



Regional Trade Facilitation Programme

Quarterly Report

January - March 2007





Regional Trade Facilitation Programme

1. Programme Activities January – March 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

2.1 Highlights of Achievements and Activities Undertaken January – March 2007:

It was noteworthy that during the period formal notification was received from DFID that the programme period had been extended by two years until 31st October 2009.

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)

Following intensive discussions with SARS by the end of the quarter, contracts had been entered into with two consultants for the finalisation of terms of reference for the development of a legal framework and a manual of operational principles for the OSBP.

The consultants will meet in April with government and private sector representatives from both South Africa and Mozambique, in the capitals and at the border itself and will inspect the infrastructure and observe current operations.

OSBP Chirundu

A team leader was contracted in February 2007 to spearhead the work programme of activities to establish the OSBP. He made good contacts with all the relevant parties from both countries, updated the work programme and by the end of the period was in the final stages of planning an extensive meeting for stakeholders to be held at the beginning of the following quarter.

OSBP Forbes (or Nyamapanda)

In February, the PMU received a request from SADC for RTFP to begin the process of designing a OSBP between Zimbabwe and Mozambique. At the end of the quarter, discussions were ongoing as to which of the two borders should be chosen (Forbes or Nyamapanda).

SADC Regional Transit Bond Chain Guarantee System:

Over 50 representatives of SADC Customs authorities as well as representatives from the transport and freight forwarding sectors met from 6 – 8 March in Victoria Falls to discuss the implementation of the pilot phase of SADC's regional transit bond guarantee system. Initially the system will be piloted for eight months along the Durban corridor as well as along the Beira Corridor. A series of recommendations were made and it was further agreed that a series of national workshops should be held in the Member States.

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

WTO

A proposal for support to the LDC Group in Geneva was formulated at the beginning of the quarter and was subsequently approved by the Executive Committee. The Group will be assisted with work on: Duty Free Quota Free Market Access; Enhanced Integrated Framework; Trade Facilitation; Agriculture; NAMAs; Rules and Trade in Services and technical assistance will be provided through the LDC Coordinator. During the quarter, a contract was entered into with the Director of Trade of the Ministry of Commerce, Trade and Industry in Zambia to provide support to the process.

As part of the same support, an Exchange of Letters took place with UNCTAD to the effect that RTFP would contribute to the project: "Mainstreaming LDCs into the Global Economy". UNCTAD agreed to make staff available to assist with the development of the LDC proposal on Rules of Origin; carry out research and develop product specific Rules of Origin which can be used as the basis for negotiations on RoO by the ACP EPA negotiating regions; determine what impact on firms will result if the RoO change, if the DFQFMA are implemented and study the best solution for LDCs regarding administration, certification and verification of origin. Other work will be carried out on NTBs and the EIF.

ACP Assisted to Advance Dialogue on EPA Rules of Origin:

Following on from the meeting of the All-ACP Group of Experts in October 2006, a draft protocol was developed (the drafting of which was led by the RTFP Programme Director) which all the regions could use in their negotiations in order to avoid as much as possible the use of different rules of origin in the different regions.

The 5th meeting was held on 25 & 26 January with financing from RTFP and, following consideration of the Draft Protocol, the main recommendation was to modify the ACP draft RoO (which is based on a VA criteria) and allow for substantive transformation to be defined by either value-added (as per the original proposal) or a change of tariff classification.

DG Taxud made a useful presentation at the meeting on their work on reforming the GSP Rules of Origin, this confirmed their preference for a value-additional approach.

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

A Draft paper on Rules of Origin for Fish and Fish Products (produced with RTFP support) has recommended that the ESA region adopts a similar approach to the Pacific Forum and works with them to finalise text. This would change the existing Cotonou Rules of Origin so that any fish caught in the EEZ and which is deemed to be sufficiently processed so that substantial transformation had taken place at the 6-digit level would be considered to be originating.

A meeting was held in Brussels on 22 – 24 January with the Pacific Forum and the Draft paper was subsequently presented to the ESA negotiating group at a meeting in Kigali on 29th January.

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

COMESA/EAC/SADC Task force

Between 12 – 14 February a meeting of the Task Force Sub Committee on Customs and Trade was held, the discussions of which were devoted to the various versions of the regional customs bond guarantee systems which are being developed, in order to examine whether the regional organisations could work on a single unified system. Other issues discussed were overlapping FTAs, Customs Unions; the NTB work programme (work is progressing on a joint monitoring system); competition policies etc.

Support to the RECs on NTBs:

Following on from the SADC meeting on NTBs which was held towards the end of 2006, contracts were entered into with two consultants to undertake a survey of non-tariff barriers experienced in the SADC, COMESA and EAC regions. The study was divided into two groups:

- SADC and EAC countries which needed an update of the 2004 and 2005 studies.

