



Regional Trade Facilitation Programme

Quarterly Report

April – June 2006





1. Restructuring of the Regional Trade Facilitation Programme (RTFP): Update

1.1 Revision of Project Management Manual Awaiting Formal Approval

The final draft of the PMM is awaiting formal approval by DFID's contractual office in Scotland. Once the PMM is approved, the contract with Imani Development Limited will have to be revised to take into account the 'merging' of the funding Channels.

1.2 Revision of RTFP Logical Framework

The RTFP logical framework (logframe) has been updated and is attached hereto as Annex 2

2. Programme Activities April - June 2006

Programme activities implemented during the period under review contributed towards the realisation of all eight 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

- Output 1: Regional trade arrangements strengthened
- Output 2: Improved pro-poor trade facilitation measures
- Output 3: Assistance provided to pro-poor trade and market development
- Output 4: Eastern and Southern African countries more effectively prepared to participate in negotiations on Trade in Services
- Output 5: Improved support to WTO and EPA negotiations
- Output 6: Co-ordination of tax policy and administration improved
- Output 7: Standards and SPS regimes harmonised and made more effective
- Output 8: Effectiveness of the DFID trade-related policy work in the region, including research and analytical capacity within the region, improved

2.1 Highlights of Achievements and Activities Undertaken April - June 2006

The major achievements and outputs realised during this period include:

Output 1: Regional trade arrangements strengthened:

- RTFP financed two studies and a workshop in Tanzania to determine the impact and costs arising from that country's withdrawal from COMESA (see Annex I). The activities were ongoing at the end of the current reporting period.
- During June, SACU requested assistance from RTFP for the financing of an audit of intra-SACU trade in order to improve the implementation of the new Revenue Sharing formula contained in the 2002 SACU Agreement. The activities have been split into two sections, with the first being a scoping mission. This was undertaken by consultants in June and although the results of this mission will be confidential, if it is considered successful by SACU the second phase of the audit will be undertaken in all member countries (see Annex I).
- RTFP personnel made contributions to the COMESA Policy organs meeting, taking part in discussions on the COMESA Customs Union as well as on regional integration issues. The Programme Director continued to provide technical assistance on the development of the COMESA Adjustment Facility.
- RTFP's Programme Director was a resource person on a World Bank course on regional integration, making presentations on regional integration, trade policy and facilitation.

Output 2: Improved pro-poor trade facilitation:

- A meeting of stakeholders for the planning of a One Stop Border Post at Chirundu (between Zambia and Zimbabwe) was financed by the RTFP in mid June. It was attended by a high level of representation from all the authorities present at the current border posts from both countries (including revenue and customs services; immigration; health; veterinary etc). The meeting also benefited from a presentation on the experiences of planning and establishing the Malaba One Stop Border Post in East Africa from a member of the East African Hub. A draft work programme and timetable of activities for the Chirundu post was agreed.
- Work on finalising the terms of reference and budget for the project on the regional customs transit bond guarantee scheme for SADC also continued during the period, with implementation to begin during the next quarter.
- Discussions were continued with the implementers of the cross border monitoring project, SAMP, on the coverage of the survey and the timing of the activities. Field work had to be rescheduled once more with the majority of the data collection planned to take place in July.

Output 3: Assistance provided to pro-poor trade and market development:

- Following the finalisation of a consultancy to redesign the trade component of the Natural Futures Programme: the New Engine for African Trade Growth, a contract was entered into between RTFP and the IUCN in June for the first 18 month period of the programme. One of the first activities under the RTFP-financed Trade component will be the recruitment of a Trade Officer and at the end of the current period, applications had been assessed and a short list drawn up.
- The East African Fine Coffee Association (EAFCA) is being financed by the RTFP to develop the market in South Africa for East African coffees which are not well known in this market at present. A team from EAFCA undertook a preliminary mission to South Africa in the first quarter of this year and during the second quarter it has made logistical and public relations arrangements for a series of promotional events for blenders, distributors and marketing outlets to take place in Johannesburg, Cape Town and Durban later in the year.
- RTFP has been in discussion with the Devil's Range State Working Group (comprising representatives from the Kalahari eco-zone: Namibia, Botswana, South Africa and Zimbabwe) for some time and in June, the Terms of Reference for a Feasibility Study were formulated and a contract was entered into with the Natural Resources Institute of the United Kingdom to undertake the work (see Annex I).
- The first phase of the programme to provide assistance through TWIN to smallholder nut producers in Southern Africa was completed. The results were: the launch of the first Fairtrade nuts into the UK retail sector (attended by the CEO of the Malawi growers organisation); and a visit by TWIN and consultants to partners in southern Africa as well as the modification of the proposals for Phases 2 – 5 to bring them in line with the latest developments. A contract was entered into with TWIN in May for the second phase of the programme to develop quality management, traceability and supply chain management systems for smallholder nut producers in southern Africa. Activities to be undertaken during the following six months will increase market awareness and trading opportunities for Fairtrade nut producers; improve aflatoxin management and testing systems; increase the participation of smallholder nut producers in the value chain and work with producers to increase their participation in the market.

