



RTFP

Regional Trade Facilitation Programme

Quarterly Report

April - June 2007





1. Programme Activities April - June 2007

Programme activities implemented during the period under review contributed towards the realisation of all five RTFP programme outputs, the programme goal and purpose. These are listed in Box 1 below.

Box 1: RTFP Goal, Purpose and Outputs

RTFP Goal
Sustainable job creation and increased incomes for the poor within the Southern Africa region

RTFP Purpose
To facilitate increased trade in Southern Africa for the benefit of the poor

Second Phase RTFP Outputs from July 2006 to October 2007

Output 1: Streamlined Customs/border Procedures and Common Regional Transit System

Output 2: Pro-poor trade agreements negotiated at WTO and as part of EPAs.

Output 3: Improved functioning of Regional Trade Agreements (SADC, SACU, COMESA).

Output 4: Increased Participation by Local Communities in the Production and Export of Selected Pro-poor commodities

Output 5: Improved Trade Policy Capacity

1.1 Highlights of Achievements and Activities Undertaken April – June 2007:

At the end of the period planning was underway for the Annual Output to Purpose Review with interviews due to take place in the first and second weeks of July.

The major achievements and outputs realised were:

Output 1: Streamlined Customs/border Procedures and Common Regional Transit System

One Stop Border Post (OSBP) - Lebombo (South Africa) and Ressano Garcia (Mozambique)

Two bipartite meetings were held during the period on the OSBP at Lebombo-Ressano Garcia between Mozambique and South Africa – one in Maputo on 26 April and one in Pretoria on 3rd May. At the latter meeting, a Statement of Intent was signed by the Deputy Director General of the Mozambique Revenue Authority and the Chairperson of the Border Control Operational Coordinating Committee of South Africa which covered the establishment of the OSBP (including the proposed Dry Port and the passenger facility



that spans the border and the railway facility); the international agreement between the two countries; funding for the project as well as infrastructure issues.

The latter meeting was also attended by the two consultants financed by RTFP (who were contracted during the previous quarter) who prepared a note for the meeting as the basic working document which laid out a number of options for the operation of the OSBP. The document also referred to some key legislative issues that will need to be addressed.

The final meeting agreed the Governance Structures, incorporating representatives of both countries, and made minor changes to the draft Agreement laying the basis for the OSBP which will be signed by the two Heads of State later in the year.

At the end of the quarter, planning was in progress for a major meeting of the stakeholders (both government and private sector) from both countries to be held in July 2007.

OSBP Chirundu

Good progress also continued to be made on the OSBP at Chirundu between Zambia and Zimbabwe. In early April, the third stakeholders meetings was held in Kariba and was well attended by high level officials from all relevant government (and quasi-government) and private sector departments present at the border.

The Project Manager (who is contracted by RTFP) presented a revised draft work plan which was considered by sub-committee groups on procedures; legislation; facilities and ICT. The meeting resolved to organise national Steering Committees of relevant Permanent Secretaries along with representatives of major stakeholders such as Clearing Agents and Road Hauliers – and these committees subsequently met in June 2007. The Kariba meeting also agreed on activities to push forward progress on procedures and agreed that the Bilateral Agreement between the two countries should be signed by September 2007 in time for implementation in October.

Following Kariba, well-attended meetings of the national Steering committees were held in both countries during the quarter and the Joint Steering Committee agreed to implement the project before the end of 2007; enact enabling legislation; sign the Bilateral Agreement and establish a Joint Commission to oversee its implementation.

OSBP Forbes (or Nyamapanda)

In May, the services of an official based in SADC Secretariat were contracted by RTFP to specifically push forward work on the OSBP between Zimbabwe and Mozambique, as requested by SADC (he will also working on the Regional Transit Bond Chain Guarantee system). It is hoped that this will lead to significant progress in implementation, however, discussion is still ongoing as to which border post should be made an OSBP (Forbes or Nyamapanda).

SADC Regional Transit Bond Chain Guarantee System:

As indicated above, the major development during the quarter was the contracting of a Trade Facilitation Manager, based in SADC Secretariat, who would concentrate his work on both the transit system and the OSBP..

Meetings were held in both Beira and Johannesburg to launch the Beira Corridor and inform stakeholders about the system to be employed.

Queries have been raised by stakeholders in both the COMESA and the SADC systems uncertain as to the process of recovering taxes in case of default by an importer and other concerns relating to loss of business, jobs, income and tax revenue. In order to address some of these issues, a contract was entered



into with a consultant to undertake a study to assess the strengths and weaknesses of the regional customs bond guarantee systems as designed by SADC and COMESA respectively – and to make suggestions as to how these could be addressed. The study had not been concluded by the end of the quarter.

Output 2: Pro-poor trade agreements negotiated at WTO and as part of EPA

WTO

The Programme Director continued to provide technical assistance support to the LDC group: comments from the WTO member states on the LDC DFQFMA request were responded to; comments provided on the WTO text for LDCs on NAMA; preparations were begun for a meeting on the EIF in Zambia in July and TORs for EIF country studies prepared. The expert working under the UNCTAD project co-financed by RTFP contributed a paper on preference erosion in addition to work on Rules of Origin.

This year, Lesotho has assumed the Coordination Chair of the LDC group. In order to undertake activities of support, the Programme Director prepared a work programme; met embassy and government officials; attended meetings of the LDC experts and of Ambassadors; contributed to discussion of the Chair's text on the Agricultural Process; made a presentation to the NAMA committee; attended the G20 meeting; prepared a new language for the NAMA Chair and got approval from the LDC Group to take the proposal on the draft LDC Support Programme through to the next stage. (The extensive programme of meetings and activities can be viewed on the website under Documents/Activity Reports.)

