Since 1910

SACU

SOUTHERN AFRICAN CUSTOMS UNION

ANNUAL REPORT 2016

CONTENTS

VISION

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

MISSION

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

H.E. Lt. General Dr. Seretse Khama Ian Khama, President of the Republic of Botswana, H.E. Jacob Zuma, the President of the Republic of South Africa, H.E. Dr. Hage Geingob, President of the Republic of Namibia, Rt. Hon. Dr. Barnabass Sibusiso Dlamini, Prime Minister of the Kingdom of Swaziland.

Back row: Hon. Mathetjoa Metsing, Deputy Prime Minister of the Kingdom of Lesotho, and Ms Paulina M. Elago, Executive Secretary of SACU.

WORK PROGRAMME

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

ADMINISTRATION

Business address:	Corner Feld and Lazarett Street Windhoek Namibia	**Bankers:**	Standard Bank Namibia Limited
Postal address:	Private Bag 13285 Windhoek Namibia	**External auditors:**	Auditor General of South Africa PO Box 446 Pretoria South Africa 0001

MESSAGE FROM THE CHAIRPERSON OF THE SACU COUNCIL OF MINISTERS

HONOURABLE MARTIN G. DLAMINI

It is my great pleasure to present the SACU Annual Report for the 2015/16 Financial Year. The report highlights the achievements made and challenges encountered in the implementation of the SACU Work Programme during the 2015/16 Financial Year.

During the year under review, the SACU Work Programme was implemented under a weak global economic environment, albeit with elements of recovery in some regions. In this regard, the global economy slowed down to 3.1 percent in 2015 compared to 3.4 percent in 2014. The moderate growth in the global economy was mainly due to a slowdown in growth in the emerging and developing economies, with China moderating to 6.9 percent in 2015 from 7.3 percent in 2014, while other major emerging markets fell into recession. The US economy grew by 2.4 percent in 2015, which is unchanged from the growth recorded in 2014, while economic activities in the Euro zone and Japan improved during the same period. The slow growth in the global economy is attributed to the slowdown in global trade, a rise in financial market volatility and capital outflows.

Sub-Saharan African economies registered a slower growth of 3.4 percent in 2015 compared to 5.1 percent in 2014. The slowdown is attributed to low commodity prices, weak export demand and capital market volatilities associated with relatively lower growth in China and other key emerging markets economies.

In the SACU region, a similar trend was observed, with the economic growth slowing to an average of 2.2 percent in 2015 compared to 3.5 percent recorded in 2014. The low economic growth rate was experienced in all the Member States with Botswana recording a contraction of 0.3 percent. Low commodity prices, coupled with weak export demand and the prevailing drought in the region contributed to the slowdown in growth. The collapse in world oil prices in late 2014 and early 2015 resulted in SACU Member States continuing to register single digit inflation rates in 2015.

On the financial management side, the Secretariat continued to achieve unqualified audit reports since its inception. Further, the Secretariat also commenced the process of implementing a Business Continuity plan in order to ensure that operations of the Secretariat are not disrupted in the event of a disaster and/or crisis.

Despite the fact that no ordinary meetings of the Council were convened in the year under review; a Special Meeting of the Council was held on 11 November 2015. The SACU Heads of State and Government undertook strategic consultations on the SACU agenda on 12 November 2015. In addition to this, the Secretariat initiated work on the revision of the Rules of Procedure for SACU institutions to take into account evolving practices in SACU, as well as global developments.

On the trade front, the SACU-MERCOSUR Preferential Trade Agreement ratification process was concluded in December 2015 by the SACU and MERCOSUR countries, for it to enter into force

"The slow growth in the global economy is attributed to the slowdown in global trade, a rise in financial market volatility and capital outflows"

in the 2016/17 Financial Year. Further, SACU continued to participate in the discussions on the establishment of a Continental Free Trade Agreement to be established by 2017. This will create a single continental market for goods and services, with free movement of business people and investments. The COMESA-EAC-SADC Tripartite Free Trade Area was officially launched at a Summit in Egypt in June 2015. The negotiations on the Economic Partnership Agreement between SADC EPA group and the EU were also concluded and the signing is scheduled for May 2016.

The implementation of the Customs Modernization Programme that is technically supported by the World Customs Organisation and funded by the Swedish International Development Cooperation Agency continued. Preparations were put in place towards the implementation of the World Trade Organisation Trade Facilitation Agreement. The focus for the Customs Modernisation remained:

- IT Connectivity;
- Risk Management and Enforcement;
- Preferred Trader Programme; and
- Customs Legislation.

On the overall Secretariat's performance, I note that in areas where work could not proceed as reprioritization was being undertaken by the Council of Ministers, focus was on improving internal capacity and collaboration with other development partners.

I am pleased to note that during the period under review, the Deputy Executive Secretary of SACU was appointed and assumed duties in August 2015. This followed the directive by the SACU Council of Ministers to strengthen the capacity of the Secretariat at the executive level.

Let me take this opportunity to express my sincere thanks to Ms Paulina Mbala Elago, the Executive Secretary, with whom I have worked closely during my tenure as Council Chair, for her continued dedication and the leadership of the Secretariat. I also wish to extend my gratitude to the staff of the Secretariat for their dedication and commitment in pursuit of the SACU mandate and for serving Member States with diligence and utmost professionalism.

Martin G Dlamini
Minister of Finance, Kingdom of Swaziland and
Chairperson of the SACU Council of Ministers

EXECUTIVE SECRETARY'S REPORT

MS. PAULINA M. ELAGO

This Report highlights the governance of SACU as well as key developments and milestones achieved by the Southern African Customs Union (SACU) for the 2015/16 Financial Year.

The 2015/16 Financial Year was characterised by a subdued global economic growth environment. In line with the weak global growth, the SACU region recorded an average growth of 2.2 percent in 2015 compared to 3.5 percent in 2014. The slowdown in growth was reflected in all Member States with Botswana recording a contraction, while South Africa registered a subdued growth of 1.3 percent, the slowest rate of growth for the country in the recent past. In general, the moderate growth in SACU reflects the impact of electricity deficit, drought and declines in the mining output due to low international commodity prices, especially coal and iron ore.

The year 2015 will be etched in SACU's annals, as it marked the inauguration of the SACU Headquarters by the SACU Heads of State and Government, on 12 November 2015. In his address, His Excellency President Jacob Zuma, the Chairperson of the SACU Summit, stated that the SACU Headquarters "*is a symbol of our collective effort to promote regional growth and development of the SACU region and its people, as well as a symbol of unity among SACU Member States*". This was therefore an important and historic year for SACU.

The occasion of the inauguration of the SACU Headquarters, allowed for the SACU Heads of State and Government to consult on strategic issues. In this regard, the Council of Ministers held a Special Meeting on 11 November 2015, to prepare for the discussions by the SACU Heads of State and Government. A highlight of the discussions was re-affirmation by the SACU Heads of State and Government of their commitment to SACU and its importance to the economies of the Member States.

The Heads of State and Government approved an Approach and Roadmap to re-invigorate the SACU Work Programme, taking into account regional and global developments. The Roadmap comprises, amongst others: (i) Assessment of the status of implementation of the SACU Priority Areas by the Secretariat; (ii) the convening of the Ministerial Retreat in early 2016, to engage on the SACU Work Programme and develop recommendations on a way forward on the SACU Priority Areas and thereafter a Council Meeting to adopt the recommendations; and (iii) the convening of a SACU Summit in 2016 to consider the recommendations of the Ministerial Retreat and provide strategic guidance on the way forward on the SACU Agenda.

On Revenue management, I am pleased to report that notwithstanding the weak global economic growth, the Common Revenue Pool registered a surplus of R4.7 billion, which was factored in the allocation of the Member States' revenue shares for the 2015/16 Financial Year. This was a reversal from the previous Financial Year, when the collections into the Common Revenue Pool experienced a slowdown.

In the area of Trade Facilitation, significant progress was achieved. This includes the approval of a framework for exchange of import and export trade data; the establishment of a Regional Customs Trade Forum that was created as a

“The SACU Headquarters is a symbol of our collective effort to promote regional growth and development of the SACU region and its people, as well as a symbol of unity among SACU Member States”

consultative platform for Customs and the Private Sector; and the SACU Unique Consignment Reference which is a tool design to track consignments in the SACU region. Work continued towards the conclusion of the legislative and operational frameworks required for the Member States to automatically share import and export trade data, to mutually recognise cross border traders in the region, and to adopt a common approach towards risk management, compliance and enforcement. In addition, the SACU Secretariat continued to provide support to the Member States on the implementation of the World Trade Organisation Trade Facilitation Agreement.

The Secretariat successfully hosted a public-private sector stakeholders’ dialogue on Trade Facilitation in September 2015 in Windhoek, Namibia. An awareness campaign was also held in Swaziland in March 2016. The objective of these events was to share knowledge and raise awareness on the SACU, its operations and programmes. Additionally these events sought to enhance the understanding on SACU by the general public. Participants highlighted a number of challenges facing the private sector especially with regards to trade transactions within the SACU region. These include a lack of a single transit bond for cross border movement and harmonised freight carrier licences, as well as the lack of a regional electronic payment system to replace cash payments at the border posts. The Secretariat plans to roll out similar interactive events in Botswana, Lesotho and South Africa in 2016 – 2018.

In the area of Trade Negotiations, SACU continued work to conclude and implement a number of trade agreements with third parties. A major milestone was the conclusion of the ratification process for the MERCOSUR Preferential Trade Agreement in December 2015 by the SACU and MERCOSUR countries. The completion of ratification processes necessitated that both parties put in place certain processes and measures to enable the full implementation of the Agreement. Furthermore, preparatory work on the signing of the EU-SADC Economic Partnership Agreement (EPA), which was concluded in July 2014, was at an advanced stage with the signing of the EPA planned for June 2016.

On the COMESA-EAC-SADC Tripartite Free Trade Area negotiations, the 3rd Tripartite Summit of Heads of State and Government held in Sharm el Sheikh, Egypt, on 10 June 2015 officially launched the Tripartite Free Trade Area. Among the SACU countries, only Namibia and Swaziland have signed the Agreement, which remains open for signature by those Members who did not sign during the Tripartite Summit. The Agreement will come into force once ratification is attained by three quarters of the Member/Partner States.

The extension of the African Growth and Opportunity Act (AGOA), of which all SACU Member States are beneficiaries[1], was another notable development. The new Act extends AGOA until September 2025 and renewed the Generalised System of Preferences (GSP) and the third-country fabric provisions. The renewal of the GSP Program will continue to allow about 5 000 products from about 127 developing countries to enter the United States duty-free.

Another key milestone was the successful conclusion of the 4th WTO Trade Policy Review for SACU, which took place on 4 and 6 November 2015 in Geneva, Switzerland. Senior Officials from all the SACU Member States and Secretariat attended the review. The reviews are generally aimed at examining and evaluating WTO Member countries’ trade and related policies at regular intervals and to contribute to improved adherence by all Members to rules, disciplines and commitments made under the different WTO Agreements. WTO members raised a number of policy issues, that would require SACU to reflect on going forward. These includes a concern on the SACU Common External Tariff, which is composed of ad valorem and non-ad valorem rates, while SACU Member States have individually bound their tariffs at ad valorem rates. The non-ad valorem rates were perceived to pose a risk in applying duties higher than the bound rates. A concern was also raised on the lack of the full implementation of the SACU Agreement, 2002,in particular, the lack of

[1] *The Kingdom of Swaziland has been removed from the list of AGOA beneficiaries from January 2015.*

the establishment and operationalisation of all SACU Institutions and the development of Common Policies.

Further, the WTO Members encouraged SACU to ensure that the Regional Trade Agreements in which SACU Member States are engaged, are consistent with the WTO Agreement, particularly regarding the notifications on Sanitary and Phyto-Sanitary measures, Technical Barriers to Trade and import licensing, for purposes of transparency and predictability.

With regards to the administration and the operational environment of the Secretariat, processes towards improving the budget monitoring systems were implemented in an effort to improve internal controls. Accordingly, an Operational Budget Absorption Status Report was introduced to serve a tool for budget monitoring. The Report includes a procurement plan, which targets the processing of tenders and high-value procurement. Going forward, the Report will provide input to the Monthly Management Accounts, thus allowing for both commitments and spending to be tracked effectively.

In the area of human resources, the Secretariat welcomed seven new staff members, namely: Deputy Executive Secretary, Senior Office Manager, Deputy Director Trade Facilitation, Deputy Director Trade Negotiations, Communications Manager, Communications Officer and Facilities and Administration Officer. The Secretariat also commenced the process of reviewing its human resources policies and the Conditions of Service as well as the Pay Structure, as a way of ensuring that the Secretariat is able to attract, motivate and retain highly competent staff.

The Secretariat continued to develop the Business Continuity Plan, whilst work towards the formulation of an Information Technology Strategy commenced. The Secretariat also focused on the full implementation of the Electronic Document and Records Management System, after the pilot was completed in the previous Financial Year. The assessment of the pilot phase resulted in an improved document management component, definition of user roles, and a clear Roll-out Plan for implementation in 2016.

On the financial management side, the annual external audits of the Secretariat were carried out by the Auditor-General of South Africa. The Secretariat has achieved unqualified audit reports since its inception and strives to continuously achieve this milestone.

In conclusion, I wish to thank the SACU Heads of State and Government, the SACU Council of Ministers, and members of the SACU Commission and Finance and Audit Committee, for their contributions to the governance of SACU and their continued guidance. The performance and milestones highlighted here could not have been achieved without their leadership and strategic guidance. Equally, I wish to extend my sincere appreciation to the Secretariat's staff for their hard work, loyalty and dedication to the organisation and to the Union.

Paulina M Elago
Executive Secretary

H.E. Jacob Zuma, President of the Republic of South Africa, H.E. Dr. Hage G. Geingob, President of the Republic of Namibia, H.E. Lt. General Dr. Seretse Khama Ian Khama, President of the Republic of Botswana, Rt. Hon. Dr. Barnabas Sibusiso Dlamini, Prime Minister of the Kingdom of Swaziland, Honourable Mathetjoa Metsing, Deputy Prime Minister of the Kingdom of Lesotho, cutting the ribbon to officially open the SACU Headquarters on 12 November 2015.