Output 4: Eastern & Southern African countries more effectively prepared to participate in negotiations on Trade in Services:

- Financing for the COMESA Trade in Services project came to an end in June 2006 although work remains to be completed under the Sectoral questionnaires. However, since a substantial body of work has been finished (and it appears only the francophone countries are lagging behind) COMESA Secretariat is seeking ways to ensure completion without further cost to RTFP.

Output 5: Improved support to WTO and EPA negotiations:

- The RTFP-financed long term trade adviser to SADC continued to provide daily support to the Secretariat on EPA-related issues. In addition, a significant development during this period on EPAs in SADC was the contracting of a consultant to undertake a study on the Development of EPA Market Access Strategies for Botswana, Lesotho, Namibia and Swaziland. Work on the study began in May and will continue through until September. Meetings for stakeholders at national level were held during the current reporting period (see Annex 1 for details of the study).
- Also during the period under review, SADC drew up terms of reference for a comprehensive review of the preparations and negotiations of EPAs and submitted them to RTFP for funding. The study will be carried out by TRALAC under a financing facility which RTFP has entered into with TRALAC for a limited number of studies and capacity-building training programmes.
- With regard to the ESA-EPA, the Programme Director and the long term Trade Policy Adviser based in COMESA both played active roles and contributed various papers and presentations, including the development component of the ESA-EPA negotiating document.
- Preparation of the draft RSP and RIP for the ESA group was undertaken.
- Financial support continued to be provided to the Ministry of Commerce Trade and Industry team from Zambia in its LDC coordination role at the WTO to enable it to travel to meetings and maintain a continuous presence in Geneva. Specific areas where technical support was provided include: Rules of Origin; Trade Facilitation; Duty Free Quota Free Market Access; Trade in Services; Aid for Trade; Integrated Framework; Food Aid; NAMA and Agriculture.

Output 6: Coordination of tax policy and administration improved:

- A workshop was held in June for the revenue authorities of all SADC countries except Swaziland (which does not collect VAT) on the subject of VAT Tax Gaps (this being the difference between the tax actually collected and the revenue that would be collected if there was 100% compliance). The event was based on relatively recent and successful work carried out in the UK and benefited from the presence of two of Her Majesty's Revenue and Customs' officials as resource people.
- Terms of reference were finalised for a SADC VAT Benchmarking study which will begin implementation during the next quarter. The study will look at the VAT administration processes of SADC members with the ultimate objective of improving their efficiency in the collection of revenue.

Output 7: Standards and SPS regimes harmonised and made more effective:

- Forthcoming projects will include a programme of support to COMESA in relation to the harmonisation of regional standards. Discussions proceeded on the finalisation of the terms of reference and mode of implementation.

Output 8: *Effectiveness of the DFID trade-related policy work in the region, including research and analytical capacity within the region, improved.*

- The contract of Dr Ron Sandrey who has been carrying out trade negotiation skills training and work on institutional development in Lesotho was extended for one month, to the end of May, at the request of DFID.
- Claire Castillejo, a new social development adviser who has joined DFID's International Trade Department in London, spent a week working with RTFP PMU in order to develop a better understanding of regional trade issues. She worked on compiling baseline data and finalisation of the logframe.
- A support facility to TRALAC was developed in June whereby an allocation of funds were earmarked for activities such as participation in the mid-term review of the SADC 7 EPA negotiation; competition policy in SADC and regional capacity building support (through scholarships and teaching for postgraduate diploma training).