- All other countries which require a full NTB study.

Work was ongoing by the end of the period and the final reports are due in June 2007. A short term TA was recruited during the period to work within COMESA Secretariat for 6 months to enter information from the surveys and develop a web-based database (in consultation with the database designers). She will draw up a contact list of freight forwarders; traders, clearing agents etc as well as of the national contact points and will enter information received on NTBs.

SADC

The PMU received a request from SADC Secretariat for RTFP to finance a further VAT Diagnostic Study (following on from the pilot study which took place in Malawi last year). Several countries requested the study and of these, South Africa was proposed by the SADC Tax advisor. At the end of the period, discussion were still ongoing to finalise the selection of a suitable country.

SACU

At the end of the quarter, a contract was entered into with Professor Colin McCarthy to assist the SACU Secretariat by preparing papers and facilitating a meeting held to discuss the establishment of the SACU Tariff Board. The workshop was to identify the pre-requisites for the establishment of a Board as well as the approaches to be taken in its operationalisation.

Monitoring Small Scale Cross Border Trade in Southern Africa – SAMP

By January 2007 only 5 draft country reports had been received out of eight – over six months after they were all contractually due to have been received. Finally, in February, another two were submitted but doubts were expressed about the overall quality of the documents. By the end of the quarter, and following an increasingly frustrating lack of information and communication, serious consideration was being given to terminating the contract.

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:

Following the successful completion of Period 2 of the project, a contract was entered into for Period 3. Existing activities (for example increasing market awareness and the establishment of the Ethical Nut Company) will be consolidated whilst others (such as increasing the number of nut producers in Zambia) will come on stream. Quality assurance remains a high priority with aflatoxin and supply chain management as focal areas.

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

2007

From 14 – 18 February, the 4th African Fine Coffee Conference and Exhibition was held in Ethiopia which provided an opportunity to renew the links between South African buyers, the producers and growers. Eighteen coffee companies from South Africa paid their own costs to take part in the conference and several roasters have started to purchase and pack coffee as single origin products. Initial reports (figures for January & February 2007 are still awaited) are of an increase in volume of 12.5% and of value by 17% over the 10 months of the project.

Natural Futures

A review of relevant legislation as it relates to natural product harvesting was undertaken with a view to informing the certification process. Checklists were produced for harvesters advising on the steps to be taken for regulatory compliance and, consequently, market access. A review of the trade policies of 7 southern African countries showed that the NP sector had not been specifically addressed although they traded under various tariff headings for different markets. Additionally, information on species distribution was gathered; a database of regional stakeholders developed and a questionnaire was distributed to assess perceptions on NP products.

Devil's Claw

Extensive discussions continued in order to finalise the Terms of Reference for the contract with the National Museum in Bloemfontein to work on the “biology” of the Devil's Claw plant with particular reference to sustainable harvesting.

Output 5: Improved Trade Policy Capacity

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

Research work continued during the period, however, the next major event will be the interim workshop which will be held in mid May.

Executive Committee

The executive Committee met on 20th February 2007 and reviewed the progress of the programme's individual projects.

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 March 2007

Survey of NTBs

At the beginning of the period, contracts were entered into with Imani Development International Limited and Simon Ihiga of Kenya to undertake a survey of NTBs experienced in the COMESA, EAC & SADC regions. Inventories of NTBs that existed in 14 SADC or EAC countries were compiled in 2004 by Imani (hence they were contracted to bring their existing survey up to date). In addition to the countries which are being re-visited, a full survey will be done of a second group of COMESA/EAC/SADC countries (including DRC but excluding Libya) which have not previously been visited.

The survey on the first group of countries which will be brought up to date will look at NTBs in Angola, Botswana, Lesotho, Malawi, Mauritius, Mozambique, Namibia, South Africa, Swaziland, Tanzania, Zambia, Zimbabwe, Kenya and Uganda. At the end of the quarter, the draft country reports had been sent to the respective Secretariats for comments.

The second group which will be surveyed for the first time are: Burundi, Comoros, DR Congo, Djibouti, Egypt, Eritrea, Ethiopia, Madagascar, Rwanda, Seychelles and Sudan. Draft reports on these are due in the middle of April although difficulty was being experienced in being able to undertake the survey in DR Congo.

As previously indicated under highlights, a short term TA was contracted to be based at the COMESA secretariat to work on the establishment of an NTB database to be placed in their website.

CUTS: South – South Trade Cooperation with India

A contract was entered into with Consumer Unity & Trust Society (CUTS) of India in February 2007 to undertake research into operationalising duty-free, quota-free market access to India of products originating from Tanzania, Uganda, Malawi, Mozambique and Zambia.

