Since 1910

SACU

SOUTHERN AFRICAN CUSTOMS UNION

2019 ANNUAL REPORT

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OUR VISION

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

OUR 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, harmonization and convergence to meet the development needs of the region;
- To promote sustainable economic growth and development for employment creation and poverty reduction;
- Too serve as a building block of an ever-closer community amongst the people of Southern Africa;
- To develop common policies and strategies for areas such as Trade Facilitation, effective customs controls and competition; and
- To develop effective, transparent and democratic institutions and processes.

SACU Headquarters

WORK PROGRAMME

- 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

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SACU Headquarters

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MESSAGE FROM THE CHAIRPERSON OF THE SACU COUNCIL OF MINISTERS FOR THE SACU ANNUAL REPORT 2019

It is with great honour that I present the SACU Annual Report for the 2018/19 Financial Year. Overall, the Report presents highlights of the key achievements and economic performance of the SACU Member States, as well as the audited Annual Financial Statements of the Secretariat.

The world economic activity had been experiencing a steady improvement since the middle of 2016 reaching 3.8 percent in 2017, before slowing down to 3.6 percent in 2018. The Emerging Markets and Developing Economies (EMDEs) were largely influential in the global growth for 2017 and registered a 4.3 percent growth compared to the developed economies, which grew by 2.3 percent.

Honourable C.H.G. Schlettwein
Minister of Finance, Republic of Namibia
Chairperson of the SACU Council of Ministers

The growth momentum remained subdued. In part, this was due to the prospects of more trade sanctions by the United States of America, which had negative impact on the global value chains coupled with the uncertainty surrounding the withdrawal of the United Kingdom from the European Union - Brexit. In addition, the rising geopolitical tensions that affected energy prices were some of the impediments to the global growth outlook.

In relation to Sub-Saharan Africa (SSA), the recovery is expected to continue into 2019, with growth projected to reach 3.4 percent from 3.0 percent in 2018, and further improve to 3.6 percent in 2020. Some of the larger economies in the region are projected to experience weaker economic growth but this will be partially offset by the projected stronger growth in non-resource intensive countries. The outlook for the SSA region will be positively impacted by the oil prices in the region, which continues to be volatile but remain at a higher level. This will largely impact oil producing countries of Angola and Nigeria. The South African economy, as one of the major economies in SSA, is expected to be subdued due to the weaker first quarter performance in 2019, energy supply challenges as well as weaker agricultural output.

The economic performance in SACU continued to mirror the trends of the previous year, 2017/18, with uneven growth across the Member States. The weighted GDP growth rate declined from an estimated 1.4 percent in 2017 to about 0. 9 percent in 2018. Growth is forecast to remain at about the same level (0.9 percent) for 2019.

However, beyond 2019, growth is expected to improve marginally underpinned by better commodity price outlook. This low growth performance requires an acceleration of initiatives that are aimed at stimulating further growth in our region.

During the period under review, I have noted with satisfaction, the significant progress being made on the work related to Trade Negotiations with third parties. These include negotiations for the African Continental Free Trade Area (AfCFT A) and the SACU/Mozambique and the United Kingdom engagement to roll-over of the SADC Economic Partnership Agreement with the European Union (EU-SADC EPA) when the United Kingdom exits the EU. As SACU, we are looking forward to the conclusion of these negotiations to ensure the continuity of trade with the United Kingdom on one hand and operationalization of the AfCFT A, on the other hand. In this regard, I wish to call upon the business community to prepare to take advantage of the enhanced market access and investment opportunities that will be created through these Agreements.

SACU will continue to accelerate key initiatives that will support and ensure that the region maximize on the trade and investment opportunities resulting from trade agreements with third parties. Amongst others, these include the identification and development of Regional Value Chains and the exploration of options to finance SACU-wide Infrastructure Projects and Industrialisation in the region.

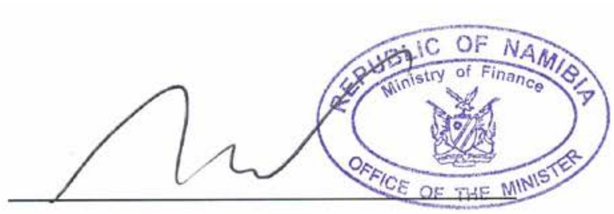
I am very pleased to note the progress that has been achieved in the Member States towards the implementation of key and strategic initiatives under the SACU Customs Modernisation Programme such as the IT Connectivity Programme and Preferred Trader Programme. The main objective of the SACU Customs Modernisation Programme is to enhance efficiencies in Customs operations in order to facilitate cross border movement of goods whilst securing borders to curb the scourge of illicit trade in the SACU Member States. Once fully implemented, these Programmes will not only enhance border efficiency in the Member States but will bring about major reductions in the time spent at the border and the number of documents required in clearing goods. Ultimately the reforms will greatly benefit the trading community and customs administrations alike. These reforms would be more critical as we prepare to lay the foundation for the full roll-out and to maximize on the benefits that will accrue from the creation of the AfCFT A. The improvement in border efficiencies will also have positive spill-over effects on the capacity of the Customs Administrations to collect Government revenues.

I would also like to express our gratitude to the World Customs Organisation (WCO) for the collaboration and partnership that we have enjoyed to deliver the WCO-SACU Connect Project which was successfully completed during the reporting period. The frameworks that were developed under this Project will enhance the skills and capability of the Customs Administrations to better serve the business community.

Regarding the Ministerial Work Programme, the pace of implementation remained slow with limited progress. There is therefore a need to create the requisite momentum to fast-track the implementation process and conclude the Ministerial Work Programme. The successful conclusion of this Programme has a potential to stimulate the SACU economy, which will in turn contribute towards improved social welfare for our people and increased business and economic opportunities.

I wish to take this opportunity to extend my sincere gratitude and appreciation to the Council of Ministers, for the continued provision of invaluable guidance, contributions and support, which have seen us achieving some of our targets in the reporting period.

Lastly, I take this opportunity to thank Ms. Paulina M. Elago, the Executive Secretary, and the staff of the Secretariat, for their dedication, enthusiasm and drive in providing their support to facilitate the work to the SACU Institutions.



Honourable C.H.G. Schlettwein
Minister of Finance, Republic of Namibia Chairperson of the SACU Council of Ministers

EXECUTIVE SECRETARY'S STATEMENT

This Report presents a comprehensive overview and key highlights of the work of the SACU Secretariat as well as the financial affairs of the organisation for the 2018/19 Financial Year.

The year under review was characterised by heightened trade tensions that arose following the introduction of higher tariffs on imports from some of the major trading partners by the Government of the United States of America. These have affected growth ratesfor the global as well as the SACU economies, which remained subdued. Amid these developments, the Secretariat undertook various activities based on its Business Plan and approved budget for the 2018/19 Financial Year. The key highlights for the year under review are summarized below.

On the institutional front, the 6th Summit of the SACU Heads of State or Government was convened on the 29th June 2018, in Gaborone, Botswana. At the Summit, the Heads of State or Government considered progress made towards the implementation of the Work Programme for the Ministerial Task Teams on Finance and on Trade and Industry. The Heads of State noted that since the 5th Summit that was held in Lozitha, Eswatini on the 23rd June 2017, there had been limited progress made in the implementation of the Ministerial Work Programme. This was mainly due to divergent views held by the Member States in some areas of the Work Programme, some of which have now been elevated to the Summit for guidance. Nevertheless, there have been some progress in other areas of the Work Programme. These include the identification of priority sectors for the development of regional value chains; feasibility of establishing a financing mechanism for infrastructural projects in the region; and the commencement of work towards the development of comprehensive Programme for the Trade Facilitation, amongst others.

On the operational front, considerable progress was made in the implementation of SACU priorities related to Trade Negotiations, Trade Facilitation, and Revenue Management.

In the area of Trade Negotiations, the SACU Member States continued to pursue unified engagement and negotiations of trade agreements with third parties. These include, amongst others, negotiations on the: (i) African Continental Free Trade Area ; (ii) COMESAEAC-SADC Free Trade Area (TFTA); and (iii) SACU, Mozambique and the United Kingdom engagement to roll-over of the SADC Economic Partnership Agreement with the European Union (EU-SADC EPA) when the United Kingdom exits the EU. In additionwork commenced to review the Free Trade Agreement between SACU and the European Free Trade Association (EFTA).

The Secretariat plays d a pivotal role in these negotiations through the provision of technical support and advice to Member States and in coordinating and facilitating the necessary consultations and preparations among SACU Member States. In this regard, the Secretariat convened and facilitated twenty-one (21) Consultative Meetings for the SACU Member States prior to each round of negotiations as well as briefing sessions for the Senior Trade Officials and at the Ministerial level and technical support during twenty (20) negotiating rounds. The consultative process within SACU assists Member States in formulating SACU common negotiating positions, thereby effectively and successfully engaging in the negotiations as a bloc in line with the SACU Common Negotiating Mechanism, CNM. Under the Trade Facilitation Programme, the Secretariat continued to provide leadershipand facilitate implementation of the SACU Customs Modernization Programme. The Programme aims to enhance cooperation at a regional level in order to create a conducive trade environment through enhanced effectiveness and efficiency of customs operations in general and more specifically to reduce administrative complexities at border posts.

Ms. Paulina Mbala Elago
Executive Secretary of SACU

The key highlight in this regard includes the successful completion of the five-year (2014-2018) SACU flagship Customs Modernisation Project named "WCOSACU Connect Project". In addition, and as part of this project a SACU Handbook for the Customs Modernisation Programme was produced with the assistance of the WCO. . The Handbook is a blueprint for Customs operations. It contains all the tools and technical frameworks required to strengthen the existing cooperation and collaboration on IT Connectivity, Customs Legislative Reform, Preferred Trader Programme, and Risk Management and Enforcement.

The Secretariat successfully coordinated the process for the calculation and determination of the revenue shares for the Member States. The actual Common Revenue Pool collections for the 2017/18 Financial Year stood at R90.29 billion, compared to R84.75 billion collected in the 2016/17 Financial Year. This represents an increase of R5.54 billion during the period under review.

Operational efficiency continued to be a priority for the Secretariat during the period under review in order to enable the Secretariat to deliver quality services to the Member States and to enhance effectiveness of its operations. To this end, the Secretariat undertook a comprehensive review of several Policies which were subsequently approved by the Council of Ministers. These include the Financial Policy and Guidelines; Information Classification Policy; Procurement Policy and Guidelines; and the Fixed Assets Policy. In addition, a new Policy, the Fraud Prevention Policy, was developed and approved by the Council. The Secretariat also commenced the process of developing an extranet site for the Institutions of SACU. This project will be concluded in the next Financial Year. I am pleased to report that the Secretariat continues to receive unqualified audits for its financial statements. This clearly demonstrate that the finances and other resources of the Secretariat are managed in a prudent and professional manner.

During the period under review, a three-year (2019-2021) Communications and Publicity Strategy was approved by the Council of Ministers. The purpose of the Strategy is to establish a framework to set out an an effective communication plan that focuses on raising awareness on SACU and its Programmes in the Member States. It will ensure that both internal and external stakeholders receive adequate information on SACU, at the opportune time through appropriate communication channels and tools.

As part of the Secretariat's Corporate Social Investment (CSI) initiatives, the Secretariat identified and sponsored two Projects: the orphanage home and the a Pre-Primary school for underprivileged kids in Windhoek, Namibia. The sponsorship largely covered educational materials.

Having highlighted some of the milestones achieved during the period under review, I would like to express my appreciation to the SACU Heads of State or Government, the SACU Council of Ministers, the SACU Commission and the Finance and Audit Committee, for the leadership, and strategic guidance and support provided to the Secretariat. I would also like to acknowledge and commend the Secretariat's staff for their commitment, professionalism and hard work without which the milestones I highlighted above could not have been achieved.

Ms. Paulina Mbala Elago
Executive Secretary of SACU

CORPORATE GOVERNANCE STATEMENT

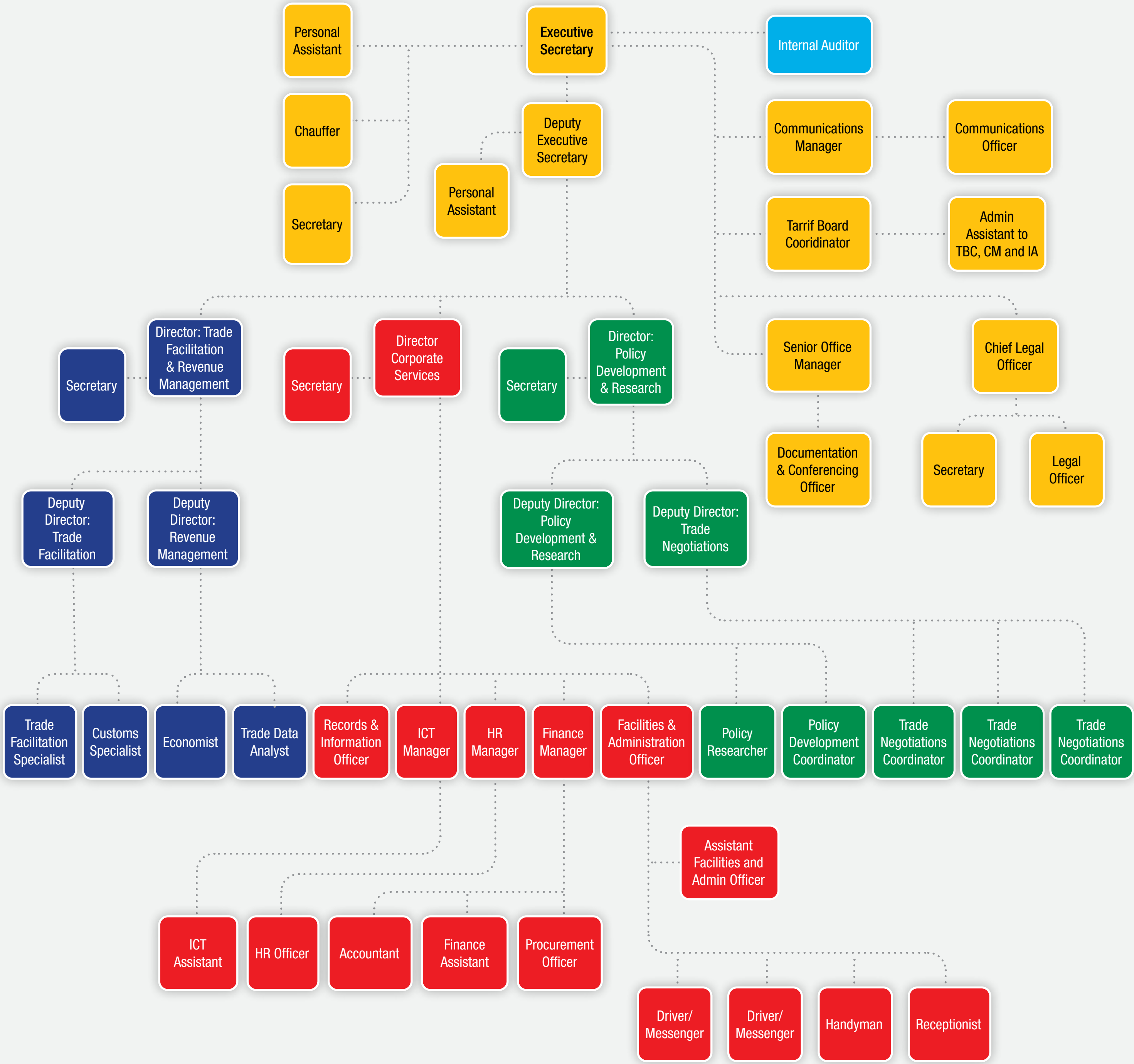
The Executive Management and the Finance and Audit Committee (FAC) set standards and manage the implementation of systems of internal control, accounting and information systems.

