Since 1910

SACU

SOUTHERN AFRICAN CUSTOMS UNION

2020

ANNUAL REPORT

Since 1910

SACU

SOUTHERN AFRICAN CUSTOMS UNION

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.

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KEY PRIORITIES

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

ADMINISTRATION

Business address:
Corner Julius K. Nyerere and Feld Street
Windhoek
Namibia

Postal address:
Private Bag 13285
Windhoek
Namibia

Bankers:
Standard Bank Namibia Limited

External Auditors:
Auditor General of the Republic of Namibia


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Honourable Tito T. Mboweni
Minister of Finance, Republic of South Africa and Chairperson of the SACU Council of Ministers

MESSAGE FROM THE CHAIRPERSON OF THE SACU COUNCIL OF MINISTERS

I am pleased to present SACU's Annual Report for the 2019/20 Financial Year. The Report highlights major achievements and activities undertaken during the period under review as well as economic performance of the SACU Member States and the audited Annual Financial Statements of the Secretariat.

A major development during the year under review was the outbreak of COVID-19 in the latter half of the year, which was declared a global pandemic by the World Health Organisation and had a major impact on the operations of the Secretariat. The pandemic also caused severe and extensive pressure on the social and health fronts, as well as negatively affecting the overall economies, leading to contractions and increase in the level of unemployment. I am pleased that all our Member States were able to undertake and put in place the necessary measures at the national level, including appropriate stimulus packages in their efforts to curb and mitigate the spread and risks associated with the pandemic. As a region, SACU adopted a coordinated approach to ensure that the flow of essential goods across the region, was facilitated with minimal delays. It is only through such measures that we can safeguard and assist our economies to recover from the effects of COVID-19.

Following a recovery of nearly 4 percent in 2017, the global economy declined to 3.6 percent and 2.9 percent in 2018 and 2019, respectively. This is the lowest level of growth experienced since the 2008/09 financial crisis. The slow growth was due to trade policy uncertainty, geopolitical tensions, and idiosyncratic factors in some of the key Emerging Markets and Developing Economies (EMDEs).

Advanced economies also experienced a slowdown in economic performance, recording 1.7 percent in 2019 compared to 2.2 percent in 2018. This was largely attributed to the softer growth in the US and the Eurozone. The continuing US-China trade tensions; uncertainty around the Brexit deal; and geopolitical tensions in the Middle East due to the US-Iran tension, were some of the major factors affecting the growth prospects in the advanced group of countries. Similar to the global trend, the advanced economies are projected to record a contraction of -8.0 percent in 2020.

The EMDEs also experienced a similar trend to the global performance with a growth of 3.7 percent in 2019 compared to 4.5 percent in 2018. As one of the key economies among the EMDEs, China experienced a reduced growth momentum recording 3.7 percent in 2019 compared to 4.5 percent in 2018. Similarly, Latin America also experienced a lower growth of 0.1 percent in 2019 compared to 1.1 percent in 2018, with Mexico recording a -0.3 per cent contraction. The projections for 2020 show that the EMDEs will experience a contraction of -3.0 percent due to the COVID-19 pandemic.

Growth in Sub-Saharan Africa (SSA) moderated to 3.1 percent in 2019 which is slightly lower than the 3.2 percent recorded in 2018. This was partly due to the slower-than-expected growth in economic performance in five (5) key economies of Algeria, Egypt, Morocco, Nigeria, and South Africa. It is also worth noting that during the reporting period, the growth's fundamentals improved with its drivers shifting towards investments and net exports. For the first time in a decade, this resulted in investment expenditure accounting for a larger share of GDP growth than consumption. However, forecasts for 2020 reflect that the SSA region will also record a contraction of -3.2 percent due to COVID-19.

The SACU region has also experienced similar trends to the global and the SSA economies, with an average weighted growth rate of 0.6 percent in 2019, which is a slight decline from the 0.9 percent recorded in 2018. Like other regions, SACU economies are forecast to contract by a weighted average growth rate of -7.4 percent in 2020 due to the negative impact of the COVID-19 pandemic. At the regional level, this calls for the SACU Member States to closely collaborate to minimise the negative effects of COVID-19 and to cushion our people and economies.

Turning to the trade agenda, major developments took place during the period under review. At the continental level, a key milestone was the entry into force of the African Continental Free Trade Area (AfCFTA) on the 30th of May 2019. I am gratified that all the SACU Member States have signed the AfCFTA Agreement, with one Member State still to complete its national process to ratify the Agreement. In this regard, there is a need to ensure that all Member States complete this process to ensure its full implementation in SACU.

The operationalisation of the AfCFTA is a major achievement, as it will provide our business community with greater and improved access to markets across the continent. The AfCFTA is the biggest trade deal in the world, in terms of the number of participating countries, since the establishment of the World Trade Organization in 1994. It is made up of 54 African countries, creating a single market of 1.3 billion consumers with a combined GDP of USD 3.4 trillion. This is, indeed, a milestone for Africa, considering that African economies have traditionally been fragmented and lacking the scale to compete globally.

It is also worth noting that the AfCFTA is not only a free trade agreement, but most importantly, it will serve as a catalyst and a vehicle for Africa's economic transformation and more specifically, the industrialization of Africa. This bodes well with SACU's own objective of "*industrialization as an overarching objective and priority*". This is even more important at this stage where the world is faced with the COVID-19 pandemic, which has highlighted the need to enhance intra-Africa trade. In addition, the pandemic has highlighted the urgency to enhance Africa's production capacity to supply essential goods required to fight the COVID-19 pandemic. As SACU, we therefore look forward to the full operationalisation of the AfCFTA.

Another key milestone on the trade agenda was the signature of the SACU, Mozambique and United Kingdom Economic Partnership Agreement in October 2019. This was with a view to rolling-over the Economic Partnership Agreement between the European Union and the SADC EPA Group to a new trade Agreement. This Agreement will ensure continuity of trade between the two parties and avoid trade disruptions when the UK finally leaves the European Union (Brexit).

On Trade Facilitation, the SACU Customs Modernisation Programme continued to advance and has reached important milestones. The IT Connectivity Project which will connect Customs Systems in the Member States to facilitate real-time exchange of customs data is very important. It will not only enhance efficiency through the reduction of transit time for traders and goods at borders but will also reduce revenue losses due to under-declarations. This Project is particularly important in ensuring adherence to social distancing protocols at borders through minimising physical contact, due to the COVID-19 pandemic.

The Customs Modernization Programme has benefited from some funding support from the UK. I wish to extend our appreciation to the Government of the United Kingdom for the financial support extended to some elements of the SACU Customs Modernisation Programme.

During the period under review, minimal progress was made on the implementation of the Ministerial Work Programme. This notwithstanding, I remain optimistic that its implementation will be fast-tracked in the coming year as this Work Programme remains critical to SACU. Some of the activities under the Work Programme could provide an impetus to the SACU region in its efforts to address the devastating effects of COVID-19.

I wish to express my appreciation to the Council of Ministers for the cooperation and support in ensuring continued commitment and implementation of the SACU Regional Integration Agenda.

Finally, I would also like to extend my gratitude to the Executive Secretary, Ms. Paulina M. Elago and the Secretariat's Staff, for the hard work and dedication in coordinating the implementation of the programmes and activities in SACU.

Honourable Tito T. Mboweni
Minister of Finance, Republic of South Africa and
Chairperson of the SACU Council of Ministers

SACU Headquarters


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Ms. Paulina Mbala Elago
Executive Secretary of SACU

EXECUTIVE SECRETARY'S STATEMENT

The Year under review was yet another exciting but also a challenging one for SACU amid slowing global growth and the outbreak of the COVID-19 pandemic during the last half of the year. The latter has far reaching implications and adverse effects on many sectors of the SACU economies. Key among them being tourism, manufacturing, selected services sectors, transport global value chains and trade, which will lead to unemployment and put people's lives and livelihoods at risk. The COVID-19 pandemic will have adverse socio-economic impact across the region, this will require policy makers to identify and implement measures that will assist in economic recovery.

The outbreak of the COVID-19 pandemic, led to a national lockdown in the Host Country, Namibia, on the 24th of March 2020. This had an impact on the operations of the Secretariat and led to the Executive Secretary declaring the pandemic as a risk incident of level 3 according to the Business Continuity Management Policy of the Secretariat. In this regard, all employees of the Secretariat worked from home. Due to the inability to hold physical meetings, the Secretariat also resorted to conducting virtual meetings both within the Secretariat and on issues that required urgent attention by the Member States. This ensured that the Secretariat minimised the spread of the virus and to protect the health and safety of staff as well as implementation its Work Programme with minimal disruption.

In addition, the Secretariat's Executive Committee established a Task Team, led by the Director Corporate Services, to assist with response to the COVID-19 pandemic. The Task Team not only serves as an advisory body to the Executive Committee to monitor developments on COVID-19, but also recommended precautionary measures to be put in place, from time to time.

The Secretariat also put in place other measures to safeguard employees' safety while minimising the spread of the virus at the workplace. These included the development and full roll out of specific Workplace Protocols based on the World Health Organisation and the Host Government Protocols.

As in the previous years, the Secretariat undertook various activities, guided by its approved Annual Business Plan and Budget for the 2019/20 Financial Year. I am pleased to highlight the following key activities and milestones.

The SACU Council of Ministers convened two meetings in April and December 2019, whilst the Finance and Audit Committee (FAC) and the SACU Commission met during all four quarters to review and provide oversight on SACU operations. The SACU Summit of the Heads of States or Government did not convene as the planned consultations on the Work Programme for the Ministerial Task Teams on Trade and Industry and on Finance, were still ongoing. The consultations revolved around the issues of the review and development of a suitable architecture for tariff-setting and review of the Revenue Sharing Formula, for which Member States had divergent views.

On Trade Facilitation, the SACU Customs Modernisation Programme remained the key priority for the reporting period, with tangible progress recorded on implementation of the IT Connectivity project in Eswatini and South Africa. Both countries having fully automated and commenced exchanging export transactions in real-time. Botswana, Eswatini and Lesotho each signed a bilateral arrangement with South Africa to facilitate connectivity of the Customs IT Management Systems. Lesotho and South Africa commenced testing connectivity of their Customs IT Management Systems. A total of one hundred and thirty-three (133) Preferred Traders from Botswana (3), Eswatini (2), Lesotho (10) and South Africa (118) were accredited. In addition, a Memorandum of Understanding was signed with the Government of the United Kingdom on the 20th of January 2020, for funding support towards the SACU Customs Modernisation Programme.

In the area of Revenue Management, the Secretariat successfully facilitated the process for the determination of the revenue shares for the Member States. The total payments to the Member States from the Common Revenue Pool in the 2019/20 FY amounted to R105.70 billion compared to R93.34 billion in the

SACU Headquarters

2018/19 FY. This translates to an increase of 13.2 percent. In addition, a scoping exercise to determine the data requirements for the development of a SACU-wide Computable General Equilibrium model was completed.

On the Trade Agenda, a notable milestone achieved was the entry into force of the African Continental Free Trade Area (AfCFTA) in May 2019, to pave the way for trading to commence on 1st July 2019 and the conclusion of the SACU-EAC bilateral tariff negotiations in the context of the Tripartite FTA Negotiations in June 2019. Furthermore, the SACU Member States together with Mozambique and the United Kingdom (UK) concluded their engagements on the Economic Partnership Agreement that aims to ensure continuity of trade when the UK leaves the European Union. Accordingly, the Agreement was signed on the 9th of October 2019, in London, UK by four SACU Member States plus Mozambique. South Africa signed on the 16th of October 2019 in Cape Town, South Africa.

On the operational front, important strides were made to enhance operational efficiencies of the Secretariat. A notable achievement was the operationalizing of online business processes through the Electronic Document and Records Management System. A total of eight (8) processes and workflows were developed and rolled out to employees. These would be minimizing the need to move physical documents around, thereby combating the spread of COVID-19.

I am further pleased to note that the Secretariat continued to receive unqualified financial audits, which demonstrate the soundness of the Secretariat's Financial Management. In this regard, I would like to express gratitude to the Auditor-General for the Republic of Namibia who stepped in to undertake the audit of the Secretariat for the 2019/20 FY, on behalf of the Auditor- General of the Kingdom of Eswatini. The latter could not travel to Windhoek, Namibia, due to the COVID-19 travel restrictions and Regulations.

As part of its Corporate Social Investment, the Secretariat sponsored a playground for Megameno Orphanage Home in Windhoek, Namibia. The Secretariat also supported Tuyakula Pre-Primary School with educational material. In the following financial year, our Corporate Social Investment will be earmarked for our CSI partners in the Kingdom of Lesotho.

One of the key highlights for the year was the visit to the Secretariat by His Excellency, Dr. Mokgweetsi Eric Keabetswe Masisi, President of the Republic of Botswana, on the 13th of February 2020. His Excellency Masisi had initially expressed the desire to visit the Secretariat in his capacity as the Chairperson of the SACU Summit before the end of Botswana's term as the Chair of SACU in 2019. However, due to other competing engagements, this was not possible. President Dr. Masisi met with the Staff of the Secretariat and acknowledged their work and encouraged them to continue delivering to the best of their abilities. He commended the Executive Secretary and the Staff of the Secretariat, for her able leadership and the good and professional work in coordinating the SACU Agenda and implementation of all the decisions taken by the institutions of SACU.

The highlighted activities and achievements for the year under review are by no means exhaustive and could not have been achieved without the sterling performance, devoted service and professionalism of the staff of the Secretariat. I would therefore like to take a moment to thank all the staff for their continued commitment, dedication and hard work in making sure that we continue to deliver our mandate to serve our organisation to the best of our abilities.

Finally, allow me also to thank the members of the SACU Summit, the Council and Commission for their leadership, unwavering support and guidance provided to the Secretariat in executing its mandate.

