

ANNEXURE A
TO THE TRADE AGREEMENT
BETWEEN
THE REPUBLIC OF NAMIBIA
AND
THE REPUBLIC OF ZIMBABWE

1. For the purpose of Article II (b) of the Agreement, goods shall be regarded as having been manufactured in the territory of a Contracting Party when at least 25 percent of the manufacturing costs of these, goods determined herein, which shall constitute “local content”, is represented by territory and the last process of the manufacture of those goods has taken place in that territory, provided that:
 - a) the last process of manufacture is substantial and sufficient to change the nature of the product and give it a new, essential and distinct characteristic and it was performed in an enterprise equipped for that purpose; and,
 - b) the final product presents a completely new product or at least an important state in the manufacturing process.
2. “Territory” means with respect to the Republic of Namibia and the Republic of Zimbabwe, the territory to which their respective Customs laws apply, including any area beyond the territorial seas of either Republic within which, in accordance with international law and their domestic laws and subsoil and their natural resources, and includes export processing zones located in either Republic.
3. In order to qualify for tariff preference under this Agreement, goods exported from the territory of one Contracting Party must be transported to the territory of the other Party without having to enter the commerce of any third country.
4. “Local Content” in relation to goods manufactured in the territory of either Contracting Party means such percentage of manufacturing costs of such goods in their finished condition as is represented by the cost of:
 - a) any materials which were grown, produced or manufactured in the country concerned and which were used in the manufacture of goods; and
 - b) the direct labour involved in the manufacture of the goods.
5. for the purposes of this Annexure the following minimal processes shall not be regarded as manufacturing:-
 - a) simple assembly operation;

- b) simply placing goods in flasks, bags, cases, boxes, or fixing items on cards or boards and all other simple packing operation;
 - c) simple mixing or blending of imported ingredients which do not result in the formation of a different product;
 - d) operation required to ensure the preservation of merchandise in good condition during transportation and storage such as ventilation, spreading out drying, freezing, placing in brine, sulphur dioxide or other aqueous solutions, removal of damaged parts, cleaning and similar operations;
 - e) changes of packing, consolidation of goods, breaking bulk or disassembly of consignments;
 - f) marking, labeling or affixing other like distinguishing signs on products or other packages;
 - g) washing, painting, diluting, drying, steaming, heating, salting which does not result in a permanent change in the shape, form or nature of the article;
 - h) repair, remodelling or alteration of imported goods;
 - i) the combination of two or more operations specified in paragraphs (a) to (i) above; and
 - j) tanning of imported hides.
6. in the calculation of the costs of materials produced and direct labour performed in respect of the manufacture of any goods in any territory for the purposes of this Annexure, only

the following items may be included;

- (a) the cost of local materials, including the cost of waste materials lost in the process of manufacture, used directly in the manufacture of such goods;

where materials which are not wholly produced in the territory concerned are used directly in the manufacture such goods will count to the extent of their prorated local content as determined in accordance with this Annexure;

locally manufactured materials or components which have been temporally exported for further manufacture shall on return to the country of final manufacture be taken as 100 percent imported content for the purposes of calculating local content;

the following, inter alia, shall not be regarded direct materials-
water (provided it is not part of the finished product), electricity, consumable items, items for staff benefits such as tea, protective garments and uniforms.

- (b) the cost of labour directly incurred in the manufacture of such goods, where in addition to the wages and salaries paid to direct labour, the following costs will be included in the calculating of direct labour costs:
- i) leave, except cash in lieu of leave;
 - ii) salaries for foremen and supervisors directly involved in the manufacturing processes;
 - iii) overtime payment at standard rates;
 - iv) predetermined incentives or bonuses if related to production;
 - v) on- the- job training;
 - vi) production quality control, including inspection and testing;
 - vii) materials handling on the production line;
 - viii) verifiable product development, design and engineering costs incurred within the territory of a Contracting Party;
 - ix) royalties, licensing or other such payments for the right to manufacture the goods in question; and
 - x) medical plan premiums paid for direct labour; unemployment insurance premiums for direct labour.

The term “ direct labour” shall be taken to refer to those procedures applied to the input materials from which the product is manufactured from the time they first come into the hands of the workforce which actually manufactures the product to the time the finished article is put into retail packaging.

The following shall inter alia be excluded from “ direct labour costs”: costs related to the general expense of doing business such as executive, financial, sales, marketing, advertising, accounting, legal and insurance costs, cash in lieu of leave, production incentive bonuses not predetermined or not related to production, the portion of salaries of foremen and supervisors not related to the manufacturing process, fringe benefits, business overheads, administration expenses and salaries, royalty payments related to rights to distribute good, export packing or profit.

