Natural Futures Trade Component

Report to Regional Trade Facilitation Programme

Third Quarter Narrative Report: December – February 2007
Workplan: Fifth and Sixth Quarters

15 March 2007

Name of Grantee: World Conservation Union in South Africa (IUCN-SA)
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Narrative and Financial Report

Introduction

The attached documents have been prepared by IUCN-SA in response to the Regional Trade Facilitation Programme (RTFP) reporting requirements for a grant being provided for the implementation of the first phase of the Trade Component: 'the New Engine for African Trade Growth' of the Natural Futures Programme that commenced in June 2006 and is expected to be completed by November 2007. The narrative and financial report outline the cumulative progress and expenditures on the activities for the third.

In principle the implementation of the Trade Component of the Natural Futures Programme that is being funded by the RTFP commenced in June 2006. Below is a recap of activities done in the first two quarters (Sept – Nov) in bullet points:

- Recruitment of a Trade Officer
- Induction and orientation of the Trade Officer to IUCN-SA
- The Natural Futures quarterly team and planning meeting held in Harare, Zimbabwe
- Trade component reviewed, existing and complementary and priority activities identified
- The inception activities and report were prepared and submitted
    - ♦ detailed work plan on the trade component produced
    - ♦ consultations and meetings held
    - ♦ regional contacts established

- A database for key stakeholders (trade, environment and agriculture contact persons) was developed
- The data gathering process to assess the natural product (NP) sector commenced
    - ♦ baseline data for primary producers
    - ♦ incomes emanating from wild harvesting
    - ♦ volumes of NPs
    - ♦ local sales and exports
- Meeting on geographical indications held

Programme Update : Certification and Enterprise Development

During this period a review of national and relevant international legislation as it pertains to natural product harvesting was carried out in three countries in the region namely, Botswana, Swaziland and Mozambique. These reviews outline the key legal requirements for natural product producer groups and in particular, those seeking certification. For each of the countries where a review has been completed, checklists have been prepared to inform producers and other stakeholders of actions that need to be taken towards increased regulatory compliance and as a result, market access.

In addition, another round of the Business Opportunity Assessment Grant was run with an award going to the Letloa Trust of Botswana. Letloa is working with the San community towards supply chain development around Ximenia and Kalahari Melon Seed collection and viability assessment of commercialisation and processing of oils. Should viability be demonstrated, the project is expected to engage and benefit up to 1,000 individuals.

Trade Component: Third Quarter Implementation Progress

Statistics on the NP sector

Changes to statistics on harvesters, incomes and related information were made to the first quarter reports in January. No additional fieldwork has been conducted during this quarter to update this existing information.

However information gathered was done through a desk study and literature review of the following:

- WTO Trade Policy Reviews (TPR), 2007, to assess the extent at which NPs are covered/known in the trade policy documents for the region; their potential in rural and economic development and the status quo of the region in trade.
- Inventory of non-tariff barriers in the SADC region (RTFP, 2004/5) to establish a baseline for analyzing NTBs that impact on the NP sector
- Convention on Biological Diversity (CBD)
- Regional biodiversity strategies (IUCN and SADC, 2005/6)
- The FAO' s Non Wood Forest Products: NWFP-L-Digest, 2007

Result 1.1 NP sector needs assessment

1. Trade Policy Review, 2006/7

The process of reviewing the sector needs was initiated during this quarter through a desk study. A review was done of 7 latest trade policies (TPR) for Angola, Botswana, Malawi, Namibia, Mozambique, South Africa and Zambia, submitted to World Trade Organisation (WTO) by the SADC member countries as per the WTO requirement. The review was to establish the extent at which the natural product sector is addressed and establish the specific trade barriers including types of tariff applied in each of these countries in relation to the NP sector and how it would impact on the sector.

The most notable aspect of these policies was the lack of mention of the NP sector. However regional trade agreements like the EC's "Everything but Arms" declaration (EBA, African, Caribbean and Pacific (ACP) group of countries, the SADC Protocol and other generalized systems of preference do directly give preferential treatment to exports emanating from the region, which in some instances include NPs and their derivatives. Although not exclusively mentioned, it is clear that NPs are traded under various tariff headings for different markets. The summary findings and conclusions are annexed to this report (Annexure A).

2. During the same period, information on the species distribution within the region was gathered and species maps are available. These maps will assist in determining NP density, key opportunities and challenges, such as those associated with developing transportation networks.