CORPORATE GOVERNANCE STATEMENT

The executive management and the Finance and Audit Committee set standards and manage the implementation of systems of internal control, accounting and information systems that aim to provide reasonable assurance that assets are safeguarded and the risk of error, fraud or loss is reduced in a cost-effective manner. These controls, contained in established policies and procedures, include the proper delegation of responsibilities and authorities within a clearly defined framework, effective accounting procedures and adequate segregation of duties.

The internal audit function operates unimpeded and independently from operational management, and has unrestricted access to the Finance and Audit Committee, appraises, evaluates and, when necessary, recommends improvements in the systems of internal control and accounting practices, based on audit plans that take cognisance of the relative degrees of risk of each function or aspect of the business.

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

PORT OF WALVIS BAY - NAMIBIA

OFFICE OF THE EXECUTIVE SECRETARY

FROM LEFT TO RIGHT:

R. Mumbuu, E. Mamaregane, X. Ngwenya, A.A. Shipingana, R. Chiyoka, H. Ndjavera, K. Mabogo, R.A. Augustinus

SEATED:

A. Ganases, T.D. Khasipe, P.M. Elago, A.P. Iyambo, N.D. Oitsile

DIRECTORATE OF CORPORATE SERVICES

FROM LEFT TO RIGHT:
I.C. Nanus, T.M. Tladi, M. Herwicke, J. Shipena, R. Motjolapane, H. Esterhuizen, E. Kamburona, S. Lubaki, P. Kotze, R. Diergaardt

SEATED:
M.M. Hoosain, A. Andrade, D. Nalupe, P. Kotze

DIRECTORATE OF TRADE FACILITATION AND REVENUE MANAGEMENT

FROM LEFT TO RIGHT:
A.N. Sindano, D. Amateta, M.L. Ratsiu

SEATED:
D. Maleleka, N.M. Tladi

DIRECTORATE OF POLICY, RESEARCH AND NEGOTIATIONS

FROM LEFT TO RIGHT:
S.J. Jansen Van Rensburg, M. Pheko, L. Ntlopo, M. Matomola

SEATED:
K. Sekolokwane, A. Faul

ABSENT:
A. Mathis

FROM LEFT TO RIGHT:
Hon. Dr Roby Davies, Minister of Trade and Industry, Republic of South Africa, Hon. Vincent T. Seretse, Minister of Investment, Trade and Industry, Republic of Botswana.

BACK ROW:
Ms Paulina M. Elago, Executive Secretary of SACU, Hon. Joshua Setipa, Minister of Commerce, Trade and Industry in the Kingdom of Lesotho, Mr. Gideon Dlamini, Former Minister of Commerce, Trade and Industry of the Kingdom of Swaziland.

SOME OF THE EMPLOYEES OF THE SACU SECRETARIAT

CHAPTER 1: INSTITUTIONAL DEVELOPMENT

> The revision of the Rules of Procedure for SACU Institutions was initiated by the Secretariat with recommendations tabled for consideration by SACU Institutions

Ms Paulina M. Elago, Executive Secretary of SACU and the SACU Heads of State and Government and Representatives

Introduction

In terms of the SACU Agreement, 2002, provision is made for the establishment of various institutions to ensure the implementation of the Agreement. These are the: Council of Ministers; Customs Union Commission; Secretariat; Tariff Board; Technical Liaison Committees; and ad hoc Tribunal. In April 2013, the SACU Agreement was amended to institutionalise the Summit of SACU Heads of State and/or Government. Work is ongoing to operationalise the Tribunal and the Tariff Board.

Key highlights for the year

For the Financial Year 2015/16, the following were achieved:

a) The SACU Heads of State and Government held strategic consultations on 12 November 2015;

b) The Council of Ministers convened a Special Meeting on 11 November 2015 and developed a Roadmap to re-invigorate the SACU Work Programme, which was subsequently endorsed by the Heads of State and Government on 12 November 2015; and

c) The revision of the Rules of Procedure for SACU Institutions was initiated by the Secretariat with recommendations tabled for consideration by SACU Institutions.

Chair of SACU

In accordance with the SACU Agreement, 2002, and established procedure, the Chair of SACU Institutions is held by a Member State for a period of 12 months. The Chair rotates amongst the Member States in alphabetical order. For the period under review, the Republic of South Africa assumed the Chair on 15 July 2015, following the end of the Republic of Namibia's term on 14 July 2015.

Summit of Heads of State and Government

Following the adoption of the Amendments to the SACU Agreement, 2002, in April 2013 to institutionalise the SACU Summit, the ratification processes continued in the Member States. The SACU Summit provides political and

MS. PAULINA M. ELAGO, EXECUTIVE SECRETARY OF SACU

strategic direction to SACU. Against this premise, the SACU Heads of State and Government undertook strategic consultations on 12 November 2015, on the occasion of the inauguration of the SACU Headquarters, in Windhoek, Namibia.

Council of Ministers

The Council of Ministers is responsible for, *inter alia*, the overall policy direction and functioning of SACU Institutions, pursuant to Article 8 of the Agreement. During the period under review, no ordinary meetings of the Council were convened; however, a Special Meeting was held on 11 November 2015, in Windhoek, Namibia. In addition, a number of strategic consultations were undertaken by the Republic of Namibia during its term as the Chair, with members of the Council. Consequently, the Council discharged its mandate on issues presented to it by the Commission and the Secretariat, in accordance with the Rules of Procedure for the Council.

Customs Union Commission

The Customs Union Commission is, in terms of Article 9 of the Agreement, responsible for, amongst others, ensuring the implementation of the Agreement and the decisions of the Council. In executing its mandate, the Commission convened meetings as follows:

a) 30 June to 1 July 2015 in Johannesburg, South Africa;
b) 28 to 29 September 2015, in Gaborone, Botswana; and
c) 8 December 2015, in Windhoek, Namibia.

Recommendations on the issues considered by the Commission were submitted to the Council for relevant decisions, as reflected in other Chapters of this publication.

The Secretariat

As the institution responsible for the day-to-day administration of SACU, pursuant to Article 10 of the SACU Agreement, 2002, the Secretariat continued to provide technical support to Institutions of SACU. This includes facilitating the dispatch of business by the Council when it is not physically meeting, arranging and supporting meetings of the Commission and the Finance and Audit Committee, as well as monitoring the implementation of the decisions of the Council.

During the period under review, the Secretariat initiated work on the revision of the Rules of Procedure for SACU Institutions to take into account evolving practices in SACU, as well as global developments. This process is currently awaiting approval by the Commission and the Council.

The Secretariat also continued its support to the SACU Member States, in their negotiations of trade agreements with third parties, as reported in other Chapters of this publication. The report on the Secretariat's internal operational issues is contained in other Chapters of this publication.

Challenges faced

The non-convening of ordinary meetings of the Council resulted in longer timelines for decision-making, as this was undertaken through round-robin, pursuant to the Rules of Procedure for the Council.

Future outlook

The Roadmap endorsed by the SACU Heads of State and Government on 12 November 2015, is expected to facilitate the re-convening of the ordinary meetings of the Council. It is anticipated that this will also facilitate the implementation of the areas of the Work Programme that impact on the operationalisation of the remaining Institutions.

CHAPTER 2: TRADE FACILITATION AND REVENUE MANAGEMENT

Trade Facilitation remains a key component of the SACU Work Programme with focus on improving the efficiencies at the border posts and the trade environment within the five SACU Member States

KATSE DAM - LESOTHO

Trade Facilitation and Revenue Management entail simplification of the cross-border movement of goods, and equitable revenue sharing amongst the Member States.

Key highlights for the year

For the Financial Year 2015/16, the following reflect the key highlights and achievements of the Trade Facilitation and Revenue Management Programme:

a) Member States training, in collaboration with Eurostat, on Querying Microsoft SQL Server and Administering Microsoft SQL Server Databases;
b) Developed the SACU Utility Blocks on data exchange;
c) Concluding the SACU Risk Management Strategy;
d) Completed the draft principles for mutual recognition of preferred traders; and
e) Developed a regional tracking matrix on the implementation of the WTO Trade Facilitation Agreement to identify and track the implementation of measures that require regional cooperation and implementation.

Revenue Management

Global economic growth continued to be weak during the period under review. The International Monetary Fund World Economic Outlook for April 2016 estimated that the global economy grew at 3.1 percent in 2015. Growth in advanced economies was estimated at 1.9 percent whilst emerging economies and developing countries was estimated at 4.0 percent. Growth for Sub-Saharan Africa was at the lower level of 3.4 percent compared to 5.1 percent in 2014. The slowdown in growth is attributed to low commodity prices, weak export demand and capital market volatilities associated with relatively lower growth in China and other key emerging markets' economies.

CHAPTER 2: TRADE FACILITATION AND REVENUE MANAGEMENT (CONTINUED)

Despite the weak global economic growth, the Common Revenue Pool (CRP) registered a surplus of R4.7 billion, with respect to the 2013/14 Financial Year, and this was factored in the determination of Member States' revenue shares for the 2015/16 Financial Year. Table 1 below summarises the revenue shares for the Member States for the 2015/16 FY, relative to the 2014/15 FY.

Table 1: Member States' Revenue Shares (Billion Rands) for 2014/15 and 2015/16

	Botswana		Lesotho		Namibia		Swaziland		South Africa	
Financial year	**2014/15**	**2015/16**	**2014/15**	**2015/16**	**2014/15**	**2015/16**	**2014/15**	**2015/16**	**2014/15**	**2015/16**
Revenue shares	18 121	18 663	6 666	5 802	18 305	15 771	7 044	6 188	34 158	37 771
Surplus	902	1 376	368	506	812	1 356	443	627	2 618	838
Total	**19 023**	**20 039**	**7 034**	**6 308**	**18 117**	**17 127**	**7 487**	**6 815**	**36 775**	**38 609**
% change		5.3		(10.3)		(5.5)		(9.0)		5.0

Table indicates that for the two years, revenue shares for Lesotho, Namibia and Swaziland declined. The major decline was in Lesotho at 10.3 percent and Swaziland at 9.0 percent as global economic weakness affects demand and productive capacity. The revenue shares for Botswana and South Africa increased by 5.3 percent and 5.0 percent, respectively.

Harmonisation of GDP Compilation

As part of an effort to standardise the compilation of GDP amongst SACU Member States, work on the programme for harmonising GDP compilation continued during the period under review. A review of the programme revealed that there has been slow progress in the implementation of the short-term and long-term measures. The short-term measures entail broadening of the coverage of surveys for the estimation of GDP, as well as the development and maintenance of comprehensive business registers. The long-term measures entail the development of a supply-and-use table, and implementation of the 2008 System of National Accounts (SNA). Therefore, preparations were set in motion to convene a workshop on the supply-and-use table (SUT) to be facilitated by South Africa and the African Development Bank (AfDB). Furthermore, it is anticipated that in the next Financial Year work will commence on the improvement of the exhaustiveness of GDP in line with 2008 SNA and the developments of Business Registers.

Improvement of the collection, compilation and dissemination of trade data

During the period under review, the Secretariat conducted training on Microsoft SQL Server for Member States on 21 September to 2 October 2015 in Johannesburg, South Africa. The training covered two courses: one on Querying Microsoft SQL Server; and the other covered Administering Microsoft SQL Server Databases, with each course containing 20 modules. The objective of the training was to equip participants with technical skills required to write basic Transact-SQL queries for Microsoft SQL Server 2012 and to teach the participants on how to use SQL Server 2012 product features and tools related to maintaining a database.

The training targeted Officials from Customs and Statistics Offices who are members of the Task Team on Trade Data Reconciliation. In total, the training was offered to 11 participants from all Member States.

SACU Publications

During the period under review, two publications were produced, namely the SACU Inflation Report and the SACU Merchandise Trade Statistics Report:

The monthly SACU Inflation Reports showed that the highest average annual inflation rate for 2015 was recorded in Swaziland at 5.0 percent compared to 5.7 percent in 2014, followed by South Africa (4.6 percent in 2015 down from 6.1 percent in 2014), Namibia (3.4 percent in 2015 down from 5.4 percent in 2014), Lesotho (3.2 percent in 2015 down from 5.4 percent in 2014), and Botswana (3.1 percent in 2015 down from 4.4 percent in 2014).

The annual SACU Merchandise Trade Statistics Report provided highlights of the SACU Member States' economic performance within the global context for the period 2004 to 2014. In 2014, the value of world merchandise exports amounted to R205.44 trillion, which has more than tripled from R59.51 trillion recorded in 2004. SACU's share in world exports slightly declined during the period under review accounting for 0.6 percent of the world exports in 2014 compared to 0.8 percent in 2004. This signalled a deterioration of the region's competitiveness position.

Trade Facilitation

Trade Facilitation remains a key component of the SACU Work Programme with focus on improving the efficiencies at the border posts and the trade environment within the five SACU Member States. The WCO SACU Connect Project is funded by the Swedish International Development Cooperation Agency (SIDA). The priorities under the WCO SACU Connect Project include: IT Connectivity, Risk Management and Enforcement, Trade Partnership (Preferred Trader and Stakeholder Engagement), and Customs Legislative Reform. The Project is governed by a Steering Committee made up of Heads of Customs Administrations, the SACU Secretariat and the WCO Secretariat. Furthermore, with the increased global momentum to implement the WTO Trade Facilitation Agreement (TFA), efforts in the SACU region were geared towards the ratification and implementation of the WTO TFA by the SACU Member States. The main activities and outcomes of the Project and implementation of the WTO TFA in the 2015/16 Financial Year are highlighted below:

a) WCO SACU Connect Project and Implementation of the WTO TFA

Botswana and Lesotho ratified the Agreement, and Botswana and Namibia also notified Category "A" commitments to the WTO. Other Member States were at different stages of completing their ratification processes. In addition, the SACU region, in collaboration with the WTO, hosted a workshop on the implementation of the WTO TFA. The major outcome of the workshop was an agreement on the provisions of the Agreement that will be coordinated at a regional level.

