



REGIONAL TRADE FACILITATION PROGRAMME

QUARTERLY REPORT

FOR THE PERIOD JANUARY - MARCH 2006

Prepared by
Programme Management Unit
Regional Trade Facilitation Programme
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The Regional Trade Facilitation Programme is being implemented by Imani Development (International) Ltd. on behalf of DFID



Regional Trade Facilitation Programme

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

1.1 Revision of PMM Almost Complete

Revisions to the Programme Management Manual (PMM) are almost complete. Further minor amendments were made to the draft version circulated at the last PAC meeting to accommodate the comments of DFID UK. DFID's final approval of the PMM is expected.

One of the main proposed changes will entail merging the RTFP funding Channels from four to two. This would mean combining funds currently dispensed under Channels 1, 2 and 3 into one pool, while maintaining Channel 4 funds separate.

1.2 RTFP Restructuring Nearing Completion

The finalisation of the revised PMM will herald the completion of the RTFP restructuring process. The RTFP logical framework (logframe) is also being updated to take account of the recent changes.

1.3 RTFP Programme Advisory Committee (PAC) Membership Expanded

The fifth meeting of the PAC was held in Pretoria on 3 February 2006. Two (the World Bank and SACU Secretariat) of the three institutions invited to become members of the RTFP's Programme Advisory Committee accepted and took part in the fifth PAC meeting. The invitation to the UNDP still stands and the PMU will continue to follow up on this.

The record of the fifth PAC Meeting is attached to this Quarterly Report at Annex II.

1.4 RTFP Work Programme for 2006 Approved

The Executive Committee of the RTFP met soon after the PAC on 3 February. The main purpose of the meeting was to consider the RTFP's work programme for 2006, which it approved.

2. Programme Activities Jan - March 2006

Programme activities being implemented and those under development during the period under review will contribute towards the realisation of all eight RTFP programme outputs, the programme goal and purpose. These are listed in Box 1 below.



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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 Jan-March 2006

The major achievements and outputs realised during this period include:

- Completion of the Migration and Nurses (Mode IV) Study -
The report recommends the implementation of a managed migration programme that would initially start with a pilot phase involving only the surveyed source and destination countries. During the pilot phase the source countries would supply about 160 registered nurses annually to the destination countries. The programme would later be expanded to increase the number of nurses and include more source and destination countries. The length of stay for the nurses in Europe would be limited to 3 to 4 years. Financial and technical training assistance and other arrangements would be operationalised through MoUs that will be negotiated and entered into between the individual source and destination countries.

- A study to assess the likely impacts on southern African and EU producers of further liberalising the Trade, Development and Cooperation Agreement (TDCA) by granting South Africa duty free access into the EU was completed. The key finding of the study demonstrated that the costs, to both EU and SADC countries, of offering South Africa duty free access are minimal, thus there are immense regional integration benefits of having an EPA be based on an enhanced TDCA. The initial response to these findings have been very positive and were well received by all stakeholders and other interested parties. The paper continues to generate a lot of interest among producers / suppliers in both southern Africa and Europe. The report is being circulated widely electronically and will available in print form in May.



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- Following the extension of Zambia's WTO LDC Coordination function, which will now end in July 2006, technical and financial support to Zambia and the LDC group was similarly extended. Through continued RTFP support the LDC group was able to maintain the high level of performance and the momentum built prior to and during Hong-Kong Ministerial meeting. Technical assistance continued to be provided to develop negotiating positions and participate in actual negotiations, while financial support continued to be provided to the MCTI team to enable it to travel to meetings and maintain a continuous presence in Geneva.

- Coordination of Regional Integration Institutions: COMESA, EAC and SADC
The RTFP provided support to the Task Force set up by these institutions to coordinate their trade agendas and with a view to achieve harmonisation in trade related areas of common interest, such as customs procedures, rules of origin, etc.

- Numerous projects currently being implemented in support of the processes to prepare for EPA negotiations. Both the SADC and ESA groups are benefiting from these activities. The RTFP Programme Director is also heavily involved in providing direct technical support to the ESA group and provides support on the basis of specific requests. The two RTFP Trade Advisors based at SADC and COMESA are also providing similar support to the institutions they are attached to.

- ESA Programming for the EDF10
RTFP have been requested by the Inter-Regional Coordinating Committee (IRCC) comprising COMESA, EAC, IOC and IGAD, with SADC also participating, to ensure transparency and coordination, to assist in the preparation of the Regional Strategy Paper and Regional Indicative Programme for EDF10.

- The redesign of the trade component of the Natural Futures Programme completed
The IUCN has changed the name of the Natural Products Enterprise Programme to the Natural Futures Programme. The redesigned trade component of the programme that the RTFP has agreed to provide funding for has also been named "Natural Products: The New Engine for Africa's Trade Growth".

The redesign phase of the Natural Products: The New Engine for Africa's Trade Growth (Phase I) was completed in March 2006. The project will be implemented in two phases, each lasting for about 18 months. The RTFP has committed itself to funding the first 18-month period (Phase II). RTFP support for the second 18-month period (Phase III) will only be considered subject to good performance under Phase II.