3. A database of regional stakeholders was developed to promote ongoing engagement with key regional individuals and institutions in the delivery of the Trade Component of the Natural Futures Programme. At present, the database contains over one hundred contacts involved at regional and national levels of trade negotiation and decision-making.

4. A questionnaire was also developed to promote network development and engagement, assess the level of awareness for NPs within the region and the role of the Programme amongst this audience. The questionnaire, inquired on NP products, perceptions, information gaps and tariff codes (see Annexure C) and has already been administered to contacts. An analysis of responses will be available in the fourth quarter.

5. The review of the CBD and trade related aspects of biodiversity and the regional biodiversity strategy was also carried out to assess the linkages between access and benefit of genetic resources taking into cognizance issues of intellectual property management, geographical indications and sustainable harvesting of NPs. All countries in the region have signed and ratified the agreement, with significant participation in the regional biodiversity strategy and the some national action plans. The full report will be made available in the fourth quarter.

6. Contract and Terms of Reference were prepared for the Trade Expert for engagement early March for the first month of work (see Annexure D)

Outstanding activities from the third quarter

- Report on supply information and country reports on NP potential opportunities
- Finalisation of the tariff and NTB summaries[1]
- Finalisation of commodity briefs[1]
- Finalisation of the discussion paper on geographical indications following March meeting

Constraints or challenges countered during this quarter

- The method of data gathering used was limited in scope
- Limited data sources
- Lack of opportunity to carry out fieldwork
- Time requirement in developing database and on revising last quarter reports
- Trade expert availability and scheduling
- Capacity constraints in office due to loss of team member

[1] Bullet 2 to 4: although work commenced in Q3 but the final result will be completed in Q4

- Shortened working period due to holidays and Trade Officer illness

Financial Report (see Annexure E)

Spending during this quarter generally reflects salary and benefits to Trade Officer during the period including those backdated to conform to global expatriate policy.

Workplan: Fourth Quarter[2]

Activities planned for the next quarter (Q4): results 1.2, 1.3, 1.4, 1.6, 1.7 and 1.8

- A comprehensive report of the NP needs assessment and statistics of number of harvesters, incomes, volumes and value of NP produced and traded.
- Tariff and non-tariff barrier analysis of the NP sector – a summary report will be produced and will be incorporated into the commodity brief packs.
- Preparation of 5 commodity briefs which include two field tests
- Two discussion papers on intellectual property management and patents, and geographical indications.
- Market plans and strategy
- Traceability manual

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Milestones

- The trade officer has already been engaged and hence no delay in delivery is anticipated.
- Two field tests and 2 meetings have already been lined up to finalise on the data gathering process.

Workplan: Fifth and Sixth Quarters (June – November 2007)

Result 1.11 **Transport plans and framework prepared**
Human Resources: **TO and Phyto**

Budget: **ZAR93,550.00 equivalent of £7,406.97**

Output: Regional transport framework and national/product specific transport plans

MOV: Transport maps and analysis, Transport plans, Assessment report on key challenges, costs and needs

[2] Details for these activities have been provided in last reporting cycle.

Activities:

<u>Prepare economic NP transport plans for the region</u>
Under this sub component, an assessment of current mode of transport used to move NPs from source to markets will be conducted. This will help to identify the routes and related costs, and associated challenges that are currently encountered. Meetings with commercial transporters will be convened to find out areas of concern regarding transporting NPs within the region or abroad. On the basis of the findings, efficient routes and plans will be mapped out with recommendations on how to implement them.

Result 1.12 **Standards and certification schemes for NPs set**

Human Resources: **TO and Phyto**

Budget: **ZAR80,050.00 equivalent of £6,338.08**

Output: Appropriate certifying schemes recommended, Pilot standard for 2 NPs

MOV: Inventory of laboratories on standards setting, Technical dossiers for 2 NPs Report on certification development, Pilot NP standards

Activities:

<u>Review the existing certification schemes and standards used for NPs</u>

This will involve a quick review of the certification schemes currently used for NPs and to what extent the target markets recognize these schemes. Lessons on the standard setting for the baobab case study will be documented and shared. Liaise with standards setting bodies to establish the best way of assisting the region in initiating NP standards that are internationally recognized. On the basis of the findings, an attempt to push through one other NP will be initiated and replicated for other products in the next phase. Implementation of existing certification schemes will be supported in order to penetrate niche markets.