On the Trade Partnership Programme, the Project is anchored on two sub-components: the Preferred Trader Programme (PTP), which is aimed at expediting the movement of goods for compliant traders; and the Stakeholders' Engagement, aimed at strengthening customs-to-business dialogue in the SACU region.

i) In the Preferred Trader Programme, SACU Member States began a process of developing a legal framework to enable mutual recognition of the preferred traders in the SACU region. Furthermore, preparations commenced for the gap analysis/diagnostics to assess each Member State's capacity needs and requirements to implement the PTP. This is intended to identify existing gaps in the national PTPs. Technical capacity will be provided to close the gaps identified and for the Member States to meet the targeted date for the roll-out of the national PTPs that will support the regional PTP in September 2017.

ii) On Stakeholders' Engagement, the SACU Secretariat convened the second Regional Customs Trade Forum to conclude the Terms of Reference (TORs) for the Forum. The TORs have been approved by the SACU Commission and work is underway to develop a funding proposal and a Programme for the implementation of the agenda of the Regional Customs Trade Forum.

On Customs Legislative Reforms, Member States undertook an initial assessment of the current Customs and Excise Acts that are being reviewed. The objective of the assessment was to establish commonalities and ensure alignment on provisions related to the Common External Tariff. SACU Member States are at different levels of reviewing their legislation. It is anticipated that this work will continue in the 2016/17 Financial Year.

On IT Connectivity, Member States concluded the development of the Unique Consignment Reference (UCR) for the SACU region. The purpose of the SACU UCR is to link export and import declarations in the Member States by using a common reference number. Furthermore, the SACU region completed the SACU IT Connectivity Framework known as "Your Preferred Trader is my Preferred Trader" Utility Block (UB). The UB will enable the exchange of the import and export trade data in the SACU region.

On Risk Management and Enforcement, Member States concluded the development of the SACU Customs Risk Management Strategy. Work also commenced towards the development of the Terms of Reference for the Customs Risk Management Task Team that will oversee implementation of the Strategy. In addition, work commenced to test the implementation of the Customs Risk Management Strategy at a regional level. In this regard, the Customs Administrations will undertake joint Customs Operations to test the parameters of the Strategy.

Challenges faced

Limited work on Revenue Management was undertaken, due to internal consultations on the reprioritisation of activities. It is anticipated that more work will resume in the coming year.

On Trade Facilitation, the absence of a legal framework that supports the exchange of information was a major challenge. SACU Member States will be able to share information and data exchange between them for various purposes, once Annexure E on Mutual Administrative Assistance is in force. The absence of this framework has stalled the implementation of the IT Connectivity component of the SACU WCO Connect Project. Whilst achievements were notable at the regional level on the development of standards and instruments, Member States are yet to incorporate the outcomes of the WCO SACU Connect Project, within their national strategic plans for the Customs and Revenue Administrations in the SACU region.

CHAPTER 2: TRADE FACILITATION AND REVENUE MANAGEMENT (CONTINUED)

Future outlook

Training to provide Member States with capacity in the areas of best practice in the compilation of trade statistics will be undertaken. These will include the training on the development of the supply-and-use tables in order to understand the operations of the respective economies. It is also anticipated that a harmonised consumer price index for SACU will be launched in the 2016/17 Financial Year. This will enhance the quality of the statistics and comparability across the region. Work on the narrowing of options for a new revenue sharing arrangement will also be considered.

The implementation of the WCO SACU Connect Project in the next year will focus more on supporting Member States' Customs Administrations to undertake the necessary adjustment of their systems and Human Resource capabilities towards embedding outcomes of the WCO SACU Connect Project. More emphasis will be placed on the capabilities of each Member State to implement the standards and tools developed at the regional level. Roadmaps will be developed for both the IT Connectivity and Preferred Trader Programmes to clearly outline milestones, achievements and dependencies with various initiatives. These Roadmaps will guide Member States in implementing the different components of the programmes.

GAUTRAIN – SOUTH AFRICA

CHAPTER 3: TRADE NEGOTIATIONS, POLICY DEVELOPMENT AND RESEARCH

The CFTA is anchored on three pillars, namely: trade in goods, industrial development and infrastructure. It is planned that negotiations would be conducted in three phases

INTERCHANGE AT KING MSWATI III AIRPORT – SWAZILAND

Trade negotiations and implementation of trade agreements between SACU and third parties

During the 2015/16 Financial Year, SACU continued its efforts to conclude and implement a number of Trade Agreements with third parties. Highlights during the year included the launch of the Continental Free Trade Area negotiations, the signing of the COMESA-EAC-SADC Tripartite Free Trade Agreement, the conclusion of the ratification processes for the SACU-MERCOSUR Preferential Trade Agreement, the conclusion of the legal verification processes of the EU-SADC Economic Partnership Agreement, the renewal of the African Growth and Opportunity Act (AGOA) and the successful conclusion of the SACU Trade Policy Review by the World Trade Organisation (WTO).

Continental Free Trade Agreement Negotiations

African leaders launched the negotiations towards the establishment of a Continental Free Trade Agreement (CFTA) in June 2015. The ambition of the Summit of the African Union (AU) is to establish the CFTA by 2017. The creation of this single continental market for goods and services, with free movement of business people and investments, is expected to help bring closer the Continental Customs Union and the African Common Market envisaged in Phases IV and V of the Abuja Treaty, 1991, and turn the 54 single African economies into a more coherent, larger integrated market.

The CFTA is anchored on three pillars, namely: trade in goods, industrial development and infrastructure. It is planned that negotiations would be conducted in three phases. Firstly, a Preparatory Phase has been implemented to help countries prioritise the negotiations and conclude national consultations and preparations. The Preparatory Phase was expected to be completed by March 2016. However, the process will continue in the 2016/17 Financial Year.

The Preparatory Phase would be followed by Phase I of the negotiations, which would focus on trade in goods, trade in services and movement of business persons. This Phase is planned to commence in April 2016. Issues for Phase II negotiations would include Intellectual Property Rights, Competition Policy and Investment, which would be negotiated in parallel to Phase I, but on a separate track. Technical Working Groups are to be formed to facilitate the process of the negotiations.

The AU Assembly further established a CFTA Negotiating Forum composed of officials from the AU Member States. The Negotiating Forum was given the responsibility to conduct trade negotiations and report to the Committee of AU Senior Trade Officials. The CFTA Negotiating Forum held its inaugural Meeting in February 2016 and agreed on the Rules of Procedure for the CFTA Negotiating Institutions. The seond Negotiating Forum, expected to be held in May 2016, will deliberate on the definitions of the guiding principles, Terms of Reference for Technical Working Groups and Modalities for negotiating trade in goods and services.

To assist SACU Member States in the negotiations, SACU agreed to commission a Study to analyse the implications of the proposed CFTA on SACU. During the period under review, Terms of Reference for the Study were developed and the tender was awarded in February 2016. The Study is expected to be completed in the second quarter of the 2016/17 Financial Year.

Free Trade Agreement between SACU and the European Free Trade Association

The Free Trade Agreement (FTA) between SACU Member States and the European Free Trade Association (EFTA) countries, consisting of Iceland, Liechtenstein, Norway and Switzerland, came into force in 2008. The Agreement distinguishes between Industrial Products, Processed Agricultural Products (PAPs) and Basic Agricultural Products. The former two are covered under the general FTA between all EFTA and SACU Member States, and the latter is covered under three Bilateral Agricultural Agreements between SACU and Iceland, and Norway and Switzerland/Liechtenstein, respectively.

Article 33 of the FTA provides for the establishment of a Joint Committee that deals with all matters pertaining to the implementation of the Agreement, and is chaired jointly by representatives of SACU and EFTA. Having been the Chief Negotiator for SACU during the FTA negotiations, South Africa remains the Chair of SACU in the Joint Committee Meetings. The Joint Committee meets every second year, rotating between the EFTA and the SACU regions. The 3rd Meeting of the Joint Committee was held on 22 April 2015 in Gaborone, Botswana. Both EFTA and SACU expressed satisfaction with the implementation of the FTA, but agreed that room for improvement existed, through a possible review of the Agreement.

In terms of the review process, both parties agreed to link offers for improving market access conditions for Basic Agricultural Products with a simultaneous review of market access conditions for PAPS. SACU also agreed in principle to host the first meeting to deliberate on the scope and modalities of the review, in the second part of 2015.

Article 34 of Annex V on Rules of Origin, provides for the establishment of a Sub-Committee of the Joint Committee on Customs and Origin Matters. Its functions are to exchange information, review developments, prepare and co-ordinate positions, technical amendments to the Rules of Origin and assist the Joint Committee in the administration of both the main Agreement and the Bilateral Agricultural Agreements. The Sub-Committee met prior to the 3rd Joint Committee meeting to discuss the proposed changes to facilitate the implementation of the FTA as had been agreed by the 2nd Joint Committee Meeting held in July 2011.

To ensure maximum benefits from the FTA, the 35th Meeting of the SACU Commission resolved that trade promotion activities be arranged in EFTA States to expose SACU economic operators and interested stakeholders to the FTA and link them with interested parties[1]. A consultative meeting of SACU Trade Officials and representatives of Trade and Investment Promotion Agencies (TIPAs) was held on 31 August to 1 September 2015, to commence with the required preparatory activities. At that time, it was envisaged that the said activities would be undertaken during the last quarter of 2015/16. However, only the technical work in preparation of undertaking a research study on market access opportunities in the EFTA States was completed, whilst the actual study will only commence in the 2016/17 Financial Year.

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

The SACU-MERCOSUR Preferential Trade Agreement (PTA) was signed on 15 December 2008 by MERCOSUR Member States and on 3 April 2009 by SACU Member States. The Agreement took several years to be ratified, with the ratification process only concluded in December 2015. The completion of the ratification processes necessitated that both parties put in place certain processes and measures to enable the implementation of the Agreement. This included, *inter alia*, the development of certificates of origin and the amendment of customs legislations.

In accordance with the Agreement, the joint depositaries will have to notify the State Parties of the date of entry into force of the Agreement. The first meeting of the Joint Administration Committee that is responsible for ensuring the implementation of the Agreement, shall be within sixty (60) days of entry into force of the PTA.

Economic Partnership Agreement between the European Union and the Southern African Development Community[2, 3]

The negotiations towards the EU-SADC Economic Partnership Agreement (EPA) were concluded in July 2014. During the 2015/16 Financial Year, the Parties continued the legal verification of the texts to ensure that it is finalised and ready for signature. The legal verification process was eventually concluded in October 2015, and the English versions were translated into other EU official languages. The SADC-EPA Group received the translated versions in January 2016 and undertook a further verification exercise of the documents against the initialled texts. This was done through a process of national consultations, as well as in technical meetings of legal advisors and trade negotiators from the SADC-EPA countries.

The signing of the EPA was expected to be held in Botswana in June 2016. Once the Agreement is signed, there would be certain measures that SACU Member States would need to put in place, in order to facilitate its full implementation. These include, inter alia, the ratification of the Agreement, procedures for the implementation of the tariff offer, measures to facilitate cumulation, and utilisation of the allocated tariff rate quotas as per the provisions of the Agreement.

SACU Member States would also sign a Joint Undertaking on Administrative Cooperation to facilitate the implementation of diagonal cumulation with the rest of the African, Caribbean and Pacific countries under the Rules of Origin. Furthermore, in order to enable cumulation within SACU, Annexure D to the SACU Agreement, 2002, on SACU Procedures to Facilitate the Issuance of Supplier Declarations would need to be in force, since there are no Rules of Origin within SACU.

As part of the Market Access offer to the EU, SACU included tariff rate quotas (TRQs) for nine products to European exporters. The tariff preference on these products is limited to annual quota amounts as they are deemed sensitive to SACU Member States. Currently, SACU Member States have different systems for quota management and will therefore continue to use the existing TRQ systems in operation as an interim measure upon the entry into force of the EPA. The development of a permanent TRQ Management System is currently being considered to allow for the full utilisation of quotas on an equitable basis.

COMESA-EAC-SADC Tripartite Free Trade Agreement Negotiations

During the first COMESA-EAC-SADC Tripartite Summit, which was held in Kampala, Uganda on 22 October 2008, the Heads of State and Government (HOSG) of the three Regional Economic Communities agreed to strengthen the Inter-regional Cooperation and Integration amongst themselves. To give effect to this, they agreed to the establishment of a COMESA-EAC-SADC Tripartite Free Trade Area (TFTA).

Negotiations towards the establishment of the TFTA were launched in June 2011 at the second Summit in Johannesburg, South Africa. This was followed by a preparatory phase, while Phase I negotiations commenced in June 2013 and were scheduled to be concluded by June 2015. Phase I of the negotiations covered Market Access (Trade in Goods) issues, such as tariff offer negotiations, Rules of Origin, trade remedies, dispute settlement, etc. However, despite the negotiations not being completed in June 2015 as envisaged, the third Tripartite Summit of Heads of State and Government held in Sharm el Sheikh, Egypt, on 10 June 2015, proceeded to officially launch the Tripartite Free Trade Area. The Summit also issued the Sharm el Sheikh Declaration, launching Phase II of the negotiations and a Post-signature Implementation Roadmap covering the outstanding Phase I issues, as well as Phase II negotiations, consisting of Trade in Services, Trade and Development, Competition and Intellectual Property Rights.

Sixteen Member/Partner States signed the Tripartite Free Trade Agreement in June 2015 at the Tripartite Summit in Sharm el Sheikh. All SACU Member States signed the Declaration, while only Namibia and Swaziland signed the Agreement. The Agreement remains open for signature by those Members who did not sign at the Tripartite Summit. It is, however, clear that for some Member/Partner States, signing and ratification requires completion of all outstanding issues. Following the signing, the Member States will proceed to initiate national processes towards ratification. The Agreement will come into force once ratification is attained by three quarters of the Member/Partner States.

In signing the Agreement, the HOSG reaffirmed the need for a developmental integration approach, which is to be built on three pillars of market integration, industrial development and infrastructure development, as adopted by the 2nd Tripartite Summit. Member/Partner States were also directed to expedite the process towards the operationalisation of the Free Trade Area by finalising outstanding Phase I issues by June 2016. The HOSG also directed the commencement of Phase II negotiations, covering negotiations on Trade in Services, Trade and Development, Competition and Intellectual Property Rights and cross-border investments. The HOSG further directed that work on the Industrial and Infrastructure development Pillars, which is complementary to the COMESA-EAC-SADC TFTA be expedited. Additionally the work on negotiations on Movement of Business Persons continues on a separate track. The HOSG finally agreed to a Roadmap on Phase II negotiations, providing timelines for key activities relating to the negotiations, their conclusion, and the implementation of the outcomes thereof.

