



Regional Trade Facilitation Programme

Quarterly Report

October - December 2006





Regional Trade Facilitation Programme

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 still awaiting formal approval by DFID's contractual office in Scotland.

2. Programme Activities October - December 2006

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 October - December 2006***

The major achievements and outputs realised during this period include:

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

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

Meetings with held between SARS and the PMU and, at their request, the Terms of Reference for the development of a legal framework were expanded and subsequently translated into Portuguese. Draft terms of reference for the Standard Operating Procedures were also prepared.

OSBP Chirundu

Meetings were held with other donors working on aspects of the OSBP at Chirundu – in particular JICA and USAID – to ensure that activities would be complementary and not overlapping. Discussions were held with COMESA on the TORs which have been developed for the Legislative Instruments with financing from SSATP.

SADC Regional Transit Bond Chain Guarantee System:

Final terms of reference, budget and time frames were agreed during the period. However, although the COMESA/EAC/SADC Task Force agreed that no existing work being undertaken on this subject by the RECs should be interrupted, it was also agreed that work should be coordinated. Accordingly, it will be considered as an item by the Task Force sub-committee on trade and customs, the next meeting of which will be held in early February 2007.

Border Monitoring of Cross Border Trade by SAMP

The PMU continued to badger SAMP during the last quarter of 2006 to honour their contractual provisions and provide country reports. By the beginning of December, three draft, unedited, reports had been received from SAMP (for Botswana, Lesotho and Malawi) but by the end of the year 3 of the original 8 target countries had still not submitted anything.

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

WTO

RTFP continued to support Zambia in work related to the LDC position. In particular, following Japan's notification to LDCs that they would proceed with the implementation of Duty Free Quota Free Market Access and the Development Initiative, despite the suspension of negotiations, work continued with all stakeholders. On Aid for Trade work was undertaken on value chains for livestock, cotton, horticulture and floriculture for the Trade Expansion Working Group in Zambia. On integrated Framework, the expert took part in the UNCTAD-funded meeting in Dakar in December which provided an opportunity to share national experiences and information with both Geneva and Capital-based officials, as well as the donors.

The Programme Director held discussions in Geneva on possible support to the EIF process (consultants, database, issues paper on the role of the private sector and management of the trust fund).

Development of EPA Market Access Strategies for BLNS Countries

The Final Report was agreed between the consultants, ODI, and the SADC EPA Unit but in view of its confidential nature only a brief summary was released. This latter document concluded that: "... achieving a SACU-wide consensus requires the active support of South Africa for excluding the items that are sensitive for BLNS....BLNS countries first need to negotiate with South Africa and then with EU to agree to change the terms

already agreed in the TDCA and for tariffs to be reimposed on some imports." The consultants also concluded that the impact of EPA negotiations on SACU revenues will be minor compared to changing import volumes, multilateral tariff reforms, currency fluctuations and levels of intra-regional trade.

Assistance from the PMU to the EPA process

The PMU continued to provide services to the ESA-EPA group as requested. Meetings were held with stakeholders and a proposal prepared for the ESA Fisheries Rules of Origin study. The Director also worked on a Pacific Forum proposal on fisheries. Comments were given on the ESA-EPA proposed Rules of Origin.

The Programme Director also commented on the EC's response to the SADC EPA proposal and contributed to the preparation of ECDPM In Briefs on 'financing developments in EPAs'.

ACP Assisted to Advance Dialogue on EPA Rules of Origin.

The 4th all-ACP meeting of the Group of Experts on RoO was held at the ACP Secretariat in Brussels in October with funding from RTFP (the Programme Director of which also Chaired the meeting). It was well attended by all the regional organisations who benefited from each other's experiences as well as access to several extremely knowledgeable resource people (from World Bank, UNCTAD, WCO, TRALAC and ECDPM). It was agreed that rules of origin must be at the very centre of the EPA negotiations and that this and other conclusions should be reflected in a new draft "all ACP" model. RTFP agreed to lead the process of developing a new draft so that the Group of Experts could meet again speedily.

Work on the new draft Protocol was undertaken and a short term contract with a data analyst was entered into for the elaboration of data on the ESA and SADC countries at the HS four digit and HS six digit levels. A follow up meeting is planned for January 2007.