Result 1.13: **Environmental Impacts assessed**

Human Resources: **TO and Phyto**

Budget: **ZAR55,050.00 equivalent of £4358.67**

Output: Assessment of the environmental sustainability of NP harvesting and production

MOV: Discussion papers, reports and recommendations, Meetings and Field surveys

Activities:

Identify environmental impacts resulting from the trade on NPs

This will involve supporting and participating in the ecological assessments for NPs, analysis of findings and compilation of results. This will be followed by a review of environmental legislation in the region as well as guiding international MEAs. Results of the assessment will be disseminated in the third quarter.

It should be noted that the review of some trade and environmental agreements and possible areas of intervention would be addressed in the fifth quarter.

Workplan matrix: Fifth and Sixth Quarters

RESULTS and ACTIVITIES	INDICATORS[3]	MEANS OF VERIFICATION (MOV)	RESOURCE INPUTS		ASSUMPTIONS
			HUMAN RESOURCES (WEEKS)	BUDGET (ZAR)/GBP	
1.11 National, regional or product specific transport plans developed 1.11.1 Review current transport plans, routes and costs 1.11.2 Assess the economics of different transport modes (cost, volume, infrastructure and efficacy) and disseminate findings 1.11.3 Identify opportunities for cooperation with other sectors and possible implementation of the plans.	Improved information and options for shared or single transport of NPs Improvements made to at least 2 product transportation maps	Transport maps and analysis, Transport plans Assessment report on key challenges, costs and needs	TO – 3 Phyto – 3	ZAR93,550/	Cooperation among transport operators and supply chain Availability of data

[3] These are both qualitative and quantitative.

RESULTS and ACTIVITIES	INDICATORS[3]	MEANS OF VERIFICATION (MOV)	RESOURCE INPUTS		ASSUMPTIONS
			HUMAN RESOURCES (WEEKS)	BUDGET (ZAR)/GBP	
1.12 Certification programme and standards for NPs set 1.12.1Conduct an inventory of officially approved laboratories in the region 1.12.2 Support the research on implications of Novel Food Regulations basing on the baobab case 1.12.3 Identify NP standards gaps 1.12.4 Research similar standards and experiences in standard development 1.12.5 Provide support to the certification component including SME certification, system improvement and BioTrade. 1.12. 6 Develop a pilot standard	Awareness regarding available and approved laboratories increased At least 80% of laboratories identified and listed Improved understanding of regulations on NP sector, major challenges identified Requirements of improved certification system identified	Inventory of laboratories Technical dossiers for 2 NPs Report on certification development Pilot NP standards	TO – 1 Phyto – 3	ZAR80,050	The certification component is progressing well and NPs are being certified under various schemes The baobab has managed to go through the novel food regulations
1.13 Environmental impacts assessed 1.13.1 Participate in the ecological assessment through the Natural Futures Programme 1.13.2 Review regional trade and environmental legal legislation, relevant World Trade Organisation	Improved understanding of critical harvesting points and ecological limits Improved understanding of key issues, recommendations	Assessment report and recommendations Meetings Field surveys	TO – 3 Phyto - 2	ZAR55,050	Ecological assessments have been completed

RESULTS and ACTIVITIES	INDICATORS[3]	MEANS OF VERIFICATION (MOV)	RESOURCE INPUTS		ASSUMPTIONS
			HUMAN RESOURCES (WEEKS)	BUDGET (ZAR)/GBP	
issues/agreements and other key environmental issues pertaining to NP trade 1.13.3 Identify information gaps, key trade/biodiversity issues and possible areas of intervention	documented				
Total				ZAR228,650.00	

ANNEXURE A: Regional Trade Policy Review Summary

<u>Country Summaries</u>

WTO Trade Policy Reviews, 2007

Angola TPR, April 2006

The trade policy review (TPR) for Angola shows that Angola is determined to eliminate non-tariff barriers to trade and adjust customs tariffs to competitive levels, where necessary. The Bilateral Agreements Angola has entered into include Zambia, Mozambique, DRC, Zimbabwe and Namibia. Its regional trade agreements include SADC protocol on Trade, the EC's "Everything but Arms" declaration (EBA) and the United States' African Growth and Opportunity Act (AGOA). She is a member of the SADC and the African, Caribbean and Pacific (ACP) group of countries. As a least-developed country, Angola benefits from duty-free preferential terms accorded through EBA and AGOA trade arrangements, where all goods from any country used in the manufacturing process in Angola, may qualify for AGOA origin of the final product.