This aims to provide reasonable assurance that assets of the Secretariat are safeguarded, and the risk of error, fraud or loss is reduced in a cost-effective manner. These controls which are contained in established Policies and Procedures, include 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 cognizance of the relative degrees of risk(s) of each function or aspect of the business.

The FAC together with the external and internal auditors, play an integral role in matters relating to financial and internal control, accounting policies, reporting and disclosure and governance.

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

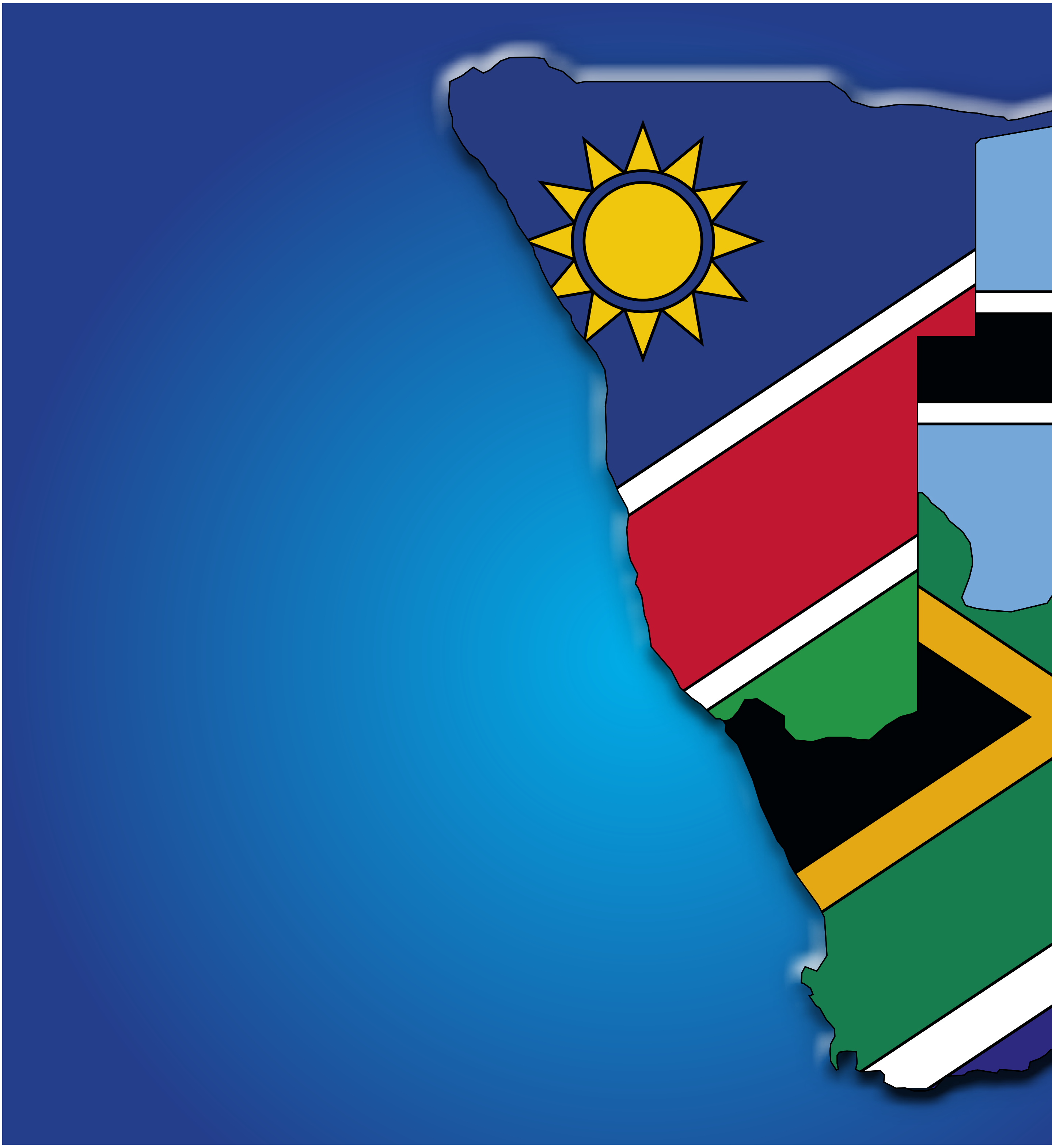
DIRECTORATE TRADE FACILITATION AND REVENUE MANAGEMENT

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



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

Chapter 1

Institutional Development

Since 1910
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Introduction

The SACU Agreement, 2002, as amended in April 2013 (the SACU Agreement), established the following institutions:

- Summit of SACU Heads of State or Government;
- Council of Ministers;
- Customs Union Commission;
- Secretariat;
- Tariff Board;
- Technical Liaison Committees; and
- *ad hoc* Tribunal.

While all other bodies have been established, the Tariff Board and the *ad hoc* Tribunal are not yet operational.

Chairmanship of SACU

The Chair of the SACU institutions is held for a term of 12 months and rotates amongst the Member States in alphabetical order. For the period under review, the Kingdom of Lesotho was the Chair with effect from the 15th July 2018, following the Republic of Botswana's tenure, which ended on the 14th July 2018.

Key highlights for the year under review

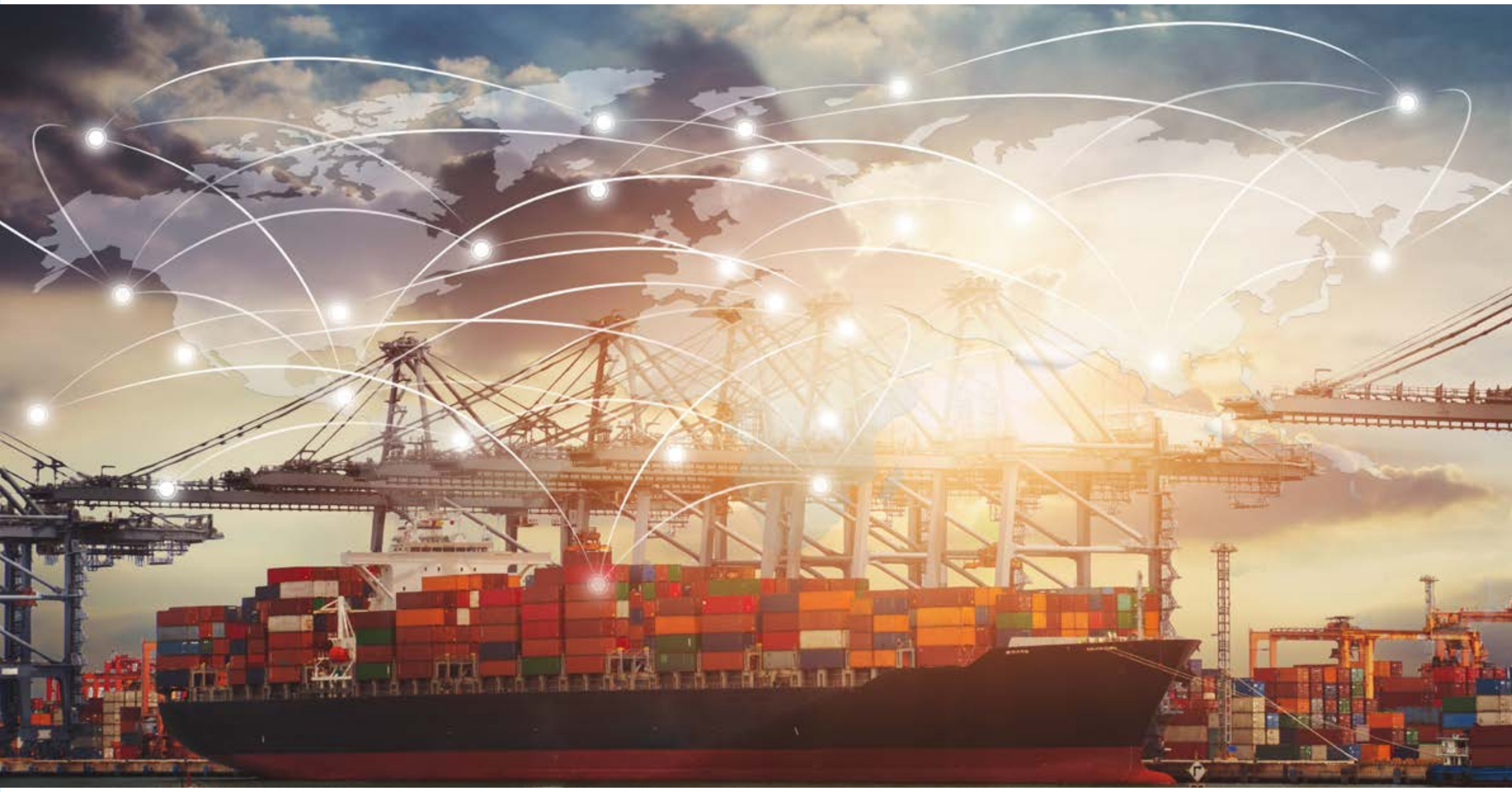
The following key milestones were achieved:

(a) the 6th Summit of the SACU Heads of State or Government was convened on the 29th June 2018, in Gaborone, Botswana;
(b) the convening of the quarterly Meetings of the Finance and Audit Committee, the SACU Commission and the Council of Ministers; and
(c) the successful coordination and administration of SACU's initiatives and activities by the Secretariat, including the provision of technical support to all the institutions of SACU.

SACU Summit

In accordance with Article 7 A of the SACU Agreement, the Summit consists of the Heads of State or Government of the SACU Member States. The key role of the Summit is to define the political and strategic direction, and priorities of SACU. In this regard, the 6th SACU Summit was held on the 29th June 2018 in Gaborone, Botswana.

The Summit considered the Progress Report from the Council of Ministers on the implementation of the Work Programme for the Ministerial Task Teams on Trade and Industry and on Finance.



Council Members

The Work Programme had been previously endorsed by the 5th SACU Summit held on the 23rd June 2017. The Summit noted that the implementation of the Work Programme entails extensive national consultations to ensure an inclusive and comprehensive engagement with the relevant stakeholders. This therefore necessitated the extension of the completion date, by an additional twelve (12) months from December 2018.

The 6th Summit also considered and adopted its Rules of Procedure, pursuant to Article 7A (7) of the SACU Agreement. The Rules of Procedure provide the framework for the conduct, management and administration of the Meetings of the Summit.

SACU Council of Ministers

In accordance with Article 8 of the SACU Agreement, the Council of Ministers is responsible for decision-making on the overall policy direction and functioning of SACU institutions. During the period under review, the Council of Ministers convened as follows:

(a) 34th Meeting, on the 13th April 2018, in Windhoek, Namibia;
(b) 35th Meeting, on 27 – 28 June 2018, in Gaborone, Botswana; and
(c) 36th Meeting, on 20 – 21 September 2018, in Windhoek, Namibia.

At its 35th Meeting, the Council considered the various recommendations from the Ministerial Task Teams on Trade and Industry and on Finance, culminating in the presentation of a progress Report to the 6th Summit of the Heads of State or Government in June 2018. The Council subsequently considered the outcomes of the 6th SACU Summit and at its 36th Meeting, agreed on a way forward on the implementation of the focus areas in the Work Programme.

The Council also considered the recommendations from the Customs Union Commission on other issues on the SACU Agenda. This includes on-going trade negotiations and implementation of Trade Agreements concluded by SACU with third parties; progress on the implementation of the SACU Trade Facilitation Progamme; approval of revenue shares for the Member States; governance issues and other operational matters, as reflected in other Chapters of this Report.

Customs Union Commission

The Commission is mandated to ensure the implementation of the SACU Agreement and the decisions of the Council, pursuant to Article 8 of the SACU Agreement. The Commission therefore convened as follows:

(a) 47th Meeting, on 11 – 12 April 2018, in Windhoek, Namibia;
(b) 48th Meeting, on 25 – 26 June 2018, in Gaborone, Botswana;
(c) 49th Meeting, on 17 – 18 September 2018, in Windhoek, Namibia; and
(d) 50th Meeting, on 4 – 5 December 2018, in Ezulwini, Eswatini.

The Commission considered various issues covering, trade, trade facilitation, revenue shares and other finance related issues as well as institutional matters, as reflected in the other Chapters of this Report. The Commission presented its recommendations to the respective Meetings of the Council for consideration and the recommendations are submitted to Council approval, in accordance with the SACU Agreement and the Rules of Procedure for SACU Institutions.

The Secretariat

During the period under review, the Secretariat continued to discharge its mandate of the day-to-day administration of SACU, pursuant to Article 10 of the SACU Agreement. The Secretariat facilitated and provided technical support to the meetings of the Summit, Council, Commission and the Finance and Audit Committee. The Secretariat also supported, coordinated and monitored the implementation of the decisions of the Summit and the Council, on the Work Programme for the Ministerial Task Teams on Trade and Industry and on Finance.

In addition, the Secretariat continued to implement the overall SACU Work Progamme including supporting the Member States in their negotiations of Trade Agreements with third parties, as well as the implementation of these Agreements. Other activities undertaken during the period under review, include ongoing work on the implementation of the SACU Trade Facilitation Programme, Revenue Sharing, and operational matters. The full details on these issues, are reported in other Chapters of this Report.