- Trade and Poverty in South Africa Study, that the RTFP co-funded, has been completed. The reports have been circulated to stakeholders in South Africa, mainly government departments, its agencies and some research organisations and think tanks. A workshop is being organised by DTI in conjunction with the



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- researchers to discuss the report will be held early April. Study reports are available on the SALDRU (University of Cape Town) website.
- Assistance to develop a coherent and comprehensive SACU strategy
SACU is formulating a strategy aimed at facilitating the implementation of the new SACU agreement. Assistance was provided to prepare background papers that will feed into a strategy workshop of the SACU Commission planned for early April.
 - Technical assistance was provided to SACU in preparation for its forthcoming WTO Trade Policy Review. Assistance was also provided to prepare for the notification of the SACU to WTO.
 - Implementation of a number of other projects was completed. These are: a study to develop a framework for identifying sensitive products and tariff phase down templates for SADC EPA countries; Compilation of a SPS Inventory for Angola; and SADC VAT study. Details on particulars of these projects and their main findings and recommendations were discussed in the last two quarterly reports.
 - Implementation of a number of projects that commenced during previous quarter periods continued, while some new projects were initiated. Projects whose implementation is on-going include the COMESA Trade in Services; Monitoring of Small-scale Cross Border Trade; support for work on international trade negotiations and Trade and Poverty in Lesotho being undertaken by a Senior Research Fellow based at Tralac; Development of a Regional Competition Policy for COMESA; scholarships provided to two students studying for a post graduate Diploma in Trade Law and Policy Management; and the development of guidelines for the application and treatment of tax incentives in SADC. Details of the projects are contained in the previous quarterly reports.

New projects whose implementation commenced during the period under review include the establishment of One-Stop Border Post at Chirundu (Zambia/Zimbabwe); Trade Market Expansion Programme for African Coffees; National Consultations on Rules of Origin for the SADC Protocol on Trade; and development of a Quality Management, Traceability and Supply Chain Management System for smallholder nut producers. Details of the One-Stop Border post project are at Annex 1 to this report, while those of the other reports are contained in previous quarterly reports.

TOR / proposals were being developed for a number of projects. Implementation of these is expected to come on stream during the coming few months. The most promising of these include: One-Stop border posts South Africa / Lesotho and South Africa / Mozambique; Regional Customs Transit Bond Guarantee Scheme for SADC; Updating / Development of regional Tax Databases; COMESA Tax coordination and harmonisation programme; development of a Regional NTB Monitoring System; and SADC EPA Market Access Strategy Study.



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- Value Chain Analyses (VCA) for Livestock and Cotton/textile Sub-sectors in Zambia

The RTFP intends to support VCA's in selected countries that have completed DTIS. VCA is already underway for two sub-sectors in Zambia. The RTFP Programme Director has not been as involved in assisting MCTI in the implementation of this project as originally anticipated due to other work commitments that regularly take him away from the region.

2.2 Summary of Project Activities

The current status of implementation and development of RTFP supported projects are summarised in Table 1 below, 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. Summaries of projects carried forward from past quarter period are contained at Annex 1 of the relevant quarterly report.

Table 1. RTFP Projects: Under Implementation and Being Development during the Period Oct-Dec 2005

Project	RTFP Output	RTFP Channel	Programme Partner	Status	Service Providers	Total Expected Cost	Total Committed Cost	Actual Expenditure To Date	Unspent Committed Funds
Project Under Implementation									
Trade In Services •National assessments of service sectors •Development of / conversion to GATS type templates for each country	4	2	COMESA	<ul style="list-style-type: none"> •Implementation that commenced Nov 2004, still on going •Project extended by 6 months, completion expected June 2006 	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	5	1	COMESA	<ul style="list-style-type: none"> •Negotiating briefs, background papers and presentations •Technical backup and presentations at the meetings 	Programme Director and RTFP-COMESA & SADC Trade Advisors		£35,000	-	£35,000
Migration and Nurses	4	2	COMESA	<ul style="list-style-type: none"> •Project completed •Possibility of follow up work 	Commonwealth Secretariat		£61,500	£22,217	£39,283
Study to Develop Draft Guidelines for the Application and Treatment of Tax	6	1	SADC	<ul style="list-style-type: none"> •Final report being produced, some delays experienced. Completion 	PMTC International Ltd		£20,448	£11,642	£8,806



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Project	RTFP Output	RTFP Channel	Programme Partner	Status	Service Providers	Total Expected Cost	Total Committed Cost	Actual Expenditure To Date	Unspent Committed Funds
Incentives in SADC and a SADC Tax Expenditure Budgeting Template				expected May 2006					
TRALAC – Snr. Research Fellow: International Trade Negotiations and Lesotho trade and poverty work	8, 5	4		<ul style="list-style-type: none"> •Snr. Research Fellow commenced work April 05 •Completion April 2006 	Ron Sandrey (TRALAC)		£64,350	£26,496	£37,854
EPA Study to Develop Framework for Sensitive Prod & Template for Tariff Phase Down – in preparation for market access round of EPA negotiations	5	1	SADC	<ul style="list-style-type: none"> •Final report produced and project completed 	MJ Mero		£20,470	£17,552	£2,918
Study to Assess Impact of further liberalising the TDCA	8, 5	4		<ul style="list-style-type: none"> •Study commenced August 2005; •Findings presented at SAIIA workshop held 	Landell Mills		£40,755	-	£40,755



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Project	RTFP Output	RTFP Channel	Programme Partner	Status	Service Providers	Total Expected Cost	Total Committed Cost	Actual Expenditure To Date	Unspent Committed Funds
				Nov 2005 <ul style="list-style-type: none"> •Project completed •Findings well received and have generated a lot of interest 					
Trade and Poverty in South Africa Study – main components are: <ul style="list-style-type: none"> •Trade Policy Reform • Trade Enterprise Production and Employment •Industrial Case Studies •Economy-wide Analysis and Policy Simulations 	8	4		<ul style="list-style-type: none"> •Project completed 	SALRU (UCT) (SEGA II project and TIPS working on other components of project)		£33,600	-	£33,600
SPS Angola Inventory	7	1	SADC	<ul style="list-style-type: none"> •Final report completed 	Austral		£6,373	£4,267	£2,106
Technical Assistance to Zambia re: LDC WTO	5	1	Gvt. of Zambia, MCTI	<ul style="list-style-type: none"> • Work commenced July 2005 •Preparations for WTO Hong Kong 	<ul style="list-style-type: none"> •DN Tembo •ODI •S Page •M Davenport 		£305,000	£224,258	£80,742