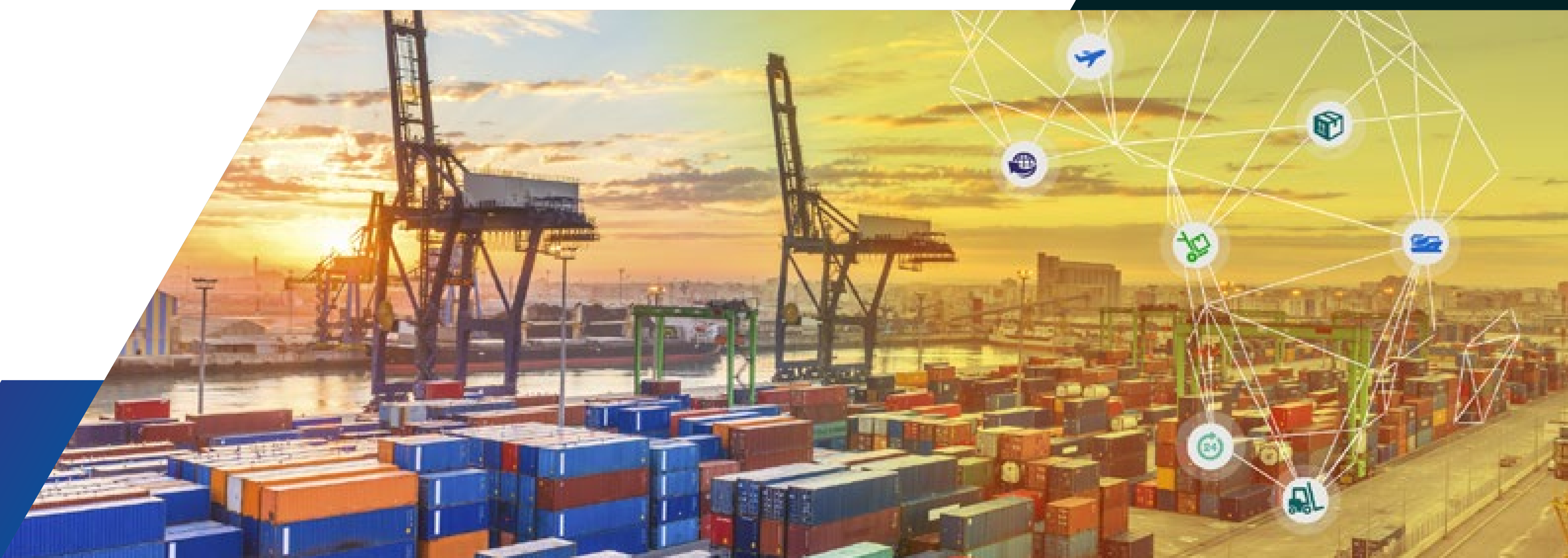
Paulina Mbala Elago
Executive Secretary of SACU

CORPORATE GOVERNANCE STATEMENT

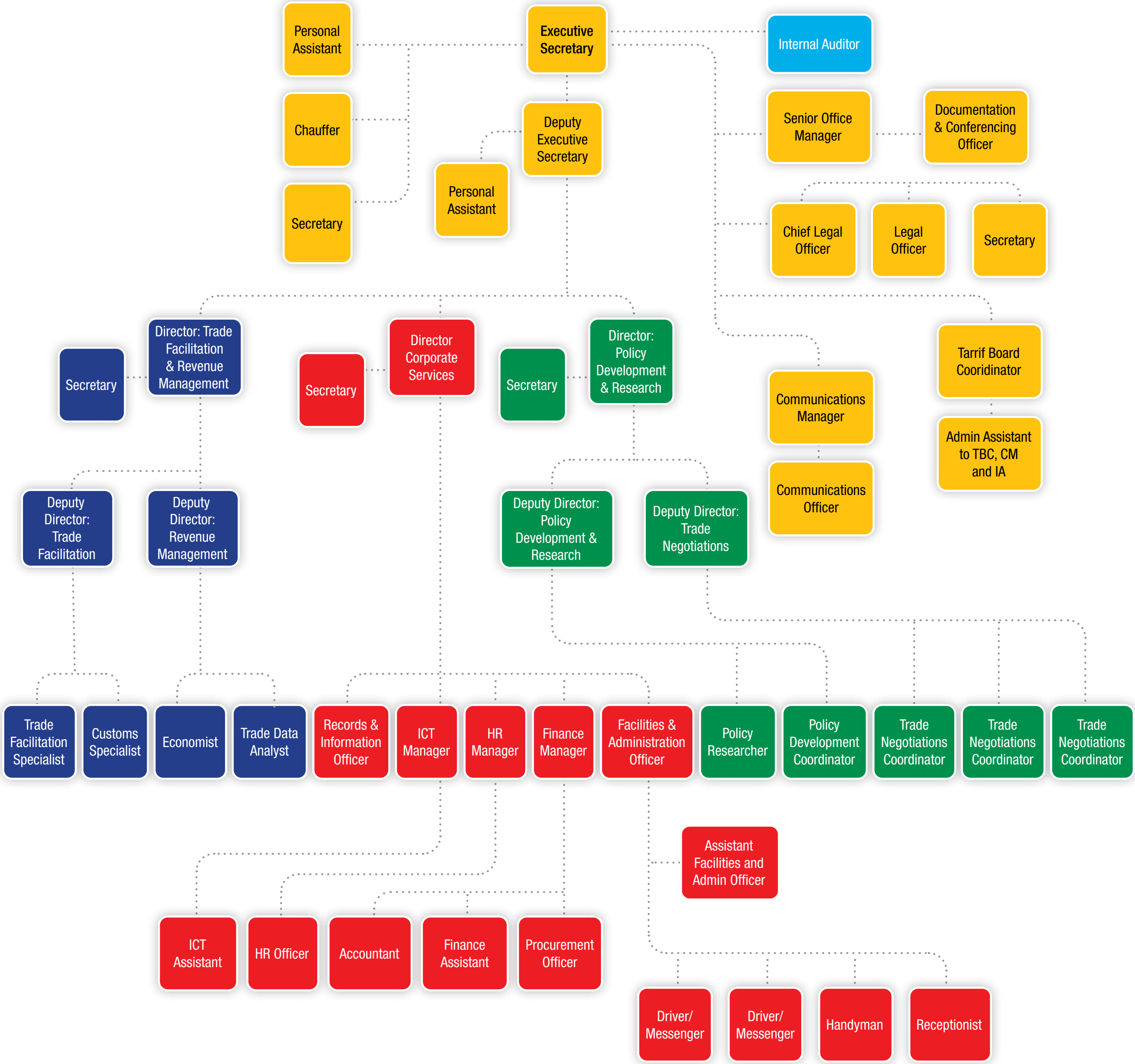
The Executive Management of the Secretariat and the Finance and Audit Committee (FAC) set standards and manage the implementation of systems of internal control, accounting and information systems. This is to provide reasonable assurance that assets are safeguard and the risk of error, fraud or loss 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, effective 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 could not carry-out the audit as scheduled due to the COVID-19 pandemic regulations, however, the Auditor-General of the Republic of Namibia fulfilled the function to act on behalf of the Kingdom of Eswatini.



ORGANISATIONAL STRUCTURE



EXECUTIVE COMMITTEE

Executive Secretary
Ms. Paulina M. Elago

Director: Corporate Services
Ms. Alma Andrade

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

Chief Legal Officer
Ms. Ndibo D. Oitsile

Senior Office Manager
Mr. Abed Iyambo

Acting Director Trade Facilitation and
Revenue Management
Mr. Donald Ndwandwe

OFFICE OF THE EXECUTIVE SECRETARY

Back Row (left – right): Ms. Blessed Davids – Internal Auditor, Ms. Rauna Mumbuu - Communications Officer, Ms. Kungo Mabogo - Communications Manager, Ms. Ndibo Oitsile - Chief Legal Officer, Ms. Rosalia Augustinus - Secretary: Chief Legal Officer and Ms. Fransina Mutumbulwa - Documentation and Conferencing Officer
Front row seated (left - right): Ms. Anitha Ganases - PA: Executive Secretary, Ms. Paulina M. Elago - Executive Secretary and Ms. Rumbidzaishe Chinyoka - Legal Officer
Inset (left - right): Ms. Elsie Mamaregane - PA: Deputy Executive Secretary, Mr. Abed Shipingana – Chauffer and Mr. Abed Iyambo - Senior Office Manager

DIRECTORATE CORPORATE SERVICES

Back Row: (left – right): Mr. Themba Tladi - Human Resource Manager, Mr. Kenia Mapumba - Facilities and Administration Assistant, Mr. Bonginkosi Ginindza – Records and Information Officer, Ms. Ingrid Nanus – Receptionist, Ms. Rassidy Diergaardt - Secretary: Director Corporate Services, Mr. Refiloe Motjolopane - IT Manager, Mr. Hermanus Esterhuizen - Procurement Officer, Mr. Gaelekane Mohale - Accountant, Mr. Victor Felas - Information Communication and Technology Assistant, Mr. David Nalupe – Driver and Mr. Gideon Pineas – Handyman
Front Row seated (left – right): Ms. Maria Hewicke - Finance Assistant, Ms. Alma Andrade -Director: Corporate Services, Ms. Tselane Mokhethi - Human Resource Officer and Mr. Mohammed Hoosain - Finance Manager,
Inset: Mr. Elson Kamburona – Driver and Mr. James Shipena - Facilities and Administration Officer

DIRECTORATE TRADE FACILITATION AND REVENUE MANAGEMENT

Seated (from left – right): Mr. Abel Sindano - Trade Data Analyst, Ms. Ngoanamokgotho Tladi - Deputy Director: Trade Facilitation, Mr. Tiroyaone Sirang – Economist, Mr. Bevuya Mdlankomo – Trade Facilitation Specialist, Mr. Donald Ndwandwe - Deputy Director: Revenue Management
Standing: Mr. Marcel Ratsiu - Customs Specialist and Ms. Dorian Amateta - Secretary: Director Trade Facilitation and Revenue Management

DIRECTORATE POLICY DEVELOPMENT AND RESEARCH

Standing (from left - right): Ms. Anneline Mathis - Secretary: Director for Policy Development and Research, Ms. Khutsafalo Sekolokwane - Policy Researcher, and Dr. Pelotshweu Moepeng – Deputy Director: Policy Development and Research
Front row seated (from left - right): Ms. Mpho Masupha – Policy Development Coordinator, Mr. Benjamin Katjipuka - Director: Policy Development and Research, Ms. Rejoice Karita - Trade Negotiations Coordinator and Ms. Kelebogile Lekaukau - Trade Negotiations Coordinator
Inset: Ms. Lerato Ntlopo - Deputy Director: Trade Negotiations and Ms. Albertina Hitiwa - Trade Negotiations Coordinator

SACU MEMBER STATES


Gaborone, Botswana

Mbabane, Eswatini

Maseru, Lesotho

Windhoek, Namibia

Pretoria, South Africa

CHAPTER 1

OPERATIONS OF THE SACU INSTITUTIONS

INTRODUCTION

The following Institutions of SACU are established under the SACU Agreement, 2002, as amended in April 2013 (the SACU Agreement): Summit of SACU Heads of State or Government; Council of Ministers; Customs Union Commission; Secretariat; Tariff Board; Technical Liaison Committees; and *ad hoc* Tribunal.

KEY HIGHLIGHTS FOR THE YEAR UNDER REVIEW

The following are the key highlights for the 2019/20 Financial Year:

- the Council of Ministers convened two (2) Meetings in April and December 2019, whilst the Commission held four(4) Meetings;
- the Secretariat facilitated the changeover process from the Outgoing Chair (Lesotho) to the Incoming Chair (Namibia) of SACU; and
- the Secretariat continued to discharge its mandate of the day-to-day administration of SACU.

CHAIRMANSHIP OF SACU

To coordinate the work of the various Institutions, the SACU Member States assume the Chairmanship of the SACU institutions for a period of 12 months, on a rotational basis and in alphabetical order. For the reporting period, the Republic of Namibia was the Chair, with effect from the 15th of July 2019, following the Kingdom of Lesotho, whose term ended on the 14th of July 2019.

SACU SUMMIT

The SACU Summit consists of the Heads of State or Government of the SACU Member States. Its mandate, as set out in Article 7 A of the SACU Agreement, is to define the political and strategic direction, and priorities of SACU. For the period under review, the Summit did not convene as consultations on the Work Programme for the Ministerial Task Teams on Trade and Industry and on Finance, were ongoing.

SACU COUNCIL OF MINISTERS

The Council of Ministers consists of the Ministers responsible for Finance and for Trade and Industry, from the SACU Member States. The Council of Ministers is responsible for decision-making on the overall policy direction and functioning of SACU institutions, pursuant to Article 8 of the SACU Agreement. For the period under review, the Council of Ministers convened as follows:

(a) 37th Meeting, on the 25th of April 2019, in Maseru, Lesotho; and
(b) 38th Meeting, on the 5th of December 2019, in Windhoek, Namibia.

CUSTOMS UNION COMMISSION

In accordance with Article 9 of the SACU Agreement, the SACU Commission consists of 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. The key mandate of the Commission is to ensure the implementation of the SACU Agreement and the decisions of the Council. For the period under review, the Commission convened as follows:

(a) 51st Meeting, on the 24th of April 2019, in Maseru, Lesotho;
(b) 52nd Meeting, on 25 – 26 June 2019, in Windhoek, Namibia;
(c) 53rd Meeting, on 24 – 25 September 2019, in Gaborone, Botswana; and
(d) 54th Meeting, on 3 – 4 December 2019, in Windhoek, Namibia.

At these Meetings, the Commission considered various issues covering trade, finance as well as institutional matters, as reflected in the other Chapters of this Report. The recommendations emanating from the Meetings of the Commission, were presented to the respective Meetings of the Council for consideration and decision. As the Council did not convene in June and September 2019, the Recommendations emanating from the 52nd and 53rd Meetings of the Commission were submitted to the Council for approval, in accordance with the SACU Agreement and the Rules of Procedure for SACU Institutions.

THE SECRETARIAT

In accordance with Article 10 of the SACU Agreement, the Secretariat continued to discharge its mandate of the day-to-day administration of SACU. Consequently, the Secretariat facilitated and provided technical support to the Meetings of the Institutions of SACU that convened during the reporting period. The Secretariat also coordinated and monitored the implementation of the decisions of these Institutions in relation to the Work Programme for the Ministerial Task Teams on Finance and on Trade and Industry.