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

SADC, SACU & Customs Unions:

In October, RTFP financed a high level technical workshop on the way forward for the SADC and SACU Customs Unions which enabled inter-governmental consultation on existing regional economic integration initiatives and discussions on the options for deeper integration. The meeting was coordinated by the PMU with the South African Government's Department for Trade and Industry and Treasury and was attended by their representatives as well as staff from the Development Board of South Africa and SARS. The PMU also arranged for, and financed, the participation of expert resource people.

SACU

During the quarter, the PMU held discussions with the Executive Secretary of SACU on the possibility of financing a Support Facility which would enable the Secretariat to out-source technical expertise in order to strengthen its ability to respond to ad hoc issues. Whilst the Facility was not finalised during the period, as an intermediate support, the RTFP financed legal expert Professor Gerard Erasmus to prepare various papers for the secretariat in preparation for the Council Meeting which was held in early December 2006.

COMESA/EAC/SADC Task force

Having been tasked with the formulation of a draft work plan for the Customs and Trade subcommittee, the Programme Director and Programme Manager held meetings with COMESA, SADC & EAC in their respective headquarters. As at the end of the year, a draft was being finalised and a meeting of the subcommittee was being arranged for early in 2007.

COMESA Regional Competition Policy

A meeting of COMESA member States which was held in Swaziland in October (financed by RTFP) was held to consider the experts' report on further preparations for the implementation of the COMESA regional competition policy. The meeting was well attended and concluded with recommendations for a Board of Commissioners; for the development of a regional mechanism to strengthen cooperation between new and existing competition authorities as well as encouraging advocacy as the Commission's first priority.

Support to COMESA:

The Programme Director assisted by re-drafting the RSP for the Inter Regional Coordinating Committee (IRCC) and finalised the draft of annex 1. He also presented a paper on the "Issues of Overlapping Mandates and the future of COMESA" at a SAIIA workshop. A request to support the COMESA Customs Union 2006-07 work plan was reviewed.

SADC Workshop on an Action Plan for the Elimination of Non Tariff Barriers to Trade:

As one of its first projects, the RTFP financed inventories of NTBs in SADC member States so it was well placed to finance a workshop in November in response to the Extraordinary Summit's direction to develop an Action Plan for monitoring and elimination of NTBs. Three participants from each of the countries were financed (with good representation from the private sector) and the project also arranged for a facilitator as well as several expert resource people. The workshop agreed on a several measures to be undertaken, including that each State should formulate an Action Plan which would contribute to overall recommendations which would be submitted to the TNF in February and subsequently to the meeting of senior officials and Ministers in March 2007.

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:

There has been good progress with new product launches into UK supermarkets and in December a high level delegation from Mozambique who were visiting, were able to see their cashew nuts on the shelves. Oxfam Belgium and Equal Exchange have also purchased organic groundnuts and organic peanut butter. A final draft of the constitution for the International Producer Cooperative was prepared and will be discussed in early 2007 whilst the legal advisor also worked on the new Community Interest Company structure.

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

Planning was underway at the end of the month for the final activity to be financed by RTFP under the existing contract. In February 2007 the 4th African Fine Coffee

Conference & Exhibition will be held in Addis Ababa. Coffee producers, roasters and buyers will meet to network and share the latest information while attending conference presentations and visiting a large exhibition showcasing the Finest African Coffees, equipment and machinery. By the end of the year, 11 coffee companies from South Africa had confirmed their attendance (at their own cost) indicating a successful outcome of the promotional activities undertaken by EAFCA with RTFP financing. In addition 6 South African companies are now paid up members of EAFCA, one of whom has been elected to the EAFCA board.

Natural Futures

During the last quarter of 2006, the Trade Officer who had been recruited by IUCN was familiarised with the programme and met the Natural Futures team based in the region. A database of key stakeholders was developed and information gathered for the production of baseline data. Meetings were held with the RTFP team to refine the work programme.

Devil's Claw

The Feasibility study was completed during the quarter under review and took into account comments on it which were made at a meeting of the Devil's Claw Range State Working Group (DCRSWG) in November (which was also attended by the RTFP Programme Director and Manager). The study looked into the feasibility of improving the value chain for Devil's Claw and concluded that at present it was complex and fragmented and also that it is driven by a limited number of lead actors (with nearly all up-grading or value addition occurring after export).