Unfortunately, the Service Provider contracted by RTFP to support the LDC process and other issues in the Ministry of Commerce, Trade and Industry in Zambia, broke her arm very badly whilst attending the RTFP-financed OSBP meeting in Chirundu which seriously curtailed her work. In spite of this she finalised the consultation with all the stakeholders on the EIF proposal to engage an advisor to support the focal point and other related issues (including work on the national workshop on the IF which was held in Zambia in May). She led the establishment of the Trade Facilitation Working Group which is working together with the MCA Threshold project to consider the WTO Trade facilitation proposals (three meetings were held during June). The TA also undertook technical preparation for the national workshop on the Integrated Framework by the Private Sector Development Programme (PSDP) trade Expansion Working Group.

ACP Assisted to Advance Dialogue on EPA Rules of Origin.

Towards the end of the quarter, preparations were underway for the 6th Meeting of the All ACP Group of Experts on Rules of Origin to be held in Brussels in July.

Rules of Origin as they apply to EPA negotiations on Marine Fisheries

The major success during the quarter was that Mauritius, Seychelles and the private sector tuna-processing companies agreed a position on Rules of origin. This will allow the canneries to source additional fish without introducing unpredictable changes to the fisheries RoO. This development was achieved at an ESA-EPA meeting on Fisheries held in Mauritius and carried forward to a meeting on ESA-EPA Rules of Origin in Nairobi.

At the same time, two consultants were contracted during the quarter to undertake a comparative analysis of cost structure and SPS issues in canned tuna production in Mauritius, the Seychelles and Thailand to assess whether there was a 'level playing field'. The report had not been finalised at the end of the period but preliminary findings gave cause for concern.

“Challenges of the SADC EPA Negotiations”
Conference in Brussels 26 June 2007-08-22



In conjunction with The South African Institute of International Affairs (SAIIA) and the European Centre for Development Policy Management (ECDPM), RTFP hosted a conference in Brussels on the above subject.

RTFP financed the participation of resource people from the SADC region (government, academic and private sector as well as from the Secretariat itself) but the majority of the participants were Members of the European Parliament, regional embassy officials and representatives of the European Commission.

The main points to emerge from the conference was concern that time was running out for the SADC countries to conclude an EPA before the end of the year (with the EC and SADC holding differing views as to whether this is possible); the inclusion of South Africa in the SADC EPA group has complicated the negotiations; regional integration (which is the underlying objective of the EPAs) will not be promoted through any potential SADC EPA; confusion still remains regarding the development dimension of the EPA and, finally, the inclusion of services and new generation trade issues are still highly contentious.

CUTS – Operationalising South-South Trade Cooperation:

Consumer Unity & Trust Society (CUTS) of India is undertaking research into operationalising duty-free, quota-free market access to India of products originating from Tanzania, Uganda, Malawi, Mozambique and Zambia.

A delay by the Indian Council of Ministers in approving the notification put forward by its Ministry of Commerce on giving duty free and quota free market access to LDCs has meant that CUTS has been unable to finalise the first draft of the report as planned. They did, however, continue to do analysis on the basis of negative lists which India has in its existing FTAs and will prepare a probable negative list of products under DFQFMA.

They requested an extension of the deadline for submission of the report until the end of July 2007.

In terms of advocacy, CUTS has had articles published in the press arguing for DFQFMA for goods from LDCs into both India and China. It also sponsored panel discussions.

Output 3: Improved functioning of Regional Trade Agreements (SADC, SACU, COMESA)

COMESA/EAC/SADC Task Force

Between 24 – 29 May the officials of the three Regional Economic Communities (RECs) and then, on the last day, their CEOs met on the island of Zanzibar with EAC as host. The meeting was well attended and was opened by Dr Ibrhaim Msabaha, the Minister for East African Cooperation of the Tanzanian Government.

Following preliminary work by the officials, the CEOs agreed on a wide range of activities and reviews to be implemented jointly which were detailed in an Action Plan of Potential Areas of Functional Cooperation. RTFP, in its role as Secretariat to the Task Force, has been given responsibility for coordinating several activities. The next meeting has been set for October 2007 and will, again, be financed by the RTFP.

Support to the RECs on NTBs:

Although the two consultants (Imani and Ihiga) who had been contracted to undertake a survey of NTBs in the COMESA, EAC & SADC regions had not completely finished their work by the end of the quarter, a substantial number of the country reports had been finalised. The two consultants were present at a meeting of COMESA member States (financed by RTFP and held in Nairobi on 27 – 29 June) at which they



presented their findings as well as contributed to the development of a draft Action Plan for the implementation of COMESA reporting on, and or, elimination of NTBs.

The company which had been contracted to design, set up and run the NTB web-based database (the development of which is being coordinated by COMESA but which will also be adopted by EAC and SADC) had almost finished the work by the end of the quarter. The database should enable the identification of NTBs which have arisen; enable those who experience NTBs to report them and monitor the progress on their removal as well as making the administration of NTB reporting and removal easier.

A medium-term contract has also been entered into with an official based in COMESA Secretariat to administer the system (which she also helped to establish) through data entering, monitoring and liaison with member States. A specific term of reference is that she will facilitate the exchange of NTB information between the three RECs.

COMESA

RTFP's Programme Director continued to work with COMESA on the Aid for Trade proposal which he also presented to the Ministers of Finance. He attended the COMESA Summit in Djibouti in April and in May made a presentation on Rules of Origin at a dedicated meeting on Fisheries.

SADC

Work with SADC was through the conduit of the Long Term Trade Adviser (see report below on his activities) and the newly contracted Trade Facilitation Project Manager working on the Customs Bond Guarantee Scheme as well as the One Stop Border Post. The tax adviser also continued his activities.