As reported in other Chapters of this Report, the Secretariat further coordinated and facilitated the negotiations of Trade Agreements with third parties, as well as the implementation of these Agreements, by the SACU Member States.

CHALLENGES FACED

The Summit did not convene to provide the strategic guidance on the Work Programme for the Ministerial Task Teams on Finance and on Trade and Industry, as consultations were ongoing. This affected the timeliness for the completion of the Work Programme, as highlighted in other Chapters of this Report.

In addition, the Council did not convene in June and September 2019. The Recommendations that emanated from the Meetings of the Commission were considered by the Council through round-robin in accordance with the Rules of Procedure for SACU Institutions. However, there were some delays in this process which affected the implementation of some areas of the Work Programme, as highlighted in other Chapters of this Report.

OUTLOOK FOR 2020/21

It is anticipated that the required strategic consultations will be concluded, to facilitate the implementation of Work Programme for the Ministerial Task Teams.

CHAPTER 2

TRADE FACILITATION AND REVENUE MANAGEMENT

INTRODUCTION

This Chapter presents the progress achieved on Trade Facilitation and Revenue Management during the reporting period. The main areas of focus include the simplification of the cross-border movement of goods and ensuring equitable allocation of revenue shares amongst the SACU Member States. This Chapter also presents challenges that were encountered in these areas during the reporting period and the outlook for the next Financial Year, 2020/21.

KEY HIGHLIGHTS FOR THE YEAR UNDER REVIEW

The following are the key highlights of the Trade Facilitation and Revenue Management Programme in the 2019/20 Financial Year:

(a) under the Customs Modernisation Programme, the following were completed:

(i) configuration of the Customs IT Management Systems in the Member States to the IT Connectivity Utility Block "Your Export Is My Entry" and the Unique Consignment Reference (UCR) to support and facilitate real-time automated exchange of information as part of IT Connectivity;

(ii) full implementation by all Member States of the Regional Customs Risk Management Strategy;

(iii) all Member States established National Preferred Trader Programmes and to date have respectively accredited a combined one hundred and thirty-three (133) Preferred Traders as part of the implementation of the SACU Preferred Trader Programme; and

(iv) Botswana and Lesotho commenced testing their real-time automated exchange of export and import transactions with South Africa, respectively. This is based on the signed Bilateral Arrangements with South Africa to facilitate transactions as part of implementation of the **Customs Legislative Framework.**

(b) mobilising of funding to support the implementation of the SACU Customs Modernisation Programme from the Government of the United Kingdom;

(c) completion of a scoping exercise for data requirements for the development of a SACU-wide Computable General Equilibrium (CGE) Model; and

(a) successfully facilitated and provided technical support to the process that determines the revenue shares for the Member States.

Below is the summary brief of the highlights listed above:

(a) **Implementation of the Customs Modernisation Programme:**

The implementation of the SACU Customs Modernisation Programme has continued focusing on IT Connectivity, Preferred Trader Programme, Risk Management and Enforcement as well as the Customs Legislative Framework. In addition, a pillar on Monitoring and Evaluation has been added to measure the impact of the Programme.

The key highlights for each Programme components during the period under review are summarised below:

(i) under the **IT Connectivity Project**, all Member States have configured the Unique Consignment Reference (UCR) to the respective Customs Management Systems. The UCR is a reference number that is generated electronically to match both import and export data from one country to another. In addition, Botswana, Eswatini, Lesotho and South Africa have configured the "Your Export is My Entry (YEIME) Utility Block" IT Connectivity Framework to enable their Customs IT Management Systems to automatically exchange of import and export data between the respective Customs Administrations. Namibia is at an advanced stage to procure and configure its IT software which will enable the configuration of the YEIME to the Customs IT Management Systems. This is expected to be completed in the 2020/21 FY after which Namibia will also be able to exchange in real-time, the customs data with both Botswana and South Africa. South Africa and Eswatini commenced real-time exchange of export transactions, as well as data matching to determine the accuracy. As at the end of the year under review, an average of 70% accuracy level was recorded. Botswana and South Africa, and Lesotho and South Africa have commenced testing the technical capability of the IT Connectivity Frameworks to facilitate real-time automated exchange of export and import transactions.

(ii) **Preferred Trader Programme** - all Member States established the National Preferred Trader Programmes that are aligned to the Regional Preferred Trader Programme minimum standards and criteria. Botswana, Eswatini, Lesotho and South Africa have launched the respective National Preferred Trader Programmes. As at the year under review, the region recorded a combined one hundred and thirty-three (133) accredited Preferred Traders from Botswana (3), Eswatini (2), Lesotho (10) and South Africa (118). Namibia is at an advanced stage to prepare to pilot one (1) company and thereafter the National Preferred Trader Programme will be launched, and accreditation will also commence;

(iii) **Regional Customs Risk Management and Compliance Strategies** - during the period under review, all the Member States implemented the SACU Regional Customs Risk Management and Compliance Strategies. In addition, Customs Officials were trained on Risk Management to strengthen capacity on collecting, analysing information and reporting as part of the Risk Management. Twenty-two (22) Customs Officials from Botswana, Eswatini, Lesotho and Namibia attended the training which was facilitated by the South African Revenue Service (SARS), South Africa; and

(iv) **Customs Legislative Framework** – to support the automated exchange of the customs data among the Customs Administrations as highlighted above; Botswana, Eswatini and Lesotho each signed a Bilateral Arrangement with South Africa.

(b) **Mobilisation of funding to support the implementation of the SACU Customs Modernisation Programme**

The SACU Secretariat and the Government of the United Kingdom (UK) signed a Memorandum

of Understanding to support the ongoing implementation of the SACU Customs Modernisation Programme. The UK will provide technical and financial support to SACU towards the implementation of the regional frameworks and tools to facilitate trade.

(c) **Scoping exercise for data requirements for the development of a SACU-wide Computable General Equilibrium (CGE) Model**

SACU initiated a process to develop a SACU-wide Computable General Equilibrium (CGE) as a medium to long-term project. A CGE model is important and will be useful in the analysis of among others, the impact of trade and fiscal policy changes on the Member States. The CGE model will also assist in informing key policy decisions at both national and regional level.

(d) **Facilitation of the Process for the Determination of the Member States' Revenue Shares**

The Common Revenue Pool (CRP) in 2019/20 Financial Year (FY) was estimated at R105.70 billion compared to R93.34 billion in 2018/19, which represents an increase of 13.2 percent. The improved performance of the CRP was in line with the improved performance of the global economy in 2019/20. This translated to an increase of the revenue shares for the Member States in the reporting period except for Botswana.

Table 1 opposite presents a comparison of the 2018/19 and 2019/20 revenue shares for the Member States, which includes the adjustments for the 2018/19 CRP outturn.

Table 1: Member States' Revenue Shares (Billion Rand) for 2018/19 and 2019/20)

	Botswana		Eswatini		Lesotho		Namibia		South Africa	
Financial year	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20
Revenue shares	19.90	21.71	5.99	7.13	5.67	6.92	17.77	21.43	43.95	48.43
Adjustments	-0.44	-2.97	-0.15	-0.82	-0.13	-0.69	-0.40	-2.51	-0.88	-2.32
Total Payment	19.46	18.74	5.84	6.31	5.54	6.23	17.37	18.92	43.07	46.11
% Change		-3.7		8.0		12.4		8.8		7.1

Source: SACU Secretariat

CHALLENGES FACED

During the year under review, the main challenge experienced was the lack of progress in the implementation of the Ministerial Work Programme which resulted in minimal progress on this work stream.

OUTLOOK FOR 2020/21

The focus areas for the Trade Facilitation and Revenue Management Programme for the 2020/21 FY will include the following:

(a) facilitate and support the work of the Ministerial Work Programme related to developing a comprehensive SACU Trade Facilitation Programme;

(b) coordinate and support the implementation of the SACU Customs Modernisation Programme to support IT Connectivity; Preferred Trader Programme; Customs Legislative Framework; Risk Management and Enforcement; and Monitoring and Evaluation;

(c) work on the development of a SACU Regional Trade Information Portal; and

(d) coordinate and provide technical support to the process of trade data reconciliation and calculation of revenue shares for the Member States for the 2020/21 FY.

CHAPTER 3

POLICY DEVELOPMENT AND TRADE NEGOTIATIONS

INTRODUCTION

This Chapter provides an overview of the activities and key achievements of the Secretariat on Policy Development and Trade Negotiations and support to the implementation of the SACU Ministerial Work Programme. These included facilitation and coordination of the development of SACU common policies and strategies towards industrial development, as well as the integration of the SACU Member States into the global economy through trade negotiations for preferential markets. Furthermore, work in this area included research to inform policy development and trade negotiations.

KEY HIGHLIGHTS FOR THE YEAR UNDER REVIEW

The following were the key highlights of the Policy Development and Trade Negotiations in the 2019/20 Financial Year (FY):

(a) technical support on the implementation of the Ministerial Work Programme including coordination and convening two (2) Meetings for the Ministerial Task Teams on Trade and Industry on the development of the public policy interventions to promote industrial development and regional value chains;

(b) coordinated technical support for twenty-two (22) rounds of negotiations including the African Continental Free Trade Area (AfCFTA) and COMESA-EAC-SADC Tripartite Free Trade Area (TFTA);

(c) ratification of the Agreement by three (3) SACU Member States, namely, Eswatini, Namibia and South Africa as well as the entry into force of the AfCFTA on the 30th of May 2019;

(d) conclusion of the SACU bilateral tariff negotiations with the East African Community (EAC) in June 2019; and

(e) signing of the SACU, Mozambique-UK Economic Partnership Agreement, in October 2019.

Below are the summary briefs of the key highlights identified above:

(a) Technical support on the implementation of the Ministerial Work Programme.

The Secretariat continued to provide technical support for the implementation of the Ministerial Work Programme on the development of the public policy interventions to promote industrial development and regional value chains. The focus during the review period was on facilitating work to further reprioritise the nine (9) identified sectors to three (3) priority sectors which could be considered for the development of cross-border value chains and bankable projects.

(b) the African Continental Free Trade Area (AfCFTA) negotiations

During the period under review, the negotiations on the AfCFTA continued under the Built-in Agenda. This relates to issues that were not concluded at the time of the launch of the AfCFTA by the African Union's 10th Extraordinary Summit held in Kigali on the 21st of March 2018. This included amongst others, the completion of outstanding Rules of Origin as well as formulation of schedules of tariff concessions on trade in goods.

The Secretariat continued to facilitate the formulation of SACU's common positions as well as effective participation of Member States in the AfCFTA negotiations through coordination of consultations at all levels of engagement. In total the Secretariat facilitated and hosted five (5) SACU Joint Experts Meetings, and a Consultative Meeting prior to the AfCFTA-Negotiating Forum. Meetings of the SACU Senior Trade Officials were also facilitated.

The AfCFTA reached a 22-Member country threshold of ratifications on the 29th of April 2019 for its entry into force. The Agreement came into force on the 30th of May 2019, thirty (30) days after the deposit of the 22nd instrument of ratification. By the end of the review period, twenty-eight (28) Members of the AfCFTA had ratified the Agreement, while fifty-four (54) had signed the Agreement. In SACU, all Member States have signed the AfCFTA Agreement. Additionally, Eswatini had ratified the AfCFTA Agreement, joining Namibia and South Africa who had ratified the Agreement during the previous financial year.

The 12th Extraordinary Session of the African Union Assembly held on the 7th of July 2019, in

Niamey, Niger, launched the operational phase of the AfCFTA as well as critical instruments that will ensure effective implementation of the AfCFTA. The latter includes: (i) the agreed Rules of Origin; (ii) the NTB reporting and monitoring mechanism; (iii) the Password Protected Portal for tariff liberalisation; (iv) the African Trade Observatory Portal (ATO); and (v) the Mobile-Based Application for Business. The SACU Member States, coordinated by the SACU Secretariat, played a pivotal role and engaged actively in the continental level discussions which led to the finalisation of these instruments.

Trading under the AfCFTA must start by the 1st of July 2020. However, due to the COVID-19 pandemic, the outstanding work stalled from March to April 2020.

(c) COMESA-EAC-SADC Tripartite Free Trade Area (TFTA) Negotiations

The SACU Member States continued to engage as a bloc towards the creation of a single market of twenty-six (26) African countries covering the Common Market for Eastern and Southern Africa (COMESA), East African Community (EAC) and the Southern African Development Community (SADC). The Secretariat continued to support the Member States' participation in the negotiations through facilitation of the development of common negotiating positions and approach to the outstanding issues ahead of the negotiations. Five (5) Consultative Meetings were held prior to the negotiations. Support was also extended to the Member States during four (4) TFTA Meetings, including the SACU-EAC technical, Senior Officials and Ministerial Meetings.

A notable progress was the conclusion of the bilateral tariff negotiations between SACU and the EAC in June 2019. The Secretariat continues to facilitate the conclusion of the technical work as directed by the Joint Ministerial Meeting in June 2019.

In terms of signature and ratification of the TFTA, at the time of reporting, twenty-three (23) Member/Partner States had signed the TFTA Agreement; and eight (8) Member/Partner States had ratified the Agreement. In SACU, Botswana, Eswatini, Namibia and South Africa had signed the TFTA Agreement, while Botswana, Namibia and South Africa had also ratified the Agreement. The TFTA will enter into force once two-thirds or fourteen (14) Member/Partner States ratify the Agreement.

(d) SACU, Mozambique and UK Engagement

The Secretariat continued to facilitate the engagement between SACU, Mozambique and the UK and provided technical and analytical support to ensure conclusion of the engagement. A total of six (6) engagements were facilitated between SACU and Mozambique technical and Senior Officials, as well as joint meetings with the UK. This was to ensure that the objective of rolling-over the Economic Partnership Agreement (EPA) between the European Union (EU) and the SADC EPA Group (EU-SADC EPA) to a new trade agreement was achieved, to avoid trade disruptions when the UK finally leaves the EU.

