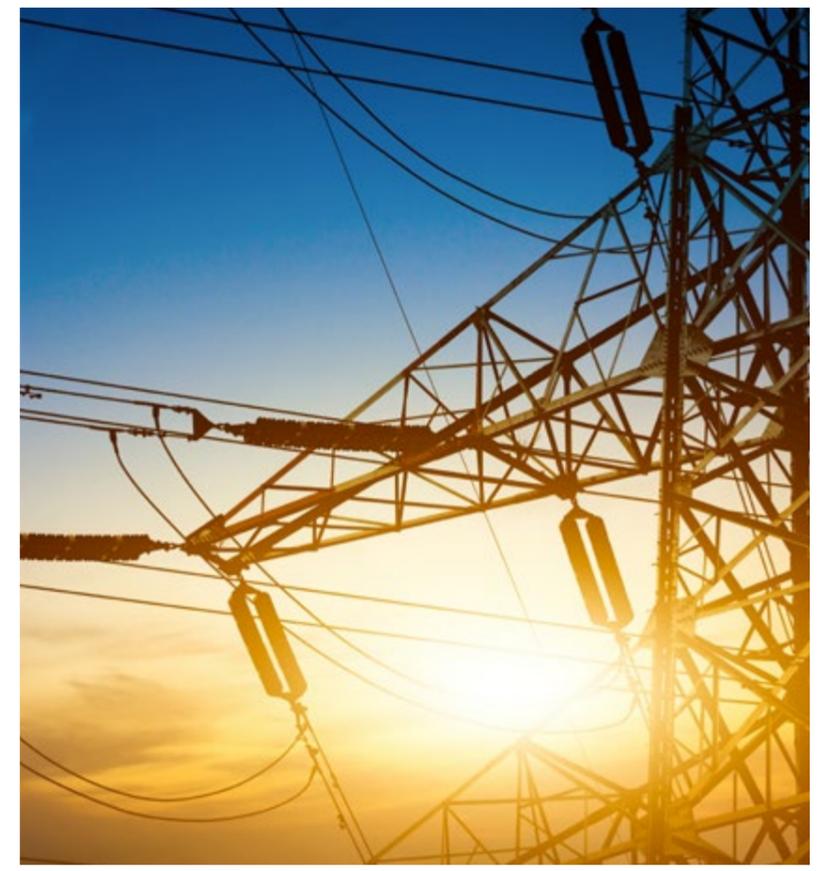
GDP at basic prices amounted to a recorded R4.9 trillion in 2020/21 and is forecast to rise to R5.4 trillion in 2021/22. Growth is estimated at -7.2 percent for 2020 owing to weaker growth outcomes as the pandemic upended global growth.

South Africa's consolidated budget deficit for 2020/21 has doubled from 6.8 percent a year ago to 14 percent of GDP. The main deficit drivers were mainly the lower tax revenue outcomes. SACU revenues also declined from R57.7 billion in 2020/21 to R44.6 billion in 2021/22. The consolidated deficit is expected to narrow from about R1.5 trillion against an expenditure of R2 trillion in 2021/22 culminating in a budget deficit of about 9.3 percent of GDP. Similarly, South Africa posted a budget deficit of revised R689.9 billion (14 percent of GDP in 2020/21) compared to the R500 billion (9.3 percent of GDP) in 2021/22.

Meanwhile, debt-to-GDP ratio has been rising since 2008 during the financial crisis and has exceeded 50 percent of GDP over the period under review. This increase is mainly due to sustained budget deficits and weak economic growth. In 2020/21, Government's gross borrowing increased from 8 to 13.6 per cent of GDP in 2020/21 (from R432.7 billion to R670.3 billion) while gross loan debt would rise from R3.95 trillion, (80.3 per cent of GDP, in 2020/21) to R5.23 trillion (87.3 percent of GDP, by 2023/24). Over the same period, contingent liabilities are projected to reach R1.11 trillion by 2020/21. South Africa is projected to record a 2020 current account surplus of 1.7 per cent of GDP, being the first surplus in almost two (2) decades. Exports were buoyed during the third quarter of 2020 amid a rally in key commodity prices including gold. As global trade picked up, and pandemic containment measures were eased, this together with reduced import demand and lower oil prices boosted the trade balance.

During the period under review, as domestic and global demand weakened, inflation pass-through by firms to domestic consumers was thus limited. To this end, fuel and services inflation have helped to contain inflation and anchored inflation expectations well below the midpoint of the Reserve Bank's inflation target range. This has assisted in preserving household purchasing power. Headline inflation averaged 3.3 per cent in 2020, being the lowest recorded annual rate since 2005. Risks to the inflation outlook are relatively balanced but food, electricity and administrative prices are set to rise, inflationary pressure will be contained by subdued domestic demand.

South Africa's growth is forecast to rise modestly to 3.3 percent in 2021 as the economy emerges from COVID-19 ramifications and slightly declining to 2.2 percent in 2022.



Global and Regional Consumer Price Developments

Inflation expectations are more elevated in some group of countries while in others they remain contained. In some EMDEs such as SSA, Middle East and Central Asia, food prices have risen owing to global food prices and shortages. In some cases, devaluation of local currencies had added to this via the price of imported goods. Meanwhile (core inflation-inflation without energy and food prices) generally remains benign.

Inflation has risen in the US (owing to a rebound in air travel amongst others) largely reflecting supply-side disruptions from the pandemic as opposed to depletion of spare capacity. Inflation outlook reveals, however, that it would subside to pre-pandemic ranges in 2022 in AEs where it is rising, provided the labour market slack remains pronounced, inflation expectations remain anchored and structural factors operate as before.

In EMDEs, inflation will remain elevated in 2022, partly attributed to the continuing rise in food prices and delayed pass-through from higher oil prices by importers. The evolution of inflation expectations in the coming months depends on rising demand amid supply-side and logistics bottlenecks; rising commodity prices; fiscal support rollbacks; and accommodative monetary policy. If such pressures persist, medium-term inflation expectations could rise. Clearer central bank communication strategies and the right monetary policy should help anchor such expectations.





ANNEX 2

INTRA-SACU IMPORTS 2018/19

The 2018/19 FY reporting period was characterised by the recovery in the recorded intra-SACU imports following a decline in the prior two (2) years (2016/17 and 2017/18). In the 2018/19 FY, intra-SACU imports increased by 1.9 percent to R196.1 billion from R192.4 billion recorded in the 2017/18 FY. Three (3) Member States, namely Botswana, Eswatini and South Africa recorded growth in the 2018/19 FY, their combined performance offsetting the decline that was recorded in Lesotho and Namibia. The net effect was an overall increase in intra-SACU imports.

