



ANNUAL REPORT

2023



STRATEGIC PILLARS

- Industrialisation, Export and Investment Promotion;
- Trade Facilitation and Logistics;
- Implementation and Leveraging of African Continental Free Trade Agreement (AfCFTA) opportunities;
- Trade Relations/Unified Engagement with Third Parties;
- Finance and Resource Mobilisation; and
- Effectiveness of SACU Institutions.

Administration

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Postal address:

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Standard Bank Namibia Limited

External Auditors:

Auditor General of the Republic of Botswana
Private Bag 0010
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Republic of Botswana

VISION

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

MISSION

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





TABLE OF CONTENTS

List of Abbreviations	6
Message from the Chairperson of the SACU Council of Ministers	8
Executive Secretary's Statement	10
SACU Institutional Structure	13
CHAPTER 1: CORPORATE GOVERNANCE AND INSTITUTIONAL DEVELOPMENT	19
Risk Management	21
Audit	22
Chair of SACU Institutions	22
SACU Summit of Heads of State or Government	23
SACU Council of Ministers	24
Customs Union Commission	25
Secretariat	25
Interim Structure to Support the SACU Refocused Work Programme	26
SACU Strategic Plan (2022-2027)	27
CHAPTER 2: STRATEGIC PROJECTS	28
Pillar 1: Industrialisation, Export and Investment Promotion Audit	31
Pillar 2: Trade Facilitation and Logistics	33
Pillar 3: Implementation and Leveraging of African Continental Free Trade Agreement (AfCFTA) Opportunities	37
Pillar 4: Trade Relations/Unified Engagement With Third Parties	38
Pillar 5: Finance and Resource Mobilisation	40
Pillar 6: Effectiveness of SACU Institutions	42
ANNEX 1: SACU MEMBER STATES' ECONOMIC PERFORMANCE	44
Global Economic Developments and Outlook for 2022/23	45
Recent Global Economic Developments: Gloomy, Elevated Uncertainty	46
Real Sector, Budget and Current Account Developments	47
Botswana	48
Eswatini	50
Lesotho	52
Namibia	54
South Africa	56
Global and Regional Consumer Price Developments-Entrenched Inflation	58
ANNEX 2: INTRA-SACU IMPORTS 2020/21	59
ANNEX 3	
Abridged Annual Financial Statements	62
Annual Financial Statements	68
List of Tables	105
List of Figures	105

LIST OF ABBREVIATIONS

AEO	Authorised Economic Operators
AEs	Advanced Economies
AfCFTA	African Continental Free Trade Area
AGOA	African Growth and Opportunity Act
BELN	Botswana, Eswatini, Lesotho, Namibia
BURS	Botswana Unified Revenue Service
COMESA	Common Market for Eastern and Southern Africa
COVID-19	Coronavirus disease of 2019
CRP	Common Revenue Pool
E (SZL)	Emalangeni (Eswatini Currency)
EAC	East African Community
EFTA	European Free Trade Association
EMDEs	Emerging Markets and Developing Economies
EPA	Economic Partnership Agreement
EU	European Union
EXCO	Executive Committee
FAC	Finance and Audit Committee
FY	Financial Year
GDP	Gross Domestic Product
ICT	Information Communication Technology
ITC	International Trade Centre
M (LSL)	Maloti (Lesotho Currency)
MERCOSUR	Common Market for the South
MoU	Memorandum of Understanding
N (NAD)	Namibia Dollar (Namibia Currency)
NSA	Namibia Statistics Agency
P (BWA)	Pula (Botswana Currency)



PSTCs	Provisional Schedules of Tariff Concessions
PTA	Preferential Trade Agreement
R (ZAR)	Rand (South African Currency)
RVCs	Regional Value Chains
SACU	Southern African Customs Union
SACUM	SACU-Mozambique
SADC	Southern African Development Community
SO-IEIP	Senior Officials on Industrialisation, Investment and Export Promotion
SPS	Sanitary and Phytosanitary
SSA	Sub-Saharan Africa
SFOs	Senior Finance Officials
STOs	Senior Trade Officials
TBT	Technical Barriers to Trade
TDC	Trade and Development Committee
TFTA	Tripartite Free Trade Area
TFTC-SO	Trade Facilitation Technical Committee of Senior Officials
TPR	Trade Policy Review
TRIPS	Trade-Related Aspects of Intellectual Property Rights
TSD	Trade and Sustainable Development
UK	United Kingdom of Great Britain and Northern Ireland
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
US	United States
WCO	World Customs Organisation
WEO	World Economic Outlook
WTO	World Trade Organisation

MESSAGE FROM THE CHAIRPERSON OF THE SACU COUNCIL OF MINISTERS

It is with great pleasure that I present the SACU Annual Report for the 2022/23 Financial Year. This Report provides key highlights of SACU's achievements, the SACU Member States' economic performance as well as the audited Annual Financial Statements of the Secretariat.

The period under review saw the regional economy gaining momentum post the COVID-19 period albeit at a slower rate which was dampened by numerous factors. Some of these factors were the conflict between Russia and Ukraine, rising food and energy prices and tighter global financial conditions, among others. Growth forecasts were revised not only for the region but also globally. Our Member States continue to be faced with constrained fiscal policy space amidst increasing economic demands and challenges, such as high public debt and high unemployment for the youth. These challenges are prevailing amidst a depressed global economic outlook.

The global economy was forecast to record a lower growth of 3.5 percent in 2022 from an outturn of 6.3 percent in 2021 and remained subdued with an output of 3.0 percent in 2023. On a positive note, I am happy to note that the risks to global economic growth are tipping downwards but could still pose a threat and undercut growth. The ongoing conflict between Russia and Ukraine remained one of the major risks to the economic outlook and it is expected to continue to undermine global growth.

Based on the recent global growth trends, all regions were expected to experience constrained growth rates in 2023. The Advanced Economies (AEs) were projected to experience a growth of about 2.7 percent in 2022 and further slowdown to 1.5 percent in 2023 compared to a higher growth rate of 5.4 percent in 2021. Economic growth in AEs was driven by the Euro area, whereas United States (US) and United Kingdom (UK) economies were forecast to experience slower growth rates than recorded in the previous year. In 2022 and 2023, the Euro area was projected to record 3.5 percent and slow down to 0.9 percent respectively, compared to 5.3 percent in 2021. Meanwhile the US recorded a 5.9 percent in 2021 but was expected to slow down to 2.1 percent in 2022 and further experience a lower growth of

1.8 percent in 2023. Similarly, the UK was expected to experience similar trends with the economy recording 7.6 percent in 2021 and decelerate to a growth of 4.1 percent in 2022 and 0.4 percent in 2023.

Looking at the emerging and developing economies (EMDEs), the growth prospects remained subdued with an estimated rate of 4.0 percent in 2022 and 2023, compared to a relatively high of 6.8 percent recorded in 2021. The main driver of the EMDEs economic performance was China, although it also experienced a slower growth rate of 3.0 percent in 2022, compared to the healthy 8.4 percent in 2021. However, unlike the EMDEs, China was expected to record an improved growth of 5.2 percent in 2023 compared to 2022. Sub-Saharan Africa (SSA) was forecast to record a growth rate of 3.9 percent in 2022 and 3.5 percent in 2023, compared to a higher growth of 4.7 percent in 2021. The key influence in this regard being the effects of higher fossil fuel and metal prices for most of the commodity exporting countries.

I am happy to note that the risks to global economic growth are tipping downwards but could still pose a threat and undercut growth. The ongoing conflict between Russia and Ukraine remained one of the major risks to the economic outlook and it is expected to continue to undermine global growth.



Honourable Dr. Retšelisitsoe Matlanyane

Minister of Finance and Development Planning, Kingdom of Lesotho

Turning to the SACU economy, the growth trends mirror the global trends with an average weighted growth rate of 2.2 and 1.8 percent in 2022 and 2023, respectively, compared to 4.9 percent recorded in 2021. We were optimistic that our region would return to healthy pre-pandemic growth rates during the medium-term.

However, various risks and other factors as highlighted above, continued to linger on and hamper the much-anticipated growth trajectory and recovery. Against these developments, as a region, we continue to be faced with increasing demand for government intervention through the national fiscus which remains severely constrained due to the long-term effects of COVID-19. The need to finance the budget deficits has resulted in the worsening of public debt across our Member States, in some cases reaching a ratio-to-GDP (Gross Domestic Product) of 66 percent. I am pleased to note that our Member States continued to implement enhanced government debt management strategies to curb the fiscal deficits and stem further growth in public debt.

With these challenges facing us as a region, it is therefore critical that SACU Member States, under the leadership of the Council of Ministers, accelerate the implementation of the various programmes that will not only boost our economies but also uplift the livelihood of our citizens. I am pleased that the Council of Ministers in June 2022 approved the SACU Strategic Plan 2022-2027. This Strategic Plan has critical and innovative programmes to fast-track industrialisation within SACU and re-position the region to maximise the benefits emanating from the African Continental Free Trade Area (AfCFTA). I am equally pleased to note that as a region, we are accelerating initiatives aimed at providing an enabling environment for our businesses to be better positioned for the AfCFTA and reducing the cost of doing business. Also worth noting is the implementation of our Regional Authorised Economic Operator (AEO) Programme, which will allow qualified businesses to enjoy seamless clearance of their goods, hence reducing time spent at the border.

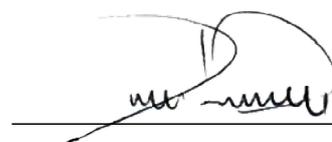
We are now working towards rolling-out the mutual recognition of accredited businesses at regional level. I, therefore, implore all qualifying businesses to take advantage of this programme and apply for accreditation with their respective Revenue Administrations in the SACU Member States at the earliest opportunity.

Looking at operational matters and following the adoption of the SACU Strategic Plan 2022-27, we will now be seized with putting together requisite structures that will facilitate its implementation. The implementation of the Strategic Plan requires substantial resources both financial and human. I, therefore, wish to implore upon our development partners to avail us of the necessary support.

I am further pleased to note that the financial resources provided to the Secretariat continue to be utilised efficiently and within the Policies and Procedures. We note with appreciation as the Council of Ministers that yet again an unqualified audit opinion was expressed in the Secretariat's Annual Financial Statements. We implore the Secretariat to continue with the efficient use of the allocated budget and implementation of the business plans.

I wish to extend my appreciation to the Council of Ministers for the dedication, support and cooperation towards the implementation of the SACU Strategic Plan which will propel us to attain our vision.

Finally, allow me to extend a warm welcome to our new Executive Secretary, Mr. Thabo David Khasipe, and on behalf of the Council of Ministers pledge our utmost support as he leads the Secretariat and steers the SACU Agenda. Similarly, I wish to express our profound appreciation to the former Executive Secretary, Ms. Paulina Mbala Elago, for her contribution and dedication in advancing the SACU Agenda during her tenure. I also wish to extend our gratitude to the Secretariat Staff for their hard work in coordinating and supporting SACU Institutions.



Honourable Dr. Retšelisitsoe Matlanyane
Minister of Finance and Development Planning,
Kingdom of Lesotho and Chairperson of the
SACU Council of Ministers

EXECUTIVE SECRETARY'S STATEMENT

The year under review was one of the most challenging periods characterised by subdued global economic growth and other challenging developments. Notwithstanding this, the Secretariat continued its operations and implementation of its Work Programme.

I wish therefore to provide a high-level overview of the operations of the SACU Secretariat and its financial affairs as at the end of the Financial Year ended 31 March 2023. The highlights are summarised below.

On the governance and institutional front, I am pleased to note that the SACU Institutions continued to execute their mandates in pursuance of the SACU Mission and Vision. In this regard, the 7th Summit of the SACU Heads of State or Government was convened on the 30th June 2022, in Gaborone, Botswana. The Commission and Council also held their respective Meetings in line with their annual schedules.

An important milestone during the period under review was the approval of the five-year SACU Strategic Plan for period 2022 - 2027 on the 2nd June 2022 by the SACU Council of Ministers. The Strategic Plan was subsequently endorsed by the 7th SACU Summit held on the 30th June 2022, in Gaborone, Botswana. The Strategic Plan is underpinned by six (6) Strategic Pillars. These are:

- (a) Industrialisation, Export, and Investment Promotion;
- (b) Trade Facilitation and Logistics;
- (c) Implementation and Leveraging of the African Continental Free Trade Area (AfCFTA) opportunities;
- (d) Trade Relations/Unified Engagement with Third Parties;
- (e) Finance and Resource Mobilisation; and
- (f) Effectiveness of SACU Institutions.

These Pillars are further underpinned by a set of Cross-cutting Issues, comprising Governance and Accountability; and SACU Institutional Arrangements, that will facilitate the Region's implementation of the Strategic Plan.

An Implementation Plan and a Results Framework for its monitoring and evaluation was being developed and is expected to be approved by the Council of Ministers in the next Financial Year. This would be followed by the Organisational restructuring with a view to align the Secretariat's structure to the approved Strategic Plan.

An important milestone during the period under review was the approval of the five-year SACU Strategic Plan for period 2022 - 2027 on the 2nd June 2022 by the SACU Council of Ministers.



Mr. Thabo David Khasipe, CFA

Executive Secretary of SACU

I am pleased to report that the Secretariat and the Member States have made good progress on the implementation of the agreed Pillars as follows:

In the area of Industrialisation (Pillar 1), SACU convened the first-ever SACU Ministerial Investment Roundtable on the 12-13 April 2022, in Gaborone, Botswana.

The Roundtable provided an opportunity for SACU Member States to collectively showcase the region's investment opportunities in key priority sectors. The Roundtable also provided an important opportunity for focused policy discussions on enhancing competitiveness of the trading environment in SACU; a synopsis on the key investment opportunities; and Business-to-Business sessions featuring investment projects and promoters. In addition, Member States agreed on the principles to guide work on the identification of pilot projects for profiling, resource mobilisation and implementation. Projects that were short-listed would be recommended to Development Finance Institutions to determine their feasibility for implementation.

Furthermore, work is advancing on Fertilisers, Agro-Chemicals and Seed Production as directed by the 7th SACU Summit in June 2022. A comprehensive implementation programme detailing the work to be undertaken was being developed. Similarly, the Secretariat had also embarked on collaboration initiatives with key stakeholders and cooperating partners to facilitate implementation of some of the activities under this pillar. These included work on the development of the Regional Export Promotion Framework, Export Potential Model and the Export Promotion Catalogue.

In the area of Trade Facilitation and Logistics (Pillar 2), an Operational Plan had been developed to facilitate the implementation of the Trade Facilitation and Logistics Programme. Some of the key milestones recorded under this Programme included the connectivity of Customs IT Management Systems of SACU Member States, which were automatically exchanging Customs information and accreditation of a total of 176 Authorised Economic Operators (AEOs) for the SACU region. The region had also concluded a successful AEO Awareness Session in Namibia with similar sessions planned for Botswana, Eswatini, Lesotho, as well as convening of the Regional AEO Awareness Session in South

Africa that were expected to culminate in the signing of the Mutual Recognition Arrangement to facilitate implementation of the SACU Regional AEO Programme. With the conclusion of these sessions, it is expected that there would not only be an enhancement of awareness, but also an increase in the uptake of the AEO programme in the region.

On the Implementation of the AfCFTA (Pillar 3), a key milestone was the conclusion and submission of the SACU common tariff offer to the AfCFTA and the adoption of the SACU Provisional Schedule of Tariff Concession (PSTC) by the AfCFTA Council of Ministers responsible for Trade. The Member States were yet to commence with the domestication of the Tariff Schedules as well as to conclude their consultations and ultimately submissions on Categories B and C.

Under Pillar 4, on the Unified Engagement in Trade Negotiations, Member States continued to approach negotiations and implementation of trade agreements as a bloc. The Secretariat worked in close collaboration with the Member States to create awareness of the trade Agreements in the business community with the aim of taking advantage of the market opportunities created by these Agreements.

On Pillar 5, being Finance and Resource Mobilisation, the Secretariat continued to mobilise support from various development partners to support the Work Programme. During the year under review, support was received from Trademark Africa, World Bank, United Nations Development Programme (UNDP) and Road Freight Association. The Secretariat in collaboration with the Common Market for Eastern and Southern Africa (COMESA) Secretariat also provided technical support to both Botswana Unified Revenue Service (BURS) and Namibia Statistics Agency (NSA) on Eurotrace domain creation, migration and training of the relevant officials.

Pillar 6 on the Effectiveness of SACU Institutions provides the region with a framework to improve the effectiveness of SACU Institutions by strengthening the region's operational environment as well as leveraging new and existing partnerships and relationships. To this end, the Secretariat engaged and forged partnerships with strategic partners in support of SACU Programmes as alluded to earlier. This resulted in technical cooperation and funding of some of our Programmes as highlighted above.

In efforts to strengthen bilateral relations with the SADC Secretariat, a Memorandum of Understanding (MoU) between the two sister Organisations was signed in October 2022. The MoU defines and outlines the modalities for cooperation between the two Secretariats. This was in addition to other MoUs and Concept Notes signed with other Partners.

I, therefore, wish to extend a word of appreciation to all our Partners for their collaboration and support provided to our programmes.

SACU attaches great importance to risk management. Since December 2020, the Secretariat has consistently compiled and presented the quarterly Risk Management Reports to the Finance and Audit Committee (FAC) highlighting current and emerging risks as well as related mitigating measures. A key development during the period under review was the approval of the revised Risk Management Policy and the SACU Risk Management Framework, which provides detailed guidelines and tools for implementation of the Risk Management Policy.

The Secretariat also continued to pursue efforts to ensure operational efficiency. In that regard, the Secretariat introduced and implemented technology-based initiatives and solutions whilst ensuring a secure technology-based operating environment. The initiatives completed included upgrades to some of the Secretariat's systems, improving their functionality, and ensuring that they are maintained within supported platforms as well as automation

of various business processes further implementing the paper-lite strategy of the Secretariat. The Secretariat also developed its five-year ICT Strategy outlining initiatives that will be pursued to further enhance its operational efficiency.

In conclusion, I wish to express my deep gratitude to the SACU Summit, the Council of Ministers, and Members of the SACU Commission for the leadership, guidance and support provided to the Secretariat. I wish also to thank the Staff of the Secretariat, for their commitment and dedication in serving and supporting the SACU Institutions to ensure that the SACU mandate, is successfully implemented, and in particular, rolling out the Strategic Plan 2022-27.

As I assumed official duties at the tail-end of the period under review, I wish to thank Ms. Alma Andrade, Director of Corporate Services, who acted as Executing Secretary, before I assumed duties on the 1st February 2022. I am looking forward to working with the Commission, Council and Summit as we work towards the attainment of SACU Vision and Mission and implementation of the Strategic Plan.