A notable highlight was the conclusion of the technical engagement in September 2019 and signature of the SACU, Mozambique and UK Economic Partnership Agreement (SACUM-UK EPA) on the 9^{th} of October 2019 in London, UK. South Africa signed on the 16^{th} of October 2019 in Cape Town, South Africa. The process of ratification is underway in the respective Member States.

(e) Economic Partnership Agreement between the European Union and the Southern African Development Community (EU-SADC EPA)

The Secretariat continued to provide support to the SACU Member States in the implementation of the Economic Partnership Agreement (EPA) between the European Union (EU) and the Southern African Development Community States (EU-SADC-EPA) which provisionally entered into force on the 10th of October 2016. This included facilitation of allocation of the nine (9) products under Tariff Rate Quotas for 2019, monitoring the quarterly utilisation, reallocation of unused quotas and new allocations for 2020. The 9 products being Pork, Pig fat, Butter, Cheese, Barley, Wheat, Cereal Based Food Preparations, Ice Cream and Mortadella Bologna.

The Secretariat coordinated and hosted three (3) technical Experts Meetings to advance the SACU specific issues relating to the EPA.

As the EPA entered its 4th year of implementation, the Parties agreed to commence the review process by October 2021. All the SACU Member States have completed their National Implementation Plans. The Trade and Development Committee established an ad-hoc special technical group to map out the substance of the review.

(f) Free Trade Agreement between SACU and the European Free Trade Association (SACU-EFTA FTA)

The Secretariat continued to provide support to the SACU Member States during their engagement with the European Free Trade Association (EFTA) countries namely Iceland, Lichtenstein, Norway and Switzerland, on the process to review the Free Trade Agreement (FTA). The review focused on improved market access on the Processed Agricultural Products and Basic Agricultural Products for both Parties. It also covers Customs and Origin Matters, specifically the revision of the Annex V on Rules of Origin and the Product Specific Rules to improve and harmonise rules and procedures.

The Secretariat coordinated and hosted five (5) Technical Experts Meetings to advance the technical work under the Review, and two (2) SACU Consultative Meetings including Senior Trade Officials briefing sessions, prior to the 5th and 6th Joint Review Rounds. The Secretariat further facilitated parallel sessions of Experts and Senior Officials during the 5th and the 6th Rounds of negotiations held in July and December 2019.

CHALLENGES FACED

Challenges identified were:

(a) delayed decision-making to inform implementation and advancement of the Ministerial Work Programme that resulted in the timeframe being extended by a year, from 2019 to 2020;

(b) the congested trade negotiations Agenda and engagements which resulted in delayed inputs from Member States in formulating common negotiating positions due to overstretched capacity; and

(c) the volume of technical work that needed to be undertaken in different negotiating areas overstretched the human capacities in the Member States and at the Secretariat.

OUTLOOK FOR 2020/21

The Policy Development and Trade Negotiations Programme will, *among others*, focus on the following activities during the 2020/21 FY:

(a) advancement of work on industrialisation and development of Regional Value Chains;

(b) introduction of a Monitoring and Evaluation Tool for Implementation of concluded Trade Agreements; and

(c) facilitate SACU consultations and technical work related to ongoing trade negotiations, implementation as well as review of Trade Agreements.

Secretary General of the AfCFTA Secretariat, His Excellency Wamkele Mene

CHAPTER 4

SECRETARIAT'S OPERATING ENVIRONMENT

INTRODUCTION

This Chapter provides an overview of activities undertaken in the areas of Finance, Human Resources, Procurement, Records and Information Management, Information and Communications Technology (ICT) and Facilities and Administration. The project and activities undertaken sought to enhance operational efficiency in addition to responding to emerging challenges.

A major development during the year under review was the COVID-19 outbreak which was declared a global pandemic by the World Health Organisation, and as such affected the operations of the Secretariat. On the 24th of March 2020, Namibia as the host country, declared a lockdown for two major regions including the Khomas region where the Secretariat Headquarters is located. In response to the pandemic, the Executive Secretary established the Task Team as its Incident Emergency Response Team to coordinate the Secretariat's response to the pandemic, in line with the Business Continuity Plan. This included the development of protocols to ensure compliance with the Safety and Health Regulations and requirements of the Namibian Government. Further, the Employees of the Secretariat were required to work from home and thus provided with the necessary tools and facilities that enabled them to operate remotely with minimal disruption.

KEY HIGHLIGHTS FOR THE YEAR UNDER REVIEW

Despite the challenges created by the pandemic, the Secretariat continued to empower its human capital through improving operational efficiencies and developing solutions to support its processes and systems. In addition, the governance and internal controls were strengthened with the implementation of the auditor's recommendations and various Policy reviews being undertaken. The activities include the development of the ICT Governance Framework and the implementation of the Business Continuity Plans.

CHALLENGES FACED

The main challenge was created by the outbreak of COVID-19 resulting in travel restrictions in the Member States. This also affected recruitment and filling of some of the vacant positions.

OUTLOOK FOR 2020/21

The Secretariat will continue to enhance its processes and automate its systems to create greater operational efficiencies in the implementation of the SACU Work Programme.

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ANNEX 1

SACU MEMBER STATES' ECONOMIC PERFORMANCE

GLOBAL ECONOMIC DEVELOPMENTS AND OUTLOOK FOR 2019/20

The global economic growth continues to face headwinds. In 2017, global growth was on an upswing, reaching nearly 4 percent, but softening to an estimated 3.6 percent in 2018. After slowing down sharply towards the end of 2018, global economic growth remains subdued. Uncertainty regarding trade policy, geopolitical tensions and idiosyncratic factors continue to undermine growth. This has affected especially manufacturing and trade in the second half of 2019. Growing social unrests around the world, weather-related catastrophes and drought in Southern Africa have posed new challenges. Despite these developments, economists are optimistic that global growth is bottoming out (reaching its lowest level possible) and would recover from early 2020. Monetary policy has continued to support growth in 2019.

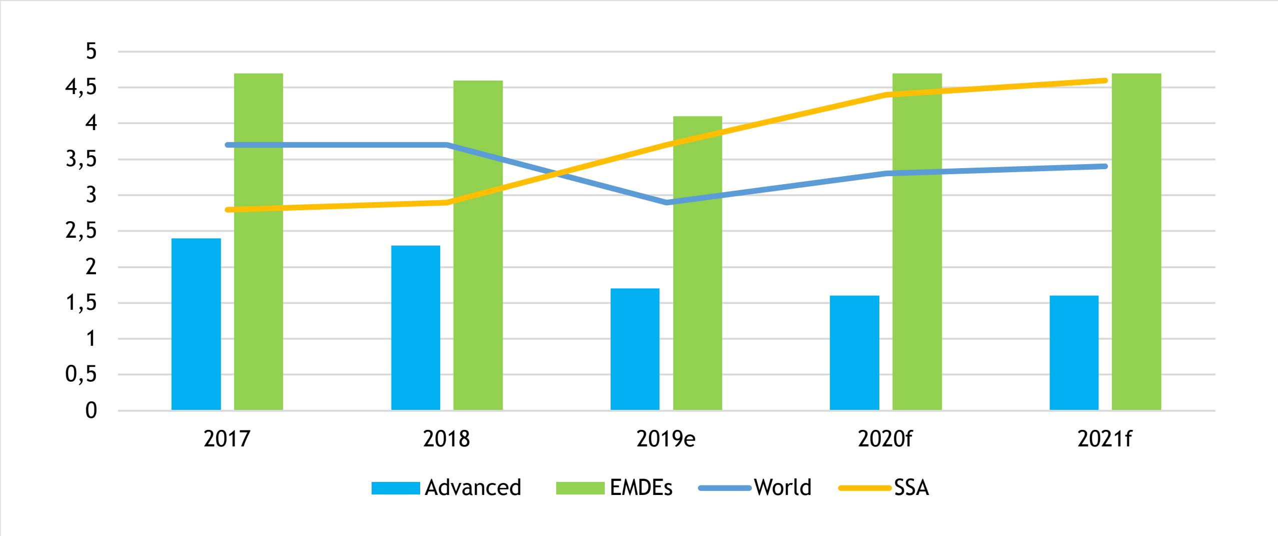
During the third quarter of 2019, growth across key EMDEs like India, South Africa, and Mexico was lower-than expected in October 2019. Meanwhile the advanced economies posted moderate growth as expected due to the declining growth in the US after above-trend performance in the previous quarters. Core inflation remained subdued among advanced economies and in EMDEs growth declined. Headline inflation was also capped owing to lower metal and energy prices. A broad shift towards accommodative monetary policy and fiscal easing in China, Korea and the US lead to growth stabilisation. Temporary factors that slowed global manufacturing vanished while business and purchasing in the manufacturing sector outlook improved. World trade growth also bottomed-out amid resilient consumer spending, tighter labour markets, low unemployment and sticky wages. Similarly, financial market conditions remained supportive. As US-China trade tensions waned, equities strengthened in advanced economies, core bond yields rose, and portfolio flows to EMDEs strengthened.

In the advanced economies growth is forecast to stabilise at 1.6 percent in 2020-21 being a 0.1 percentage point downward revision. In the US, growth will soften to 2.1 percent in 2019, with further decline to 2.0 percent in 2020 and fall further to 1.7 percent in 2021 as expansionary fiscal policy momentum of 2019 wanes and financial market conditions loosen further. In the Eurozone, growth is forecast to tick-up from 1.2 percent in 2019, to 1.3 percent in 2020 and 1.4 percent in 2021 amid stronger growth owing to improved external demand. Growth estimates for Italy and France remain unchanged but reduced in Germany where manufacturing has contracted since late 2019. Meanwhile, the United Kingdom is expected to expand at 1.2 percent in 2019 and 1.4 percent in 2020 (unchanged since October 2019).

In EMDEs, growth will tick up from an estimated 3.7 percent in 2019 to 4.4 and 4.6 percent in 2020 and 2021 respectively (a 0.2 percentage point lower for both years) since the October 2019 outlook. The projected growth profile represents an array of recovery factors from deep downturns and the ongoing structural slow-down in China. This growth will be driven largely by emerging and developing Asia which will inch-up from 5.6 percent in 2019, to 5.8 and 5.9 percent in 2020 and 2021 respectively, albeit this being a slight downward revision. This largely reflects growth revisions for India where domestic demand had slowed down drastically, amid stress in the non-bank financial sector and falling credit growth. Meanwhile, the growth estimate for China in 2019 has reduced slightly from 6.1 to 6.0 percent in 2020 and 5.8 percent in 2021. There is hope for growth in China owing to a respite in trade wars leading to a 0.2 percentage point revision for her growth in 2020 relative to October 2019 WEO.

Figure 1 below provides a comparative of the world and regional economic performance.

Figure 1: World and Regional Economic Growth Rates: 2017-2021

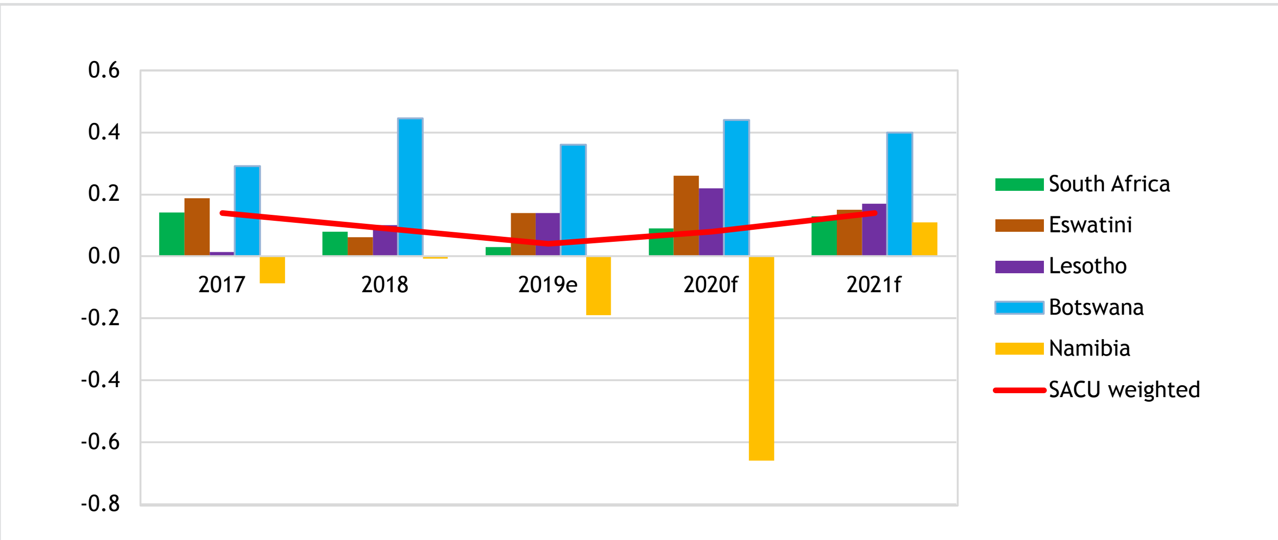


Source: Based on IMF World Economic Outlook January 2020

In Sub-Saharan Africa, growth is estimated at 3.3 percent in 2019 (0.1 percentage point decline) but would later strengthen to 3.5 percent in 2020-21 (a 0.2 percentage point lower for 2021). This is primarily due to the growth revisions for Ethiopia and South Africa and the need for fiscal consolidation, structural concerns and deteriorating public finances which are undermining business and investor confidence, respectively. Subdued growth in South Africa would also have adverse implications for its neighbours through the regional interlinkages through the Southern African Customs Union (SACU) transfers, trade, FDI, and remittances as stated in our October update. SACU has stronger financial interlinkages which have been entrenched through the presence of large South African financial institutions in the region and currency pegs to the Rand by the Member States.

In SACU, growth was also largely subdued during the period under review estimated at a weighted 0.6 percent in 2019. However, growth is expected to be moderately buoyed by improved growth prospects in the region beyond 2019 amid a better global economic outlook, recovering to 0.8 and 1.4 percent in 2020 and 2021, respectively. However, following the outbreak of the COVID-19 pandemic, in April 2020 WEO by the IMF the growth forecasts for all the SACU Member States shows that they will all experience contraction of their economies.