The simple average MFN applied rate was reduced to 7.4% and the maximum applied duty rate reduced to 30%. Its entire customs tariff is bound at ceiling ad valorem levels and the applied tariffs remain considerably below the ceiling levels bound in the WTO. The arithmetic average of bound rates is 59.1%. Tariff bindings on industrial products are generally set at a ceiling level of 60%, with a few rates at 80%. Angola's applied tariff now has six bands: of 2%, 5%, 10%, 15%, 20% and 30% and is at the 8-digit level.

Botswana TPR, April 1998

Botswana is a member of the Southern African Custom union (SACU), Southern African Development Community (SADC), and a contracting party to the Lomé Convention. Botswana has also preferential access to North American and other developed markets through the Generalized System of Preferences (GSP). The SACU Agreement governs the tariff policy, with common customs and excise duties on goods imported from third countries, largely collected by South Africa. Goods within the Customs Union circulate duty-free; and transit rights across South African territory established under the Agreement. Its trade policy objective has been to achieve the broadest possible free and dependable access for Botswana's industrial products and services, especially within the southern African region. Botswana's exports enjoy the advantage of free access to the European market.

Botswana has a bilateral trade agreement with Zimbabwe. The agreement provides for trade that is free of customs duties and quantitative export and import restrictions. The rules of origin and related documentation procedures apply to qualify for such treatment, manufactured goods must meet a 25% or more local-content requirement. Most imports into Botswana from outside the SACU area are subject to the common external tariff. Botswana's imports are subject to preferential trade arrangements and those from other SACU partners and Zimbabwe enter duty free.

Malawi TPR, Jan 2002

Malawi is a founding member of both the Common Market for Eastern and Southern Africa (COMESA), the Southern Africa Development Community (SADC) and member of the Cotonou Agreement that leads to Regional Economic Partnership Agreements with the EU. COMESA and SADC both aim at promoting cross border trade and investment and at enhancing the economic development, diversification and industrialization of the region. Malawi has bilateral trade arrangements with South Africa and Zimbabwe with the modest rules of origin and was negotiating new bilateral trade agreements with Mozambique, Tanzania and Zambia. Malawi's trade agreement with South Africa is a non-reciprocal agreement whereby South Africa allows duty-free imports of all goods grown, produced or manufactured in Malawi, subject to a minimum domestic value-added content of 25%, implying that Malawi can potentially export NPs to South Africa duty free.

Its trade policy objective is to consolidate existing export products and markets, and develop a conducive trading environment. Its agenda is to adopt more comprehensive trade liberalization measures, such as the complete elimination of tariffs and non-tariff barriers to trade, and adopt a common external tariff (CET) to allow free movement of capital, labour, goods, and the right of establishment within COMESA; the adoption of a common set of standards and technical regulations, quality control procedures and certification schemes.

The main trade policy instrument is the tariff where the simple average MFN tariff was almost 14% in 2000/01, from almost 16% in 1997/98. The Common External Tariff (CET) comprises four tariff bands: zero, 5%, 15%, and 30% (on capital goods, raw materials, intermediate goods, and final goods, respectively). All its tariffs are ad valorem and the tariff structure is escalatory, with six bands with rates of zero or 5% applying to "necessities" and of 10% to intermediate goods. The maximum duty rate applied to consumer goods is currently 25%. Malawi currently uses the 1996 HS nomenclature at the eight-digit level. Its applied MNF tariff comprised six bands 2000/1 e.g. 5% is imposed on "necessities" like capital goods, foodstuffs and raw materials.

Mozambique TPR, Dec 2000

Mozambique is a signatory of the World Trade Organization (WTO), Lomé Convention, Southern Africa Development Community (SADC), African Growth and Opportunity Act (AGOA), and has Trade Preferential Agreement with South Africa. She engaged in negotiations with Algeria, Cuba, Egypt, India, Kenya, Malawi, Mauritius, Russia, Zambia and Zimbabwe for bilateral trade agreements. She accords the MFN tariff to each contracting party.

Mozambique made significant strides in liberalizing the various components of its trade regime. The top tariff rate has been reduced to 30% in April 1999 and has the lowest import tariff rates. She also benefits from preferential tariff treatment granted by Australia, Canada, the EU, Japan, New Zealand, and the United States, under the Generalized System of Preferences (GSP).

The tariff schedule for Mozambique has been simplified; number of tariff bands has been reduced with the lowest and highest being zero and 30% respectively. The simple average tariff on imports is 13.8% and the tariff structure is modestly escalatory. The current highest MFN duty was at 30%; with the intention was to reduce it to 25% by 2001. The average tariff for finished goods is 16.6%, while the rates for primary and semi-processed goods are 12.8% and 9.5%, respectively. The tariff structure is somewhat escalatory in nature. Many processed products face a higher effective rate of protection (ERP) along the processing chain providing modest protection for higher-level processing activities, and generating higher costs for consumers.