Challenges during the year under review

The implementation of the Work Programme for the Ministerial Task Teams on Trade and Industry and on Finance required an extension from the initial planned completion date of December 2018. This was in recognition of the fact that extensive national consultations were required to ensure an inclusive and comprehensive engagement with the relevant stakeholders. In addition, further technical work and analysis was required in some areas to support the work of the Ministerial Task Teams. The completion date was therefore extended by an additional twelve (12) months to December 2019. This therefore had an impact on the conclusion of some of the areas in the Work Programme.

Outlook for the 2019/20 Financial Year

It is expected that strategic engagements will be held in the following year in order to advance the Work Programme for the Ministerial Task Teams.

Chapter 2

Trade Facilitation and Revenue Management

Introduction

The Trade Facilitation and Revenue Management entails the simplification of the cross-border movement of goods and ensuring equitable allocation of revenue shares amongst the SACU Member States. This Chapter highlights the progress made, and the challenges experienced during the reporting period, it further provides an outlook for the next Financial Year (FY), 2019/20.

Key highlights for the year under review

The following were the key highlights under the Trade Facilitation and Revenue Management Programme in the 2018/19 FY:

(a) Under the Customs Modernisation Programme the following were completed;

  (i) IT Connectivity Blueprint, IT Connectivity Utility Block “Your Export Is My Entry” and the Unique Consignment Reference (UCR) to enhance **IT Connectivity**;
  (ii) the **Preferred Trader Programme** Engagement Strategy, Preferred Trader Programme Training Manuals on Risk Management and Audit for Customs Officials and Preferred Trader Programme Internal and External Manuals to guide Customs Officials and Traders on implementation of the Preferred Traders Programme; and
  (iii) the **Regional Customs Risk Management and Enforcement Strategy**; and Regional Customs Compliance Management Strategy.

(b) Facilitated the work of the Ministerial Task Teams on Trade and Industry and on Finance, in respect of the work on Trade Facilitation to improve border efficiencies; exploring the feasibility of a Regional Financing Mechanism for SACU-wide Infrastructure Projects and Industrialisation; and options on how to address volatility in revenue shares;

(c) Concluded the trade data audits in all the Member States; and

(d) Facilitated the process to determine the revenue shares for the Member States.

Below is the summary brief of the highlights listed above:

(a) **Customs Modernisation Programme**

The SACU Customs Modernisation Programme has four key pillars; IT Connectivity, Preferred Trader Programme, Risk Management and Enforcement as well as the Customs Legislative Framework. The key highlights for each Programme components during the period under review are outlined below:

(i) IT Connectivity enables the linkage of Member States’ Customs IT Management Systems in order to facilitate automated exchange of Customs export/import transactions between countries. With the assistance of the WCO the following regional tools and frameworks were developed; Model Bilateral Arrangement to facilitate automatic exchange of information, IT Connectivity Blueprint, IT Connectivity Utility Block “Your Export Is My Entry”; and Unique Consignment Reference (UCR) for export transactions. Full implementation of the regional Tools and Frameworks for IT Connectivity will enhance cross border efficiencies as well as the effectiveness of Customs Administrations in general and to reduce the trades’ transit time at the Border Posts;

(ii) Preferred Trader Programme promotes traders’ compliance with government laws and regulations as well as to strengthen partnership between Customs and Business. The following regional Tools and Frameworks were developed, Preferred Trader Programme Engagement Strategy;

Preferred Trader Programme Training Manuals on Risk Management and Audit for Customs Officials; and Preferred Trader Programme Internal and External Manuals to guide Customs Officials and Traders on implementation of the Preferred Traders Programme. Full implementation of these regional Tools and Frameworks will enable improved traders' compliance in Member States and to enhance revenue collection. In addition, it will also enhance the efficiency in clearance of goods as well as a reduction of the transit time at borders for the participating businesses; and

(iii) **Regional Risk Management and Enforcement** Strategy facilitates the adoption of common approaches to management of common Customs risks identified in the region. The Risk Management and Enforcement component further enables Member States to apply joint measures and undertake joint enforcement operations to mitigate illicit trade on high risk commodities. During the period under review, the following regional Tools and Frameworks were developed: the Regional Customs Risk Management and Enforcement Strategy; and Regional Customs Compliance Management Strategy. In addition, SACU Member States took part in the WCO Joint Customs Enforcement Operation named "Operation Mirage". The operation focussed on illicit trade in pharmaceutical products and the Member States recorded forty-three (43) inspections for the Operation, twenty-six (26) seizures which comprised illicit medicines and counterfeit goods, and one (1) criminal prosecution for importation of medicines without a valid import license and importation of unregistered medicines.

(b) **Implementation of the Work Programme for the Ministerial Tasks Team**

Under the Ministerial Work Programme, the Secretariat supported the work of the Ministerial Task Teams in the areas outlined below:

(i) the development of a comprehensive SACU Trade Facilitation Programme to strengthen the existing cooperation and collaboration on Trade Facilitation in order to improve border efficiencies in SACU;

(ii) the the Study to explore the feasibility of establishing a Regional Financing Mechanism for SACU-wide Infrastructure Projects and Industrialisation which is expected to be finalised in the 2019/20 FY; and

(iii) work on the causes of volatility in revenue shares and options on how to address the volatility of the shares. The objective of this work is to identify options through which the Member States can cushion the fluctuations in the SACU revenue shares.

(c) **Completion of the Trade Data Audits in the Member States**

The Secretariat undertook trade data audits in the Member States which were completed in June 2018. The audits sought to establish whether the Member States are complying with the agreed Data Integrity Minimum Standard developed by SACU. The audit criteria followed was based on the Data Integrity Minimum Standard, while walk-through and self-assessment approaches were employed as per the audit procedures.


Pharmaceutical products

The audit found that the controls were in place and met the Minimum Standard required.

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

The Secretariat facilitated the process to determine the revenue shares for the Member States during the period under review. In 2018/19 the Common Revenue Pool (CRP) was estimated at R93.34 billion compared to R99.60 billion in 2017/18, representing a decline of 6 percent. The decline in the CRP mirrored the slowdown in the global economies output during the year under review. The 2018/19 CRP actual collections were above the forecast and amounted to R99.99 billion which resulted in a surplus of R6.64 billion. The surplus will be included in the revenue shares of the Member States for 2020/21 FY.

Challenges during the year under review

The delay in the conclusion of the Study to review and streamline the SACU Trade Facilitation Programme in the previous Financial Year impacted the development of a Comprehensive SACU Trade Facilitation Programme.

Outlook for 2019/20 Financial Year

Trade Facilitation and Revenue Management Programme will focus on the activities below:

(a) mobilising donor funding to support the implementation of the SACU Customs Modernisation Programme;

(b) continued implementation of the SACU Customs Modernisation Programme;

(c) facilitating and supporting the work of the Ministerial Task Teams:

- (i) on Trade which includes the review of the SACU Trade Facilitation Programme to strengthen existing cooperation and collaboration on Trade Facilitation to improve border efficiencies;
- (ii) the review of the Revenue Sharing Formula, as well as the long-term arrangement on the Management of the Common Revenue Pool; and
- (iii) exploring the feasibility of establishing a Regional Financing Mechanism for SACU-wide Infrastructure Projects and Industrialisation.

(d) the development of a SACU-wide Computable General Equilibrium model to facilitate the trade and fiscal policy impact analysis; and

(e) coordinating and providing technical support to the trade data reconciliation and the process of determining revenue shares.

Table 1 below presents a comparison of the 2017/18 and 2018/19 revenue shares for the Member States, which includes the adjustments for the 2016/17 CRP outturn.

Table 1: Member States' Revenue Shares (Billion Rand) for 2017/18 and 2018/19

	Botswana		Eswatini		Lesotho		Namibia		South Africa	
Financial year	2017/2018	2018/2019	2017/2018	2018/2019	2017/2018	2018/2019	2017/2018	2018/2019	2017/2018	2018/2019
Revenue shares	23.26	19.90	7.15	5.99	6.20	5.67	19.78	17.77	43.15	43.95
Adjustments	-0.23	-0.44	-0.05	-0.15	-0.04	-0.13	-0.18	-0.40	-0.60	-0.88
Total Payment	23.03	19.46	7.11	5.84	6.15	5.54	19.60	17.37	43.75	43.07
% Change		-15.5		-17.8		-9.9		-11.3		-1.5

Source: SACU Secretariat

Chapter 3

Policy Development and Research

Introduction

This Chapter provides an overview of the activities undertaken in the area of Policy Development, Research and Trade Negotiations to support the implementation of the SACU Work Programme. These included facilitation and coordination of technical work towards the development of SACU policies and strategies towards industrial development, as well as the integration of the SACU Member States into the global economy through the negotiation of trade agreements with third parties. Furthermore, work in this area included research and analytical work to inform policy development and trade negotiations.

Key highlights for the year under review

The following are the key highlights and achievements under the Policy Development, Research and Trade Negotiations Programme in the 2018/19FY:

(a) facilitated twenty-one (21) Member States' Consultative Meetings in preparation for negotiations with third Parties and technical support during twenty (20) negotiating rounds;
(b) signatures by all SACU Member States of the AfCFTA Agreement, as well as ratification of the Agreement by the Republics of Namibia and South Africa, respectively;
(c) facilitated the work of the Ministerial Task Teams on the Trade and Industry on; (i) development of the public policy interventions to promote industrial development and regional value chains; (ii) reviewed and developed suitable architecture for tariff-setting and application of tariffs, rebates, refunds or duty drawbacks and trade remedies; and
(d) policy and analytical work undertaken for informed policy discussions in various areas including trade negotiations.

A summary of the key highlights identified above is set out below.

Under Trade Negotiations the following were the highlights:

(a) The African Continental Free Trade Agreement (AfCFTA) Negotiations

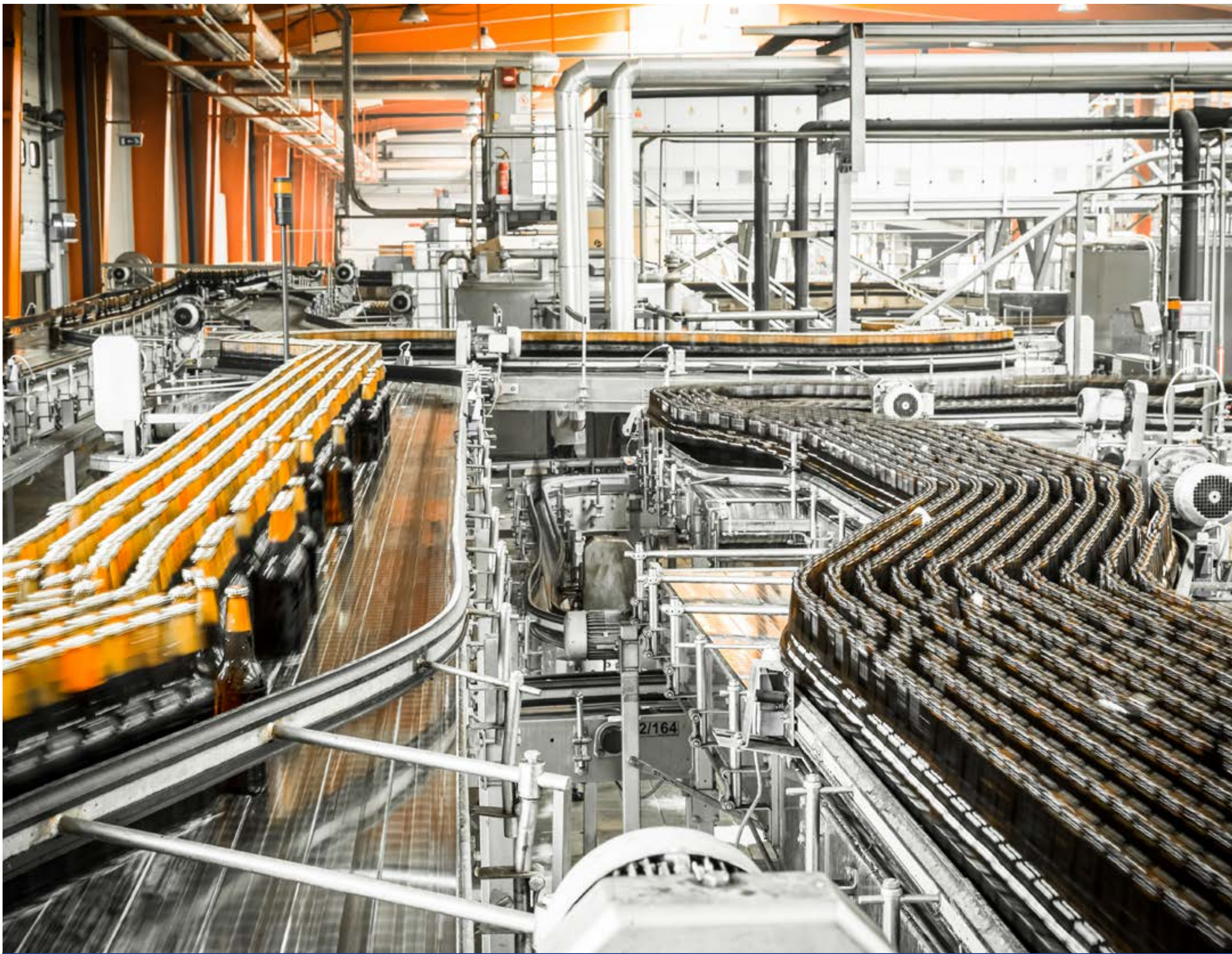
SACU Member States continued to dedicate efforts toward the creation and implementation of the AfCFTA. During the period under review, technical work focused on the conclusion of the outstanding issues in the Built-in Agenda, in order to actualise the agreed negotiating modalities.

The SACU Secretariat continued to play a crucial role in ensuring the coordination of the Member States' positions during the AfCFTA engagements. In particular, the SACU Secretariat facilitated and hosted ten (10) SACU Consultative Meetings with technical experts, at Senior Trade Official and Ministerial levels in preparation for the AfCFTA Institutional Meetings.

All SACU Member States had signed the AfCFTA Agreement. In addition, Namibia and South Africa ratified the Agreement. In line with Article 23, the AfCFTA Agreement would enter into force thirty (30) days after deposit of the twenty-second instrument of ratification.

(b) COMESA-EAC-SADC Tripartite Free Trade Agreement (TFTA) Negotiations

The TFTA was launched in June 2015 in Egypt, and it was envisaged that the negotiations would be concluded within a 36 month period. However, negotiations on the outstanding issues regarding tariff liberalisation and Rules of Origin (RoO) continued during the year under review. The Secretariat continued to provide support to the Member States' participation in the TFTA negotiations on the outstanding issues. Four (4) Consultative Meetings were convened in preparation for the Meetings of the TFTA organs: (i) the Technical Working Group on RoO;



Trade and Industry

(ii) Tripartite Negotiation Forum; (iii) Tripartite Committee of Senior Officials; and (iv) the Tripartite Sectoral Ministerial Committee.