Figure 2: SACU Member States GDP Growth Rates (annual % change)



Source: Based on MS Budget Speeches (Feb-Mar 2020) except for Namibia (May 2020)

REAL SECTOR, BUDGET AND CURRENT ACCOUNT DEVELOPMENTS

BOTSWANA

Botswana's GDP at market prices was P205.13 billion in 2019 against the previous figure of P192.6 billion recorded in 2018. Growth is estimated at 3.6 percent for Botswana in 2019 mainly driven by the business and finances services sector. Domestic real GDP is projected to expand to 4.4 percent in 2020, buoyed mainly by the expected recovery of mining activity and anticipated improvement in global economic output. Other sectors are expected to post improved performance, largely underpinned by, among others, the accommodative monetary conditions in the domestic economy, improvements in electricity and water supply, as well as the reforms to further improve the business environment. However, given the downside risks to global economic activity, global demand and commodity prices (including for rough diamonds) could fall, thereby dampening future economic performance.

Total revenues and grants amounted to P53.47 billion, while total expenditure and net lending, was P62.35 billion in 2019. Hence, the overall fiscal balance for 2019 culminated in a deficit equivalent to 4.6 percent of GDP. However, the revised fiscal balance for 2020 resulted in a slightly narrowing deficit to 3.9 percent of GDP. Total revenues and grants for 2020 were revised to P60.71 billion. At the same time, the revised total expenditure and net lending for 2020 is projected to amount to P68.64 billion.

With regards to balance of payments, the merchandise trade account balance contracted from a revised surplus of P5 billion in 2018 down to a deficit of P11.7 billion in 2019, given a 9.2 percent increase in imports against a decline in exports by 16.2 percent. Merchandise trade continued to be driven by diamond transactions which include a substantial import and re-export trade of rough diamonds.

Thus, the current account deficit is estimated at P15 billion in 2019, compared to a revised surplus of P1.2 billion in the previous year given the substantial negative balance in both the merchandise trade account and the income account.

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, total public debt is well below the statutory ceiling of 40 percent of GDP, with both domestic and external debt being lower than the 20 percent of GDP limit for each category.

Domestic inflation decreased from an annual average of 3.2 percent in 2018 to an average of 2.8 percent in 2019 and thus breaching the lower limit of the set 3.0 to 6.0 percent target. This decrease in domestic prices was mainly driven by the base effects associated with the increase in administered prices, fuel prices, public transport fares and electricity tariffs in 2018, which was not repeated in 2019. Meanwhile, food price inflation ticked-up, from -0.4 percent in December 2018 to 3 percent in December 2019, owing TO significant price rises for meat, fish and cereals.

Finally, real output growth declined from 4.5 percent in 2018 to 3.0 percent in 2019 amid declining mining output. It is projected to decline further to -13.1 percent in 2020 as most sectors including mining, trade, hotels and restaurants as well as transport and communication contracted. This is mainly due to the lack of economic activity in the first half of 2020 amid the COVID-19 pandemic. However, growth will be lethargic thereafter but will rise to a 3.9 and 4.0 percent in 2021 and 2022 as global and domestic economic prospects improve.


Gaborone, Botswana


Mbabane, Eswatini

ESWATINI

Eswatini recorded a nominal GDP amounting to E67.3 billion in 2019 compared to the previous year's R62.3 billion (recorded in 2018) and would rise to E72.9 billion in 2020. In Eswatini, real GDP growth contracted by 0.4 percent in 2018 due to marginal growth in the primary sector and a stagnating secondary sector. Growth recovered to 1.3 percent in 2019 amid a resilient economic activity as manufacturing activity strengthened because of improved export demand. Growth is forecast to rise to 2.6 percent in 2020 supported by fiscal relief, rebounding exports, and improved domestic demand.

In respect to balance of payments, improved international trade resulted in a current account surplus rising from E1.3 billion recorded previously to E4.6 billion in 2019 as manufacturing exports soared. Meanwhile, public debt estimated at 37 percent of GDP in 2018, declined to 28.1 percent of GDP in 2019 and was mostly used to finance large infrastructure projects. During the period under review, government remained committed to reducing the debt to a statutory limit of less than 35 percent of GDP.

In Eswatini revenue and grants for 2020 is forecast at E21.2 billion being about 18.4 percent increase from the E17.6 billion in 2019. This increase is mainly buoyed by the SACU receipts expected at E8.34 billion in 2019 compared to E6.3 billion in the previous year.

During the same period expenditure is estimated at E24.1 billion slightly higher than the E21.8 billion in 2018. This represents a 10.6 percent rise in government expenditure from the previous year. Hence the budget deficit is estimated at E2.9 billion (3.6 percent of GDP) in 2020 compared to 4.5 percent of GDP in 2019.

Headline inflation is reported to have declined over two (2) consecutive years prior to 2019. Average annual inflation is estimated at 2.6 percent in 2019 and forecast to stay below the upper limit of 6 percent in 2020. The decline in domestic prices during the period under review is mainly attributable to the normalizing food prices, and declining house and utilities prices as agricultural output recovered. Meanwhile utility prices also remained subdued in 2019.

The Eswatini economy is estimated to have grown by a low 1.3 percent in 2019 amid a contraction in the primary sector by 4.6 percent. Meanwhile the secondary sector is estimated to have rebounded to 6.4 percent in 2019 somewhat driving economic growth. Growth is expected to contract sharply in 2020 to -6.16 percent owing to the COVID-19 pandemic wherein almost all sectors contracted. However, 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.

Maseru, Lesotho

LESOTHO

In Lesotho, nominal GDP is estimated at M35.0 billion for 2019 against a lower M32.6 billion recorded in 2020. Growth in real GDP is estimated at 1.4 percent in 2020 after a weak performance during 2019. The low growth outturn in 2019 was attributed to poorly performing sectors across the economy especially manufacturing which declined from 12.4 percent growth in 2019 to 7.6 percent in 2020. Growth was also negatively affected by weak global demand conditions for diamonds following the emergence of synthetic diamonds.

Regarding the external sector, the balance of payments is reported to have been vulnerable to external shocks in 2020. The current account deficit declined over the previous two (2) years amid improving diamond exports and the primary income account. The current account position is projected to improve further as the SACU receipts in 2020/21 are expected to exceed the 2019/20 receipts by 43.3 percent.

Lesotho's revenue is estimated at M16.4 billion for 2019/20, equivalent to 46.8 percent of GDP and is forecast at M20.2 billion in 2020/21 (53.5 percent of GDP). At the same time revised government expenditure for 2019/20 is M13.6 billion and is forecast to increase slightly to M15.7 billion for 2020/21 culminating in a reduced budget deficit from -5.6 percent in 2019/20 to -4.7 percent in 2020/21.

With respect to domestic price developments, average annual inflation is recorded at 4.8 percent in 2019. The average annual prices were driven mostly by food and non-alcoholic beverages which grew at 7.4 percent followed by clothing and footwear at 4.4 percent. The medium-term inflation outlook remained relatively unchanged as food prices continued to dominate the medium-term prices.

Finally, real GDP growth is projected to increase modestly from -0.2 percent in 2018 to 2.8 percent in 2019 following a recovering primary sector, especially agriculture. Growth is forecast to decline dramatically to -5.3 percent in 2020 owing to the negative effects of the COVID-19 pandemic but later recover to 3.5 percent in 2021 amid improving global economic conditions.

NAMIBIA

In Namibia, for the period under review, nominal GDP is recorded at a revised N$178.2 billion in 2018 having slightly decreased to N$176.4 billion in 2019 reflecting a statistical adjustment on diamond trade. Nominal GDP is forecast to decline further in 2020 owing to the economic fallout from the COVID-19 pandemic which has seen almost all sectors contracting during the first half of the year.

Real GDP is estimated to have contracted by -1.1 percent in 2019, down from the growth rate of 0.7 percent in 2018. The lower-than-expected performance in 2019 is mainly attributed to the contraction in the mining, agriculture, electricity and water, construction, wholesale and retail trade, as well as public sectors. However, some growth in the manufacturing sector, led by beverages and meat processing, sustained the economic activity somewhat with the secondary industry. The Namibian economy is expected to recover and record growth rates of between 2.0 and 3.6 percent in 2022 and beyond.

With respect to the external sector, the current account deficit narrowed slightly down from 2.8 percent of GDP in 2018, to 2.3 percent of GDP in 2019. This decline in the current account is mainly a result of the weaker import performance against rising export earning coupled with an increase in SACU revenue receipts. The merchandise trade deficit declined together with the import bill. Moreover, during the period under review, the primary account experienced lower net outflows.

Government has undertaken efforts towards fiscal consolidation during 2019. Namibia's revenue outturn is estimated at N$58.6 billion for the year 2019 (about 33.2 percent of GDP) as of Budget 2020. Medium-term revenue will now be curtailed owing to the COVID-19 pandemic and is projected at N$51.4 billion in 2020 being 30 percent of GDP. This is N$8.3 billion below the Medium-Term Expenditure Framework (MTEF) estimates of October 2019. During 2019 government expenditure is estimated at N$66.8 billion. Therefore, the budget deficit (overall balance) is estimated at -4.7 percent of GDP in 2019 more than the -4.1 percent of GDP in 2018 due to revisions in nominal GDP. Meanwhile, government debt-to-GDP ratio has continued to widen and stood at 54.8 percent of GDP in 2019.

Inflation continued to moderate during 2019, primarily because of lower oil prices, coupled with weak domestic economic activity. Annual average inflation for 2019 is estimated at 3.7 percent, down from 4.3 percent in 2018. The decline in annual inflation in 2019 is attributable to moderation in transport and housing prices moderated together with lower oil prices. However, food price inflation was rising during the period owing to a recent drought spate. Inflation is expected to remain low and manageable during 2020, averaging about 2.0 percent following weak domestic demand in the first half of 2020.

Economic growth is projected to dip dramatically to -6.6 percent in 2020 owing to the Corona Virus pandemic as almost all sectors of the economy contract. However, output is expected to recover to 1.1 percent in 2021 as global demand improves and economic growth recovers.

Pretoria, South Africa

SOUTH AFRICA

In South Africa, GDP at basic prices amounted to R5.4 trillion in 2019 compared to a recorded R5.2 trillion in 2020, representing a downward decline by R131 billion since Medium Term Budget Policy Statement (MTBPS) in 2019. This resulted in lower tax revenue for the period under review. Meanwhile growth in GDP is estimated to have declined from 0.8 percent recorded in 2018 to 0.3 percent in 2019 but was projected to later rebound to 0.9 percent in 2020. The reasons for low growth outcomes were due to weaker-than-expected growth during the second half of the year and electricity shortages which constrained growth and led to rising unemployment. Six (6) out of ten (10) economic sectors contracted during the last three quarters of 2019 with construction shrinking by -2.6 percent, mining -22 percent and agriculture by -9.1 percent. At that time growth was mainly driven by finance and business services which grew by 2.6 percent.

In South Africa, like other Member States, a balanced budget has remained a challenge during the period 2019/20. Government revenue stood at R1.52 trillion against a higher expenditure of R1.8 trillion, leading to a budget deficit an estimated of R326.6 billion owing to reduced tax revenues and a fall in nominal GDP the previous year. The budget deficit widened to -6.3 percent of GDP in 2020 compared to the 4.0 percent of GDP recorded previously in 2019.

Meanwhile, debt to GDP ratio has been rising since 2008 and has exceeded 50 percent of GDP over the period under review. This is mainly due to sustained budget deficits and weak economic growth. The government debt increased by 21.4 percent to R407.3 billion in 2018/19 and further projected to increase, reaching 61.6 percent of GDP in 2019/20. This could also increase to 66.6 percent of GDP in 2020/21. At the same time, the current account deficit averaged 3.5 percent of GDP as increased export prices were offset by declining export volumes. This was amid negative effects of power shortages and weak business conditions, while import growth also slowed together with domestic economic activity.

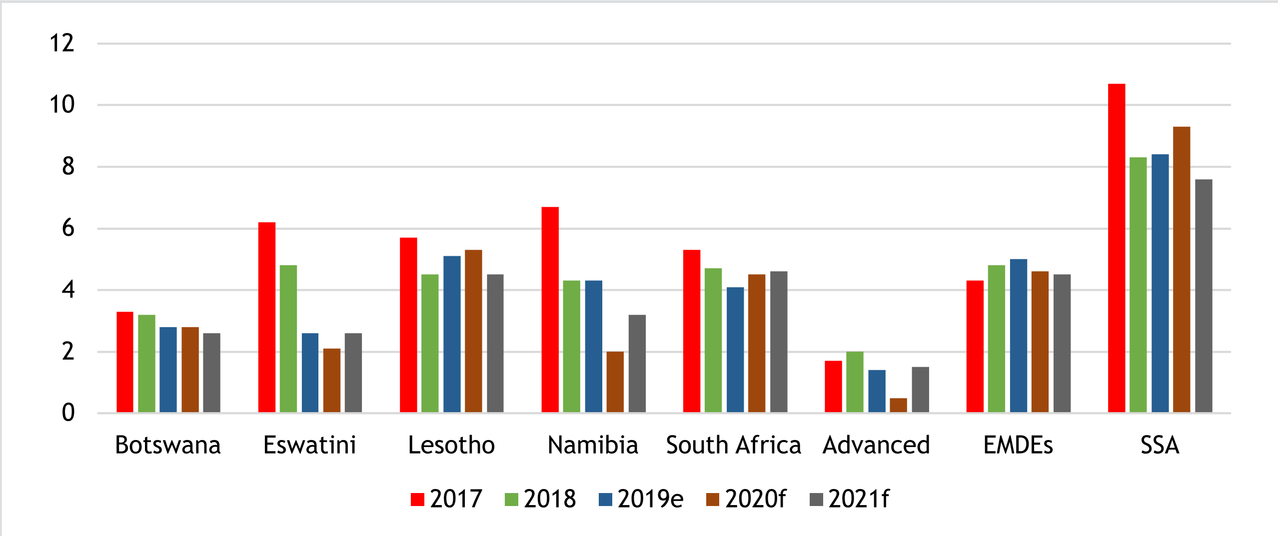
During the period under review, as domestic and global demand weakened, inflation pass-through by firms to domestic consumers was thus limited. To this end, the average annual inflation rate is estimated to have averaged 4.9 percent in 2019. This is mainly because inflation expectations remained anchored. However, inflation is expected to rise in 2020 amid rising meat and electricity prices but could rise higher due to pressure from administered prices and exchange rate depreciation.