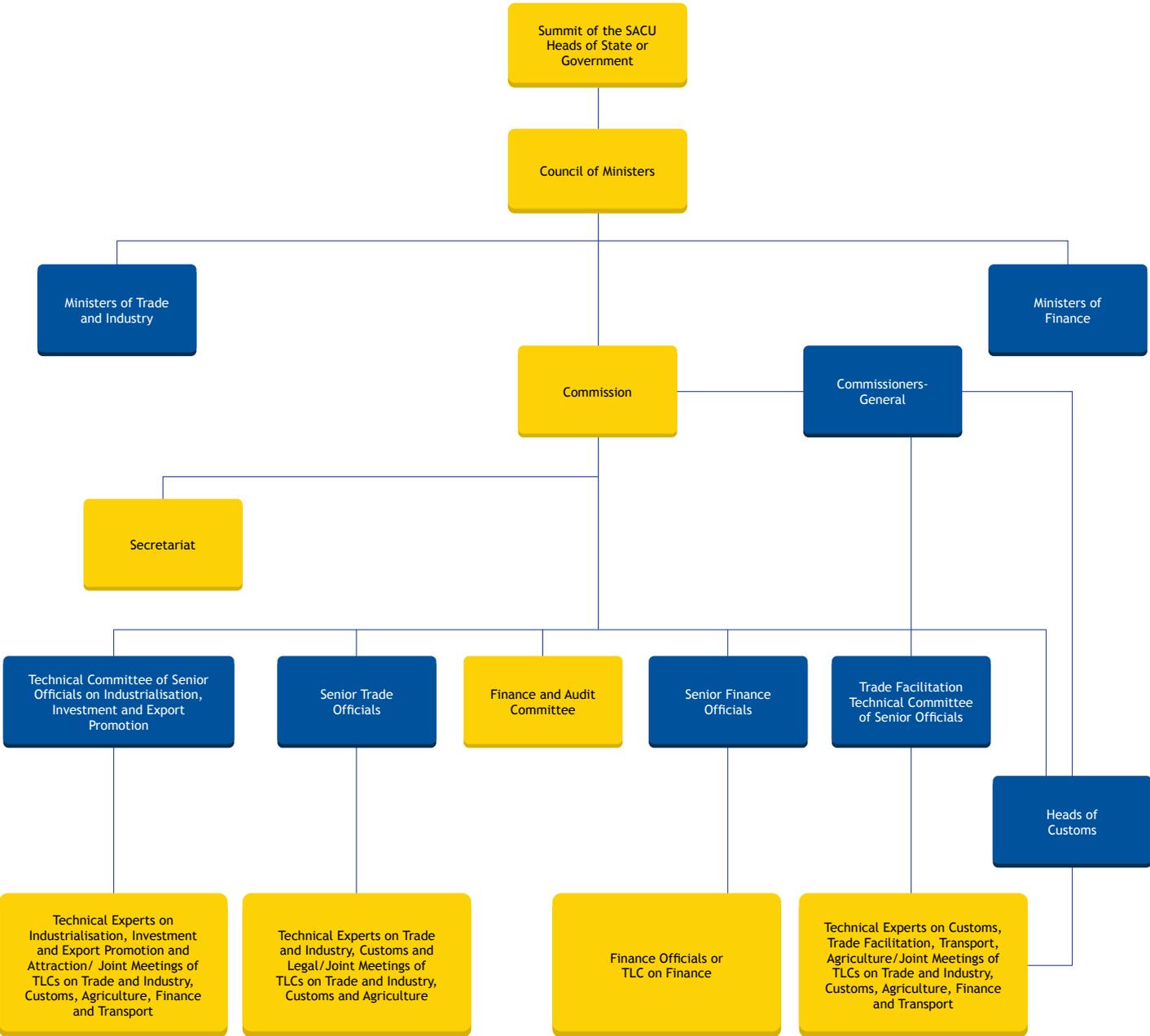


Thabo David Khasipe, CFA
Executive Secretary of SACU

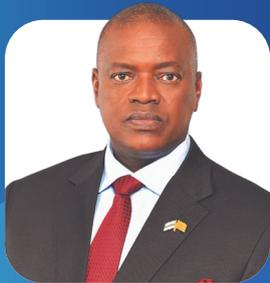


SACU INSTITUTIONAL STRUCTURE

Current
 Interim



SUMMIT OF THE HEADS OF STATE OR GOVERNMENT



His Excellency Dr. Mokgweetsi Eric Keabetswe Masisi

President of the Republic of Botswana



His Majesty King Mswati III

Kingdom of Eswatini



The Right Honourable Mr. Samuel Ntsokoane Matekane

Prime Minister of the Kingdom of Lesotho



His Excellency Dr. Hage Gottfried Geingob

President of the Republic of Namibia



His Excellency Mr. Cyril Matamela Ramaphosa

President of the Republic of South Africa

SACU COUNCIL OF MINISTERS



Honourable Peggy Serame
Minister of Finance of Botswana



Honourable Mmusi Kgafela
Minister of Trade and Industry of Botswana



Honourable Neil Rijkenberg
Minister of Finance of Eswatini



Honourable Manqoba Khumalo
Minister of Commerce, Trade and Industry of Eswatini



Honourable Thabo Sophonea
Minister of Finance of Lesotho



Honourable Dr. Thabiso Molapo
Minister of Trade and Industry of Lesotho



Honourable lipumbu Shiimi
Minister of Finance and Public Enterprises of Namibia



Honourable Lucia lipumbu
Minister of Industrialisation and Trade of Namibia



Honourable Enoch Godongwana
Minister of Finance of South Africa



Honourable Ebrahim Patel
Minister of Trade, Industry and Competition of South Africa

SACU COMMISSION



Ms. Boikanyo Mathipa

Permanent Secretary: Ministry of Finance of Botswana



Ms. Malebogo Morakaladi

Permanent Secretary: Ministry of Trade and Industry of Botswana



Mr. Siboniso Nkambule

Principal Secretary: Ministry of Commerce, Trade and Industry of Eswatini



Ms. Sizakele Dlamini

Principal Secretary: Ministry of Finance of Eswatini



Ms. Nthoateng Lebona

Principal Secretary: Ministry of Finance of Lesotho



Mr. Thabo Moleko

Principal Secretary: Ministry of Trade and Industry of Lesotho



Mr. Titus Ndove

Executive Director: Ministry of Finance and Public Enterprises of Namibia



Mr. Sikongo Haihambo

Executive Director Ministry of Industrialisation and Trade of Namibia



Ambassador Xavier Carim

Deputy Director General: International Trade and Economic Development, Department of Trade, Industry and Competition of South Africa



Ms. Nolundi Dikweni

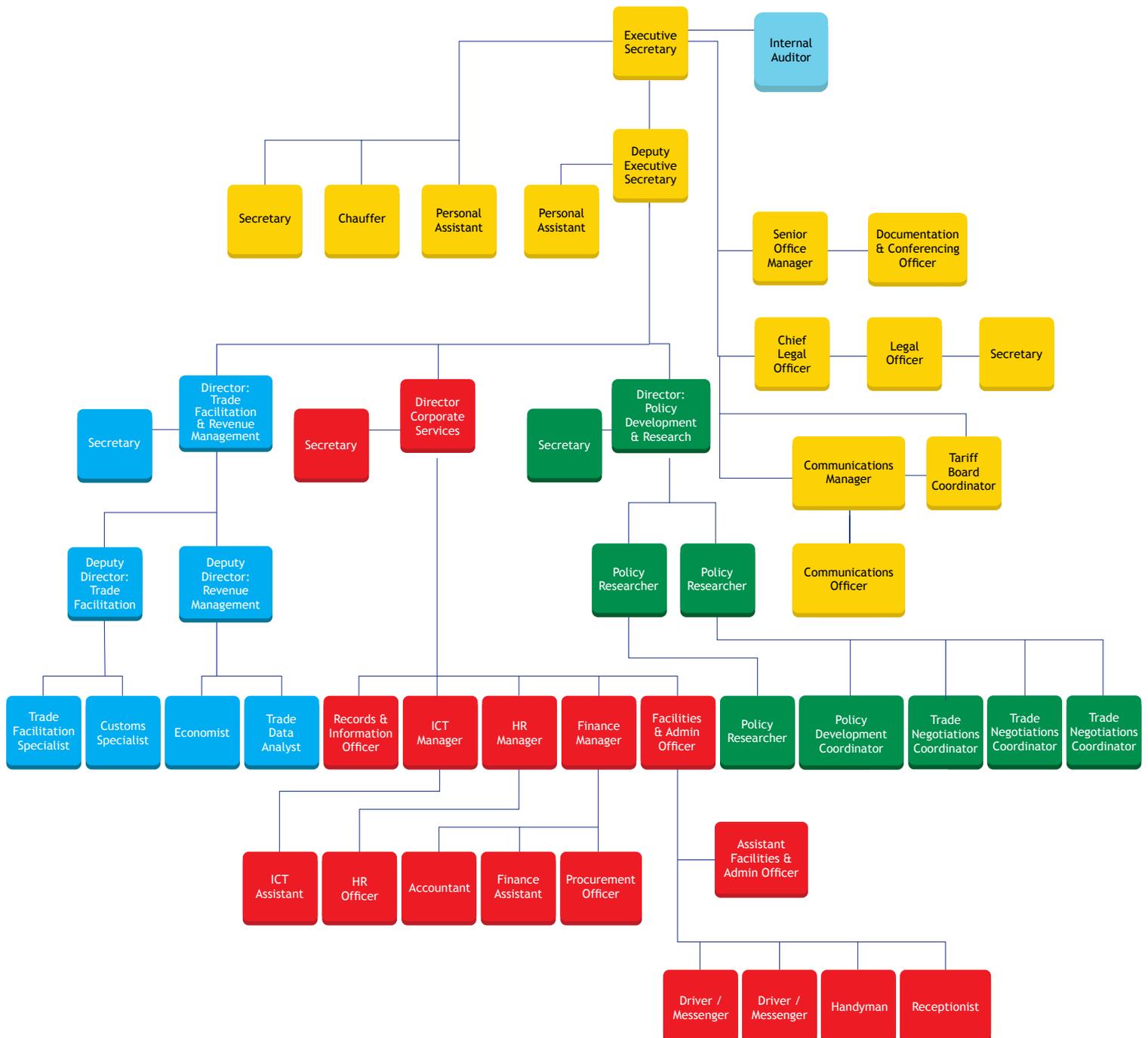
Acting Deputy Director-General: International and Regional Economic Integration, Department of National Treasury of South Africa

EXECUTIVE COMMITTEE



Front row (left - right): Ms. Alma Andrade - Director: Corporate Services, Ms. Paulina M. Elago - Executive Secretary of SACU, until October 2022 and Ms. Ndibo Oitsile, Chief Legal Officer, until September 2022. Back row: Mr. Benjamin Katjipuka - Director: Policy Development and Research, Mr. Abed Iyambo - Senior Office Manager and Mr. Donald Ndwandwe - Acting Director: Trade Facilitation and Revenue Management.

SECRETARIAT'S ORGANISATIONAL STRUCTURE



CHAPTER 1

A person in a dark suit and striped tie is holding a tablet computer. The tablet screen displays various business data visualizations, including bar charts, a pie chart, and a line graph. The background is a blurred office setting with large windows. A blue semi-transparent box is overlaid at the bottom of the image, containing the chapter title.

CORPORATE GOVERNANCE AND INSTITUTIONAL DEVELOPMENT

INTRODUCTION

The SACU Agreement, 2002, as amended in April 2013 (the SACU Agreement), establishes 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. In April 2021, the Council established additional structures, to support the implementation of the refocused Work Programme, for an interim period of two (2) years. These are the: Ministers of Trade and Industry; Senior Trade Officials (STOs); Senior Finance Officials (SFOs); Technical Committees of Senior Officials on Industrialisation, Investment and Export Promotion (SO-IEIP); Trade Facilitation Technical Committee of Senior Officials (TFTC-SO); and Heads of Customs. The objective of creating these additional structures, was to ensure that there

were appropriate structures below the Commission and Council that would effectively and efficiently implement the prioritised areas of the refocused Work Programme.

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



RISK MANAGEMENT

The Risk Management Function is intended to provide a structured and consistent approach to implementing and sustaining an effective Risk Management Process across all functions in the Organisation. The Risk Management Function is therefore expected to contribute to the successful execution of SACU's mandate, ensuring that SACU is an "anti-fragile" organisation, which continues to grow and thrive despite uncertainty within its operating environment. During the year under review, the Organisation successfully completed

the review of its governing documents for Risk Management, the revised Risk Management Policy, and the SACU Risk Management Framework which provides detailed guidelines and tools for implementation of the Risk Management Policy. Among the key governance roles in accordance with the Policy and the Framework are the: (i) FAC which is responsible for Risk Management oversight; and (ii) Secretariat's Executive Committee (EXCO) which acts as the Risk Committee supported by the Risk Manager.



AUDIT

The Internal Audit function helps the Secretariat as well as the other SACU Institutions to accomplish their objectives by bringing a systematic, disciplined approach when evaluating and improving the effectiveness and efficiency of risk management, control, and governance processes. The Internal Audit function operates unimpeded and independently from operational management and has unrestricted access to the FAC. The Internal Auditor reports functionally to the FAC and administratively to the Executive Secretary. The purpose, authority, and responsibility of the Internal Audit function are formally defined in the Internal Audit Charter, which is reviewed and approved by the FAC.

The Internal Audit appraises, evaluates and, when necessary, recommends improvements to the systems of internal control and accounting practices, using risk based internal audit plans that take cognisance of the relative degrees of risk of each function or aspect of the business. Internal Audit executes its work according to International Standards for Professional Practice in Internal Auditing which outlines internal audit arrangements

needed to provide relevant and objective assurance that contribute to the effectiveness of governance, risk management and control processes.

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. The FAC satisfies itself with the effectiveness of the External Auditor and the external audit process by approving the Audit Strategy, the audit approach, including the materiality, risk assessment and scope of the external audit.

During the period under review, the Internal Audit conducted audits on Finance processes, Procurement, ICT, Physical Security Management and reviewed the Internal Audit Charter. Internal Audit also coordinated a seamless External Audit Process which was successful. The External Auditors conducted the audit of the Financial Statements for the 2022/23 Financial Year within the agreed timelines and issued an unqualified Audit opinion.

CHAIR OF SACU INSTITUTIONS

In accordance with the SACU Agreement and the Rules of Procedure of the SACU Institutions, the Chair of the SACU Institutions, rotates in alphabetical order amongst each Member State. A Member State shall hold the Chair for a term of twelve (12) months, whereafter it shall pass to the new Chair, on the 15th July of the subsequent year.

For the period under review, the Kingdom of Eswatini was the Chair with effect from the 15th July 2022, following the Republic of Botswana whose tenure ended on the 14th July 2022.



SACU SUMMIT OF HEADS OF STATE OR GOVERNMENT

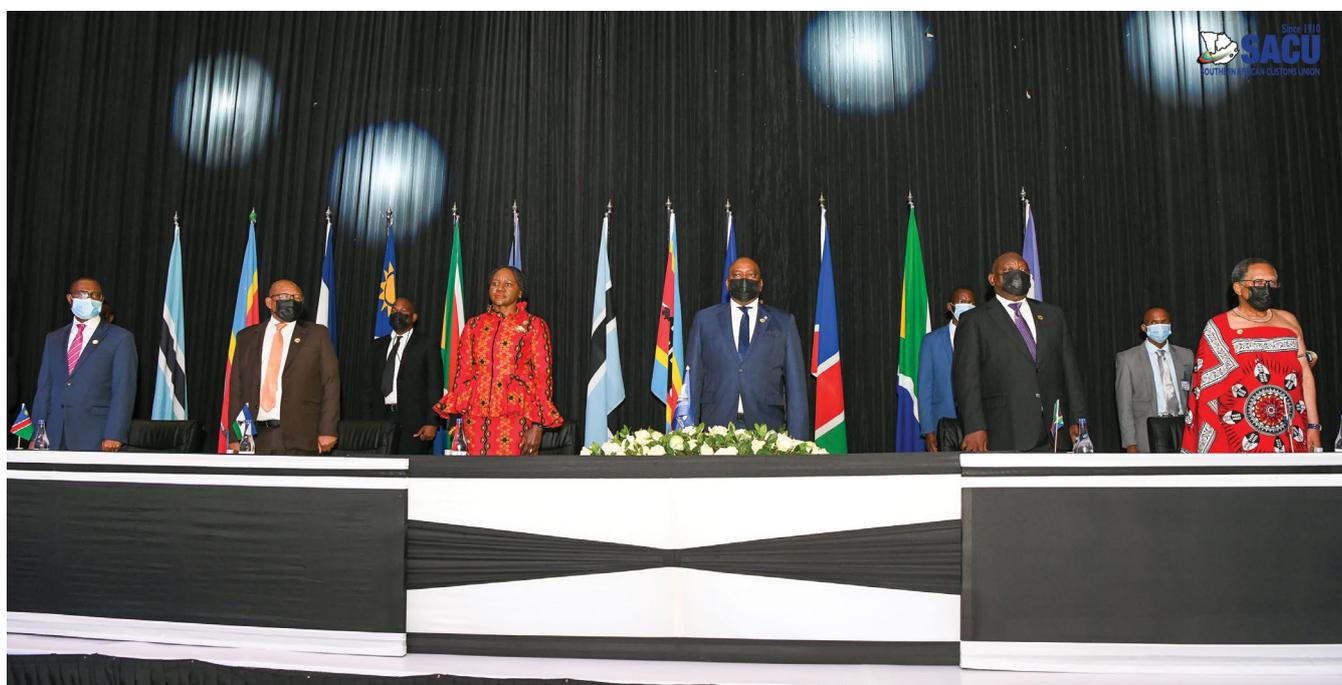
The Summit of the Heads of State or Government of the SACU Member States is established by Article 7(a) of the SACU Agreement. Its function is to define the political and strategic direction, and priorities of SACU, as well as to oversee the work of the Council of Ministers.

During the period under review, the 7th Summit of the SACU Heads of State or Government, was held in Gaborone, Botswana on the 30th June 2022. All the SACU Member States were represented by either the Head of State or Government or by its duly delegated official.

The Summit reflected on the current global developments including the 12th World Trade Organisation (WTO) Ministerial Conference, the Russia-Ukraine conflict and the COVID-19 pandemic. The Summit applauded the historical deal reached at the WTO on the Trade-Related Aspects of Intellectual

Property Rights (TRIPS) waiver that would enable Africa to manufacture its own vaccines. In reflecting upon the global developments, the Summit agreed that SACU should maximise on the opportunity being presented by the emerging global developments and accelerate the implementation of the SACU industrialisation programme, which would result in increased productive capacity to reduce the reliance on imports especially on food and fertiliser.

The Summit considered a Progress Report from the Council of Ministers on the implementation of the SACU Work Programme, and directed the Council to prioritise fertilisers, agro-chemicals and seed production as part of the ongoing work on Agro-processing to deal with the existential challenges the region is faced with regarding food security. The 7th Summit also endorsed the five-year SACU Strategic Plan (2022 - 2027).



H.E. Dr. Mokgweetsi Eric Keabetswe Masisi, President of the Republic of Botswana and Chairperson of the SACU Summit, H.E. Cyril Ramaphosa, President of the Republic of South Africa, The Right Honourable Dr. Moeketsi Majoro, Prime Minister of the Kingdom of Lesotho, the Right Honourable Senator Themba Nhlanganiso Masuku, Deputy Prime Minister of the Kingdom of Eswatini, Honourable Ipumbu Shiimi, Minister of Finance and Public Enterprise in the Republic of Namibia representing His Excellency Dr. Hage Gotfried Geingob; President of the Republic of Namibia; and the Executive Secretary of SACU, Ms. Paulina M. Elago, during the 7th Summit of the SACU Heads of State or Government held on 30th June 2022, in Gaborone, Botswana.

SACU COUNCIL OF MINISTERS

The Council of Ministers is established by Article 7(b) of the SACU Agreement. In accordance with Article 8 of the SACU Agreement, the Council is responsible for decision-making on the overall policy direction and functioning of SACU institutions, including the formulation of policy mandates, procedures and guidelines for the SACU Institutions.

At its 43rd Meeting held in April 2021, the Council took a decision to reduce its Meetings and those of the Commission to twice per annum in June and November/ December; with ad hoc virtual Meetings being convened when the need arises as an interim arrangement.

The reduced frequency of the Meetings was intended to be an interim measure during the COVID-19 pandemic while the detailed SACU Work Programme is being developed. It will be reviewed after a period of twenty-four (24) months from the 15th July 2021. In pursuance with this decision, during the period under review, the Council convened as follows:

- (a) 46th Meeting, on the 2nd June 2022;
- (b) 47th Meeting, on the 28 - 29 June 2022; and
- (c) 48th Meeting, on the 10th and 28th November 2022.



The 47th Meeting of the SACU Council of Ministers preceded the 7th Summit on the 28th June 2022, in Gaborone, Botswana. Standing (l-r): Honourable Mmusi Kgafela, Minister of Trade and Industry of Botswana, Honourable Neal Rijkenberg, Minister of Finance of Eswatini, Honourable Thabo Sophonea, Minister of Finance of Lesotho, Honourable Lipumbu Shiimi, Minister of Finance and Public Enterprises of Namibia, Honourable Ebrahim Patel, Minister of Trade, Industry and Competition of South Africa and Honourable Dr. David Masondo, Deputy Minister of Finance of South Africa. Seated (l-r): Honourable Lucia Lipumbu, Minister of Industrialisation and Trade of Namibia, Honourable Peggy Serame, Chairperson of the SACU Council of Ministers and Minister of Finance of Botswana and the Executive Secretary of SACU, Ms. Paulina M. Elago.



CUSTOMS UNION COMMISSION

The Customs Union Commission is established by Article 7(c) of the SACU Agreement. Pursuant to Article 9 of the SACU Agreement, it is mandated to amongst others, ensure the implementation of the SACU Agreement, and the decisions of the Council, as well as to supervise the work of the Secretariat.