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Project	RTFP Output	RTFP Channel	Programme Partner	Status	Service Providers	Total Expected Cost	Total Committed Cost	Actual Expenditure To Date	Unspent Committed Funds
Coordination				<p>Ministerial Meeting completed – work entailed research; preparation of briefings and position papers; participation in actual negotiations; reference materials prepared for LDC Ministers for use at meeting;</p> <ul style="list-style-type: none"> •Facilitated participation of core technical team at Hong Kong; further technical support provided •Zambia’s LDC coordination function extended to end of June, RTFP support similarly extended •Completion June 2006 	<ul style="list-style-type: none"> •E Bosch •RTFP Prog. Director intimately involved in all work 				
Support for EPA			ESA and	•On-going	•Programme				



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Project	RTFP Output	RTFP Channel	Programme Partner	Status	Service Providers	Total Expected Cost	Total Committed Cost	Actual Expenditure To Date	Unspent Committed Funds
Negotiation Processes			SADC		Director; RTFP Trade Advisors at SADC and COMESA; and W Chizebuka				
Scholarships: PG Diploma in Trade Law and Policy Management •Scholarships awarded to 2 regional students for 2006/07 intake	8	4	TRALAC	Sponsorship commences Jan 2006, students to complete studies by mid 2007	TRALAC in conjunction with the Graduate School of Business, UCT		£15,200		
VAT Study and Regional workshop (to wind up VAT studies on-going for past 2 years)	6	1	SADC	<ul style="list-style-type: none"> • Draft report presented at workshop held Nov 2005 •Final report prepared and project completed 	Prof Graham Glenday, Duke University		£49,530	£49,530	-
Monitoring Small-Scale Cross-Border Trade (SAMP) • Assess nature of trade and trading conditions,	2	3		<ul style="list-style-type: none"> •MoU approved and signed, first tranche of funds released •Implementation commenced Nov 05; Project will be implemented over 	SAMP in conjunction with Queens University		£300,000	£117,986	£182,014



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Project	RTFP Output	RTFP Channel	Programme Partner	Status	Service Providers	Total Expected Cost	Total Committed Cost	Actual Expenditure To Date	Unspent Committed Funds
quantify trade flows • Incorporates (i) an origin & destination survey (ii) an investigation of why simplified COMESA documentation for small scale cross border trade is not being utilized				a 2 year period • Planning workshop held Dec 05 • The first set of border monitoring surveys planned March/April 06 have been delayed and likely to take place in May/June • Repeat monitoring surveys at 6 monthly intervals					
National consultations on Rules of Origin • To be funded and implemented jointly with GFA (GTZ); RTFP sponsoring Lesotho, Malawi, Namibia Tanzania, and Zimbabwe	1	1		• RTFP sponsored consultations done in Lesotho, Zambia and Zimbabwe Feb/March 06. Malawi, Namibia and Tanzania failed to organise workshops in time for April TNF meeting.	Happias Kuzvinzwa (SADC Sec)	£40,000	£3,606	£36,394	



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Project	RTFP Output	RTFP Channel	Programme Partner	Status	Service Providers	Total Expected Cost	Total Committed Cost	Actual Expenditure To Date	Unspent Committed Funds
<ul style="list-style-type: none"> Workshops to facilitate consensus building on recommendations of a RTFP study done for the mid-term review of the SADC Trade Protocol 									
East African Fine Coffee Association <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 	3	3		<ul style="list-style-type: none"> Project implementation commenced Jan 06 and project launched March 06 Promotional & marketing activities will commence June/July 06 		£100,000			



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Project	RTFP Output	RTFP Channel	Programme Partner	Status	Service Providers	Total Expected Cost	Total Committed Cost	Actual Expenditure To Date	Unspent Committed Funds
SACU Strategy Studies •TA to SACU Secretariat to provide input in the development of a strategy for SACU	1	1	SACU	•Two desk studies/papers being prepared for presentation to the SACU Commission	Tralac and Mthente Consulting Services	£9,775			
SACU Trade Policy Review Studies •WTO notification •TPR procedures and Mechanism			SACU	•Desk studies/papers being prepared to provide background for the SACU Council of Ministers Meeting	Tralac and Peter Tulloch	£7,860			
Natural Products Enterprise Programme: Trade Component Project to be implemented in 3 phases: • Phase I: Redesign of Project proposal to improve & strengthen it	3	3	IUCN	•Whole project approved in principle •Phase I completed and a redesigned proposal for Phase II approved •Redesigned project to be implemented through two -18 month periods •Contracting process for Phase	•Natural Resources Institute's Ben Bennett contracted to undertake Phase I •A fulltime Trade Specialist to recruited under Phase II, who will be assisted by a short-term Trade Expert(s)	±£300,000 of which £19,000 is for Phase I and ±£150,000 for Phase II	£19,000		



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Project	RTFP Output	RTFP Channel	Programme Partner	Status	Service Providers	Total Expected Cost	Total Committed Cost	Actual Expenditure To Date	Unspent Committed Funds
<ul style="list-style-type: none"> Phase II: Actual implementation of first 18 months of redesigned project Support for Phase III will be conditional on performance of Phase I 				II in progress					
Establishment of One-Stop Border Post – Chirundu <ul style="list-style-type: none"> Preparatory work already underway Joint meeting of Zambian and Zimbabwean Revenue Authorities planned for early June 	1	1	COMESA	<ul style="list-style-type: none"> Implementation underway 	RTFP COMESA Trade Advisor				
Competition policy	1	1	COMESA	<ul style="list-style-type: none"> Implementation underway 	RTFP COMESA Trade Advisor				
Coordination of	1 & 5	1	COMESA,	<ul style="list-style-type: none"> Implementation 	RTFP Prog.				