SACU

The new SACU Agreement provided for the setting up a SACU Tariff Board by 2008 and consequently the Secretariat held a workshop in April to develop a roadmap. At the request of SACU, Professor Colin McCarthy, financed by RTFP, attended the workshop making recommendations for the preparation of the administrative instruments necessary for the establishment of the SACU Tariff Board.

He produced a report which looked at the constraints associated with setting up the Tariff Board; procedures for appointment of the Board members; the independence, policy guidelines and training for the Board; institutional arrangements and activities as well as the likely problems which could be expected at the start of operations.

Output 4: Increased Participation by Local Communities in the Production and Export of Selected Pro-poor commodities

TWIN – Capturing Value for Smallholder Nut Producers in southern Africa through Fairtrade Nut Market Access:

Sales of fair-trade nuts into European markets have continued to expand with consignments now also going into France, Germany, Austria and Finland in addition to being sold in most of the major supermarkets in the UK (Tesco, Morrisons, Asda, Sainsburys, Coop – with Waitrose buying in for early autumn). The Ethical Nut Company (the establishment of which was assisted under earlier phases of the project) also finalised a brand identity during the quarter.

Field visits were undertaken by TWIN staff and an investigation into the supply potential for Macadamia nuts from Kenya was carried out. The latter investigation shows that there is no shortage of nuts for processing although quality may be something of an issue. This declined after the purchase of inferior nuts



by traders unfamiliar with the market and has had an unfortunate impact on the perception by overseas buyers that Kenyan nuts are poor quality. In spite of this, the investigation concluded that there is considerable potential for fairly traded macadamia nuts, particularly in view of the existence of both organisations and farmers which would support the development.

Meetings were held in Nairobi with organisations who could assist with the expansion of quality groundnut seeds into Southern and Eastern African countries and increased market access for smallholder farmers. Representatives of a Malawi growers' organisation attended the London meeting of the International producer Cooperative (IPC) and was thus able to share experiences with Latin American and Indian producers.

During the quarter, TWIN re-engaged with NGOs assisting the development of organic groundnuts in Zambia.

East Africa Fine Coffee Association (EAFCA) – Trade Market Expansion:

The project was originally due to finish in January 2007 but EAFCA introduced a request to extend the deadline so that activities could be financed for the 4th African Fine Coffee Conference which was held in February. Following this, final accounts were produced which showed an unused balance of project funds and during the current quarter an external audit was undertaken.

Although the audit had not been finalised at the end of the quarter, a project balance of approximately GBP 21,500 remained and EAFCA presented a proposal to use this balance to finance an EAFCA exhibition and a Barista (coffee-making) competition at the major South African Good Food and Wine Show in Johannesburg in November 2007.

Natural Futures – IUCN

Statistics were updated which shows that the majority of trade in natural products continues to be for domestic markets. At the same time though, there was an exponential increase in the number of people involved in harvesting (up by 229%). Whilst income should be seen as an additional benefit rather than the main source of livelihood, in interviews conducted under two case studies, rural women reported that it makes expenditure on school fees, uniforms, foodstuffs, health care and transportation more affordable. They view the ability to earn and control their own cash income as an important benefit.

IUCN's Trade Officer undertook a tariff analysis to identify both barriers and opportunities for natural products. As an example, she has noted that under AGOA, in the SADC region, most of the products which are traded duty free do not fall under the NP category. The project must now address the challenge of ensuring that the SADC negotiators include NPs on the AGOA list of products.

Three commodity briefing documents (in respect of ximenia, trichilia and kigelia) were developed and tested in Namibia (whilst feedback was also sought from other countries and interested parties. The briefs will be used to raise the profile of NPs among key decision-makers so that there is a wider appreciation of their potential benefits.

The project also worked on biodiversity and trade-related issues; intellectual property management and Geographical Indications during the quarter.

Devil's Claw

In April a contract was signed with the National Museum, Bloemfontein, which agreed to make available (and partly finance) the services of Dr P. Zietsman to undertake an investigation into the optimal harvesting practices of Devils Claw, including the physiological state of the plant at harvest time, frequency of harvesting and the effect of these on the chemical composition of the product.



Work began in May with a field visit to Namibia where Dr Zietsman will work closely with the Namibia Botanical Research Institute (NBRI). He also met NGO representatives who work on community-based programmes (and who are also instrumental in the Devils Claw Range State Working Group) and one of the traders who will facilitate some of the experimental drying methods to be carried out on his farm. As a result of these meetings, the project will also undertake field work in communal lands (as well as on private farms and biosphere reserves); will contribute specimens, photographs and articles for the NBRI database and publicity work. It was also proposed that the research should be extended into the Victoria Falls area of Zimbabwe.

The researcher also undertook a mission to the Kgalagadi Transfrontier Park to inspect four experimental plots.

Output 5: Improved Trade Policy Capacity

Trade Reform in Southern Africa – The Southern African Institute of International Affairs (SAIIA)

In May, SAIIA held a meeting entitled: “ Trade Reform in Southern Africa: Vision 2014?” which was financed by RTFP and well attended by a wide range of participants and resource people (coming from the London School of Economics, the Institute of South Asian Studies; Brazilian based Global Strategies; the Malaysian Institute of Economic Research; ITS Global; the Chilean mission to the WTO as well as from the Universities of Cape Town and Stellenbosch).

The opportunity was taken for the researchers to discuss their draft Country papers so that a coordinated approach could be taken to the approach and methodology. These papers are now due to be finalised at the end of October.

TRALAC Support Facility & Post Graduate Diploma in Trade Law and Policy Management:

The participation of two post graduate students continued to be financed by RTFP and both have been reported as having done exceptionally well. Of interest is the fact that the student from Lesotho is now part of her Government's team working on activities to support their coordination of the LDC group. The other student (who comes from Kenya) has a strong agricultural background but is also making valuable use of her studies.

2.2 Summary of Project Activities

The current status of implementation and development of RTFP supported projects are summarised in Table 1.