The Agreement would enter into force once two-thirds, i.e. 14 TFTA Member/Partner States, ratified the Agreement. Twenty-two (22) Member/Partner States had signed the TFTA Agreement by the end of the reporting period, including four (4) SACU Member States (Botswana, Eswatini, Namibia, and South Africa). A highlight for the year was the ratification of the Agreement by South Africa, bringing the total number of ratifications to four (4) TFTA Member/Partner States (Egypt, Kenya, Uganda and South Africa).

(c) SACU plus Mozambique and the UK Dialogue

During the year under review, the engagement between SACU plus Mozambique, and the UK, continued. The engagement essentially aimed to roll-over of the Economic Partnership Agreement (EPA) between the European Union (EU) and the SADC EPA Group (EU-SADC EPA) to ensure that there was no trade disruption between the parties when the UK left the EU by 29th March 2019.

A notable achievement during the period under review was the intensified engagements at Technical and Senior Officials levels. A combined fifteen (15) engagements were convened. As a result, substantial progress had been achieved resulting in only a few issues that remained to be finalised.

In addition to providing the technical and analytical support to facilitate SACU Member States' engagement with the UK, the SACU Secretariat also served as the Secretariat for the Joint Meetings at Technical and Senior Officials levels.

It was envisioned that the engagement with the UK should be concluded in the second quarter of 2019/20 FY.

(d) Free Trade Agreement between SACU and the European Free Trade Association

During the period under review, the Secretariat continued to facilitate and coordinate the review of the Free Trade Agreement (FTA) between SACU Member States and European Free Trade Association (EFTA). EFTA Member States, consist of Iceland, Liechtenstein, Norway and Switzerland. At the end of the 2018/19 FY, the Parties had held four (4) Rounds of engagement on the issues under review, based on the agreed modalities, scope and coverage of the review.

The Parties considered enhancement of market access for Industrial Products, Basic Agricultural Products, and Processed Agricultural Products and the review of Product Specific Rules.

(e) Preferential Trade Agreement between SACU and the Common Market of the South (MERCOSUR)

During the year under review, the Secretariat conducted an analysis on trade between MERCOSUR and SACU Member States to assess the extent to which the Agreement had started to make an impact on enhancing trade between the two regions.

Furthermore, the Secretariat had commenced the preliminary work in preparation for the review of the Agreement as provided for in the Understandings signed between the Parties.

(f) SADC Protocol on Trade

The SACU Secretariat continued to monitor the developments and assess the impact on the implementation of the SADC Protocol on Trade, especially on issues which affect SACU. These included the discussion on the review for Rules of Origin on the textile and apparel sector, monitoring the tariff implementation commitment by other Member States, requests for derogations as well as developments with respect to accession to the Protocol on Trade by those Member States who are not yet party to the SADC FTA.

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

The Secretariat continued to coordinate the implementation of the EU-SADC EPA which provisionally entered into force on 10 October 2016. A key highlight for the year under review was the convening of the inaugural Meeting of the EU-SADC EPA Joint Council, on 19 February 2019. The mandate of the Joint Council is to provide political oversight in the implementation of the Agreement.

While working towards the development of the permanent Tariff Rate Quotas (TRQ) Management System is on-going in SACU, the Secretariat continued to monitor the quarterly utilisation of the nine (9) products under TRQs namely Pork, Pig fat, Butter, Cheese, Barley, Wheat, Cereal Based Food Preparations, Ice Cream and Mortadella Bologna and coordinated the allocation and reallocation of unused quotas.

Implementation of the Work Programme for the Ministerial Task Teams;

(h) Development of public policy interventions to promote industrial development and regional value chains

The Secretariat continued to coordinate implementation of the regional programme on industrialisation and the development of regional value chains. The focus during the year under review was on facilitating work on the identification of guiding principles, public policy interventions and tools, priority sectors as well as criteria that would underpin regional industrialisation in SACU.

With SACU Member States also being members of SADC, the Council agreed to use the SADC Industrialisation Strategy and Roadmap as the basis for developing work on regional value chains in SACU.

(i) Review and development of a suitable architecture for tariff-setting, and application of tariffs, rebates, refunds or duty drawbacks and trade remedies

In 2017, the SACU Member States agreed that the architecture on tariff setting and administration as entailed in the SACU Agreement, 2002, should be reviewed and a suitable architecture for tariff-setting, rebates, duty draw backs, refunds and trade remedies be developed. This included finding an inclusive process that takes into consideration all Member States' interests. To this end, the work to establish a suitable architecture for tariff-setting is ongoing.

Challenges during the year under review

The challenges encountered in the year under review were as follows:

(a) a continuous congested trade negotiating agenda overstretching the human capacities in Member States and at the Secretariat. Consequently, this would have bearing on the timely coordination of common negotiating positions;
(b) the inability to form a quorum at the SACU Consultative Meetings also hampered the development of common positions in engagements with third Parties; and
(c) slow pace and complexity of issues under the Ministerial Work Programme which has an impact on the agreed timelines.

The Outlook for financial year 2019/20

The Secretariat will continue to support the Member States in their efforts to develop common strategies, initiate research that will support policy development, trade negotiations and Ministerial Work Programme, including implementation of Agreements. This will entail:

(a) completion of the bilateral tariff negotiations with the EAC and Egypt under the TFTA;

(b) conclusion of SACU, Mozambique and UK EPA engagement;

(c) facilitation of the review of the SACU-MERCOSUR PTA, and to undertake a trade and investment promotion mission to the MERCOSUR region;

(d) undertake research on public policy interventions that aim to facilitate the completion of work that is ongoing to implement regional value chains; and

(e) production of the SACU 15 years (2004 - 2018) Publication.

Sugar Industry

SACU Headquarters

Chapter 4

Secretariat's Operating Environment

Since 1910
SACU
SOUTHERN AFRICAN CUSTOMS UNION

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 and Facilities and Administration.

Key highlights for the year under review

Key highlights for the year under review included the following:

(a) introduction of the IDU reporting module, which allows users to complete real-time reporting on the implementation of the budgeted activities;
(b) development and implementation of the Security Policy and Procedures;
(c) implementation of the ICT Strategy, which resulted in significant progress made on the Enterprise Content and Workforce Management initiative;
(d) completion of an assessment to establish the availability and adequacy of infrastructure for conducting virtual meetings in Member States;
(e) implementation of the Business Continuity Strategies for SACU vital records;
(f) development and implementation of the Electronic Records and Document Management System (EDRMS) Strategy;
(g) sign-off of the SACU Headquarters Building Project; and
(h) effective management of the Secretariat's human capital including the filling of vacant positions.

A summary of the key highlights identified above is set out below:

(a) Implementation of the IDU reporting module

The IDU reporting module (which is a budgeting resource tool), was implemented in 2018/19 to allow users to complete real-time reporting on the implementation and procurement of the budgeted activities.

The financial reporting standards were improved upon, following the approval by the Finance and Audit Committee and rollout of revised template for the quarterly management accounts.

(b) Implementation of the ICT Strategy

During the year under review, the Secretariat continued to implement its ICT Strategy, which resulted in significant progress towards the Enterprise Content and Workforce Management initiative. Further to this, a service provider has been appointed to develop an Extranet Solution for the SACU Institutions.

(c) Assessment of infrastructure for Conducting Virtual Meetings in SACU Member States

An assessment of the availability and adequacy of infrastructure in Member States to conduct virtual meetings including video conferencing facilities was successfully undertaken. It assisted the Secretariat in establishing a strategy to address the functionality gaps in order to enable the convening and the participation of Member States in SACU virtual meetings.

(d) Implementation of the Business Continuity Plans

The Secretariat was able to appoint the service providers necessary to advance the implementation and full roll-out of the Business Continuity Plans.

(e) Implementation of the Business Continuity Strategies for SACU vital records

During the year under review, the Business Continuity Strategy for vital records was implemented. The project included the identification of SACU vital records for storage and upgrade of the Records Storage facilities to international preservation standards.

(f) Implementation of the EDRMS Strategy on Business Process Workflows

The EDRMS strategy entailed the development of Business Process Workflows. During the reporting period four pilot workflows had been completed. These included; Travel Authorisation, Daily Subsistence Allowance Request, Procurement and Petty Cash.

The purpose of the workflows is to enhance the operational efficiency of the Secretariat and its work environment through automation. In addition, this will enable a paper-light Secretariat.

(g) Sign-off of the SACU Headquarters Building Project

The construction of the SACU Headquarters building was signed off after all the outstanding snag items had been addressed.

(h) Vacant Positions

Five vacant positions in the organisational structure were filled. These included the Internal Auditor, Human Resources Officer, Trade Facilitation Specialist, Deputy Director Policy Research and Policy Development Coordinator.

Challenges during the year under review

During the period under review, the following challenges were encountered:

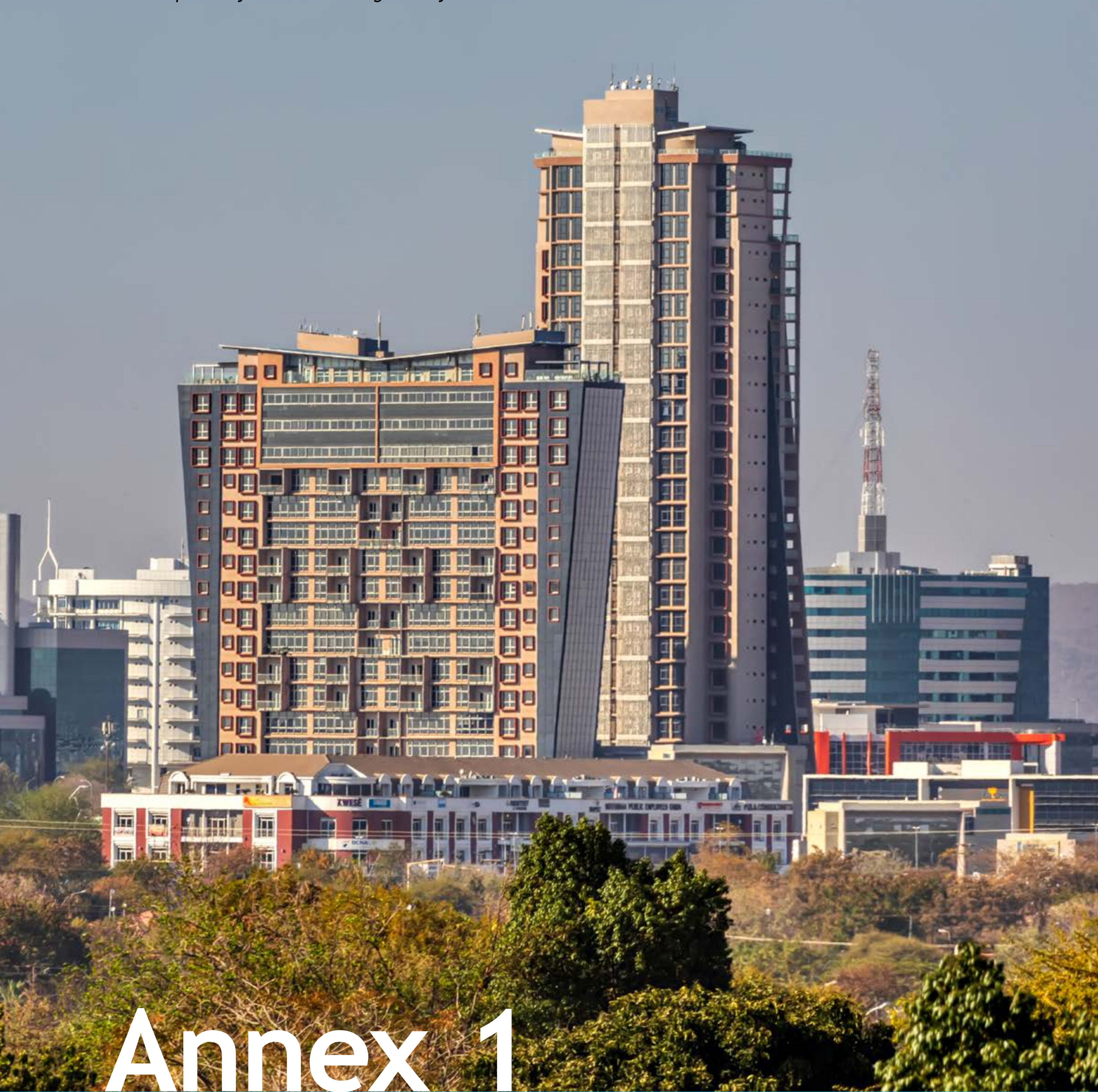
(a) the delayed completion of the ICT Governance Framework, as well as the delayed implementation of the Business Continuity Policy;
(b) review of the Information Classification Policy could also not be completed as it is dependent on the completion of the Extranet Solutions for the SACU Institutions, which is yet to be completed; and
(c) the non-conclusion of the review of the Conditions of Service of the Secretariat because of additional benchmarking work that is required to inform the process.

Outlook for financial year 2019/20

The Secretariat plans to execute the following activities for the 2019/20 FY:

(a) revision of the Secretariat's Policies;
(b) full roll-out of the Business Continuity Plan;
(c) completion and roll-out of the IT Governance Framework;
(d) development of the Extranet Solution for the Institutions of SACU;
(e) roll-out of the EDRMS Strategy and additional Business Process Workflows; and
(f) completion of the review of the Conditions of Service.