Namibia TPR, April 1998

Namibia participates in three regional arrangements the Southern African Customs Union (SACU), the Southern African Development Community (SADC) and the Common Market for Eastern and Southern Africa (COMESA). She is also a member of the Lomé Convention. As a member of SACU she may not impose duties or quantitative restrictions on goods imported, exported or re-exported within the SACU area, except in specified exceptional circumstances. Namibia has received Generalized System of Preferences (GSP) treatment from Austria, Australia, Canada, Finland, Japan, New Zealand, Norway, Sweden, Switzerland, the United States and the EU. Its trade policy objectives include promotion and further liberalization of trade; and expansion of exports and diversification, in terms of both products and markets.

She has a bilateral agreement with Zimbabwe that accords preferential treatment to goods imported into the country. This reciprocal PTA provides for duty-free entry of goods produced in either country into the other, subject to a 25% local-content requirement for manufactured goods under the rules of origin. Some of the products qualifying under the Namibia-Zimbabwe PTA are vegetable products harvested or gathered therein; forest products harvested therein; products manufactured exclusively from products specified above with at least 25% of the manufacturing cost represented by materials. Effectively Namibia and Zimbabwe can free trade NPs if the 25% local content requirement is met. Namibia has further concluded MFN trade agreements with China, the Democratic Republic of Congo, Cuba, Ghana, India, Malaysia, the People's Democratic Republic of Korea, Romania and Russia.

Therefore imports into Namibia from its SACU partner countries and from Zimbabwe enter free of customs duty. Imports from other sources face the SACU Common External Tariff (CET), generally high for consumer, intermediate and capital goods produced in South Africa and relatively low or even zero-rated for imports essential for the South African economy. About 75% of all tariff lines (at the HS eight-digit level) bear ad valorem rates. More than half of these are duty free, with other ad valorem rates ranging up to 57.5 per cent.

South Africa TPR, April 1998

The Government of South Africa has engaged in negotiations with neighbouring SADC member states aimed at an agreement for an asymmetrical free trade area (FTA) to fulfill its butterfly trade policy in which South Africa will grant rapid and significant market access to exports from the SADC region, at the same time giving due attention to sensitive regional sectors through specific protocols. South Africa is a member of Southern African Customs Union (SACU), Southern African Development Community (SADC) and has bilateral trade agreements with Malawi and Zimbabwe. Goods from Zimbabwe are subject to concessional tariff rates or tariff quotas when they meet specified levels of Zimbabwean content, 75% in most cases. She engaged herself in a series of strategic bilateral relationships at the same time; she has entered into strategic bilateral relations with India and Egypt.

Goods are admitted duty free, within annual quota limits if the ad valorem MFN rate is lower or equal to 3%. They are subject to rates up to 3% if the ad valorem MFN rate is higher than 3%. The goods must be for consumption only in South Africa and Botswana.. The main trade policy instruments are tariffs and "supply-side measures". South Africa has bound tariff (except on black tea) about 98% of all tariff lines at the HS eight-digit level at the end of the Uruguay Round. The simple average bound rate is 19.8% (final bindings), with maximum ceiling bindings of 399.9% on certain agricultural products. In aggregate, South Africa's tariff appears to display negative escalation from semi- to fully-processed products, with average rates in the categories declining from 18.6% to 13.8%. Negative tariff escalation is present on goods such as: foods, from the first-stage of processing to semi-processed products; from semi- to fully-processed products.

Under the SACU agreement, goods grown, produced or manufactured in the common customs area are imported, exported or re-exported duty free within the SACU area. All goods grown, produced or manufactured in Malawi may be imported duty free to South Africa under specified conditions. She accords tariff preferences (concessional tariff rates or tariff quotas) to its imports from Zimbabwe. Non-reciprocal tariff preferences (tariff quotas or low tariff rates not exceeding 3%) are also granted by South Africa to a list of imported products from Mozambique; subject to a minimum of 35% Mozambican content in the goods concerned. In essence South Africa is a potential market for NPs for SACU members including Malawi, Mozambique and Zimbabwe through bilateral or other trade arrangements.

