SADC REGIONAL CUSTOMS TRANSIT GUARANTEE

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SADC Region

The SADC region comprises 16 Member States and these are Angola, Botswana, Comoros, DRC, Eswatini, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Tanzania, Zambia and Zimbabwe. Member states that are land-linked are Botswana, Eswatini, Lesotho, Malawi, Zambia and Zimbabwe. Coastal ones are Angola, DRC, Mozambique, Namibia, South Africa, and Tanzania and the Islands are the Comoros, Madagascar, Mauritius, and Seychelles. The busiest corridor which is the north-south corridor connects the South African port of Durban to Lusaka (Zambia) and Lubumbashi (DRC) through Johannesburg and Gaborone (Botswana). The corridor branches off from Zimbabwe - Mozambique to Malawi.

Background to the SADC Customs Transit Management System

The SADC Protocol on Trade (2005) as amended, outlines some of its objectives which are to:

- further, liberalise intra-regional trade in goods and services.
- ensure efficient production within the SADC region.
- create a conducive investment climate and
- enhance economic development, diversification, and industrialisation of the region.

Guided by these objectives, Annex IV to the SADC Trade Protocol lays out the general provisions for the movement of transit goods and their related facilities to ensure that transit goods move seamlessly across the region. In compliance with Annex IV, SADC Member States are required to commit to:

- Allow all transit goods including their means of transport (conveyance) to move freely through their territories
- Ensure equal treatment of goods, people, mail, and means of transport involved in transit operations; and
- Accord transit goods rates that are equivalent to the rates they would give to the traffic originating from their own territory.

The SADC Protocol on Trade, if implemented fully, has the effect of reducing trade barriers through the simplification of customs procedures, harmonisation of trade policies, and encouragement of fair business practices. It also clearly sets out the institutional framework for the implementation of the trade facilitation initiatives. By freeing trade in the region, creates larger markets, encourages diversification and industrialisation, and ultimately boosts regional economic growth.

Some progress has been made regarding dismantling tariffs within the SADC Region, however, compared to the rest of the world, SADC still remains far behind on SADC intra-trade. This implies that the challenge of regional integration in trade in goods goes far beyond tariff liberalisation hence the need to implement other trade facilitation initiatives such as the Regional Customs Transit Guarantee (RCTG). Various interventions have been done in the region to ensure that the RCTG is smoothly implemented and the project is at a stage where the instrument is to be piloted and thereafter implemented. These include stakeholder consultation and various capacity-building initiatives. Member States with the assistance of the SADC Secretariat developed RCTG Regulations and these outline key definitions, how the RCTG process works, key role players, and their responsibilities.

Difference between Regional Customs Transit Guarantee and Nationally Executed Transit Bonds

Nationally Executed Transit Bond System

The current transit management system in the SADC region is that traders are required to take out bonds that cover the customs duty that would be payable on their cargo if such cargo were to be entered for home consumption. This is done in each and every Member State that the transit goods pass through. Each member State has its own different requirements for transit traffic traversing their territories. This places a compliance burden on the traders.

The current transit procedure is that the office of commencement checks the goods, approves means of transport, transit documents, and affixes customs seals where necessary. The office en route or transit office similarly checks goods, documentation and may affix seals where necessary. It is only when goods have been confirmed to have arrived at the office of destination and when transitors have provided proof that transit cargo in their custody has exited the customs territory, that customs releases traders' bonds.

Many a time, there are delays in the release of such guarantees, and as a result, large sums of money get tied up in the process of issuing guarantees. Traders also face challenges in mobilising huge financial resources so as to obtain the necessary guarantees that cover goods in transit.

The Regional Customs Transit Guarantee (RCTG) System

This is a customs transit management system where a **single regional** guarantee is issued in a Member State. Once approved, the guarantee can be used throughout the corridor and all Member States along that corridor are mandated to mutually recognise that guarantee as if it was issued in their own country. It is mainly different from the currently executed transit bonds in that, it has a regional feature, it is based on a chain of players and the system has a strong player accreditation system. The RCTG allows players to move multiple consignments up to the guarantee limits set. The RCTG can be individual, (once off), or comprehensive (operator allowed to move multiple consignments on the single guarantee).

Article 4 of the SADC Transit Customs Guarantee Regulations defines the structure of the Regional Customs Transit Guarantee as follows:

a) The guarantee chain comprises of the Principal Bond Holder (PBH), Designated Representative (DR) and the Guarantor. The PBH ensures that proper documentation and bond is lodged in the country of commencement where they are domiciled, the DR facilitates the movement of transit goods in their Member State on behalf of the PBH and the Guarantor has the responsibility of issuing authentic guarantees. These players are jointly and severally liable.
b) The guarantee to cover transit goods can be either single or comprehensive and once lodged and accepted by Customs, a Certificate of Guarantee which is accepted by all Member States en route is issued.
c) The Guarantee is valid from the date that it is accepted and approved by Customs up to the date when Customs at the Office of destination cancels the certificate of Guarantee upon fulfilment of all obligations by the Principal Bond Holder.
d) There is extra-territorial recognition of the single guarantee.

Regional Customs Transit Guarantee Benefits

The following are the potential benefits that could be derived from the implementation of the SADC RCTG. The list is not exhaustive.

a) Reduction of cost of doing business in the region;
b) Facilitation of smooth movement of goods;
c) Promotion of production of more competitive goods in the region;
d) Shorter border waiting times/reduction of border delays;
e) Harmonization and simplification of transit procedures;
f) Harmonisation and simplification of transit documentation;
g) Predictable control procedures based on risk management;
h) Secure transportation procedures;
i) Fulfilment of commitments under the Trade Agreements namely, EPAs, AfCFTA, and TFTA;
j) Removal of NTBs;
k) Improved exchange of information and cooperation among transit players along the transit corridors including customs administrations;
l) Improved records management and production of accurate regional statistics.

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