2.3 New Projects Initiated during the three month period to June 2007

North Star Foundation – Wellness Centres

During the quarter, discussions with the North Star Foundation reached an advanced stage on the establishment of three Wellness Centres to be sited on either side (Zambia and Zimbabwe) of the Chirundu border and well as on the Zimbabwe side of the border at Beit Bridge.

North Star Foundation was established in 2006 by the international courier service, TNT, with support from the United Nation's World Food Programme. It is also officially supported by the UNAIDS programme, the International Transport Workers Federation and the Federation of Eastern and Southern Africa Road Transport Associations (FESARTA).



The centres are low-cost, low-maintenance facilities that provide primary healthcare; treatment for sexually transmitted infections; condom distribution; HIV prevention information; voluntary counselling and testing and referrals to follow-up services such as TB and anti-retroviral therapies. The location of the centres at borders is with the specific intention of reaching the large pool of truck drivers who are frequently held up at the borders as well as the sex workers and other informal traders who congregate around them.

The centres (which will probably be located in converted freight containers) will be staffed by a peer counsellor to offer information, education and counselling as well as a medical practitioner to offer basic medical services. The medical practitioner will be recruited through the national health authorities and any medications will again be in compliance with national guidelines.

In addition to the establishment and running costs of the three centres over a two year period, a baseline survey will be undertaken at each location which will be an expansion of the statistics they already collect under their Key Performance Indicator Surveys.

A total amount of GBP 202,500 is being requested for the project and, at the end of the quarter, had been submitted to the Executive Committee for approval.

3. Projects under Development:

*Regional Infrastructure Programme (RIP):
Aid for Trade Corridor Programme*

Consultations were held during the quarter with DIFD to assess whether RTFP would be an appropriate management location for the planned RIP focussing upon infrastructure.

In seeking to reduce the costs of business it would be advantageous to sequence the initiatives and identify missing links so that when the 'soft' constraints (such as trade policy and facilitation components) are addressed there are no gaps with the 'hard' components (i.e. infrastructure). It is therefore considered logical that RTFP would be a suitable location for management of the RIP.

It will be necessary to recruit a Programme Manager and Programme Officers before embarking on implementation. This will include addressing deficiencies in infrastructure and trade facilitation measures and instruments including: weighbridges, rail track and signalling equipment along the corridor. A feasibility study will be carried out on the possibility of linking existing fibre optic cables. 'Soft' elements such as uniform regional customs bond guarantees; harmonisation of axle weights, customs procedures etc will be considered in tandem.

Each REC has a mandate to improve transport infrastructure in the region and the COMESA-EAC-SADC Task Force is further mandated to address infrastructure issues. The programme will be implemented through the Task Force

Other donors which have either expressed an interest in this area, or are already active in it, are the World Bank, African Development Bank and JICA. The private sector (for example the Federation of Southern African Regional Transport Associations, FESARTA) have also been consulted.

4. RTFP Long-term Advisors:

SADC Regional Integration and Trade Policy Advisor

The Adviser continued to focus almost exclusively on the EPA negotiations as indicated below:
Analysis of the EU Response to the SADC EPA Framework Proposal on EPA Negotiations



Following the response from the EU to the SADC proposal, substantial technical analysis was required to guide the SADC Senior Officials and SADC EPA Ministers on the way forward. This culminated in the SADC EPA Ministers revising their approach to negotiations and mandating the negotiators to resume the process. The Adviser prepared briefing positions for this purpose, especially related to the inclusion of South Africa as a full member and related implications and revisiting the scope of the negotiations on services and trade-related areas. As a result, SADC EPA Ministers resolved to allow services to be treated differently from the other trade-related issues, where SADC maintained not to negotiate binding commitments.

Development of Substantive Negotiation Positions on Market Access

The Adviser provided technical support to the establishment of the SADC EPA Technical Working Groups (TWGs) on market access - tariffs and rules of origin. This entailed the development of draft position papers on the following:

- Consolidation of the BLNS market access strategy, taking into account their TDCA sensitivity. Two rounds of negotiations took place in Brussels and Walvis Bay respectively. The final outcome was the adoption of a SACU tariff offer and its submission to the EC. This remains a subject of ongoing negotiations between the parties.
- Development of the market access strategy of the non-SACU EPA States – namely, Angola, Mozambique and Tanzania. Following extensive technical work and discussions with these countries, they eventually decided to reciprocate. The Adviser provided technical assistance on how they should develop their individual tariff offers to the EC. This work is still in progress.
- Development of the SADC EPA Rules of Origin position. The Adviser facilitated the process of arriving at the negotiation position on rules of origin. In collaboration with Lesotho, which is in charge of this process and with the RTFP assistance, a technical report on how to improve the current Cotonou rules of origin was prepared. On this basis, a draft SADC EPA rules of origin position was finalized and submitted to the EC as well as to the other ACP regions. This remains a subject of ongoing negotiations.

Technical Support to the SADC Trade Integration Agenda

In addition to the EPA negotiations, the Adviser has continued to provide technical input to the overall SADC economic integration agenda, including the following:

- Audit of the implementation of the SADC Trade Protocol (ongoing);
- Identifying the possible appropriate model and approach towards the SADC Customs Union (ongoing);
- Operationalization of the SADC Finance and Investment Protocol (ongoing) and
- The notification process of the SADC FTA to the WTO Secretariat (completed).

COMESA Senior Trade Policy Advisor:

During the quarter the Senior Trade Adviser continued to provide valuable inputs to the COMESA Secretariat on preparations for the Customs Union as well as the ongoing consolidation of the FTA.