Zambia TPR, Sep 2002

Zambia is a signatory to both the Common Market for Eastern and Southern Africa Free Trade Area (COMESA FTA) and the Southern African Development Community (SADC) Trade Protocol. Zambia has trading partners who are neither members of COMESA nor SADC. Zambia is a signatory to the Cotonou Agreement and being a least developed country, a beneficiary to the Everything But Arms (EBA) facility by the European Union. Zambia benefits from non-reciprocal preferential treatment from many industrialized countries under the Generalized System of Preferences (GSP). She has negotiated a number of bilateral agreements with Egypt, China, Belgium and Ukraine, and had initiated bilateral trade negotiations with Botswana, the Democratic Republic of the Congo, Mozambique, Namibia, Tanzania and Zimbabwe. In order for Zambia to enjoy the preferential market access offered under both the EBA and AGOA, the rules of origin condition must be satisfied. Zambia accords at least MFN treatment to all its trading partners and preferential access for members of regional trading arrangements in which she participate.

Goods imported into Zambia are generally subject to three types of duties: the customs tariff, the excise duty, and the value-added tax. She adopted the Harmonized System (HS) in 1988 and her tariff is at the eight-digit level. There are four tariff bands, although the rates on certain products have been changed within the 1996 range (0, 5%, 15%, and 25%). The 2001/02 simple average MFN tariff is 13.4%. Virtually all raw materials and most industrial or productive machinery fall within the 0 to 5% tariff categories, and 72% of mining and quarrying-related tariff lines attract the 5% tariff rate. Generally 15% tariff band is applied to imports of intermediate goods and the 25% rate is reserved for final, "non-essential" goods, including many consumer goods. In aggregate, Zambia's tariff structure shows negative escalation from first-stage processed products to semi-finished goods, with positive escalation to finished products. The average applied MFN tariff rates ranges from 2.8% on first stage processed products, and 7.1% on semi-processed products, … to 18.1% on fully processed products.

The review generally showed that:

- All of the SADC member countries that are under study are members of the World Trade Organisation (WTO) and hence they are bound to comply with the multilateral trading regulations. Of the seven countries reviewed, it was discovered that they are all members of the SADC Trade Protocol, and benefit from the US's African Growth & Opportunity Act (AGOA); and are at the same time engaged in some kind of bilateral trade arrangements. Half of the members are either Southern African Customs Union (SACU) or Common Market for Eastern and Southern Africa (COMESA) members. The trade policy objectives were generally in agreement for all the countries as they all had an objective of trade liberalization, among other things. The agreements entered into by member countries, do to a greater extent address the issue of free market access and preferential trade areas (PTA) for goods.
- It was noted that they all apply the Most Favoured Nation (MFN) tariff to their trading partners. They also apply the rules of origin principle with percentages of local content requirement varying from 25% - 75% for different countries. For countries in one regional grouping, they applied Common External Tariff (CET) to imports from non-members of the grouping, with varying figures of 0%, 5%, 15%, 25% and 30%. Generally their tariffs are harmonised at the eight-digit level. Tariff bands of four and six are common with a few exceptions. Most member countries tariffs are generally escalatory except for South Africa and Zambia, which had negative escalatory tariffs for semi-fully processed goods and first processed to semi-finished goods respectively.

- The review also showed that the issue of non-tariff barriers (NTBs) is still a challenge for most Southern African countries hence they need proper attention. There is evidence that NTBs continue to constrain free movement of goods and services regionally or internationally even where tariffs are literally non-existent. Fortunately there are provisions within SADC and COMESA agreements to deal with them.

From this analysis, it can only be concluded that the NP sector is silent in all the trade policy documents reviewed, whether or not it is because it's less important that still has to be established from the survey currently ongoing. Generally there is the realization for trade liberalization within the region which means that pushing through the NPs will not be a big challenge. The existing trade relations in the region are supportive of free trade hence movement of NPs within the region is free. However challenges still exist in the form of NTBs. It should be noted that recommendations can only be made when a thorough tariff and NTB analysis has been completed. This will feed into NP commodity briefs that are under preparation and are due in the next quarter. Other issues of intellectual property management including ABS and GIs will be finalized in that quarter; whilst standard setting and certification schemes, markets and transports issues will be dealt with, in last two quarters of the year.

ANNEXURE C: Natural Futures Programme Trade Awareness Questionnaire

Instructions

a) This survey should take you about 10 minutes to complete

b) Please mark with an X in the appropriate box and/or provide full answer or commentary for each of the questions below.

c) Please fax or email your responses to Susan Madau, @ +27 12 342 8289 or susan.madau@iucn.org respectively.

d) We are requesting that you spend at most 15 working days to respond and would request you to submit your responses by 17 March 2007.

e) Please state your job title in the box provided below.