The structure of intra-SACU imports has remained relatively the same for the last five (5) years, however, signifying uneven movements within the Member States across years. On average, Botswana has accounted for 33 percent of total intra-SACU imports followed by Namibia (29.4 percent), South Africa (19.5 percent), Eswatini (9.2 percent), and Lesotho (8.9 percent).

Table 2 below provides intra-SACU imports for the last five (5) years (2014/15 to 2018/19).

Table 2: INTRA-SACU Imports Statistics (R Millions)

Member States/FY	2014/15	2015/16	2016/17	2017/18	2018/19
Botswana	62,284	68,680	61,349	57,985	65,282
Eswatini	16,434	16,916	17,352	17,962	19,009
Lesotho	13,921	16,173	17,056	20,494	18,075
Namibia	52,418	61,107	61,886	55,052	51,371
South Africa	28,140	37,761	37,888	40,885	42,375
SACU	173,197	200,637	195,531	192,378	196,112

Growth Rates (%)

Member States/FY	2014/15	2015/16	2016/17	2017/18	2018/19
Botswana	7.3%	10.3%	-10.7%	-5.5%	12.6%
Eswatini	-1.7%	2.9%	2.6%	3.5%	5.8%
Lesotho	-3.7%	16.2%	5.5%	20.2%	-11.8%
Namibia	-0.6%	16.6%	1.3%	-11.0%	-6.7%
South Africa	11.6%	34.2%	0.3%	7.9%	3.6%
SACU	3.6%	15.8%	-2.5%	-1.6%	1.9%

Share Intra-SACU Imports (%)

Member States/FY	2014/15	2015/16	2016/17	2017/18	2018/19
Botswana	36.0%	34.2%	31.4%	30.1%	33.3%
Eswatini	9.5%	8.4%	8.9%	9.3%	9.7%
Lesotho	8.0%	8.1%	8.7%	10.7%	9.2%
Namibia	30.3%	30.5%	31.7%	28.6%	26.2%
South Africa	16.2%	18.8%	19.4%	21.3%	21.6%





Botswana registered the highest increase of intra-SACU imports in the region, postulating a 12.6 percent from R57.9 billion in the 2017/18 FY, to R65.3 billion in the 2018/19 FY. The increase was mainly reflected in the importation of *natural or cultured pearls, and precious or semi-precious stones or metals* (Chapter 71) accounting for 23.3 percent of the intra-SACU imports; followed by *Mineral fuels, mineral oils, and electricity* (Chapter 27) accounting for 15.0 percent. In the 2018/19 FY, *vegetables planting materials* (Chapter 14), were the least products imported by Botswana from the region. The main source of commodities imported into Botswana from the Common Customs Area (CCA) in the 2018/19 FY was South Africa, accounting for 85.1 percent of the total intra-SACU imports; followed by Namibia, accounting for 14.4 percent.

Eswatini's intra-SACU imports increased from R17.9 billion in the 2017/18 FY to R19.0 billion in the 2018/19 FY, translating to a 5.8 percent gain. The top Eswatini import products in the 2018/19 FY were *Mineral fuels, mineral oils, and electricity* (Chapter 27) with a share of 10.7 percent of the total intra-SACU imports; followed by the *nuclear reactors, boilers and machinery, and mechanical appliances* (Chapter 84) with a share of 7.3 percent. In the 2018/19 FY, the least products imported by Eswatini from the region was *vegetables planting materials* not elsewhere specified (Chapter 14) which was the same case as in Botswana. South Africa remained the main source of commodities imported by Eswatini from the CCA in the 2018/19 FY, accounting for 99.3 percent of the total intra-SACU imports; followed by Lesotho, accounting for 0.6 percent.

Lesotho registered the highest decline of 11.8 percent in intra-SACU imports, from R20.5 billion recorded in the 2017/18 FY, to R18.1 billion in the 2018/19 FY. The decline was mainly reflected in articles of *iron or steel* (Chapter 73) and *iron and steel* (Chapter 72), which declined by 84.7 percent and 81.9 percent, respectively. The

least products imported by Lesotho from the region in the reporting period were other *base metals, cermets and articles* thereof (Chapter 81). South Africa remained the main source of commodities imported into Lesotho from the CCA in the 2018/19 FY, accounting for 99.8 percent of the total intra-SACU imports; followed by Eswatini accounting for 0.1 percent.

Namibia's intra-SACU imports declined by 6.7 percent to R55.1 billion in the 2017/18 FY to R51.4 billion recorded in the 2018/19 FY. This was a successive decline following a 11.1 percent decline recorded in the 2017/18 FY from the 2016/17 FY. The decline was mainly reflected in *mineral fuel, mineral oils, and electricity* (Chapter 27). The main products that Namibia imported in the 2018/19 FY were *vehicles* (Chapter 87) with a share of 11.4 percent, mainly from South Africa; followed by *nuclear reactors, boilers, machinery and mechanical appliances* (Chapter 84) at 9.6 percent. The least products imported by Namibia from the region in the 2018/19 FY were the *pulp of wood or of other fibrous cellulosic material, and waste and scrap of paper or paperboard* (Chapter 47). South Africa continued to be the main source of commodities imported into Namibia from the CCA in the 2018/19 FY, accounting for 95.1 percent of the total intra-SACU imports; followed by Botswana, accounting for 4.9 percent.

South Africa's intra-SACU trade grew by 3.6 percent from R40.9 billion in the 2017/18 FY to R42.4 billion in the 2018/19 FY, reflecting a continued increase, however, at a decreasing rate. The main commodities imported by South Africa from the region in 2018/19 were *natural or cultured pearls, and precious or semiprecious stones or metals* (Chapter 71) accounting for 16.7 percent of the intra-SACU imports; followed by essential oils, perfumery, and *cosmetic or toilet preparations* (Chapter 33) with a share of 11.7 percent. The least products imported by South Africa from the region in the 2018/19 FY were other *vegetables, textile fibres, paper yarn and woven fabric of paper yarn* (Chapter 53). Eswatini was the main source for commodities imported into South Africa from the CCA in the 2018/19 FY, accounting for 39.9 percent of the intra-SACU imports; followed by Namibia accounting for 31.5 percent.