In the latter category he regularly responded to queries from manufacturers on aspects of Rules of Origin, for example assisting companies in Swaziland manufacturing alcohol; the sugar industry in Kenya and importers and exporters of tyres, petroleum products, honey, salt and cement. In June he led a mission to Kenya to review the performance of the sugar sector following the safeguard that the country has enjoyed over the last 6 years and produced a report showing that the Kenyan sugar sector was still uncompetitive vis-à-vis other sugar producers in COMESA. He also assisted in the development of a web-based NTB Monitoring mechanism which is being established (with RTFP funding) at the COMESA Secretariat for the use of interested parties in COMESA, EAC and SADC.



He served as resource person in capacity building for the Zambian Safeguard Investigation Committee that was constituted earlier in the year.

In March the Adviser provided input to a paper on CET which was presented to the Ministers of Finance meeting. He again made a presentation on the subject in April to the Special Ministerial Task Force that adopted the CET and followed it with a paper for submission to the full COMESA Council of Ministers. He provided input for the FTA update paper which was also presented to the Ministers of Finance meeting in March and submitted papers on FTA operations (as well as the challenges of the FTA for non-FTA countries) to the COMESA Summit and associated workshops in Djibouti in April.

The Adviser has led the process of establishing a Competition Commission in the COMESA region and in May he held consultations with the South Africa Competition Commission on a possible framework for cooperation among competition authorities in eastern and southern Africa (which he followed with the development of a concept paper). He also held discussions with a Commissioner of the Tanzanian Competition and shared with him consumer protection provisions of the COMESA Competition Regulations.

He attended a meeting in South Africa on the COMESA and SADC Regional Customs Bond Guarantee Scheme and led a Roundtable (financed by the RTFP in Pretoria) on the Mode IV Managed Temporary Immigration of Nurses from the region to Europe.

On the preparatory work for the Customs Union, STA reviewed a draft report on Trade Policy relating to the treatment of EPZs; manufacturing under bond; Economic Free Zones and other incentive schemes. He also prepared papers for officials of the Zambian Government on the Customs Union (including for both the President and the Minister of Commerce, Trade and Industry) and participated in related consultations with IBRD, IFPRI and SAKSS.

The STA also participated in the COMESA-SADC-EAC Tripartite meeting; represented COMESA in Geneva at UNCTAD's Trade and Development Board discussion on Trade in Services and Regional Integration and participated in the Gender Technical Meeting at the COMESA Summit.

SADC Tax Policy and Harmonisation Advisor:

During the quarter, the Adviser worked on various aspects of indirect tax coordination in SADC, including developing a proposal for a common model VAT design for SADC and encouraging the uptake of SADC VAT cross border agreements. Consensus-building for these and other outputs was progressed through the first meeting of the SADC Tax Subcommittee Working Group on Indirect Taxes in April. The deliberations of the Working Group were largely informed by the 2005/6 Study "Value Added Tax in SADC" carried out by Professor Graham Glenday of Duke University (which was financed by RTFP), as summarised by the Adviser. The Working Group adopted most of the recommendations, but hotly debated the long-term recommendation of an "origin VAT" for SADC and agreed that this should be referred to the SADC Committee of Ministers for Finance and Investment, for discussion and at their "Tax Lekgotla" (a Ministerial advisory meeting) which is scheduled for later in 2007.

The Adviser prepared draft Guidelines for the "Appropriate Treatment of Tax Incentives in SADC", building on earlier discussions in the Tax Subcommittee and the disputed recommendations from the 2006 Study to "Develop Guidelines for Tax Incentives in SADC" by Adrian Ogleby (which was financed by RTFP). Consensus-building for this output was taken forward the first meeting of the SADC Tax Subcommittee Working Group on Tax Incentives in May. Tax Incentives is the most sensitive topic in SADC Tax coordination and the draft Guidelines were the subject of detailed and lengthy debate. Most of the Guidelines were accepted in principle and the Group refined and amended the draft. However, the exercise could not be concluded in the time available and the revised draft was referred for consideration in Member States, before conclusion at the next Working Group meeting.

The SADC draft "Agreement on Exchange of Information and Mutual Assistance in Tax Matters" was developed by the Tax Agreements Working Group and finalised in February 2007. The draft was presented by the Adviser to the SADC Tax Subcommittee, the SADC Committee of Senior Treasury Officials (STO's)



and the SADC Committee of Ministers for Finance and Investment and approval secured. The Draft Agreement will now be submitted to a joint meeting of Member State legal representatives and technical experts; then to the SADC Committee of Attorneys' General for formal legal approval; and ultimately to Council, after which it can be implemented.

The Adviser also facilitated the Fifth meeting of the SADC Tax Subcommittee "Heads of Tax" in May to consider and approve the progress made in the three technical Working Groups and to drive the implementation of Annex 3 of the Protocol Finance & Investment, including: Tax Agreements; Tax Incentives; Indirect Taxes; Private Sector Interaction (funded by RTFP) and substantial progress on the redesign of the SADC Tax Database.

The Adviser finalised the proposed concept for the SADC Tax Lekgotla which will focus on the political challenges of regional tax coordination and will provide officials with important high level guidance from Ministers. Approval for the concept was obtained and after some amendment the Ministers directed that the meeting should ideally be convened before the end of the year.