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Project	RTFP Output	RTFP Channel	Programme Partner	Status	Service Providers	Total Expected Cost	Total Committed Cost	Actual Expenditure To Date	Unspent Committed Funds
Task Force of Regional Integration Institutions •Harmonisation of Trade regimes			EAC & SADC	underway	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	1	1	SADC	•Implementation of some already underway	SADC Trade Advisor				
SADC Customs Union Preparation •Development of a Road map	1	1	SADC	•Implementation underway	SADC Trade Advisor				
Projects Under Development									
Development of a	2	1	SADC	•Project being					



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Project	RTFP Output	RTFP Channel	Programme Partner	Status	Service Providers	Total Expected Cost	Total Committed Cost	Actual Expenditure To Date	Unspent Committed Funds
<p>SADC's Regional Customs Transit Bond Guarantee System – project likely to have 3 components</p> <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. 				<p>redesigned following recommendations of the Transit Customs Bond Guarantee Systems Study</p> <ul style="list-style-type: none"> •Implementation expected 2nd half of 2006 		±£300,000			
<p>Develop Quality Management, Traceability and Supply Chain Management System</p>	3	3	<ul style="list-style-type: none"> •Twin &Twin Trading 	<ul style="list-style-type: none"> •Phase I already being implemented, completion expected May 06; •Detailed work 		£298,850	£45,125	£13,554	£31,571



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Project	RTFP Output	RTFP Channel	Programme Partner	Status	Service Providers	Total Expected Cost	Total Committed Cost	Actual Expenditure To Date	Unspent Committed Funds
<ul style="list-style-type: none"> •promote fair trade in groundnuts, macadamia & cashew nuts in support of various small holder nut producers associations in Malawi, Zambia and Mozambique •Phase I of project approved but while Phase II-IV approved in principle 				programmes for Phases II to IV being reworked, approval of which is conditional on performance of Phase I.					
Regional Standards Programme for COMESA <ul style="list-style-type: none"> •Identification of development of regional Stds. •Making Stds mandatory •Advocacy, 	7	1	COMESA	<ul style="list-style-type: none"> •Project proposal under development •Implementation expected to commence May/June 06 	Project Manager to be identified				



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Project	RTFP Output	RTFP Channel	Programme Partner	Status	Service Providers	Total Expected Cost	Total Committed Cost	Actual Expenditure To Date	Unspent Committed Funds
capacity building, monitoring and Std. setting; •Support private sector to implement SPS									
Development of Programme of COMESA Tax Policy coordination and harmonisation •SADC Tax Advisor to assist COMESA put together a programme of work	6	1	COMESA	•Preparations underway		£2,000			
Tax Databases • SADC Tax Database needs updating • Development of COMESA tax database to be initiated	6	1	SADC, COMESA	• SADC Tax Database launched Oct 05 • Data collection to commence soon	To be identified	£20,000			
Devil's Claw: Fair Trade &	3	3	Veld Products	•Project proposal being redesigned		£40,000			



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Project	RTFP Output	RTFP Channel	Programme Partner	Status	Service Providers	Total Expected Cost	Total Committed Cost	Actual Expenditure To Date	Unspent Committed Funds
Expanding the Markets – Feasibility study to identify and assess options for expanding export markets <ul style="list-style-type: none"> In support of harvesters & small scale producers in Botswana, Namibia & RSA 			Research & Development on behalf of the Devil’s Claw Range States Working Group						
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 	1, 7	1	SADC	<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. 		£5,800			



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Project	RTFP Output	RTFP Channel	Programme Partner	Status	Service Providers	Total Expected Cost	Total Committed Cost	Actual Expenditure To Date	Unspent Committed Funds
activities likely									
SADC EPA Market Access Strategy – study to assess the BLNS' EPA negotiation strategies	5	1	SADC	<ul style="list-style-type: none"> •TOR under development •Implementation expected to commence May 06 	ODI – Chris Stevens, Jane Kenan and Talitha Bertelsmann-Scott	£50,000			
One-Stop Border Post (OSBP) - RSA and neighbouring states <ul style="list-style-type: none"> •To assist RSA develop a policy framework for establishing OSBP 			SARS	<ul style="list-style-type: none"> • TOR under development 	To be identified				
Capacity Building for SACAU	1 & 7	1		<ul style="list-style-type: none"> •Project idea, consultations going on between SACAU and PMU •RTFP Prog Dir participated in SACAU AGM. 					
Development of a Regional NTB Monitoring System	1 & 7		SADC and COMESA	<ul style="list-style-type: none"> • Project idea •Will build on previous RTFP funded work 					