Miscellaneous:

- The results of the 'advocacy' initiative were finally achieved in June with the publication, and wide dissemination, of three research reports, a project briefing document and a 'news brief' containing the 'soundbite' version of the report on further liberalisation of the TDCA by granting duty-free market access for South Africa to the EU.

2.2 Summary of Project Activities

The current status of implementation and development of RTFP supported projects are summarised in Table 1, while summaries of new projects under implementation and those that have reached advanced stages of development are contained in Annex 1 to this quarterly report.

2.3 New Projects Initiated during the three month period to June 2006

- *Devil's Claw: Fair trade and expanding the market:*
As indicated under 2.1, the project got off the ground during the present period with a contract to outline a Feasibility Study. Following its successful completion, at the close of the quarter, discussions were being entered into with the contractor Natural Resources Institute (NRI) to undertake the actual Feasibility study during the following quarter.
- *Development of EPA Market Access Strategies – Botswana, Lesotho, Namibia and Swaziland:*
Work was begun in May, by ODI, on the above study which was developed by the SADC EPA Unit. The specific objective of the consultancy is to assist the four

BLNS countries to develop their national market access EPA negotiations strategies (which will be consolidated into the wider SADC EPA strategy). Stakeholders' workshops are being held in each of the countries and the end of assignment report (which is due to be submitted by 1st September) will include detailed descriptions (including phase-down product tables at HS8 digit level) of the agreed national strategies.

- *Support to the Tanzania Private Sector Foundation (TPSF) in relation to Tanzania's withdrawal from COMESA:*
The Tanzania Business Community sought assistance to undertake two studies and a workshop to address the perceived problems and restrictions on trade which resulted from Tanzania's withdrawal from COMESA. The workshop, which took place in June, concluded with a set of Resolutions.
- *Intra-SACU Trade Data Audit:*
As indicated under 2.1, RTFP received a request from SACU Secretariat for the urgent financing of a scoping mission prior to the formulation of an actual audit of each of the Member States. The work was carried out in June and although the report was confidential to SACU it afforded the consultants an opportunity to appreciate the scale of the problem faced.

2.4 **Projects under Development:**

- *SADC VAT Benchmarking Study:*
Terms of reference were developed by the SADC Tax Adviser in recognition of the fact that as the free trade area evolves and Customs revenue decreases, SADC countries will become increasingly reliant on efficient and effective VAT systems. The study will therefore enable SADC to take a coordinated approach to improve VAT administration as a precursor to progress towards the common market. It will be undertaken during the following quarter. Details of the project are given in Annex 1.

Work continued actively on the development of the following projects which have been summarized in previous quarterly reports:

- Redesign of SADC's Regional Customs Transit Bond Guarantee system – Terms of Reference have now been completed.
- Development of a Non-tariff Barrier Monitoring System for SADC
- Capacity Building of SACAU
- Regional Standards Programme for COMESA

The following projects remain under consideration:

- Development of COMESA Tax coordination and harmonisation Programme
- Updating of SADC's Tax databases and development of a COMESA tax database.
- Harmonisation of SADC Seed policies to enhance exports
- Diagnostic study of 3 SADC countries with IF in place
- Development of a NTB monitoring mechanism for COMESA

2.5 RTFP Long-term Advisors:

SADC Regional Integration and Trade Policy Advisor – Paul Kalenga

With the EPA negotiations moving into a decisive phase, Paul Kalenga's work was largely devoted to reinforcing the SADC EPA Unit by providing EPA-related technical assistance. He was specifically involved in the following:

- Preparations and support for the 31st meeting of SADC Trade Negotiating Forum (TNF) – April 2006, Gaborone
- Work on the problem of Non-tariff barriers in SADC
- Participation in a Policy Dialogue in EPA Negotiations in Berlin – April 2006
- SADC EPA Retreat, Swaziland, May 2006
- EPA-related technical assistance to the EPA Unit and Botswana
- Formulation of a Comprehensive review of the preparations and negotiations of EPAs

COMESA Senior Trade Policy Advisor – Mwansa James Musonda:

In addition to attending a range of meetings, the STA undertook work on the following activities:

- The expansion of the FTA
- Adjustment costs of the FTA
- Awareness activities
- The Regional Integration Budget Support project
- Clarifications to stakeholders on Rules of Origin issues
- COMESA Competition Policy
- One stop border post at Chirundu between Zambia & Zimbabwe
- Negotiating brief on tariffs for ESA-EPA group
- Food Aid proposal for LDCs in the WTO negotiations

SADC Tax Policy and Harmonisation Advisor:

The advisor arranged a workshop on VAT Tax Gaps in conjunction with the UK H.M. Revenue and Customs and finalised the terms of reference for a VAT diagnostic study. He also prepared reports and assisted in the preparations for ministerial meetings.

Table 1. RTFP Projects: Under Implementation and Being Development during the Period April – June 2006

Project	RTFP Output	RTFP Channel	Status	Partners & Service Providers	Total Expected Cost	Total Committed Cost	Actual Expenditure To Date	Unspent Committed Funds
Trade In Services <ul style="list-style-type: none"> National assessments of service sectors Development of / conversion to GATS type templates for each country 	4	2	<ul style="list-style-type: none"> The project closed at the end of June 06 and final reports are expected. 	COMESA, World Bank Institute, UNCTAD, private consultants & personnel drawn from relevant Gov Depts. & Agencies in member states		£973,000	£973,000	-
Assistance to the ESA EPA Group <ul style="list-style-type: none"> Negotiating briefs, background papers and presentations Technical backup and presentations at the meetings 	5	1	Activities continued with the provision of papers and attendance at meetings.	ESA-EPA Group Programme Director and RTFP-COMESA Trade Advisor W. Chizebuka		£ 20,000	£4,046	£ 15,954
SADC EPA Market Access Strategy – study to assess the BLNS' EPA negotiation strategies	5	1	<ul style="list-style-type: none"> Contract entered into and implementation begun in May 06 	SADC EPA Unit ODI – Chris Stevens, Jane Kenan and Talitha Bertelsmann-Scott	£50,000	£ 49,950	-	£ 49,950
Study to Develop Draft Guidelines for the Application and Treatment of Tax Incentives in SADC and a SADC Tax Expenditure Budgeting Template	6	1	Final report was delayed owing to ill health of consultant. Currently being translated into French & Portuguese in preparation for a workshop on the guidelines in mid-Sept.	PMTC International Ltd		£20,448	£11,642	£8,806
TRALAC – Snr. Research Fellow: International Trade Negotiations and Lesotho trade and poverty work	8, 5	4	<ul style="list-style-type: none"> Contract of Snr. Research Fellow extended by one month to end May 06 at the request of DFID. 	Ron Sandrey (TRALAC)		£64,350	£36,513	£27,837
Study to Assess Impact of further liberalising the TDCA	8, 5	4	<ul style="list-style-type: none"> Project completed. Report published under advocacy activities in June. 	Landell Mills		£40,771	£ 40,771	-
Technical Assistance to Zambia re: LDC WTO Coordination	5	1	<ul style="list-style-type: none"> Zambia's LDC coordination function extended to end of June, RTFP support similarly extended 	<ul style="list-style-type: none"> DN Tembo ODI S Page 		£ 411,470	£264,103	£ 147,367