Table 1. RTFP Projects: Under Implementation and Being Developed during the Period April – June 2007

Project	RTFP Output	RTFP Channel	Status	Partners & Service Providers	Total Expected Cost	Total Committed Cost	Actual Expenditure To Date	Unspent Committed Funds
Output 1: Streamlined Customs/Boarder Procedures and Common Regional Transport System:								
One-Stop Border Post (OSBP) - RSA , Mozambique & Lesotho To assist RSA develop a policy framework for establishing OSBP	1		Project proceeding well now with the appointment of two experts who have established close working relations with South Africa (SARS) and Mozambique.	Consultants contracted.: M. Zarnowiecki Phase 1 Phase 2 L. De Wulf Phase 1 Phase 2	±£ 300,000	£12,192 £ 46,261 £ 13,212 £ 36,061	£ 193 £ 11,429 £ 2,565.39 £ 10,328 -	£ 763 £ 43,696 £ 2,884 £ 36,061
Establishment of One-Stop Border Post – Chirundu	1	1	Project Manager has organised several meetings of high-ranking officials both in bilateral and national meetings. Sub-committees established and signing of Bilateral Agreement imminent.	COMESA RTFP COMESA Trade Advisor Project Manager K. Chanda	£ 100,000	£ 83,200	£ 53,127 £ 31,252	£ 46,873 £ 51,948
Planning for OSBP Forbes (or Nyamapanda) under SADC Secretariat.	1		Discussions still ongoing to finalise location of OSBP	TA Kuzvinzwa contracted to work on both OSBP and CTBGS				



Project	RTFP Output	RTFP Channel	Status	Partners & Service Providers	Total Expected Cost	Total Committed Cost	Actual Expenditure To Date	Unspent Committed Funds
Development of SADC's Regional Customs Transit Bond Guarantee System (CTGBS) – project likely to have 3 components Pilot testing of the system and instruments - its regulations, procedures and documentation Develop a Risk Management System incorporating an electronic tracking system Develop electronic validation system for customs docs.	1	1	TA based in SADC Secretariat contracted. Several workshops financed and Beira Corridor Pilot launched.	SADC Contract with Project Manager: H. Kuzvinzwa	±£300,000	£ 91,900	-	-
Development of a common Regional Customs Bond guarantee System for COMESA and SADC			Report commissioned on strengths & weaknesses of SADC & COMESA systems as well as design of commercially viable system.	Contract Rina Belcher		£2,850	£ 1,706	£ 1,144
Output 2: Pro-poor trade agreements negotiated at WTO and as part of EPA								
Technical Assistance to LDC Group	2	1	Continued support to the LDC group with plans to assist Lesotho as Coordinator. S.Inama produced papers on rules of Origin.	RTFP Prog. Director intimately involved in all work DN Tembo Phase I Phase II UNCTAD	£ 150,000	£ 221,000 £ 122,600 £100,000	£186,447 £ 40,006 £ 100,000	£34,553 £ 82,594 £ 0



Project	RTFP Output	RTFP Channel	Status	Partners & Service Providers	Total Expected Cost	Total Committed Cost	Actual Expenditure To Date	Unspent Committed Funds
Preparations for meeting of Geneva and capital based LDC officials on EIF.			Study on Malawi's experience of EIF commissioned ready for LDC group meeting.	Consultant J. McGrath		£ 500	-	£ 500
Implementation of SADC Trade Protocol Mid-term review Rules of origin Assist Madagascar accede to the STP Finalisation of SPS Annex Development of a Services Annex to the STP Assistance to SADC EPA Unit to effectively coordinate EPA negotiations	2	1	The majority of the LTTA's time has been spent on work contributing to the EPA negotiations.	SADC Trade Advisor	£ 150,000		£ 139,403	10,577
Operationalising South-South Trade Cooperation	2		Government delays in approving notification has had an impact on the project. CUTS will now submit the report at the end of July 2007.	CUTS		£ 52,100	£ 11,038	£ 41,062
Assistance to the ESA EPA Group Negotiating briefs, background papers and presentations Technical backup and presentations at the meetings	2	1	Ongoing support with presentations and opinions. Attendance at meetings Study on Tuna cost structure & SPS issues	ESA-EPA Group Programme Director and RTFP-COMESA Trade Advisor Consultants Campling & Doherty	±£ 100,000	£ 20,000 £23,400	£14,941 0	£ 5,059 £ 23,400
All ACP Rules of Origin	2		Desk work continued and plans made for 6 th	PMU	£ 150,000		£ 119,543	£ 31,543



Project	RTFP Output	RTFP Channel	Status	Partners & Service Providers	Total Expected Cost	Total Committed Cost	Actual Expenditure To Date	Unspent Committed Funds
			Meeting of the Group of Experts in July 07.					
TRALAC Support facility EPA comprehensive review of preparations and possibly post graduate teaching	2	4	The Review has now been concluded but support to TRALAC continues.	TRALAC		£ 100,000	£ 35,875	£ 64,125
SAIIA-ECDPM-RTFP Meeting on SADC EPA Negotiations	2		Successful meeting co-hosted with SAIIA & ECDPM in Brussels. TA contracted for administrative support and report writing.	Meeting costs T. Bertelsmann-Scott		£ 33,000 £ 1,520	£ 32,997 -	£ 3 £ 1,520
Output 3: Improved functioning of Regional Trade Agreements (SADC, SACU, COMESA):								
COMESA/EAC/SADC Task Force Harmonisation of Trade regimes	3	1	4 th meeting of the CEOs held with preparatory meetings of officials. Action Plan of Potential Areas of Functional Cooperation produced .	SADC & COMESA Secretariats RTFP Prog. Director	±£150,000		£ 57,244	£ 92,756
Development of a Regional NTB Monitoring System	3		Studies virtually completed by the end of the quarter. TA contracted to man the regional NTB database.	Contractors: Imani Development Simon Ihiga Olive Hankambi	±£ 250,000	£ 32,000 £ 99,220 £ 26,100 £ 30,000	£ 31,535 £ 37,056 £ 25,646 £ 11,476	£ 465 £ 62,164 £ 454 £ 18,524