	Not involved	Somewhat Involved	Involved	Very active	Not sure
1. How would you describe the level of your organisation's involvement in the Natural Products (NP) sector?					

2. Please describe the nature of your organisation's existing or potential involvement in the trade of natural products.	

3. The Natural Futures Programme defines NPs as indigenous (non-animal) resources that are wild-harvested and owned by rural people including: natural pharmaceutical products and ingredients, herbal medicines and remedies; natural cosmetic products and ingredients; and natural functional food products and ingredients.	Marula	Baobab	Ximenia	Kigelia	Parinari	Trichelia	Other (specifiy)
Please indicate which of the focal lipid species are you working with.							

4. Which, if any of the following NP sub-sectors do you deal with?	Food and Beverage	Pharmaceutical	Cosmetic/ Cosmeceutical	Industrial	Other (specify)

5. How do you rate the potential for trade and future of the NP sector in your country and why?	Strong potential	Moderate potential	Weak potential	No potential	Not sure

6. In your opinion, which of the following World Trade Organisation (WTO) committees are best suited to discuss the NP sector under the current Doha debate?	Trade and Environment	Agriculture	Trade-Related Aspects of Intellectual Property Rights (TRIPs)	Non-agricultural market access (NAMA)	Other (specify)

7. Do you think the current trade relations in your country adequately cover NPs?	Adequately covered	Somewhat covered	Not covered	Somewhat not covered	Not sure

8. Are you satisfied with the available trade information on the NP sector?	Very Satisfied	Somewhat satisfied	Satisfied	Not satisfied	Not sure

9. Please indicate your comfort level in working with or representing the NP sector in your work?	Very comfortable	Somewhat comfortable	Comfortable	Not comfortable	Not sure

10. What trade related information gaps are you aware of regarding the NP sector that can be addressed under the Natural Futures Programme?	
11. Please provide any other comments on the NP sector that maybe useful to the Natural Futures Programme.	

12. Which of the tariff schedules does your country levy NP imports into your country?	SACU	SADC	COMESA	Cotonou Agreement	Other (specify)
What are the tariff rates?	0-5%	6 – 15%	16- 25%	26 – 30%	>30%

Thank you!

Annexure D: Trade Expert Terms of Reference

Terms of reference (TOR) for the Trade Expert

1. *Introduction*

The World Conservation Union (IUCN) in South Africa, through the trade component of its Natural Futures Programme seeks to hire a trade expert to assist in the implementation of specific trade activities that are clearly expounded in the "Natural Products: The New Engine for African Trade Growth" report of 2006. According to this report the purpose of hiring a trade expert(s) for this component is twofold. Firstly, it is to obtain specialist input into the various sub-activities in order to overcome specific key trade-related bottlenecks, which potentially constrain the development of the natural product (NP) sector. Secondly, it is to provide capacity building and technical know-how within IUCN. Furthermore, the use of trade experts has been necessitated by the workload of the trade component hence it is to expedite the entire implementation process taking into account the limited timeframe of the project life. It is critical that the expertise engaged have specific knowledge on the NP sector in Southern Africa, including expert- level know-how concerning NP trade and marketing, and knowledge of both multi-lateral trade and environmental agreements.

In order to effectively build capacity within IUCN-SA, it is recommended that most of the trade activities be jointly implemented between the trade expert(s) and the full time Trade Officer based in IUCN-SA with few activities being implemented independent of each other. In instances where collaboration between experts is required, the respective expert(s) are encouraged to collaborate with each other, meet and agree with IUCN on the best mode of delivery. The timeframe required for the various activities has already been estimated and expert work should therefore be completed within the indicated timeframes.

2. *Background*

The Natural Futures Programme, which was officially launched in October 2005, is a joint initiative of the World Conservation Union (IUCN) and PhytoTrade Africa, the Southern African Natural Products Trade Association. The Programme recognises the potential in the natural product (NP) sector and seeks to enhance environmental sustainability and the livelihoods of the poor through the development of a vibrant pro-poor NP sector in Southern Africa. A multi-faceted approach is used in this programme to facilitate market development and enable private players to resolve market failures in the sector.

The Natural Futures Programme has four components namely the Enterprise Development, Certification, Awareness and Trade. Under the Trade component, the programme aims to strengthen existing initiatives and address barriers in the market by making systemic interventions that assist the development of a pro-poor Southern African NP sector. It also intends to address market failures that hinder the emergence of this sector in Southern Africa, in such a way as to diversify rural livelihood options and create economic incentives for improved natural resource management practices.