Project	RTFP Output	RTFP Channel	Status	Partners & Service Providers	Total Expected Cost	Total Committed Cost	Actual Expenditure To Date	Unspent Committed Funds
			<ul style="list-style-type: none"> A range of papers produced & presentations made on Duty-free & quota-free market access; Aid for Trade and Rules of origin etc. Contract of D. Tembo extended to Dec 06 to enable handover of LDC chairmanship & participation in Troika. 	<ul style="list-style-type: none"> M Davenport E Bosch RTFP Prog. Director intimately involved in all work 				
Scholarships: PG Diploma in Trade Law and Policy Management <ul style="list-style-type: none"> Scholarships awarded to 2 regional students for 2006/07 intake 	8	4	Sponsorship began Jan 2006. Two selected students to complete studies by mid 2007	TRALAC in conjunction with the Graduate School of Business, UCT		£15,200		
Monitoring Small-Scale Cross-Border Trade (SAMP) <ul style="list-style-type: none"> Assess nature of trade and trading conditions, quantify trade flows Incorporates <ul style="list-style-type: none"> (i) an origin & destination survey (ii) an investigation of why simplified COMESA documentation for small scale cross border trade is not being utilized 	2	3	<ul style="list-style-type: none"> Following lengthy delays, the first set of border monitoring surveys began in June 06. Results expected July/Aug 06. 	SAMP in conjunction with Queens University		£300,000	£117,986	£182,014
National consultations on Rules of Origin <ul style="list-style-type: none"> To be funded and implemented jointly with GFA (GTZ); RTFP sponsoring Lesotho, Malawi, Namibia Tanzania, and Zimbabwe Workshops to facilitate consensus building on recommendations of a RTFP study done for the mid-term review of the SADC Trade Protocol 	1	1	<ul style="list-style-type: none"> RTFP sponsored consultations done in Lesotho, Zambia and Zimbabwe Feb/March 06. Project closed off. 	SADC Happpias Kuzvinzwa (SADC Sec)	£40,000	£3,606	£36,394	
East African Fine Coffee Association	3	3	<ul style="list-style-type: none"> Planning well under way for 	East African Fine Coffee Association	£100,000		£ 66,099	£ 33,901

Project	RTFP Output	RTFP Channel	Status	Partners & Service Providers	Total Expected Cost	Total Committed Cost	Actual Expenditure To Date	Unspent Committed Funds
<ul style="list-style-type: none"> • 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 			promotional & marketing activities which will take place in July & August 06					
SACU Strategy Studies <ul style="list-style-type: none"> • TA to SACU Secretariat to provide input in the development of a strategy for SACU 	1	1	<ul style="list-style-type: none"> • Two desk studies/papers were prepared and presented to the SACU Commission at its Strategy workshop in April. 	SACU Secretariat Tralac and Mthente Consulting Services	£9,775	£ 9,775	£ 3,974	£ 5,801
SACU Trade Policy Review Studies <ul style="list-style-type: none"> • WTO notification • TPR procedures and Mechanism 			<ul style="list-style-type: none"> • Desk studies/papers prepared to provide background for the SACU Council of Ministers Meeting 	SACU Secretariat Tralac and Peter Tulloch	£7,860		£ 2,176	£ 5,684
Natural Futures Programme: Trade Component Project to be implemented in 3 phases: Phase I: Redesign of Project proposal to improve & strengthen it Phase II: Actual implementation of first 18 months of redesigned project Support for Phase III will be conditional on performance of Phase I & II	3	3	Phase I completed. Contract entered into with IUCN for management of Phase II. Recruitment of fulltime Trade Specialist underway.	IUCN Natural Resources Institute IUCN	±£300,000 of which £19,000 is for Phase I and ±£150,000 for Phase II	£19,000 £ 110,385	£ 18,835 -	£ 165 £ 110,385
Establishment of One-Stop Border Post – Chirundu	1	1	<ul style="list-style-type: none"> • Workshop of stakeholders from Zambia & Zimbabwe held in June. Work programme & Steering Committee agreed. 	COMESA RTFP COMESA Trade Advisor	£ 100,000		£ 9,177	£ 90,823

Project	RTFP Output	RTFP Channel	Status	Partners & Service Providers	Total Expected Cost	Total Committed Cost	Actual Expenditure To Date	Unspent Committed Funds
Competition policy	1	1	• Implementation underway	RTFP COMESA Trade Advisor	£ 20,000		£ 16	£ 19,984
Coordination of Task Force of Regional Integration Institutions • Harmonisation of Trade regimes	1 & 5	1	• Programme director participated in Sub committee meetings held in Kigali in April.	SADC & COMESA Secretariats RTFP Prog. Director				
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	1	1	Activities of the SADC Trade adviser were almost entirely devoted to the EPA process during the present quarter.	SADC Trade Advisor				
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	3	3	• Phase I completed. • Following successful implementation of Phase I a contract has been entered into with TWIN during the quarter for Phase II. Implementation began on 1.6.06.	TWIN	£298,850	£45,125 £ 100,105	£13,554 -	£31,571 £ 100,105
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	3	3	NRI contracted to refine TOR for a feasibility study. Work finalised during the quarter.	Devil's Claw Range State Working Group Veld Products	£ 40,000	£ 1,740	-	£ 1,740
Effects of Withdrawal of Tanzania from COMESA and Trade Developments with COMESA Countries:	1	1	• Workshop for wide cross section of media, business and government held in May 06.	COMESA	£ 12,400	£ 12,400	£ 6,216	£ 6,184