Botswana - The Capital city Gaborone during the day



Annex 1

SACU Member States' Economic Performance

Since 1910 SACU SOUTHERN AFRICAN CUSTOMS UNION

Global Economic and International Trade Outlook for 2018/19

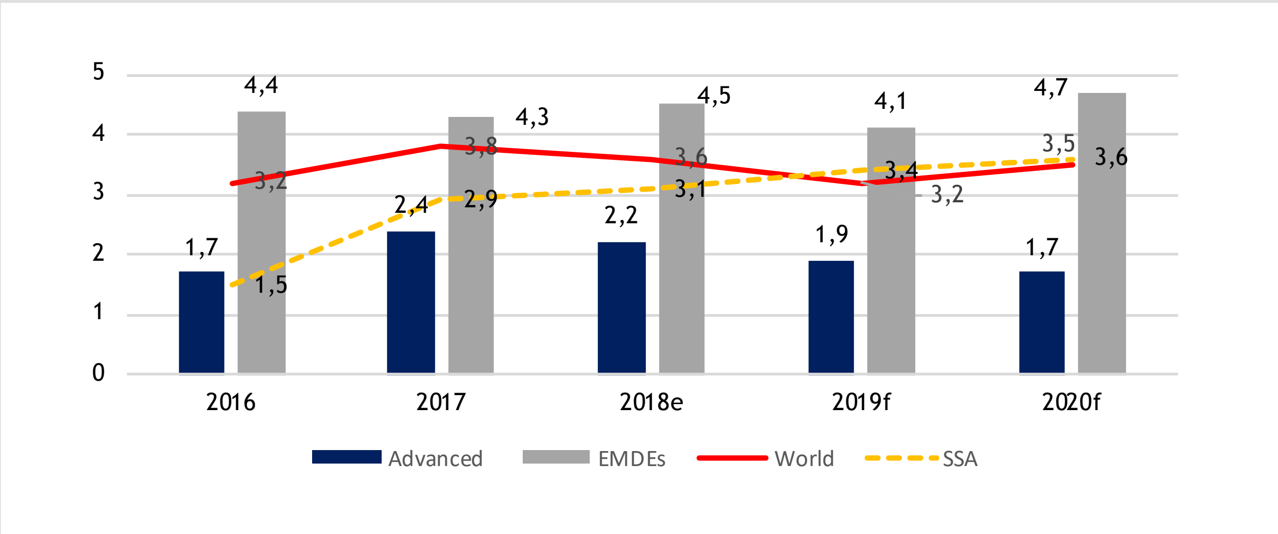
The world economic activity has been on an upward trajectory since the middle of 2016 reaching 3.8 percent in 2017 before slowing down to 3.6 percent in 2018. Emerging Markets and Developing Economies (EMDEs) mainly drove world growth during 2017, registering 4.3 percent compared to developed economies which grew by 2.4 percent. In 2019, the trend was projected to remain the same amid sluggish growth with an estimated growth of 4.1 percent.

The World Economic Outlook (WEO) by the International Monetary Fund (IMF) reflected that in July 2019, the world economic activity slowed down, and recovery remained precarious. The ongoing global trade policy tensions have weighed on growth prospects since the middle of 2018. The global technology value chains were negatively affected by the looming prospects of more US sanctions, economic decline in Germany and Japan, uncertainty surrounding Brexit as well as rising geopolitical tensions in the Middle East and East Asia that have affected energy prices.

According to IMF WEO of July 2019, GDP releases in 2019, accompanied by generally benign inflation rates would lead to a lower-than expected global economic activity. Similarly, investment demand for consumer durables remain subdued across both the advanced and developing world owing to reluctance by firms and households to undertake long-term spending. As a result, the weaker global trade will persist due to the decline in manufacturing output. As a result, global growth as per the WEO for July 2019 was forecast at 3.2 percent for 2019, rising to 3.5 percent by 2020. The forecast growth improvement in 2020, however, remains precarious and assumes that the Emerging Markets and Developing Economies (EMDEs) under stress would have stabilised by then while trade policy disputes would have also waned.

In Sub-Saharan Africa, growth will tick up to 3.4 percent in 2019 from 3.1 percent in 2018, reaching 3.6 percent in 2020. Stronger growth in non-resource intensive countries will partially offset the weaker growth performance from the region's larger economies. In Angola and Nigeria, higher, but volatile oil prices have bolstered the outlook while in South Africa growth will be subdued owing to weaker first quarter performance, energy supply woes as well as weaker agricultural output.

Figure 1: World and Regional Economic Growth Rates: 2016-2020

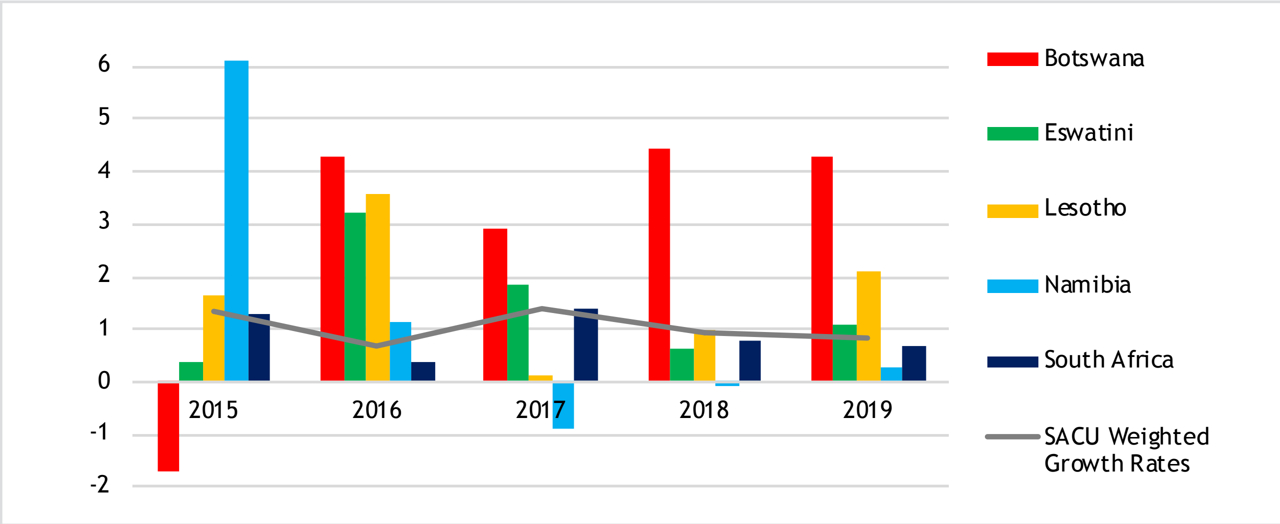


Source: based on IMF WEO (July 2019)

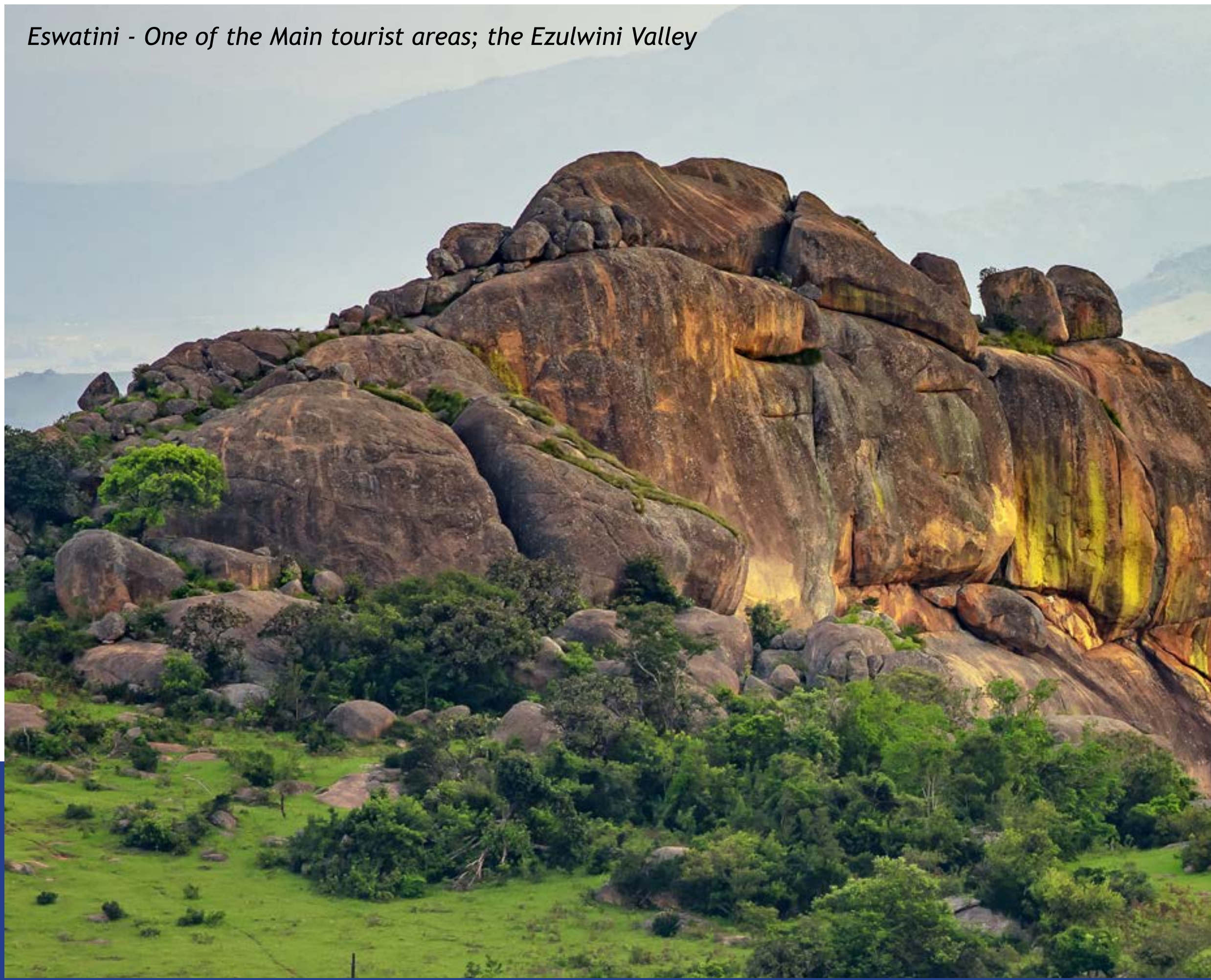
Like in Sub-Saharan Africa, in SACU growth will differ among Member States for 2019 and the medium-term. Weighted GDP growth rate had declined from an estimated 1.4 percent in 2017 to about 0.9 percent in 2018 amid sluggish global growth representing a more than 0.5 percentage point decline.

Growth was forecast to remain at about the same level (0.9 percent) for 2019. However, growth is expected to be moderately buoyed by improved growth prospects in the region beyond 2019 owing to reduced oil prices and better commodity price outlook.

Figure 2: Member States GDP growth rates (annual % changes)



Source: based on Member States Budget Speeches and National Accounts (2019)



Eswatini - One of the Main tourist areas; the Ezulwini Valley

Real Sector, Budget and Current Account Developments

Botswana's GDP at market prices was R246.1 billion against the previous year's R231.8 billion. Real GDP growth was estimated at 4.5 percent for Botswana in 2018 mainly driven by mining, wholesale and retail sectors. Growth slightly declined to 4.2 percent in 2019 and rose again to 4.8 percent by 2020. The country recorded a budget deficit of -3.5 percent of GDP in 2018, the same figure as for 2017. Government debt stood at 23.2 percent of GDP while current account recorded a surplus of 8.5 percent of GDP owing to mainly receipts from SACU against 12.3 percent recorded in 2017.

Nominal GDP was R62.3 billion in 2018 for **Eswatini** compared with the previous year's R59.1 billion. 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 did, however, improve over the medium term to 1.1 and 1.8 percent in 2019 and 2020 respectively as these sectors recover. Meanwhile government deficit was estimated at -11.5 percent for 2018 compared to -8.8 percent recorded previously. Similarly, public debt remained a challenge estimated at 37 percent of GDP in 2018 while the current account as a percentage of GDP had declined from about 13.7 percent in 2017 to about 10 percent in 2018.

In **Lesotho**, nominal GDP was estimated at R36.3 billion for 2018 against R34.5 billion recorded in 2017. Growth was low and estimated at 1.9 percent for 2018 driven mainly by the mining, manufacturing and financial services sectors amid a declining agricultural sector. Growth was forecast to increase to 2.6 percent for 2019 owing to construction, although later declining to 1.0 percent in 2020. Regarding public finances, Lesotho's budget deficit was estimated at 6 percent of GDP in 2018 up from about 2 percent in 2017. Public debt also remained a challenge and was estimated at over 30 percent of GDP in the past few years. The current account deficit had also increased from about 5 percent in 2017 to an estimated 11.1 percent in 2018.

In **Namibia**, GDP stood at R167.1 billion compared to the R180 billion in 2017. Real GDP growth in Namibia was estimated to have contracted by 0.2 percent in

2018, due to the downward revisions of the tertiary industries. This was because growth in wholesale and retail trade, real estate and business services, hotels and restaurants, government sectors and taxes on products were lower than expected. However, growth was set to increase to 1.2 percent in 2019 as most sectors rebounded (especially uranium mining) rising to 2.2 percent in 2020.

After a period of procyclical fiscal policy, government decided to undertake fiscal consolidation which had brought down budget deficit as percentage of GDP from 8.2 percent in 2017 to 4.8 percent in 2018. Government debt, however, continued to rise despite a narrowing budget deficit and was estimated about 40.6 percent of GDP. Meanwhile, the current account deficit had narrowed significantly amid reduced domestic demand and SACU revenue.

Nonetheless, growth was set to increase to 1.2 percent in 2019 as most sectors rebounded (especially uranium mining) rising to 2.2 percent in 2020. This was in step with the precarious but moderately upbeat medium-term global economic outlook.

In **South Africa,** GDP at basic prices amounted to R4.6 trillion in 2017 compared to a recorded R 4.9 trillion in 2018. In South Africa, growth was estimated at 0.7 percent for 2018 owing to lower investment outcomes in 2018, a more fragile recovery in household income and slower export demand. Growth was, however, forecast to rise to 1.5 percent in 2019 and reaching 1.7 percent in 2020 owing to better commodity price outlook and improved business confidence. In South Africa, like other Member States, a balanced budget had remained a challenge. The Budget deficit was estimated at 4.4 percent of GDP for 2018 up from a deficit of 4 percent in 2017 as expenditures outpaced revenues. Meanwhile, debt to GDP ratio has been rising since 2008 and has exceeded 50 percent of GDP over the period under review owing to sustained budget deficits and weak economic growth. As the trade surplus declined from R64.9 billion in 2017 to R24.3 billion in 2018, the current account deficit widened from 2.5 percent in 2017 to 2.5 percent by 2018.

The economy of South Africa grew by 1.3 percent in 2017, later declining to 0.8 percent by 2018. This

Lesotho - The Capital city Maseru at dawn

weak growth was attributed to weaker investment outcomes and lower export demand as global economic activity declined. Growth was forecast to rise to 1.5 percent in 2019, reaching 2.1 percent by 2020 amid economic reforms and improved global economic outlook.

Consumer Price Developments in SACU

Consumer Price Inflation remained muted across advanced economies, owing to declining commodity prices. In emerging market economies (EMDEs), currency depreciations have passed through to higher domestic prices, thereby partially offsetting downward pressure from lower commodity prices. Inflation would average 1.6 and 2.0 in advanced economies for 2019 and 2020 respectively and 4.8 in 2019 in EMDEs later declining to 4.7 in 2020.