India is shortly expected to offer approx 700 items at 6 digit level on a DFQFMA basis to products originating from LDCs over a 5 year period although at present it is planned that there will be a 'negative' list of excluded products. A pilot project will be financed to operationalise trade cooperation between India and Tanzania, Uganda, Malawi, Mozambique and Zambia and one of the activities will be to conduct advocacy with the Government of India to persuade it that trading in at least some of these 'excluded' products would not harm Indian agriculture. On the supply side, CUTS will look at information about markets, standards to be adhered to, complicated rules of origin provisions, lack of infrastructure etc and will make recommendations on how to overcome them. Finally, with a long term perspective, the project will look at the development of sustainable policies.

The project is research-oriented and will be implemented in two phases: research and advocacy, over a period of 9 months.

2.4 **Projects under Development:**

North Star – AIDS wellness centres.

Discussions are underway with North Star Foundation for assistance in the establishment of 12 Wellness Centres at borders in the region which will provide AIDS awareness, testing and counselling targeted at those working in the transport sector. In line with other work on the OSBPs, RTFP plans to provide funds for a centre on either side of the Chirundu border post (since local communities will benefit as well as the truck drivers) and one at Beit Bridge on the Zimbabwe side. Although the intervention is not yet finalised, the proposal is to allocate funding of approximately GBP 188,000 for the establishment of the start-up and running costs for two years.

2.5 **RTFP Long-term Advisors:**

SADC Regional Integration and Trade Policy Advisor

Paul Kalenga devoted virtually the whole of his time during the quarter to activities to support the SADC EPA negotiations and consequently took part in several of the negotiation meetings in Brussels and regionally.

COMESA Senior Trade Policy Advisor

In January the STA undertook activities to improve the operations of the FTA by addressing specific queries relating to the export of alcohol from Swaziland via RSA to Madagascar; fridges from Swaziland transiting through South Africa; tobacco exports from Malawi, Zambia & Zimbabwe to Kenya via RSA; sugar exports between Zambia and Rwanda and, finally, commissioned a study to ascertain whether conditions for the invocation of the COMESA safeguard clause prevailed in 2006. He also undertook work on preparations for the Customs Union on CET.

In February he continued similar work on the operations of the FTA and acted as a resource person in a regional meeting on Competition Policy which was held in South Africa.

SADC Tax Policy and Harmonisation Advisor:

A meeting was held on the Tax Agreement and a paper produced.

Table 1. RTFP Projects: Under Implementation and Being Developed during the Period January – March 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/Border Procedures and Common Regional Transport System:								
Establishment of One-Stop Border Post – Chirundu	1	1	Discussions were ongoing.	COMESA RTFP COMESA Trade Advisor	£ 100,000		£ 26,790	£ 73,210
			Recruitment of a project manager took place.	Consultant K. Chanda	£ 30,150		£ 9,372	£ 20,778
Development of a SADC's Regional Customs Transit Bond Guarantee System – 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		SADC Service provider to be identified.	£ 296,350		£ 44,626	£ 251,724
One-Stop Border Post (OSBP) - RSA , Mozambique & Lesotho	1	1	Finalisation of the ToR and translation into Portuguese.				£ 193	

Project	RTFP Output	RTFP Channel	Status	Partners & Service Providers	Total Expected Cost	Total Committed Cost	Actual Expenditure To Date	Unspent Committed Funds
To assist RSA develop a policy framework for establishing OSBP				Consultants: M. Zarnowiecki		£ 12,192	-	£ 12,192
				Luc de Wulf		£ 13,212	-	£ 13,212
Monitoring Small-Scale Cross-Border Trade (SAMP) Assess nature of trade and trading conditions, quantify trade flows Incorporates an origin & destination survey an investigation of why simplified COMESA documentation for small scale cross border trade is not being utilized	2	3	Draft reports on 3 out of 8 countries had still not been submitted by February 07 and serious concerns developed about the ability of the contractor to fulfil the terms of reference. At the end of the quarter, termination of the contract was being considered.	SAMP in conjunction with Queens University		£300,000	£117,986	£182,014
Output 2: Pro-poor trade agreements negotiated at WTO and as part of EPA:								
Technical Assistance to Zambia re: LDC WTO Coordination	2	1	D. Tembo contracted until the end of 07 & agreement with UNCTAD for Stefano Inama to work on mainstreaming LDCs.	DN Tembo RTFP Prog. Director intimately involved in all work		£ 343,600	£206,008	£ 137,592
Assistance to the ESA EPA Group Negotiating briefs,	2	1	Draft paper on RoO discussed at meeting with Pacific Forum.	ESA-EPA Group Programme Director and RTFP-COMESA		£ 20,000	£14,941	£ 5,059

