

# SOUTHERN AFRICA TRADE HUB



## Fourth Quarter Report Financial Year 2011

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PO Box 602090 • Plot 50668, Tholo Park, Fairgrounds • Gaborone, Botswana • Phone (267) 390 0884 • Fax (267) 390 1027 • [info@satradehub.org](mailto:info@satradehub.org)  
[www.satradehub.org](http://www.satradehub.org)



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## **EXECUTIVE SUMMARY**

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On September 20, 2010 the United States Agency for Development (USAID) Southern Africa launched the Southern Africa Trade Hub (SATH) in Gaborone, Botswana. The overall goal of SATH is to **increase international competitiveness, intra-regional trade, and food security in the Southern African Development Community (SADC) region.**

This document presents SATH's fourth quarter report for fiscal year (FY) 2011.

### **IR 1.1: Enhanced Trade Liberalization**

*Our work directly supports full implementation of the SADC Protocol on Trade, the successful implementation of the Tripartite Summit and the increased capacity of Member States to engage in trade negotiations and implement trade agreements.*

- Throughout the fourth quarter, SATH worked with the SADC Secretariat to coordinate activities to move forward the accessions of Angola, DRC and the Seychelles to the SADC FTA. SATH has prepared background documents for an initial mission to Angola and is awaiting rescheduling of the mission. In the case of Seychelles, SATH has prepared a memorandum analyzing the draft tariff offer submitted to the SADC Secretariat in August 2011. Upon receipt of the formal offer, SATH will work with the SADC Secretariat to prepare a complete analysis for presentation to the Member States. SATH has been actively involved in preparations for the DRC's accession process. At the request of the DRC Ministry of Trade, SATH submitted a concept note for a complete program, which outlined an initial mission to gather information for the needs assessment followed up by a stakeholder workshop. The initial mission was undertaken by the SATH team in August 2011.
- The 2011 Audit of the Implementation of the SADC Protocol on Trade was presented to the SADC Trade Negotiating Forum (TNF) in July 2011. The Audit addresses the implementation of the SADC tariff phase downs, Rules of Origin (ROO), NTBs and includes a review of the compliance of third party agreements with the SADC Protocol on Trade. Overall, compliance with the tariff phase downs is high, with the exception of Zimbabwe, Tanzania and Malawi. In conjunction with the 2011 Audit, SATH was requested to examine the status of the non-tariff barriers (NTBs) reported as resolved and to provide documentation on their resolution. The SATH analysis revealed that while numerous NTBs are reported as resolved, none involve regulatory change.
- At the request of the SADC Secretariat, SATH participated in the Secretariat's Customs Union Working Group and provided comments/inputs to the development of the Concept Paper.
- At the request of the Ministry of Industry and Trade in Tanzania, SATH undertook a three day training initiative for public and private sector stakeholders on key trade issues including: AGOA, NTBs and ROO in August. The objectives of the training were to enhance stakeholder understanding of these issues and to increase the dialogue between the public and private sector, particularly on NTBs.

### **IR 1.2: Improved Trade Facilitation in Transit, Customs and Other Areas**

*SATH is pioneering regional corridor work and developing tools to assist SADC Member States in their efforts to reduce transport costs and streamline logistics through the improved performance of trade corridors and transit systems and streamlined customs*

*procedures. SATH also aims to increase investment through improved policies and promotion, and to stimulate greater trade in services through improved policies.*