Post the financial crisis, as output rebounded, inflation also moderated over the period until 2017 and was estimated to remain benign in 2018 and 2019. Central banks in the region were still committed to price stability and policy rates that promote economic growth and development. Across Member States, factors that drive inflation in the region currently include, food and energy costs; wage increases; utilities charges; and exchange rate movements against the US dollar. Food and energy costs, particularly fuel prices, make up a significant weight of personal expenditures in the SACU region. Recent drought spells have also added to pressure on food shortages and food prices volatility and inflation. Table 1 below shows the average annual inflation rates for the Member States during the period under review.

Table 1: Member States Average Annual Inflation (%)

Member State	Year		
	2016	2017	2018
Botswana	2.8	3.3	3.2
Eswatini	7.8	6.3	4.8
Lesotho	6.6	5.2	4.7
Namibia	6.7	6.2	4.3
South Africa	6.4	5.3	4.6

Namibia - The Capital city Windhoek at sunset

Annex 2

Intra-SACU Imports 2016/17

Since 1910
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1. INTRA-SACU IMPORTS 2016/17

1.1 In 2016/17, intra-SACU imports declined for the first time since 2005/06 Financial Year by 2.5 percent to R195.5 billion from R200.6 billion in the 2015/16 Financial Year. The decline was mainly reflected in Botswana's intra-SACU imports that declined by 10.7 percent, while the rest of the Member States recorded slow growths in 2016/17. At commodity level the decline was mainly reflected in *Natural or cultured pearls, precious or semi-precious stones or metals* (Chapter 71) and *mineral fuels, mineral oils, electricity* (Chapter 27) which declined by 18.2 percent and 2.9 percent, respectively. These two commodities accounted for 25.3 percent of the total intra-SACU imports in 2016/17.

Table 2: Intra-SACU Imports

INTRA-SACU IMPORTS STATISTICS (R Millions)					
INTRA-SACU IMPORTS	**2012/13**	**2013/14**	**2014/15**	**2015/16**	**2016/17**
Botswana	47,315	58,035	62,284	68,680	61,349
Eswatini	13,629	16,716	16,434	16,916	17,352
Lesotho	12,718	14,457	13,921	16,173	17,056
Namibia	39,143	52,755	52,418	61,107	61,886
South Africa	22,256	25,225	28,140	37,761	37,888
SACU	**135,062**	**167,187**	**173,197**	**200,637**	**195,531**
Growth rates (%)					
Botswana	32.5%	22.7%	7.3%	10.3%	-10.7%
Eswatini	6.5%	22.7%	-1.7%	2.9%	2.6%
Lesotho	5.7%	13.7%	-3.7%	16.2%	5.5%
Namibia	14.3%	34.8%	-0.6%	16.6%	1.3%
South Africa	30.0%	13.3%	11.6%	34.2%	0.3%
Share Intra-SACU imports (%)					
Botswana	35.0%	34.7%	36.0%	34.2%	31.4%
Eswatini	10.1%	10.0%	9.5%	8.4%	8.9%
Lesotho	9.4%	8.6%	8.0%	8.1%	8.7%
Namibia	29.0%	31.6%	30.3%	30.5%	31.7%
South Africa	16.5%	15.1%	16.2%	18.8%	19.4%


Import and export movements

South Africa - The City of Johannesburg at night

1.2 Namibia and Botswana continued to account for the highest share of the total intra-SACU imports in 2016/17, at 31.7 percent and 31.4 percent respectively, followed by South Africa (19.4 percent), Eswatini (8.9 percent) and Lesotho (8.7 percent). Member States share of the intra-SACU imports except for Botswana increased in 2016/17 compared to 2015/16. On the supply side, South Africa remained the main source of goods imported as reflected in Table 3 below.

Table 3: Intra-SACU Trade 2016/17 (R million)

	Botswana	Eswatini	Lesotho	Namibia	South Africa
Botswana	0	17	4	3,843	9,257
Eswatini	430	0	84	269	15,938
Lesotho	29	118	0	3	5,272
Namibia	8,968	11	7	0	7,421
South Africa	51,922	17,206	16,961	57,771	0
Total imports	**61,349**	**17,352**	**17,056**	**61,886**	**37,888**

1.3 **Botswana's** intra-SACU imports declined to R61.3 billion in 2016/17 from R68.7 billion in 2015/16. The decline was mainly reflected in *natural or cultured pearls, precious or semi-precious stones or metals* (Chapter 71) that declined by 32.9 percent. The main source of commodities imported into Botswana from the Common Customs Area in 2016/17 was from South Africa, accounting for 84.6 percent of the total intra-SACU imports followed by Namibia, accounting for 14.6 percent of the total intra-SACU imports.

1.4 **Eswatini's** intra-SACU imports increased to R17.5 billion in 2016/17 from R16.9 billion recorded in 2015/16. *Mineral fuels, mineral oils, electricity* (Chapter 27) remained the main imported commodity in 2016/17, with a share of 15.5 percent of the total intra-SACU imports mainly from South Africa, followed by *vehicles* (Chapter 87) with a share of 8.5 percent also mainly from South Africa. South Africa remained the main source of commodities imported by Eswatini from the Common Customs Area in 2016/17, accounting for 99.2 percent of the total intra-SACU imports, followed by Lesotho accounting for 0.7 percent of the total intra-SACU imports.

1.5 **Lesotho's** intra-SACU imports increased to R17.1 billion in 2016/17 from R16.2 billion recorded in 2015/16. *Mineral fuels, mineral oils, electricity* (Chapter 27) continued to be the leading product imported into Lesotho, accounting for 13.4 percent of the total intra-SACU imports, followed by *vehicles* (Chapter 87) with a share of 8.4 percent. South Africa remained the main source of commodities imported into Lesotho from the Common Customs Area in 2016/17, accounting for 99.4 percent of the total intra-SACU imports, followed by Eswatini accounting for 0.5 percent of the total intra-SACU imports.

1.6 **Namibia's** intra-SACU imports increased to R61.9 billion in 2016/17 from R61.1 billion recorded in 2015/16. *Mineral fuels, mineral oils, electricity* (Chapter 27) with a share of 16.1 percent, mainly from South Africa, was the major import commodity for Namibia, followed by *vehicles* (Chapter 87) with a share of 12.3 percent. South Africa continued to be the main source of commodities imported into Namibia from the Common Customs Area in 2016/17, accounting for 93.3 percent of the total intra-SACU imports followed by Botswana accounting for 6.2 percent.

1.7 **South Africa's** intra-SACU trade increased to R37.9 billion in 2016/17 from R37.8 billion in 2015/16. The main commodities imported from other SACU Member States in 2016/17 were *natural or cultured pearls, precious or semi-precious stones or metals* (Chapter 71) accounting for 17.1 percent of the total intra-SACU imports mainly from Namibia and Botswana, followed by *essential oils, perfumery, cosmetic or toilet preparations* (Chapter 33) with a share of 12.3 percent mainly sourced from Eswatini. The main source for commodities imported into South Africa from the Common Customs Area in 2016/17 was from Eswatini, accounting for 42.1 percent of the total intra-SACU imports, followed by Botswana accounting for 24.4 percent.

Annex 3

Annual Financial Statements

General Information

Executive Committee	Ms. P.M. Elago Ms. A. Andrade Mr. B.R. Katjipuka Ms. N.D. Oitsile Mr. A. Iyambo Mr. D. Ndwandwe
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 Limited

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COUNCIL APPROVAL AND STATEMENT OF RESPONSIBILITY

The Council of Ministers, duly represented by the Chairperson of Council, has delegated the responsibility of monitoring, reviewing and managing the business operations of the SACU Secretariat to the Commission, Finance and Audit Committee and the Executive Secretary. The Annual Financial Statements are jointly signed by the Chairperson of the Council and the Executive Secretary.

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

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

The Annual Financial Statements have been prepared in accordance with International Financial Reporting Standards and are based on appropriate accounting policies, which are consistently applied and supported by reasonable and prudent judgments and estimates.

The Auditor General, who is appointed by the Council of Ministers, is responsible for the external audit process and to give an independent opinion on the fairness of the Annual Financial Statements.

The Annual Financial Statements have been prepared on the going concern basis, since the Council of Ministers have every reason to believe that the SACU Secretariat has adequate resources in place to continue in operation for the foreseeable future.

Approval of Annual Financial Statements

Against this background, on behalf of the Council of Ministers the Chairperson of the Council and the Executive Secretary accept the responsibility for the Annual Financial Statements set out on pages 55 to 84, which were approved on ...06...DECEMBER..... 2019 and were signed by:

....

Hon. C.H.G Schlettwein
Minister of Finance of the Republic of Namibia
and Chairperson of Council

....

Ms. Paulina Mbala Elago
Executive Secretary

Office of the Auditor General Kingdom of Eswatini

P.O. Box 98
Mbabane H100 Eswatini
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Serving Public Interest

INDEPENDENT AUDITOR’S REPORT

Report on the Audit of the Financial Statements of SACU Secretariat

Opinion

I have audited the Financial Statements of the SACU Secretariat, which comprise the Statement of Financial Position as at 31st March 2019, the Statement of Profit or Loss and other Comprehensive Income, Statement of Changes in Equity, and Statement of Cash Flows for the year then ended, and notes to the Financial Statements, including a summary of significant accounting policies.

In my opinion, the accompanying Financial Statements present fairly, in all material respects, the financial position of the SACU Secretariat as at 31st March 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by the SACU Agreement Act of 2013 (amended).

Basis for Opinion

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

Other Information

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the Financial Statements , whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the SACU Secretariat's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Executive Management.

- Conclude on the appropriateness of Executive Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Secretariat's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Secretariat to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

T. S. Matsebula
Auditor General – Kingdom of Eswatini

REPORT OF THE COUNCIL OF MINISTERS

The Council of Ministers have pleasure in submitting their report on the Annual Financial Statements of the Southern African Customs Union Secretariat for the year ended 31 March 2019.

1. General information

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

2. State of affairs and the results of operations

The state of affairs of the SACU Secretariat as at 31 March 2019 and the results of its operations for the year then ended are fully set out in the Annual Financial Statements.

The SACU Secretariat recorded total spending amounting to R86,085,298 for the year under review, out of a budget of R94,351,057. The following provides comparative information:

SACU Secretariat spending	2019 R	2018 R
Operational expenditure	84,167,004	78,685,300
Capital expenditure	1,918,294	825,323
	86,085,298	79,510,623

When formulating the annual budget, the SACU Secretariat applied the activity-based approach in conjunction with the medium-term-expenditure framework as a basis for planning.

3. Executive Committee

The members of the Executive Committee during the year and to the date of this report are as follows:

Directors	Designation	Changes
Ms. P.M. Elago	Executive Secretary	
Ms. A. Andrade	Director: Corporate Services	
Mr. B.R. Kajtipuka	Director: Policy Development and Research	
Ms. N.D. Oitsile	Chief Legal Officer	
Mr. A. Iyambo	Senior Office Manager	
Mr. D. Ndwandwe	Acting Director: Trade Facilitation and Revenue Management	

4. Events after the reporting period

The Council is not aware of any fact or circumstance, which occurred between the date of the Annual Financial Statements and the date of this report, which may require adjustment to the Annual Financial Statements.

5. Going concern

The Council of Ministers has, at the time of preparation of the Annual Financial Statements, a reasonable expectation that the SACU Secretariat will have adequate resources to continue operations in the foreseeable future. Thus, the going concern basis of accounting was adopted in preparing the Annual Financial Statements.

6. The SACU Secretariat and the SACU Council of Ministers

The SACU Secretariat was established by the SACU Agreement, 2002, as the technical and administrative arm of the Southern African Customs Union (SACU). The SACU Council of Ministers is the highest decision-making body of SACU and it is comprised of Ministers of Trade and Industry and Ministers of Finance from the SACU Member States. The Member States are the Republic of Botswana, Kingdom of Eswatini, Kingdom of Lesotho, Republic of Namibia and Republic of South Africa.

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2019

	Note	2019 R	2018 R
Assets			
Non-Current Assets			
Property and equipment	3	92,694,724	97,100,435
Intangible assets	4	964,827	346,865
		93,659,551	**97,447,300**
Current Assets			
Trade and other receivables	5	2,169,105	999,110
Cash and cash equivalents	6	59,926,016	72,754,835
		62,095,121	**73,753,945**
Total Assets		**155,754,672**	**171,201,245**
Reserves and Liabilities			
Capital and Reserves			
Revaluation reserve		38,836,834	38,670,439
Accumulated funds		108,832,839	124,709,773
		147,669,673	**163,380,212**
Liabilities			
Current Liabilities			
Trade and other payables	8	4,946,660	4,595,458
Deferred income	10	-	13,500
Provisions	11	3,030,460	3,149,790
Bank credit card liability	6	107,879	62,285
		8,084,999	**7,821,033**
Total Reserves and Liabilities		**155,754,672**	**171,201,245**

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	2019 R	2018 R
Revenue	12	62,925,720	59,797,234
Gain on disposal of property and equipment	22	14,567	-
Gain/(loss) on foreign exchange	22	(25,685)	(25,368)
Operating expenses		(84,141,320)	(78,659,932)
Operating deficit	14	**(21,226,718)**	**(18,888,066)**
Investment income	14	5,349,782	6,068,785
Deficit for the year*		**(15,876,934)**	**(12,819,281)**
Other comprehensive income:			
Items that will not be reclassified to profit or loss: Gains on property revaluation	3	166,395	-
Other comprehensive income for the year net of taxation		**166,395**	**-**
Total comprehensive income	`	**(15,710,539)**	**(12,819,281)**

* Financed through Accumulated Funds

STATEMENT OF CHANGES IN EQUITY

	Revaluation reserve R	Accumulated funds R	Total reserves R
Opening balance as previously reported Adjustments	38,670,439	137,529,510	176,199,949
Prior year adjustments	-	(456)	(456)
Balance at 01 April 2017 as restated	**38,670,439**	**137,529,054**	**176,199,493**
Deficit for the year	-	(12,819,281)	(12,819,281)
Other comprehensive income	-	-	-
Balance at 01 April 2018	**38,670,439**	**124,709,773**	**163,380,212**
Deficit for the year	-	(15,876,934)	(15,876,934)
Other comprehensive income	166,395	-	166,395
Total comprehensive loss for the year	**166,395**	**(15,876,934)**	**(15,710,539)**
Balance at 31 March 2019	**38,836,834**	**108,832,839**	**147,669,673**

STATEMENT OF CASH FLOWS

	Note	2019 R	2018 R
Cash flows from operating activities			
Cash (used in)/generated from operations	17	(16,284,207)	(10,829,600)
Interest income	14	5,349,782	6,068,785
Net cash (used in)/from operating activities		**(10,934,425)**	**(4,760,815)**
Cash flows from investing activities			
Acquisition of property and equipment	3	(1,048,052)	(711,522)
Proceeds from sale of property and equipment	3	23,900	24,679
Acquisition of intangible assets	4	(870,242)	(113,801)
Net cash used in investing activities		**(1,894,394)**	**(800,644)**
Total cash movement for the year		**(12,828,819)**	**(5,561,459)**
Cash at the beginning of the year		72,754,835	78,316,294
Total cash at end of the year	6	**59,926,016**	**72,754,835**

SIGNIFICANT ACCOUNTING POLICIES

1. Significant accounting policies

1.1 Basis of preparation

The Annual Financial Statements have been prepared on the going concern basis in accordance with, and in compliance with, International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations issued and effective at the time of preparing these Financial Statements and the Namibian Companies Act.