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Project	RTFP Output	RTFP Channel	Programme Partner	Status	Service Providers	Total Expected Cost	Total Committed Cost	Actual Expenditure To Date	Unspent Committed Funds
Study to Restructure the Reinsurance Pool of Yellow Card System	1	1	COMESA	<ul style="list-style-type: none"> •Project proposal produced and project still under consideration 		£17,000			
Study to review model legislation for on motor vehicle 3 rd party Insurance	1	1	COMESA	<ul style="list-style-type: none"> •Project proposal produced and project still under consideration • 		£26,000			
Effects of Withdrawal of Tanzania from COMESA and Trade Developments with COMESA Countries: <ul style="list-style-type: none"> •Workshop to finalise on-going work 	1	1	Tanzania Pvt Sector Foundation and COMESA	<ul style="list-style-type: none"> • Study already done (not RTFP funded) 		£9,000			
Two Studies on SADC EPA - details to be advised	5	1	SADC	<ul style="list-style-type: none"> •RTFP has agreed to fund subject to eligibility criteria being met •SADC EPA Unit to produce TOR 					



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2.3 New Project Initiated During the Three-month Period to March 2006

The implementation of a number of projects was initiated during this quarter period. Brief descriptions of these projects are contained in either Annex 1 of this report or Annex 1 of the previous quarterly report. Key features of these projects are summarised below:

- SACU Strategy Initiative
The implementation of the new SACU Agreement, that provides direction to the Secretariat and Member States on SACU, started in July 2004. However, this is still a framework Agreement, which is yet to be fully implemented. The SACU region will only realise full benefits from the Agreement if it is fully implemented. The purpose of this project is to assist the SACU region and its Secretariat to develop a strategy for implementing the new SACU Agreement in such a way as to enable all member states maximise the real benefits that will accrue from belonging to a Customs Union. The RTFP provided support for two trade experts to prepare background papers¹ that were presented at a strategy workshop for the SACU Commission. Although the workshop will not produce a final strategy for SACU, it is expected to come up with a draft road map for implementing the Agreement. There are indications that there could be follow-up activities in the future.

- SACU WTO Trade Policy Review (TPR) and Notification of SACU
The next SACU TPR had been scheduled for 2007 (has since been postponed to around 2008/9). In preparation for the next TPR SACU requested the RTFP to provide technical assistance to carry out an analysis of the previous Review undertaken during 2003 in order to identify and highlight collective and individual commitments made by SACU Member States at the last Review that may need to be addressed. The study gave an overview of Trade Policy Review Mechanism and provided guidance on what needs to be done in preparation for next TPR.

The study also made recommendations on the technical and administrative procedures for notifying² SACU to the WTO.

This project has been successfully completed, although the papers produced are yet to be discussed at the next SACU Council of Ministers meeting that is likely to be held in May.

- Implementation of the Trade Market Expansion Programme for African Coffees kicked-off with an official launch in February. Since then a delegation from the Eastern African Fine Coffees Association has undertaken an exploratory market visit to meet buyers in South Africa aimed at assessing the market situation and stimulating demand for African coffees in South Africa. Initiatives are underway

¹ The Background papers complemented the SACU Strategy Concept paper prepared by the SACU Secretariat.

² SACU is keen to notify before the next TRP.



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to help establish a Speciality Coffee Association of South Africa. EAFCA has also participated in an international speciality coffee conference in the USA.

- One Stop Border Posts (OSBP)

The RTFP is supporting the establishment of 3 OSBP in the southern Africa region. The establishment of the first OSBP at Chirundu (bordering Zambia and Zimbabwe) is being implemented through COMESA and work is already at an advanced stage. It is anticipated that this OSBP will become operational by the end of 2007.

The South Africa Revenue Services (SARS) will receive support to spearhead the establishment of two OSBP, the first at the Lebombo Ressano/Garcia border post (with Mozambique) and the other at a yet to be identified border post with Lesotho. The SARS project is still in the early stages of development. Already TOR have been developed to develop a policy framework that will guide SARS in the actual establishment of the OSBP and a consultant who may be hired to undertake the assignment has been identified.

- Development of a Quality Management, Traceability and Supply Chain Management System: Capturing value for Smallholder Nut Producers in Southern Africa, Through Fairtrade Nut Market Access

The implementation of the first Phase of this project, which was developed by and is being managed by Twin and Twin Trading, commenced in February and will end in May 2006. The RTFP approved the implementation of Phase I of the project while detailed work plans for the latter phases were being reworked. Project activities under Phase I are thus focusing on:

- (i) the launch of Fairtrade nuts into the retail sector in UK
This has been very successfully - the initial response to the introduction of fair-trade nuts in TESCO is reported to have surpassed Twin's expectations;
- (ii) market visits to the UK and visits to toasters in Holland by key representatives of Southern African smallholder nut producers from Malawi and Mozambique
The visit by the Malawian representative has already taken place and it coincided with the Fairtrade Fortnight. The Mozambique representative's visit is planned for April.
- (iii) the hosting of a publicity campaign - the Fairtrade Fortnight planned for March 2006
This event has already taken place is reported to have been very successful.
- (iv) Visit to southern Africa by a Twin Executive (Project Manager) and an Agricultural expert to meet groundnuts and macadamia producers in Malawi and Zambia, and macadamia producers and possible nut buyers in South Africa.
- (v) Preparations for Phases II –IV.