The economy grew by 0.8 percent in 2018 and is estimated to have recovered modestly to 0.3 percent in 2019 amid weak growth outcomes resulting from electricity failures and unemployment. Growth is forecast to contract sharply to -7.2 percent in 2020. This is consistent with the negative impact of the COVID-19 pandemic which has curtailed economic growth in the first few months of 2020. Moreover, growth has been weighed down by other factors such as the March/April's sovereign credit downgrades and weak investor confidence, but is expected to recover markedly to 2.6 percent in 2021.

Global and Regional Consumer Price Developments

The world average inflation rates have been on the decline over the past five (5) years with rates often below central bank targets in the region. This is true particularly since 2014 when oil prices tanked resulting in lower inflation rates especially in advanced economies with modest declines in EMDEs. The average annual inflation in advanced economies had dropped from about 1.4 percent in 2019 to about 0.3 percentage points since the end of 2018. The recent benign inflation conditions are due to the downward price pressures from the decline in aggregate demand, together with the effects of lower fuel prices. All these factors seem to have more than offset any upward cost-push pressure from supply interruptions so far amid the pandemic.

Figure 3: Member States Average Annual Inflation Rates (%) updated



Source: Based on data from Member States Budget Speeches

Across the Member States, factors that drive inflation in the region primarily include food and energy costs; wage increases; utilities charges; and exchange rate movements against the US dollar. This has been the trend for over some decades. Food and energy costs fuel prices make up a significant weight of personal expenditures in the SACU region together with housing. Recent drought spells have also added to pressure on food shortages and food prices volatility and inflation prior to 2019, but now the pressure seems to be abating.

Table 2 below shows the average annual inflation rates for the Member States during the period under review.

	2017	2018	2019e	2020f	2021f
Botswana	23.3	3.2	2.8	2.8	2.6
Eswatini	6.3	4.8	2.6	3.3	3.9
Lesotho	5.2	4.7	5.1	5.3	4.5
Namibia	6.2	4.3	4.3	2.0	3.2
South Africa	5.3	4.6	4.1	4.5	4.6

Source: Based on Member States Budget Speeches


123,939
278,161
189,128
11,827
10,283
684
TAX-
OFF
MRC
M-
M+
7
MODE
M/EX
4
5
1
2
3
C
AC
0

Since 1910
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SOUTHERN AFRICAN CUSTOMS UNION

ANNEX 2

INTRA-SACU IMPORTS 2017/18

1. INTRA-SACU IMPORTS 2017/18

1.1 During the reporting period, 2017/18, recorded a decline for a second consecutive year. In 2017/18 FY intra-SACU imports declined by 1.6 percent to R192.4 billion from R195.5 billion in 2016/17. The decline was mainly reflected in Namibia and Botswana's intra-SACU imports that declined by 11.0 percent and 5.5 percent, respectively. While the rest of the Member States recorded positive growths in 2017/18 but these growths could not offset the declines that were recorded in Namibia and Botswana. Considering the performance at the commodity level, the decline was mainly reflected in *mineral fuels, mineral oils, electricity* (Chapter 27) and *vehicles* (Chapter 87) both declined by 9.3 percent.

1.2 The structure of intra-SACU imports has mainly remained the same for the last five (5) years. On average Botswana has accounted for 33.3 percent of total intra-SACU imports followed by Namibia (30.5 percent), South Africa (18.2 percent), Eswatini (9.2 percent) and Lesotho (8.8 percent).

Table 3 below provides intra-SACU imports for the last five years.

INTRA-SACU IMPORTS STATISTICS (R Millions)					
INTRA-SACU IMPORTS	**2013/14**	**2014/15**	**2015/16**	**2016/17**	**2017/18**
Botswana	58,035	62,284	68,680	61,349	57,985
Eswatini	16,716	16,434	16,916	17,352	17,962
Lesotho	14,457	13,921	16,173	17,056	20,494
Namibia	52,755	52,418	61,107	61,886	55,052
South Africa	25,225	28,140	37,761	37,888	40,885
SACU	**167,187**	**173,197**	**200,637**	**195,531**	**192,378**
Growth rates (%)					
Botswana	22.7%	7.3%	10.3%	-10.7%	-5.5%
Eswatini	22.7%	-1.7%	2.9%	2.6%	3.5%
Lesotho	13.7%	-3.7%	16.2%	5.5%	20.2%
Namibia	34.8%	-0.6%	16.6%	1.3%	-11.0%
South Africa	13.3%	11.6%	34.2%	0.3%	7.9%
Share Intra SACU imports (%)					
Botswana	34.7%	36.0%	34.2%	31.4%	30.1%
Eswatini	10.0%	9.5%	8.4%	8.9%	9.3%
Lesotho	8.6%	8.0%	8.1%	8.7%	10.7%
Namibia	31.6%	30.3%	30.5%	31.7%	28.6%
South Africa	15.1%	16.2%	18.8%	19.4%	21.3%

1.3 **Botswana's** intra-SACU imports continued with the downward trend, recording a decline of 5.5 percent to R57.9 billion in 2017/18 from R61.4 billion in 2016/17. The decline was mainly reflected in *mineral fuels, mineral oils, electricity (Chapter 27)* that declined by 12.2 percent. The main products that Botswana imported from the Common Customs Area (CCA) in 2017/18 were *natural or cultured pearls, precious or semi-precious stones or metals* (Chapter 71) accounting for 26.9 percent of intra-SACU imports. This was followed by *mineral fuels, mineral oils, electricity* (Chapter 27) accounting for 15.2 percent. In 2017/18, *vegetables planting materials; vegetables products not elsewhere specified* (Chapter 14) was the least product that was imported by Botswana from the region. The main source of commodities imported into Botswana from the region in 2017/18 was from South Africa, accounting for 84.8 percent of the total intra-SACU imports. Botswana was followed by Namibia, accounting for 14.9 percent of the total intra-SACU imports.

1.4 **Eswatini's** intra-SACU imports increased to R17.9 billion in 2017/18 from R17.4 billion recorded in 2016/17. *Mineral fuels, mineral oils, electricity* (Chapter 27) remained the main imported commodity in 2017/18. The Chapter 27 accounted for 15.4 percent of the total intra-SACU imports which was mainly from South Africa. This was followed by *vehicles* (Chapter 87) with a share of 6.8 percent also mainly from South Africa. In 2017/18, the least product that was imported by Eswatini from the region was *vegetables planting materials; vegetables products not elsewhere specified* (Chapter 14). It is worth noting that this was the same pattern with Botswana. South Africa remained the main source of commodities imported by Eswatini from the CCA in 2017/18, accounting for 99.1 percent of the total intra-SACU imports. Lesotho was the second source of imports which accounted for 0.8 percent of the total intra-SACU imports.

1.5 **Lesotho** recorded the highest increase of intra-SACU imports in the region in 2017/18. Intra-SACU imports increased by 20.2 percent to R20.5 billion in 2017/18 from R17.1 billion recorded in 2016/17. The increase was mainly reflected in *articles of iron or steel* (Chapter 73) which accounted for 16.2 percent of intra-SACU imports followed by *mineral fuel, mineral oils, electricity* (Chapter 27) accounting for 12.3 percent of intra-SACU imports. The least product that was imported by Lesotho from the region in 2017/18 was *tin and articles thereof* (Chapter 80). South Africa remained the main source of commodities imported into Lesotho from the region under the reporting period. South Africa accounted for 99.8 percent of the intra-SACU imports and followed by Eswatini accounting for 0.2 percent.

1.6 **Namibia's** intra-SACU imports declined by 11.0 percent to R55.1 billion in 2017/18 from R61.9 billion recorded in 2016/17. The decline in intra-SACU imports was mainly reflected in *natural or cultured pearls, precious or semi-precious stones or metals* (Chapter 71) and *mineral fuel, mineral oils, electricity (Chapter 27)*. The main products that Namibia imported in 2017/18 were *mineral fuel, mineral oils, electricity (Chapter 27)* with a share of 16.1 percent, mainly from South Africa. This was followed by *vehicles (Chapter 87)* with a share of 12.2 percent. The least product that was imported by Namibia from the region was the *original equipment components* (Chapter 98). South Africa continued to be the main source of commodities imported into Namibia from the CCA in 2017/18, accounting for 94.8 percent of the intra-SACU imports followed by Botswana accounting for 4.7 percent.

1.7 **South Africa's** intra-SACU imports increased by 7.9 percent to R40.9 billion in 2017/18 from R37.9 billion in 2016/17. The main commodities imported by South Africa from the region in 2017/18 were *natural or cultured pearls, precious or semi-precious stones or metals* (Chapter 71) accounting for 16.5 percent of the intra-SACU imports mainly from Namibia and Botswana, followed by *essential oils, perfumery, cosmetic or toilet preparations (Chapter 33)* with a share of 12.4 percent mainly sourced from Eswatini. The least product that was imported by South Africa from the region in 2017/18 was *nickel and articles thereof* (Chapter 75). The main source for commodities imported into South Africa from the CCA in 2017/18 was from Eswatini, accounting for 40.0 percent of the intra-SACU imports, followed by Namibia accounting for 32.6 percent.

ANNEX 3

ANNUAL FINANCIAL STATEMENTS

General Information

Location of Incorporation and Domicile	Namibia
Nature of Business and Principal Activities	Customs Union Secretariat
Executive Committee	Ms. P.M. Elago Ms. A. Andrade Mr. B.R.Katjipuka Ms. N.D. Oitsile Mr. A.P. Iyambo Mr. D.S. 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

CONTENTS

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 but not absolute assurance against material misstatement of 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 on their behalf by:

....	....
Chairperson of the SACU Council of Ministers	Executive Secretary

Tel: (264) (061) 2858000
Fax: (264) (061) 224301

Republic of Namibia

Private Bag, 13299
WINDHOEK, 9000

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR- GENERAL

Report on the audit of the financial statements of SACU Secretariat

1. UNQUALIFIED AUDIT OPINION

I have audited the financial statements of Southern African Customs Union which comprise the statement of financial position as at 31 March 2020 and the Statement of Financial Performancestatement of changes in equity and statement of cash flows for the year then ended in accordancewith International Financial Reporting Framework and notes to the financial statements.

In my opinion, I certify that the financial statements present fairly the transactions and the financial position of the SACU Secretariat for the financial year ended 31 March 2020, in all material respects the income and expenditure have been applied to the purposes intended and conform to the International Financial Reporting Standards.

2. BASIS FOR UNQUALIFIED AUDIT OPINION

I conducted my audit in accordance with International Standards for Supreme Audit Institutions. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my audit report. I am independent of the entityin accordance with the Code of Ethics for Supreme Audit Institutions together with the ethical requirements that are relevant to my audit of the financial statements in Namibia and I have fulfilled my other ethical responsibilities in accordance with these requirements and the Code of Ethics.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis formy opinion.

3. OTHER INFORMATION

Management is responsible for the other information. My opinion on the financial statements does not cover the other information and accordingly the auditor does not express any form of assurance conclusion thereon. In connection with the 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 the knowledge obtained in the audit or otherwise appears to be materially misstated. I have nothing to report in this regard.

4. RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards Framework financial policies and guidelines of the Southern African Customs Union Secretariat and for such internal control as management determines it 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 management is responsible for assessing the entity's ability to continue as a going concern disclosing as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the entity or to cease operations or has no realistic alternative but to do so. Those charged with governance are responsible of overseeing the entity's financial reporting process.

5. AUDITOR'S RESPONSIBILITY 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 a 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 the International Standards for Supreme Audit Institutions (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 the International Standards for Supreme Audit Institutions I exercise 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 controls; 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 entity's internal control. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

» Conclude on the appropriateness of 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 entity's ability to continue as a going concern. If I conclude that a material uncertainty exists I am required to draw attention in my 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 report. However future events or conditions may cause the entity 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. 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 that I identify during my audit;

» 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 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.

Windhoek November 2020

Junias Etuna Kandjeke
Auditor General

COUNCIL OF MINISTERS' REPORT

The Council of Ministers have pleasure in submitting their report on the financial statements of the Southern African Customs Union Secretariat for the year ended 31 March 2020.

1. Review of financial results and activities

Main business and operations
The principal activity of the organisation is a customs union secretariat. There were no major changes herein during the year.

The Organisation generated a deficit for the year ended 31 March 2020 of R15 558 174 (2019: R15 876 933).

The Organisation's revenue increased from R62 925 720 in the prior year to R69 396 032 for the year ended 31 March 2020.

The Organisation cash flows from operating activities changed from an outflow of R10 919 858 in the prior year to an outflow of R12 573 740 for the year ended 31 March 2020.

2. Going concern

The annual 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 legal obligations and commitments will occur in the ordinary course of business.

3. Events after reporting date

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

The Council of Ministers is 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.