Project	RTFP Output	RTFP Channel	Status	Partners & Service Providers	Total Expected Cost	Total Committed Cost	Actual Expenditure To Date	Unspent Committed Funds
<ul style="list-style-type: none"> Workshop to finalise on-going work 								
Intra SACU Trade Data Audit to be carried out in 2 parts: <ul style="list-style-type: none"> Scoping Mission Audit of data leading to calculation of customs revenues. 		1	Contract for scoping mission entered into and work carried out in June.	SACU Secretariat H.M. Revenue & Customs	£ 47,138	£ 14,224	-	£ 14,224
SADC VAT Benchmarking Study <ul style="list-style-type: none"> To improve efficiency & admin of VAT Identification of areas of weaknesses that need to be improved. 		1	Finalisation of TOR and contract underway.	SADC David Child with the assistance of the SADC Tax Adviser	£ 14,000			
Development of a SADC's Regional Customs Transit Bond Guarantee System – project likely to have 3 components <ul style="list-style-type: none"> 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. 	2	1	<ul style="list-style-type: none"> Project being redesigned. Implementation expected 2nd half of 2006 	SADC Service provider to be identified.	±£300,000			
TRALAC Support facility <ul style="list-style-type: none"> EPA comprehensive review of preparations and possibly post graduate teaching SADC Competition Policy 		4	<ul style="list-style-type: none"> TOR being finalised for EPA Review SADC Trade adviser requested to teach Competition Policy component still being reviewed. 	TRALAC	£ 100,000			
Regional Standards Programme for COMESA <ul style="list-style-type: none"> Development of regional Stds. 	7	1	Terms of reference being finalised.	COMESA ComMark Trust	£270,000			

Project	RTFP Output	RTFP Channel	Status	Partners & Service Providers	Total Expected Cost	Total Committed Cost	Actual Expenditure To Date	Unspent Committed Funds
<ul style="list-style-type: none"> • Making Stds mandatory • Advocacy, capacity building, monitoring and Std. setting; • Support private sector to implement SPS 								
Development of Programme of COMESA Tax Policy coordination and harmonisation	6	1	• Preparations underway		£2,000			
Tax Databases <ul style="list-style-type: none"> • SADC Tax Database needs updating • Development of COMESA tax database to be initiated 	6	1		To be identified	£20,000			
Seed Systems in Southern Africa: Harmonisation of Seed Policy to Enhance Exports (regional food security will also be enhanced) <ul style="list-style-type: none"> • Workshop to be jointly funded with the Satrade Hub • Future collaboration with the Hub on follow up activities likely 	1, 7	1	<ul style="list-style-type: none"> • Workshop originally planned for Nov was postponed to March 06. Has been postponed yet again until Satrade Hub is ready – Sept. 		£5,800			
One-Stop Border Post (OSBP) - RSA , Mozambique & Lesotho <ul style="list-style-type: none"> • To assist RSA develop a policy framework for establishing OSBP 			Temporarily delayed whilst SARS define the Terms of Reference	To be identified				
Capacity Building for SACAU <ul style="list-style-type: none"> • Exploring possible work on VCA 	1 & 7	1	Project idea, consultations ongoing.	SACAU				
Development of a Regional NTB Monitoring System	1 & 7		Project idea					

3. FINANCIAL ANALYSIS

Table 2 below summarises actual expenditure incurred, by channel, on programme activities implemented between April and June 2006 as well as since the inception of RTFP.

Programme Expenditures April – June 2006

During the three month period under review a total of £ 370,739 was expended on programme activities (including the remuneration of Long Term Advisers based in SADC and COMESA but excluding the management costs of the Programme Management Unit). Expenditure patterns were as follows:

- Nearly 70% of this amount (£ 258,844) was spent on projects funded under Channel 1.
- 15.1% (£ 55,939) was spent on projects funded under Channel 4 (support for the effectiveness of DFID's trade policy work in the region)
- An equivalent amount (15.2%) was spent on projects in Channels 2 and 3 (with approximately 10% on channel 2 and 5% on Channel 3).