ANNEX 3

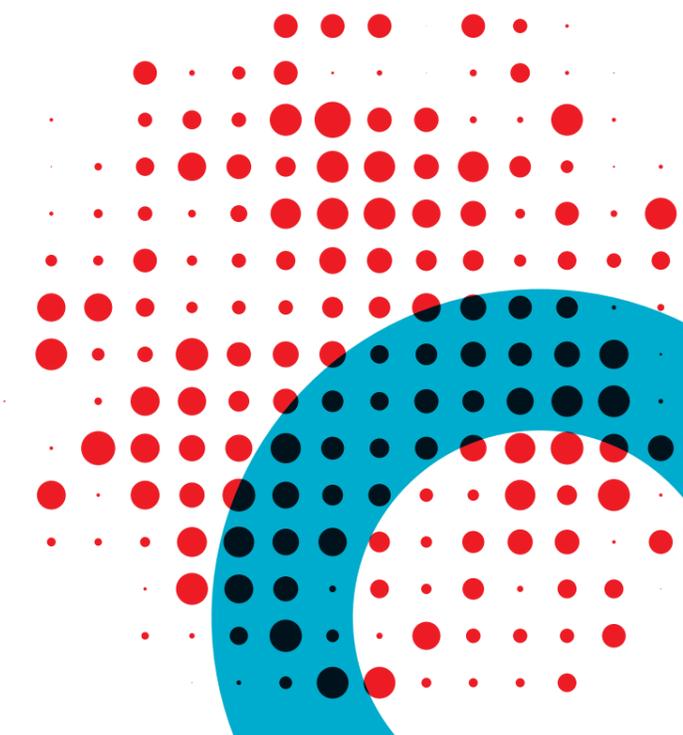
Annual Financial Statements

Southern African Customs Union

Annual Financial Statements for the year ended 31 March 2021

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Southern African Customs Union

Annual Financial Statements for the year ended 31 March 2021

General Information

Country of Incorporation and Domicile	Namibia
Nature of Business and Principal Activities	Customs Union Secretariat
Executive Committee	Ms. PM. Elago Ms. A. Andrade Mr. BR. Katjipuka Ms. ND. Oitsile Mr. AP. Iyambo Mr. DS. Ndwandwe
Member States	The Republic of Botswana The Kingdom of Eswatini The Kingdom of Lesotho The Republic of Namibia The Republic of South Africa
Registered Office Corner	Julius K Nyerere and Feld Street, Windhoek, Namibia
Business Address Corner	Julius K Nyerere and Feld Street, Windhoek, Namibia
Postal Address	Private Bag 13285 Windhoek Namibia
Bankers	Standard Bank Namibia Limited Bank Windhoek

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Annual Financial Statements for the year ended 31 March 2021

Council of Ministers' Responsibilities and Approval

The Council of Ministers are required to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements satisfy the financial reporting standards with regards to form and content and present fairly the statement of financial position, results of operations and business of the organisation, and explain the transactions and financial position of the business of the organisation at the end of the financial year. The annual financial statements are based upon appropriate accounting policies consistently applied throughout the organisation and supported by reasonable and prudent judgements and estimates.

The Council of Ministers acknowledge that they are ultimately responsible for the system of internal financial control established by the organisation and place considerable importance on maintaining a strong control environment. To enable the Council of Ministers to meet these responsibilities, the Council of Ministers set standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the organisation and all employees are required to maintain the highest ethical standards in ensuring the organisation's business is conducted in a manner that in all reasonable circumstances is above reproach.

The focus of risk management in the organisation is on identifying, assessing, managing and monitoring all known forms of risk across the organisation. While operating risk cannot be fully eliminated, the organisation endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Council of Ministers are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss. The going-concern basis has been adopted in preparing the financial statements. Based on forecasts and available cash resources the Council of Ministers have no reason to believe that the organisation will not be a going concern in the foreseeable future. The financial statements support the viability of the organisation.

The annual financial statements set out on pages 6 to 25, and the supplementary information set out on pages 26 to 27 which have been prepared on the going concern basis, were approved by the Council of Ministers and were signed on 30 September 2021 on their behalf by:



Chairperson of the SACU Council of Ministers



Executive Secretary of SACU



Office of the Auditor General

Kingdom of Eswatini

P.O. Box 98
Mbabane H100 Eswatini
Old Income Tax Building Opposite
Main Treasury Building 1st & 2nd Floor

Tel: +268 2404 2033/56
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Serving Public Interest

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements of SACU Secretariat

Opinion

I have audited the Financial Statements of the SACU Secretariat, which comprise the Statement of Financial Position as at 31st March 2021, the Statement of Profit or Loss and other Comprehensive Income, Statement of Changes in Equity, and Statement of Cash Flows for the year then ended, and notes to the Financial Statements, including a summary of significant accounting policies.

In my opinion, the accompanying Financial Statements present fairly, in all material respects, the financial position of the SACU Secretariat as at 31st March 2021, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by the SACU Agreement Act as amended.

Basis for Opinion

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

Other Information

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

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

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

SACU Secretariat (Executive Management) is responsible for the preparation and fair presentation of the Financial Statements in accordance with IFRSs and internal controls as management determines necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error. In preparing the Financial Statements, Executive Management is responsible for assessing SACU Secretariat's ability to

continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

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

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

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

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

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

T. S. Matsebula
Auditor General - Kingdom of Eswatini

“We provide assurance and add value to the lives of Citizens”

Southern African Customs Union

Annual Financial Statements for the year ended 31 March 2021

The Council of Ministers present their report for the year ended 31 March 2021.

1. Review of financial results and activities

Main business and operations

The organisation is the Southern African Customs Union Secretariat. There were no major changes herein during the year. The organisation generated a deficit after tax for the year ended 31 March 2021 of R7,250,165 (2020: R15,558,174).

The organisation's revenue increased from R69,396,032 in the prior year to R71,360,737 for the year ended 31 March 2021.

Organisation cash flows from operating activities changed from an outflow of R12,573,740 in the prior year to an outflow of R721,606 for the year ended 31 March 2021.

2. Going concern

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

3. Events after reporting date

All events subsequent to the date of the financial statements and for which the applicable financial reporting framework requires adjustment or disclosure have been adjusted or disclosed.

The Council of Ministers are not aware of any matter or circumstance arising since the end of the financial year to the date of this Report that could have a material effect on the financial position of the organisation.

Impact of COVID-19

The Coronavirus (COVID-19) pandemic continues to spread globally but does not prevent the organisation from undertaking its mandate.

4. Council of Ministers' interest in contracts

None of the Council of Ministers have reported any interest in contracts entered into during the year under review.