In furtherance of the Decision of the 43rd Meeting of the Council to reduce the Meetings of the Commission to two (2) per annum and ad hoc meetings being convened when the need arises, the Commission convened as follows during the period under review:

- (a) 67th Meeting, on the 7th April 2022;
- (b) 68th Meeting, on the 23-24 June 2022;
- (c) 69th Meeting, on the 12-13 October 2022;
- (d) 70th Meeting, on the 17th November 2022; and
- (e) 71th Meeting, on the 6th December 2022.

At its two (2) statutory biannual Meetings held on the 23 - 24 June 2022, and on 6th December 2022 respectively, the Commission considered various issues covering, finance, the implementation of the refocused Work Programme, trade, as well as operational matters pertaining to the Secretariat.

These matters are substantiated under the respective Chapters of this Report. The Commission also convened additional Meetings in which it considered the draft of the SACU Organisational Structure in restricted sessions on human resource matters. The Report of the Commission and the recommendations therein were presented to the Council for consideration and decision.



The 68th Meeting of the SACU Commission held virtually on the 23rd June 2022 and chaired by the Secretary for Economic and Financial Policy in the Ministry of Finance of Botswana, Mr. Kelapile Ndobano.

SECRETARIAT

The SACU Secretariat is established by Article 7(d) of the SACU Agreement and pursuant to Article 10, it is responsible for the day-to-day administration of SACU. During the period under review, the Secretariat successfully facilitated and provided technical support to the Meetings of the Summit, Council, Commission, the FAC, the technical experts, as well as to the various structures created to implement the refocused Work Programme.

The Secretariat also facilitated the work on the implementation of the SACU Strategic Plan and supported the Member States in the negotiations and implementation of Trade Agreements with third

parties. The Secretariat provided technical analyses and advice as required, as well as coordinated the Arbitration between the European Union (EU) and SACU on the Safeguard Measure Imposed on Frozen Bone-In Chicken Cuts from the European Union. The full details relating to the role of the Secretariat in these matters are reported in other Chapters of this Report.

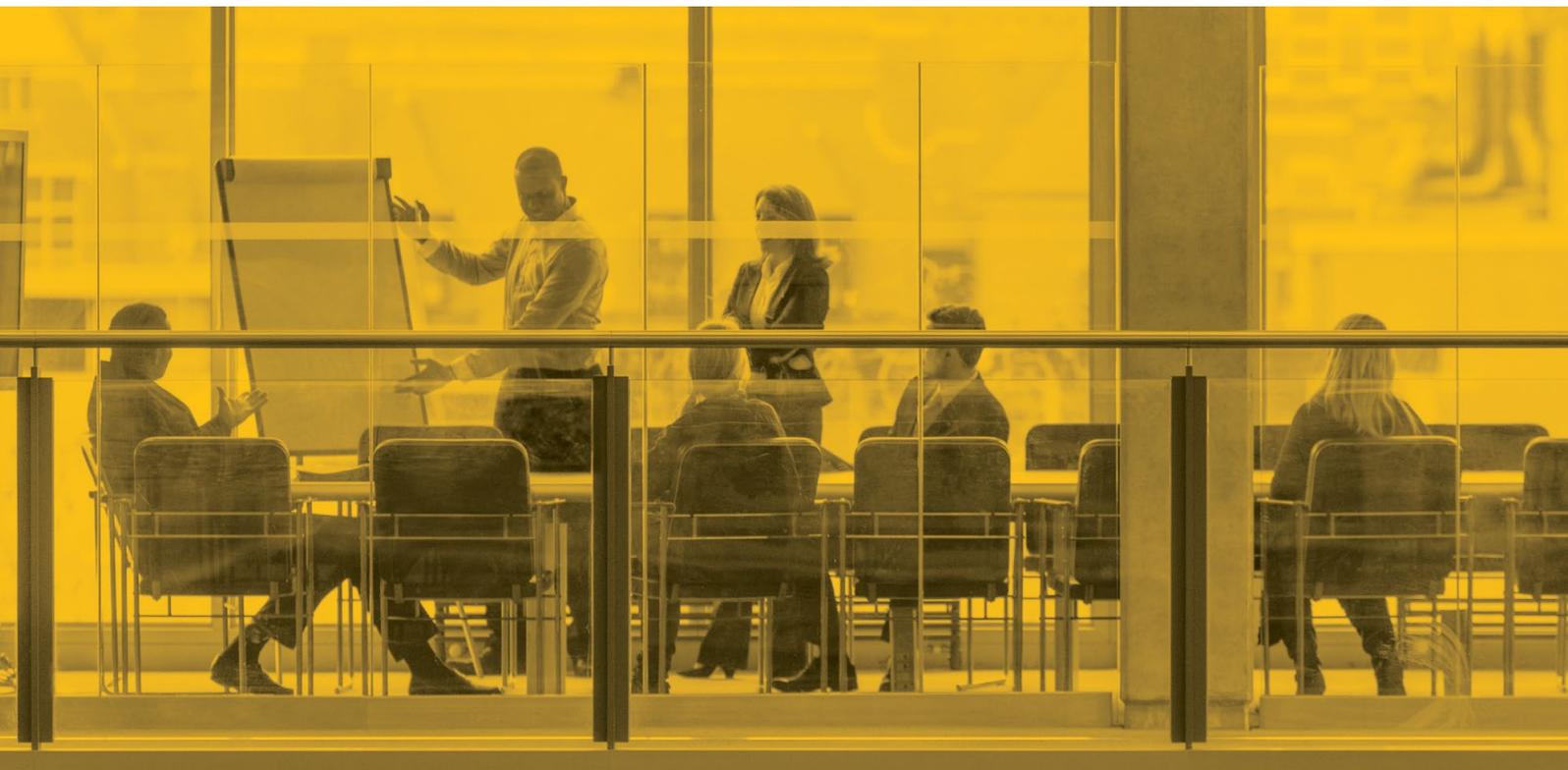
During the period under review, the Secretariat welcomed its 3rd Executive Secretary, Mr. Thabo David Khasipe, a citizen of the Kingdom of Lesotho, who assumed official duty on the 1st February 2023.

INTERIM STRUCTURE TO SUPPORT THE SACU REFOCUSED WORK PROGRAMME

During the period under review, the Secretariat also facilitated Meetings of the following interim structures created to support the refocused Work Programme:

- (a) Ministers of Trade and Industry;
- (b) Senior Trade Officials;
- (c) Senior Finance Officials;
- (d) Technical Committee of Senior Officials on Industrialisation, Investment and Export Promotion;
- (e) Trade Facilitation Technical Committee of Senior Officials; and
- (f) Heads of Customs.

The progress advanced on the various areas of the refocused Work Programme, by these structures is reported in the respective Chapters of this Report.



SACU STRATEGIC PLAN (2022-2027)

The SACU Strategic Plan for the period 2022 -2027, was adopted by the Council on the 2nd June 2022 and endorsed by the 7th SACU Summit held on the 30th June 2022 in Gaborone, Botswana. The Strategic Plan is underpinned by six (6) Strategic Pillars. These are: (i) Industrialisation, Export and Investment Promotion; (ii) Trade Facilitation and Logistics; (iii) Implementation and Leveraging of the African Continental Free Trade Area (AfCFTA) opportunities; (iv) Trade Relations/Unified Engagement with Third Parties; (v) Finance and Resource Mobilisation; and (vi) Effectiveness of SACU Institutions. During the period under review, the strategic projects that were being implemented as part of the refocused Work Programme, continued under these above-mentioned strategic pillars, the details of which are provided.



The SACU Strategic Plan can be accessed [here](#).



CHAPTER 2



STRATEGIC PROJECTS

INTRODUCTION

This Chapter highlights the progress made and challenges encountered in the strategic projects as implemented under the **Strategic Pillars** outlined in **Table 1** below.

Table 1: Strategic Projects as implemented under the SACU Strategic Pillars

STRATEGIC PILLARS	OBJECTIVES	PROJECTS/PROGRAMMES
1. Industrialisation, Export and Investment Promotion	<ul style="list-style-type: none"> Develop viable national, regional, continental, and global value chains; Attract investment in strategic (priority) sectors with the potential for value addition at national and regional level; and Increase SACU's existing and potential level of exports in regional, continental, and global trade in goods; 	<ul style="list-style-type: none"> SACU Investment Roundtable; Regional Export Promotion Framework, Export Potential Model; Export Promotion Catalogue; and SACU Investment Facilitation Digital Monitor.
2. Trade Facilitation and Logistics with focus on (Customs Cooperation; Border Coordination; Behind the Border Measures; Coordinated implementation of Trade Agreements; and Transport and Logistics.	<ul style="list-style-type: none"> Create seamless trade and cross-border movements 	<ul style="list-style-type: none"> Customs Modernisation Programme on the implementation of the Authorised Economic Operator Programme (AEO), and IT Connectivity Programme; and Operational Plan to facilitate implementation of the SACU Trade Facilitation and Logistics Programme that sets out three key Projects: <ol style="list-style-type: none"> Trade Digitalisation and Digital Transformation Project; Risk Management, Compliance and Enforcement Project; and Infrastructure Development Project.
3. Implementation and Leveraging of African Continental Free Trade Agreement opportunities.	<ul style="list-style-type: none"> Effectively implement the AfCFTA 	<ul style="list-style-type: none"> Finalisation of Category A of the SACU Provisional Schedule of Concessions (PTSC) to the AfCFTA and its submission to the AfCFTA Secretariat.

STRATEGIC PILLARS	OBJECTIVES	PROJECTS/PROGRAMMES
4. Trade Relations/ Unified Engagement with Third Parties	<ul style="list-style-type: none"> Strengthen SACU's trade relations with third parties, including coordinated engagement in trade negotiations. 	<ul style="list-style-type: none"> Negotiations of SACU-India PTA and Tripartite Free Trade Area Agreement (TFTA); implementation of the SADC Protocol on Trade, SACU- MERCOSUR PTA, SACU-EFTA FTA, EU-SADC-EPA, SACUM-UK-EPA; and SACU trade relations with USA, as well as the World Trade Organisation (WTO) matters.
5. Finance and Resource Mobilisation	<ul style="list-style-type: none"> Strengthen Tax Administration for effective Revenue Collection and Distribution; and Effective Resource Mobilisation. 	<ul style="list-style-type: none"> Technical support to Botswana Unified Revenue Service in the migration of the trade data domain to Eurotrace platform.
6. Effectiveness of SACU Institutions	<ul style="list-style-type: none"> Strengthening Relations and Building Partnerships to Support SACU Priorities; and Operational Environment and Utilisation of Resources. 	<ul style="list-style-type: none"> Digital transformation programme to create greater operational efficiencies in the Secretariat; Supporting the implementation of the SACU Strategic Plan; Review of the Organisational Structure to align to the SACU Strategic Plan; Review of the Secretariat's Pay Structure and Pay Philosophy; Revision of the ICT Security Policy and development of the ICT Strategy; and Development of a Cyber Risk Management Framework.

PILLAR 1: INDUSTRIALISATION, EXPORT AND INVESTMENT PROMOTION

/ INDUSTRIALISATION

SACU Member States attach great importance to industrialisation in SACU, as an overarching objective through the development of Regional Value Chains (RVCs). In this regard, Member States agreed on the need for a common vision to advance work on industrialisation both in SACU and at the African Continental level. This is with a view to deepening the region's industrial base and positioning the SACU Member States to take advantage of the opportunities that will be created by the African Continental Free Trade Area (AfCFTA). This is also aimed to refocus and repurpose the strategic imperative of industrialisation in achieving the development aspirations of the region.

For the period under review, the Secretariat continued to coordinate and facilitate activities focused on industrialisation, through the development of regional value chains, investment, and export promotion. To this end, the region convened its first ever SACU Investment Roundtable on the 12-13 April 2022, in Gaborone, Botswana.

As per the directive of the 7th SACU Summit, regarding the prioritisation of Fertilisers, Agro-Chemicals and Seed Production as part of the on-going work on agro-processing, the Terms of Reference for the Task Team for this work were developed. These would ultimately contribute towards developing regional value chains on this sector.



The Report of the Investment Roundtable can be accessed [here](#).

/ EXPORT PROMOTION

Work is on-going in this pillar to develop the Regional Export Promotion Framework, Export Potential Model and the export promotion catalogue. The Secretariat is in the process of soliciting funds to undertake the development of these documents in collaboration with the International Trade Centre (ITC).

/ INVESTMENT PROMOTION

On Investment Promotion, work commenced through collaboration with United Nations Conference on Trade and Development (UNCTAD) to develop a SACU Investment Facilitation Digital Monitor.

The purpose of the Digital Monitor is to describe the steps and approve processes necessary to obtain all mandatory registrations to legally operate a company in the respective SACU Member States. This will eventually lessen the need for investors to travel to meet with Government Officials. Once the project is completed the SACU Investment Facilitation Digital Monitor would be launched.



His Excellency Dr. Mokgweetsi Eric Keabetswe Masisi, President of the Republic of Botswana and Chairperson of the SACU Summit, together with the SACU Ministers of Trade and Industry; Hon. Mmusi Kgafela, Minister of Investment, Trade and Industry of Botswana; Hon. Senator Manqoba Khumalo, the Minister of Commerce, Industry and Trade of Eswatini; Hon. Dr. Thabiso Molapo, the Minister of Trade and Industry of Lesotho; Hon. Lucia Lipumbu, the Minister of Industrialisation and Trade of Namibia; Hon. Fikile Majola, the Deputy Minister of Trade, Industry and Competition of South Africa; Hon. Beauty Manake, Assistant Minister of Investment, Trade and Industry of Botswana; the Executive Secretary of SACU, Ms. Paulina M. Elago as well as the Moderator and Chief Executive Officer of Citizen Entrepreneurial Development Agency, Mr. Thabo Thamane, during the official opening of the SACU Investment Roundtable held on 12 - 13 April 2022, in Gaborone, Botswana.

PILLAR 2: TRADE FACILITATION AND LOGISTICS

SACU has prioritised Trade Facilitation and Logistics as an enabler for Industrialisation and Trade with emphasis on supporting implementation of the African Continental Free Trade Area (AfCFTA). To this end, a Trade Facilitation and Logistics Programme was developed and approved by the Council of Ministers in April 2021. The objective of this pillar is to create seamless trade and cross-border movements through:

- a. **Customs Cooperation:** simplification and harmonisation of trade procedures and cooperation between the customs administrations;
- b. **Border Coordination:** strengthening collaboration and cooperation between border agencies, and between border agencies and the private sector;
- c. **Behind the Border Measures:** including sharing of administrative information, the simplification and harmonisation of Sanitary and Phytosanitary (SPS) measures, streamlining the issuance of licenses, administrative and documentary requirements;
- d. **Coordinated implementation of Trade Agreements:** to simplify administration of trade agreements signed with third parties;
- e. **Transport and Logistics:** cooperation in the harmonisation and standardisation of cross-border transport regulatory framework and logistical processes, with a view to facilitate trade seamlessly and reduce the cost of moving goods across the borders; and
- f. **Cross-cutting issues:** collaboration among regional Trade Facilitation structures in the Member States and relevant regional stakeholders. This collaboration will include specific policy imperatives to be defined, based on the agreed principles, objectives, and identified regional projects as well as taking a proactive stance on e-Commerce.



PILLAR 2: TRADE FACILITATION AND LOGISTICS

/ CUSTOMS COOPERATION

During the year under review, the work undertaken under this pillar focused mostly on Customs Cooperation (Customs Modernisation Programme) that prioritised implementation of the Authorised Economic Operator Programme (AEO) and IT Connectivity Programmes. In addition, the Operational Plan was developed to facilitate implementation of the SACU Trade Facilitation and Logistics Programme.

Under the **AEO Programme**, the key achievements were: (i) completion of the SACU Regional AEO Programme which consists of Customs Compliance as well as a Safety and Security module; (ii) development of branding material for the Regional AEO Programme; (iii) completion of the Checklist for the requirements to successfully operationalise the Regional AEO Programme; (iv) the launch of the SACU Regional AEO Programme; (v) completion of the Regional Arrangement between the Botswana Unified Revenue Service, Eswatini Revenue Service, Revenue Services Lesotho, Namibia Revenue Agency and South African Revenue Service, Regarding Mutual Recognition of Customs Accreditation Programmes aligned to the WCO Safe Framework and the SACU Regional AEO Programme; (vi) commencement of the AEO Awareness Sessions in the Member States which was kick-started in Namibia in March 2023; (vii) accreditation of additional thirteen (13) Authorised Economic Operators (AEOs) including one (1) AEO-Security from South Africa. This brought the total number of accredited traders in the region to one hundred and seventy-five (175), as of 31st March 2023 compared to the 162 that were at the beginning of the Financial Year, as highlighted in **Figure 1** below.

Figure 1: AEO Programme Uptake in SACU





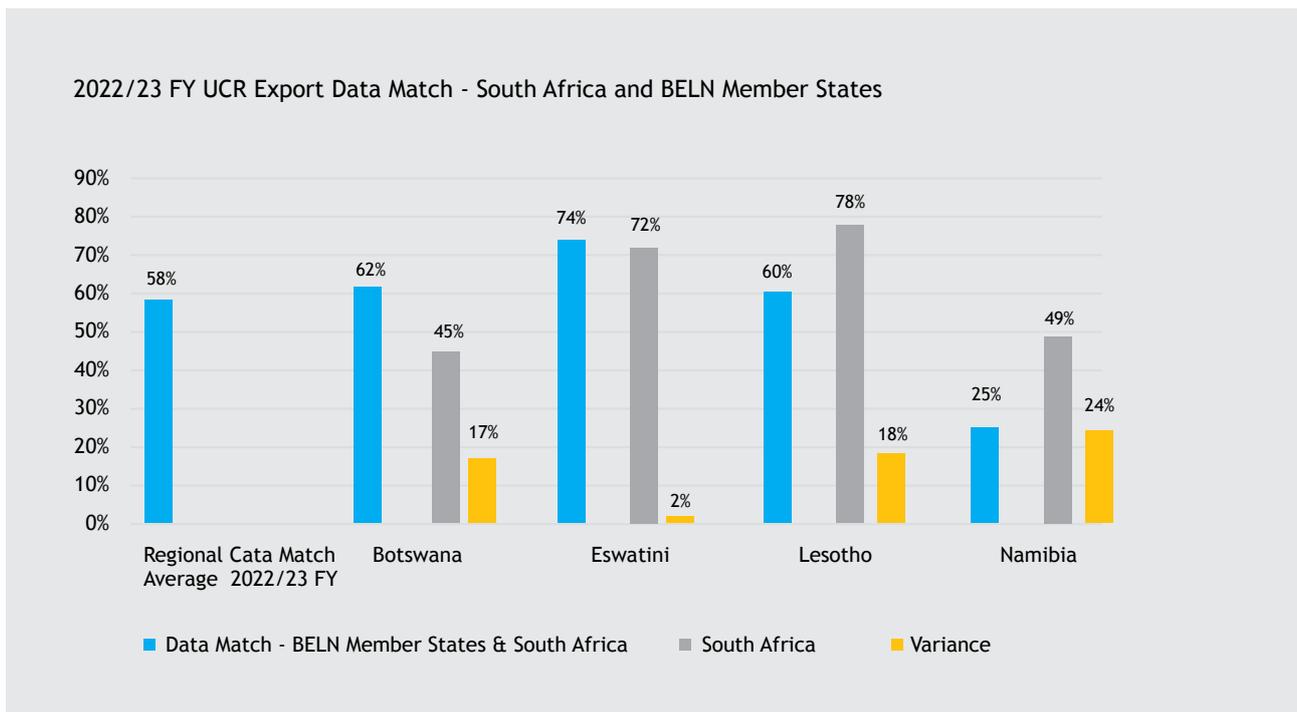
A panel discussion on the Authorised Economic Operator Programme, focusing on the benefits for the private sector in Namibia and the SACU region, during the consultation session held on the 30th March 2023, in Windhoek, Namibia. The panellists were the Executive Secretary of SACU, Mr. Thabo Khasipe, the Commissioner of NamRA, Mr. Sam Shivute, the Risk and Compliance Manager at Namib Mills, Mr. Cameron Kotze, the WCO ESA Private Sector Group, Mr. Nico Oberholzer, and the UNDP Country Representative in Namibia, Mr. Wilmot Reeves. The event was held under the theme: *“Authorised Economic Operator Programme as the Future of Doing Business in Namibia”*.



The Customs Officials of the Namibia Revenue Agency, during the National Consultations on the Authorised Economic Operators session held in Windhoek on the 28th March 2023.

