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SOUTHERN AFRICAN CUSTOMS UNION

SACU NEWSLETTER

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Opening remarks by the Chairperson of Council, Hon. Majosi Sithole Minister of Finance, Swaziland, this was on the occasion of the 25th Council Meeting of SACU on 2 December 2011

Swakopmund, Namibia



The SACU Council of Ministers had the December Quarterly meeting on 2 December 2011, in Swakopmund, Namibia. The Chairperson of Council made the following remarks to mark the official opening of the session;

Honourable Ministers, Madam Executive Secretary, Commission Members, Members of the media, Ladies and Gentlemen,

It is a great honour and privilege for me to welcome you all to this 25th Meeting of the SACU Council of Ministers. On behalf of all of us, let me take this opportunity to thank the Government of Namibia for the warm hospitality and the excellent arrangements made for this meeting. Swakopmund is indeed a delightful place to be during this time of the year and I do hope that we will find time to explore the city later in the day. The sound of the sea and the beautiful sight of the desert and the dunes should provide a sufficient incentive for us to move quickly but efficiently through our formal business.

This Council meeting is taking place against the backdrop of a fledgling and uncertain global economic recovery. The recent G20 Summit in Cannes, France, highlighted the challenges facing the global economy and the need for decisive action to address them. Among the key challenges facing the global economy, are: the financial markets instability; high commodity prices and the consequent inflationary pressures; and the sovereign debt issues affecting Europe and America, which have a potential to adversely affect the wider global economy. All of these pose particular challenges on efforts to create jobs in both developed and developing countries, which is a necessary ingredient for spurring economic growth. In the pursuit of economic growth, the challenge is to ensure sustainable and balanced growth that is inclusive and beneficial to vulnerable groups such as women and the youth.

In addition, the meeting of the G20 paid particular focus to the global imbalances and the differences between export rich countries and debt laden consumer countries. It is therefore heartening to note that the meeting of the G20 leaders agreed on a framework for balanced growth, reform of international organisations such as the International Monetary Fund (IMF) and a commitment to conclude the stalled Doha Round of trade negotiations.

Honourable Ministers,

The value of a collective approach at the global level cannot be overemphasised as it is the necessity for a collective and coordinated approach at the regional level. SACU Member States need to work together to forge greater regional solidarity

to weather the global challenges posed on our region. The time is opportune for us to consider a regional approach to addressing the challenges facing our economies, with a view to supplement national efforts. We have already started on a work programme that addresses, amongst others, finance, trade and industry issues.

In the area of finance, our commitment should go beyond revenue sharing, and focus on the fundamentals underpinning a Customs Union such as harmonised and aligned economic development policy. In the area of trade, we have emphasised the need to promote intra-regional trade, trade with third parties and maintaining SACU's cohesion on engagement with third parties. On industrial development, we need to be creative and promote the development of value chains and addition to our regional resources.

As we pursue our work programme, special attention needs to be paid to the outcomes of the United Nations Conference on Climate Change (COP 17), which is currently being hosted within our region in Durban, South Africa. In this respect, I would like to congratulate the Government and people of South Africa for all the preparations that they have made to successfully host this important global meeting. I have no doubt that the meetings will be a resounding success that will do the whole of Africa proud.

The need to mitigate the impact of climate change is no longer an issue for debate as the impact is apparent for all to see. The impact is likely to be severe among the poor as food crops fail and food insecurity increases. It is therefore essential that some balance is struck between the countries that are high Carbon Dioxide emitters and those that are at the low end of the scale. In this respect, I am hopeful that a favourable deal will emerge from the meetings in Durban.

Honourable Ministers,

Turning to the agenda for this meeting, I note that we have a number of important issues to deal with. During this meeting we will, among others, get updates on progress achieved on the mandates of the two Task Teams on the Review of the Revenue Sharing Arrangement and Industrial Development Policy. We will consider the proposed Customs Policy for the region, the development of a Common Negotiating Mechanism and the Amendments to the 2002 Agreement in order to institutionalise the SACU Summit. We will also receive feedback on the SACU headquarters building as well as a proposal for the convening of the Ministerial Retreat.

I am aware that the Commission has had extensive discussions on these issues over the

last few days. I look forward to receiving the reports of the mission achieved.

The Minister of Finance of the Host Country, Honourable Saara Kuugongelwa- Amadhila, responding to the Chairperson's remarks and official opening statement, and in welcoming the guests made the following remarks;

The Chairperson of the SACU Council, Honourable Ministers, Members of the SACU Commission, the Executive Secretary of SACU Distinguished Delegates:

On behalf of the Namibian Government, I wish to welcome you all to Swakopmund for the 25th Meeting of the SACU Council of Ministers. As always, I am honoured to host Council meetings, especially the end-of-year ones.