5. Executive Committee

The Executive Committee of the organisation during the year and up to the date of this Report are as follows:

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

Southern African Customs Union

Annual Financial Statements for the year ended 31 March 2021

6. Member States

There have been no changes in Member States during the current financial year. The Member States are:

The Republic of Botswana
The Kingdom of Eswatini
The Kingdom of Lesotho
The Republic of Namibia
The Republic of South Africa



Southern African Customs Union

Annual Financial Statements for the year ended 31 March 2021

Statement of Financial Position

Figures in R	Notes	2021	2020
Assets			
Non-current assets			
Property, plant and equipment	3	89,879,475	89,236,306
Intangible assets	4	2,805,056	2,274,467
Total non-current assets		92,684,531	91,510,773
Current assets			
Trade and other receivables	6	4,923,540	2,817,581
Cash and cash equivalents	7	40,913,281	43,652,683
Total current assets		45,836,821	46,470,264
Total assets		138,521,352	137,981,037
Accumulated Funds and liabilities			
Accumulated Funds			
Accumulated deficit for the year		(7,250,165)	(31,435,107)
Revaluation reserve	9	43,553,842	38,836,834
Accumulated surplus	9	93,274,665	124,709,772
Total accumulated funds		129,578,342	132,111,499
Liabilities			
Current liabilities			
Provisions	10	5,390,992	4,189,726
Trade and other payables	11	3,048,152	1,679,812
Bank overdraft	7	503,866	-
Total current liabilities		8,943,010	5,869,538
Total liabilities		8,943,010	5,869,538
Total accumulated funds and liabilities		138,521,352	137,981,037

Southern African Customs Union

Annual Financial Statements for the year ended 31 March 2021

Statement of Comprehensive Income

Figures in R	Notes	2021	2020
Revenue	13	71,360,737	69,396,032
Administrative expenses	14	(946,469)	(1,426,365)
Other expenses	15	(79,589,079)	(87,393,711)
Deficit from operating activities	16	(9,174,811)	(19,424,044)
Finance income	18	1,926,006	3,861,769
Gain/(loss) on foreign exchange	19	(1,360)	(31,867)
Deficit from continuing operations		(7,250,165)	(15,594,142)
Surplus from discontinued operations	8	-	35,968
Deficit for the year		(7,250,165)	(15,558,174)
Deficit for the year attributable to equity member states arises from:			
Continuing operations		(7,250,165)	(15,594,142)
Discontinuing operations (Disposal of fixed assets)		-	35,968
		(7,250,165)	(15,558,174)

Southern African Customs Union

Annual Financial Statements for the year ended 31 March 2021

Statement of Changes in Equity

Figures in R	Revaluation surplus	Accumulated surplus	Accumulated deficit for the year	Total
Balance at 1 April 2019	38,836,834	124,709,772	(15,876,933)	147,669,673
Changes in accumulated funds				
Deficit for the year	-	-	(15,558,174)	(15,558,174)
Total comprehensive income	-	-	(15,558,174)	(15,558,174)
Balance at 31 March 2020	38,836,834	124,709,772	(31,435,107)	132,111,499
Balance at 1 April 2020	38,836,834	124,709,772	(31,435,107)	132,111,499
Changes in accumulated funds				
Deficit for the year	-	-	(7,250,165)	(7,250,165)
Total comprehensive income	-	-	(7,250,165)	(7,250,165)
Revaluations during the year	4,717,008	-	-	4,717,008
Balance at 31 March 2021	43,553,842	124,709,772	(38,685,272)	129,578,342

Southern African Customs Union

Annual Financial Statements for the year ended 31 March 2021

Statement of Cash Flows

Figures in R	Notes	2021	2020
Net cash flows used in operations	23	(2,646,252)	(16,403,642)
Gain/(loss) on foreign exchange		(1,360)	(31,867)
Interest received		1,926,006	3,861,769
Net cash flows used in operating activities		(721,606)	(12,573,740)
Cash flows used in investing activities			
Net proceeds from sales of property, plant and equipment		-	8,126
Purchase of property, plant and equipment		(1,646,399)	(2,237,593)
Purchase of intangible assets		(92,477)	(1,832,436)
Development of intangible assets		(782,786)	362,310
Cash flows used in investing activities		(2,521,662)	(3,699,593)
Net decrease in cash and cash equivalents		(3,243,268)	(16,273,333)
Cash and cash equivalents at beginning of the year		43,652,683	59,926,016
Cash and cash equivalents at end of the year	7	40,409,415	43,652,683

Southern African Customs Union

Annual Financial Statements for the year ended 31 March 2021

Notes to the Financial Statements

1. General information

The Southern African Customs Union Secretariat ('the organisation') has been established according to the SACU Agreement, 2002 and is responsible for the day-to-day administration of SACU.

The organisation is incorporated in line with the Headquarters Agreement. The address of its registered office is ERF8531 (A portion of ERF 182), Corner Julius K Nyerere and Feld Street, Windhoek, Namibia.

2. Basis of preparation and summary of significant accounting policies

The financial statements of the organisation have been prepared in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities (IFRS) and the the organisation's Policies and Guidelines. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain property, plant and equipment, and derivative financial instruments at fair value. They are presented in South African Rand.

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

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

3. Property, plant and equipment

3.1 Accounting policies

Property, plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended.

The organisation adds to the carrying amount of an item of property, plant and equipment the cost of replacing parts of such an item when that cost is incurred if the replacement part is expected to provide incremental future benefits to the organisation. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to surplus or deficit during the period in which they are incurred.

Land is not depreciated. Depreciation on other assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method. The estimated useful lives range as follows:

Southern African Customs Union

Annual Financial Statements for the year ended 31 March 2021

Property, plant and equipment continued...

Asset class	Measurement base	Useful life / depreciation rate
Land	revaluation model	indefinite
Buildings	revaluation model	20 years
Motor vehicles	cost model	5 years
Office furniture and fittings	cost model	6 years
Household furniture and fittings	cost model	6 years
Office equipment	cost model	5 years
Computer equipment - servers or infrastructure items	cost model	5 years
Computer equipment - laptop computers and mobile items	cost model	3 years

After initial recognition, the organisation measures certain classes of property, plant and equipment using the Cost Model, and other classes using the Revaluation Model. The measurement base is set out in the table below. Property, plant and equipment measured in accordance with the Cost Model is shown at cost less accumulated depreciation and any accumulated impairment losses. Property, plant and equipment that is measured in accordance with the Revaluation Model is shown at fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Increases in the carrying amount are recognised in other comprehensive income and accumulated in equity under the heading of revaluation surplus, except where the increase reverses a revaluation decrease of the same asset previously recognised in surplus or deficit. Decreases in the carrying amount are recognised in surplus or deficit except where the decrease reverses any credit balance existing in the revaluation surplus in respect of that asset in which case the decrease is recognised in other comprehensive income and reduces the amount accumulated in equity under the heading of revaluation surplus.

Land is not depreciated. Depreciation on other assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method. The estimated useful lives range as well as the measurement base for each class of asset is as follows:

The assets' residual values, useful lives and depreciation methods are reviewed annually, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last 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 are recognised within 'other gains / (losses)' in the statement of comprehensive income.

Southern African Customs Union

Annual Financial Statements for the year ended 31 March 2021

Statement of Changes in Equity

Property, plant and equipment continued...