- SATH completed the regional assessment, which identifies transport infrastructure constraints, restrictive provisions in regulation of transport, delays in the clearance of cargo and customs facilitation procedures as major factors contributing to the high cost of transport.
- On the basis of Border Operations Assessments (BOAs) undertaken at the Nakonde, Songwe and Mwanza border complexes, SATH prepared a set of technical reports and held national and border workshops in Malawi. During the workshops, Joint Border Committees (JBCs) were established which adopted action plans, based on the SATH assessments, to address trade facilitation constraints.
- In August, the TKC Client Service Charter (CSC) was launched by all the three co-chairs from the three TKC countries as a manifestation of the TKC commitment to service to its existing and potential clients for efficient and transparent service. It involves a partnership between the private and public sectors and the TKC is the first corridor in the SADC region to launch the CSC developed with SATH assistance.
- SATH, together with the Trans Kalahari Corridor (TKC) Secretariat, initiated and introduced new regional trade facilitation tools (risk management and accreditation and authorized economic operators) to pilot along the TKC. During the fourth quarter, SATH presented a framework policy on Risk Management and Authorized Economic Operator to the Heads of Customs for approval.
- Following the decision to pilot the Microsoft Cloud Computing on Customs Connectivity and Single Window along the Trans Kalahari Corridor, work continued to develop an implementation strategy, including requirements, project scope and focus areas.
- At the request of SADC Secretariat, SATH facilitated a workshop on development of an Electronic Certificate of Origin. An e-Certificate of Origin is an effective and efficient instrument for trade facilitation which will reduce cost and dwell time while promoting transparency and e-filing. SADC Member States are keen to adopt and implement the e-Certificate of Origin. Participants in the workshop developed an implementation roadmap that now awaits approval by the SADC Sub Committee on Customs Cooperation (SCCC - Heads of SADC Customs Administrations).
- SATH finalized a draft Lesotho Investor Roadmap which will now be presented to stakeholders at a validation workshop next quarter.
- In order to foster an anti-corruption culture within Botswana's business community, Botswana, in collaboration with a private sector body, developed a Business Code of Ethics for the private sector. The Code sets out fundamental anti-corruption principles and describes ethical conduct in the day-to-day operations of a business. The SATH team provided assistance to the Botswana Confederation of Commerce, Industry and Manpower (BOCCIM), and Directorate on Corruption and Economic Crime (DCEC) to launch and roll-out the Code of Ethics to the private sector through convening a Botswana Business Ethics Conference in September 2011. Thirteen businesses signed the code during the workshop and several others have since followed suit.
- During the fourth quarter SATH finalized the Diagnostic Report on Trade in Road Freight Transport Services based on extensive consultations in selected SADC Member States (Botswana, Namibia, Mozambique and Malawi). The report outlines

the main issues that will confront SADC Member States as they begin negotiations on Trade in Services in the Road Freight Transport Sector; documents some of the barriers to trade common throughout the region; and describes how regional services negotiations might contribute to resolving some of these constraints.

- From September 27-28, SATH held a workshop on Trade in Road Freight Services in Johannesburg, South Africa. The workshop provided stakeholders with an opportunity to discuss the findings SATH's Diagnostic Report on Road Freight Transport Services; allowed them to provide feedback on SATH's identified interventions and proposed activities in the sector; informed stakeholders of the issues identified in the road freight transport sector which are likely to arise in the SADC Trade in Services negotiations; and introduced Regulatory Impact Assessments (RIAs) as a tool for stakeholders to analyze the impact of proposed regulatory changes in the sector. Additional outcomes of the workshop include narrowing the technical knowledge gaps and creating linkages between the trade and transport communities to explore synergies between their agendas.
- SATH finalized its report on the use of and approaches to RIAs in the SADC region and beyond. The report provides a comprehensive overview of the fundamentals of RIA analysis including the structure and content of RIAs and their incorporation into the policy process. Additionally, the report provides an overview of the development of RIAs referencing case studies from Mexico, South Korea, Vietnam and Bulgaria.

### **IR 1.3: Alignment of Regional Agricultural and Other Standards with International Standards**

*Working with the selected value chains, SATH advisors will identify Sanitary and Phyto-Sanitary (SPS) constraints to growth along the value chain and target interventions to address these constraints.*

- The first meeting of the SADC SPS Coordinating Committee was held from July 21-22 in Gaborone. As the inaugural meeting of the committee, a large portion of the session was devoted to process issues. The technical component of the meeting focused on best practices in regional approaches to SPS issues presented by Michael Jensen, SATH SPS Consultant. Building on the discussions of the Coordinating Committee meeting, the SATH team developed a report on the way forward for the Coordinating Committee.

### **IR 1.4: Strengthened Regional Capacity for Energy Sector Cooperation**

*SATH aims to improve and strengthen regional regulatory policy formulation and energy planning leading to effective institutions and the human resource contribution to security of supply of energy in the region.*

- During the fourth quarter, SATH completed the Clean Energy Capacity Needs Assessment based on field work in Botswana, Namibia and Mauritius to assess national renewable energy policy, planning and institutional capacities. This report will form the basis of SATH interventions in the specific Member States as well as provide a basis for SATH/SADC cooperation on clean energy capacity building.

- SATH and Regional Electricity Regulators Association of Southern Africa (RERA) held meetings with Botswana's Department of Energy Affairs regarding assistance with capacity building of the energy regulator and the renewable energy unit.
- SATH completed the RERA publication on Electricity Tariffs & Selected Performance Indicators for the SADC Region 2010. With the collaboration of RERA, SATH's Energy Advisor assisted in highlighting the importance of renewable energy in the region by ensuring renewables were reflected for the first time in the publication.