The Annual Financial Statements have been prepared on the historic cost convention, unless otherwise stated in the accounting policies which follow and incorporate the principal accounting policies set out below. They are presented in South African Rands, which is the SACU Secretariat's functional currency.

These accounting policies are consistent with the previous period.

1.2 Significant judgements and sources of estimation uncertainty

The preparation of Annual Financial Statements is in conformity with IFRS and requires management, from time to time, to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. These estimates and associated assumptions are based on experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Critical judgements in applying accounting policies

The critical judgements made by management in applying accounting policies, apart from those involving estimations, that have the most significant effect on the amounts recognised in the Annual Financial Statements, are outlined as follows:

1.2.1. Revaluation of land and buildings

The SACU Secretariat measures land and buildings at revalued amounts with changes in fair value being recognised in other comprehensive income. The revaluation is performed every two years by an independent property valuer. Two valuation methods were used namely, the replacement costs and discounted cash flow method to determine the market value of land and buildings. Refer to note 3 for more details.

1.2.2 Useful lives and residual values of property, plant and equipment and intangible assets

The SACU Secretariat assesses the useful lives and residual values of equipment at each reporting date. In reassessing asset lives, factors such as technology innovation and maintenance programmes are taken into account. Residual values assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

1.3 Property and equipment

Property and equipment are tangible assets which the SACU Secretariat holds for its own use or for rental to others and which are expected to be used for more than one year.

An item of property and equipment is recognised as an asset when it is probable that future economic benefits associated with the item will flow to the SACU Secretariat, and the cost of the item can be measured reliably.

Property and equipment is initially measured at cost. Cost includes all of the expenditure which is directly attributable to the acquisition or construction of the asset.

Expenditure incurred subsequently for major services, additions to or replacements of parts of property and equipment are capitalised if it is probable that future economic benefits associated with the expenditure will flow to the SACU Secretariat and the cost can be measured reliably. Day to day servicing costs are included in surplus or deficit in the year in which they are incurred.

Property and equipment is subsequently stated at cost less accumulated depreciation and any accumulated impairment losses, except for land which is stated at cost less any accumulated impairment losses.

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting year.

When an item of property and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset.

Any increase in an asset's carrying amount, as a result of a revaluation, is recognised in other comprehensive income and accumulated in the revaluation reserve in equity. The increase is recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in profit or loss in the current year. The decrease is recognised in other comprehensive income to the extent of any credit balance existing in the revaluation reserve in respect of that asset. The decrease recognised in other comprehensive income reduces the amount accumulated in the revaluation reserve in equity.

The revaluation reserve related to a specific item of property and equipment is transferred directly to accumulated funds when the asset is derecognised.

Property and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Land and buildings are the only asset that is carried at revalued amounts, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The useful lives of items of property and equipment have been assessed as follows:

Item	Average useful life
Buildings	20 years
Motor vehicles	5 years
Furniture and fittings	5 years
Household furniture and fittings	5 years
Office equipment	5 years
Computer equipment - servers or infrastructure	5 years
Computer equipment - laptop computers and mobile items	3 years
Land	indefinite

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

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting year. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate.

The depreciation charge for each year is recognised in profit or loss unless it is included in the carrying amount of another asset.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its continued use or disposal. Any gain or loss arising from the derecognition of an item of property and equipment, determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, is included in profit or loss when the item is derecognised.

1.4 Intangible assets

An intangible asset is recognised when:

- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably. Intangible assets are initially recognised at cost.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

The amortisation period and the amortisation method for intangible assets are reviewed every period-end.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software	3 years

1.5 Financial instruments

Classification

The SACU Secretariat classifies financial assets and financial liabilities into the following categories:
- Loans and receivables
- Financial liabilities measured at amortised cost

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis.

Initial recognition and measurement

Financial instruments are recognised initially when the SACU Secretariat becomes a party to the contractual provisions of the instruments.

The SACU Secretariat classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value.

For financial instruments which are not at fair value through profit or loss, transaction costs are included in the initial measurement of the instrument.

Derecognition

The SACU Secretariat derecognises a financial asset when the contractual rights to cash flows from the asset expires, or it transfers the rights to receive the contractual cash flows in which substantially all the risk and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial asset that is created or retained by the entity is recognised as separate asset or liability.

Offset

Financial assets and liabilities are offset and the net amount presented in the statement of financial position, when and only when, the SACU Secretariat has a legal right to offset the amounts and intends to settle them on a net basis or realise the asset and settle the liability simultaneously.

Subsequent measurement

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

1.5 Financial instruments (continued)

Impairment of financial assets

At each reporting date the SACU Secretariat assesses all financial assets, other than those at fair value through profit or loss, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the SACU Secretariat, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

Impairment losses are recognised in profit or loss.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in profit or loss.

Where financial assets are impaired through the use of an allowance account, the amount of the loss is recognised in profit or loss within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is an objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. Receivables of a short term nature are not discounted due to the insignificance of the amortisation amount.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss within operating expenses. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in profit or loss.

Trade and other receivables are classified as loans and receivables.

Trade and other payables

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

Trade and other payables are classified as liabilities measured at amortised cost.

1.5 Financial instruments (continued)

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

Cash and cash equivalents are classified as loans and receivables.

Fair value of financial instruments

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the entity for similar financial instruments.

1.6 Impairment of non-financial assets

The SACU Secretariat assesses at each end of the reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the SACU Secretariat estimates the recoverable amount of the asset.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss. Any impairment loss of a revalued asset is treated as a revaluation decrease.

The SACU Secretariat assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in profit or loss. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

SIGNIFICANT ACCOUNTING POLICIES

1.7 Fair values of financial assets and liabilities

The fair value of derivative instruments reflects the estimated amount the SACU Secretariat would receive or pay in an arm's length transaction. Fair values are determined according to the following hierarchy:

- Level 1 – quoted market prices: financial assets and liabilities with quoted prices for identical instruments in active markets.
- Level 2 – valuation techniques using observable inputs: quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial assets and liabilities valued using models where all significant inputs are observable.
- Level 3 – valuation techniques using significant unobservable inputs: financial assets and liabilities valued using valuation techniques where one or more significant inputs are unobservable.

Refer note 3, Property, plant and equipment, for assets measured at fair value.

1.8 Employee benefits

Pension obligations

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 mandatory, contractual or voluntary 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.

Bonus plans

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

1.9 Provisions and contingencies

Provisions are recognised when:

- the SACU Secretariat has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

1.9 Provisions and contingencies (continued)

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision.

Provisions are not recognised for future operating losses.

If the SACU Secretariat has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

Contingent assets and contingent liabilities are not recognised.

1.10 Commitments

The SACU Secretariat enters into contracts and agreements with various service providers and has a legal commitment to honour the conditions of the contracts and agreement. Commitments disclosed in the Annual Financial Statements represent the goods and services for the contract or agreement which have not been received by the end of the financial year.

1.11 Revenue recognition

The SACU Secretariat recognises revenue when the amount of revenue can be reliably measured and is receivable from the Common Revenue Pool. Revenue is measured at the fair value of the consideration receivable. An exchange for goods or services of a similar nature and value is not regarded as a transaction that generates revenue.

Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the SACU Secretariat reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

1.12 Translation of foreign currencies

Functional and presentation currency

Items included in the Annual Financial Statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The functional and presentation currency of the SACU Secretariat is the South African Rand (R).

Foreign currency transactions and balances

A foreign currency transaction is recorded, on initial recognition in South African Rands, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At the end of the reporting period:

- foreign currency monetary items are translated using the closing rate;
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous Annual Financial Statements are recognised in profit or loss in the period in which they arise.

When a gain or loss on a non-monetary item is recognised to other comprehensive income and accumulated in equity, any exchange component of that gain or loss is recognised to other comprehensive income and accumulated in equity. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

Cash flows arising from transactions in a foreign currency are recorded in South African Rands by applying to the foreign currency amount the exchange rate between the South African Rand and the foreign currency at the date of the cash flow.

2. New Standards and Interpretations

2.1 Standards and interpretations effective during the Financial Year.

There are new or revised Accounting Standards and Interpretations in issue that are effective as at 31 March 2019. These include the following Standards and Interpretations that are applicable to the business of the SACU Secretariat and may have an impact on the Annual Financial Statements:

IFRS 16 Leases

IFRS 16 is effective from 1 January 2019 and replaces IAS 17.

The new standard will provide transparency on the entity's lease assets and liabilities, meaning that off balance sheet lease financing is no longer allowed. It will also improve comparability between entities that lease and those that borrow to buy.

The standard is effective for annual periods beginning on or after 1 January 2019.

The SACU Secretariat has performed an assessment and determined that the new standard will not have a significant impact on the SACU Secretariat as the entity does not have contracts as defined in the standard.

2.2 Standards and Interpretations not yet effective

IFRS 17 Insurance Contracts

This standard replaces IFRS 4 and is effective from 1 January 2021. Under the IFRS 17 model, insurance contract liabilities will be calculated as the present value of future insurance cash flows with a provision for risk. The discount rate will reflect current interest rates. If the present value of future cash flows would produce a gain at the time a contract is issued the model would also require a "contractual service margin" to offset the day 1 gain. The contractual service margin would amortize over the life of the contract. There would also be a new statement of financial performance presentation for insurance contracts, including a revised definition of revenue, and additional disclosure requirements.

IFRS 17 will also have accommodations for certain specific types of contracts. Short-duration insurance contracts will be permitted to use a simplified unearned premium liability model until a claim is incurred. For some contracts in which the cash flows are linked to underlying items, the liability value will reflect that linkage.

The SACU Secretariat performed an assessment to determine the potential impact of the new standard on the SACU Secretariat's statement of financial position and performance. Based on the assessment performed, the SACU Secretariat concluded that the impact on the Annual Financial Statements is not going to be material.

3. Property and equipment

	2019			2018		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Land buildings	92,809,431	(3,879,431)	88,930,000	94,874,148	(2,971,130)	91,903,018
Furniture and fixtures	8,083,462	(6,579,853)	1,503,609	7,946,616	(5,170,711)	2,775,905
Motor vehicles	2,187,444	(1,305,056)	882,388	2,187,444	(1,061,156)	1,126,288
Household furniture and fittings	2,011,009	(1,412,471)	598,538	1,904,336	(1,237,441)	666,895
IT equipment	7,047,991	(6,341,080)	706,911	6,580,908	(6,042,320)	538,588
Office equipment	323,166	(249,888)	73,278	307,648	(217,907)	89,741
Total	**112,462,503**	**(19,767,779)**	**92,694,724**	**113,801,100**	**(16,700,665)**	**97,100,435**

Reconciliation of property and equipment - 2019

	Opening balance	Additions	Disposals	Revaluations	Depreciation	Total
Land and buildings	91,903,018	272,940	-	166,395	(3,412,353)	88,930,000
Furniture and fittings	2,775,905	136,845	-	-	(1,409,141)	1,503,609
Motor vehicles	1,126,288	-	-	-	(243,900)	882,388
Household furniture and fittings	666,895	126,520	-	-	(194,877)	598,538
IT equipment	538,588	496,229	(9,333)	-	(318,573)	706,911
Office equipment	89,741	15,518	-	-	(31,981)	73,278
	97,100,435	**1,048,052**	**(9,333)**	**166,395**	**(5 610,825)**	**92,694,724**

Reconciliation of property and equipment - 2018

	Opening balance	Additions	Disposals	Revaluations	Depreciation	Total
Land and buildings	94,608,940	265,206	-	-	(2,971,128)	91,903,018
Furniture and fittings	4,392,914	168,603	(55,836)	-	(1,729,776)	2,775,905
Motor vehicles	1,613,214	74,975	-	-	(561,901)	1,126,288
Household furniture and Fittings	968,253	4,254	-	-	(305,612)	666,895
IT equipment	1 223,636	194,713	-	-	(879,761)	538,588
Office equipment	119,016	3 771	(445)	-	(32,601)	89,741
	102,925,973	**711,522**	**(56,281)**	**-**	**(6,480,779)**	**97,100,435**

	2019	2018

	R	R

3. Property and equipment (continued)

Revaluation of property and equipment

Land and Buildings consists of the following properties:
- Erf 235 Eros Park, Windhoek
- Erf 5525 Windhoek
- Erf 8531 (Portion of Erf 182), Windhoek

The effective date of the revaluations was 31 March 2019. Revaluations were performed by an independent valuer, Mr W Beukes, National Diploma Real Estate (CPTU SA), of Property Valuations Namibia. Property Valuations Namibia is not connected to the SACU Secretariat. The next valuation date is 31 March 2021.

The valuation was performed based on market values, adjusted for any difference in nature, location or condition of the specific property.

Measurement of fair values

The fair value measurement of land and buildings has been categorised as a Level 3 fair value based on the inputs to the valuation technique used as set out below.

The following table shows a reconciliation from the opening balances to the closing balances for Level 3 fair values.

Land and buildings		
Balance at 1 April	91,903,018	94,608,940
Additions	272,940	265,206
Depreciation	(3,412,353)	(2,971,128)
Gain included in other comprehensive income		
Changes in fair value	166,395	-
	88,930,000	**91,903,018**

Discounted cash flows: The valuation model considers the present values of net cash flows that could be generated by the property in terms of rentals taking into account market conditions such as inflation rate, occupancy rates and letability of the property.

