



**OVERVIEW OF SACU INSTITUTIONS, SACU AGREEMENT
& HOW SACU STRUCTURES WORKS**

BY

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MBABANE, SWAZILAND



Director of Ceremony

Professor Cisco Magagula, Vice Chancellor of the University of Swaziland,

Dr. Dr Dumisile F. Dlamini, Head of the Economics Department, University of Swaziland

Mr. Simiso F. Mkhonta, Acting Manager: Policy Research and Macroeconomic Analysis, Central Bank of Swaziland,

The management of the University of Swaziland

Representatives of the Ministries of Finance,

Commerce, Industry and Trade,

Distinguished Students,

Media practitioners,

Invited guests

Ladies and Gentlemen,

Sanibonani. Good morning.

1. Allow me at the outset, to thank the Vice Chancellor, the Management, Professors and everyone at the University of Swaziland for affording us an opportunity to interact with you this morning in the quest to share knowledge. My staff and I are delighted to be here today and humbled by your attendance and look forward to discussing and engaging in a dialogue with you on the role of SACU and its operations.
2. I would also like to extend my deepest gratitude to the Minister of Finance, Honourable Senator Martin G. Dlamini, firstly for accepting to co-host this awareness campaign over the next two days and secondly for availing officials from the Ministry of Finance to co-organise this event with the SACU Secretariat.
3. The theme for this event is **“IN THE QUEST FOR KNOWLEDGE”**. As the theme suggests, the objective of this event is to share knowledge and through that raise awareness about the Southern Africa Customs Union (SACU), its Institutions, operations and programmes, with the aim of enhancing the understanding of SACU by the citizens and nationals in each SACU Member State.

4. The awareness campaign is also intended to promote dialogue with the national stakeholders and enhance their awareness of the benefits derived from participating in the Customs Union, and how understanding of its operations can lead to increased utilization by stakeholders of the opportunities and benefits open to the SACU Member States especially in the area of trade.
5. Obviously, there is no better place to do this than here at the University of Swaziland, the hub of knowledge for the country.
6. Through this initiative, the Secretariat also aims to bring the SACU Secretariat's services and products closer to the people. We have partnered with the Ministries responsible for Finance in each Member State for the execution of this initiative and plan to roll out similar events in all our Member States during the course of the year.
7. Through this we seek not only to share information about SACU, but we will also want to learn more from you, in terms of how we can improve our services to benefit our stakeholders in the region.

Director of Ceremonies

8. I will begin my presentation by providing a brief overview of the Customs Union; including its

Vision, Mission and Priority Areas. Thereafter, I will highlight the key features of the SACU Agreement, 2002, which will include the SACU Institutions and how the SACU structures work in general.

9. As you may be aware, SACU is the oldest customs union in the world- having been established in 1910. The political changes following the independence of Botswana, Lesotho and Swaziland in the 1960s, necessitated a renegotiation of the 1910 Agreement, which culminated in the conclusion of the 1969 SACU Agreement.
10. Additionally, the political and economic dispensation of the early 1990s, including Namibia's independence in 1990 and the attainment of democracy by South Africa in 1994 coupled with the lack of joint decision making; warranted a complete renegotiation of the 1969 Agreement with the aim to democratize SACU and address the needs of the SACU Member States more effectively.
11. The negotiations culminated in the SACU Agreement, 2002; which sets out a broad framework towards the attainment of enhanced integration in the region. The SACU Agreement 2002 establishes the SACU Institutions, a legal

personality, and allows for joint decision making, amongst others.

12. I will highlight some of the salient features of the SACU 2002 Agreement. However, before doing that, allow me to first reflect on our Vision and Mission.

13. The Vision of SACU is to be “An economic community with equitable and sustainable development, dedicated to the welfare of its people for a common future”.

14. **Our Mission as a Union is 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;
- Build economic policy coherence, harmonization and convergence to meet the development needs of the region;
- Promote sustainable economic growth and development for employment creation and poverty reduction;
- Serve as a building block of an ever closer community among the peoples of Southern Africa;
- Develop common policies and strategies for areas such as trade facilitation; effective customs controls, and competition; and

- Develop effective, transparent and democratic institutions and processes.
15. The SACU Secretariat, being one of the SACU Institutions, was put in place to facilitate the achievement of the SACU Vision and Mission by providing technical and administrative support to the other Institutions of SACU. Our Work Programme is therefore structured and aligned towards the achievement and realisation of the SACU Vision and Mission. In this regard, the SACU Work Programme is underpinned by the following priorities as approved by the SACU Heads of State and Government:
- i) Regional Industrial Development Policy;**
 - ii) Review of the Revenue Sharing Arrangement;**
 - iii) Trade Facilitation;**
 - iv) Development of SACU Institutions;**
 - v) Unified Engagement in Trade Negotiations;**
 - vi) Trade in Services”; and**
 - vii) Strengthening the capacity of the Secretariat.**
16. Work on the implementation of these Priority Areas is on-going.

Ladies and gentlemen

17. Allow me now to highlight some of the key elements of the SACU Agreement, 2002. The Agreement provides for the following Institutions, namely: the Summit, Council of Ministers, Customs Union Commission, the Secretariat, Tribunal, Tariff Board, National Tariff Bodies, and 4 Technical Liaison Committees (Agriculture, Customs, Trade and Industry and Transport).