3.2 Balances at year end and movements for the year

	Land	Buildings	Motor vehicles
Reconciliation for the year ended 31 March 2021			
Balance at 1 April 2020			
At cost	29,856,750	63,716,511	2,187,444
Accumulated depreciation	-	(8,459,917)	(1,501,723)
Net book value	29,856,750	55,256,594	685,721
Movements for the year ended 31 March 2021			
Additions from acquisitions	110,618	70,489	848,425
Depreciation	-	(4,631,459)	(55,960)
Revaluation increase (decrease)	(110,618)	4,827,626	-
Property, plant and equipment at the end of the year	29,856,750	55,523,250	1,478,186
Closing balance at 31 March 2021			
At cost or revaluation	29,856,750	63,787,000	3,035,869
Accumulated depreciation	-	(8,263,750)	(1,557,683)
Net book value	29,856,750	55,523,250	1,478,186
Balance at 1 April 2019			
At cost	29,856,750	62,952,681	2,187,444
Accumulated depreciation	-	(3,879,431)	(1,305,056)
Net book value	29,856,750	59,073,250	882,388
Movements for the year ended 31 March 2020			
Additions from acquisitions	-	763,830	-
Depreciation	-	(4,580,486)	(196,667)
Disposals	-	-	-
Property, plant and equipment at the end of the year	29,856,750	55,256,594	685,721
Closing balance at 31 March 2020			
At cost	29,856,750	63,716,511	2,187,444
Accumulated depreciation	-	(8,459,917)	(1,501,723)
Net book value	29,856,750	55,256,594	685,721

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Office furniture and fittings	Household furniture and fittings	Office equipment	Computer equipment	Total
Reconciliation for the year ended 31 March 2021				
Balance at 1 April 2020				
8,063,353	1,997,954	323,165	8,152,180	114,297,357
(6,885,754)	(1,476,667)	(290,923)	(6,446,067)	(25,061,051)
1,177,599	521,287	32,242	1,706,113	89,236,306
Movements for the year ended 31 March 2021				
25,633	62,180	15,667	513,386	1,646,399
(271,793)	(215,694)	(7,904)	(537,427)	(5,720,237)
-	-	-	-	4,717,008
931,439	367,773	40,005	1,682,072	89,879,476
Closing balance at 31 March 2021				
8,088,986	2,060,134	338,833	8,665,567	115,833,139
(7,157,547)	(1,692,361)	(298,828)	(6,983,495)	(25,953,664)
931,439	367,773	40,005	1,682,072	89,879,475
Balance at 1 April 2019				
8,083,462	2,011,009	323,166	7,047,991	112,462,503
(6,579,853)	(1,412,471)	(249,888)	(6,341,080)	(19,767,779)
1,503,609	598,538	73,278	706,911	92,694,724
Movements for the year ended 31 March 2020				
13,200	59,854	-	1,400,709	2,237,593
(336,570)	(136,330)	(41,036)	(396,796)	(5,687,885)
(2,640)	(775)	-	(4,711)	(8,126)
1,177,599	521,287	32,242	1,706,113	89,236,306
Closing balance at 31 March 2020				
8,063,353	1,997,954	323,165	8,152,180	114,297,357
(6,885,754)	(1,476,667)	(290,923)	(6,446,067)	(25,061,051)
1,177,599	521,287	32,242	1,706,113	89,236,306

Southern African Customs Union

Annual Financial Statements for the year ended 31 March 2021

Notes to the Financial Statements

Property, plant and equipment continued...

Figures in R	2021	2020
3.3 Additional disclosures		
Assets no longer in use but yet to be disposed	48,626	-

During the year the Secretariat held assets that were obsolete and no longer in use. The historical cost of these assets amount to R3,399,989 with a carrying value of R48,626. At the end of the financial year, these assets still appear on the SACU Secretariat's fixed asset register and have not been disposed. As a result, the non-current assets valuation has been impacted by R48,626. This amount will self-rectify once the assets are removed from the fixed assets register in the subsequent period.

4. Intangible assets

4.1 Accounting policies

Trademarks, licences and customer related intangible assets

Separately acquired licences are shown at historical cost. Licences (including software) and related intangible assets acquired are recognised at fair value at the acquisition date. Licences and related intangible assets have a finite useful life and are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of licences and related intangible assets over their estimated useful lives, as follows:

Asset class	Useful life / amortisation rate
Computer software	3 years
Intangible assets under development	determined upon recognition

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of three years.

4.2 Reconciliation of changes in intangible assets

	Computer software	Intangible assets under development	Total
Reconciliation for the year ended 31 March 2021			
Balance at 1 April 2020			
At cost	2,565,227	1,637,770	4,202,997
Accumulated amortisation	(1,928,530)	-	(1,928,530)
Net book value	636,697	1,637,770	2,274,467
Movements for the year ended 31 March 2021			
Other acquisitions	92,479		92,479
Amortisation	(344,675)	-	(344,675)
Increase (decrease) through transfers	1,997,912	(1,215,127)	782,785
Intangible assets at the end of the year	2,382,413	422,643	2,805,056

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Notes to the Financial Statements

Intangible assets continued...

Figures in R	2021	2020
Closing balance at 31 March 2021		
At cost	4,655,619	422,643
Accumulated amortisation	(2,273,206)	-
Net book value	2,382,413	422,643

Reconciliation for the year ended 31 March 2020

Balance at 1 April 2019	2020	2019
At cost	2,121,699	611,173
Accumulated amortisation	(1,768,045)	-
Net book value	353,654	611,173

Movements for the year ended 31 March 2020

Other acquisitions	443,529	1,388,907
Amortisation	(160,486)	-
Increase (decrease) through transfers	-	(362,310)
Intangible assets at the end of the year	636,697	1,637,770

Closing balance at 31 March 2020

At cost	2,565,227	1,637,770
Accumulated amortisation	(1,928,530)	-
Net book value	636,697	1,637,770

5. Financial assets

6. Trade and other receivables

6.1 Accounting policies

Trade receivables are recognised initially at the transaction price. They are 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 organisation will not be able to collect all amounts due according to the original terms of the receivables.

Trade and other receivables are classified as debt instruments and loan commitments at amortised cost.

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Notes to the Financial Statements

Intangible assets continued....

Figures in R	2021	2020
6.2 Trade and other receivables comprise:		
Trade receivables	4,420,056	2,495,979
Prepaid expenses	500,169	288,146
Employee costs receivable	3,315	33,456
Total trade and other receivables	4,923,540	2,817,581

7. Cash and cash equivalents

7.1 Accounting policies

Cash and cash equivalents includes cash on hand, demand deposits and other short-term highly liquid investments with original maturities of six months or less. Bank overdrafts are shown in current liabilities on the statement of financial position.