As a result of Phase I activities there are indications that the coverage of the project may be increased from the initial 3 countries (Malawi, Zambia and



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- Mozambique) to include Tanzania (interests in cashew), Kenya (macadamia) and South Africa (macadamia and also as a possible market for nuts from the other southern African countries).
- Update on projects that came on stream towards the end of the last quarter period:
 - (i) **Monitoring Small Scale Cross Border Trade**
Preparations for undertaking border monitoring exercises are underway in all countries involved. The status of preparations are as follows:
 - The list of actual border posts that will be surveyed has almost been finalised.
 - The national budgets have been largely approved by SAMP
 - Permission has been sought from governments and in most cases it has already been granted;
 - Contracts between SAMP and its partners who will undertake the surveys in the various countries will be signed soon, once all the budgets have been agreed.
 - The planned March / April survey dates will certainly be missed. It is now expected that the surveys would take place in May / June.The RTFP and DFID SA are very concerned by the continued delays in the take off of this project.
 - (ii) **Scholarships for two Post Graduate Diploma Students – Trade Law and Policy management (Tralac / University of Stellenbosch)**
Scholarships were awarded to two female students from Ministries of Agriculture in Lesotho and Kenya. Studies commenced in January as planned;
 - (iii) **National Consultations on SADC Trade (STP) Protocol Rules of Origin**
RTFP supported consultations in three SADC countries (Lesotho, Zambia and Zimbabwe). The outcome of the consultations were not very encouraging as countries appear reluctant to make radical changes required to relax the rules of origin and encourage more intra-SADC trade to take place under the STP; and

Consultations failed to take place in Namibia, Malawi and Tanzania as originally anticipated because the countries were either not ready or unwilling to go through the exercise. The RTFP has closed off this project.

2.4 Projects under Development

Various project proposals were being reviewed by the RTFP PMU while some new project ideas were being pursued.

- Work to redesign SADC's Regional Customs Transit Bond Guarantee System, which has had a long gestation period, continued. The TOR for the redesigned project are nearing completion. The project will have three components.



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- (i) Trial testing of the transit management system and its instruments that were developed by the SADC Sub-Committee on Customs Cooperation (Heads of Customs);
 - (ii) Development of a risk management system that incorporates an electronic transit tracking system; and
 - (iii) Development of an electronic validation system of customs documents.
- Development of COMESA Tax Coordination and Harmonisation Programme
Following the departure of COMESA's RTFP funded Tax Policy Advisor a year ago there has not been much progress on COMESA's tax agenda. RTFP will be assisting COMESA put together a tax programme of action.
- Updating of SADC's Tax Databases and Development of COMESA Tax Database
There has been no movement on this proposed project since the last quarter period. It is hoped that this project will be incorporated into the COMESA tax programme referred to above.
- Development of a Non-Tariff Barriers Monitoring System
The RTFP in 2004 provided support to SADC to carryout an inventory of NTBs existing in all its Member States (excluding the DRC). This exercise was completed and no tangible action was taken thereafter. The RTFP will support the development of a regional database on NTBs and a system that will be used in all countries in southern and eastern Africa to keep track of existing and report on any new NTBs that may emerge. This way, keep the regional institutions, governments, traders and other business people informed.
- Devils Claw: Fairtrade and Expanding the Markets
Again there has been little movement on this initiative. The promoters of this project are still interested and are redesigning the project as suggested by the RTFP.
- SADC EPA Market Access Strategy
The objective of this project is to assist Botswana, Lesotho, Namibia and Swaziland to develop national market access EPA negotiations strategies that have wide societal acceptance and ownership. The national strategies will be consolidated into a wider SADC EPA negotiation strategy. The TOR are at an advanced stage of development and implementation is expected to commence early May. The study is likely to be undertaken by the ODI.
- SACAU Capacity Building
The RTFP has made a commitment to support at least one project aimed at strengthening SACAU's capability of deal with trade issues. There are a number of possibilities but the PMU is still discussing with SACAU regarding the nature of RTFP interventions.
- Regional Standards Programme for COMESA



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COMESA will soon finalise the TOR for this project that is aimed at achieving the following:

- (i) Identification and development of regional standards;
- (ii) Making standards mandatory;
- (iii) Undertake advocacy, capacity building, monitoring and setting of standard; and
- (iv) Support private sector to implement SPS measures.

A Project Manager who will be located within COMESA Secretariat will be recruited, using resources provided to COMESA through the EC, to oversee and coordinate the implementation of the project. Implementation of the project could start late May / early June 2006.

- Harmonisation of SADC Seed Policies to Enhance Exports
There has been no movement on this project during the period under review. The Southern Africa Global Competitiveness Hub whom the RTFP is partnering with on this project is not yet ready to go ahead with the regional workshop.
- Identify a consultancy to work on a public-private partnership financing mechanism and, if possible, select a regional programme on which such a financing mechanism could be tried.
- Undertake a diagnostic study in three SADC countries which have an Integrated Framework (IF) in place and which are implementing an Action Matrix.
Apart from the involvement of the RTFP Programme Director in the IF task Force in Geneva, there has not been any other work done in this areas. The RTFP will reassess its future involvement in this area after reviewing the IF Task Force reports.
- Effects of Withdrawal of Tanzania from COMESA and Trade Developments
The Tanzania Private Sector Business Foundation, through COMESA, has requested funding for a stakeholder workshop to deliberate on a report of a study done to assess the effects of Tanzania's withdrawal from COMESA and engage Government on the benefits of rejoining COMESA.
- Restructuring of the reinsurance pool on the Yellow Card Scheme
COMESA Secretariat has proposed this project that will review the overall operational management and administration of the scheme.;
- Production of a Model Legislation on the motor vehicle third party Insurance
A study to produce the model legislation has already been done. COMESA has requested the RTFP to fund a consensus building stakeholder workshop that will consider and pave the way for the adoption of the model legislation; and
- Two Studies on SADC EPA



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The RTFP has in principle agreed to fund three studies on the SADC EPA. TOR for the first study have already been developed (covered elsewhere in this report) while those for two others are in the early stages of development.