Under the **IT Connectivity Programme**, the region continued to cooperate in exchange of automated Customs Data and to improve the quality, matching rate, and timing of the data exchanged. The focus was on the exchange of Customs Data between South Africa on the one hand, and Botswana, Eswatini, Lesotho, and Namibia (BELN) Member States individually on the other hand. The Data Matching rates in the 2022/23 FY were reported at 62 percent for South Africa and Botswana; 74 percent for South Africa and Eswatini; 61 percent for South Africa and Lesotho; and 25 percent for South Africa and Namibia. These are reflected in Figure 2 below.

Figure 2: Data Match Rate between South Africa and BELN Member States



As part of the efforts to improve the data matching process, Customs Officials from Eswatini, Lesotho and Namibia were trained on Customs Connect Software to interface their IT Customs Management Systems with South Africa. The training equipped the officials with the technical knowledge required to address technical challenges identified.

In addition to the AEO and the IT Connectivity Programmes, work was also undertaken on Customs Risk Management, Compliance and Enforcement. In this regard, the region continued to identify and monitor commodities that were in circulation and presented common risk for the Common Customs Area. The most prevalent common risks identified across the region in all Member States for the 2022/23 FY were: (i) smuggling and under-valuation of second-hand vehicles and motor parts; (ii) misclassification, under-valuation, smuggling and false origin on clothing and textiles; and (iii) smuggling and under-valuation of tobacco and cigarettes.

Furthermore, work on Customs Cooperation in the year under review included completion of the Customs Proposal to simplify coordination and collaboration on administration of rules of origin which was endorsed by the Senior Trade Officials and the Commission.

PILLAR 3: IMPLEMENTATION AND LEVERAGING OF AFRICAN CONTINENTAL FREE TRADE AGREEMENT (AfCFTA) OPPORTUNITIES

A notable achievement was the finalisation of Category A of the SACU Provisional Schedule of Concessions (PTSC) to the AfCFTA and its submission thereof to the AfCFTA Secretariat. This achievement came about following intensive consultations at the SACU technical, Senior Trade Officials (STOs), Ministers of Trade, and Industry levels under the coordination of the SACU Secretariat. The ratification of the AfCFTA by Botswana also marked a significant step for the implementation of the AfCFTA by all SACU Member States. These developments paved the way for the necessary steps to facilitate the adoption of SACU's PSTC by the AfCFTA Institutions, as well as the national gazetting and publishing processes by the Member States in order to operationalise the AfCFTA. In addition, the relevant administrative processes were implemented in the Member States, such as sharing of Designated Competent Authorities, specimen signatures, and stamp impressions, as well as production of certificates of origin.

Furthermore, internal discussions were initiated amongst SACU Member States with a view to conclude on the remaining 10 percent liberalisation under Categories B and C (sensitive products and exclusion list, respectively) of the AfCFTA.

The SACU Member States continued to negotiate as a bloc towards the creation of the Africa single market under the African Continental Free Trade Area (AfCFTA). The AfCFTA is one of the 13 flagship projects of Agenda 2063: *'The Africa We Want'* of the African Union. The official commencement of trading under the AfCFTA was on the 1st January 2021, when the Heads of State adopted an instrument to facilitate Provisional Schedules of Tariff Concessions (PSTCs) for State Parties who concluded their Category A Tariff Offers.

The implementation of the AfCFTA, as one of the objectives of the SACU Strategic Plan for 2022-2027, is aimed at addressing the low level of trade between SACU and the rest of Africa. During the year under review, Member States participated in negotiations under the Built-in-Agenda of Phase I and in the preparations for the effective implementation of the AfCFTA. In particular, the SACU Member States participated in three (3) Meetings of the AfCFTA Committee of Senior Trade Officials, and three (3) Meetings of the AfCFTA Council of Ministers responsible for Trade.



PILLAR 4: TRADE RELATIONS/UNIFIED ENGAGEMENT WITH THIRD PARTIES

During the period under review SACU Member States continued to engage as a bloc with third parties both in terms of negotiations and implementation of various Trade Agreements. These included the SADC Protocol on Trade, SACU- MERCOSUR PTA, COMESA-EAC-SADC Tripartite Free Trade Area Agreement (TFTA), SACU-EFTA FTA, EU- SADC EPA, SACU-UKEPA, SACU-India PTA, SACU trade relations with USA, as well as matters relating to the World Trade Organisation (WTO). The key deliverables achieved under these Agreements are summarised as follows:

SADC Protocol on Trade: The SADC Protocol on Trade which was signed on the 1st August 1996 and entered into force in 2000, aims at the progressive liberalisation of trade amongst the SADC Member States. As a Custom Union, SACU's tariff concession to other SADC Member States is homogeneous across all SACU Member States. During the year under review, SACU's efforts were focused on the development of a SACU common position in respect to the Tariff Offer by Angola, which it had submitted as part of its accession to the SADC Protocol on Trade.

SACU-MERCOSUR PTA: SACU Member States continued to implement the Preferential Trade Agreement (PTA) with the Common Market of the South (MERCOSUR) consisting of Argentina, Brazil, Venezuela, Uruguay and Paraguay. The PTA is a limited trade in Goods and covers preferential market access on around one thousand (1000) products /tariff lines from both sides which came into force on the 1st April 2016. During the period under review, SACU focused on activities aimed at consolidating the implementation of this Agreement. These included; facilitating the exchange of updated administrative documents such as the stamp impressions and specimen signatures for the issuance of Certificates of Origin, and the entry into force of the Rules of Procedure for the Joint Administrative Committee established under the SACU- MERCOSUR PTA, on the 1st July 2022.

COMESA-EAC-SADC TFTA: The negotiations for the Agreement establishing a TFTA comprising twenty-six (26) Member/Partner States were concluded in 2015. However, the TFTA Agreement was yet to enter force, pending its ratification by at least fourteen (14) Member/Partner States. In addition, the completion of key operating instruments such as the tariff schedules and Rules of Origin, remain outstanding.

At the end of the reporting period, twenty-three (23) Member/Partner States had signed the TFTA Agreement while eleven (11) had ratified the Agreement including four (4) of the SACU Member States, namely, Botswana, Eswatini, Namibia, and South Africa. Lesotho was yet to sign and ratify the Agreement. Whilst there had been progress in some areas relating to EAC-SACU bilateral negotiations under the TFTA, some technical issues have remained outstanding since 2019. This was largely due to the reprioritisation of the SACU Work Programme, as well as the shift of focus to the AfCFTA. There were efforts between SACU and the EAC to resuscitate the engagement between the Parties, in order to finalise the outstanding technical issues.

SACU-EFTA FTA: During the period under review, SACU Member States continued with the outstanding work on the review of the Free Trade Agreement between SACU and the European Free Trade Association (EFTA) which had commenced in 2016, following the entry into force of the Agreement on the 1st May 2008. The main objective of the SACU-EFTA FTA is to: (i) achieve the liberalisation of trade in goods in conformity to the GATT; (ii) substantially increase investment opportunities in the FTA; (iii) to promote adequate and effective protection of intellectual property rights; and (iv) to expand trade through removal of barriers to trade. Therefore, the review aims at improving market access on Processed Agricultural Products, Basic Agricultural Products, as well as Customs and Origin Matters. Other issues include Trade Facilitation and Trade and Sustainable Development (TSD). SACU Technical Experts had several engagements to develop SACU positions in relation to the areas under review.

EU-SADC EPA: SACU Member States continued to pursue the implementation of the Economic Partnership between the European Union (EU) and the SADC EPA States (EU-SADC EPA) as a bloc. Since the provisional entry into force of the EPA on 10th October 2016, the EU-SADC EPA Trade and Development Committee (TDC) met nine (9) times. The 9th Meeting of the TDC held in November 2022, considered a number of implementation issues, including the approach towards the review of the EPA, which was launched in October 2021. During the period under review, the SACU Technical Experts held four (4) Meetings with the aim to advance SACU specific issues under the EPA such as the Tariff Rate Quotas (TRQs) allocations, monitoring of TRQ utilisations and reallocations.

One of the key highlights under the EU-SADC EPA, during the period under review was the final ruling of the arbitral proceedings initiated by the EU against SACU in April 2020, with respect to a definitive safeguard measure, in relation to frozen bone-in chicken cuts imported from the EU. The measure, which was imposed pursuant to Article 34 of the EU-SADC EPA, had been adopted by SACU's Council of Ministers on the 27th July 2018. On the 3rd August 2022, the Arbitration Panel which had been established in terms of Article 79 of the EU-SADC EPA, delivered the final arbitral ruling, on this dispute. The ruling provided a generally positive outcome for SACU as the panel dismissed three (3) out of the five (5) claims brought by the EU against SACU. On the other hand, the Arbitration Panel concluded that the safeguard measure breached Article 34 EPA, specifically because: (i) it was not related to a product that "is being imported" (given the time lapse between the determination, provisional measure, and definitive measure); and (ii) it exceeded "what is necessary to remedy or prevent the serious injury or disturbances."

SACUM-UK EPA: The SACU Member States and Mozambique (SACUM) continued their engagements with the United Kingdom (UK) to ensure full implementation of the Agreement which was concluded to avoid any trade disruptions and ensure continuity and market predictability with the UK when it exited the EU. The SACUM-UK EPA entered into force on the 1st January 2021, and during the period under the review, the Parties have made efforts to complete the matters under the Built-in

Agenda and Transitional Arrangements. In this regard, three (3) technical Experts Meetings were held, including a joint Meeting with the UK. Preparations had advanced to host the 2nd Meeting of the SACUM-UK EPA Trade and Development Committee planned for April 2023.

SACU-India PTA Negotiations: Negotiations towards a PTA between SACU and India commenced in 2008, however, since 2010 the negotiations have stalled due to the sensitivities entailed in some of the elements of the negotiations. Member States however continue to view India as a trading partner of strategic importance. Efforts are ongoing to resuscitate the engagements including finalisation of the Modalities to set out the parameters for the negotiations.

SACU-USA Trade relations under- African Growth and Opportunity Act (AGOA): AGOA is due to expire in 2025, SACU Member States participated at the U.S.-Africa Leaders Summit held on 13-15 December 2022, in Washington, DC. The Summit brought together leaders from Africa and served as a demonstration of the Biden administration's commitment to the African continent. The next AGOA Forum will be held in the SACU region by South Africa, in August 2023.

World Trade Organisation (WTO) Matters: SACU Member States, as Members of the WTO are required to participate in WTO engagements and to fulfil their obligations. During the period under review, the Member States participated at the Twelfth WTO Ministerial Conference (MC12) on 12-17 June 2022, in Geneva, Switzerland. The MC12 adopted, among others, key decisions and declarations on the Response to the COVID-19 Pandemic and related TRIPS Waiver; Fisheries Subsidies; Food Insecurity and the World Food Programme; extended the moratorium on e-commerce as well as on the WTO reforms.

The Member States also engaged in preparatory work towards the 5th joint SACU WTO Trade Policy Review (TPR). The TPR is one of the WTO Members' obligations aimed at providing greater transparency in, and understanding of, the trade policies and practices as well as an opportunity for Members to reflect upon or justify their own trade policies. The 5th joint SACU WTO TPR is scheduled for 25th and 27th October 2023, in Geneva, Switzerland.

PILLAR 5: FINANCE AND RESOURCE MOBILISATION

/ REVENUE MANAGEMENT

The Secretariat continued to facilitate the determination of the Member States' annual revenue shares during the period under review. Below are the highlights:

/ FINANCE

The Common Revenue Pool was estimated at R109.60 billion in 2022/23 Financial Year (FY). The estimate reflected an increase of 21.8 percent from R89.95 billion estimated in 2021/22 FY. The increase was largely driven by improved projected collections following the effects of COVID-19 in the late 2020 and early 2021, as well as revisions in the tax bases (comprising: nominal imports, Consumer Price Index and nominal Gross Domestic Product).

Increases in world merchandise trade were notable in 2022, with trade growing by 12 percent, year-on-year. The pattern was also true for SACU countries. However, due to the persistent impact of COVID-19 and the rise in geopolitical tensions, a slowdown was expected towards the end of 2022, worsening in 2023. Global inflation had been forecast to increase from 4.7 percent in 2021 to 8.8 percent in 2022, with a hope for a decline to 6.5 percent in 2023 and to 4.1 percent by 2024.

A positive economic recovery was forecasted in 2022, to gradually return to pre-pandemic era, and this would be attributed to the general easing of pandemic restrictions and the resilient demands for goods.

However, forecasts were revised down mid-year resulting from the rising energy prices including rising interest rates, thus putting further strain towards economic recovery; indications were pointing to a recession.



Resulting from these uncertainties, SACU revenues were affected, with increases in 2022 off-setting the decline registered in 2021. Table 2 below is an illustrative presentation of shares allocated to SACU Member States between 2021/22 FY and 2022/23 FY. The Table further reflects the adjustments for the 2021/22 CRP outturn.

TABLE 2: MEMBER STATES' REVENUE SHARES (BILLION RAND) FOR 2021/22 FY AND 2022/23 FY

Member States	Botswana		Eswatini		Lesotho		Namibia		South Africa	
	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23
Financial Year										
Revenue Shares	19.57	23.54	6.52	7.82	6.15	7.53	15.61	19.19	42.04	51.43
Adjustments	-0.81	-5.33	-0.14	-2.00	-0.15	-2.13	-0.86	-5.00	2.63	-16.97
Total Payment	18.76	18.20	6.38	5.81	6.01	5.39	14.75	14.18	44.66	34.45
% Change		-3.0%		-8.9%		-10.3%		-3.9%		-22.9%

The full details relating to the SACU Member States' economic performance and the Intra-SACU Imports 2020/21 are reported in the Annexes of this Report.

RESOURCE MOBILISATION

Following the adoption of the SACU Strategic Plan 2022-2027, efforts towards the mobilisation of resources by the Secretariat continued. In this regard, various development partners which included Trademark Africa, World Bank, United Nations Development Programme (UNDP) and Road Freight Association were engaged and partnered with the Secretariat.

Furthermore, the COMESA Secretariat collaborated with the Secretariat in providing technical support to both Botswana Unified Revenue Service (BURS) and Namibia Statistics Agency (NSA) on Eurotrace domain creation, migration and training of the relevant officials.



PILLAR 6: EFFECTIVENESS OF SACU INSTITUTIONS

/ STRENGTHENING RELATIONS AND BUILDING PARTNERSHIPS TO SUPPORT SACU PRIORITIES

During the reporting period, the Secretariat actively strengthened relations with various development partners as outlined above, which culminated in the conclusion of various MoUs and Concept Notes, contributing to a strong network of collaborative initiatives and financial and technical support.

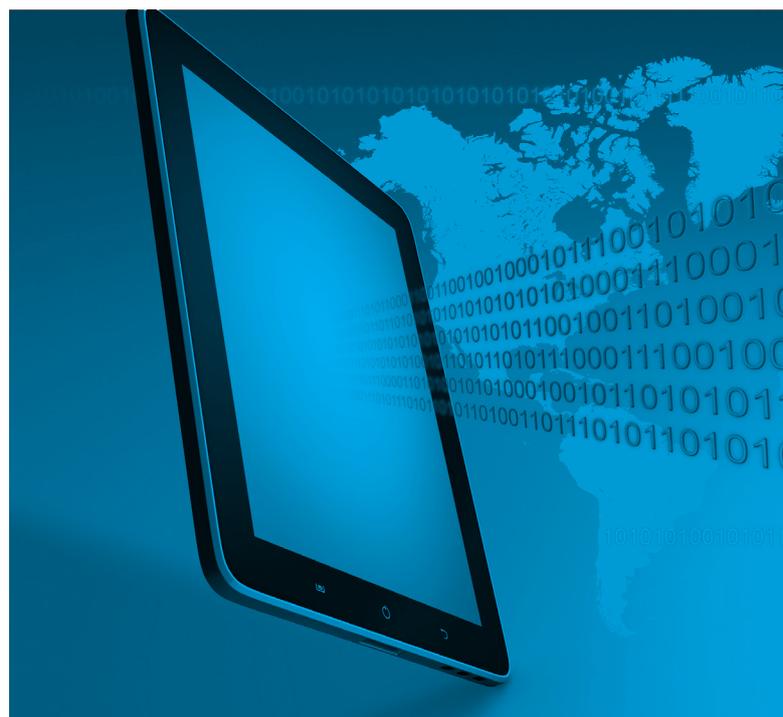
In addition to these efforts, the Secretariat strengthened bilateral relations with the SADC Secretariat through the signing of a Memorandum of Understanding (MoU) between the SACU and SADC Secretariats on the 14th October 2022. This pivotal initiative outlines the modalities for cooperation between the two sister Organisations.

/ DEVELOPMENT OF STRATEGIES SUPPORTING IMPLEMENTATION OF THE SACU STRATEGIC PLAN

In addressing the strategic intervention of improving the operational efficiency of the Secretariat through the enhancement of the IT systems; enhanced and effectively managed human resources; and strengthening Governance and Assurance in the Secretariat, the following activities were undertaken during the period under review: (i) continuation of the digital transformation programme; (ii) development of the ICT Strategy; (iii) development of the Cyber Risk Management Framework; (iv) review of the Organisational Structure; and (v) review of the Pay Structure and Pay Philosophy.

/ CONTINUATION OF THE DIGITAL TRANSFORMATION PROGRAMME TO CREATE GREATER OPERATIONAL EFFICIENCIES IN THE SECRETARIAT

In its third phase of the digital transformation programme, the Secretariat configured the Extranet, to accommodate one of the key stakeholders being the External Auditors, in order to enable them to conduct virtual audits. With this platform, the external auditors were able to access all documents from the Finance Unit reducing the time and cost for performing physical audit fieldwork, whilst still issuing an unqualified audit opinion. The Secretariat further adopted more of the paper-lite strategies to limit the physical exchange of documents among its employees and stakeholders, these included the use of a digital signature solution to authenticate SACU's documents, with the Guidelines for the Usage of Electronic Signatures, approved in August 2022; and the automation of additional business process workflows at the Secretariat.



REVISION OF THE ICT SECURITY POLICY AND DEVELOPMENT OF THE ICT STRATEGY

The Secretariat's ICT Security Policy was revised to be more relevant to the current ICT working environment. The Policy's structure format was also changed to align with the new structure of the SACU Policies, separating the Policy from the Guidelines. Other changes in the Policy included the incorporation of the Communication Device and the Bring-Your-Own Device Policy into the main ICT Security Policy.

The Secretariat developed its five-year ICT Strategy for the period 2023/24 to 2027/28, which is aligned with the SACU Strategic Plan. This Strategy directly supports the implementation of Strategic Objective 2 of Strategic Pillar 6 of the SACU Strategic Plan on improving operational efficiency of the Secretariat through the enhancement of IT systems. It is intended to (i) set an ICT direction that is aligned with the SACU Strategic Plan; (ii) ensure that ICT is positioned to serve the needs of the Secretariat; and (iii) enhance the capability of the Secretariat towards the efficient execution of the SACU Mandate and of the SACU Strategic Plan.

DEVELOPMENT OF A CYBER RISK MANAGEMENT FRAMEWORK

The Secretariat implemented a technology which supports its Cyber Risk Management Framework. It is intended to reduce the likelihood and impact of cyber incidents and enhance the Secretariat's resilience to cyber threats. Through the implementation of the framework, the Secretariat has proactively managed cyber risk through improving the staffs' awareness on cyber risks, which helped in ensuring improved protection of its IT systems, data and networks.

REVIEW OF THE ORGANISATIONAL STRUCTURE

The review of the Organisational Structure was directed by the Council at its 42nd Meeting held on the 14th December 2020. The revised Organisational Structure is expected to be fit-for-purpose to drive the new SACU Strategic Plan forward.

Significant progress has been made on the review process which was still ongoing and has involved consultations with internal and external stakeholders. The work undertaken included a comprehensive workload analysis, review, and development of job descriptions, as well as the costing of the proposed structure, and its implementation strategy.

CONTINUATION OF THE PAY STRUCTURE AND PAY PHILOSOPHY REVIEW

Following a directive from the Council, the Secretariat started a review of the Pay Structure and Pay Philosophy. The purpose of the review was to have a cost effective and competitive pay structure that is able to attract, motivate and retain staff. Significant progress which included benchmarking, consultations with staff and other stakeholders had been made and work is still ongoing.



ANNEX 1

SACU MEMBER STATES' ECONOMIC PERFORMANCE

GLOBAL ECONOMIC DEVELOPMENTS AND OUTLOOK FOR 2022/23

In April 2022, global economic growth was initially forecast to decline to 3.6 percent in 2022 and 2023 respectively. However, the growth prospects in July 2022, were revised to 3.2 percent in 2022 and 2.9 percent in 2023, down by 0.4 and 0.7 percentage points, respectively. The growth revisions were a result of risks materialising in 2022 following an uncertain recovery in 2021. Global output slumped during the second quarter amid recessions in China and Russia and lower-than-expected consumer expenditure in the US.