7.2 Cash and cash equivalents comprise:

Cash		
Cash on hand	1,637	1,779
Balances with banks	621,885	4,577,955
Total cash	623,522	4,579,734
Cash equivalents		
Short term investments	40,289,759	39,072,949
Total cash equivalents	40,289,759	39,072,949
Total cash and cash equivalents included in current assets	40,913,281	43,652,683
Bank overdrafts	(503,866)	-
Total overdrawn cash and cash equivalents included in current liabilities	(503,866)	-
Net cash and cash equivalents	40,409,415	43,652,683

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Annual Financial Statements for the year ended 31 March 2021

Notes to the Financial Statements

Cash and cash equivalents continued...

Figures in R	2021	2020
7.3 Detail of cash and cash equivalent balances		
Bank balances		
Standard Bank Current Account	-	1,077,986
Standard Bank Call Account	621,885	3,499,969
Total	621,885	4,577,955
Short term investments		
Short term investment classified as cash	40,289,759	39,072,949

8. Discontinued operations

Gain (loss) from measurement or disposal of discontinued operations are as follows:

Gain or loss recognised on the disposal of assets	-	35,968
	-	35,968
Amount per statement of comprehensive income	-	35,968
Attributable to the Secretariat	-	35,968
	-	35,968

9. Reserves

Nature and purpose of reserves

The Revaluation Reserve relates to the revaluation of of the SACU Secretariat Land and Building assets to reflect them at fair value in the financial statements for the year. As per policy, Land and Building are revalued every 2 years.

Opening Balance	38,836,834	38,836,834
Revaluations during the year	4,717,008	-
	43,553,842	38,836,834

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Annual Financial Statements for the year ended 31 March 2021

Notes to the Financial Statements

Figures in R

10. Provisions

10.1 Accounting policies

Provisions are recognised when the organisation has a present legal or constructive obligation as a result of past events; it is probable that a transfer of economic benefits will be required to settle the obligation; and the amount can be reliably estimated. Provisions comprise employee termination payments, leave pay and bonus pay obligations. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the amount 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. The increase in the provision due to passage of time is recognised as interest expense.

10.2 Provisions comprise:

Provisions for leave pay	2,506,072	1,594,112
Provisions for performance bonus	2,884,920	2,595,614
	5,390,992	4,189,726
Provisions for leave pay	2,506,072	1,594,112
Provisions for performance bonus	2,884,920	2,595,614
Current portion	5,390,992	4,189,726
	5,390,992	4,189,726

10.3 Provisions for employee benefits

	Leave pay provision	Total
Balance at 1 April 2020	1,594,112	1,594,112
Leave paid out during the year	(587,692)	(587,692)
Increase in existing provision	1,499,652	1,499,652
Total changes	911,960	911,960
Balance at 31 March 2021	2,506,072	2,506,072

10.4 Details of employee benefit provisions

Leave pay provision

The leave obligations cover the Secretariat's liabilities for annual leave which are classified as either other long-term benefits or short-term benefits, as explained under Employee benefits.

The current portion of this liability includes all of the accrued annual leave. The entire amount of the provision of R2,506,072 (2020 - R1,594,112) is presented as current, since the organisation does not have an unconditional right to defer settlement for any of these obligations. However, based on past experience, the organisation does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months. The following amounts reflect leave that is not expected to be taken or paid within the next 12 months R486,296 (2020 - R200,232).

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Notes to the Financial Statements

Provisions continued...

Figures in R

10.5 Provisions for performance bonus

	Provision	Total
Balance at 1 April 2020	2,595,614	2,595,614
New provisions	2,884,920	2,884,920
Bonus paid out	(2,375,308)	(2,375,308)
2019/20 Over provisions recognised	(220,306)	(220,306)
Total changes	289,306	289,306
Balance at 31 March 2021	2,884,920	2,884,920

11. Trade and other payables

11.1 Accounting policies

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

11.2 Trade and other payables comprise:

Trade creditors	3,045,428	1,617,155
Bank liabilities	2,724	62,657
Total trade and other payables	3,048,152	1,679,812

11.3 Employee benefits

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

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

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Notes to the Financial Statements

Trade and other payables continued...

Figures in R	2021	2020
11.4 Items included in trade and other payables not classified as financial liabilities		
Included in the staff payables is an honorarium fee of R12,454 which received by the Secretariat on behalf of the Executive Secretary. This will be distributed to Corporate Social Responsibility as per the instructions of the Executive Secretary.		
Trade payables	2,552,826	1,420,166
Staff payables	30,457	35,315
Accruals	462,115	161,674
Total non-financial liabilities included in trade and other payables	3,045,398	1,617,155
Total trade and other payables excluding non- financial liabilities included in trade and other payables	2,754	62,657
Total trade and other payables	3,048,152	1,679,812

11.5 Analysis of the periods and the amounts due

Creditor	Current	30 days	60 days	90 days	120 days	150+ days	Total
31 March 2021							
Trade payables	2,251,622	202,051	99,153	-	-	-	2,552,826
Staff payables	18,003	-	-	12,454	-	-	30,457
Accruals	416,410	2,850	3,875	17,277	7,888	13,815	462,115
Credit card liability	2,724	-	-	-	-	-	2,724
	2,688,759	204,901	103,028	29,731	7,888	13,815	3,048,121
31 March 2020							
Trade payables	1,304,384	70,420	-	-	-	45,362	1,420,166
Staff payables	3,895	5,000	26,420	-	-	-	35,315
Accruals	161,674	-	-	-	-	-	161,674
Credit card liability	62,657	-	-	-	-	-	62,657
	1,532,610	75,420	26,420	-	-	45,362	1,679,812

Southern African Customs Union

Annual Financial Statements for the year ended 31 March 2021

Notes to the Financial Statements

Figures in R	2021	2020
12. Financial liabilities		
Carrying amount of financial liabilities by category		
Year ended 31 March 2021		
	Debt instruments at amortised cost	Total
Trade and other payables excluding non-financial liabilities (Note 11)	3,048,152	3,048,152
Bank overdraft (Note 7)	503,866	503,866
	3,552,018	3,552,018

13. Revenue

13.1 Accounting policies

Revenue from the Common Revenue Pool is measured at the fair value of the consideration received or receivable.

Revenue from the Common Revenue Pool is recognised when:

- the amount of revenue can be measured reliably; and
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest and investments income on short term investments is presented as finance income when it is earned from financial assets that are held for cash management purposes. Any other interest income is included in other income.