At the end of March 2016, outstanding Phase I issues included the Elimination of Import Duties/Tariff Offers, Trade Remedies and Dispute Settlement and Rules of Origin. In terms of the Elimination of Import Duties, modalities for the negotiations were agreed to in 2013. Although SACU has finalised her tariff offers to all Tripartite Member/Partner States/RECs, bilateral meetings have only taken place with the East African Community (EAC) and Egypt. These are scheduled to continue during the 2016/17 FY. Work also continued under the Technical Working Group on Rules of Origin and Trade Remedies, where several areas in Annex 4 on the Rules of Origin were still outstanding. These outstanding issues were referred to Member/Partner States for national consultations, or the various structures of the TFTA negotiations for guidance and resolution. The Tripartite Technical Committee on Legal Affairs undertook the legal scrubbing of the Tripartite Free Trade Agreement, and finalised work on outstanding Annexes, except for those that were still under negotiation, such as Annex II on Trade Remedies, Annex IV on Rules of Origin and Annex X on Dispute Settlement.

The Tripartite Technical Committee on Movement of Business Persons completed a 'Draft Tripartite Agreement on movement of business persons' in August 2015. The draft Agreement aims to liberalise the movement of business persons across the tripartite region so as to support the free movement of goods and services under the Tripartite. However the Tripartite Business Councils has reservations on the scope and ambition of the draft agreement. These have been elevated to the Sectoral ministers for their guidance.

On Industrial Development, limited progress was made in developing a draft Work Programme/Roadmap and Modalities for Cooperation in the three core pillars of industrialisation, namely:

(i) Industrialisation as a driver of economic and technological transformation;
(ii) Competitiveness as an active process to move from comparative advantage to competitive advantage; and
(iii) Regional integration and geography as the context for industrial development and economic prosperity. It was resolved that the Technical Committee on Industrial Development should proceed with work to develop a 'Framework for Cooperation in Industrial Development in the Tripartite Region'.

On Phase II issues, Member/Partner States agreed on the commissioning of studies on trade in services, Intellectual Property Rights, competition and cross-border investment to facilitate the negotiations.

SACU Member States held a number of consultative meetings throughout the period under review in preparation for the negotiations as mandated by the SACU Council of Ministers, with the aim to reach common negotiating positions.

With respect to the way forward, there was generally pressure to conclude the outstanding Phase I negotiations and to commence negotiations on Phase II issues. Member/Partner States, however, agreed that the June 2016 deadline for completion of all issues was not feasible. They, however, jointly committed to continue work towards a functional FTA and finalise tariff offers by June 2016, complete tariff negotiations by August 2016, and for Technical Committees to fast-track completion of outstanding issues.

SACU-India Preferential Trade Agreement Negotiations

Negotiations towards a Preferential Trade Agreement between SACU and India commenced in 2008. In January 2012, tariff preference request lists were exchanged, with India proposing that the Parties should aim for an average of 70% Margin of Preference (MoP). In view of the ambitious offer, SACU Member States agreed that national and regional consultations would be undertaken with the aim of improving the SACU Tariff Offer and MoP.

Member States completed national consultations and submitted their responses to India's tariff preference request list in 2014. A consolidated SACU tariff offer was developed and submitted to the SACU Member States for consideration. SACU Member States are consulting internally on the consolidated offer to India and it is expected that an exchange will be made with India in the new Financial Year.

African Growth and Opportunity Act (AGOA)

SACU Member States were all beneficiaries of the African Growth and Opportunity Act (AGOA), the Generalised System of Preferences (GSP) firstly signed into law in May 2000. However, during the period under review, Swaziland was not eligible. The objectives of the legislation include the expansion and deepening of the trade and investment relationship with Sub-Saharan Africa with a view to promoting economic growth and development; regional integration, as well as to facilitate the integration of Sub-Saharan Africa into the global economy.

AGOA was set to expire in September 2015 but was renewed on 15 May 2015, through the passing of the AGOA Extension and Enhancement Act. The new Act extends AGOA until September 2025 and renewed the Generalised System of Preferences (GSP) and the third-country fabric provisions.

The new Act slightly relaxes the applicable Rules of Origin and allows for the direct costs of processing operations performed in one or more AGOA beneficiary country to be incorporated into the criteria used to determine if an African product qualifies for AGOA. The new Act also requires the US President to give at least 60 days' notice to suspend a country's eligibility for AGOA. The Act further recommends that countries develop AGOA utilisation strategies every two years with the help of US capacity building agencies to assist them to fully maximise the benefits of the AGOA. The renewal of the GSP Programme will continue to allow about 5,000 products from about 127 developing countries to enter the United States duty-free.

During the review period, SACU countries continued to have a robust and vibrant trade and investment relationship with the United States under AGOA. Overall, trade in goods grew by 40 percent to $16 billion between 2009 and 2014, with over 98 percent of SACU exports to the United States entering the US market duty-free, as a result of AGOA and GSP. Over the past few years, SACU Member States benefited from AGOA and/or GSP. For instance, Botswana and Lesotho both exported apparel to the United States, with Lesotho becoming a leading exporter of apparel to the US. Namibia exported worked marble, granite and wood products whilst South Africa, the largest non-oil exporter under AGOA, exported a broad array of goods, including motor vehicles and parts, metals and minerals, agricultural products, textiles and chemicals, etc. Swaziland, although currently not eligible for exports under AGOA, still continues to export sugar and other products under GSP.

During the 2015/16 Financial Year, SACU Member States and the Secretariat attended the 15th AGOA Forum, which was held from 24 to 27 August in Libreville, Gabon. The theme of the 2015 Forum was "AGOA at 15: Charting a Course for a Sustainable US-Africa Trade and Investment Partnership." The 2015 Forum celebrated the 2015 reauthorisation of AGOA and the important role of women, civil society and the private sector in promoting trade, expanding inclusive and sustainable economic growth and generating prosperity.

The fourth trade policy review of SACU by the world trade organisation

SACU Member States, as Members of the World Trade Organisation (WTO), have a legal obligation to fulfil, such as Trade Policy Reviews (TPRs). The Trade Policy Review Mechanism is the most important transparency exercise of the WTO aimed at examining and evaluating WTO Member countries' trade and related policies at regular intervals. The TPR contributes to improved adherence by all Members to rules, disciplines and commitments made under the different WTO Agreements. SACU countries are reviewed every six years, with the fourth WTO Trade Policy Review conducted on 4 and 6 November 2015 in Geneva, Switzerland, following the third review that took place in November 2009.

The preparatory programme for the TPR commenced in 2014/15, with Member States reporting on trade and economic policies with particular reference to new developments. The Secretariat also prepared a Report covering developments at a regional level, including the status of implementation of the SACU Agreement, 2002, and Trade Agreements between SACU and third parties.

During the 2015/16 Financial Year, SACU Member States continued to work with the WTO to finalise the country reports. The information collected during a regional seminar held in November 2014 and country visits, was used to develop the main Review Report to which country reports were annexed. In advance of the Review, more than 500 questions were received from WTO Members on SACU's trade policies and practices and on the implementation of the SACU Agreement, 2002, in general, to which SACU Member States submitted responses.

During the Trade Policy review sessions, it became clear that SACU's common trade regime has remained broadly unchanged since the last Review in 2009; and that the areas so far harmonised were, in general, only related to customs regimes, tariffs, other border taxes and trade remedies. Some key policy issues were also raised by the WTO Members, which SACU had to reflect on going forward. WTO Members were concerned that the SACU Common External Tariff was composed of ad valorem and non-ad valorem rates, whilst the SACU Member States have individually bound their tariffs at ad valorem rates only. The non-ad valorem rates were perceived as providing a risk of applying duties higher than the bound rates, and therefore Members requested that full compliance is ensured with the SACU Member States' WTO commitments. A concern was also raised on the lack of the full implementation of the SACU Agreement, 2002, and in particular, the lack of the establishment and operationalisation of all SACU Institutions and the development of common policies. Observations were also made regarding the declining Government revenue in some SACU countries, particularly those for which the Common Revenue Pool accounts for a significant portion of their budgets. Clarification was requested on SACU's plan to review its revenue sharing mechanism with the view to adjusting for important variations and volatility in the shares accruing to each State.

The fourth review has contributed to deepening the understanding of the regional, as well as national elements of the trade regimes of the Member States. WTO Members urged the five countries to pursue their trade liberalisation reforms, to improve the implementation of their multilateral commitments on goods and services and their business environment, with a view to enhancing transparency and predictability, and attracting investment. The fifth trade policy review of SACU is envisaged to take place in 2021.

Policy development and research

During the 2015/16 Financial Year, the development of common policies in the core areas of industrial, agricultural and competition policy in SACU remained at an impasse. The only work that was undertaken was with regards to the establishment of regional and international networks, with a view to strengthening the technical capacity of the Secretariat on policy development-related areas.

In this regard, the collaborative initiative with the United Nations Industrial Development Organisation (UNIDO) that commenced in the 2014/15 Financial Year to build capacity in the area of Industrial Diagnosis and Trade Competitiveness was maintained during the period under review. The capacity building programme contributed to improved technical and analytical capacity of the Secretariat in conducting evidence-based policy analysis using the UNIDO approach to industrial intelligence. As a result of the programme, the Secretariat has been developing in-house technical papers on Industrial Diagnosis and Trade Competitiveness.

Review of the Rules of Origin in the Southern African Development Community (SADC) Free Trade Area

During the 2015/16 Financial Year, work on the review of the SADC Rules of Origin (RoO) for trade in textiles and clothing, to facilitate the process of consolidating the SADC Free Trade Area, continued. The review was also aimed at improving trade amongst the SADC Member States in this sector, by adopting less restrictive rules of origin. Although the review commenced in 2011, work has not yet been concluded, mainly due to the complex nature of the negotiations and the substantial national and regional consultations that were required.

The SACU Member States continued with their national consultations to inform the development of common positions on the products to be committed under the single stage transformation and the sensitive sectors for which the status quo should be maintained. The exercise was aimed at facilitating the development of a consolidated SACU position on the preferred rules to be adopted for trade in textile and clothing products under the SADC, with consideration also being taken of the ongoing negotiations on the Rules of Origin under the COMESA-EAC-SADC Tripartite Free Trade Agreement negotiations. Thus, the outcome of this exercise is intended to also assist Member States with RoO positions to be adopted for these products under the Tripartite Free Trade Agreement negotiations.

By the end of the Financial Year, a consolidated SACU position was still pending and Member States' internal consultations will continue during the 2016/17 Financial Year. It is anticipated that a SACU position would only be finalised in the 2016/17 Financial Year for submission to the SADC.

Trade in services

The SACU Heads of State and Government endorsed Trade in Services as the sixth (6th) Priority Area in the SACU Work Programme in April 2013. As the SACU Agreement does not make provision for Trade in Services, the Secretariat developed Terms of Reference in the 2013/14 Financial Year for a study to assess the landscape and to guide the SACU Task Team on Trade in Services in implementing this work. However, not much work in this area has progressed pending strategic engagements within SACU.

The SACU Member States have, however, continued to negotiate individually under the SADC Protocol on Trade in Services. So far Botswana, Lesotho, South Africa and Swaziland have signed the Protocol. To date, Botswana and South Africa remain the only two SACU countries that have ratified the Protocol. Member States continued to engage in the negotiations for the four priority sectors identified for liberalisation in the first Round of the SADC Trade in Services negotiations, namely communication, financial, tourism and related travel and transport services. The negotiations have focused on requests and offers in the four priority sectors, as well as the development of sectoral regulatory frameworks. The deadline for concluding the first round of negotiations is September 2016.

Challenges

The challenges experienced during the period under review, remain the protracted national consultations that have affected the timely conclusion of technical work, such as the development of a SACU position on the SADC Rules of Origin for textiles and clothing products. The impasse in the SACU Work Programme has also affected the implementation of work on Trade in Services and the initiatives towards the development of a regional industrial development policy, which have been identified as some of the key priority areas for the region by the SACU Heads of State and Government.

Future outlook

It is anticipated that the outcome of the SACU Ministerial Retreat, envisaged to be held early in the 2016/17 Financial Year, will provide some directives that will supply guidance on the development of a comprehensive industrial development policy for SACU.

CHAPTER 4: SECRETARIAT'S OPERATING ENVIRONMENT

During the year under review, the Secretariat's focus was on improving the reporting to management and internal controls, to ensure good governance

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This chapter provides an overview of activities undertaken in the areas of Finance, Human Resources, Procurement, Records and Information Management, Information and Communications Technology, as well as Facilities and Administration Management. The detailed activities and outcomes of the various Units operating under the Corporate Services Directorate are listed below:

Financial Management

During the year under review, the Secretariat's focus was on improving the reporting to management and internal controls, to ensure good governance. Consequently, work continued to focus on improving the budget monitoring systems by developing an Operational Budget Absorption Status Report. The Report provided real-time financial data on activities as part of the management information system for evaluating financial performance. The Report included a procurement plan, which targeted the progress of tenders and high-value procurement. The Report also complemented the monthly management accounts, so that both commitments and spending were tracked. The Report further informed the annual budget process.

At the end of the Financial Year, compliance with International Financial Reporting Standards (IFRS) meant that commitment accounting could not be applied and therefore commitments were reversed where the activity was not implemented within the Financial Year.

An electronic budgeting system was sourced in the 2014/15 Financial Year which will assist all the budget holders in the Secretariat to track actual spending and commitments against budget, thus providing a means to monitor the progress of activities. This system was partly implemented and will replace the Operational Budget Absorption Status Report.

The fixed assets register will also be updated to ensure that it meets the requirements of IFRS and therefore the current version of the Secretariat's accounting system will be upgraded.

Human Resources

The Secretariat continued to provide the necessary support services to ensure that it is resourced in terms of manpower capacity, skills and relevant staff policies.