Project	RTFP Output	RTFP Channel	Status	Partners & Service Providers	Total Expected Cost	Total Committed Cost	Actual Expenditure To Date	Unspent Committed Funds
background papers and presentations Technical backup and presentations at the meetings			Revised draft presented to ESA group in January.	Trade Advisor				
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	.	SADC Trade Advisor	£ 150,000		£ 90,494	59,506
Trade In Services National assessments of service sectors Development of / conversion to GATS type templates for each country	2	2	A draft final report was received but further work remains to be done to finalise it.	COMESA, World Bank Institute, UNCTAD, private consultants & personnel drawn from relevant Gov Depts. & Agencies in member states		£973,000	£973,000	-
Output 3: Improved functioning of Regional Trade Agreements (SADC, SACU, COMESA):								
COMESA/EAC/SADC Task	3	1		SADC & COMESA	£ 200,000		£ 124,856	£ 75,144

Project	RTFP Output	RTFP Channel	Status	Partners & Service Providers	Total Expected Cost	Total Committed Cost	Actual Expenditure To Date	Unspent Committed Funds
Force Harmonisation of Trade regimes				Secretariats RTFP Prog. Director				
Competition policy	3	1	A meeting for COMESA member States was held in Swaziland in October 06 to consider a structure for the Competition Commission. The meeting concluded with concrete recommendations.	RTFP COMESA Trade Advisor	£ 33,383		£ 33,383	£ 0
SADC VAT Benchmarking Study To improve efficiency & admin of VAT Identification of areas of weaknesses that need to be improved.	3	1		SADC David Child with the assistance of the SADC Tax Adviser	£ 14,000		£ 12,033	£ 1,967
Development of a Regional NTB Monitoring System	3	1		Consultants: Imani Development Simon Ihiga		£ 99,220 £ 30,300	£ 37,056 £ 3,415	£ 62,164 £ 26,885

Project	RTFP Output	RTFP Channel	Status	Partners & Service Providers	Total Expected Cost	Total Committed Cost	Actual Expenditure To Date	Unspent Committed Funds
Output 4 Increased Participation by Local Communities in the Production and Export of Selected Pro-Poor commodities:								
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		East African Fine Coffee Association	£100,000		£ 93,096	£ 6,904
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	4	3	The newly appointed Trade Officer prepared a work programme and took part in regional planning meetings. A database has been developed for key stakeholders.	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 £ 28,567	£ 165 £ 81,818

Project	RTFP Output	RTFP Channel	Status	Partners & Service Providers	Total Expected Cost	Total Committed Cost	Actual Expenditure To Date	Unspent Committed Funds
of Phase I & II								
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		TWIN Phase 1 Phase 2 Phase 3	£298,850	£45,125 £ 100,105 £ 107,180	£45,158 £ 84,771 £ 35,384	- £ 33 £ 15,229 £ 71,796
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	4	3		Devil's Claw Range State Working Group Veld Products Natural Research Institute, UK	£ 40,000	£ 1,740 £ 43,000	- £ 29,213	£ 1,740 £ 13,787
Output 5: Improved Trade Policy Capacity:								
Scholarships: PG Diploma in Trade Law and Policy Management Scholarships awarded to 2 regional students for 2006/07 intake	5	4	The two students continued to submit papers and are expected to graduate in Dec 07	TRALAC in conjunction with the Graduate School of Business, UCT		£15,200	£15,231	£ - 31

Project	RTFP Output	RTFP Channel	Status	Partners & Service Providers	Total Expected Cost	Total Committed Cost	Actual Expenditure To Date	Unspent Committed Funds
TRALAC Support facility EPA comprehensive review of preparations and possibly post graduate teaching SADC Competition Policy	5	4	Draft report presented to SADC EPA Unit in Dec	TRALAC	£ 100,000		£ 15,556	£ 84,444

3. FINANCIAL ANALYSIS

The tables below summarise actual expenditure incurred, by output (Table 2) and channel (Table 3) on programme activities implemented between January – March 2007 as well as since the inception of RTFP.

Programme Expenditures January – March 2007

During the three month period under review a total of £ 644,005 was disbursed 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 as well as the costs of the SADC Tax Adviser). Expenditure patterns were as follows:

Just over 40% of this amount (£ 264,050) was spent on projects funded in connection with Output 2. Whereas 24.9% (£ 160,317) was spent on projects funded for Output 3; 18.8% (£ 121,007) was spent on projects on Output 4.

Programme Expenditures from January 2004 –March 2007:

Some £ 4,267,045 million has been spent on the activities since the beginning of the programme with 50% of the funds being used for Output 2 activities on pro-poor trade agreements. Some 25.1%% of the funds have been utilized on Output 3 projects. Whereas those projects promoting pro-poor trade and market development (tea, coffee, nuts, Devil's claw and natural products) under Output 4 have so far absorbed approximately 9.2% of the funds spent. Current expenditure to date on Channel 4 is £ 239,927 leaving a balance of £150,073 still to be spent.