13.2 Revenue comprises:

Common Revenue Pool	71,360,737	69,396,032
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14. Administrative expenses

Administrative expenses comprise:

Auditors fees	-	627,110
Bank charges	50,455	64,116
Communication costs	596,266	626,937
Subscriptions and reference materials	299,748	108,202
Total administrative expenses	946,469	1,426,365

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Annual Financial Statements for the year ended 31 March 2021

Notes to the Financial Statements

Figures in R	2021	2020
15. Other expenses		
Other expenses comprise:		
Advertising	359,223	96,181
Amortisation	344,675	160,486
Depreciation	5,720,237	5,687,885
Electricity, water and refuse	721,669	788,570
Employee costs	62,151,472	56,645,018
Hospitality and staff wellness	151,668	311,951
Hosting and convening of Member States technical meetings	271,244	2,991,724
Household expenses	392,477	506,012
Insurance	231,334	216,531
IT services	1,389,907	1,433,898
Media and Public relations	659,879	792,120
Motor vehicle expense	92,697	228,726
Office Supplies	648,533	769,890
Professional fees	2,249,953	5,446,800
Recruitment costs	360,157	1,253,438
Relocation costs	-	157,361
Rent for disaster recovery site	1,574,363	146,061
Repairs and maintenance	1,095,535	887,541
Security	919,547	696,892
Training	251,699	1,441,068
Travel, accommodation and subsistence	2,810	6,735,558
Total other expenses	79,589,079	87,393,711

16. Deficit from operating activities

17. Foreign exchange gains and losses

Accounting policies

Functional and presentation currencies

The financial statements have been presented in South African Rand. The functional currency of the organisation is Namibian Dollar. The presentation currency has been selected because it is the currency of the primary economic environment in which the SACU Secretariat operates.

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 surplus or deficit.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in surplus or deficit within 'finance income or costs'. All other foreign exchange gains and losses are presented in surplus or deficit within 'other (losses)/gains - net'.

Southern African Customs Union

Annual Financial Statements for the year ended 31 March 2021

Notes to the Financial Statements

Figures in R	2021	2020
18. Finance income		
Finance income comprises:		
Interest received	153,794	490,039
Investment income	1,772,212	3,371,730
Total finance income	1,926,006	3,861,769

19. Finance costs

19.1 Accounting policies

All borrowing costs are recognised in surplus or deficit in the period in which they are incurred.

19.2 Finance costs included in surplus or deficit:

Foreign exchange losses	1,360	31,867
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20. Related parties

Compensation paid to key management personnel

Executive Committee Compensation	17,816,041	13,867,454
Total compensation paid to key management personnel	17,816,041	13,867,454

21. Events after the reporting date

The SACU Secretariat is undertaking the development of a Strategic Plan which will inform a review of the organisational structure. There is no financial effect on the current period.

22. Insurance policies

Insurance policy details

The SACU Secretariat holds the following insurance policies with expiry dates as set out below:

Underwriter	Description of cover	Cover details
Marsh Namibia (Proprietary) Limited	Short term insurance	
Insurer 1		
Policy number		N-CBC 100989
Period of cover		36 months
Policy expiry date		31-Mar-21
Payment basis		Quarterly
Sum insured		94,904,170

Southern African Customs Union

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Notes to the Financial Statements

Figures in R	2021	2020
23. Cash flows from operating activities		
Deficit for the year	(7,250,165)	(15,558,174)
Adjustments for:		
Finance income	(1,926,006)	(3,861,769)
Finance costs	1,360	31,867
Depreciation and amortisation expense	6,064,912	5,848,371
Change in operating assets and liabilities:		
Adjustments for increase in trade accounts receivable	(1,924,077)	(1,131,677)
Adjustments for (increase) / decrease in other operating receivables	(181,882)	483,201
Adjustments for increase / (decrease) in trade accounts payable	1,428,273	(3,329,505)
Adjustments for decrease in other operating payables	(59,933)	(45,221)
Adjustments for provisions	1,201,266	1,159,265
Net cash flows from operations	(2,646,252)	(16,403,642)

24. Commitments

Tender commitments

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

Commitments for contracts beyond 31 March 2021

Cleaning services	533,317	1,018,151
Disaster Recovery Plan	3,459,063	4,847,656
Network support	245,228	139,903
Security services	908,754	1,727,496
SharePoint support	117,325	14,423
Extranet technical support	199,100	-
Supply and Installation of Video Conferencing Equipment for the Ministries of Finance	2,750,674	-
Study to Explore the Feasibility of Establishing a Regional Financing Mechanism	-	247,937
Internal Audit Quality review	76,000	190,000
Development of the SACU Extranet for Member States	-	356,430
Insurance Services	294,402	216,531
Records Achievement Services	37,598	3,460
	8,621,461	8,761,987

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Notes to the Financial Statements

Commitments continued...

Figures in R	2021	2020
Rollover		
The SACU Secretariat undertook activities related to procurement of goods and services from various suppliers which were not completed by the end of the financial year. Approval was granted to rollover these activities to the next financial year as a commitment was made to the suppliers. The activities are in the process of being completed.		
Supply and Installation of Video Conferencing Equipment for the Ministries of Finance	2,750,674	-
Supply and Delivery of Sedans	374,891	-
Installation of Access Control Devices	73,190	-
Audit of the SACU ICT Systems	249,099	-
Print copies of the the SACUM-UK EPA (English and Portuguese Texts)	175,990	-
Development of the SACU Extranet for Member States	-	264,645
Study to Explore the Feasibility of Establishing a Regional Financing Mechanism	-	247,937
Purchasing of replacement laptops	-	149,012
Implementation of Human Resource system upgrades	-	245,961
Development of Fraud Prevention Strategy	-	308,746
Development of the ICT Governance Framework	-	-
	3,623,844	1,216,301

25. Critical accounting estimates and judgements

Estimates and judgements 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.

25.1 Critical accounting estimates and assumptions

The organisation 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 addressed below.

Southern African Customs Union

Annual Financial Statements for the year ended 31 March 2021

Notes to the Financial Statements

Critical accounting estimates and judgements continued...

Figures in R

	2021	2020
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25.1.1 Going concern

The going concern assumption is evaluated based on information available up to the date on which the Financial Statements are approved for issuance by the Council of Ministers. While there is widespread uncertainty regarding the extent of the financial impact of the COVID-19 global pandemic on the economies of the geographies in which the Secretariat operates, primarily being Namibia, the going concern assumption was considered to be appropriate for the preparation of the Secretariat's financial statements for the year under review. In this regard, key considerations included:

- (a) The COVID-19 pandemic has resulted in the temporary suspension of all travel for the employees of the Secretariat. Therefore, the quarterly Meetings of the Institutions of SACU are still being convened virtually. This has impacted programme related expenditure such as Travel, Accommodation and Subsistence.
- (b) The COVID-19 lockdown restrictions by the Host Country resulted in the Secretariat adopting a rotational cycle as from 31 August 2020, where half of the employees work from home, while the remainder work from the office. The Secretariat has leveraged its ICT infrastructure and systems to ensure that the 'work from home' strategy was implemented successfully and operations were not disrupted.