Programme Expenditures from January 2004 – June 2006:

Over £ 2.9 million has been spent on the activities since the beginning of the programme with 53.3% of the funds being used for Channel 1 activities benefiting SADC, COMESA, SACU and the LDC group. Some 35.3% of the funds have been utilized on Channel 2 projects – specifically for the Trade in Services project implemented by COMESA together with the related Mode IV Migration and Nurses study. Channel 3 projects promoting pro-poor trade and market development (tea, coffee, nuts, Devil's claw and natural products) have so far absorbed approximately 6.5% of the funds spent although some 14.3% of the financing has now been committed for this Channel. Current expenditure to date on Channel 4 is £ 143,523 which is approximately half of the total amount earmarked for projects initiated by DFID.

Annex 1: Summaries of New Projects Contracted or Commencing Implementation during April – June 2006

Devil's Claw: Fair trade and expanding the market: Feasibility Study

Funding: GBP 43,000 for the Feasibility Study in Phase I
Service Provider: Natural Resources Institute (NRI)
Duration of Project: Phase I will run from 5.7.06 to 30.11.06

Devil's Claw is the name given to a wild-harvested plant found in certain areas of southern Africa which has anti-inflammatory properties of particular benefit to the elderly (for example in the treatment of arthritis). It has been estimated that there are approximately 10,000 gatherers of Devil's Claw in southern Africa and that they are among the poorest and most vulnerable communities. Furthermore, a value chain has formed over time which seems to have resulted in significantly reduced terms of trade for the gatherers which also has environmental implications as a result of over harvesting.

In 2003 a group of government and non-state representatives formed the Devil's Range State Working Group (DRSWG) comprising representatives from the Kalahari eco-zone: Namibia, Botswana, South Africa and Zimbabwe.

The overall objective of the present project is to promote improved livelihoods for the gatherers through enhancements in the value chain for their product. The first stage in the project will be to carry out a feasibility study which aims to identify what causes low prices at the level of the harvester and what might be done to promote a value chain which is more equitable. A secondary objective of the feasibility study is to better understand how the power and governance of value chains limits the potential benefits of regional and international trade integration.

The feasibility study will be undertaken by the Natural Resources Institute between July and November 2006.

Development of Market Access Strategies – Botswana, Lesotho, Namibia and Swaziland

Funding: £ 49,950
Service provider: Overseas Development Institute (ODI)
Duration of Project: 2.5.06 – 1.9.06

On 12th February 2006 the SADC EPA Ministers of Trade adopted a 'Strategic Framework for SADC EPA Configuration in the EPA Negotiations'. With respect to the market access to be offered to the EU, it stipulates that the SADC EPA Member States will present the EU with a differentiated or variable geometry offer based on: i) the EU's current access to the Southern African Customs Union (SACU) market with appropriate adjustments to accommodate the sensitivities of

Botswana, Lesotho, Namibia and Swaziland (BLNS); and ii) a non-reciprocity offer for Angola, Mozambique and Tanzania.

Accordingly, the BLNS countries requested SADC's assistance and the EPA Unit developed Terms of Reference for a consultancy to assist Botswana, Lesotho, Namibia and Swaziland to develop their national market access EPA negotiations strategies. These national strategies will be consolidated into the wider SADC EPA negotiation strategy.

The consultants will undertake the following activities in each country:

- Obtain the relevant national trade data set (at HS 8 digit level)
- Obtain agreement and consensus on the determination of each country's market opening offer to the EU in those products where there is a clear trade interest.
- Obtain the agreement and consensus of the respective national committees on those products of specific interest to each country that do not currently enjoy EBA equivalence in the EU market under the Cotonou Agreement;
- Process the data and produce initial scenarios for the four national market access negotiation strategies – these scenarios must be WTO compatible;
- Present these initial scenarios to a stakeholders workshop in each country as well as to the respective national committee and subsequently develop these scenarios

Intra-SACU Trade Data Audit

Funding:	£ 47,138
Service Provider:	Her Majesty's Revenue & Customs (HMRC)
Duration of project:	Approx June – September 2006

As part of an effort to improve the implementation of the new Revenue Sharing formula contained in the 2002 SACU Agreement, the SACU Member States have agreed to undertake an audit of the processes that lead up to the submission of intra-SACU trade data to Council for the calculation of customs revenues.