7. (a) the manufacturing cost of goods shall be calculated in accordance with the provisions of this Annexure and shall be represented of the standard of the standard costs arising from business practices, operating procedures and levels of production in the industry concerned as normally incurred over a period of not less than three months, such cost of the goods in their finished condition based on factual costs, charges and expenses incurred in their manufacture, including the cost of putting the goods up in their retail packages and the cost of such retail packages:

provided that, if it is determined by the verifying authority that any cost, charge or expense has not been incurred by the manufacturer at the normal

open market price in an arm's length transaction, the verifying authority may, in accordance with the generally accepted accounting principles, assess the amount of such cost, charge or expense on the basis of the normal open market prices, and the manufacturing cost shall be calculated in accordance with that assessment;

- (b) for the purposes of determining the local content of any goods manufactured either wholly or partly from locally produced or manufactured materials or components, the local content of such locally produced or manufactured materials or components, shall be determined and apportioned as herein provided;
 - (c) for the purposes of determining the local content of any goods manufactured either wholly or partly from imported materials, the charges incidental to the delivery of the imported materials shall be considered as forming part of the value of those materials; and
 - (d) any information which the verifying authority of a Contracting Party may require for the purpose of ascertaining the local content of the manufactured cost of any goods shall be provided in such form and certified in such manner as may be agreed by the Contracting Parties to ensure accuracy and clarity.
8. for the purposes of this Annexure, the following costs, charges and expenses shall be included in the manufacturing cost of goods:
- (a) the cost of imported materials, including the cost of waste materials and materials lost in the process of manufacture, as represented by the landed cost of those materials at the factory, including any charges incidental to the delivery of such materials to the factory;

provided that the cost of imported materials not imported by the manufacturer shall be delivered price at the factory
 - (b) the cost of local materials, including the cost of waste materials and materials lost in the process of manufacture, as represented by their delivered price at the factory;
 - (c) the cost of direct labour incurred in the manufacture of the goods, as qualified herein;
 - (d) the cost of direct manufacturing expenses as represented by:
 - i) the operating cost of the machines used to manufacture the goods;
 - ii) the expenses incurred in the cleaning, painting, drying, polishing, pressing or any other process, as may be necessary for the finishing of goods;
 - iii) the cost of putting the goods up in their retail packages and the cost of such retail packages but excluding any extra cost of packing the goods for transportation or export and the cost of any extra package; and

- (e) manufacturing overhead cost, as represented by:
 - i) rent, rates, bond interests, and insurance charges directly attributed to the factory;
 - ii) indirect labour charges, including salaries paid to factory managers, wages paid to foremen, examiners and testers of the goods and fees paid to efficiency advisers;
 - iii) power, light, water and other service charges directly attributed to the cost of the manufacture of the goods;
 - iv) consumables store, including minor tools, grease, oil safety garments and other incidental items and materials used in the manufacture of goods;
 - v) depreciation and maintenance of factory buildings plant, machinery, tools and other items used in the manufacture of goods;
 - vi) workmen's compensation payments, pension premiums and insurance;
 - vii) development, design and engineering cost allocated to actual production.
- 9. the following cost, charges and expenses shall be excluded from the manufacturing cost of the goods:
 - (a) administration expenses as represented by-
 - i) office expenses, office rent and salaries paid to the accountants, clerks, managers, lawyers and other executive personnel;
 - ii) directors' fees other than salaries paid to directors who act in the capacity of factory managers;
 - iii) statistical and costing expenses in respect of the manufactured good;
 - iv) investigation and experimental expenses unrelated to production;
 - (b) selling expenses as represented by -
 - i) the cost of soliciting and securing of orders including such expenses as marketing or advertising charges and agents or salesmen's commissions or salaries;
 - ii) expenses incurred in the making of estimates and tenders;

- (b) distribution expenses, other than those provided for in paragraphs 8 (a) or 8 (b), as represented by any expenditure incurred after the goods have left the factory, including-
 - i) the cost of any materials and payment of wages incurred in the packaging of the goods for export;
 - ii) warehousing and inventory expenses incurred in the storage of the finished goods;
 - iii) the cost of transporting the goods to their destination; and
 - (c) charges not directly attributable to the manufacture of the goods, including-
 - i) any duty paid on the imported raw materials;
 - ii) any excise duty paid on raw materials produced in the country where the finished goods are manufactured.
10. In determining or confirming local content, the verifying authority may exclude any process, operation or work in respect which it is established, or in respect of which the facts as ascertained clearly justify the presumption, that the sole object was to circumvent the provisions of this Annexure.