Significant unobservable inputs:
- Expected market rentals
- Occupancy rates
- Letability of the property
- Discount rates

NOTES TO THE FINANCIAL STATEMENTS

3. Property and equipment (continued)

Interrelationship between key observable inputs and fair value measurements The estimated fair value would increase/ (decrease) if:

- expected market rentals were higher/ (lower)
- potential occupancy rates were higher/ (lower)
- letability of the properties were higher/ (lower), or
- discount rates were lower/ (higher).

4. Intangible assets

	2019			2018		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Computer software	**2,732,872**	**(1,768,045)**	**964,827**	**1,862,632**	**(1,515,767)**	**346,865**

Reconciliation of intangible assets - 2019

	Opening balance	Additions	Disposals	Work in progress	Amortisation	Closing
Computer software	**346,865**	**259,070**	**-**	**611,172**	**(252,280)**	**964,827**

Reconciliation of intangible assets - 2018

	Opening balance	Additions	Disposals	Work in progress	Amortisation	Closing
Computer software	**466,036**	**113,801**	**-**	**-**	**(232,972)**	**346,865**

5. Trade and other receivables

	2019 R	2018 R
Staff travel advances	112,821	10,069
Prepayments	691,982	457,457
Receiver of Revenue - Value Added Tax	1,359,560	524,928
Interest receivable	4,742	6,656
	2,169,105	**999,110**

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The SACU Secretariat does not hold any collateral as security.

Credit quality of trade and other receivables

The credit quality of trade and other receivables that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates. All counterparties at year end have no external credit rating. All counterparties have no history of default.

5. Trade and other receivables (continued)

Fair value of trade and other receivables

Due to their short term nature, the carrying value of trade and other receivables is assumed to approximate to fair value.

Ageing of trade and other receivables

Trade and other receivables that are less than three months past due are not considered impaired. As of 31 March 2019, no trade and other receivables were impaired. The ageing of the trade and other receivables is as follows:

Up to 3 months	689,512	999,110
Over 3 months	670,048	-
	1,359,560	**999,110**

6. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	2,889	1,782
Bank balances	1,074,649	3,776,091
Short-term (32 day) fixed deposits	21,832,798	68,976,962
Medium-term (12 Months) fixed deposits	37,015,680	-
Current assets	**59,926,016**	**72,754,835**
Bank and credit card liability	(107,879)	(62,285)
Current liabilities	(107,879)	(62,285)
	59,818,137	**72,692,550**

Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates:

Cash at bank and short-term bank deposits

Standard Bank Namibia Limited: BB+ rating	1,074,649	3,776,091
Bank Windhoek Limited: AA rating	58,848,478	68,976,962
	59,923,127	**72,753,053**

7. Financial assets by category

The accounting policies for financial instruments have been applied to the line items below:

2019	Loans and receivables	Total
Trade and other receivables	117,563	117,563
Cash and cash equivalents	59,926,016	59,926,016
	60,043,579	**60,043,579**

2018	Loans and receivables	Total
Trade and other receivables	16,725	16,725
Cash and cash equivalents	72,754,835	72,754,835
	72,771,560	**72,771,560**

8. Trade and other payables

Trade payables	3,977,550	2,940,029
Staff payable	93,826	104,621
PAYE payable to Receiver of Revenue	-	3,237
Retention payable	-	724,756
Accruals	875,284	822,815
	4,946,660	**4,595,458**

Fair value of trade and other payables

Due to their short term nature, the carrying value of trade and other payables is assumed to approximate to fair value.

	2019 R	2018 R

9. Financial liabilities by category

The accounting policies for financial instruments have been applied to the line items below:

2019

	Financial liabilities at amortised cost	Total
Trade and other payables	4,946,660	4,946,660
Bank and credit card liability	107 879	107 879
	5,054,539	**5,054,539**

2018

	Financial liabilities at amortised cost	Total
Trade and other payables	4,595,458	4,595,458
Bank and credit card liability	62,285	62,285
	4,657,743	**4,657,743**

10. Deferred income

The deferred income relates to an insurance claim received which was recognised after the approval for the scrapping of the related asset was granted.

	2019 R	2018 R
Deferred income	-	13,500

	2019 R	2018 R

11. Provisions

Reconciliation of provisions - 2019

	Opening balance	Charged/ (credited) to profit or loss	Payments made	Unused amounts reversed	Total
Provision for leave and bonus	3,149,790	3,030,460	(1,740,975)	(1 408 815)	3,030,460

Reconciliation of provisions - 2018

	Opening balance	Charged/ (credited) to profit or loss	Payments made	Unused amounts reversed	Total
Provision for leave and bonus	2,543,285	3,149,790	(1,604,491)	(938,794)	3,149,790

Provisions relate to:

- The amount of R923,060 (2018: R1,676,127) is for leave pay which accrues on termination of the contracts of members of staff.
- A further provision of R2,107,400 (2018: R1,473,663) is made for the payment of performance bonuses to staff.

12. Revenue

	2019 R	2018 R
Common Revenue Pool contributions	62,925,720	59,797,234

The SACU Secretariat recognises contributions from the Common Revenue Pool as revenue when the amount accrues to the SACU Secretariat.

13. Operating deficit

Operating deficit for the year is stated after accounting for the following:

	2019 R	2018 R
(Loss)/gain on disposal of property and equipment	14,567	(31,602)
Depreciation and amortisation	5,863,105	6,713,751
Employee costs	51,810,466	44,358,432
Relocation expenses	498,026	561,729

	2019 R	2018 R
14. Finance income		
Interest on short-term bank deposits	5,349,782	6,068,785

15. Auditors' costs

	2019 R	2018 R
Disbursements	759,831	439,845

16. Employee benefits expense

	2019 R	2018 R
Salaries and wages	51,810,466	44,358,432

The SACU Secretariat has a defined contribution provident fund plan for support staff.

	2019	2018
Number of employees	44	45

17. Cash used in operations

	2019 R	2018 R
Deficit for the year	(15,876,934)	(12,819,281)
Adjustments for:		
Depreciation and amortisation	5,863,105	6,713,751
Loss/(gain) on disposal of property and equipment	(14,567)	31,602
Interest received	(5,349,782)	(6,068,785)
Changes in working capital:		
Trade and other receivables	(1,169,995)	(194,460)
Trade and other payables	351,202	887,568
Deferred income	(13,500)	13,500
Provisions and employee benefits	(73,736)	606,505
	(16,284,207)	**(10,829,600)**

	2019 R	2018 R

18. Related parties

Relationships

Member States	Republic of Botswana Kingdom of Eswatini Kingdom of Lesotho Republic of Namibia Republic of South Africa
Members of key management	Executive Committee

Related party transactions

Common Revenue Pool contributions

	2019 R	2018 R
Receipts during the year	62,925,720	59,797,234

The compensation of key management personnel who served as Executive Management during the year was as follows:

	2019 R	2018 R
Short-term employee benefits	15,808,539	13,245,724

19. Commitments

Operating leases - SACU Secretariat as lessee (expense)

There are no future aggregate minimum lease payments under non-cancellable operating leases.

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 2019

	2019 R	2018 R
Cleaning services	195,437	473,360
Disaster Recovery Plan consulting	41 068	-
Network support	43,945	100,310
Security services	280,095	672,227
SharePoint support	249,600	13,000
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 for SAC-ide Infrustracture Projects and Industrialisation	1,723,275	-
Internal Audit Quality review	150,589	-
Development of the SACU Extranet Site	1,503,225	-
	5,319,012	**1,258,897**

19. Commitments (continued)

Roll over

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.

	2019 R	2018 R
Development of the ICT Governance Framework	494,480	-
EFTA Market Access Study	-	341,345
Business Continuity Plan consulting	-	249,016
IDU Reporting Module	-	157,945
Purchase of computers	-	178,870
Acquisition of fire suppression system	-	116,274
Publication of Annual Report - 2016/17 FY	-	141,788
Furniture - Official Residence	-	141,788
	494,480	**1,226,330**

20. Risk management

Financial risk management

The SACU Secretariat's activities expose it to a variety of financial risks: market risk (including cash flow interest rate risk and price risk), credit risk and liquidity risk.

The SACU Secretariat's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the SACU Secretariat's financial performance. Risk management is carried out by Executive Management in accordance with policies approved by the Finance and Audit Committee. The Finance and Audit Committee provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of non-derivative financial instruments, and investment of excess liquidity.

Liquidity risk

Liquidity is the risk that an entity will encounter difficulty in meeting obligations associated with its financial liabilities that are being settled by delivering cash or another financial assets. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the ability to close out market positions.

The SACU Secretariat's risk to liquidity is a result of the funds available to cover future commitments. The SACU Secretariat manages liquidity risk through an ongoing review of future commitments.

Cash flow forecasts are prepared and monitored.

	2019	2018
	R	R

20. Risk management (continued)

The table below analyses the SACU Secretariat's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At 31 March 2019	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	4,946,660	-	-	-
Bank and credit card liability	107,879	-	-	-

At 31 March 2018	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	4,595,458	-	-	-
Bank and credit card liability	62,285	-	-	-

Interest rate risk

The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The SACU Secretariat's significant interest rate risk arises from bank balances and short-term bank deposits. Interest receivable on bank balances and short-term deposits is at variable rates and expose the SACU Secretariat to cash flow interest rate risk. During 2019 and 2018, the SACU Secretariat's interest bearing bank balances and short-term deposits at variable rate were denominated in South African Rand.

At 31 March 2019, if interest rates on Rand-denominated bank balances and short-term deposits had been 10% higher/lower with all other variables held constant, the deficit for the year would have been R534,978 (2018: R 606,879) lower/higher, mainly as a result of higher/lower finance income on short-term deposits.

Credit risk

Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures to outstanding receivables and committed transactions. For banks and financial institutions, only reputable commercial institutions are accepted. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Council.

The SACU Secretariat will only deal with financial institutions that conform to the following criteria:

- Should have minimum audited capital and reserves of R50 million.
- Must be registered in terms of the Namibia Banks Act, Unit Trust Control Act No. 54 of 1981 and/or with the Namibian Financial Supervisory Authority (NAMFISA).

	2019	2018
	R	R

20. Risk management (continued)

Written quotations on interest rates will be required from at least three financial institutions and the investments will be placed with the counterparty with the highest offered interest rate, provided that criteria set above have been met.

The SACU Secretariat will only invest in the following:

- Call and other term deposits at major banks
- Government of Namibia Treasury Bills and Government Stocks; and
- Money Market Unit Trust Funds registered in terms of the Unit Trust Control Act No. 54 of 1981.

Funds must be well diversified between authorised investment products and financial institutions so as to spread the risk.

Investment Type	Maximum Percentage of portfolio	Purpose of investment
Operational Bank Account	Up to 100% of total portfolio	These funds will be used to contribute towards the daily operations and will be deposited in a current account opened specifically for this purpose, which will be an interest-bearing account.
Bank Call account and Money Market Account	Up to 100% of total portfolio	These funds will be used to provide the SACU Secretariat with funds immediately for any unforeseen payments whilst maximising the interest return.
Bank Deposits and Treasury bills up to 12 months	Up to 100% of total portfolio	These funds will be invested in money market instruments and term deposits to enable the SACU Secretariat to have easy access to its funds but at the same time earn higher returns on its investments.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset as summarised in note 7.

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

Foreign exchange risk

The SACU Secretariat operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the United States Dollars. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

Price risk

The SACU Secretariat was not exposed to equity securities price risk at the reporting date.

21. Other operating gains (losses)

	2019 R	2018 R
Gain/(loss) on disposal of property and equipment	14 567	(31 602)
Gain/(loss) on foreign exchange	(25 685)	(25 368)
Total Other operating gains (losses)	**(11 118)**	**(56 970)**

NOTES TO THE FINANCIAL STATEMENTS

Detailed Income and Expenditure Statement

	Note	2019 R	2018 R
Revenue			
Common Revenue Pool contributions		62,925,720	59,797,234
Gross income		**62,925,720**	**59,797,234**
Other income			
Gain on disposal of property and equipment		14,567	-
Interest income	14	5,349,782	6,068,785
		5,364,349	**6,068,785**
Operating expenses			
Advertising costs		(969,914)	(1,158,502)
Auditors' costs	15	(759,831)	(439,845)
Communication costs		(583,331)	(699,486)
Depreciation		(5,863,105)	(6,713,751)
Financial expenses		(97,503)	(65,004)
Hospitality		(581,766)	(547,874)
Household expenses		(501,383)	(572,922)
Insurance		(151,101)	(194,049)
IT services		(1,100,841)	(1,191,082)
Loss on disposal of property and equipment		-	(31,602)
Loss on foreign exchange		(25,685)	(25,368)
Media and public relations		(978,830)	(1,123,389)
Motor vehicle expenses		(186,838)	(170,297)
Office supplies		(812,485)	(395,113)
Professional fees		(3,326,310)	(4,582,894)
Recruitment costs		(2,201,500)	(828,764)
Relocation costs		(498,026)	(561,729)
Repairs and maintenance		(844,378)	(724,274)
Salaries and wages		(51,810,466)	(44,358,432)
Security		(724,935)	(628,388)
Skills development		(975,577)	(192,746)
Subsistence and travel		(8,384,804)	(10,554,829)
Subscriptions and reference materials		(77,970)	(187,498)
Utilities		(760,943)	(719,766)
Workshops and conferences		(1,949,483)	(2,017,696)
		(84,167,005)	**(78,685,300)**
Deficit for the year		**(15,876,934)**	**(12,819,281)**

The supplementary information presented does not form part of the Financial Statements and is unaudited

Annex 4

List of Abbreviations

AGOA	African Growth and Opportunity Act
CFTA	Continental Free Trade Area
COMESA	Common Market for Eastern and Southern Africa
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
GDP	Gross Domestic Product
HQ	Headquarters
ICT	Information Communication Technology
IMF	International Monetary Fund
M	Maloti (Lesotho Currency)
MERCOSUR	Common Market for the South
N$	Namibian Dollar (Namibian Currency)
OECD	Organization of Economic Cooperation and Development
P (BWA)	Pula (Botswana Currency)
PTA	Preferential Trade Agreement
PTP	Preferred Trader Programme
R (ZAR)	Rand (South African Currency)
SACU	Southern African Customs Union
SADC	Southern African Development Community
TCSO	Tripartite Committee of Senior Officials
TFTA	Tripartite Free Trade Area
TRQ	Tariff Rate Quotas
TSMC	Tripartite Sectoral Ministerial Committee
TTNF	Tripartite Negotiation Forum
UCR	Unique Consignment Reference
UK	United Kingdom
UNECA	United Nations Economic Commission for Africa
US	United States of America
WCO	World Customs Organisation
WEO	World Economic Outlook

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