4. Council of Ministers' and Executive Committee interest in contracts

To our knowledge none of the Council of Ministers and Executive Committee members had 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. P.M. Elago
Ms. A. Andrade
Mr. B.R. Katjipuka
Ms. N.D. Oitsile
Mr. A.P. Iyambo
Mr. D.S. Ndwandwe

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, and The Republic of South Africa

SOUTHERN AFRICAN CUSTOMS UNION

Annual Financial Statements for the year ended 31 March 2020

Statement of Financial Position

Figures in R

	Notes	2020	2019
ASSETS			
Non-current assets		**91 510 773**	**93 659 551**
Property, plant and equipment	3	89 236 306	92 694 724
Intangible assets	4	2 274 467	964 827
Current assets		**46 470 264**	**62 095 121**
Trade and other receivables	5	2 817 581	2 169 105
Cash and cash equivalents	6	43 652 683	59 926 016
Total assets		**137 981 037**	**155 754 672**
Accumulated Funds and liabilites			
Accumulated Funds		**132 111 499**	**147 669 673**
Accumulated deficit for the year		(15 558 174)	(15 876 933)
Revaluation reserve		38 836 834	38 836 834
Accumulated surplus		108 832 839	124 709 772
Liabilities			
Current Liabilities		**5 869 538**	**8 084 999**
Provisions	8	4 189 726	3 030 461
Trade and other payables	9	1 679 812	5 054 538
Total liabilities		**5 869 538**	**8 084 999**
Total equity and liabilities		**137 981 037**	**155 754 672**

ANNEXURE A

SOUTHERN AFRICAN CUSTOMS UNION

Annual Financial Statements for the year ended 31 March 2020

Statement of Comprehensive Income

Figures in R

	Notes	2020	2019
Revenue	10	69 396 032	62 925 720
Administrative expenses	12	(1 426 365)	(1 518 634)
Other expenses	13	(87 393 711)	(82 622 683)
Deficit from operating activities	14	**(19 424 044)**	**(21 215 597)**
Finance income	16	3 861 769	5 349 782
Gain/(loss) on foregin exchange	17	(31 867)	(25 685)
Deficit from continuing operations		**(15 594 142)**	**(15 891 500)**
Surplus from discontinued operations	7	35 968	14 567
Deficit for the year		**(15 558 174)**	**(15 876 933)**
Deficit for the year attributable to equity member states arises from:			
Continuing operations		(15 594 142)	(15 891 500)
Discontinuing operations (Disposal of fixed assets)		35 968	14 567
		(15 558 174)	**(15 876 933)**

SOUTHERN AFRICAN CUSTOMS UNION

Annual Financial Statements for the year ended 31 March 2020

Statement of Changes in Equity

Figures in R

	Revaluation surplus	Accumulated surplus	Accumulated deficit for the year	Total
Balance at 1 April 2018	38 836 834	124 709 772	-	163 546 606
Changes in accumulated funds				
Deficit for the year			(15 876 933)	(15 876 933)
Total comprehensive income			(15 876 933)	(15 876 933)
Balance at 31 March 2019	**38 836 834**	**124 709 772**	**(15 876 933)**	**(147 669 673)**
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 as at 31 March 2020	**38 836 834**	**124 709 772**	**(31 435 107)**	**(132 111 499)**

ANNEXURE D

SOUTHERN AFRICAN CUSTOMS UNION

Annual Financial Statements for the year ended 31 March 2020

Statement of Cash Flows

Figures in R

	Notes	2020	2019
Net cash flows used in operations	21	(16 403 642)	(16 243 955)
Gain/(loss) on foreign exchange		(31 867)	(25 685)
Interest received		3 861 769	5 349 782
Net cash flows used in operating activities		**(12 573 740)**	**(10 919 858)**
Cash flow used in investing activities			
Net proceeds from sales of property, plant and equipment		8 128	9 333
Purchase of property, plant and equipment		(2 237 594)	(1 048 052)
Purchases of Intangible assets		(1 832 436)	(870 242)
Development of Intangible assets		362 310	-
Cash flows used in investing activities		**(3 699 593)**	**(1 908 961)**
Net Increase/(Decrease) in Cash and Cash Equivalent		**(16 273 333)**	**(12 828 819)**
Cash and cash equivalents at beginning of the year		59 926 016	72 754 835
Cash and cash equivalents at end of the year	6	**43 652 683**	**59 926 016**

Annual Financial Statements for the year ended 31 March 2020

Notes to the Financial Statements

Figures in R

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 as an Organisation and domiciled in Namibia. The address of its registered office is Corner Julius K Nyerere and Feld Street Windhoek Namibia.

2. Basis of preparation and summary of significant accounting policies

The financial statements of Southern African Customs Union Secretariat have been prepared in accordance with the International Financial Reporting Standards (IFRS) and the SACU Secretariat Financial 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 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 annual 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 to 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.

Annual Financial Statements for the year ended 31 March 2020

Notes to the Financial Statements

Figures in R

3.1 Accounting policies (continued)

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

ASSET CLASS	USEFUL LIFE / DEPRECIATION RATE
Land	indefinite
Buildings	20 years
Motor Vehicles	5 years
Office furniture and fittings	6 years
Household furniture and fittings	6 years
Office equipment	5 years
Computer equipment - servers or infrastructure items	5 years
Computer equipment - laptop computers and mobile items	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 measured in accordance with 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 differmaterially 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 accumulatedequity 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 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 changed so as to allocate the cost of assetsless their residual value over their estimated useful lives using the straight-line method.

Annual Financial Statements for the year ended 31 March 2020

Notes to the Financial Statements

Figures in R

3.1 Accounting policies (continued)

The estimated useful lives range as well as the measurement base for each class of asset is as follows:

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

The assets' residual values useful lives and depreciation methods are reviewed 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.

During the financial year the Council of Ministers approved a change in the depreciation accounting estimate for Office and Household furniture and fittings from 5 years to 6 years. The financial effects is that depreciation charge for this class in the current financial year has reduced by R276 043. The new estimate will be applied going forward.

ANNEXURE E

SOUTHERN AFRICAN CUSTOMS UNION

Annual Financial Statements for the year ended 31 March 2020

Notes to the Financial Statements

Figures in R

3.2 Balances at year end and movements for the year

	Land	Buildings	Motor vehicles	Office furniture and fittings	Household furniture and fittings	Office equipment	Computer equipment	Total
Reconciliation for the year ended 31 March 2020	R	R	R	R	R	R	R	R
Balance at 1 April 2019								
At cost	29 856 750	62 952 681	2 187 444	8 083 462	2 011 009	323 166	7 047 991	**112 462 503**
Accumulated depreciation	-	(3 879 431)	(1 305 056)	(6 579 853)	(1 412 471)	(249 888)	(6 341 080)	**(19 767 779)**
Net book value	**29 856 750**	**59 073 250**	**882 388**	**1 503 609**	**598 538**	**73 278**	**706 911**	**92 694 724**
Movements for the year ended 31 March 2020								
Additions from acquisitions	-	763 830	-	13 200	59 854	-	1 400 709	**2 237 594**
Depreciation	-	(4 580 486)	(196 667)	(336 570)	(136 330)	(41 036)	(396 796)	**(5 687 885)**
Disposals	-	-	-	(2 640)	(775)	-	(4 711)	**(8 126)**
Property plant and equipment at the end of the year	**29 856 750**	**55 256 594**	**685 721**	**1 177 599**	**521 287**	**32 242**	**1 706 113**	**89 236 307**
Closing balance at 31 March 2020								
At cost	29 856 750	63 716 511	2 187 444	8 063 353	1 997 954	323 165	**8 152 180**	**114 297 357**
Accumulated depreciation	-	(8 459 917)	(1 501 723)	(6 885 754)	(1 476 667)	(290 923)	**(6 446 067)**	**(25 061 051)**
Net book value	**29 856 750**	**55 256 594**	**685 721**	**1 177 599**	**521 287**	**32 242**	**1 706 113**	**89 236 306**

Annual Financial Statements for the year ended 31 March 2020

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Property, plant and equipment

3.2 Balances at year end and movements for the year

	Land	Buildings	Motor vehicles	Office furniture and fittings	Household furniture and fittings	Office equipment	Computer equipment	Total
Reconciliation for the year ended 31 March 2020	R	R	R	R	R	R	R	R
Balance at 1 April 2019								
At cost	29 856 750	62 952 681	2 187 444	8 083 462	2 011 009	323 166	7 047 991	**112 462 503**
Accumulated depreciation	-	(3 879 431)	(1 305 056)	(6 579 853)	(1 412 471)	(249 888)	(6 341 080)	**(19 767 779)**
Net book value	**29 856 750**	**59 073 250**	**882 388**	**1 503 609**	**598 538**	**73 278**	**706 911**	**92 694 724**
Movements for the year ended 31 March 2020								
Additions from acquisitions	-	763 830	-	13 200	59 854	-	1 400 709	**2 237 594**
Depreciation	-	(4 580 486)	(196 667)	(336 570)	(136 330)	(41 036)	(396 796)	**(5 687 885)**
Disposals	-	-	-	(2 640)	(775)	-	(4 711)	**(8 126)**
Property, plant and equipment at the end of the year	**29 856 750**	**55 256 594**	**685 721**	**1 177 599**	**521 287**	**32 242**	**1 706 113**	**89 236 307**
Closing balance at 31 March 2020								
At cost	29 856 750	63 716 511	2 187 444	8 063 353	1 997 954	323 165	8 152 180	**114 297 357**
Accumulated depreciation	-	(8 459 917)	(1 501 723)	(6 885 754)	(1 476 667)	(290 923)	(6 446 067)	(25 061 **051)**
Net book value	**29 856 750**	**55 256 594**	**685 721**	**1 177 599**	**521 287**	**32 242**	**1 706 113**	**89 236 306**
Reconciliation for the year ended 31 March 2019								
Balance at 1 April 2018								
At cost	34 241 127	60 633 020	2 187 444	7 946 616	1 884 488	307 648	6 580 908	**113 781 252**
Accumulated depreciation	-	(2 971 129)	(1 061 156)	(5 170 711)	(1 217 593)	(217 907)	(6 042 320)	**(16 680 817)**
Net book value	**34 241 127**	**57 661 891**	**1 126 288**	**2 775 905**	**666 895**	**89 741**	**538 588**	**97 100 435**

Annual Financial Statements for the year ended 31 March 2020

Notes to the Financial Statements

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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.

Annual Financial Statements for the year ended 31 March 2020

Notes to the Financial Statements

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4.2 Reconciliation of changes in intangible assets

	Computer software	Intangible assets under development	Total
	R	R	R
Reconciliation for the year ended 31 March 2020			
Balance at 1 April 2019			
At cost	2 121 699	611 173	**2 732 872**
Accumulated amortisation	(1 768 045)	-	**(1 768 045)**
Net book value	**353 654**	**611 173**	**964 827**
Movements for the year ended 31 March 2020			
Other acquisitions	443 529	1 388 907	**1 832 436**
Amortisation	(160 486)	-	**(160 486)**
Increase (decrease) through transfers	-	(362 310)	**(362 310)**
Intangible assets at the end of the year	**636 697**	**1 637 770**	**2 274 468**
Closing balance at 31 March 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**

Annual Financial Statements for the year ended 31 March 2020

Notes to the Financial Statements

Figures in R

4.3 Reconciliation of changes in intangible assets

	Computer software	Intangible assets under development	Total
	R	R	R
Reconciliation for the year ended 31 March 2019			
Balance at 1 April 2018			
At cost	1 862 632	-	**1 862 632**
Accumulated amortisation	(1 515 767)	-	**(1 515 767)**
Net book value	**346 865**	**-**	**346 865**
Movements for the year ended 31 March 2019			
Other acquisitions	259 070	611 173	**870 242**
Amortisation	(252 280)		**(252 280)**
Intangible assets at the end of the year	**353 655**	**611 173**	**964 827**
Closing balance at 31 March 2019			
At cost	2 121 699	611 173	**2 732 872**
Accumulated amortisation	(1 768 045)	-	**(1 768 045)**
Net book value	**353 654**	**611 173**	**964 827**

Annual Financial Statements for the year ended 31 March 2020

Notes to the Financial Statements

Figures in R

	2020	2019
	R	R

5. Trade and other receivables

5.1 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 thatthe 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.

5.2 Trade and other receivables comprise:

	2020	2019
Trade receivables	2 495 979	1 364 302
Prepaid expenses	288 146	691 982
Employee costs receivables	33 456	112 821
Total trade and other receivables	**2 817 581**	**2 169 105**

6. Cash and cash equivalents

6.1 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.

6.2 Cash and cash equivalents comprise:

	2020	2019
Cash		
Cash on hand	1 779	2 889
Balances with banks	4 577 955	1 074 649
Total cash	**4 579 734**	**1 077 538**
Cash equivalents		
Short term investments	39 072 949	58 848 478
Total cash equivalents	**39 072 949**	**58 848 478**
Total cash and cash equivalents included in current assets	**43 652 683**	**59 926 016**
Net cash and cash equivalents	**43 652 683**	**59 926 016**

Annual Financial Statements for the year ended 31 March 2020

Notes to the Financial Statements

Figures in R

	2020	2019
	R	R

6.3 Detail of cash and cash equivalent balances

Bank balances		
Standard Bank Current Account	1 077 986	814 917
Standard Bank Call Account	3 499 969	259 732
Total	**4 577 955**	**1 074 649**

7. Discontinued operations

Short term investments		
Short term investment classified as cash	39 072 949	58 848 478

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

Gain or loss recognised on the disposal of assets	35 968	14 567
	35 968	**14 567**
Amount per statement of comprehensive income	**35 968**	**14 567**
Attributable to the SACU Secretariat	35 968	14 567
	35 968	**14 567**

8. Provisions

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.

Annual Financial Statements for the year ended 31 March 2020

Notes to the Financial Statements

Figures in R

	2020	2019
	R	R

8.2 Provisions comprise:

Provisions for leave pay	1 594 112	923 060
Provisions for performance bonus	2 595 614	2 107 401
	4 189 726	**3 030 461**
Provisions for leave pay	1 594 112	923 060
Provisions for performance bonus	2 595 614	2 107 401
Current portion	**4 189 726**	**3 030 461**
	4 189 726	**3 030 461**

8.3 Provisions for employee benefits

	Leave pay provision	Total
Balance at 1 April 2019	**923 060**	**923 060**
Leave paid out during the year	(615 943)	(615 943)
Increase in existing provision	1 286 995	1 286 995
Total changes	671 052	671 052
Balance at 31 March 2020	**1 594 112**	**1 594 112**

8.4 Details of employee benefit provisions

Leave pay provision

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

Annual Financial Statements for the year ended 31 March 2020

Notes to the Financial Statements

Figures in R

	2020	2019
	R	R

The current portion of this liability includes all of the accrued annual leave. The entire amount of the provision of R1 594 112 (2019 - R923 060) is presented as current since the SACU Secretariat does not have an unconditional right to defer settlement for any of these obligations. However based on past experience the SACU Secretariat 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 R200 232 (2019 - R113 837).