Risks to global economic growth were tilting downside and could still undermine growth in 2022. The conflict between Russia and Ukraine had material consequences for the global economy, which saw through global spillovers. Since April 2022, Russian gas supplies to Europe were curtailed by 40 percent compared to last year's supplies.

The growth forecast assumed further gas exports, but uncertainties regarding gas supplies in 2022/23 remained real. It was feared that should Russia completely stop her gas supplies to Europe in 2022, inflation would spiral out through higher energy prices. This would force energy rationing, affecting industries and reducing growth in Europe with negative cross-border spillovers. Inflation remained elevated and would return to near-pandemic levels by the close of 2024, while disinflation would be more costly than anticipated. Additionally, tighter financial market conditions would trigger debt distress in the emerging market and developing economies (EMDEs) while persistent slowdown in China would precipitate strong global spillovers. Similarly rising food and energy prices are more likely to cause broad hardships, famine, and unrest.



RECENT GLOBAL ECONOMIC DEVELOPMENTS: GLOOMY, ELEVATED UNCERTAINTY

The global economic outlook for 2022 remained less optimistic than previously recorded. Global growth performed slightly more than expected during the first quarter but contracted in the second quarter owing to downturns in China and Russia. Downside risks highlighted in April 2022 come to pass, with rising global inflation driven mainly by the US and the Euro area, leading to tighter global financial conditions, sharp reductions in China amid pandemic lockdowns coupled with negative spillovers from the conflict in Ukraine.

Growth in advanced economies (AEs) was forecast at 2.5 percent in 2022 and 1.4 percent in 2023, representing 0.8 and 1.0 percentage points weaker than in April 2022 respectively amid growth revisions in the US and Euro area. Growth prospects were largely revised in the US amid weak private consumption in the country owing to erosion of the purchasing power and the anticipated impact of a tighter monetary policy to curb inflation. In Europe, improved growth prospects for tourism in Italy had been undermined by growth downgrades in Germany, France and Spain primarily owing to the Ukraine war spillovers and the European Central Bank rolling back net asset purchases and raising policy rates in July 2022 for the first time since 2011.

In the EMDEs, growth projections had been revised downwards to 3.6 and 3.9 percent for 2022 and 2023 down by 0.2 and 0.5 percent, respectively. Growth prospects in EMDEs were primarily driven by China's sharp decline to 3.3 percent (down by 1.1 percentage points-the lowest growth rate in over four decades, except for the year 2020) where the pandemic-driven supply chains had been throttled by lockdown in Shanghai. In Sub-Saharan Africa (SSA), growth was forecast at 3.8 and 4.0 percent respectively for 2021 and 2023-unchanged since January and April 2022. Growth prospects reflected the effects of higher fossil fuel and metal prices for the commodity exporting countries.

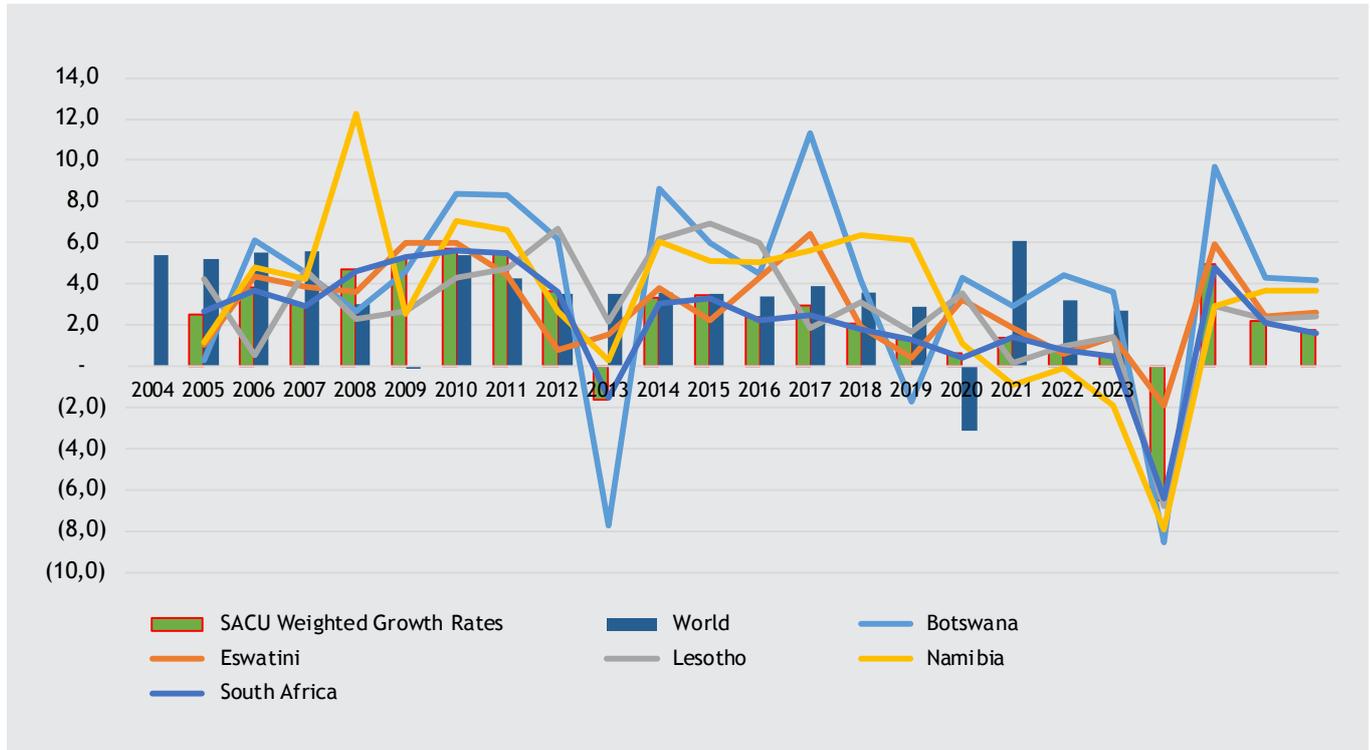
Inflation remained elevated and more persistent driven by rising commodity prices due to the Russia and Ukraine conflict. Global inflation was revised to 8.3 and 5.7 percent for 2022 and 2023-representing a 0.9 percentage point revision, respectively. Inflation was thus forecast at 6.6 percent in AEs, and 9.5 percent in EMDEs in 2022. This was owing to heightened headline inflation in the Euro area. In EMDEs inflation prospects remained varied with modest increases in developing Asia amid China's slowdown in economic activity. Meanwhile inflation remained persistent and entrenched in most SACU economies. Accordingly, the Bank of Namibia short-term inflation forecasts showed elevated inflation levels driven by food, alcoholic beverages and tobacco as well as transport prices. Medium-term inflation was forecast to average 6.0 percent and 4.5 percent in 2022 and 2023 respectively .

Global trade recorded 10.1 percent growth in 2021 from a negative 7.9 percent during the pandemic. Growth projections were 4.1 percent in 2022 and 3.2 percent in 2023, respectively. Trade growth was expected to shrink by more than previously anticipated, driven by falling global demand and persistent supply chain bottlenecks. Likewise, an appreciation of the US dollar by an estimated nominal effective rate of 5 percent as of June 2022 added to lower trade growth since the US dollar is the dominant currency in trade invoicing.

The overall weighted growth in the region was therefore estimated to have contracted by 6.5 percent in 2020 down from 0.3 percent in 2019 amid recent growth revisions by the Member States. Growth in the region was estimated at 4.9 percent in 2021 and is forecast at 2.2 and 1.8 percent in 2022 and 2023, respectively as the economies return to pre-pandemic growth levels. However, material risks to the outlook included rising global food and energy prices, supply chains disruptions, effects of climate change, resurgence or emergence of new COVID-19 variants and the Russia-Ukraine conflict.

¹ Data from the Bank of Namibia April 2022 inflation outlook

Figure 3: World and Regional Economic Growth Rates (annual % change)



Data from WEO April 2022 and Member States Budgets 2022/23

REAL SECTOR, BUDGET, AND CURRENT ACCOUNT DEVELOPMENTS

Revenue in the Member States was projected to grow modestly in 2022/23 having declined at the height of the pandemic in 2020. Meanwhile government expenditure was estimated to have increased in all Member States resulting in budget deficits across the economies and mounting pressures on government coffers. Similarly, government debt was largely on the rise across the region driven by the need to finance rising deficits and increased

government expenditure emanating from the pandemic scarring. Inflation remained generally on an upward trajectory across the Member States mainly owing to rising commodity and food prices, global supply-demand imbalances from the pandemic and the Russia-Ukraine war. Inflation was, however, largely expected to be within most central banks' objectives range.

² Data for the Member States obtained from National Statistic Bureaus; Ministries of Finance/Treasuries Budget Tables and Speeches; and or various Central Banks publications; and other official sources.



BOTSWANA



Botswana recorded a nominal GDP of against P195.3 billion recorded in 2021, P172.6 billion in 2020. GDP is forecast at P223.2 billion in 2022.

Growth was estimated to have rebounded to 9.7 percent for Botswana in 2021, driven by both mining and non-mining sectors after a contraction on 8.5 percent in 2020. However, growth was expected to moderate to 4.3 percent in 2022, amid better global economic prospects and buoyed by the fight against the pandemic and relaxation of international travel and tourism.

Botswana's total revenues and grants were budgeted at P67.9 billion for the financial year. However, most revenue generating sources projected higher revenues in 2022/23 amid declining customs duties, due to expected adjustments in SACU receipts. On the other hand, total expenditure and net lending would stand at P74.8 billion. This resulted in an overall balance and deficit projected at P6.9 billion (3.2 percent of GDP). It was anticipated that this budget deficit would be financed through the issuance of domestic Government securities and external borrowing through bonds and Treasury bills, and external borrowing. SACU receipts declined from R23.7 billion in 2020/21 to R18.7 billion in 2021/22 and would decline by a further P405 million in 2022/23 owing to declining customs and excise revenues from the adjustment of SACU receipts following the previous overpayments.

With reference to balance of payments, the merchandise trade account balance P20.1 billion (11.6 percent of GDP) was recorded in 2020 compared to the lower rate of 4.4 percent of GDP recorded in the first half of 2021. This reflected net foreign exchange outflows as payments for imports and various government obligations and other offshore investments eclipsed earnings from exports, transfers, and foreign investment.

Total public debt was projected at P27.8 billion for 2020 (17.6 percent of GDP). Public Debt was forecast at P38.9 billion for the period 2021/22 (23.4 percent of GDP) which was low by regional and international standards. Nonetheless, for 2021 total public debt was expected to fall within the statutory ceiling of 40 percent of GDP, amid persistent and structural budget deficits. Government was embarking on enhanced debt management strategy and attendant monitoring instruments.

In December 2021, headline inflation was 8.7 percent the highest in a decade mainly driven by rising administered prices and global fuel prices. This inflation rate was outside the central bank's objective. Nonetheless, inflation was expected to moderate throughout 2022 and return to within the 3-6 percent objective in the medium-term.

The economic growth rate was forecast at 4.2 percent for 2023, against the anticipation that non-mining sector growth bolstered by accommodative monetary policy and stronger water, electricity, and finance sectors.

² Data for the Member States obtained from National Statistic Bureaus; Ministries of Finance/Treasuries Budget Tables and Speeches; and or various Central Banks publications; and other official sources.





ESWATINI



Eswatini recorded a nominal GDP amounting to E65.4 billion in 2020 and was estimated at E73.0 billion in 2021.

In Eswatini, the pandemic accelerated amid economic and fiscal deterioration which had already been taking place. Economic output was estimated to have contracted by 1.9 percent in 2020 amid weak external demand and lockdowns. However, growth projections indicated a rebound of 5.9 percent in 2021. Nonetheless, growth was stifled to a large extent by the pandemic and civil unrest which curtailed growth in key sectors like tourism, wholesale and trade.

Eswatini's revenue excluding grants in the 2022/23 fiscal year was forecast to reach E18.7 billion, (23.8 percent of GDP), representing a decrease of 2 percent on 2021/22. Of this, SACU receipts declined from E6.4 billion in 2021/22 to E5.8 billion in 2022/23. Meanwhile expenditure, was projected at E23.2 billion, culminating in a budget deficit of E3.8 billion (4.8 percent of GDP) for financial year 2022/23 compared to E4.6 billion (6.5 percent of GDP) in 2021/22 which would be financed mainly through external borrowing. Preliminary balance of payments for Eswatini points to a current account surplus of E1.9 billion in 2021 compared to E4.3 billion in 2020 (about 6.8 percent of GDP) driven by

positive trade balance with its key trading partner, South Africa. This was attributable to resilient exports during the period under review albeit registering a deficit of E2.5 billion in the services account.

Total public debt was projected at E27.7 billion for 2021 (39.8 percent of GDP). Some loans have matured in 2021 thereby reducing government obligations to external parties a move that would help curtail debt servicing of loans.

Year-on-year inflation fell from 3.3 percent in February 2022 compared to 3.3 percent in January 2021, amid declining prices for recreation and culture; clothing and footwear as well as transport. Inflation would average 4.2 percent in 2022 and is forecast at 4.05 percent in 2023, amid pressures from uncertain pandemic path, unforeseen adjustments in administered prices and the global oil prices due to Russia-Ukraine war.

The medium-term outlook remained uncertain for the domestic economy. However, some sectors would drive growth leading to an estimated 2.4 and 2.6 percent growth in 2022 and 2023 respectively down from an estimated 5.9 percent in 2021.





LESOTHO



Lesotho's nominal GDP was estimated at M37.8 billion in 2021, against the previous projection of M33.1 billion in 2020. GDP is forecast at M41.7 billion in 2022.

Lesotho's overall economic growth declined by -6.8 percent of GDP in 2020. Growth later improved to 2.9 percent in 2021, as some sectors recovered from the pandemic shock. These projections were, however, subject to risks relating to the future path of the pandemic and its impact on key sectors of the economy.

Total revenue was projected to stand at M19.7 billion including SACU revenues and grants. At the same time, expenditure was projected at M23 billion (53.9 percent of GDP). This would result in a budget deficit of about 7.7 percent of GDP. SACU revenue was projected at M5.4 billion down from the previous year's collection by M608 million. The budget deficit would be financed through issuance of treasury bonds and bills, and draw-down of reserves by M1.3 billion.

Lesotho was faced with persistent deterioration of its external position with the current account balance running into deficit. The deficit stood at M688 million (1.8 percent of GDP in 2020/21) widening to M2 billion (5.4 percent of GDP) in

2021/22 FY, mainly due to declining terms of trade since 2012/13 as growth in exports was lower than growth in imports. Public guaranteed debt stood at M19.6 billion in January 2021 and slightly down to M18.9 billion in February 2022. Debt had been on the rise over the last three (3) years, especially domestic debt mainly driven by rising budget deficits and externally by the depreciation of the local currency, the Loti against major currencies like the US dollar. This was because the bulk of the external debt was denominated in the US dollar and other major currencies.

With respect to domestic price developments, annual inflation was estimated to be around 5.0 percent for the 2021/22 fiscal year, up from 4.1 percent from the previous year. The increase in domestic prices would be mainly influenced by imported food inflation from South Africa, as well as other energy prices and local administered prices from electricity and water.

Growth was estimated at 2.3 and 2.4 percent in 2023 and 2024 respectively, driven by growth in mining output and construction sectors especially from the Lesotho Highlands Water Project II including wholesale and retail trade sectors.





NAMIBIA



In Namibia, nominal GDP was recorded at a R181.6 billion in 2021 up from R174.9 billion in 2020. GDP is forecast at N\$195.1 billion in 2022.

Growth in Namibia was estimated to have contracted by 7.9 percent in 2020, amid the pandemic shock. However, the economy was estimated to have grown by 2.9 percent in 2021 and expected to post a moderate growth of 3.7 percent in 2022 and 3.7 percent in 2023, respectively. Growth predictions were assumed on the expectations of strong output mainly in the primary and secondary industries, while growth in tertiary industries was estimated to remain muted over the medium-term.

Namibia's estimated revenue for 2022/23 FY was N\$59.7 billion which was about 11.7 percent higher 2021/22 FY estimate. This growth in revenue was expected to continue with the upward trajectory, increasing to N\$61.8 billion and N\$64.7 billion in 2023/24 FY and 2024/25 FY respectively. On the other hand, government expenditure was projected to rise to N\$70.8 billion in 2022/23 FY which translated to a budget deficit of 5.6 percent of GDP and would average a slightly lower 5.5 percent of GDP over the medium term amid fiscal consolidation strategy.

With respect to the external sector, Namibia's current account recorded a surplus of N\$4.9 billion (2.1 percent of GDP) in 2020, (driven by subdued domestic demand amid the pandemic shock. This was attributable to a waning trade deficit against

the backdrop of subdued domestic demand amid the pandemic. Conversely, in 2021, the current account posted a deficit as the merchandise trade deficit widened coupled with declining secondary income flows. The deficit thus stood at N\$16.5 billion in 2021 (9.1 percent of GDP) owing to rising imports against sluggish exports. The surplus in the income account declined, mainly attributable to declining SACU receipts in 2021.

In January 2022, public debt stood at N\$124.8 billion (about 66.7 percent of GDP). Public debt concerns remain elevated, and debt was expected to increase to N\$140.2 billion (71 percent of GDP) amid a persistent budget deficit. The government endeavoured to redirect revenue to debt redemption and reduction in borrowing requirements as the economy rebounds over the next few years.

Annual average inflation was estimated at 3.6 percent in 2021 more than previously forecast at 3.2 percent. Average annual inflation would rise to about 6.1 percent in 2022 mainly driven by food and transport components which were expected to be elevated in 2022.

However, the economic growth was estimated at 2.9 percent in 2021 and would strengthen to 3.7 percent in 2022 mainly driven by a rebound in mining agriculture, transport, wholesale and retail trade, among other activities.





SOUTH AFRICA



South Africa's GDP at current market prices amounted to R6.25 trillion in 2021 and was estimated at R6.4 trillion in 2022, reaching R6.7 trillion in 2023. South Africa's growth was estimated at a revised 6.4 percent for 2020 owing to weaker growth outcomes as a result of the pandemic upended global growth. Nonetheless, the economy grew by an estimated 4.8 percent in 2021, following the pandemic drag and was forecast to grow by 2.1 percent in 2022, as it returned to pre-pandemic production levels (due to the impact of existing structural constraints) and average 1.8 percent in the medium-term.

The country's consolidated budget revenue as at Budget 2022 was forecast at R1,770.6 billion (24.8 percent of GDP) and government expenditure was forecast at R2, 157.3 billion (28.7 percent of GDP) for 2022/23. This would result in a deficit of R386.6 billion (6.0 percent of GDP) during the period under review. The fiscal outlook had improved over the past year due to higher-than-expected revenue collections. Thus, the consolidated budget deficit would reduce from 5.7 percent of GDP in 2021/22 to 4.2 percent by 2024/25.

Meanwhile, the debt-to-GDP ratio had been rising since 2008, during the budgetary crisis and had exceeded 50 percent of GDP over the period under review. This increase was due to sustained budget deficits and weak economic growth. Thus, government had used higher-than-expected revenue to curtail gross borrowing requirement until 2024/25. As such, gross borrowing was expected to stabilise around 2024/25 and moderate thereafter in tandem with the risk premium.

Government debt stock was forecast to rise from R4.35 trillion (equivalent to 69.5 percent of GDP) in 2021/22 to R5.1 trillion (equivalent to 74.4 percent of GDP) in 2024/25 together with net loan debt and contingent liabilities. Government aims to finance its borrowing using the least possible costs through a mix of debt instruments and maturities to finance the borrowing costs. The current account surplus was expected to remain unchanged at 3.8 percent of GDP in 2021, underpinned by a stronger trade performance amid exports growing faster than imports. Much of the strong performance was due to growth in the mining sector-representing over 60 percent exports mainly in iron ore, rhodium, and coal. In 2022 the current account was forecast to moderate to a marginal surplus but later slide into a 1.2 and 1.5 percent deficit in 2023 and 2024, respectively.