During the 2015/16 Financial Year, the Secretariat embarked on filling vacant positions to ensure that staffing levels were adequate. The Secretariat welcomed seven new staff members to its team filling the following positions: Deputy Executive Secretary, Senior Office Manager in the Office of the Executive Secretary, Deputy Director Trade Facilitation, Deputy Director Trade Negotiations, Communications Manager, Communications Officer and Facilities and Administration Officer. The bringing on board of these new officers contributed a lot to strengthening the capacity of the Secretariat in carrying out its mandate.

Work continued on the review of the Secretariat's Human Resources Policies and the Conditions of Service, as a way of ensuring that they are attractive, competitive and also in line with the best international practice. In order to adequately address some of the recommendations from the review of the Conditions of Service, the Secretariat resolved to undertake a pay structure review. It was anticipated that the review process would be completed in the 2016/17 Financial Year, because of further extensive consultations which have to be carried out. It is envisaged that the exercise will assist in ensuring that the Secretariat is able to attract, motivate and retain highly competent staff.

The Secretariat also embarked on a process of improving its Staff Development and Training Programme by engaging in an organisational Skills Assessment exercise. The Skills Assessment exercise was aimed at identifying the skills gaps and requirements of the Secretariat, and will result in one composite coordinated organisational training plan and approach. The Skills Assessment process will be completed in the 2016/17 Financial Year.

Activities such as the wellness day and the family fun day served to strengthen the Secretariat team.

Information and Communication Technology (ICT)

The Secretariat focused on the full roll-out of the Information Technology (IT) Security Policy. This roll-out was completed and the IT Security Policy served as a guiding framework within which IT services were provided to the Secretariat during the period under review. The Secretariat also initiated work on the development of the Secretariat's Business Continuity Plans, in order to ensure that there is an appropriate level of resilience in the Secretariat's critical processes, and to develop guidelines to guide the Secretariat through a disruption or disaster that may occur in its operations. This project is expected to be completed in the 2016/17 Financial Year.

Records and Information Management

Records and Information Management' file focus was on the full implementation of the Electronic Document and Records Management System (EDRMS), after the pilot phase was completed in the 2014/15 FY. The assessment of the pilot phase resulted in an improved document management component, definition of user roles, and a clear roll-out plan for the implementation of the EDRMS during the 2016/17 FY. The development and training of "super-users" for the system was initiated and the "super-users" commenced with training the end-users.

The Information Classification Policy which was developed to establish a framework for the security classification of information and mitigate the risks associated with the misuse or loss of information was approved by the Council. The implementation of the Information Classification Policy will start with an assessment of the information in the custody of the Secretariat and the classification of the information according to the requirements of the Policy.

Facilities and Administration Management

The Facilities and Administration Unit undertook a review of safety and security issues at the Secretariat. The recommendations were received by the Secretariat and are expected to be implemented in the 2016/17 Financial Year.

Challenges in the Secretariat's Operating Environment

The Secretariat experienced the following challenges with the ICT infrastructure and Financial Management:

- The fixed assets register was not in fully integrated and therefore the financial system upgrade is necessary; and
- The electronic budgeting system was not fully implemented.

The other major challenge during this period was in regard to filling positions which require rare skills and experience such as Director Trade Facilitation and Revenue Management that of Tariff Board Coordinator. The Secretariat could not identify suitable candidates despite several attempts to advertise in the Member States.

On the management of Facilities, the Secretariat experienced challenges pertaining to the unavailability of the Task Team members to meet and discuss the way forward on snag items of the new building.

The other challenge experienced during the period under review, has been that of ICT systems support which experienced a high level of downtime thereby affecting general operations of the Secretariat.

Future outlook

In the next Financial Year, the Secretariat will undertake the following:

- The upgrade of its accounting system; and
- The completion of the implementation of the electronic budgeting system.

In terms of capacity, the Secretariat anticipates filling of the critical positions to ensure adequate capacity in implementing the SACU objectives.

The Secretariat anticipates starting the implementation of the EDRM system which will enhance a more efficient records management system.

It is also anticipated that the position of the ICT Specialist will be filled early in the 2016/17 Financial Year and with the additional support from the service provider the support challenges will be alleviated.

SIR SERETSE KHAMA INTERNATIONAL AIRPORT - BOTSWANA

ANNEXES

Front row: Hon. Calle Schlettwein, Minister of Finance, Republic of Namibia, Hon. Mamphono Khakhetha, Minister of Finance, Kingdom of Lesotho, Hon. Matambo is Minister of Finance and Economic Development, Republic of Botswana

Back Row: Mr. Nhlanhla Nene, Former Minister of Finance, Republic of South Africa, Ms. Paulina M. Elago, Executive Secretary of SACU and Hon. Martin G. Dlamini, Minister of Finance, Kingdom of Swaziland

ANNEX 1

MEMBER STATES' ECONOMIC PERFORMANCE

International Developments

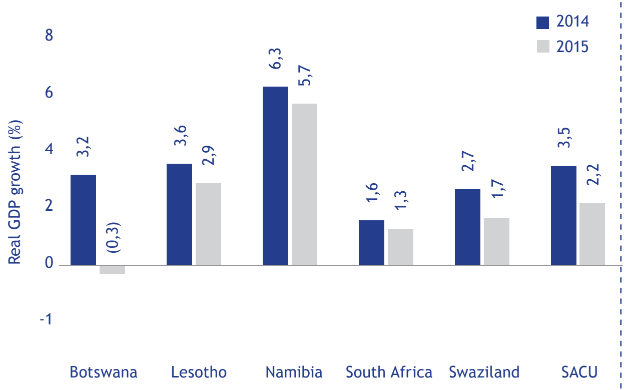
Global growth slowed down in 2015, registering a growth rate of 3.1 percent compared to 3.4 percent in 2014. This reflected a slowdown in growth in the emerging markets with China decelerating and other major emerging markets falling into recession. The global economy was projected to improve moderately to 3.2 percent in 2016 and rise to 3.5 percent by 2017, as a result of improving economic conditions in some of the economies under recessionary pressures.

The Sub-Saharan African (SSA) economies registered slow growth of 3.4 percent in 2015 compared to 5.1 percent in 2014. This slowdown is attributed to low commodity prices, weak export demand and capital market volatilities associated with relatively lower growth in China and other key emerging market economies. For 2016, the sub-regional growth was projected to slow down to 3 percent, and pick up in 2017 with a growth of 4 percent.

During the period under review world inflation remained subdued given the lower commodity prices, as well as generally weak demand. Inflation in advanced economies eased to 0.3 percent in 2015 from 1.4 percent in the previous year, while inflation in the emerging market and developing economies rose by 4.7 percent, unchanged from 2014. Global inflation was projected in 2016, to increase by 0.7 percent in advanced economies, whilst it ease to 4.5 percent in the emerging markets and developing economies.

Real Sector Development

Figure 1: Real GDP growth



Source: SACU Statistical Database

The average economic growth in SACU fell to 2.2 percent in 2015 from 3.5 percent recorded in 2013. The slowdown in growth was reflected in all Member States with Botswana recording a contraction. Namibia recorded the highest growth rate in 2015 at 5.7 percent followed by Lesotho (2.9 percent), Swaziland (1.7 percent), South Africa (1.3 percent) and Botswana (-0.3 percent), as reflected in Figure 1.

Botswana's nominal GDP at market prices in 2015 was R167.3 billion, which was R3.7 billion more than in 2014. The economy recorded a decline after five years of positive growths, and a contraction of 0.3 percent in 2015. The contraction in the economy was mainly reflected in the mining industry, the main engine of the economy that contracted by 19.7 percent compared to a growth of 0.5 percent in 2014. The decline in the mining industry reflects, amongst others, a decline in diamond production, as well as constrained demands of diamonds in the global market.

Lesotho's economy was projected to have increased by 2.9 percent in 2015 compared to 3.6 percent in 2014. The slowdown in the economy was mainly reflected in the manufacturing and construction industries. Furthermore, the droughtthat affected Lesotho was expected to have a negative impact on the agriculture industry, and subsequently, the overall performance of the economy.

Namibia's economy expanded to R147.3 billion in 2015 compared to R139.3 billion in 2014. In real terms, the economy recorded a slow growth of 5.7 percent compared to 6.3 percent in 2014. The main drivers of the slow growth were the agriculture, mining and manufacturing industries that contracted by 7.4 percent, 0.1 percent, and 7.1 percent, respectively. Another main driver of the slow growth was the wholesale, retail trade, hotel and restaurant industry that recorded a slow growth of 7.6 percent compared to 13.5 percent in 2014, this industry accounted for 14 percent of GDP in 2015.

South Africa's nominal GDP at market prices in 2015 was R3 991 billion, which was R193.9 billion more than in 2014. In real terms, the economy continued a downward trend since 2011, registering a growth rate of 1.3 percent in 2015 from 1.5 percent recorded in 2014. The slowdown in the economy was mainly reflected in the general government (with a contribution to GDP of 15.5 percent) that registered a slow growth of 0.9 percent compared to 3.0 percent in 2015. The slow growth was further reflected in transport, storage and communication (with a contribution to GDP of 8.9 percent) that grew by 1.4 percent in 2015, compared to 2.3 percent in 2014. The agriculture industry also contributed to the slow growth by contracting by 2.0 percent in 2015 compared to 5.0 percent in 2014 due to the ongoing drought.

Swaziland's economy was projected to have expanded by R3.8 billion to R52.6 billion in 2015 from R48.7 billion in 2014. In real terms, the economy registered a slow growth of 1.7 percent in 2015 compared to 2.7 percent in 2014. The slowdown in the economy in 2015 was attributed to the worsening of the drought situation that is likely to have a negative impact on agricultural production and in other industries that are dependent on regular water supply.

The economic outlook of the region was projected to be uneven across countries in 2016. The average growth in SACU is projected to slightly increase from 2.2 percent in 2015 to 2.3 percent in 2016.

Botswana's economy was projected to pick up in 2016, growing at 3.3 percent compared to a decline of 0.3 percent in 2015, whilst, in Lesotho the economy is projected to remain subdued in 2016 registering a slow

ANNEX 1

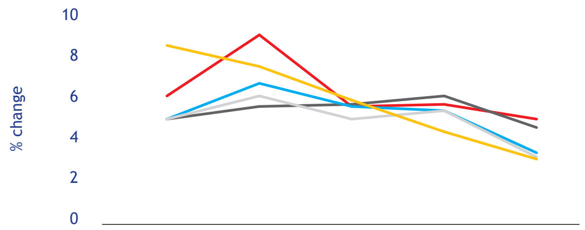
MEMBER STATES' ECONOMIC PERFORMANCE

growth of 2.6 percent, mainly reflecting weaknesses in the manufacturing and construction industries.

In Namibia, the economy was projected to grow at a slower pace of 4.3 percent in 2016 compared to 5.7 percent in 2015. Similarly, South Africa's economic outlook was projected to slow down in 2016, registering a projected growth rate of 0.8 percent. Swaziland's economy was projected to grow at a slower pace of 0.5 percent in 2016.

Consumer Price Developments

Figure 2: Inflation rate



	2011	2012	2013	2014	2015
Botswana	8,5	7,5	5,9	4,4	3,1
Lesotho	5,0	6,1	5,0	5,4	3,2
Namibia	5,0	6,7	5,6	5,4	3,4
South Africa	5,0	5,6	5,7	6,1	4,6
Swaziland	6,1	9,0	5,6	5,7	5,0

Source: SACU Statistical Database

Changes in the overall consumer prices in 2015, as measured by percentage change in consumer price index, eased in all SACU Member States.

In Botswana, the consumer prices continued to be on a downward trajectory since 2011. The Inflation rate continued to be within the Botswana Central Bank's medium term objective range of 3 to 6 percent in 2015, having eased to 3.1 percent in 2015 compared to 4.4 percent in 2014. The decrease in the domestic prices was reflected across most goods and services, but in particular in the food and transport price inflation.

In Lesotho, the consumer prices increased by 3.2 percent in 2015 compared to 5.4 percent in 2014. The deceleration of the inflation rate was mainly due to the drop in prices of housing and utilities that declined by 6.8 percent, down from 7.7 percent in 2014, which accounts for 10.6 percent of the overall inflation basket. The decrease was further reflected in the transport category that rose by 0.3 percent in 2015 compared to 10.5 percent in 2014. This category accounts for 8.47 percent of the overall inflation basket.

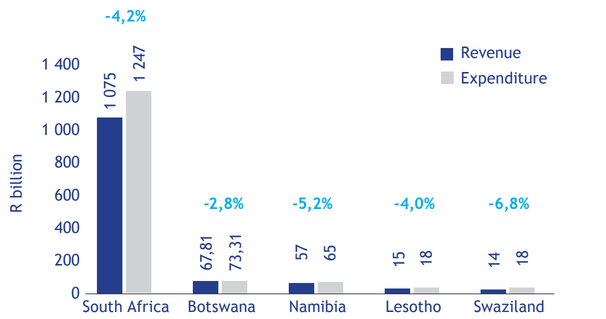
In Namibia, the inflation rate continued to ease in 2015, recording a rate of 3.4 percent compared to 5.4 percent in 2014. The decline was mainly reflected in housing and utilities which accounts for 28.36 percent of the overall inflation basket. The inflation for this category slowed to 2.6 percent in 2015 from 3.3 percent in 2014. The decline is further reflected in the transport category that accounts for 14.28 percent of the inflation basket, which recorded a decline of 2.1 percent in 2015 compared to 7.2 percent in 2014.

In South Africa, the inflation rate eased to 4.6 percent in 2015 from 6.1 percent in 2014, falling within the target range of 3 to 6 percent set out by the South African Reserve Bank. The deceleration in inflation was mainly reflected in the transport inflation that contracted by 1.2 percent compared to an increase of 6.2 percent in 2014. This category accounts for 16.43 percent of the overall inflation basket. The deceleration was further reflected in food prices that only increased by 5.1 percent compared to 7.6 percent in 2014. This category accounts for 15.41 percent of the overall inflation basket.