The terms of reference for the study were discussed with the World Customs Organisation which subsequently referred the project to HMRC. The project has been put forward for funding to the RTFP PMU and will be financed under Channel 4.

The audit is being undertaken in two parts with the first part being a scoping mission for HMRC to discuss the terms of reference with the SACU secretariat and undertake planning visits to the SACU Member States. This phase will result in a project plan with details on the duration of the audit as well as the skills mix required to undertake the exercise.

The second phase will include: developing and implementing a methodology for the reconciliation of intra-SACU trade data; harmonising data compilation processes; providing transparency on data sources and ensuring its integrity. The consultants will provide recommendations on capacity and procedures to be followed in the Secretariat

to ensure the proper implementation of the Revenue Sharing Formula in terms of the Agreement.

Support to the Tanzania Private Sector Foundation in relation to Tanzania's Withdrawal from COMESA

Funding: £ 12,400
Service Provider: COMESA Secretariat
Duration: 13.6.06 – 12.10.06

Tanzania was a member of COMESA for 15 years prior to withdrawing in 2000 and at the time it resigned, it had reduced customs duties on COMESA originating products by 80% which enabled Tanzania exporters to COMESA countries enjoy highly reduced preferential tariffs in the COMESA market.

During the period of non-membership, various problems and restrictions were perceived when conducting trade with COMESA member states. As a result, the Tanzania business community under the Confederation of Tanzania industries, the Tanzanian Chamber of Commerce, Industry & Agriculture, the Tanzania Private Sector Foundation in conjunction with the East Africa Business Council and the East Africa Chamber of Commerce and Industry are undertaking activities towards building a consensus with Government to reach a decision for Tanzania to rejoin.

In 2005 they undertook a study on the effects of Tanzania's withdrawal but the package of assistance agreed with RTFP included two supplementary studies as well as a workshop.

The objective of the stakeholders workshop is to enable the Tanzania business community, the relevant government ministries, parastatals, and cooperating partners to discuss the findings of the study and make appropriate recommendations to the Government.

SADC VAT Benchmark Study

Funding: £ 14,000 for Phase 1
Service Provider: David Child
Duration: 24.7.06 – 13.10.06 for Phase 1

If the Southern African Development Community (SADC) is to be able to establish first a free trade area, secondly the Customs Union and finally the Common Market, it will become increasingly reliant, as Customs revenues decrease, on efficient and effective Value Added Tax (VAT) systems. VAT will constitute the revenue backbone of the community but in addition, more efficient and effective VAT administration processes will be important for administrations and potential investors who will need to be assured that VAT requirements in SADC countries will have a reasonable degree of commonality and that compliance costs will not vary widely. This will be crucial in stimulating investment

and trade and reducing barriers and administration costs so that there will be increased economic growth and poverty reduction in the SADC region.

A VAT Benchmark study will be carried out in two phases, with the first phase being undertaken as a pilot in one country – Malawi.

The overall study will:

Provide SADC member countries with assistance in improving the efficiency and effectiveness of their administration of VAT. The assistance being proposed is a short (week long) diagnostic study that will look at the main VAT administration processes and will result in a confidential report for the Tax Administration Department/Revenue Authority, identifying the key issues and risks and suggesting the way forward.

Provide SADC with an analysis for the region that identifies areas of VAT administration of common concern and/or where common interventions, such as capacity building, might be undertaken. It is hoped that areas of “best practice” can also be identified.

Support Facility to TRALAC

Funding:	£ 100,000
Service Provider:	TRALAC
Duration:	Unlimited

Following the conclusion of the long term provision of trade-related support to Lesotho provided by Ron Sandrey under a contract with TRALAC as well as the present broader of focus of RTFP, it has been agreed that support should be provided to TRALAC for initiatives that have synergy with the RTFP work programme for 2006.

TRALAC has proposed the following initiatives:

- Participation in the EPA mid-term review
- Competition Policy in SADC
- Regional Capacity Building support through the postgraduate diploma programme

Terms of reference for the study on the EPA mid-term review are being finalised.