Project	RTFP Output	RTFP Channel	Status	Partners & Service Providers	Total Expected Cost	Total Committed Cost	Actual Expenditure To Date	Unspent Committed Funds
Monitoring Plan			IT Company to design and set up web-based NTB reporting & monitoring system.	Africonnect		£ 5,000	-	£ 5,000
			Formulation & presentation of Action Plan for COMESA NTBs	Imani		£ 7365	-	£ 7,365
				Simon Ihiga		£ 1750	-	£ 1,750
Competition policy	3	1	Establishment of COMESA Competition Commission by end of 2007 on track	RTFP COMESA Trade Advisor	£ 33,383		£ 33,383	£ 0
SACU Tariff Board	3		Contribution towards SACU's planning for the establishment of a Tariff Board undertaken.	Consultant: Prof C. McCarthy		£ 812	£ 363	£ 442
Knowledge base: Trade Reform in Southern Africa – Vision 2014	5		Meeting held in May attended by all researchers who will contribute papers to final book. Research work ongoing.	SAIIA	±£ 350,000	£ 95,982	£ 50,354	£ 45,628
Monitoring Small-Scale Cross-Border Trade (SAMP) Assess nature of trade and trading conditions, quantify	3	3	Following failure by SAMP to meet targets and delivery deadlines, a decision	SAMP in conjunction with Queens University, Canada		£300,000	£117,986	£182,014



Project	RTFP Output	RTFP Channel	Status	Partners & Service Providers	Total Expected Cost	Total Committed Cost	Actual Expenditure To Date	Unspent Committed Funds
trade flows Incorporates an origin & destination survey an investigation of why simplified COMESA documentation for small scale cross border trade is not being utilized			was taken to terminate the Agreement . Reports for 1 st phase were received.					
Output 4: Increased participation by Local Communities in the Production and Export of Selected Pro-poor commodities:								
Develop Quality Management, Traceability and Supply Chain Management System promote fair trade in groundnuts, macadamia & cashew nuts in support of various small holder nut producers associations in Malawi, Zambia and Mozambique	4	3	Concluded. Remaining activities undertaken for Period 3. Finalisation of work programme for Period 4.	TWIN	£298,850	£45,125	£45,158	- £ 33
				Period 2		£ 100,105	£ 100,136	(£ 31)
				Period 3		£ 107,180	£ 35,384	£ 71,796
				Period 4		£ 67,782	-	-
East African Fine Coffee Association 3 Promotional events to buyers in South Africa (SA) Delegations of SA buyers to meet producers in 5 regional countries Workshop to establish a Speciality Coffee Association of SA	4	3	Work on the main body of the contract was concluded and an external audit begun. Proposals received from EAFCA for the use of unutilised funds.	East African Fine Coffee Association	£100,000		£ 93,096	£ 6,904



Project	RTFP Output	RTFP Channel	Status	Partners & Service Providers	Total Expected Cost	Total Committed Cost	Actual Expenditure To Date	Unspent Committed Funds
<p>Natural Futures Programme: Trade Component Project to be implemented in 3 phases:</p> <p>Phase I: Redesign of Project proposal to improve & strengthen it</p> <p>Phase II: Actual implementation of first 18 months of redesigned project</p> <p>Support for Phase III will be conditional on performance of Phase I & II</p>	4	3	<p>Concluded.</p> <p>The Trade Officer now fully engaged. Tariff analysis undertaken as well as biodiversity and trade-related issues.</p>	<p>IUCN</p> <p>Natural Institute Resources</p> <p>IUCN</p>	<p>±£300,000 of which</p> <p>£19,000 is for Phase I and</p> <p>±£150,000 for Phase II</p>	<p>£19,000</p> <p>£ 110,385</p>	<p>£ 18,835</p> <p>£ 28,567</p>	<p>£ 165</p> <p>£ 81,818</p>
<p>Devil's Claw: Fair Trade & Expanding the Markets – Feasibility study to identify and assess options for expanding export markets in support of harvesters & small scale producers in Botswana, Namibia & RSA.</p> <p>Research study on sustainable harvesting of Devils Claw.</p>	4	3	<p>Contract signed April 07 & work programme prepared and approved.</p>	<p>Devil's Claw Range State Working Group</p> <p>National Museum, RSA Dr Zietsman</p>	<p>£ 40,000</p>	<p>£ 1,740</p> <p>£ 38,940</p>	<p>-</p> <p>£ 8,675</p>	<p>£ 1,740</p> <p>£ 30,263</p>
Output 5: Improved Trade Policy Capacity:								



Project	RTFP Output	RTFP Channel	Status	Partners & Service Providers	Total Expected Cost	Total Committed Cost	Actual Expenditure To Date	Unspent Committed Funds
Scholarships: PG Diploma in Trade Law and Policy Management Scholarships awarded to 2 regional students for 2006/07 intake	5	4	Both scholarship beneficiaries have performed well and the Lesotho candidate is now involved directly in the RTFP-sponsored, LDC assistance in Geneva. Both are due to graduate in Dec 07.	TRALAC in conjunction with the Graduate School of Business, UCT		£15,200	£15,231	£ -31

CONCLUDED PROJECTS:

Project	RTFP Output	RTFP Channel	Status	Service Providers	Total Expected Cost	Total Committed Cost	Actual Expenditure To Date	Unspent Committed Funds
Trade In Services •National assessments of service sectors	4	2	Work concluded with national teams. Final Report in preparation.	COMESA, World Bank Institute, UNCTAD, private consultants & personnel drawn from relevant Gov Depts. & Agencies in member states		£973,000	£973,000	-



5. Financial Analysis

The Tables below summarise actual expenditure incurred by Channel (Table 3) and by Output (Table 2), on programme activities implemented between April to June 2007 as well as since the inception of RTFP.

Programme Expenditures April – June 2007:

During the period a total of £ 472,842 was spent on programme activities (including the remuneration of Long Term Advisers based in COMESA and SADC but excluding the management costs of the Programme Management Unit and also excluding the costs of the Long Term Tax Adviser in SADC. Nearly 92% of expenditure was upon projects financed under Channel 1 with the remaining funds utilised under Channel 2 (6.1%) and Channel 3 (2.3%).