Considerable research has suggested that the impacts of commercializing NPs are overwhelmingly positive. The development of this industry is based on resources that are ecologically and culturally adapted to local conditions and are accessible to (and owned by) poor rural people. Additional these resources are deemed to be beneficial to the natural environment, the rural, poor primary producer groups, as well as buyers, processors and exporters within the supply chain. It is clear that the natural products industry globally is large and continuing to grow, that there is strong market interest in new products from Africa, and that there are several sub-sectors within the market that appear ripe for penetration by African producers.

3. Definition of natural products

Natural products can be broadly defined to include all products from biological resources, be they indigenous, alien or cultivated flora, or fauna. The Programme supports natural products that fall within this broader definition at policy level. However the Programme interventions focus on a narrower definition which defines NPs as indigenous (non-animal) resources that are wild-harvested and owned by rural people including: natural pharmaceutical products and ingredients (including herbal medicines and remedies); natural cosmetic products and ingredients; and natural functional food products and ingredients.

4. Trade component Result Areas

The result areas of the entire Natural Futures Programme are:

- Market access for Southern African natural products increased through for example certification, intellectual property management and economic transport plans.
- Programme contributes to a trade regime, at national, regional (SADC), and international levels, that is conducive to the promotion of Southern African natural products sector.
- Demand and opportunities for Southern African natural products in South Africa and Europe stimulated through increased awareness of consumers and decision-makers.

5. Specific activity areas

1. Review tariff and non-tariff barriers (NTBs)
2. Prepare commodity briefs for NPs
3. Develop intellectual property management and patenting programmes
4. Prepare a discussion paper on implications of geographical indications (GIs)

5.1 Activities

The **Trade Expert** is expected to work on the following activities and collaborate with the Trade Officer on the italicised areas:

5.1.1 Review tariffs and NTBs for NPs and derivatives (10 days)

- Provide specialist guidance on tariff analysis for all potential tradeable NPs
- Give an overview of existing European Union (EU) tariffs for the target NPs and their derivatives
- Identify which harmonised system (HS) codes are applicable to the target NPs
- Review other regulatory environment for markets outside SADC and the EU for comparison basis
- With Trade Officer, prepare a summary analysis of tariffs and NTBs for the target NPs that will feed into the trade commodity briefs to be presented to lobby groups and key decision makers

5.1.2 Prepare commodity briefing documents for NPs (10 days)

- Advise on the input requirement into the preparation of commodity briefs of the various NPs under study.
- Prepare and field test draft commodity briefs with a sample of stakeholders
- Prepare at least two commodity briefs for any of the following baobab, trichelia, ximenia and kigelia, taking into consideration results of the field tests.

- Build the necessary capacity on the preparation of commodity briefs by regularly imparting drafting skills, checking the content and quality of the products.
- Assist in identifying relevant fora for commodity brief presentation
- With the Trade Officer, present commodity briefs for selected NPs at relevant fora

5.1.3[4] Develop economic intellectual property management and patenting programme (10 days)

- Review existing intellectual property management programme and legislation, and assess costs and benefits of various options (desk study)
- Identify key emerging issues related to intellectual property management and patenting and recommend way forward
- Research on patent environment for key
- Collate all information available on intellectual property policy in key export countries in the region and prepare a discussion paper

5.1.5 Assess geographical indications (8 days)

- Identify NPs with potential for GIs in the region
- Compare and contrast the use of GIs versus patents for SADC NPs
- Assess the effectiveness of GIs as a market access tool in SADC
- With Trade Officer, prepare a discussion paper on the effectiveness of GIs as a means of market access for NPs for decision makers, TRIPS officials to be discussed at the WTO TRIPS committee.

6. Expected outputs

1. Visit reports outlining key recommendations and actions required
2. Tariff and NTB summary analysis
3. At least two NP commodity briefs
4. Discussion/working paper on intellectual property management, patenting and geographical indications

7. Conclusion

In pursuing the trade component of the Natural Futures Programme, IUCN-SA believes that the development of the NP sector presents a real opportunity for increased sustainable livelihoods in southern Africa, particularly for poor communities with access to natural resources. It is believed that the entrepreneurial development for NPs and commercialisation of NPs will improve communities' standard of living, at the same time realising the sustainable development objectives and addressing the United Nations' Millenium Development Goals (MDG) 1: "Eradicate extreme poverty and hunger", and 7: "Ensure environmental sustainability".

Annexure E: Financial Report (Attached)