Honourable Ministers, we have a long agenda before us that will require thorough consideration and that will draw on not only Trade and Finance issues, but also on administrative ones. We will consider follow-up work for the Strategic Retreat.

Honourable Ministers, we are furthermore looking forward to receiving reports from the Commission on the important strategic issues of the review of the Revenue Sharing Arrangement and the SACU Industrial Development Policy.

Other important agenda items for our consideration are the Allocation of Revenue

Shares and the future Management of the Common Revenue Pool as well as initiatives to strengthen the Customs Union and those relating to SACU's external Trade Agenda

Honourable Ministers, Madam Executive Secretary, as host to the SACU Secretariat, we in Namibia take particular interest in progress made with regard to the SACU Headquarters Building Project. But it is also in our collective interest that implementation is not held up any longer. After all, our Heads of State and Government have noted that the SACU profile must be enhanced.

Chairperson, Honourable Ministers, Delegations to the Commission, I am sure you will all agree with me that Swakopmund offers a conducive environment for grappling with these important and challenging matters of National and regional interest and that we are therefore assured of positive outcomes!

With this in mind, allow me to once again welcome you all to our country and in particular to our world renowned coastal town.

As customary, after the officiation the meeting commenced and continued following the set agenda. The Chairman of Commission, Principal Secretary in the Ministry of Trade Industry and Commerce of the Kingdom of Swaziland Mr Cyril Kunene, presented the commission report to the Council of Ministers for consideration of issues.

HIGHLIGHTS OF ISSUES DISCUSSED DURING COUNCIL IN 2011

Revenue Management

The Commission established a task team to develop options on how SACU revenues will be collected and shared. The task team met on various occasions during the year, and is working with international organisations such as the IMF on issues that include but are not limited to the management of the cycle and trends in the Common Revenue Pool (CRP) and options for minimising volatility of the Common Revenue Pool. Once complete the work on the CRP will also guide the

The region has seen positive growth this financial year with the audited size of the CRP increasing in 2010/11. The future outlook appears to be positive with further growth in the size of the CRP predicted for 2012/13 financial year.

Trade Facilitation

Under Trade Facilitation a Steering Committee of Customs Commissioners was formed for the Customs Development Programme. It is envisaged that this committee will oversee the development of a customs policy that will cover areas of Customs Legislation; Risk Management; Trade Partnerships; Standard Operating Procedures (SOPs); and Customs IT connectivity. The Customs Commissioners further developed an Action plan on enhancing cooperation, improving compliance and facilitation of trade in SACU. The main activities under this action plan are Information Technology where a working group on IT connectivity was established; Improving Border Efficiencies where a pilot Time Release Study has been concluded at the Mamuno/Trans Kalahari Border post. Trader Partnerships where a series of national stakeholder consultations were also conducted in Member States with a view to get private sector involvement in the SACU-WCO Customs Development Programme; and Customs Enforcement where a working group on Customs Enforcement was established and a proposal for conducting joint customs enforcement in respect of tobacco and tobacco related products has been developed.

Policy Development

The Commission initiated a study on Regional Industrial Development Policy which aims to identify areas of regional collaboration and priority sectors for SACU. To date, an Industrial Policy Task Team has been established by the Commission and Terms of Reference to guide

the Study have been developed. Further workshops with Development Finance Institutions have been scheduled for the remainder of the year from which a detailed Industrial Development Policy work programme is expected to be developed.

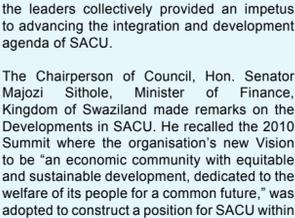
Trade Negotiations

Under trade negotiations work has commenced on an impact assessment study of the proposed COMESA/EAC/SADC Tripartite Free Trade Agreement. It is anticipated that SACU Senior Trade Officials will meet early in 2012 to consider the results and recommendations arising from the study and start the work required to prepare a common SACU position for these negotiations. Further work is underway between SACU and its various trading partners which include but are not limited to the USA, EU, India, EFTA and MERCOSUR.

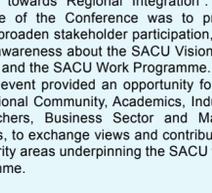
Ongoing work is taking place on the development of a Common Negotiating Mechanism (CNM). It is hoped that once complete, the CNM will provide a formal platform to guide negotiations from initiation to implementation in order to ensure consistency and proper planning within SACU.

SACU Institutions

SACU legal experts have been working on re-defining SACU's institutional structures and reporting procedures to include the Summit. This process will require an amendment of the 2002 SACU Agreement. National consultations are on-going. Thereafter, final recommendations will be considered for the most appropriate structure and function of the Summit. Further work is taking place to establish the SACU Tariff Board and Tribunal as per the requirements of the 2002 SACU Agreement.