GLOBAL AND REGIONAL CONSUMER PRICE DEVELOPMENTS-ENTRENCHED INFLATION

Headline inflation was forecast at 4.8 percent in 2022 but would decline slightly to 4.4 percent in 2023. Factors driving inflation were expected to be rising food and energy prices and higher administered (particularly municipal electricity) prices in 2022. However, fuel prices would ease in 2022 to 2019 average prices after rising significantly in December 2021 amid higher crude oil prices. Constricted global supply chains and supply-demand imbalances would be a source of rising inflation and higher material and intermediate input prices.

South Africa's growth was forecast at 4.8 percent in 2021 as the economy emerges from COVID-19 ramifications and would decline slightly to pre-pandemic levels to 2.2 and 1.6 percent in 2022 and 2023, respectively.

Inflation remained elevated and more persistent as compared to the January 2022 outlook-driven by rising commodity prices due to the Russia-Ukraine conflict and the increasing price pressures.

Inflation was thus forecast at 5.7 percent in AEs, and 8.7 percent in EMDEs representing 1.8 and 2.8 percent increase respectively, compared to January 2022 outlook. Nonetheless, inflation was expected to moderate to 2.5 and 6.5 percent for AEs and EMDEs respectively in 2023. Prior to the conflict, inflation was already on the rise across the world due to record high commodity prices and pandemic induced supply-demand imbalances. Persistent inflation likelihood remained elevated with aggravated supply-demand imbalances from the conflict and the upward trajectory of commodity prices which would drive up inflation expectations and stronger wage growth. Higher wage demands would add more pressure to inflation.

Supply-demand imbalances were resolved in January 2022 and employment was expected to pick across several economies. This could cause central banks to react quicker in clamping down inflation but would expose debt fractures especially in EMDEs.



ANNEX 2

A photograph of a shipping yard. In the foreground, there are stacks of grey and blue shipping containers. A truck is parked in the middle ground, facing right. The background shows more stacks of containers under a cloudy sky. A dark blue semi-transparent box is overlaid on the bottom half of the image, containing the text 'INTRA-SACU IMPORTS 2020/21' in white.

INTRA-SACU IMPORTS 2020/21

Intra-SACU imports decreased in 2020/21 FY, following increases in two second consecutive years. During this period, intra-SACU imports registered a decline of 7.3 percent, recording R185.7 billion from R200.4 billion recorded in 2019/20 FY. By Member States, the decrease was highest in Namibia (15.2 percent), Lesotho (12.3 percent) and South Africa (9.8 percent), with Botswana recording the least at 1.2 percent. Eswatini recorded an increase of 3.9 percent, year-on-year.

Trade within SACU compares with the last five years. Botswana accounted for the highest intra-SACU imports, accounting for 33.7 percent of total intra-SACU imports, with Namibia following at 24.8 percent. South Africa accounted for 20.2 percent, Eswatini (10.8 percent), and Lesotho (9.0 percent). Table 3 provides an illustration of dynamics explaining intra-SACU imports.

Table 3: INTRA-SACU Imports Statistics (R Millions)

Member States/FY	2016/17	2017/18	2018/19	2019/20	2020/21
Botswana	61,349	57,985	65,282	67,175	66,359
Eswatini	17,352	17,962	19,009	19,392	20,144
Lesotho	17,056	20,494	18,075	18,978	16,650
Namibia	61,886	55,052	51,371	54,422	46,136
South Africa	37,888	40,885	42,375	40,465	36,496
SACU	195,531	192,378	196,112	200,431	185,784
Growth Rates (%)					
Member States/FY	2016/17	2017/18	2018/19	2019/20	2020/21
Botswana	-10.7%	-5.5%	12.6%	2.9%	-1.2%
Eswatini	2.6%	3.5%	5.8%	2.0%	3.9%
Lesotho	5.5%	20.2%	-11.8%	5.0%	-12.3%
Namibia	1.3%	-11.0%	-6.7%	5.9%	-15.2%
South Africa	0.3%	7.9%	3.6%	-4.5%	-9.8%
SACU	-2.5%	-1.6%	1.9%	2.2%	-7.3%
Share Intra-SACU Imports (%)					
Member States/FY	2016/17	2017/18	2018/19	2019/20	2020/21
Botswana	31.4%	30.1%	33.3%	33.5%	35.7%
Eswatini	8.9%	9.3%	9.7%	9.7%	10.8%
Lesotho	8.7%	10.7%	9.2%	9.5%	9.0%
Namibia	31.7%	28.6%	26.2%	27.2%	24.8%
South Africa	19.4%	21.3%	21.6%	20.2%	19.6%

Botswana's intra-SACU imports registered a decline of 1.2 percent to R66.4 billion in 2020/21 from R67.2 billion registered in 2019/20. The main commodities imported by Botswana from the region during the reporting period were Mineral Fuels, Mineral Oils and Products of their Distillation; Bituminous Substances; Mineral Waxes (Chapter 27) with a share of 14.8 percent of the total intra-SACU imports. These were followed by Natural or Cultured Pearls, Precious or Semi-Precious Stones, Precious Metals, Metals Clad with Precious Metal and Articles Thereof; Imitation Jewellery; (Chapter 71) with a share of 14.4

percent, imported from South Africa. In 2020/21, vegetables plaiting materials; vegetables products not elsewhere specified (Chapter 14) were among the least imported products by Botswana. The main source of commodities imported into Botswana from the Common Customs Area in 2020/21 was from South Africa, accounting for 89.1 percent of the total intra-SACU imports followed by Namibia, accounting for 10.1 percent of the total intra-SACU imports.

Eswatini's intra-SACU imports increased by 3.9 percent to R20.1 billion in 2020/21 from R19.4 billion recorded in 2019/20. The main commodities imported by Eswatini from the region during the reporting period were nuclear reactors, boilers, machinery and mechanical appliances (Chapter 84) with a share of 6.6 percent of the total intra-SACU imports, from South Africa. This was followed by Mineral Fuels, Mineral Oils and Products of their Distillation; Bituminous Substances; Mineral Waxes (Chapter 27) with a share of 6.2 percent, and Vehicles (Excluding Railway or Tramway Rolling-Stock), and Parts and Accessories Thereof (Chapter 87) with a share of 6.1 percent. Among the products that were least imported by Eswatini from the region were vegetables planting materials; vegetables products not elsewhere specified (Chapter 14). South Africa remained the main source of commodities imported by Eswatini in 2020/21, accounting for 99.3 percent of the total intra-SACU imports, followed by Lesotho, accounting for 0.7 percent of the total intra-SACU imports.

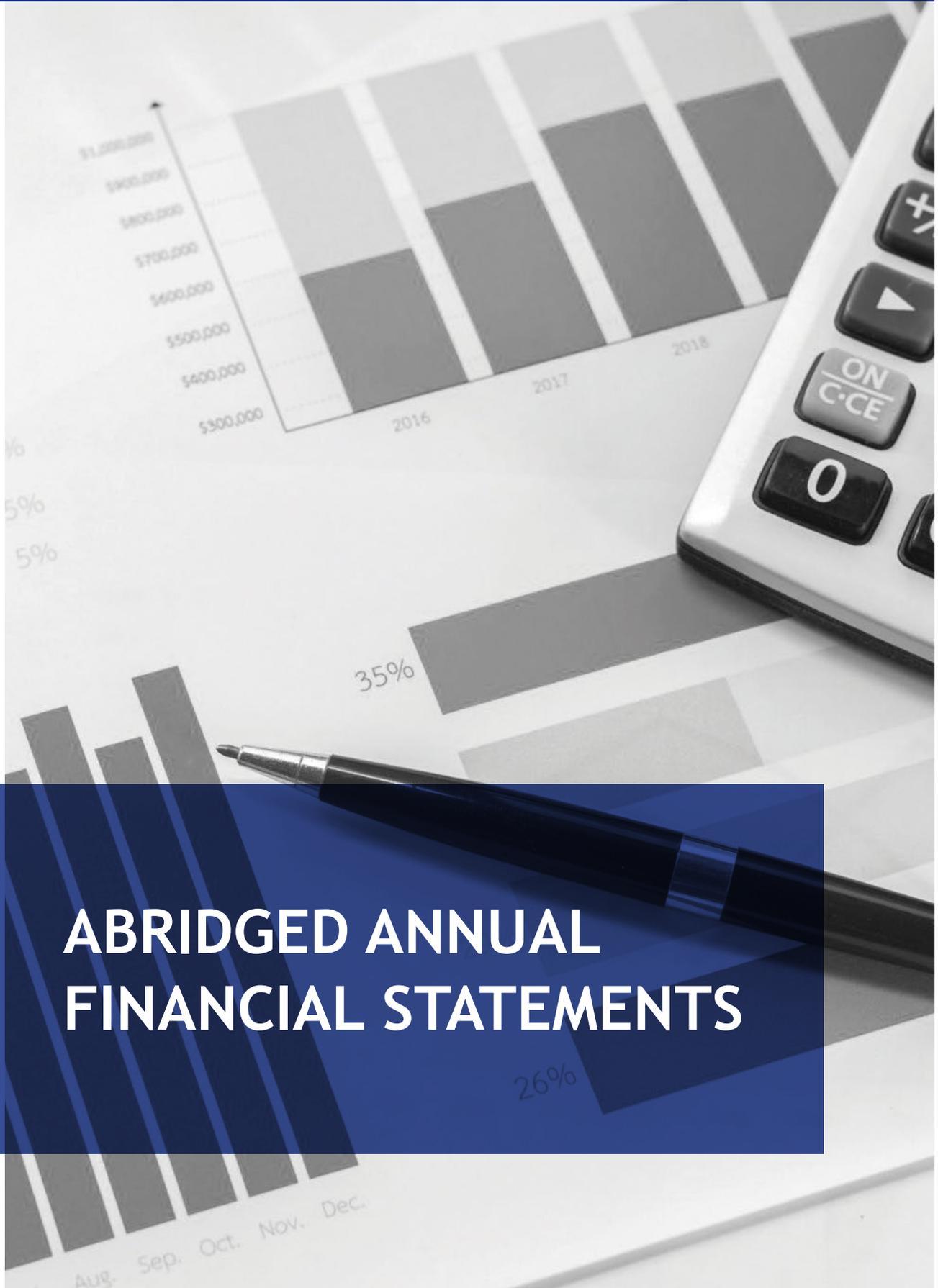
Lesotho's intra-SACU imports declined by 12.3 percent approximating registering R16.7 billion in 2020/21 from R19.0 billion recorded in 2019/20. Mineral Fuels, Mineral Oils and Products of their Distillation; Bituminous Substances; Mineral Waxes (Chapter 27) remained the main imported commodity from the region in 2019/20, accounting for 11.4 percent of intra-SACU imports. This was followed by Electrical machinery and equipment and parts thereof (Chapter 85) with a share of 6.5 percent, and Nuclear Reactors, Boilers, Machinery and Mechanical Appliances; Parts thereof (Chapter 84) accounting for 6.0 percent of intra-SACU imports from the region. Tin and articles thereof (Chapter 80) were among the least imported products by Lesotho. South Africa remained the main source of commodities imported into Lesotho from the Common Customs Area in 2020/21, accounting for

99.7 percent of the intra-SACU imports, followed by Eswatini accounting for 0.3 percent of the intra-SACU imports.

Namibia registered the highest decrease of intra-SACU imports in the region, at 15.2 percent to R46.1 billion in 2020/21 FY from R54.4 billion in 2019/20. The main products that Namibia imported in 2020/21 were: Vehicles (Excluding Railway Or Tramway Rolling-Stock), and Parts and Accessories Thereof (Chapter 87) with a share of 10.5 percent and Nuclear reactors, boilers, machinery and mechanical appliances (Chapter 84) with a share of 10.3 percent - both mainly imported from South Africa. Among the products that were least imported by Namibia from the region in 2020/21 vegetables planting materials; vegetables products not elsewhere specified (Chapter 14). South Africa continued to be the main source of commodities imported into Namibia from the Common Customs Area in 2020/21, accounting for 96.3 percent of the intra-SACU imports followed by Botswana accounting for 3.2 percent.

South Africa's intra-SACU imports declined by 9.8 percent to R36.5 billion in 2020/21 from R40.5 billion in 2019/20. The main commodities imported by South Africa from the region in 2020/21 were Essential Oils and Resinoids; Perfumery, Cosmetic or Toilet Preparations (Chapter 33) accounting for 13.3 percent of the intra-SACU imports, followed by Sugars and sugar confectionery (Chapter 17) with a share of 12.6 percent mainly sourced, both mainly sourced mainly from Eswatini. Among the products that were least imported by South Africa from the region in 2020/21 were Products of fur and artificial fur; Manufactures thereof (Chapter 43). The main source for commodities imported into South Africa from the Common Customs Area in 2020/21 was from Eswatini, accounting for 49.9 percent of the intra-SACU imports, followed by Botswana accounting for 23.0 percent.

ANNEX 3



ABRIDGED ANNUAL FINANCIAL STATEMENTS

INCOME

The Secretariat realised a total income decline of 0.2% in the 2022/23 Financial Year (FY) when compared to the prior year (2021/22 FY).

This is mainly attributed to a decline in Interest Income reducing by 21%. This decline is also due to the funding from cash reserves held by the Secretariat, which reduced by 8%, while the Common Revenue Pool (CRP) contribution remaining unchanged at R69.8 million.

Notwithstanding the above, the Secretariat was able to generate some income through the sale of some fixed assets. Income from this source increased by 290% when compared to the prior year.

Chart 1 and Chart 2 show the year-to-year comparison of income received by the Secretariat per income source.



CHART 1: 2022/23 FY INCOME PER SOURCE (ZAR/Million)

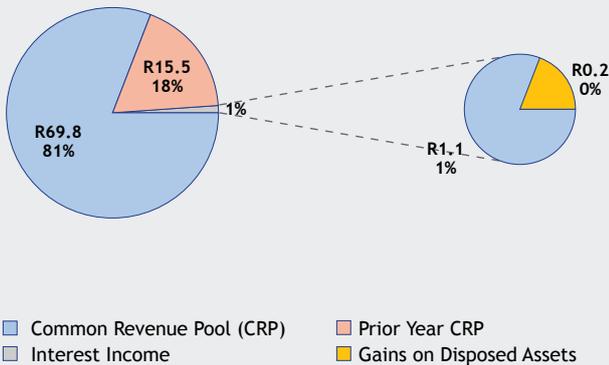
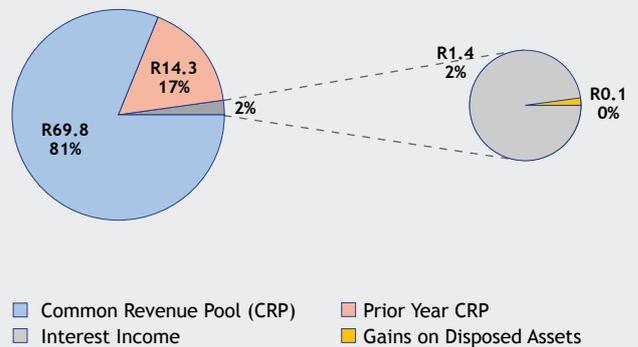


CHART 2: 2021/22 FY INCOME PER SOURCE (ZAR/Million)



EXPENDITURE

The Secretariat realised an increased the total operating expenditure (excluding capital expenditure) by 0.2% from R91.8 million in 2021/22 FY to R92.0 million in the current 2022/23 FY.

This increase is mainly attributable to an impairment observed on the Video Conferencing equipment for Member States. This resulted from the liquidation of the software developer supporting the equipment. Nevertheless, the increase was mostly offset by a reduction in the Employee Cost bill. Cost cutting reforms introduced in this expenditure category continue to harvest savings for the organisation. In addition, there were end of contracts of some employees (who have served three terms) that were not renewed, as well as resignations during the FY. Some of these positions were not filled and the work is being undertaken by secondees from Member States, while the review of the Organisational Structure is underway to design a Secretariat that is fit-for-purpose. There is also a review of the Pay Structure and Pay Philosophy in progress to curb the rapid growth of compensation costs but offer a competitive remuneration package that will retain key skills, drive high performance, ignite innovation and knowledge management, as well as attract the finest talent from Member States.

COMPENSATION COSTS

The expenditure category reduced from R65.2 million in 2021/22 FY, to R62.1 million in 2022/23 FY. Over the past five (5) FYs, the staff complement in the organisation has not grown. Particularly, in the 2022/23 FY resulted in the staff complement reducing by 11%. This creates a risk with the retention of human capital with the required skills and competence to deliver the Strategic Plan.

On the contrary, the R3.1 million reduction in compensation costs in the 2022/23 FY marks the turnaround stage in the strategy to reduce the rising compensation costs.

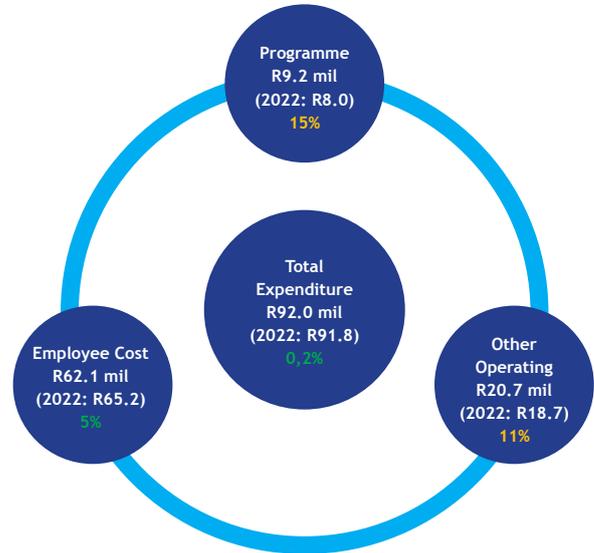


CHART 3: ANNUAL EMPLOYEE COST (ZAR/MILLION)

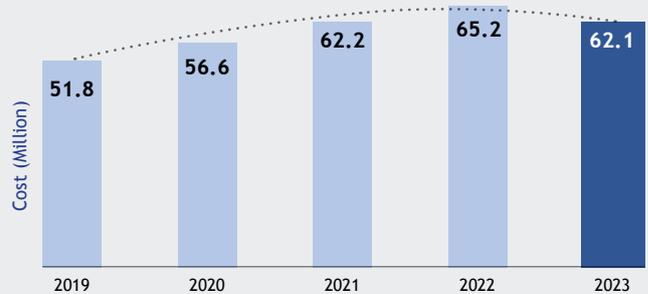
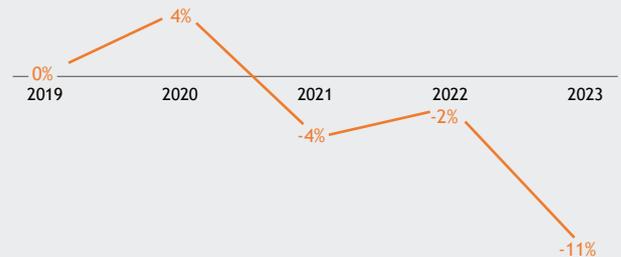


CHART 4: STAFF COMPLEMENT MOVEMENT (%)



Programme and Other Operating costs increased by R3.3 million (12.3%) from a combined total of R26.6 million in 2021/22 FY to R29.9 million in 2022/23 FY.

The Secretariat held the first ever SACU Investment Roundtable during the year. This event, together with concluding a legal matter and the increased uptake of physical meetings (in a post-pandemic world) resulted in an overall 15.2% increase in Programme Expenditure. Other Operating Expenditure increased by 11.0% mainly due to external economic factors, some once-off costs and an increase in the provision of depreciation.