The study made several proposals, one of which – the Stewardship Support project – is being considered by RTFP for further development.

Following the DCRSWG Meeting, discussions on sustainable harvesting of devils claw have been held with a research institution with a view to developing a compatible proposal.

Output 5: Improved Trade Policy Capacity

SADC Capacity building Seminar on Exchange of Information for Regional Revenue Authorities:

In November 2006 the OECD facilitated a workshop on the exchange of information between tax administrations as the most effective way of combating international tax avoidance and evasion. The training, which lasted a week, was well attended and well received.

Southern African Confederation of Agricultural Unions (SACAU) workshop

A workshop to build the trade capacity of SACAU members was held in October with both the Programme Director and the Programme Manager providing services as expert resource people. A range of WTO, EPA and regional trading arrangements were elaborated upon as well as NTBs, domestic support, export subsidies and market access as well as changes in the EU Common Agriculture Policy .

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

The first activity in the newly agreed programme of support for research on trade reform was a scoping workshop which was held in November. Three papers were presented

(on sustained trade reform in developing countries – with a particular focus on East Asia; on the notion of South Africa as a "development state" and the third which assessed the scope for further unilateral tariff reform in South Africa). The discussions contributed to the finalisation of the terms of reference for the six country studies.

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 October 2006

Trade Reform in Southern Africa – SAIIA

A Research and conference proposal was finalised with SAIIA which came into effect at the beginning of October. It is aimed at delineating the prospects for, and potential implications of, substantial trade reform in South Africa/SACU in the light of domestic economic and political constraints. Six country case studies, covering the comparator countries of Chile, Brazil, India, Malaysia, Australia and New Zealand, will be undertaken in addition to which there will be consideration of the notion of South Africa as a "development state" as well as an assessment of the scope for further unilateral tariff reforms. The papers will be discussed at three workshops (a scoping meeting; an interim regional one and a final one) and will ultimately be published. The project is being financed by RTFP with some assistance from Australian Aid.

Sustainable Harvesting of Devil's Claw

As at the end of the quarter, final discussions were underway with Dr Zeitsmann of the National Museum to undertake a programme of research into sustainable harvesting practices (for example testing the generally accepted concept that a harvesting rotation of four years gives the plant ample time to return to a state of fitness). The goal of the research will be to draw up an Environmental Management Plan that can be adopted and used by the relevant conservation authorities in the Range states and the Devil's Claw Industry.

2.4 Projects under Development:

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.
- Regional Standards Programme for COMESA
- CUTS

India is shortly expected to offer duty-free, quota-free market access to products originating from LDCs (whilst excluding a significant number of products to keep its domestic agriculture and small-manufacturing constituencies satisfied). CUTS is therefore developing a project for support by RTFP which will enhance the positive linkages between India and selected African LDCs by exploring the issues of operationalising the DFQFMA.

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.
- 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

Virtually all his time was spent working with the SADC EPA unit with a view to advancing the negotiations with the European Union.

COMESA Senior Trade Policy Advisor – Mwansa James Musonda:

The STPA continued with activities to advance the operation of the Free Trade Area as well as dealing with related Rules of Origin issues. He also organized, facilitated and presented at the COMESA Competition Policy meeting which was held in Swaziland and subsequently prepared a memorandum on the establishment of the COMESA Regional Competition commission. In terms of preparations for the Customs Union, he worked on national tariffs with the COMESA CET categories. He also reviewed the draft regional framework agreement on Trade in Services in addition to attending various meetings and advising business people on the operations of COMESA.

SADC Tax Policy and Harmonisation Advisor:

A decision was taken by DFID at the end of the quarter to renew the contract of the SADC Tax Policy and Harmonisation Advisor for a further period, at least until the currently foreseen conclusion of the programme in October 2007. The Programme Director and the Programme manager worked together with the advisor on the finalisation of the tax component of the RTFP work programme.