SACU SECRETARIAT GENERAL STAFF MEETING 09 DECEMBER 2011



Tswelopele Moremi,
Executive Secretary of the
Southern African Customs Union

The SACU Secretariat held the 3rd general staff meeting for the year on Friday 09 December 2011. The Secretariat General Staff meetings are chaired by the Executive Secretary, who gives an overview of the organisation as a whole and then hands over to the directors, who each make presentations their respective areas.

As an opening statement, the ES welcomed all staff to the meeting and further went on to welcome those employees who have joined the Secretariat since the last staff meeting in June 2011, and wished them an enjoyable and prosperous stay with the Secretariat.

The Executive Secretary gave an overview of the year's achievements. She noted that the incorporation of a corporate governance policy has been a major milestone. In this regard, she noted the various committees set up during the year to enhance staff participation in organisational development, through their inputs on issues that affect staff welfare in the organisation. Some of the committees set up include the Human Resources Committee, Professional Staff Forum, Entertainment Committee, and Finance Committee whose work would continue to support the Secretariat and other member functioning committees (EXCO, Senior Management Forum) that already existed.

On key achievements for the year the ES informed the meeting that the secretariat has achieved a 100% staff compliance level, with almost all posts in the organisation filled, but noted that due to the short term nature of contracts, there would always be cyclical turnover as staff reached the end of their contracts.

In 2011, Council approved the strengthening of the Secretariat and the creation of the positions of Deputy Executive Secretary (DES) separate from Director Trade Facilitation & Revenue Management (DTFRM), Legal officer, and Industrial Policy Expert. The DES position would focus on operational effectiveness of directorates and oversee the work programmes of directorates. This would enable the ES to focus on high level strategic and advocacy issues of the organisation.

In recognising the importance of the need to Strengthen Capacity in the Secretariat, Member States requested the development of a new organisational structure for the Secretariat. Work on the new structure is being undertaken by the senior management forum (SMF) and will comprise the AU level SACU was not previously recognised as a REC, however, there have been many recent developments that tend to suggest that SACU is becoming more recognised at the regional and continental level. The Secretariat has and will continue to take strides to show that SACU is a

democratic institution with a real agenda and work programme involving its 5 Member States (MS).

The ES noted that the Headquarters (HQ) Building project has taken significant strides towards finalisation. An internal project monitoring team has been set up that consists of Finance, Legal, Procurement, Director Corporate Services (DCS), and ES. Council approved the associated costs at the December 2011 meeting and hence tendering for the project should be completed by April 2012 with the project commencing in June 2012. It is anticipated that the HQ building should be ready for use by the end of 2013. The ES reminded staff that with the continued expansion of the Secretariat and the status of the HQ building, there may be a need for office sharing.

The ES informed staff that some of the challenges facing the institution were due to the slow processing of decisions by Member States, which had also contributed to the incompletion of organisational structures and mechanisms such as the Summit, Tariff Board, Common Negotiating Mechanism, Tribunal, and Revenue Sharing Arrangement. She advised that this was part and parcel of the nature of the work when dealing with MS as it is not often easy to reach common understanding. However, the Secretariat should continue to work as best as it can under the conditions. The ES further noted that further challenges to the organisation's work programme were the dates set for meetings. The inability to adhere to the meetings calendar caused problems in the implementation of the work programme.

The DTFRM outlined the focus for 2012. He acknowledged the HQ project which would enter the tendering phase in the first quarter of 2012. In this regard, the Secretariat staff should be ready to get involved in the work of the Secretariat and support the HQ Task Team members as and when required.

At the last council meeting there was a decision to have a Council Retreat in May 2012. There will be a preparatory meeting of the Commission in April 2012. This will involve preparation on the main Retreat issues which are around regional integration. He observed that there would likely be meetings of technical staff and professional staff to develop the various agendas.

The DTFRM observed that the ongoing SACU work programme includes work on a SACU Industrial Policy, the Review of the Revenue Sharing Arrangement, Institutional Development, and Regional Integration Agenda. He further observed that the Tripartite FTA will bring about much work for the Secretariat. He informed the meeting of the issue of the SADC customs union that had commenced in 2006 and of the ongoing discussions on how this will affect integration in Southern Africa.

Finally, the DTFRM noted that there was likely to be a Summit in 2012 and that this would require thought around its preparations. A decision had been taken to establish a Summit in an attempt to publicise SACU in MS at high levels. The Secretariat should therefore be prepared to support all of these initiatives when ever called upon.

The DCS was next to present on administrative issues. He informed the meeting that the 2012/13 budget had been approved by Council. It was N\$91million odd. The current budget had been revised down from N\$87- N\$57million odd. He encouraged all Secretariat personnel to familiarise themselves with budget particularly in their respective work areas.