Expenditure patterns by Output was as follows:

Output 1:	19.6% of funds
Output 2:	54.6%
Output 3:	22.6%
Output 4:	2.3%
Output 5:	0.9%

Programme expenditures from January 2004 to June 2007:

By the end of this quarter, £ 4,739,887 had been spent on activities since the beginning of the programme – with over £ 1.81 million having been expended in the last twelve months.

At present, 71.3% of the total funds allocated to the programme have been committed and 53.3% of the total budget has been disbursed.

With regard to expenditure on outputs, the majority of the funds (50.4%) have been spent on Output 2 (WTO and EPA negotiations), with 24.8% of the funds on Output 3 (improved functioning of regional trade agreements) and 12.6% on Output 5 (improved trade policy capacity). Commitments reflect a similar pattern, with 43% of funds for Output 2; 25.4% for Output 3 and 12.7% for Output 5. Output 1 commitments (on streamlined border procedures) have increased over the year and now stand at 9.3% whereas commitments (9.6%) and expenditure (8.5%) on Output 4 remain steady.



Table 2. Summary of Actual Project Expenditures and Commitment of RTFP Funds by Output up to June 2007

	Total Expenditure Jul04-Mar 07	07-Apr	07-May	07-Jun	Total Expenditure Apr-June 07	Total Expenditure To Date	Total Funds Committed to June 07	Total Committed Funds Unspent	Total RTFP Programme Budget	Total Uncommitted Funds
SUMMARY BY RTFP OUTPUT										
Output1	£80,981	£378	£45,002	£47,134	£92,514	£173,495	£590,676	£417,181		
Output2	£2,132,592	£7,590	£70,251	£180,566	£258,408	£2,391,000	£2,725,130	£334,130		
Output3	£1,068,919	£8,680	£34,162	£64,038	£106,881	£1,175,800	£1,611,845	£436,046		
Output4	£393,132	£0	£10,775	£0	£10,775	£403,907	£607,799	£203,893		
Output5	£591,421	£719	£1,748	£1,799	£4,265	£595,686	£803,815	£208,129		
ALL OUTPUTS	£4,267,045	£17,367	£161,937	£293,538	£472,842	£4,739,887	£6,339,266	£1,599,379	£8,890,000	£2,550,734

Share of Actual Project Expenditures and Commitment of RTFP Funds by Output

	Total Expenditure Jul04-Mar 07	07-Apr	07-May	07-Jun	Total Expenditure Apr-June 07	Total Expenditure To Date	Total Funds Committed to June 07	Total Committed Funds Unspent	Total Expenditure to Date as % of Total Commitments	Proportion of Total RTFP Programme Budget Committed	Proportion of Total RTFP Programme Budget Uncommitted	Proportion of Total RTFP Programme Budget Expended
Output1	1.9%	2.2%	27.8%	16.1%	19.6%	3.7%	9.3%	26.1%	29.4%			
Output2	50.0%	43.7%	43.4%	61.5%	54.6%	50.4%	43.0%	20.9%	87.7%			
Output3	25.1%	50.0%	21.1%	21.8%	22.6%	24.8%	25.4%	27.3%	72.9%			
Output4	9.2%	0.0%	6.7%	0.0%	2.3%	8.5%	9.6%	12.7%	66.5%			
Output5	13.9%	4.1%	1.1%	0.6%	0.9%	12.6%	12.7%	13.0%	74.1%			
ALL OUTPUTS	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	74.8%	71.3%	28.7%	53.3%



Table 3. Summary of Actual Project Expenditures and Commitment of RTFP Channel Funds up to June 2007

	Total Expenditure Jul04-Mar 07	07-Apr	07-May	07-Jun	Total Expenditure Apr-June 07	Total Expenditure To Date	Total Funds Committed to June 07	Total Committed Funds Unspent	Total Budget Allocated Per Channel	Total Uncommitted Funds
SUMMARY BY CHANNEL										
Channel1	£2,483,634	£17,367	£151,163	£264,788	£433,318	£2,916,952	£4,125,796	£1,208,844	£3,500,000	£625,796
Channel2	£1,032,366	£0	£0	£28,749	£28,749	£1,061,115	£1,034,500	£26,615	£3,000,000	£1,965,500
Channel3	£511,118	£0	£10,775	£0	£10,775	£521,893	£907,799	£385,907	£2,000,000	£1,092,201
Channel4	£239,927	£0	£0	£0	£0	£239,927	£271,171	£31,244	£390,000	£118,829
Total	£4,267,045	£17,367	£161,937	£293,538	£472,842	£4,739,887	£6,339,266	£1,599,379	£8,890,000	£2,550,734

Share of Actual Project Expenditures and Commitment of RTFP Channel Funds

	Total Expenditure Jul04-Mar 07	07-Apr	07-May	07-Jun	Total Expenditure Apr-June 07	Total Expenditure To Date	Total Funds Committed to June 07	Total Committed Funds Unspent	Total Budget Allocated Per Channel	Total Uncommitted Funds	Total Expenditure to Date as % of Total Commitments	Proportion of Total RTFP Programme Budget Expended
Channel1	58.2%	100.0%	93.3%	90.2%	91.6%	61.5%	65.1%	75.6%	39.4%	-24.5%	70.7%	83.3%
Channel2	24.2%	0.0%	0.0%	9.8%	6.1%	22.4%	16.3%	-1.7%	33.7%	77.1%	102.6%	35.4%
Channel3	12.0%	0.0%	6.7%	0.0%	2.3%	11.0%	14.3%	24.1%	22.5%	42.8%	57.5%	26.1%
Channel4	5.6%	0.0%	0.0%	0.0%	0.0%	5.1%	4.3%	2.0%	4.4%	4.7%	88.5%	61.5%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	74.8%	53.3%