In Swaziland, the inflation rate eased by 0.7 percentage points to 5.0 percent in 2015, compared to 5.7 percent in 2014. The ease in inflationary pressure was more pronounced in the food and transport categories that account for 29.22 percent and 10.5 percent of the overall inflation basket, respectively. The food prices eased by 4.1 percent in 2015, lower than the 6.4 percent recorded in the previous year, whilst the transport prices increased by only 4.1 percent compared to 8.8 percent in 2014.

Government Finance

Figure 3: 2015/16 Revenue, expenditure and budget as % of GDP



Source: Ministries of Finance in Member States

The fiscal policy remained expansionary in the region during the 2015/16 Financial Year. During this period, all Member States recorded budget deficits, with Swaziland recording the highest budget deficit as a percentage of GDP at 6.8 percent, followed by Namibia at 5.2 percent, South Africa at 4.2 percent, Lesotho at 4.0 percent and Botswana at 2.8 percent. Although Member States' tax revenue for 2015/16 continued to grow compared to the previous year, the growth was not sufficient to offset the growth in total expenditures.

Compared to 2014/15, the budget deficit as a percentage of GDP for 2015/16 deteriorated in Botswana (-2.8 percent from a surplus of 3.7 percent in 2014/15), Lesotho (-4.0 percent from a surplus of 3.5 percent in 2014/15), and Swaziland (-6.8 percent from -1.4 percent in 2014/15), whilst it improved in Namibia (-5.2 percent from -6.0 percent in 2014/15) and South Africa (-4.2 percent from -4.3 percent in 2014/15).

ANNEX 2

RECONCILED INTRA-SACU IMPORTS DATA 2013/14

Intra-SACU imports 2013/14

In 2013/14, intra-SACU import increased by 23.8 percent to R167.2 billion from R135.1 billion in 2012/13.

For the period under review, Namibia recorded the highest increase in imports of 34.8 percent followed by Botswana (22.7 percent), Swaziland (22.7 percent), Lesotho (13.7 percent) and South Africa (13.3 percent) as reflected in Table 1.

Table 2: Intra-SACU imports

	2009/10	2010/11	2011/12	2012/13	2013/14
Botswana	29 809	30 639	35 711	47 315	58 035
Lesotho	10 775	11 240	12 029	12 718	14 457
Namibia	26 798	30 191	34 241	39 143	52 755
South Africa	16 494	17 339	17 114	22 256	25 225
Swaziland	13 675	13 938	12 793	13 629	16 716
SACU	97 551	103 346	111 887	135 062	167 187
Annual percentage change (%)					
Botswana	(6.5)	2.8	16.6	32.5	22.7
Lesotho	5.2	4.3	7.0	5.7	13.7
Namibia	0.9	12.7	13.4	14.3	34.8
South Africa	11.4	5.1	(1.3)	30.0	13.3
Swaziland	26.5	1.9	(8.2)	6.5	22.7
SACU	3.4	5.9	8.3	20.7	23.8
% of total intra-SACU imports					
Botswana	30.6	29.6	31.9	35.0	34.7
Lesotho	11.0	10.9	10.8	9.4	8.6
Namibia	27.5	29.2	30.6	29.0	31.6
South Africa	16.9	16.8	15.3	16.5	15.1
Swaziland	14.0	13.5	11.4	10.1	10.0

Botswana and Namibia continues to account for the highest share of total intra-SACU imports in 2013/14, accounting for 34.7 percent and 31.6 percent, respectively, followed by South Africa (15.1 percent), Swaziland (10.0 percent) and Lesotho (8.6 percent). On the supply side, South Africa remains the main source of goods imported.

Table 3: Intra-SACU trade 2013/14

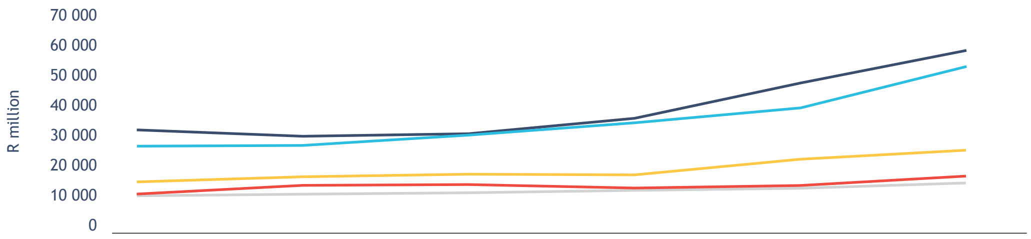
	Botswana	Lesotho	Namibia	South Africa	Swaziland	Total exports
Botswana	0	54	9 189	5 227	12	14 482
Lesotho	80	0	11	2 472	102	2 665
Namibia	10 296	5	0	6 263	13	16 577
South Africa	47 471	14 343	43 365	0	16 590	121 869
Swaziland	87	54	190	11 263	0	11 594
Total imports	**58 035**	**14 457**	**52 755**	**25 225**	**16 716**	**167 187**

In 2013/14, natural or cultured pearls, precious or semi-precious stones or metals (chapter 71) were the leading commodities that were imported within SACU, accounting for 16.3 percent of total intra-SACU imports replacing mineral fuels, mineral oils, electricity (chapter 27) that came into second place accounting for 13.3 percent of total intra-SACU imports. This was followed by vehicles (chapter 87) accounting for 8.2 percent of total intra-SACU imports; machinery and mechanical appliances (chapter 84) accounting for 6.6 percent of total intra-SACU imports and electric machinery and equipment (chapter 85) accounting for 4.1 percent of total intra-SACU imports.

ANNEX 2

RECONCILED INTRA-SACU IMPORTS DATA 2013/14 (CONTINUED)

Figure 4: Member States' intra-SACU imports



	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
Botswana	31 898	29 809	30 639	35 711	47 315	58 035
Lesotho	10 246	10 775	11 240	12 029	12 718	14 457
Namibia	26 548	26 798	30 191	34 241	39 143	52 755
South Africa	14 809	16 494	17 339	17 114	22 256	25 225
Swaziland	10 814	13 675	13 938	12 793	13 629	16 716

Botswana

Import receipts continued to grow over the years, recording imports worth R58.0 billion in 2013/14 compared to R47.3 billion in 2012/13. The increase in imports was mainly reflected in natural or cultured pearls, precious or semi-precious stones or metals (chapter 71) that accounted for 27.3 percent of intra-SACU imports mainly sourced from Namibia and South Africa. South Africa remained the main source of commodities imported into Botswana from the Common Customs Area in 2013/14, accounting for 82.0 percent of total intra-SACU imports followed by Namibia accounting for 17.7 percent of total intra-SACU imports.

Lesotho

Import receipts increased by 13.7 percent to R14.5 billion in 2013/14 from R12.7 billion recorded in 2012/13. The increase was mainly reflected in mineral fuels, mineral oils, electricity (chapter 27) accounting for 17.5 percent of total intra-SACU imports followed by furniture, bedding, mattress, lamps and lighting fittings (chapter 94) with a share of 7.4 percent. South Africa remained the main source of commodities imported into Lesotho from the Common Customs Area in 2013/14, accounting for 99.2 percent of total intra-SACU imports followed by Botswana accounting for 0.4 percent of total intra-SACU imports.

Namibia

Import continued to grow in 2013/14, increasing by 34.8 percent to R52.8 billion from R39.1 billion recorded in 2012/13. The increase in import receipts was mainly reflected in natural or cultured pearls, precious or semi-precious stones or metals (chapter 71) that accounted for 17 percent of intra-SACU imports mainly sourced from Botswana, followed by vehicles (chapter 87) with a share of 14.8 percent mainly from South Africa. South Africa continued to remain the main source of commodities imported into Namibia from the Common Customs Area in 2013/14, accounting for 82.2 percent of total intra-SACU imports followed by Botswana accounting for 17.4 percent of total intra-SACU import.

South Africa

Import receipts increased at a slower pace by 13.3 percent in 2013/14 compared to 30.0 percent increase recorded in the previous year. Imports stood at R25.2 billion in 2013/14 compared to R22.3 billion in 2012/13. The main commodities imported from other SACU Member States in 2013/14 were essential oils, perfumery, cosmetic or toilet preparations (chapter 33) accounting for 13.2 percent of total intra-SACU imports mainly from Swaziland, followed by natural or cultured pearls, precious or semi-precious stones or metals (chapter 71) with a share of 9.7 percent mainly sourced from Botswana. Swaziland remained the main source of commodities imported into South Africa from the Common Customs Area in 2013/14, accounting for 44.7 percent of total intra-SACU imports, followed by Namibia accounting for 24.8 percent of total intra-SACU import.

Swaziland

Import receipts increased by 22.7 percent to reach a level of R16.7 billion in 2013/14 from R13.6 billion recorded in 2012/13. The increase was mainly reflected in mineral fuels, mineral oils, electricity (chapter 27) with a share of 22.7 percent of total intra-SACU imports mainly from South Africa, followed by vehicles (chapter 87) with a share of 8.4 percent mainly from South Africa. South Africa remained the main source of commodities imported into Swaziland from the Common Customs Area in 2013/14, accounting for 99.2 percent of total intra-SACU imports, followed by Lesotho accounting for 0.6 percent of total intra-SACU import.

Revenue shares

Table 3 indicates that the Common Revenue Pool (CRP) forecast increased by 3.0 percent to R86.7 billion for 2016/17 compared to R84.2 billion in 2015/16. The distribution of the CRP in 2016/17 indicates that Namibia, Swaziland and South Africa increased their shares when compared to 2015/16, whilst Botswana and Lesotho recorded a decline in their shares of the CRP, mainly due to a decline in their shares from the Customs Component.

Table 4: Trends in Member Stat.es' revenue shares (R millions)

	2012/13	2013/14	2014/15	2015/16	2016/17	Annual growth
Botswana	12 608	13 452	18 121	18 663	18 624	(0.2)
Lesotho	4 980	5 438	6 666	5 802	5 508	(5.1)
Namibia	11 339	13 160	17 305	15 771	17 028	8.0
South Africa	28 651	32 219	34 158	37 771	39 214	3.8
Swaziland	6 078	6 504	7 044	6 188	6 308	1.9
Forecast of CRP[2]	63 656	70 774	83 293	84 195	86 682	3.0
% Share of CRP						
Botswana	19.8	19.0	21.8	22.2	21.5	
Lesotho	7.8	7.7	8.0	6.9	6.4	
Namibia	17.8	18.6	20.8	18.7	19.6	
South Africa	45.0	45.5	41.0	44.9	45.2	
Swaziland	9.5	9.2	8.5	7.3	7.3	

[2] *Does not represent actual payments made to Member States.*

COUNCIL APPROVAL AND STATEMENT OF RESPONSIBILITY

for the year ended 31 March 2016

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

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

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

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

The Auditor General who is appointed by the Council of Ministers is responsible for the external audit process and to give an independent opinion on the fairness of the financial statements. The Auditor General's report is presented on pages 35 to 36.

The financial statements have been prepared on the going concern basis, since the Council members have every reason to believe that the SACU Secretariat has adequate resources in place to continue in operation for the foreseeable future.

APPROVAL OF ANNUAL FINANCIAL STATEMENTS

Against this background, on behalf of the Council, the Chairperson of the Council and the Executive Secretary accept the responsibility for the annual financial statements set out on pages 38 to 59, were approved on 16 September 2016 and were signed by:

Hon. Martin G Dlamini
Minister of Finance
Chairperson: Council of Ministers

Paulina M Elago
Executive Secretary

REPORT OF THE AUDITOR-GENERAL TO THE COUNCIL OF MINISTERS ON THE SOUTHERN AFRICAN CUSTOMS UNION SECRETARIAT

Introduction

I have audited the financial statements of the Southern African Customs Union (SACU) Secretariat set out on pages 38 to 59, which comprise the statement of financial position as at 31 March 2016, the statement of profit or loss and comprehensive income, statement of changes in equity, the cash flow statement as well as the notes, comprising a summary of significant accounting policies and other explanatory information.

Secretariat's responsibility for the financial statements

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

Auditor-General's responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with International Standards on Auditing. Those standards require that I comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the SACU Secretariat as at 31 March 2016 and its financial performance and cash flows for the year then ended, in accordance with IFRS.

Report on other legal and regulatory requirements

In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) and the general notice issued in terms thereof, I have a responsibility to report findings on compliance with legislation and internal control. The objective of my tests was to identify reportable findings as described under each subheading, but not to gather evidence to express assurance on these matters. Accordingly, I do not express an opinion or conclusion thereon.

Internal control

I considered internal control relevant to my audit of the financial statements and compliance with legislation. The matter reported below are limited to the significant internal control deficiencies identified through the audit of financial statements.

REPORT OF THE AUDITOR-GENERAL TO THE COUNCIL OF MINISTERS ON THE SOUTHERN AFRICAN CUSTOMS UNION SECRETARIAT (CONTINUED)

Leadership

The SACU Secretariat did not have an approved IT governance framework, which includes a business continuity and disaster recovery plan. This was also reported in the previous year. Response from management was slow due to capacity constraints in the IT sub-directorate and lack of implementation by the Secretariat in the review and approval process.

Governance

Management has not adhered fully to the risk management policy, as it did not review the risk assessment and register to ensure that effective risk mitigation procedures were developed and implemented in the year under review.

The Secretariat did not develop and implement a fraud prevention plan.

Auditor-General

Pretoria

13 April 2017

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

REPORT OF THE COUNCIL

The Council of Ministers has pleasure in submitting their report together with the annual financial statements of the SACU Secretariat for the year ended 31 March 2016.

General information

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

State of affairs and results of operation

State of affairs

The state of affairs of the SACU Secretariat as at 31 March 2016 and the results of its operations for the year then ended are fully set out in the annual financial statements.

Results of operations

The SACU Secretariat recorded total spending amounting to R70 728 958 for the year under review, out of a budget of R83 239 233. The following provides comparative information:

SACU Secretariat spending	2016 R	2015 R
Operating expenditure	**64 602 950**	53 833 631
Capital expenditure	**7 357 782**	3 635 269
	71 960 732	57 468 900

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

Going concern

The Council has, at the time of preparation of the annual financial statements, a reasonable expectation that the SACU Secretariat will have adequate resources to continue operations in the foreseeable future. Thus, the going concern basis of accounting was adopted in preparing the annual financial statements. Further details are contained in the Report of the Council contained in the annual financial statements.