- **The SACU Summit** is a new addition to the 2002 Agreement. The amendments to the 2002 SACU Agreement, to institutionalise the Summit were adopted in April 2013. The SACU Summit comprises of Heads of State or Government of all SACU States. The key function of the Summit is to provide political and strategic direction to SACU. The ratification is on-going in Member States whilst the Rules of Procedure for the Summit will be adopted once Amendments takes effect.
- **Council of Ministers** - The SACU Council of Ministers comprises Ministers responsible for Finance and Trade. The Council is responsible for decision making and overall policy direction and functioning of SACU institutions, including the formulation of policy mandates, procedures and guidelines for the SACU institutions. Further, the Council approves the budget of the Secretariat, and is responsible for appointing

the Executive Secretary of the SACU Secretariat and the members of the Tariff Board. Decision-making in the Council is by consensus.

- **Commission** - The SACU Commission is made up of Senior Officials at level of Permanent/Principal Secretary/Director-General. The key responsibility of the Commission is to ensure implementation of the SACU Agreement and decisions of the Council. The Commission provides advice to the Council on technical issues, oversees the management of the SACU Common Revenue Pool and the work of the Secretariat.
- **Secretariat** - The Secretariat is responsible for the day-to-day administration of SACU and coordination and monitoring the implementation of SACU decisions by Member States. It also arranges meetings and keeps minutes of the meetings of SACU institutions. The Secretariat undertakes research and develops technical papers to support discussions by Member States. The Secretariat is also the depositary of all SACU records and instruments of ratification. The Secretariat has no supranational authority or policy making powers. It is based in Windhoek, Namibia and is funded from the Common Revenue Pool.
- **SACU Tariff Board** - Efforts are underway to establish the Tariff Board, which would govern tariff administration in SACU. Obviously, the

operationalisation of the Tariff Board is a complex exercise, which requires the sequenced development of a number of economic policy and administrative instruments that would underpin its operations.

- **Ad Hoc Tribunal** - The Ad-hoc Tribunal is not yet operational. The function of the Ad-hoc Tribunal, once operational, will be to settle any dispute regarding the interpretation or application of the SACU Agreement, or any dispute arising thereunder.

Ladies and gentlemen

18. As a customs union, SACU maintains a Common External Tariffs (CET) on imports from outside of the Customs Area. Pending the establishment of the SACU Tariff Board, the International Trade Administration Commission (ITAC) of South Africa is responsible for setting the CET in consultations with relevant authorities in other Member States.
19. Furthermore, SACU has a Common Revenue Pool, which is presently managed by South Africa on behalf of the SACU Member States, as a transitional arrangement. The Revenue is shared amongst the Member States through a revenue

sharing formula that is calculated from three basic components:

- **Custom duties** - allocated according to each country's share of total intra-SACU trade, excluding re-exports.
- **Excise** - 85 percent of the excise revenue is distributed on the basis of each country's share of total SACU GDP.
- **Development component** - fixed at 15% of total excise revenue, is distributed according to the inverse of each country's GDP per capita and the distribution is weighed in favor of the less developed Member States.

20. Except for South Africa, SACU revenue accounts for a relatively large portion of the national budget of Botswana, Lesotho, Swaziland and Namibia.

21. SACU Member States have established a common negotiating mechanism for the purpose of undertaking trade negotiations with third parties. As a result, SACU Member States pursue a unified approach towards negotiations with third parties including the EPA negotiations with the European Union, which was concluded recently.

22. The SACU Agreement, 2002 recognises the need to develop common policies amongst the members in the areas of industrial development, agriculture and competition policies. Work and consultations

among the Member States are ongoing with a view to work towards the harmonisation of the above-mentioned policies. The key objectives of this work is to achieve balanced economic development and deal with the effects of economic polarisation and industrial concentration.

23. Since 2002, SACU has concluded several trade negotiations with some of its key trading partners. These include the following:

- Preferential Trade Agreement with MERCOSUR group of countries (Brazil, Argentina, Paraguay, Uruguay);
- Trade, Investment and Development Cooperation Agreement (TIDCA) with the US.
- SACU-EFTA-European Free Trade Association (Norway, Iceland, Liechtenstein, Switzerland);
- SACU-INDIA Preferential Trade Agreement Negotiation (Negotiations currently underway under the leadership of Namibia).
- Economic Partnership Agreement with the European Union (EPA).

24. My colleagues will provide more details on the Trade Agreements and arrangements concluded between SACU and its trading partners as well as

other technical work undertaken during the next session.

25. In conclusion, let me observe that a Customs union represents a deeper level of integration marked through the existence of a common Customs area. The SACU agreement of 2002 is a major departure from the one of 1969. Significant progress has been made in implementing the agreement. However, we still need to cover more ground to scale up implementation of the 2002 Agreement.
26. These processes are complex and they also take time to implement. Keep in mind that it took the EU over 40 years.
27. In conclusion, let me thank you once again for taking time off your busy schedule to join us this morning. I trust through our conversations this morning we shall indeed address and start to overcome the “Quest for knowledge” in line with the theme for this event. I look forward to a fruitful engagement.

I thank you.