### **IR 2.1: New Trade Linkages Established and Greater Competitiveness in Staple Foods and Other Strategic Value Chains**

*SATH's regional value chain approach focuses on increasing the competitiveness of private sector industries and industry associations/chambers along regional value chains with the greatest potential to increase exports, job creation and food security.*

- SATH completed a draft report on the Soy Value Chain, which incorporates analysis of the value chain studies that have been completed in the past year, verified by extensive consultations with value chain players, including the members of the new Sub-Saharan Africa Soy Alliance (SSASA).
- SATH facilitated new technology and trade in the legume sector (dry beans, soybean and groundnuts) and led a buyers/sellers mission to Mozambique in July for these commodities and for seed. The pilot mission generated increased volumes of trade and technology transfer and will be replicated in Malawi and Zambia.
- SATH signed a Memorandum of Understanding (MOU) with the World Initiative for Soy in Human Health (WISHH) and reviewed a grant application which will provide technology and training in support of SATH activities in the soybean value chain.
- SATH concluded MOUs with various companies, institutions and organizations to enhance the competitiveness of regional value chains and promote trade and investment.
  - MOU with Technoserve to jointly support the Sub Saharan Africa Soy Alliance (SSASA).
  - MOU with the Animal Feed Manufacturers Association (AFMA) to drive new technology and Good Manufacturing Processes (GMPs) in the region.
- During the fourth quarter, SATH worked with PhytoTrade to establish the Southern Africa Baobab Initiative (SABi) to support entry into the U.S. market by firms in the baobab sector.
- SATH, in partnership with the South African Department of Trade and Industry (DTI) and the Western Cape Fine Food Initiative (WCFFI), increased trade linkages for 16 Southern African companies at the Summer Fancy Food show in July. Participation in the show has already resulted in increased exports from the region to the US.

### **IR 2.2: Enhanced private sector capacity to comply with regional and international market standards, including agricultural standards**

*SATH seeks to develop the region's capacity to adhere to standards and reduce commodity losses through association with BSPs and apex organizations.*

- SATH supported the Farmers Union of Malawi's (FUM) Biotechnology Summit, designed to bring government and private sector together to agree on practical steps for the commencement of trials and allow commercial application of genetically modified (GM) technology, particularly Bt cotton. Cotton farmers from Burkina Faso and South Africa (two sub-Saharan countries which have adopted GM technology) spoke of their experiences, from the small-scale farmer's perspective, which was highly useful in shaping conference discussions and formulation of the communiqué.

### **IR 2.3: Increased Use and Availability of Financial Products and Services for Trade and Investment**

- ABSA, a large South Africa bank with operations in three other southern African countries, expressed interest in financing cashew production and processing in Mozambique – with the requirement of a fixed minimum market price before they would lend. SATH provided ABSA with information on recent regional cashew sector developments.
- During the fourth quarter, SATH engaged export credit insurers and obtained an indication in principle from Credit Guarantee that they may consider extended cover to suit a crop cycle provided that the insured amount is large enough to warrant the extension. An even more positive non-binding indication has been obtained from Africa Trade Insurance (ATI). ATI, as a multilateral insurer, is able to fill gaps in the provision of insurance in the region and can provide cover for the duration of a crop cycle.
- ECIC is the official export credit agency (ECA) of South Africa. During the past quarter SATH developed and proposed a SOW to ECIC whereby their existing product offerings would be extended through financial products that would be available throughout the southern Africa region, introducing a comprehensive product range for application in the region.

### **IR 2.4: Increased Use and Availability of Trade-Related ICT Products**

*SATH is working to develop interactive business information and service portals for the textile/garment and commodity (staple foods and legumes) industries.*

- SATH received and assessed proposals to develop an online information portal from two South African firms currently providing information on value chain producers and services providers.
- SATH commissioned a report from two Zambian-based information technology (IT) specialists who have designed market/price information portals for the agricultural value chain. According to preliminary results from the ongoing work, transport backhaul website may be one of the more commercially viable price/market services to the agricultural value chains. The consultants' report will provide a blueprint for SATH activities to promote the development of online/phone based-services on a sustainable, commercial basis.

### **Other Activities**

- SATH continued to update its website and social media channels, adding daily news clips as well as multimedia content such as video clips and photo albums.

- Efforts to update the SATH database continued during the fourth quarter, and the database now has nearly 5,000 contacts. The database has been integrated into the website, allowing users to register and update their details directly and clearly demarcate their interests and preferences. This also allows SATH to issue more sector-specific notifications and distribute information in a more targeted manner to selected stakeholders.
- During the fourth quarter SATH finalized a Grantee Handbook which is a resource to grantees to guide them on the management of grants, close out and reporting requirements, as well as USAID policies and regulations.
- SATH received three grant applications this quarter and all three are in the final stages pending a review by the Grants Evaluation Committee.
- USAID Southern Africa undertook an assessment of SATH's data quality against USAID's DQA Checklist. Except for a few gaps identified, the data was found to be reliable, valid, timely, integral and precise.