25.1.2 Covid impact

The Secretariat has assessed the impact of the COVID-19 pandemic on the assumptions and significant judgements made in the valuation of items of property plant and equipment. Following the assessment of a number of factors considered in the Secretariat's COVID-19 response plan, management has determined that the anticipated impact of COVID-19 will not have a lasting impact on the productivity of the Secretariat's property, plant and equipment. Management has determined that the economic events that have transpired as a result of the COVID-19 pandemic are not an adjusting event.

26. IFRS-16 Leases departure

The SACU Secretariat has not adopted IFRS-16 for the Provision of a Managed Disaster Recovery Solution for the SACU Secretariat lease agreement. The reason for the departure is that if IFRS-16 is applied, it will not reflect a true and fair presentation of the Secretariat's annual financial statements and may mislead stakeholders and users of the annual financial statements. The financial implications are:

- a) the new interest expense may lead to the users believing that the Secretariat has some loan facilities with financial institutions. This is inconsistent with Section 5.4.1 of the Secretariat's Financial Policy and Guidelines, which only allows the Secretariat to obtain financing through bank overdrafts with the approval of the Council;
- b) depreciation expense will be increased. This will distort the Secretariat's annual budgeting submission and funding request. The depreciation expense is a non-cash expense and therefore is not funded. So the actual rental expense is not correctly allocated a budget provision; and
- c) fixed assets will be inflated. This may impact our insurance cover and accordingly the related expenditure. The insurance policy and cover are based on valuation of the Secretariat's fixed asset base. This may lead to the Secretariat overpaying for a service.

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Notes to the Financial Statements

IFRS-16 Leases departure continued...

Figures in R

This departure is in accordance with IAS-1 which acknowledges that "management may conclude that compliance with an IFRS requirement would be so misleading that it would conflict with the objective of financial statements set out in the Framework. In such a case, the entity is required to depart from the IFRS requirement, with detailed disclosure of the nature, reasons, and impact of the departure".

	2021	2022	2023	2024
Impact of the non-adoption				
Retained Earnings	23,938	8,154	(24,054)	(8,037)
Right of Use Asset (SFP)	3,312,267	3,312,267	368,030	-
Lease Liability (SFP)	3,336,205	1,872,239	376,067	-

Southern African Customs Union

Annual Financial Statements for the year ended 31 March 2021

Detailed Income Statement

Figures in R	Notes	2021	2020
Revenue	13		
Common Revenue Pool		71,360,737	69,396,032
Total revenue		71,360,737	69,396,032
Administrative expenses	14		
Auditors fees		-	(627,110)
Bank charges		(50,455)	(64,116)
Communication costs		(596,266)	(626,937)
Subscriptions and reference materials		(299,748)	(108,202)
Total administrative expenses		(946,469)	(1,426,365)
Other expenses	15		
Advertising		(359,223)	(96,181)
Amortisation - intangible assets		(344,675)	(160,486)
Depreciation - property, plant and equipment		(5,720,237)	(5,687,885)
Electricity, water and refuse		(721,669)	(788,570)
Employee costs - salaries		(62,151,472)	(56,645,018)
Hospitality and staff wellness		(151,668)	(311,951)
Hosting and convening of Member States technical meetings		(271,244)	(2,991,724)
Household expenses		(392,477)	(506,012)
Insurance		(231,334)	(216,531)
IT services		(1,389,907)	(1,433,898)
Media and Public relations		(659,879)	(792,120)
Motor vehicle expense		(92,697)	(228,726)
Office Supplies		(648,533)	(769,890)
Professional fees		(2,249,953)	(5,446,800)
Recruitment costs		(360,157)	(1,253,438)
Relocation costs		-	(157,361)
Rent for disaster recovery site		(1,574,363)	(146,061)
Repairs and maintenance		(1,095,535)	(887,541)
Security		(919,547)	(696,892)
Training		(251,699)	(1,441,068)
Travel, accommodation and subsistence		(2,810)	(6,735,558)
Total other expenses		(79,589,079)	(87,393,711)
Deficit from operating activities	16	(9,174,811)	(19,424,044)
Finance income	18		
Interest received		153,794	490,039
Investment income		1,772,212	3,371,730
Total finance income		1,926,006	3,861,769
Finance costs	19		
Foreign exchange losses		(1,360)	(31,867)
Total finance costs		(1,360)	(31,867)
Deficit from continuing operations		(7,250,165)	(15,594,142)
Discontinued operations			
Gain or loss recognised on the disposal		-	35,968
Surplus from discontinued operations		-	35,968
Deficit for the year		(7,250,165)	(15,558,174)



ANNEX 4

List of Abbreviations

AEs	Advanced Economies
AEO	Authorised Economic Operator
AfCFTA	African Continental Free Trade Area
ASEAN	Association of Southeast Asian Nations
ASYCUDA	Automated System for Customs Data
AUSCDGC	African Union Sub-Committee of Directors General of Customs
BURS	Botswana Unified Revenue Services
CCA	Common Customs Area
CMP	Customs Modernisation Programme
COVID-19	Coronavirus disease 2019
COMESA	Common Market for Eastern and Southern Africa
COMESA-EAC-SADC	Tripartite FTA
CRP	Common Revenue Pool
CSI	Corporate Social Investment
E	Emalangeni (Eswatini Currency)
EAC	East African Community
EFTA	European Free Trade Association
EMDEs	Emerging Markets and Developing Economies
EPA	Economic Partnership Agreement
EU	European Union
EU-SADC EPA	European Union- Southern African Development Community Economic Partnership Agreement
EXCO	Executive Committee
FAC	Finance and Audit Committee
FY	Financial Year
GDP	Gross Domestic Product
HS	WCO Harmonised Commodity Description and Coding System or Harmonised System
ICT	Information Communication Technology
IT	Information Technology
LAC	Latin America and the Caribbean
M	Maloti (Lesotho Currency)
MTEF	Medium Term Expenditure Framework
MERCOSUR	Mercado Común del Sur (the Common Market of the South)
N\$	Namibian Dollar (Namibian Currency)
P	Pula (Botswana Currency)
PTA	Preferential Trade Agreement
PTP	Preferred Trader Programmes
R	Rand (South African Currency)
SACU	Southern African Customs Union
SACU-EFTA FTA	Southern African Customs Union European Free Trade Association Free Trade Area
SACU-MERCOSUR PTA	Southern African Customs Union Mercado Común del Sur Partnership Trade Agreement
SACUM	SACU-Mozambique
SACUM UK EPA	Southern African Customs Union Mozambique United Kingdom Economic v Partnership Agreement
SADC	Southern African Development Community
SARS	South African Revenue Service
SSA	Sub-Saharan Africa
TRQs	Tariff Rate Quotas
UCR	Unique Consignment Reference
UK	United Kingdom
USA	United States of America
WCO	World Customs Organisation
YEIME	Your Export is My Entry

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