Table 1. RTFP Projects: Under Implementation and Being Developed during the Period Oct - Dec 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	Draft of an ESA Regional framework on TIS prepared towards the end of '06.	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	The RSP was re-drafted together with Annexes ; proposal on ESA-EPA Rules of Origin prepared; proposal for ESA Fisheries RoO study;	ESA-EPA Group Programme Director and RTFP-COMESA Trade Advisor		£ 20,000	£14,941	£ 5,059
SADC EPA Market Access Strategy – study to assess the BLNS' EPA negotiation strategies	5	1		SADC EPA Unit ODI – Chris Stevens, Jane Kenan and Talitha Bertelsmann-Scott	£50,000	£ 49,950	-	£ 49,950
Technical Assistance to Zambia re: LDC WTO Coordination	5	1	Work on IF status on role of Zambia in EIF process; speech for Madrid meeting;	<ul style="list-style-type: none"> DN Tembo RTFP Prog. Director intimately involved in all work 		£ 411,470	£354,191	£ 57,279
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		TRALAC in conjunction with the Graduate School of Business, UCT		£15,200	£8,621	£6,579
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	Reports were due to be finalised at end Dec.	SAMP in conjunction with Queens University		£300,000	£117,986	£182,014

Project	RTFP Output	RTFP Channel	Status	Partners & Service Providers	Total Expected Cost	Total Committed Cost	Actual Expenditure To Date	Unspent Committed Funds
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	3	3	As the project enters into its final phase, EAFCA staff were preparing for the 4 th Africa Fine Coffee Conference which will be held in Ethiopia in early 2007.	East African Fine Coffee Association	£100,000		£ 66,099	£ 33,901
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	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 £ 17,035	£ 165 £ 93,350
Establishment of One-Stop Border Post – Chirundu	1	1	Discussions were ongoing.	COMESA RTFP COMESA Trade Advisor	£ 100,000		£ 9,177	£ 90,823
Competition policy	1	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	£ 20,000		£ 33,383	£ -13,383
COMESA/EAC/SADC Task Force • Harmonisation of Trade regimes	1 & 5	1		SADC & COMESA Secretariats RTFP Prog. Director			£ 13,326	£
Implementation of SADC Trade Protocol • Mid-term review	1	1	.	SADC Trade Advisor	£ 150,000		£ 90,494	59,506

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"> • 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 								
Develop Quality Management, Traceability and Supply Chain Management System <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 	3	3		TWIN	£298,850	£45,125 £ 100,105	£45,158 £ 84,771	- £ 33 £ 15,229
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		Devil's Claw Range State Working Group Veld Products	£ 40,000	£ 1,740 £ 43,000	- -	£ 1,740 -
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		SADC David Child with the assistance of the SADC Tax Adviser	£ 14,000		£ 12,033	£ 1,967
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, 	2	1		SADC Service provider to be identified.	±£300,000			

Project	RTFP Output	RTFP Channel	Status	Partners & Service Providers	Total Expected Cost	Total Committed Cost	Actual Expenditure To Date	Unspent Committed Funds
procedures and documentation • Develop a Risk Management System incorporating an electronic tracking system • Develop electronic validation system for customs docs.								
TRALAC Support facility • EPA comprehensive review of preparations and possibly post graduate teaching ▪ SADC Competition Policy		4	Draft report presented to SADC EPA Unit in Dec	TRALAC	£ 100,000		£ 15,556	£ 84,444
Regional Standards Programme for COMESA • Development of regional Stds. • Making Stds mandatory • Advocacy, capacity building, monitoring and Std. setting; • Support private sector to implement SPS	7	1	Terms of reference being finalised.	COMESA ComMark Trust	£270,000			
Development of Programme of COMESA Tax Policy coordination and harmonisation	6	1	• Preparations underway		£2,000			
Tax Databases • SADC Tax Database needs updating • Development of COMESA tax database to be initiated	6	1		To be identified	£20,000			
One-Stop Border Post (OSBP) - RSA , Mozambique & Lesotho • To assist RSA develop a policy framework for establishing OSBP			Finalisation of the ToR and translation into Portuguese.	To be identified			£ 193	

Project	RTPF Output	RTPF Channel	Status	Partners & Service Providers	Total Expected Cost	Total Committed Cost	Actual Expenditure To Date	Unspent Committed Funds
Capacity Building for SACAU • Exploring possible work on VCA	1 & 7	1	Meeting held	SACAU		£ 14,000	£ 13,799	£ 201
Development of a Regional NTB Monitoring System	1 & 7		regional meeting to be held in Nov 06.			£ 32,000	£ 31,535	£ 465

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 July - September 2006