The DCS further informed the meeting that diplomacy training would commence in the Secretariat as of 2012. Two institutions (Ministry of Foreign Affairs and the Graduate Institute of Leadership and Development) had been identified to assist in this regard. Training will take place in the first quarter of 2012. The training will include, amongst others, diplomatic skills, etiquette, dress code, international relations, and obligations outside of the office.

The DCS noted that Procurement, IT and Facilities sub-units were working on an access control and security system. The main purpose of this will be to improve the issue of safety and security for Secretariat staff and assets. The system will be transferable to the new HQ building. He also noted that a new switchboard system was in the process of being procured.

Finally the DCS informed the meeting that the Secretariat Procurement Management System (PMS) was going to be improved and aligned to the new SACU work programme. In this regard, a Strategic Retreat for the Secretariat was due to take place in January 2012. Balanced scorecards will be developed as part of new PMS and this would require regular training for all staff.

After discussions around some of the issues tabled, the ES officially closed the meeting and wished all staff a happy festive season and expressed the hope that staff would continue to support the greater SACU work programme and make the organisation an institution of excellence.

SACU needs to re-evaluate its Visibility – Executive Secretary

As a culmination of the commemoration of the SACU Centenary Celebrations, SACU hosted a high-level one-day regional conference on Friday 29th July 2011. The theme of the conference was 'Implementing a Common Agenda towards Regional Integration'. The objective of the Conference was to profile SACU, broaden stakeholder participation, and create awareness about the SACU Vision and Mission and the SACU Work Programme. This historic event provided an opportunity for the International Community, Academics, Industry Researchers, Business Sector and Market Analysts, to exchange views and contribute to the priority areas underpinning the SACU work programme.

The Programme for the Conference focussed on four thematic areas drawn from the current SACU work programme, namely 1) Regional Integration 2) Regional Industrial Development Policy, 3) Revenue Sharing Arrangement and 4) Cross Border Infrastructure. From each of the topics, two papers were presented followed by discussions. A number of key speakers from within the region and beyond were identified to share their experiences in the priority areas that have significant relevance to the organisations strategic direction.

The conference was officially opened by Hon. Dr Rob Davies, Minister of Trade & Industry of the Republic of South Africa. He welcomed

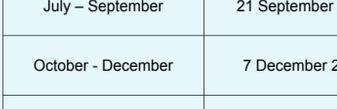
everyone present to the regional conference. He stated that the conference was the last of a series of such conferences that have been held in all MS over the past year as part of the centenary celebrations. He further recalled the three summits of Heads of States and Government that had been convened, where the leaders collectively provided an impetus to advancing the integration and development agenda of SACU.

The Chairperson of Council, Hon. Senator Majosi Sithole, Minister of Finance, Kingdom of Swaziland made remarks on the Developments in SACU. He recalled the 2010 Summit where the organisation's new Vision to be "an economic community with equitable and sustainable development, dedicated to the welfare of its people for a common future", was adopted to construct a position for SACU within the plethora of integration initiatives currently taking place. He noted that SACU Heads of States and Governments had endorsed a new work programme and institutionalised the Summit of SACU Heads of State and Government, thereby further committing to the process of transformation of the organisation.

A key highlight from the conference has been the identification of the need to involve none state actors in the SACU work programme. This was endorsed by a decision of Council, where the Secretariat was directed to come up with a strategy on how to involve this stakeholder in the future.



OVERCOMING OBSTACLES TO REGIONAL INTEGRATION IN AFRICA



The Executive Secretary of the SACU Secretariat Ms Tswelopele Moremi, remarked that SACU Member States clearly indicated their desire to use SACU as a vehicle for deepening integration and development of the sub-region. This was in support of comments made by the Secretary General and representative of the African Development Bank on the occasion of the Third Global Review of AID for Africa on 19 July 2011, in Geneva, Switzerland.

Ms Moremi mentioned that in 2010, SACU celebrated 100 years, and it was during the occasion of the centenary celebrations that SACU Heads of State and Government launched the Vision and Mission of the Customs

Union, to be an economic community with equitable and sustainable development dedicated to the welfare of its people for a common future. Consequently a new work programme was developed focusing on, inter alia, regional industrialisation, trade facilitation, institution building, revenue sharing and unified engagement in trade negotiations.

Moremi also revealed that SACU Member States further recognised their role within the wider regional and continental integration agenda under the Abuja Treaty. Consequently, they have welcomed and supported the tripartite initiative as an effort to promote deeper economic integration, to promote market access, to develop infrastructure and increase their manufacturing base.

In conclusion, she reiterated that Aid for Trade initiatives will be even more critical to unlock the productive potential and advance the regional integration agenda of SACU and other Regional Organisations as the comprehensive development agenda is being embarked upon.