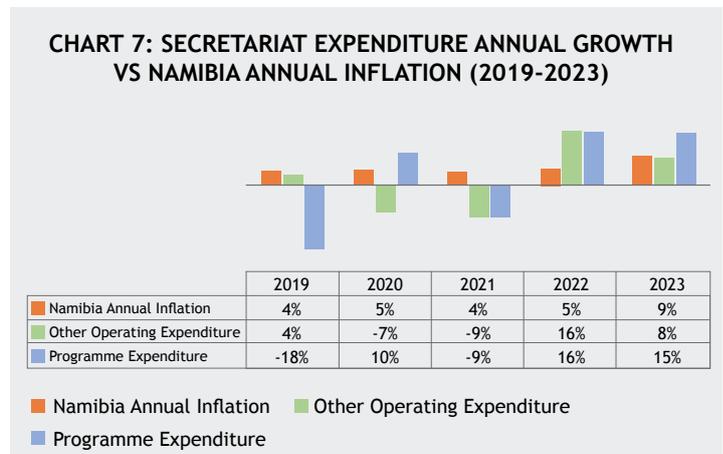
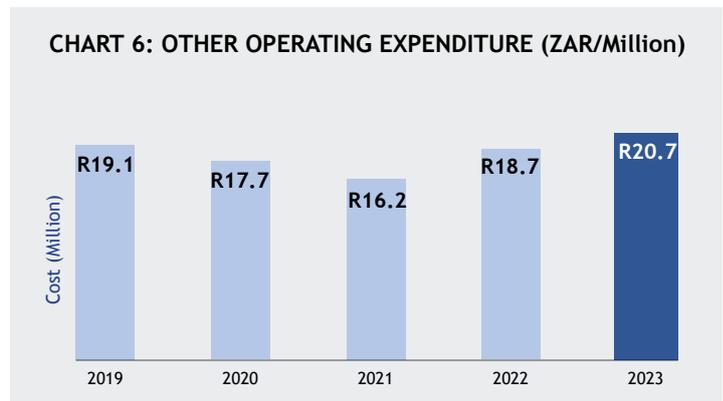
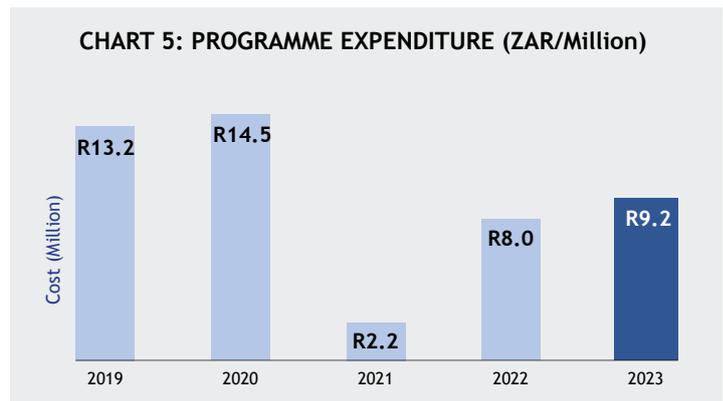
PROGRAMME EXPENDITURE:

This expenditure category has increased from R8.0 million in 2021/22 FY, to R9.2 million in 2022/23 FY. SACU held the Investment Roundtable during the current year, at a cost of R1.8 million. In addition, there were several physical missions undertaken during the year, aimed at progressing the SACU Strategic Plan 2022-2027. These missions resulted in the travel costs, as well as hosting and convening of meetings cost, increasing by R4.0 million from R24,239 in 2021/22 FY to R3.99 million in 2022/23 FY.

During the year the dispute between the European Union (EU) and SACU on poultry safeguard measures under the EU-SADC EPA was concluded. This matter cost R3.9 million in the 2022/23 FY.

OTHER OPERATING EXPENDITURE:

The operating expenses increased from R18.7 million in 2021/22 FY, to R20.7 million in 2022/23 FY. This is mainly due to once-off costs resulting from the repatriation of some staff, recruitment of the Executive Secretary, as well as depreciation costs of Secretariat assets (which included the impairment highlighted in the expenditure overview). Operating costs were also influenced by general inflation rates which stood at 9% for the 2022 calendar year, and the devaluation of the ZAR against the USD by 21.9% during the FY. This meant certain goods and services such as ICT Hardware & Software became more expensive to procure. These factors resulted in an 8% increase in Other Operating Expenditure for the 2022/23 FY.



Namibia Inflation rates reflect previous year calendar year results, therefore 2023 FY = 2022 Calendar Year

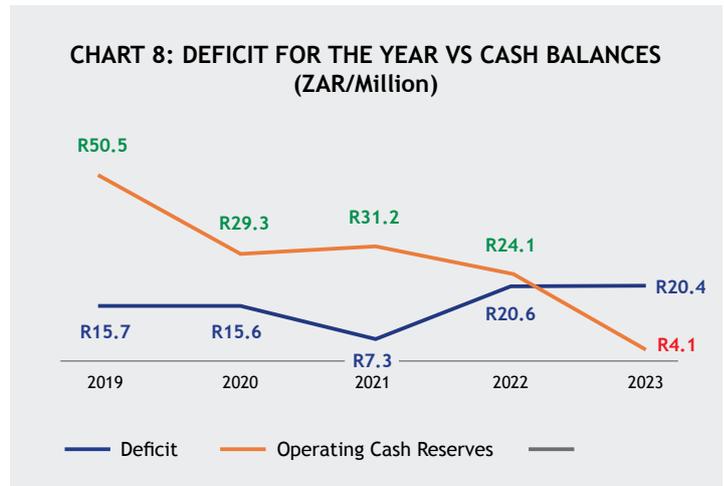
CASH MANAGEMENT

The Secretariat has realised an accounting deficit for the year amounting to R20.4 million, a reduction from the 2021/22 FY deficit of R20.6 million by 1.0%.

R15.5 million of the 2022/23 FY deficit was financed from cash reserves held by the organisation, while part of the deficit relate to the non-cash depreciation (R8.1 million).

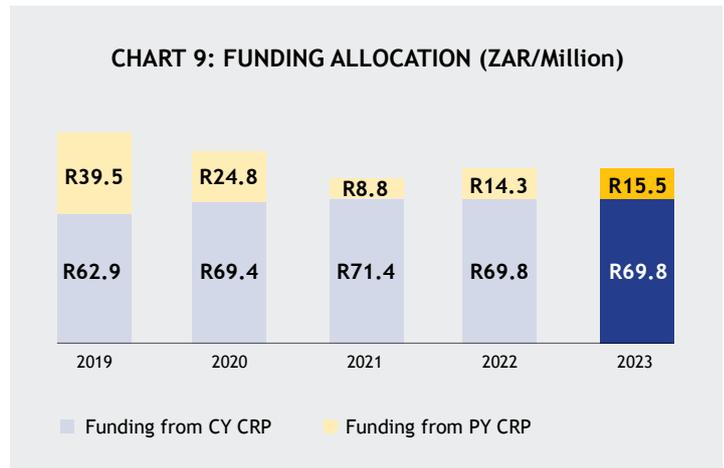
The Secretariat’s operating cash declined by 83.0% from R24.1 million in the 2021/22 FY to R4.1 million at the 2022/23 FY:

This decline is a result of the organisation’s strategy to reduce the amount of excess cash balances held. The Secretariat has achieved this objective and now hold minimal excess cash reserves.



The Secretariat operations are primarily funded by the CRP at R69.8 million.

Excess cash reserves funding increased from R14.3 million in the 2021/22 FY to R15.5 million in the 2022/23 FY. At the end of the 2022/23 FY, the Secretariat held a cash balance of R4.1 million for operations.

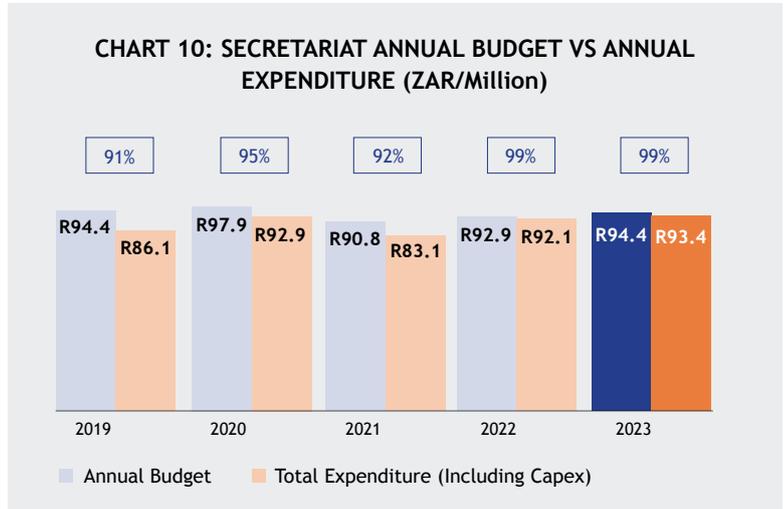


ABSORPTION TRENDS

The Secretariat spent R93.4 million from a budget of R94.4 million in the 2022/23 FY.

On average, over the last five (5) FYs beginning 2018/19 FY to 2022/23 FY, the Secretariat has an average budget absorption rate of 95%. In addition to the annual budget, the SACU Council of Ministers approved that certain once off activities be financed from the Secretariat’s Accumulated Funds provision. Such once-off activities are not included in the results in Chart 10.

In this regard, in 2022/23 FY, the SACU Council approved the financing of R1.7 million for the SACU Investment Roundtable from the Accumulated Funds, while in the 2021/22 FY, an amount of R4.2 million was also approved for the dispute between the EU and SACU on poultry safeguard measures under the EU-SADC EPA.





ANNUAL FINANCIAL STATEMENTS

SOUTHERN AFRICAN CUSTOMS UNION

Annual Financial Statements for the year ended 31 March 2023

Prepared by: Gaelekane R. Mohale
Professional designation: FCCA (BW/UK)
Reviewed by: Mohammed M. Hoosain
Professional designation: CA (SA)

INDEX

General Information	70
Council of Ministers Responsibilities and Approval	71
Council of Ministers Report	72-73
Auditors Report	74
Statement of Financial Position	77
Statement of Comprehensive Income	78
Statement of Changes in Equity	79
Statement of Cash Flows	80
Notes to the Financial Statements	81-104

SOUTHERN AFRICAN CUSTOMS UNION

Annual Financial Statements for the year ended 31 March 2023

General Information

Country of Incorporation and Domicile	Namibia
Nature of Business and Principal Activities	Customs Union Secretariat
Executive Committee	Mr. T.D. Khasipe (CFA) (Appointed 1 February 2023) Ms. A. Andrade
Council of Ministers	Mr. B.R. Katjipuka Mr. A.P. Iyambo Mr. D.S. Ndwandwe Ms. N.D. Oitsile (Term Ended 5 September 2022) Ms. P.M. Elago (Term Ended 17 October 2022)
Member States	The Republic of Botswana The Kingdom of Eswatini The Kingdom of Lesotho The Republic of Namibia The Republic of South Africa
Registered Office	Corner Julius K. Nyerere and Feld Street Windhoek Namibia
Business Address	Corner Julius K. Nyerere and Feld Street Windhoek Namibia
Postal Address	Private Bag 13285 Windhoek Namibia
Bankers	Standard Bank Namibia Limited Bank Windhoek

SOUTHERN AFRICAN CUSTOMS UNION

Annual Financial Statements for the year ended 31 March 2023

Council of Ministers Responsibilities and Approval

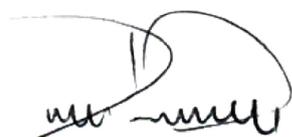
The Council of Ministers are required to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements satisfy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

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

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

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

The annual financial statements set out on pages 4 to 30, and the supplementary information set out on pages 27 to 28 which have been prepared on the going concern basis, were approved by the Council of Ministers and were signed on 30 September 2023 on their behalf by:



Chairperson of the SACU Council of Ministers



Executive Secretary of SACU

Council of Ministers Report

The Council of Ministers present their report for the year ended 31 March 2023.

1. Review of financial results and activities

Main business and operations

The organisation is the Southern African Customs Union Secretariat. There were no major changes herein during the year.

The organisation generated a deficit after tax for the year ended 31 March 2023 of R20,987,347 (2022: R20,646,290).

The organisation's revenue did not increase/(decrease) and remained R69,753,420 for the year ended 31 March 2023.

The organisation cash flows from operating activities changed from an outflow of R6,925,070 in the prior year to an outflow of R16,138,924 for the year ended 31 March 2023.

2. Going concern

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

3. Events after reporting date

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

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

Main business and operations

The Coronavirus (COVID-19) pandemic restrictions were lifted but the economic damage created by the pandemic is still being felt in Member States and this has limited funding for the Secretariat.

4. Council of Ministers interest in contracts

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

Council of Ministers Report

The Council of Ministers present their report for the year ended 31 March 2023.

5. Executive Committee

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

Mr. T.D. Khasipe (CFA) (Appointed 1 February 2023)
Ms. A. Andrade
Mr. B.R. Katjipuka
Mr. A.P. Iyambo
Mr. D.S. Ndwandwe
Ms. N.D. Oitsile (Term Ended 05 September 2022)
Ms. P.M Elago (Term Ended 17 October 2022)

6. Member States

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

The Member States are:

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



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Vasha House Lot 54357,
Central Business District
Email: oag@gov.bw

REPUBLIC OF BOTSWANA
BOTSWANA

Office of the Auditor General
Private Bag 0010
Gaborone
Botswana

OFFICE OF THE AUDITOR GENERAL

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF THE SACU COUNCIL OF MINISTERS

Opinion

I have audited the financial statements of Southern African Customs Union Secretariat for the year ended 31st March 2023. These financial statements comprise the statement of financial position as at 31st March 2023, the statement of comprehensive income, statement of cash flows, notes to the financial statements, and a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Southern African Customs Union Secretariat as at 31st March 2023, its financial performance and its cash flows for the year then ended, in accordance with the International Financial Reporting Standards.

Basis for Opinion

I conducted the audit in accordance with the International Standards for Supreme Audit Institutions (ISSAIs). My responsibilities under those standards are further described in the Auditor's Responsibility section of the report. I am independent of the organisation in accordance with the Code of Ethics of International Organisation for Supreme Audit Institutions (INTOSAI Code) together with the ethical requirements that are relevant to our audit of the financial statements in Botswana, and I have fulfilled my other ethical responsibilities in accordance with these requirements and the INTOSAI Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide the basis for my opinion.

Key Audit Matters

I have determined that there are no key audit matters to communicate in my report.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standards and legislation, and for such internal control as Management determines is necessary to enable the presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the entity's financial reporting process.

Auditor's Responsibility

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 International Standards for Supreme Audit Institutions will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

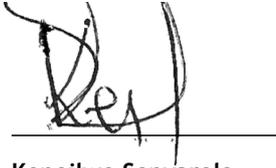
As part of an audit in accordance with International Standards for Supreme Audit Institutions, I exercise professional skepticism throughout the audit. I also:

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

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 that I identify during my audit.

I also provide those charged with governance 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 most significant 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.



Keneilwe Senyarelo
Acting Auditor General
Dated: 11/10/2023

SOUTHERN AFRICAN CUSTOMS UNION

Annual Financial Statements for the year ended 31 March 2023

Statement of Financial Position

Figures in R	Notes	2023	2022
Assets			
Non-current assets			
Property, plant and equipment	3	91,424,209	87,297,917
Intangible assets		1,095,504	1,951,843
Total non-current assets		92,519,713	89,249,760
Current assets			
Trade and other receivables	4	3,277,748	3,123,813
Cash and cash equivalents	5	12,018,098	29,325,461
Total current assets		15,295,846	32,449,274
Total assets		107,815,559	121,699,034
Accumulated Funds and liabilities			
Accumulated Funds			
Deficit for the year		(20,987,347)	(20,646,290)
Revaluation reserve	7	54,340,328	43,553,842
Accumulated surplus	7	65,378,208	86,024,500
Total accumulated funds		98,731,189	108,932,052
Liabilities			
Current liabilities			
Provisions	8	3,604,894	5,585,626
Trade and other payables	9	5,479,476	7,181,356
Bank overdraft			
Total current liabilities		9,084,370	12,766,982
Total liabilities		9,084,370	12,766,982
Total accumulated funds and liabilities		107,815,559	121,699,034

SOUTHERN AFRICAN CUSTOMS UNION

Annual Financial Statements for the year ended 31 March 2023

Statement of Comprehensive Income

Figures in R	Notes	2023	2022
Revenue	10	69,753,420	69,753,420
Administrative expenses	11	(1,511,256)	(1,313,793)
Other expenses	12	(90,535,232)	(90,511,718)
Deficit from operating activities		(22,293,068)	(22,072,091)
Finance income	14	1,075,229	1,367,983
Gain/(loss) on foreign exchange	15	(368)	(1,444)
Deficit from continuing operations		(21,218,207)	(20,705,552)
Surplus from discontinued operations	6	230,860	59,262
Deficit for the year		(20,987,347)	(20,646,290)
Deficit for the year attributable to Member States arises from:			
Continuing operations		(21,218,207)	(20,705,552)
Discontinuing operations (Disposal of fixed assets)		230,860	59,262
		(20,987,347)	(20,646,290)

SOUTHERN AFRICAN CUSTOMS UNION

Annual Financial Statements for the year ended 31 March 2023

Statement of Changes in Equity

Figures in R	Revaluation surplus	Accumulated surplus	Deficit for the year	Total
Balance at 1 April 2021	43,553,842	124,709,772	(38,685,274)	129,578,340
Changes in accumulated funds				
Deficit for the year	-	-	(20,646,290)	(20,646,290)
Total comprehensive income			(20,646,290)	(20,646,290)
Revaluations during the year	-	-	-	-
Balance at 31 March 2022	43,553,842	124,709,772	(59,331,564)	108,932,050
Balance at 1 April 2022	43,553,842	124,709,772	(59,331,564)	108,932,050
Changes in accumulated funds				
Deficit for the year	-	-	(20,987,347)	(20,987,347)
Total comprehensive income	-	-	(20,987,347)	(20,987,347)
Revaluations during the year	10,786,486	-	-	10,786,486
Balance at 31 March 2023	54,340,328	124,709,772	(80,318,911)	98,731,189

SOUTHERN AFRICAN CUSTOMS UNION

Annual Financial Statements for the year ended 31 March 2023

Statement of Cash Flows

Figures in R	Notes	2023	2022
Net cash flows used in operations	19	(17,213,785)	(8,291,609)
Gain/(loss) on foreign exchange		(368)	(1,444)
Interest received		1,075,229	1,367,983
Net cash flows used in operating activities		(16,138,924)	(6,925,070)
Cash flows used in investing activities			
Disposal of property, plant and equipment (canying cost)		245,222	300,238
Purchase of property, plant and equipment		(1,410,427)	(4,409,722)
Instangible assets disposals		7,326	-
Purchase of intangible assets		(10,560)	(49,400)
Cash flows used in investing activities		(1,168,439)	(4,158,884)
Net decrease in cash and cash equivalents		(17,307,363)	(11,083,954)
Cash and cash equivalents at beginning of the year		29,325,461	40,409,415
Cash and cash equivalents at end of the year	5	12,018,098	29,325,461

SOUTHERN AFRICAN CUSTOMS UNION

Annual Financial Statements for the year ended 31 March 2023

Notes to the Financial Statements

Figures in R

2023

2022

1. General information

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

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

2. Basis of preparation and summary of significant accounting policies

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

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

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

3. Property, plant and equipment

3.1 Accounting policies

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

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

SOUTHERN AFRICAN CUSTOMS UNION

Annual Financial Statements for the year ended 31 March 2023

Notes to the Financial Statements

Figures in R

2023

2022

Property, plant and equipment continued...

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

Asset Class	Measurement base	Useful life / depreciation rate
Land	Revaluation Model	Indefinite
Buildings	Revaluation Model	20 years
Motor vehicles	Cost Model	5 years
Office furniture and fittings	Cost Model	6 years
Household furniture and fittings	Cost Model	6 years
Office equipment	Cost Model	5 years
Computer equipment - servers or infrastructure items	Cost Model	5 years
Computer equipment - laptop computers and mobile items	Cost Model	3 years

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

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

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

SOUTHERN AFRICAN CUSTOMS UNION

Annual Financial Statements for the year ended 31 March 2023

Notes to the Financial Statements

Figures in R

2023

2022

Property, plant and equipment continued...

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

- The assets' residual values, useful lives and depreciation methods are reviewed annually, and adjusted prospectively if appropriate, if there is an indication of significant change since the last reporting date.
- An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.
- Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other gains /(losses)' in the statement of comprehensive income.

SOUTHERN AFRICAN CUSTOMS UNION

Annual Financial Statements for the year ended 31 March 2023

Notes to the Financial Statements

Figures in R

2023

2022

Property, plant and equipment continued...