2.5 Advocacy Activities for the RTFP

As detailed in the 2006 RTFP Work Programme tabled at the 5th RTFP Programme Advisory Committee meeting the PMU has undertaken a number of advocacy activities aimed fulfilling the following objectives:

- raising the profile of the RTFP;
- increasing awareness of the regional integration agenda;
- increasing understanding of the RTFP and its role in wider policy debates; and
- widening relations and improve dialogue with other agencies and organisations.

To date the following activities have been undertaken:

- Re-branding the Programme
A 'corporate' image and identify for the RTFP has been adopted. This style / design will be used on all RTFP publications and website.
- Publishing and occasional series of reports commissioned reports and other relevant research reports, including those done by RTFP programme partners. One occasional research paper prepared by COMESA has already been published in print form: *Revenue Impacts of the Economic Partnership Agreement between the EU and Eastern and Southern African Countries*.

Two more RTFP commissioned research papers are under production. The editing and design phase had been completed. The printed publications would be available some time in May. These are:

- (i) *A Study to Assess the Likely Impacts on Southern African and EU Producers of Further Liberalising the Trade, Development and Cooperation Agreement (TDCA) by Granting South Africa Duty Free Access to the EU;* and
- (ii) *Foreign Direct Investment in South Africa: the Initial Impact of the Trade, Development and Cooperation Agreement between the EU and South Africa.*

A briefing booklet (4 pager) on RTFP activities is also underproduction. The printed version should be available in May.

More RTFP research papers will be published in print form within the coming few months. The printed papers will be disseminated widely within the region and beyond. A comprehensive mailing list is currently being compiled for this purpose.



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The RTFP website and its contents of the RTFP will be upgraded and research papers uploaded during the next quarter period. All non-confidential RTFP reports, produced to date, have been made available for uploading on the DFID UK website.

2.6 RTFP Logframe Being Reviewed

The RTFP logframe is being updated to bring it in line with the restructured RTFP. The updating process is nearing completion.

Various data sets on Objectively Verifiable Indicators (OVIs) have also been collected.

3. RTFP Long-term Advisors

3.1 SADC Multilateral Trade Negotiation Advisor/SADC Regional Integration and Trade Policy Advisor

Mr Paul Kalenga joined the RTFP as the new SADC Regional Integration and Trade Policy Advisor on 1st February. He has put together a draft work programme that will be subordinate to the main RTFP work programme. During the two months that he has been in post he has worked on issues relating to the implementation on the SADC Trade protocol, particularly at efforts aimed at giving impetus to the mid-term review of the STP. The Advisor will continue to work in this area.

The Advisor has also provided inputs in on-going work relating to: SADC EPAs; multiple and overlapping membership in SADC; WTO; and preparations of the SADC Customs Union. He will continue to work in these areas.

3.2 COMESA Senior Trade Policy Advisor

The COMESA Senior Trade Advisor has mainly been involved in work relating to:

- ESA EPA;
- WTO, including providing technical assistance to the LDC group;
- COMESA FTA and preparations for the Customs Union;
- the establishment of a COMESA Competition Commission; and
- spearheading COMESA's efforts to establish a One-Stop Border Post at Chirundu.

He will continue to work in these areas.

3.3 SADC Tax Policy and Harmonisation Advisor

Work being coordinated by the Advisor during this period focused on overseeing and providing guidance to consultants undertaking studies on Development of Draft Guidelines for the Application and Treatment of Tax Incentives in SADC and preparation of a Tax Expenditure Budgeting Template for SADC. The consultant presented the draft report to SADC. The final report incorporating SADC's comments is being produced.



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During the period under review the Advisor participated in a SADC Committee meetings and workshops and will continue working in these areas. Specific forthcoming activities include a VAT Benchmarking / diagnostic study and a workshop on VAT Tax Gap.

4. Output to Purpose Review

The next Output to Purpose review of RTFP activities has been delayed and is now likely to take place during June/July.

5. Financial Analysis

Table 2 below summarises actual expenditures incurred, by Channel, on programme activities implemented between January and March 2006, and since the inception of the RTFP.

Programme Expenditures January to March 2005

During the three-month period under review a total of £306,651 was expended on programme activities including the remuneration of Long Term Advisors. The expenditure patterns during this period were as follows:

- Nearly 85% (£259,788) of this amount was spent on various projects funded under Channel 1;
- 9.7% (£29,776) was spent on new projects that were previously classified under Channel 3. It should be noted that, though the funds are disbursed during this quarter period, actual expenditures will be incurred over a longer period.
- The remaining 5.6% (£17,087) was spent on projects funded under Channel 4.
- No disbursements were made for projects funded under Channel 2.

Programme Expenditures January 2004 to March 2006

Over £2.8 million has been spent on programme activities, including remuneration of Long Term Advisors, since the inception of the RTFP. These funds have been expended on projects that contribute towards the attainment of all the 8 RTFP programme outputs shown in Box 1 above. This expenditure was allocated among channels as follow:

- 54.5% was spent on various projects funded under Channel 1. SADC and COMESA are the main beneficiaries, with a very small proportion being spent on projects directly benefiting SACU.
- 34.8% of expenditure was allocated as accountable grants under Channel 2 to implement the Trade in Services project and Migration and Nurses study. Both projects are being undertaken on behalf of the COMESA Secretariat;
- 7% was spent on Channel 3 projects that will monitor small scale cross border trade in the entire southern Africa region and projects that promote pro-poor trade and market development.
- The remaining 3.7% was spent on projects initiated by DFID but benefiting the entire southern Africa region and funded under Channel 4.