Withdrawal from accumulated funds

On 19 December 2014 the Council approved the budget for the 2015/16 financial year, which directed that the SACU Secretariat budget be partly financed from accumulated cash reserves. These reserves had accrued over the previous financial years from savings on previous budgets. The withdrawal from the accumulated reserves of R39 189 094 will be used to fund compensation of employees, programme, operational and capital expenditure.

Executive Committee

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

Name	Designation	Changes
Ms PM Elago	Executive Secretary	
Mr TD Khasipe	Deputy Executive Secretary	Appointed 01 August 2015
Mr JA Faul	Director: Policy Development and Research	
Ms A Andrade	Director: Corporate Services	
Ms ND Oitsile	Chief Legal Officer	
Mr A Iyambo	Senior Office Manager	Appointed 01 August 2015

Events after the reporting period

Subsequent to year end, the study on the analysis of the implications of the establishment of the Continental FTA on SACU continued.

The Secretariat and the SACU Council of Ministers

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

STATEMENT OF FINANCIAL POSITION
for the year ended 31 March 2016

	Notes	2016 R	Restated 2015 R
ASSETS			
Non-current assets			
Property, plant and equipment	3	**100 869 990**	65 922 146
Intangible assets	4	**454 968**	153 394
		101 324 958	66 075 540
Current assets		**81 503 530**	99 024 837
Trade and other receivables	6	**1 243 395**	1 551 417
Cash and cash equivalents	7	**80 260 135**	97 473 420
Total assets		**182 828 488**	165 100 377
RESERVES AND LIABILITIES			
Capital and reserves			
Revaluation reserve		**33 855 603**	–
Accumulated funds		**143 501 384**	152 714 866
		177 356 987	152 714 866
LIABILITIES			
Current liabilities		**5 471 501**	12 385 511
Trade and other payables	9	**3 349 803**	6 356 755
Deferred income	23	**–**	4 148 689
Provisions	11	**2 121 698**	1 880 067
Total reserves and liabilities		**182 828 488**	165 100 377

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 March 2016

	Notes	2016 R	Restated 2015 R
Revenue	12	**49 717 360**	75 218 735
Other income	13	**355 296**	152 854
Operating expenses		**(64 602 950)**	(53 833 631)
Operating (deficit)/surplus	14	**(14 530 294)**	21 537 958
Finance income	17	**5 463 561**	4 783 158
Loss on foreign exchange		**(146 749)**	(26 040)
(Deficit)/surplus for the year		**(9 213 482)**	26 295 076
Other comprehensive income:			
Gains on property revaluation		**33 855 603**	–
Total comprehensive income		**24 642 121**	26 295 076

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 March 2016

	Revaluation reserve R	Accumulated funds R	Total reserves R
Opening balance as previously reported	–	124 820 342	124 820 342
Adjustments			
Prior period errors*	–	1 599 448	1 599 448
Balance at 1 April 2014 as restated	–	126 419 790	126 419 790
Changes in equity			
Surplus as previously reported	–	26 431 912	26 431 912
Prior period error	–	(136 836)	(136 836)
Surplus for the year as restated	–	26 295 076	26 295 076
Balance at 1 April 2015	–	152 714 866	152 714 866
Changes in equity			
Deficit for the year	**–**	**(9 213 482)**	**(9 213 482)**
Other comprehensive income	**33 855 603**	**–**	**33 855 603**
Total changes	**33 855 603**	**(9 213 482)**	**24 642 121**
Balance at 31 March 2016	**33 855 603**	**143 501 384**	**177 356 987**

* *Refer note 22*

STATEMENT OF CASH FLOWS

for the year ended 31 March 2016

	Notes	2016 R	Restated 2015 R
Cash flows from operating activities			
Cash used in operations	18	**(15 527 615)**	13 087 197
Interest received	17	**5 463 561**	4 783 158
Net cash from operating activities		**(10 064 054)**	17 870 355
Cash flows from investing activities			
Purchase of property, plant equipment	3	**(6 989 782)**	(3 428 512)
Sale of property, plant equipment		**355 300**	248 015
Purchase of other intangible assets	4	**(368 000)**	(206 757)
Sale of financial assets		**(146 749)**	(26 040)
Net cash from investing activities		**(7 149 231)**	(3 413 294)
Total cash movement for the year		**(17 213 285)**	14 457 061
Cash at the beginning of the year		**97 473 420**	83 016 359
Total cash at end of the year	7	**80 260 135**	97 473 420

SIGNIFICANT ACCOUNTING POLICIES

for the year ended 31 March 2016

1. Presentation of Financial Statements

The financial statements have been prepared in accordance with International Financial Reporting Standards. The financial statements have been prepared on the historical cost basis, as modified by the revaluation of land and buildings, and financial assets and financial liabilities which are initially measured at fair value.

These financial statements incorporate the principal accounting policies set out below. They are presented in South African Rand (R).

These accounting policies are consistent with the previous period.

1.1 Significant judgements and sources of estimation uncertainty

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. Significant judgements include:

1.1.1 Revaluation of land and buildings

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

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

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

1.2 Property, plant equipment

The cost of an item of property, plant equipment is recognised as an asset when:

- it is probable that future economic benefits associated with the item will flow to the SACU Secretariat; and
- the cost of the item can be measured reliably.

Property, plant equipment is initially measured at cost.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant equipment, the carrying amount of the replaced part is derecognised.

Property, plant equipment is carried at cost less accumulated depreciation and any impairment losses.

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

When an item of property, plant equipment comprises major components with different useful lives, the components are accounted for as separate items of plant and equipment.

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

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

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

The revaluation surplus in equity related to a specific item of property, plant equipment is transferred directly to retained earnings when the asset is derecognised.

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

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

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

Item	Average useful life
Buildings	5% (20 years)
Motor vehicles	20% (5 years)
Furniture and fittings	20% (5 years)
Household furniture and fittings	20% (5 years)
Office equipment	20% (5 years)
IT equipment	20% – 50% (2 – 5 years)
Leasehold improvements	25% (4 years)

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

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

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

The gain or loss arising from the derecognition of an item of plant and equipment is included in profit or loss when the item is derecognised. The gain or loss arising from the derecognition of an item of plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.3 Intangible assets

An intangible asset is recognised when:

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

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

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

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

Item	Useful life
Computer software	3 years

1.4 Financial instruments

Classification

The SACU Secretariat classifies financial assets and financial liabilities into the following categories:

- Loans and receivables.
- Financial liabilities measured at amortised cost.

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

Initial recognition and measurement

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

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

1. Presentation of Financial Statements (continued)

1.4 Financial instruments Classification (continued)

Financial instruments are measured initially at fair value.

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

Derecognition

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

Offset

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

Subsequent measurement

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

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

Impairment of financial assets

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

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

Impairment losses are recognised in profit or loss.

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

Reversals of impairment losses are recognised in profit or loss.

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

Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. Receivables of a short term nature are not discounted due to the insignificance of the amortisation amount.

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

Trade and other receivables are classified as loans and receivables.

Trade and other payables

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

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

Cash and cash equivalents

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

Cash and cash equivalents are classified as financial assets measured at amortised cost.

Fair value of financial instruments

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

1.5 Leases

A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Operating leases — lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset. This liability is not discounted.

Any contingent rents are expensed in the period they are incurred.

1.6 Impairment of non-financial assets

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

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

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

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

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

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

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

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

1. Presentation of Financial Statements (continued)

1.7 Fair values of financial assets and liabilities

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

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

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

1.8 Employee benefits

Pension obligations

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

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

Bonus plans

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

1.9 Provisions and contingencies

Provisions are recognised when:

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

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

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

Provisions are not recognised for future operating losses.

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

Contingent assets and contingent liabilities are not recognised.

1.10 Commitments

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

1.11 Revenue recognition

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

Deferred income

In compliance with IAS18, funds received from the Common Revenue Pool have been deferred to match the costs incurred during the period with the recognisable income for the year.

The unused funds at the end of the financial year are transferred to Accumulated Funds, and then used to reduce the budgetary requirements for the following year.

The transfer of deferred income into the next financial year was approved with the budget for the next financial year.

Interest income

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

1.12 Translation of foreign currencies

Functional and presentation currency

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

Foreign currency transactions and balances

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

At the end of the reporting period:

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

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

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

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

2. New Standards and Interpretations

2.1 Standards and interpretations not yet effective

There are new or revised Accounting Standards and Interpretations in issue that are not yet effective as at 31 March 2016. These include the following Standards and Interpretations that are applicable to the business of the SACU Secretariat and may have an impact on future financial statements:

IFRS 9 Financial Instruments

On 24 July 2014, the IASB issued the final IFRS 9 Financial Instruments Standard, which replaces earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 *Financial Instruments: Recognition and Measurement*.

This standard will most likely have a significant impact on the SACU Secretariat, which may include changes in the measurement bases of the SACU Secretariat's financial assets to amortised cost, fair value through other comprehensive income or fair value through profit or loss. Even though these measurement categories are similar to IAS 39, the criteria for classification into these categories are significantly different. In addition, the IFRS 9 impairment model has been changed from an "incurred loss" model from IAS 39 to an "expected credit loss" model, which is expected to increase the provision for bad debts recognised in the SACU Secretariat.

Management is in the process of assessing the impact of this standard on future financial statements.

IFRS 9 is effective for annual periods beginning on or after 1 January 2018. The standard will be applied retrospectively, subject to transitional provisions.

IFRS 16 Leases

This standard sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). IFRS 16 replaces the previous leases Standard, IAS 17 *Leases*, and related Interpretations. IFRS 16 has one model for lessees which will result in almost all leases being included on the Statement of Financial Position. No significant changes have been included for lessors.

The standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted only if the entity also adopts IFRS 15. The transitional requirements are different for lessees and lessors. The SACU Secretariat is assessing the potential impact on the financial statements resulting from the application of IFRS 16.

3. Property, plant and equipment

	2016			2015		
	Cost/ valuation R	Accumulated depreciation R	Carrying value R	Cost/ valuation R	Accumulated depreciation R	Carrying value R
Land and buildings	**101 085 860**	**(8 679 153)**	**92 406 707**	62 066 222	(5 518 544)	56 547 678
Furniture and fittings	**7 892 662**	**(2 349 128)**	**5 543 534**	7 878 623	(800 545)	7 078 078
Motor vehicles	**2 385 954**	**(509 540)**	**1 876 414**	1 299 864	(828 790)	471 074
Household furniture and fittings	**1 116 245**	**(936 923)**	**179 322**	1 084 326	(872 673)	211 653
IT equipment	**5 964 757**	**(5 217 179)**	**747 578**	5 937 413	(4 480 347)	1 457 066
Office equipment	**309 411**	**(192 976)**	**116 435**	302 308	(145 711)	156 597
Total	**118 754 889**	**(17 884 899)**	**100 869 990**	78 568 756	(12 646 610)	65 922 146

Reconciliation of property, plant equipment — 2016

	Opening balance R	Additions R	Disposals R	Revaluations R	Depreciation R	Total R
Land and buildings	**56 547 678**	**5 164 034**	**–**	**33 855 603**	**(3 160 608)**	**92 406 707**
Furniture and fittings	**7 078 078**	**14 039**	**–**	**–**	**(1 548 583)**	**5 543 534**
Motor vehicles	**471 074**	**1 743 451**	**–**	**–**	**(338 111)**	**1 876 414**
Household furniture and fittings	**211 653**	**31 919**	**(4)**	**–**	**(64 246)**	**179 322**
IT equipment	**1 457 066**	**29 234**	**–**	**–**	**(738 722)**	**747 578**
Office equipment	**156 597**	**7 105**	**–**	**–**	**(47 267)**	**116 435**
Total	**65 922 146**	**6 989 782**	**(4)**	**33 855 603**	**(5 897 537)**	**100 869 990**
2015						
Land and buildings	22 751 862	–	–	36 542 416	(2 746 600)	56 547 678
Capital work in progress	41 989 513	1 769 683	–	(43 759 196)	–	–
Furniture and fittings	325 940	644 534	(78 441)	6 841 138	(655 093)	7 078 078
Motor vehicles	652 181	–	(2 421)	–	(178 686)	471 074
Household furniture and fittings	140 070	130 750	–	–	(59 167)	211 653
IT equipment	1 008 306	868 579	(393)	256 642	(676 068)	1 457 066
Leasehold improvements	27 633	–	(13 748)	–	(13 885)	–
Office equipment	68 066	14 966	(158)	119 000	(45 277)	156 597
Total	66 963 571	3 428 512	(95 161)	–	(4 374 776)	65 922 146

3. Property, plant and equipment (continued)

Revaluation of property, plant and equipment

Land and Buildings consists of the following property:

- Erf 235 Eros Park, Windhoek
- Erf 5525 Windhoek
- Erf 8531 (Portion of Erf 182), Windhoek

The effective date of the revaluations was 31 March 2016. Revaluations were performed by independent valuer, Mr PJ Scholtz, National Diploma Property Valuations, of Property Valuations Namibia. Property Valuations Namibia is not connected to the SACU Secretariat.

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

Measurement of fair values

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

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

	2016 R	2015 R
Land and buildings		
Balance at 1 April	**56 547 678**	22 751 862
Additions and reclassifications	**5 164 034**	36 542 416
Depreciation	**(3 160 608)**	(2 746 600)
Gain included in other comprehensive income		
Changes in fair value	**33 855 603**	–
	92 406 707	56 547 678

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

Significant unobservable inputs:

- Expected market rentals
- Occupancy rates
- Letability of the property
- Discount rates

Interrelationship between key observable inputs and fair value measurements.

The estimated fair value would increase/(decrease) if:

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

4. Intangible assets

	2016			2015		
	Cost/ Valuation	Accumulated amortisation	Carrying value	Cost/ Valuation	Accumulated amortisation	Carrying value
Computer software	**1 472 037**	**(1 017 069)**	**454 968**	1 104 037	(950 643)	153 394

	Opening balance	Additions	Amortisation	Total
Reconciliation of intangible assets – 2016				
Computer software	**153 394**	**368 000**	**(66 426)**	**454 968**
Reconciliation of intangible assets – 2015				
Computer software	39 332	206 757	(92 695)	153 394

5. Restated comparative figures

Certain comparative figures have been reclassified.