8.5 Provisions for performance bonus

	Provision	Total
Balance at 1 April 2019	**2 107 401**	**2 107 401**
New provisions	2 595 614	2 595 614
Bonus paid out	(2 311 997)	(2 311 997)
2018/19 Under provisions recognised	204 596	204 596
Total changes	488 213	488 213
Balance at 31 March 2020	**2 595 614**	**2 595 614**

9. Trade and other payables

9.1 Accounting policies

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

9.2 Trade and other payables comprise:

Trade creditors	1 617 155	4 946 660
Bank liabilities	62 657	107 878
Total trade and other payables	**1 679 812**	**5 054 538**

Annual Financial Statements for the year ended 31 March 2020

Notes to the Financial Statements

Figures in R

	2020	2019
	R	R

9.3 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.

9.4 Items included in trade and other payables not classified as financial liabilities

	2020	2019
Trade payables	1 420 166	3 977 550
Staff payables	35 315	93 826
Accruals	161 674	875 284
Total non-financial liabilities included in trade and other payables	1 617 155	4 946 660
Total trade and other payables excluding non-financial liabilities included in trade and other payables	62 657	107 878
Total trade and other payables	**1 679 812**	**5 054 538**

Annual Financial Statements for the year ended 31 March 2020

Notes to the Financial Statements

Figures in R

9.5 Analysis of the periods and the amounts due

Creditor	Current	30 days	60 days	150+ days	Total
	R	R	R	R	R
31 March 2020					
Trade payables	1 304 384	70 420	0	45 362	1 420 166
Staff payables	3 895	5 000	26 420	0	35 315
Accruals	161 674	-	0	0	161 674
Credit card liability	62 657	-	0	0	62 657
	1 532 610	**75 420**	**26 420**	**45 362**	**1 679 812**
31 March 2019					
Trade payables	2 990 853	744 346	242 351	0	3 977 550
Staff payables	93 826	-	0	0	93 826
Accruals	875 284	-	0	0	875 284
Credit card liability	107 878	-	0	0	107 878
	4 067 841	**744 346**	**242 351**	**-**	**5 054 538**

Annual Financial Statements for the year ended 31 March 2020

Notes to the Financial Statements

Figures in R

	2020	2019
	R	R

10. Revenue

10.1 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.

10.2 Revenue comprises:

	2020	2019
Common Revenue Pool	69 396 032	62 925 720

11. Employee benefits expense

11.1 Accounting policies

Short-term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service.

Post-employment benefits are employee benefits (other than termination benefits and short-term employee benefits) that are payable after the completion of employment.

Other long-term employee benefits are all employee benefits other than short-term employee benefits postemployment benefits and termination benefits.

Termination benefits are employee benefits provided in exchange for the termination of an employee’s employment as a result of either:

- an entity’s decision to terminate an employee’s employment before the normal retirement date; or
- an employee’s decision to accept an offer of benefits in exchange for the termination of employment.

Annual Financial Statements for the year ended 31 March 2020

Notes to the Financial Statements

Figures in R

	2020	2019
	R	R

Short-term employee benefits

Compensation paid to employees for the rendering of services are recognised at the undiscounted amount paid or expected to be paid in the accounting period in which the services were rendered.

Where employees accumulate entitlement for paid leave an expense is recognised as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the end of the reporting period. In the case of non-accumulating paid absences the expense is recognised only when the absences occur.

The expected cost of profit-sharing and bonus payments are recognised when there is a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when there is no realistic alternative but to make the payments.

Termination benefits

A liability for termination benefit is recognised at the earlier of when the contract term has been served in line with the SACU Secretariat Conditions of Service and when the related restructuring costs are recognised.

11.2 Employee benefits expense comprises:

	2020	2019
Salaries	56 645 018	51 810 466

12. Administrative expenses

Administrative expenses comprise:

	2020	2019
Auditors fees	627 110	759 831
Bank charges	64 116	97 503
Communication costs	626 937	583 330
Subscriptions and reference materials	108 202	77 970
Total administrative expenses	**1 426 365**	**1 518 634**

Annual Financial Statements for the year ended 31 March 2020

Notes to the Financial Statements

Figures in R

	2020	2019
	R	R

13. Other expenses

Advertising	96 181	969 914
Amortisation	160 486	252 280
Depreciation	5 687 885	5 610 825
Electricity water and refuse	788 570	760 944
Employee costs	56 645 018	51 810 466
Hospitality and staff wellness	311 951	581 766
Hosting and convening of Member States technical meetings	2 991 724	1 949 482
Household expenses	506 012	491 763
Insurance	216 531	160 720
IT services	1 433 898	1 100 841
Media and Public relations	792 120	978 830
Motor vehicle expense	228 726	186 837
Office Supplies	769 890	812 485
Professional fees	5 446 800	3 326 310
Recruitment costs	1 253 438	2 201 500
Relocation costs	157 361	498 026
Rent for disaster recovery site	146 061	-
Repairs and maintenance	887 541	844 378
Security	696 892	724 935
Training	1 441 068	975 577
Travel accommodation and subsistence	6 735 558	8 384 804
Total other expenses	**87 393 711**	**82 622 683**

14. Deficit from operating activities

Deficit from operating activities	**(19 424 044)**	**(21 215 597)**

Annual Financial Statements for the year ended 31 March 2020

Notes to the Financial Statements

Figures in R

	2020	2019
	R	R

15. 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’.

16. Finance income

Finance income comprises:

	2020	2019
Interest received	490 039	464 114
Investment income	3 371 730	4 885 668
Total finance income	**3 861 769**	**5 349 782**

17. Finance costs

17.1 Accounting policies

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

17.2 Finance costs included in surplus or deficit:

	2020	2019
Foreign exchange losses	31 867	25 685

Annual Financial Statements for the year ended 31 March 2020

Notes to the Financial Statements

Figures in R	2020	2019
	R	R

18. Communication costs

Communication costs comprise:

Communication Costs	626 937	583 330

19. Going concern

The annual 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.

20. 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

21. Cash flows from operating activities

Net cash flows from operations	**(16 403 642)**	**(16 243 955)**

Annual Financial Statements for the year ended 31 March 2020

Notes to the Financial Statements

Figures in R	2020	2019
	R	R

22. 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 2020

Cleaning services	1 018 151	195 437
Disaster Recovery Plan	4 847 656	41 068
Network support	139 903	43 945
Security services	1 727 496	280 095
SharePoint support	14 423	249 600
Study on Free Zones	-	1 053 240
Development of a Security Policy and Procedures	-	78 538
Study to Explore the Feasibility of Establishing a Regional Financing Mechanism	247 937	1 723 275
Internal Audit Quality review	190 000	150 589
Development of the SACU Extranet for Member States	356 430	1 503 225
Insurance Services	216 531	-
Records Archival Services	3 460	-
	8 761 987	**5 319 012**

Annual Financial Statements for the year ended 31 March 2020

Notes to the Financial Statements

Figures in R

	2020	2019
	R	R

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.

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	-	494 480
	1 216 301	**494 480**

Annual Financial Statements for the year ended 31 March 2020

Notes to the Financial Statements

Figures in R

	2020	2019
	R	R

23. New and revised standards affecting amounts and disclosures reported in the financial statements

In the current year a number of new and revised standards were applied for the first time as they became effective for financial years commencing on or after 1 January 2019. Detailed below are the standards applied the nature of the change as well as disclosure of the extent of the changes made to each reporting period presented in these financial statements.

IFRS 16 - Leases

At this stage the only lease applicable to the organisation is the rental of the Disaster Recovery Site. The payments are not material so the application of the standard is not required.

SOUTHERN AFRICAN CUSTOMS UNION

Annual Financial Statements for the year ended 31 March 2020

Detailed Income Statement

Figures in R	Note	2020	2019
		R	R
Revenue	10		
Common Revenue Pool		69 396 032	62 925 720
Total Revenue		**69 396 032**	**62 925 720**
Administrative expenses	12		
Auditors fees		(627 110)	(759 831)
Bank charges		(64 116)	(97 503)
Communication costs		(626 937)	(583 330)
Subscriptions and reference materials		(108 202)	(77 970)
Total administrative expenses		**(1 426 365)**	**(1 518 634)**
Other expenses	13		
Advertising		(96 181)	(969 914)
Amortisation - intangible assets		(160 486)	(252 280)
Depreciation - property plant and equipment		(5 687 885)	(5 610 825)
Electricity water and refuse		(788 570)	(760 944)
Employee costs - salaries		(56 645 018)	(51 810 466)
Hospitality and staff wellness		(311 951)	(581 766)
Hosting and convening of Member States technicalmeetings		(2 991 724)	(1 949 482)
Household expenses		(506 012)	(491 763)
Insurance		(216 531)	(160 720)
IT services		(1 433 898)	(1 100 841)
Media and Public relations		(792 120)	(978 830)
Motor vehicle expense		(228 726)	(186 837)
Office Supplies		(769 890)	(812 485)
Professional fees		(5 446 800)	(3 326 310)
Recruitment costs		(1 253 438)	(2 201 500)
Relocation costs		(157 361)	(498 026)
Rent for disaster recovery site		(146 061)	-
Repairs and maintenance		(887 541)	(844 378)
Security		(696 892)	(724 935)
Training		(1 441 068)	(975 577)
Travel accommodation and subsistence		(6 735 558)	(8 384 804)
Total other expenses		**(87 393 711)**	**(82 622 683)**
Deficit from operating activities	**14**	**(19 424 044)**	**(21 215 597)**

ANNEXURE F

SOUTHERN AFRICAN CUSTOMS UNION

Annual Financial Statements for the year ended 31 March 2020

Detailed Income Statement

Figures in R	Note	2020	2019
		R	R
Revenue	10		
Common Revenue Pool		69 396 032	62 925 720
Total Revenue		**69 396 032**	**62 925 720**
Administrative expenses	12		
Auditors fees		(627 110)	(759 831)
Bank charges		(64 116)	(97 503)
Communication costs		(626 937)	(583 330)
Subscriptions and reference materials		(108 202)	(77 970)
Total administrative expenses		**(1 426 365)**	**(1 518 634)**
Other expenses	13		
Advertising		(96 181)	(969 914)
Amortisation - intangible assets		(160 486)	(252 280)
Depreciation - property plant and equipment		(5 687 885)	(5 610 825)
Electricity water and refuse		(788 570)	(760 944)
Employee costs - salaries		(56 645 018)	(51 810 466)
Hospitality and staff wellness		(311 951)	(581 766)
Hosting and convening of Member States technicalmeetings		(2 991 724)	(1 949 482)
Household expenses		(506 012)	(491 763)
Insurance		(216 531)	(160 720)
IT services		(1 433 898)	(1 100 841)
Media and Public relations		(792 120)	(978 830)
Motor vehicle expense		(228 726)	(186 837)
Office Supplies		(769 890)	(812 485)
Professional fees		(5 446 800)	(3 326 310)
Recruitment costs		(1 253 438)	(2 201 500)
Relocation costs		(157 361)	(498 026)
Rent for disaster recovery site		(146 061)	-
Repairs and maintenance		(887 541)	(844 378)
Security		(696 892)	(724 935)
Training		(1 441 068)	(975 577)
Travel accommodation and subsistence		(6 735 558)	(8 384 804)
Total other expenses		**(87 393 711)**	**(82 622 683)**
Deficit from operating activities	14	**(19 424 044)**	**(21 215 597)**

ANNEXURE F

SOUTHERN AFRICAN CUSTOMS UNION

Annual Financial Statements for the year ended 31 March 2020

Detailed Income Statement

Figures in R	Note	2020	2019
		R	R
Finance income	**16**		
Interest received		490 039	464 114
Investment income		3 371 730	4 885 668
Total finance income		**3 861 769**	**5 349 782**
Finance costs	**17**		
Foreign exchange losses		(31 867)	(25 685)
Total finance costs		**(31 867)**	**(25 685)**
Deficit from continuing operations		**(15 594 142)**	**(15 891 500)**
Discontinued operations			
Gain or loss recognised on the disposal		35 968	14 567
Surplus from discontinued operations		**35 968**	**14 567**
Deficit for the year		**(15 558 174)**	**(15 876 933)**

ANNEX 4

LIST OF ABBREVIATIONS

Since 1910 SACU SOUTHERN AFRICAN CUSTOMS UNION

AfCFTA	African Continental Free Trade Area
CCA	Common Customs Area
CGE	Computable General Equilibrium Model
COMESA	Common Market for Eastern and Southern Africa
COVID-19	Coronavirus disease of 2019
CRP	Common Revenue Pool
E	Emalangeni (Eswatini Currency)
EAC	East African Community
EDRMS	Records and Document Management System
EFTA	European Free Trade Association
EMDEs	Emerging Markets and Developing Economies
EPA	Economic Partnership Agreement
EU	European Union
FAC	Finance and Audit Committee
FY	Financial Year
GDP	Gross Domestic Product
ICT	Information Communication Technology
IMF	International Monetary Fund
M	Maloti (Lesotho Currency)
MERCOSUR	Common Market for the South
MTBPS	Medium-Term Budget Policy Statement
MTEF	Medium Term Expenditure Framework
N$	Namibian Dollar (Namibian Currency)
P (BWA)	Pula (Botswana Currency)
PTA	Preferential Trade Agreement
R (ZAR)	Rand (South African Currency)
SACU	Southern African Customs Union
SACUM	SACU-Mozambique
SADC	Southern African Development Community
SSA	Sub-Saharan Africa
TFTA	Tripartite Free Trade Area
UCR	Unique Consignment Reference
UK	United Kingdom
WEO	World Economic Outlook

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Since 1910
SACU
SOUTHERN AFRICAN CUSTOMS UNION

Since 1910
SACU
SOUTHERN AFRICAN CUSTOMS UNION

SACU Secretariat
Corner Julius K. Nyerere and Feld
Private Bag 13285, WINDHOEK, NAMIBIA
Telephone: +264 61 295 8000
Email: info@sacu.int
www.sacu.int