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Commitment of Funds

Out of the total £8.89 million in programme funds available under the RTFP nearly £3.6 million³ (40.5%) has been committed to date⁴. This means that nearly 60% (£5.3 million) of the funds are yet to be committed.

The rate of disbursement of the committed funds is quite high with nearly 80,% of funds spent. The rate of disbursement would be higher if delays experienced in the take-off, implementation and completion of projects (see section 3.5 above) could be avoided.

³ This figure excludes cases, such as Phase 2 of the NatPro project , the development of SADC's proposed Customs Transit Bond Guarantee System, OSBP for SARS, COMESA standars programme and 3 EPA studies for SADC, where decisions have already been made in principle to support the projects subject to conditions being met. Over £1.5 million is earmarked for the implementation of these projects.

⁴ This figure shows a marginal decline in Total Funds Committed of nearly £0.42mil compared to the figure reported in the last quarterly report. This is due to adjustments made for savings on projects that have already been completed. This has also contributed to the dramatic increase in the rate of disbursement from 60% reported for the last quarter period to nearly 82% in the current period.



Table 2. Summary of Actual Project Expenditures and Commitment of RTFP Channel Funds

	Total Expenditure Jul04-Dec-05	06-Jan	06-Feb	06-Mar	Total Expenditure Jan06-Mar06	Total Expenditure To Date	Total Funds Committed to March 06	Total Committed Funds Unspent	Total Budget Allocated Per Channel	Total Uncommitted Funds
Summary by Channel										
Channel1	£1,298,476	£65,620	£75,219	£118,949	£259,788	£1,558,264	£1,940,579	£382,314	£3,500,000	£1,559,421
Channel2	£995,217	£0	£0	£0	£0	£995,217	£1,034,500	£39,283	£3,000,000	£1,965,500
Channel3	£171,794	£16,194	£27	£13,554	£29,776	£201,570	£404,351	£202,782	£2,000,000	£1,595,649
Channel4	£87,584	£17,087	£0	£0	£17,087	£104,672	£220,093	£115,421	£390,000	£169,907
Total	£2,553,071	£98,902	£75,246	£132,504	£306,651	£2,859,723	£3,599,523	£739,800	£8,890,000	£5,290,477

Share of Actual Project Expenditures and Commitment of RTFP Channel Funds

	Total Expenditure Jul04-Dec-05	06-Jan	06-Feb	06-Mar	Total Expenditure Jan06-Mar06	Total Expenditure To Date	Total Funds Committed to March 06	Total Committed Funds Unspent	Total Budget Allocated Per Channel	Total Uncommitted Funds
Channel1	50.9%	66.3%	100.0%	89.8%	84.7%	54.5%	53.9%	51.7%	39.4%	29.5%
Channel2	39.0%	0.0%	0.0%	0.0%	0.0%	34.8%	28.7%	5.3%	33.7%	37.2%
Channel3	6.7%	16.4%	0.0%	10.2%	9.7%	7.0%	11.2%	27.4%	22.5%	30.2%
Channel4	3.4%	17.3%	0.0%	0.0%	5.6%	3.7%	6.1%	15.6%	4.4%	3.2%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Note: Adjustments were made to the total funds committed to take account of savings made on projects whose implementation has already been completed, with the net effect of lowering the sum of funds committed to date



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6. RTFP Budget for 2006 Work Programme

The PMU presented its draft work programme and budget for 2006 at the RTFP's PAC meeting held in February 2006. The work programme is output based and details all the activities that will be implemented to achieve each output, and how much funds would be required to do this. The current RTFP budget is summarised in Table 2 below.

**Table 3. BUDGET FOR 2006 WORK PROGRAMME
BUDGETED EXPENDITURES BY RTFP OUTPUT &
CHANNELS**

Item	Total Required Jan- Dec 06 GBP	% Share of Total Required Jan-Dec 06
Summary By RTFP Output		
Output 1	£609,000	18.03%
Output 2	£520,000	15.40%
Output 3	£584,000	17.29%
Output 4	£70,000	2.07%
Output 5	£395,000	11.70%
Output 6	£398,000	11.79%
Output 7	£462,000	13.68%
Output 8	£231,000	6.84%
Unallocated	£108,000	3.20%
Total All Outputs	£3,377,000	100.00%
Summary By Channel of Funding		
Channel 1	£2,376,000	70.36%
Channel 2	£50,000	1.48%
Channel 3	£720,000	21.32%
Channel 4	£231,000	6.84%
Total All Channels	£3,377,000	100.00%

The total budget for the 12 month period from January to December 2006 is expected to amount close to £3.4 million. As shown in Table 3 above the bulk of the expenditure is earmarked for projects funded under Channel 1 (70.4%), followed by Channel 3 at 21.3%; Channel 6.8% and a mere 1.5% for Channel 2. It is anticipated that the funds allocated under Channels 1, 2 and 3 will be pooled during the course of 2006. Once this happens the funds budgeted under these channels will also be combined.

In terms of output, the respective shares of expenditures on activities which when implemented will contribute to each RTFP outputs, in order of magnitude are estimated as follows (see Box 1 for output descriptions):

- Output 1 18%;
- Output 3 17.3%
- Output 2 15.4%
- Output 7 13.7%;
- Output 6 11.8%
- Output 5 11.7% ;



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- Output 8 6.8%; and
- Output 4 2.1%; and

The remaining 3,2% will be spend on activities whose results will contribute towards the realisation of all RTFP outputs.

Some of the expenditures budgeted for in Table 3 have already been committed with some of the projects already under implementation. A few of these projects were carried forward from phase I of the RTFP.