Computer software was previously classified as IT equipment and has been reclassified from property, plant and equipment to intangible assets.

The effect of the reclassification is as follows:	2016 R	2015 R
Statement of Financial Position		
Property, plant and equipment	**(454 968)**	(153 934)
Intangible assets	**454 968**	153 934

6. Trade and other receivables

	2016 R	2015 R
WTO receivable	**386 077**	–
Prepayments	**344 484**	179 893
Receiver of Revenue – Value Added Tax	**267 549**	424 397
WCO receivable	**–**	939 908
Customs duty and other receivables	**237 874**	–
Interest receivable	**7 411**	7 219
	1 243 395	1 551 417

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

Credit quality of trade and other receivables

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

Fair value of trade and other receivables

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

6. Trade and other receivables (continued)

Ageing of trade and other receivables

Trade and other receivables that are less than three months past due are not considered impaired. As of 31 March 2016 no trade and other receivables were past due and none were impaired. The ageing of the trade and other receivables is as follows:

	2016 R	2015 R
Up to 3 months	**1 243 395**	1 551 417

7. Cash and cash equivalents

	2016 R	2015 R
Cash and cash equivalents consist of:		
Cash on hand	**543**	3 179
Bank balances	**6 959 287**	24 364 488
Short-term (32 day) deposits	**73 300 305**	73 105 753
	80 260 135	97 473 420

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

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

	2016 R	2015 R
Cash at bank and short-term bank deposits		
Standard Bank Namibia Limited: AA rating	**6 959 287**	97 470 242
Bank Windhoek Limited: AA rating	**73 300 305**	–
	80 259 592	97 470 242

8. Financial assets by category

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

	Loans and receivables	Total
2016		
Trade and other receivables	**631 363**	**631 363**
Cash and cash equivalents	**80 259 592**	**80 259 592**
	80 890 955	**80 890 955**
2015		
Trade and other receivables	947 127	947 127
Cash and cash equivalents	97 470 242	97 470 242
	98 417 369	98 417 369

	2016 R	2015 R

9. Trade and other payables

	2016 R	2015 R
Trade payables	**1 374 931**	1 979 236
Staff payable	**3 000**	16 599
Retention payable	**653 591**	1 151 201
Accruals	**1 318 281**	3 209 719
	3 349 803	6 356 755

Fair value of trade and other payables

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

10. Financial liabilities by category

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

	Financial liabilities at amortised cost	Total
2016		
Trade and other payables	**3 349 804**	**3 349 804**
2015		
Trade and other payables	6 356 755	6 356 755

11. Provisions

	Opening balance	Charged/ (credited) to profit or loss	Payments made	Unused amounts reversed	Total
Reconciliation of provisions – 2016					
Provision for leave and bonus	**1 880 067**	**1 886 218**	**(1 257 865)**	**(386 722)**	**2 121 698**
Reconciliation of provisions – 2015					
Provision for leave and bonus	2 224 075	1 880 067	(1 149 763)	(1 074 312)	1 880 067

Provisions relate to:

- The amount of R1 101 212 (2015: R989 574) is for leave pay which accrues on termination of the services of members of staff.
- A further provision of R1 020 486 (2015: R890 493) is made for the payment of performance bonuses to staff.

	2016 R	2015 R
12. Revenue		
Realised savings from previous year	**45 530 395**	72 924 430
Common Revenue Pool contributions	**4 186 965**	2 294 305
	49 717 360	75 218 735
The SACU Secretariat recognises contributions from the Common Revenue Pool as revenue when the amount accrues to the SACU Secretariat. The amount accrued for the year has been received in full, as reflected above. Realised savings originate from an over allocation of funding to the SACU Secretariat in the prior year and only accrued in the current year. The allocation includes an interest income of R154 035 which accrued in the prior year.		
13. Other income		
Profit on disposal of property, plant and equipment	**355 296**	152 854
14. Operating (deficit)/surplus		
Operating (deficit)/surplus for the year is stated after accounting for the following:		
Gain on disposal of plant and equipment	**355 296**	152 854
Depreciation on property, plant and equipment	**5 963 963**	4 467 472
Employee costs	**35 973 433**	34 779 027
Relocation expenses	**1 027 370**	412 313
15. Employee benefits expense		
Salaries and wages	**35 973 433**	34 779 027
The SACU Secretariat has a defined contribution provident fund plan for support staff. There are no liabilities for defined benefits as there is no defined benefit plan.		
Number of employees	**40**	38
16. Auditors' remuneration		
Disbursements	**297 912**	113 946
17. Finance income		
Interest on short-term bank deposits	**5 463 561**	4 783 158
18. Cash used in operations		
Profit/(loss) before taxation	**(9 213 482)**	26 295 076
Adjustments for:		
Depreciation	**5 963 963**	4 467 472
Gain on disposal of plant and equipment	**(355 296)**	(152 854)
Interest received	**(5 463 561)**	(4 783 158)
Fair value adjustments	**146 749**	26 040
Changes in working capital:		
Trade and other receivables	**308 022**	(139 250)
Trade and other payables	**(3 006 952)**	(14 136 505)
Deferred income	**(4 148 689)**	1 854 384
Provisions and employee benefits	**241 631**	(344 008)
	(15 527 615)	13 087 197

19. Related parties

Relationships

Member States	Botswana Lesotho Namibia South Africa Swaziland
Members of key management	SACU Secretariat's Executive Committee

	2016 R	2015 R
Related party transactions		
The following transactions were carried out with related parties:		
The SACU Secretariat is funded from the SACU Common Revenue Pool.		
Common Revenue Pool contributions		
Receipts during the year	**45 530 395**	72 924 431
Realised savings from previous year	**4 186 963**	2 294 305
Host Country contributions		
Rental of premises	–	1 477 735
The SACU Secretariat has received the free use of office premises from the Government of Namibia for a seven month period ending 31 October 2014.		
The compensation of key management personnel who served as Executive Committee during the year was as follows:		
Short-term employee benefits	**13 433 391**	10 864 238

20. Commitments

	2016 R	2015 R
Operating leases – SACU Secretariat as lessee (expense)		
There are no future aggregate minimum lease payments under non-cancellable operating leases.		
Tender commitments		
The SACU Secretariat enters into various contracts and agreements with various suppliers for the provision of goods and services. At year end, the SACU Secretariat had the following commitments in respect of contracts and agreements signed before the financial year end, for which the goods and services had not been received:		
Construction of the SACU Headquarters	–	1 173 844
Electronic budgeting tool	**133 600**	562 600
Acquisition of Property, plant and equipment	**969 601**	548 695
Networking services	–	240 000
Short term insurance	**247 401**	388 773
Cleaning services	**860 603**	1 330 023
Security services	**726 600**	1 141 800
Establishment of the Continental FTA	**1 305 481**	–
Trade data statistics database	**370 053**	–
	4 613 339	5 385 735

21. Risk management

Financial risk management

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

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

Liquidity risk

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

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

Cash flow forecasts are prepared and monitored.

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

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
At 31 March 2016				
Trade and other payables	**3 349 804**	–	–	–
At 31 March 2015				
Trade and other payables	6 356 755	–	–	–

Interest rate risk

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

The SACU Secretariat's significant interest rate risk arises from bank balances and short-term bank deposits. Interest receivable on bank balances and short-term deposits is at variable rates and expose the SACU Secretariat to cash flow interest rate risk. During 2016 and 2015, the SACU Secretariat's interest bearing bank balances and short-term deposits at variable rate were denominated in South African Rand.

At 31 March 2016, if interest rates on Rand-denominated bank balances and short-term deposits had been 10% higher/lower with all other variables held constant, post-tax profit for the year would have been R546 356 (2015: R478 316) lower/higher, mainly as a result of higher/lower finance income on short-term deposits.

Cash flow and fair value interest rate risk

The SACU Secretariat's interest rate risk arises from investments in a Current account, three Call accounts and a 32 day Notice Deposit account. Investments at variable rates expose the SACU Secretariat to cash flow interest rate risk. Investments at fixed rates expose the SACU Secretariat to fair value interest rate risk.

Credit risk

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

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

- Should have minimum audited capital and reserves of R50 million.
- Must be registered in terms of the Namibia Banks Act, Unit Trust Control Act No. 54 of 1981 and/or with Namfisa.

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

The SACU Secretariat will only invest in the following:

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

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

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

The maximum exposure to credit risk is represented by the carrying amount of each financial asset as summarised in note 6.

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

Foreign exchange risk

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

Price risk

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

22. Prior period errors

The 2015 financial statements have been restated to correct the prior period errors set out below:

22.1 Disclosures on commitments

While preparing the financial statements, the SACU Secretariat noted that there were accruals for commitments recognised in the financial statements in respect of Phase 2 of the Industrial Development Policy, amounting to R970 107 and technical assistance by UNIDO amounting to R261 667. The commitments have been reversed as they had not been incurred at the financial year end.

The correction of the error is as follows:

	2016 R	2015 R
Statement of Financial Position		
Decrease in trade and other payables	–	1 231 774
Increase in Opening accumulated funds	–	(1 231 774)
	–	–

22.2 Property, plant and equipment

While preparing the financial statements, the SACU Secretariat noted that there were assets previously expensed and maintained at R1 net book value. The assets have been revalued. The SACU Secretariat had previously expensed the fixed assets and although the items were controlled on the fixed assets register, the valuation was not at the original cost. A valuation was undertaken and the fixed assets are now reflected at the correct cost, less accumulated depreciation.

While preparing the financial statements, the SACU Secretariat noted that, IT equipment and Office equipment had been incorrectly classified as part of the Land and buildings category. The equipment was reclassified and the depreciation charges were recalculated to align with the new useful lives and residual values.

	2016 R	2015 R
The correction of the errors in property, plant and equipment is as follows:		
Statement of Financial Position		
Increase in Property, plant and equipment	–	230 838
Increase in Opening accumulated funds	–	(367 674)
	–	(136 836)
Profit or loss		
Increase in depreciation expense and surplus for the year	–	136 836

23. Deferred income

Included in the prior year, realised savings were received from the Common Revenue Pool. The amount, together with the interest earned accrued to the Secretariat during the current year.		
Deferred income	–	4 148 689

DETAILED INCOME STATEMENT

for the year ended 31 March 2016

	Note	2016 R	2015 R
Revenue			
Common revenue pool allocation		**45 530 395**	72 924 430
Realised savings from previous year		**4 186 965**	2 294 305
	12	**49 717 360**	75 218 735
Gross income		**49 717 360**	75 218 735
Other income			
Interest income	17	**5 463 561**	4 783 158
Gains on disposal of assets		**355 296**	152 854
		5 818 857	4 936 012
Operating expenses			
Advertising costs		**(1 551 319)**	(891 670)
Auditors remuneration	16	**(297 912)**	(113 946)
Communication costs		**(526 472)**	(566 367)
Depreciation		**(5 963 963)**	(4 467 472)
Financial expenses		**(63 432)**	(66 066)
General expenses		**(9 369)**	(19 477)
Hospitality		**(348 482)**	(282 875)
Household expenses		**(923 801)**	(696 972)
Insurance		**(121 608)**	(124 119)
IT services		**(1 241 361)**	(712 451)
Media and public relations		**(2 319 605)**	(338 629)
Motor vehicle expenses		**(136 318)**	(189 770)
Office supplies		**(370 933)**	(440 235)
Professional fees		**(2 059 578)**	(1 348 578)
Property expenses		**(400 000)**	–
Recruitment costs		**(355)**	(186 318)
Relocation costs		**(1 027 370)**	(412 313)
Repairs and maintenance		**(911 777)**	(505 538)
Salaries and wages	15	**(35 973 433)**	(34 779 027)
Security		**(242 836)**	(431 766)
Skills development		**(320 246)**	(301 116)
Subsistence and travel		**(7 662 718)**	(4 874 113)
Subscriptions and reference materials		**(72 899)**	(109 222)
Utilities		**(747 412)**	(626 679)
Workshops and conferences		**(1 309 751)**	(1 348 912)
		(64 602 950)	(53 833 631)
Operating (deficit)/surplus	14	**(9 066 733)**	26 321 116
Loss on foreign exchange		**(146 749)**	(26 040)
(Deficit)/surplus for the year		**(9 213 482)**	26 295 076

LIST OF ABBREVIATIONS

AfDB	African Development Bank
AGOA	African Growth and Opportunity Act
AU	African Union
BLS	Botswana, Lesotho and Swaziland
CET	Common External Tariff
CFTA	Continental Free Trade Agreement
COMESA	Common Market for Eastern and Southern Africa
CRP	Common Revenue Pool
EAC	East African Community
EDRMS	Electronic Document and Records Management System
EFTA	European Free Trade Area
EPA	Economic Partnership Agreement
EU	European Union
FTA	Free Trade Agreement
GDP	Gross Domestic Product
GSP	Generalised System of Preferences
HCTs	British High Commission Territories
HOSG	Heads of State and Government
ISI	Import substitution industrialisation
ICT	Information Communications Technology
IFRS	International Financial Reporting Standards
IT	Information Technology
MERCOSUR	Southern Common Market comprising of Argentina, Paraguay, Uruguay, and Brazil
MoP	Margin of Preference
PTA	Preferential Trade Agreement
PTP	Preferred Trade Programme
RECs	Regional Economic Communities
RoO	Rules of Origin
RSF	Revenue Sharing Formula
SACU	Southern African Customs Union
SADC	Southern African Development Community
SIDA	Swedish International Development Cooperation Agency
SNA	System of National Accounts
SSA	Sub-Saharan African
SUT	Supply-and-use table
TFA	Trade Facilitation Agreement
TFTA	COMESA/EAC/SADC Tripartite FTA
TIPAs	Trade and Investment Promotion Agencies
TORs	Terms of Reference
TPRs	Trade Policy reviews
TRQs	Tariff rate quotas
UB	Utility Block
UCR	Unique Consignment Reference
UNIDO	United Nations Industrial Development Organisation
WCO	World Customs Organisation
WTO	World Trade Organisation

LIST OF TABLES

Since 1910
SACU
SOUTHERN AFRICAN CUSTOMS UNION