3.2 Balances at year end and movements for the year

	Land	Buildings	Motor vehicles
Reconciliation for the year ended 31 March 2023			
Balance at 1 April 2022			
At cost	29,856,750	64,502,633	2,426,645
Accumulated depreciation	-	(13,782,901)	(1,031,316)
Net book value	29,856,750	50,719,732	1,395,329
Movements for the year ended 31 March 2023			
Additions from acquisitions	-	65,654	1,043,846
Depreciation	-	(5,564,443)	(183,442)
Revaluation increase (decrease)	(2,263,950)	13,050,436	-
Carrying Value on Disposals	-	-	(172,670)
Property, plant and equipment at the end of the year	27,592,800	58,271,379	2,083,063
Closing balance at 31 March 2023			
At cost	27,592,800	64,555,403	2,894,922
Accumulated depreciation	-	(6,286,087)	(811,859)
Net book value	27,592,800	58,269,316	2,083,063
Balance at 1 April 2021			
At cost or revaluation	29,856,750	63,787,000	3,035,869
Accumulated depreciation	-	(8,263,750)	(1,557,683)
Net book value	29,856,750	55,523,250	1,478,186
Movements for the year ended 31 March 2023			
Additions from acquisitions	-	715,632	374,896
Depreciation	-	(5,519,150)	(162,517)
Carrying Value on Disposals	-	-	(295,236)
Property, plant and equipment at the end of the year	29,856,750	50,719,732	1,395,329
Closing balance at 31 March 2023			
At cost	29,856,750	64,502,633	2,426,645
Accumulated depreciation	-	(13,782,901)	(1,031,316)
Net book value	29,856,750	50,719,732	1,395,329

SOUTHERN AFRICAN CUSTOMS UNION

Annual Financial Statements for the year ended 31 March 2023

Notes to the Financial Statements

Figures in R

2023

2022

Office furniture and fittings	Household furniture and fittings	Office equipment	Computer equipment	Total
8,051,738	2,095,351	365,867	11,657,249	118,956,233
(7,160,587)	(1,777,435)	(299,722)	(7,606,355)	(31,658,316)
891,151	317,916	66,145	4,050,894	87,297,917
-	87,008	-	213,919	1,410,427
(53,582)	(70,330)	(12,752)	(1,940,850)	(7,825,399)
-	-	-	-	10,786,486
(3,878)	(865)	(1,652)	(66,157)	(245,222)
833,691	333,729	51,741	2,257,806	91,424,209
7,978,525	1,890,669	321,984	10,637,971	115,872,274
(7,144,834)	(1,556,940)	(270,243)	(8,378,102)	(24,448,065)
833,691	333,729	51,741	2,259,869	91,424,209
8,088,986	2,060,134	338,833	8,665,567	115,833,139
(7,157,547)	(1,692,361)	(298,828)	(6,983,495)	(25,953,664)
931,439	367,773	40,005	1,682,072	89,879,475
14,551	59,954	38,585	3,206,104	4,409,722
(53,324)	(107,136)	(12,004)	(836,911)	(6,691,042)
(1,515)	(2,675)	(441)	(371)	(300,238)
891,151	317,916	66,145	4,050,894	87,297,917
8,051,738	2,095,351	365,867	11,657,249	118,956,233
(7,160,587)	(1,777,435)	(299,722)	(7,606,355)	(31,658,316)
891,151	317,916	66,145	4,050,894	87,297,917

Notes to the Financial Statements

Figures in R

2023

2022

Property, plant and equipment continued...

3.2 Impairment of Video Conferencing Equipment

During the period ended 31 March 2023, management conducted an assessment of its assets in accordance with IAS 36, which requires an entity to test whether there is any indication that an asset may be impaired. In the course of this assessment, it was determined that part of the Video Conferencing (VC) System should be impaired due to the software service provider, StarLeaf, falling into administration.

Nature of Impairment:

The impaired asset was identified as the main communication components of the VC system which interfaces with the StarLeaf software installed in the system. The hardware and software have a total carrying amount of R525,674. The impairment arose as a direct consequence of StarLeaf entering into administration and being unable to support the software. As the sole developer of the technology, which communicates via the StarLeaf Cloud, the asset no longer operational and is therefore incapable of generating the anticipated future benefits to SACU.

Financial Impact:

The impairment loss of R525,674 has been recognised in the 2022/23 financial statements of the SACU Secretariat. The impairment loss has been accounted for as an expense (under depreciation of IT Equipment) in the Statement of Comprehensive Income for the year ended 31 March 2023. This impairment has been taken into consideration in determining the recoverable amount of the asset.

Disclosure of Key Assumptions:

In determining the impairment, management considered various assumptions, including projections of future cash flows, the estimated useful life of the asset, and the appropriate discount rate. These assumptions are based on the best available information at the time of assessment and are subject to change based on future developments.

Management's Plan:

Management is actively pursuing and evaluating potential substitutes for the hardware and software to mitigate the impact of the impaired asset, including sourcing alternative suppliers and technologies.

SOUTHERN AFRICAN CUSTOMS UNION

Annual Financial Statements for the year ended 31 March 2023

Notes to the Financial Statements

Figures in R

2023

2022

4. Trade and other receivables

4.1 Accounting policies

Trade receivables are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the organisation will not be able to collect all amounts due according to the original terms of the receivables.

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

4.1 Accounting policies

Sundry debtors	5,684	-
Prepaid expenses	690,414	847,011
Sundry employee receivables	54,593	1,359
Value added tax refundable	2,371,522	2,275,443
Interest receivable	155,535	-
Total trade and other receivables	3,277,748	-3,123,813

SOUTHERN AFRICAN CUSTOMS UNION

Annual Financial Statements for the year ended 31 March 2023

Notes to the Financial Statements

Figures in R

2023

2022

5. Cash and equivalents

5.1 Accounting policies

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

5.2 Cash and cash equivalents comprise:

Cash

Cash on hand	399	468
Balances with banks	4,017,699	9,929,847
Total cash	4,018,098	9,930,315

Cash equivalents

Short term investments	8,000,000	19,395,146
Total cash equivalents	8,000,000	19,395,146

Total cash and cash equivalents

included in current assets	12,018,098	29,325,461
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Net cash and cash equivalents

	12,018,098	29,325,461
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5.3 Detail of cash and cash equivalent balances

Bank balances

Standard Bank Current Account	1,293,722	24,910
Standard Bank Call Account	1,501,399	1,099,846
Bank Windhoek Current Account	248,456	720,939
Bank Windhoek Call Account	974,122	8,084,152
Total	4,017,699	9,929,847

Short term investments

Short term investment classified as cash	8,000,000	19,395,146
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SOUTHERN AFRICAN CUSTOMS UNION

Annual Financial Statements for the year ended 31 March 2023

Notes to the Financial Statements

Figures in R

2023

2022

6. Discontinued operations

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

Gain or loss recognised on the disposal of assets	230,860	59,262
	230,860	59,262
Amount per statement of comprehensive income	230,860	59,262
Attributable to the Secretariat	230,860	59,262
	230,860	59,262

7. Reserves

Nature and purpose of reserves

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

Opening Balance	43,553,842	43,553,842
Revaluations during the year	10,786,486	-
	54,340,328	43,553,842

The Accumulated surplus is the aggregate movement in deficit or surplus for the year and movement in revaluation reserve.

Opening Balance of Accumulated surplus	86,024,500	93,274,665
Retained deficit for prior year	(20,646,285)	(7,250,165)
Balance of Accumulated surplus before current year deficit	65,378,211	86,024,500

SOUTHERN AFRICAN CUSTOMS UNION

Annual Financial Statements for the year ended 31 March 2023

Notes to the Financial Statements

Figures in R

2023

2022

8. Provisions

8.1 Accounting policies

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

Provisions are measured at the present value of the amount expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

8.2 Provisions comprise:

Provisions for leave pay	1,263,836	2,654,682
Provisions for performance bonus	2,341,058	2,930,944
Total provisions	3,604,894	5,585,626
Provisions for leave pay	1,263,836	2,654,682
Provisions for performance bonus	2,341,058	2,930,944
Current portion	3,604,894	5,585,626
Total provisions	3,604,894	5,585,626

8.3 Provisions for employee benefits

	Leave pay provision	Total
Balance at 1 April 2022	2,654,682	2,654,682
Leave paid out during the year	(910,403)	(910,403)
Decrease in existing provision	(480,443)	(480,443)
Total changes	(1,390,846)	(1,390,846)
Balance at 31 March 2023	1,263,836	1,263,836

SOUTHERN AFRICAN CUSTOMS UNION

Annual Financial Statements for the year ended 31 March 2023

Notes to the Financial Statements

Figures in R

2023

2022

Provisions continued...

8.4 Details of employee benefit provisions

Leave pay provision

The leave obligations cover the Secretariat's liabilities for annual leave which are classified as either other long-term benefits or short-term benefits, as explained under Employee benefits in note 10.3 below.

The current portion of this liability includes all of the accrued annual leave. The entire amount of the provision of R1,263,836 (2022 - R2,654,682) is presented as current, since the organisation does not have an unconditional right to defer settlement for any of these obligations. However, based on past experience, the organisation does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months. The following amounts reflect leave that is not expected to be taken or paid within the next 12 months R860,424 (2022 - R1,324,415).

8.5 Provisions for performance bonus

Nature and purpose of reserves

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

	Provision	Total
Balance at 1 April 2022	2,930,944	2,930,944
New provisions	2,930,856	2,930,856
Bonus paid out	(2,968,939)	(2,968,939)
2021/22 Under provisions recognised	(551,803)	(551,803)
Total changes	(589,886)	(589,886)
Balance at 31 March 2023	2,341,058	2,341,058

SOUTHERN AFRICAN CUSTOMS UNION

Annual Financial Statements for the year ended 31 March 2023

Notes to the Financial Statements

Figures in R

2023

2022

9. Trade and other payables

9.1 Accounting policies

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

9.2 Trade and other payables comprise:

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

Trade creditors	5,441,358	7,165,015
Bank liabilities	38,118	16,341
Total trade and other payables	5,479,476	7,181,356

9.3 Employee benefits

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

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

SOUTHERN AFRICAN CUSTOMS UNION

Annual Financial Statements for the year ended 31 March 2023

Notes to the Financial Statements

Figures in R

2023

2022

Trade and other payables continued...

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

Included in the payables below is an insurance claim received of R0 (2022 - R8,890) relating to a damaged Household appliance. The item has been handed to the insurer and disposal from the fixed asset register is awaiting the Procurement Committee approval. This payable will then be classified as proceeds on disposal of fixed assets.

Value added tax	2,951,763	-
Trade payables	1,324,980	6,160,589
Staff payables	35,240	37,949
Accruals	1,129,375	682,520
Retention payable	-	275,067
Insurance claims	-	8,890
Total liabilities included in trade and other payables	5,441,358	7,165,015
Total trade and other payables excluding nonfinancial liabilities included in trade and other payables	38,118	16,341
Total trade and other payables	5,479,476	7,181,356

SOUTHERN AFRICAN CUSTOMS UNION

Annual Financial Statements for the year ended 31 March 2023

Notes to the Financial Statements

Figures in R

2023

2022

Trade and other payables continued...

9.5 Analysis of the periods and the amounts due

Creditor	Current	30 days	60 days	90 days	120 days	150+ days	Total
31 March 2023							
Value Added tax	-	-	-	-	-	2,951,763	2,951,763
Trade payables	1,126,825	184,303	10,102	-	-	3,750	1,324,980
Staff Payables	35,240	-	-	-	-	-	35,240
Accruals	990,965	53,967	1,350	900	82,193	-	1,129,375
Credit card Liability	38,118	-	-	-	-	-	38,118
	2,191,148	238,270	11,452	900	82,193	2,955,513	5,479,476
31 March 2022							
Trade payables	3,973,732	2,164,918	3,393	3,393	4,968	10,178	6,160,581
Staff payables	29,584	6,085	456	456	456	912	37,949
Accruals	642,066	30,663	-	-	2,627	7,157	682,513
Retention payable	275,067	-	-	-	-	-	275,067
Insurance claim	8,890	-	-	-	-	-	8,890
Credit Card Liability	16,356	-	-	-	-	-	16,356
	4,945,696	204,901	3,849	3,849	8,050	18,247	7,181,356

SOUTHERN AFRICAN CUSTOMS UNION

Annual Financial Statements for the year ended 31 March 2023

Notes to the Financial Statements

Figures in R

2023

2022

10. Revenue

10.1 Accounting policies

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

Revenue from the Common Revenue Pool is recognised when:

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

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

10.2 Revenue comprises:

Common Revenue Pool	69,753,420	69,753,420
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11. Administrative expenses

Administrative expenses comprise:

Auditors fee	220,339	218,327
Bank charges	71,016	59,432
Communication costs	909,519	758,988
Subscriptions and reference materials	310,382	277,046
Total administrative expenses	1,511,256	1,313,793

SOUTHERN AFRICAN CUSTOMS UNION

Annual Financial Statements for the year ended 31 March 2023

Notes to the Financial Statements

Figures in R

2023

2022

12. Other expenses

Other expenses comprise:

Advertising	89,220	15,120
Amortisation	859,573	902,214
Depreciation	7,825,399	6,691,042
Electricity, water and refuse	824,452	671,897
Employee costs	62,132,091	65,180,646
Hospitality and staff wellness	264,030	147,873
Hosting and convening of Member States technical meetings	1,616,887	9,720
Household expenses	427,490	440,139
Insurance	251,839	254,162
IT services	1,344,997	1,425,488
Media and Public relations	705,127	617,518
Motor vehicle expense	177,545	70,395
Office Supplies	409,365	611,619
Professional fees	6,873,043	9,424,737
Recruitment costs	452,920	73,422
Relocation costs	482,337	17,200
Rent for disaster recovery site	1,630,013	1,935,218
Repairs and maintenance	897,817	881,634
Security	898,298	926,630
Training	-	200,525
Travel, accommodation and subsistence	2,372,789	14,519
Total other expenses	90,535,232	90,511,718

SOUTHERN AFRICAN CUSTOMS UNION

Annual Financial Statements for the year ended 31 March 2023

Notes to the Financial Statements

Figures in R

2023

2022

13. Foreign exchange gains and losses

Accounting policies

Functional and presentation currencies

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

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in surplus or deficit.

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

14. Finance income

Finance income comprises:

Interest received	454,991	664,258
Investment income	620,238	703,725
Total finance income	1,075,229	1,367,983

SOUTHERN AFRICAN CUSTOMS UNION

Annual Financial Statements for the year ended 31 March 2023

Notes to the Financial Statements

Figures in R

2023

2022

15. Finance costs

15.1 Accounting policies

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

15.2 Finance costs included in surplus or deficit:

Foreign exchange losses	368	1,444
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16. Related parties

Compensation paid to key management personnel		
Executive Committee Benefits	16,957,334	18,709,679
Total compensation paid to key management personnel	16,957,334	18,709,679

17. Events after the reporting date

The SACU Secretariat has completed the Strategic Plan. This plan will inform the review of the organisational structure. There is no financial effect on the current period, as the work has not been completed yet.

SOUTHERN AFRICAN CUSTOMS UNION

Annual Financial Statements for the year ended 31 March 2023

Notes to the Financial Statements

Figures in R

2023

2022

18. Insurance policies

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

Underwriter	Description of Cover	Description of Cover
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King Price Insurance	Short term insurance	
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Insurer 1

Policy number	KP472283
Period of cover	36 months
Policy expiry date	31-Mar-24
Payment basis	Quarterly
Sum insured	178,048,132

19. Cash flows from operating activities

Deficit for the year

Adjustments for:	(20,987,347)	(20,646,290)
Finance income	(1,075,229)	(1,367,983)
Finance costs	368	1,444
Depreciation and amortisation expense	8,684,972	7,593,256

Change in operating assets and liabilities:

Adjustments for (increase) / decrease in trade accounts receivable	(257,390)	2,143,254
Adjustments for decrease / (increase) in other operating receivables	103,455	(343,527)
Adjustments for (decrease) / increase in trade accounts payable	(1,723,649)	4,119,595
Adjustments for increase in other operating payables	21,767	14,008
Adjustments for provisions	(1,980,732)	194,634
Net cash flows from operations	(17,213,785)	(8,291,609)

SOUTHERN AFRICAN CUSTOMS UNION

Annual Financial Statements for the year ended 31 March 2023

Notes to the Financial Statements

Figures in R

2023

2022

20. Commitments

Tender commitments

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

Commitments for contracts beyond 31 March 2023

Deficit for the year

Adjustments for:

Cleaning services	620,862	-
Disaster Recovery Plan	441,991	2,171,129
Network support	30,664	293,304
Upgrade of the Trade Database Application	100,890	100,890
Security services	694,991	378,648
SharePoint support	145,303	149,532
Extranet technical support	164,956	156,480
Supply and delivery of replacement laptops	-	185,451
Develop the SACU Strategic Plan and Review of the Organisational Structure	887,090	427,738
Review of Risk Management Policy and Procedures	-	115,914
Implementation of Fraud and Corruption prevent	-	37,740
Production of the SACU Annual Report	53,000	102,559
Insurance Services	288,784	189,018
Records Achieval Services	29,457	-
	3,457,987	4,308,402

Rollover

The SACU Secretariat undertook activities related to procurement of goods and services from various suppliers which were not completed by the end of the financial year. Approval was granted to rollover these activities to the next financial year as a commitment was made to the suppliers. Most of the activities are in the process of being completed by 31 May 2023.

SOUTHERN AFRICAN CUSTOMS UNION

Annual Financial Statements for the year ended 31 March 2023

Notes to the Financial Statements

Figures in R

2023

2022

Commitments continued...

Review of the SACU Strategic Plan and Organisational Structure	887,090	-
Upgrade of the SharePoint system	265,150	-
Production of the SACU 2021 Annual Report	-	97,000
Supply and delivery of replacement laptops	-	185,451
Review of Risk Management Policy and Procedures	-	115,914
Develop a SACU Strategic Plan and Organisational Structure	-	376,238
Wellness day	-	72,421
	1,152,240	847,023

SOUTHERN AFRICAN CUSTOMS UNION

Annual Financial Statements for the year ended 31 March 2023

Notes to the Financial Statements

Figures in R

2023

2022

21. IFRS-16 Leases departure

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

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

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

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

SOUTHERN AFRICAN CUSTOMS UNION

Annual Financial Statements for the year ended 31 March 2023

Detailed Income Statement

Figures in R	Notes	2023	2022
Revenue	10		
Common Revenue Pool		69,753,420	69,753,420
Total revenue		69,753,420	69,753,420
Administrative expenses	11		
Auditors fees		(220,339)	(218,327)
Bank charges		(71,016)	(59,432)
Communication costs		(909,519)	(758,988)
Subscriptions and reference materials		(310,382)	(277,046)
Total administrative expenses		(1,511,256)	(1,313,793)
Other expenses	12		
Advertising		(89,220)	(15,120)
Amortisation - intangible assets		(859,573)	(902,214)
Depreciation - property, plant and equipment		(7,825,399)	(6,691,042)
Electricity, water and refuse		(824,452)	(671,897)
Employee costs - salaries		(62,132,091)	(65,180,646)
Hospitality and staff wellness		(264,030)	(147,873)
Hosting and convening of Member States technical meetings		(1,616,887)	(9,720)
Household expenses		(427,490)	(440,139)
Insurance		(251,839)	(254,162)
IT services		(1,344,997)	(1,425,488)
Media and Public relations		(705,127)	(617,518)
Motor vehicle expense		(177,545)	(70,395)
Office Supplies		(409,365)	(611,619)
Professional fees		(6,873,043)	(9,424,737)
Recruitment costs		(452,920)	(73,422)
Relocation costs		(482,337)	(17,200)
Rent for disaster recovery site		(1,630,013)	(1,935,218)
Repairs and maintenance		(897,817)	(881,634)
Security		(898,298)	(926,630)
Training		-	(200,525)
Travel, accommodation and subsistence		(2,372,789)	(14,519)
Total other expenses		(90,535,232)	(90,511,718)

SOUTHERN AFRICAN CUSTOMS UNION

Annual Financial Statements for the year ended 31 March 2023

Detailed Income Statement

Figures in R	Notes	2023	2022
Deficit from operating activities		(22,293,068)	(22,072,091)
Finance income	14		
Interest received		454,991	664,258
Investment income		620,238	703,725
Total finance income		1,075,229	1,367,983
Finance costs	15		
Foreign exchange losses		(368)	(1,444)
Total finance costs		(368)	(1,444)
Deficit from continuing operations		(21,218,207)	(20,705,552)
Discontinued operations			
Gain or loss recognised on the disposal		230,860	59,262
Surplus from discontinued operations		230,860	59,262
Deficit for the year		(20,987,347)	(20,646,290)

LIST OF TABLES

Table 1: Strategic Projects as implemented under the SACU Strategic Pillars

Table 2: Member States' Revenue Shares (Billion Rand) for 2021/22 FY and 2022/23 FY)

Table 3: INTRA-SACU Imports Statistics (R Millions)

LIST OF FIGURES

Figure 1: AEO Programme Uptake in SACU

Figure 2: Data Match Rate between South Africa and BELN Member States

Figure 3: World and Regional Economic Growth Rates (annual % change)



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