

SOUTHERN AFRICA TRADE HUB



Third Quarter Report Financial Year 2011

April 1, 2011 – June 30, 2011

Submitted by:
AECOM International Development

Submitted to:
USAID/Southern Africa

August 2011

USAID Contract No: 674-C-00-10-00075-00

DISCLAIMER

The author's views expressed in this publication do not necessarily reflect the views of the United States Agency for International Development or the United States Government.

PO Box 602090 • Plot 50668, Tholo Park, Fairgrounds • Gaborone, Botswana • Phone (267) 390 0884 • Fax (267) 390 1027 • info@satradehub.org

www.satradehub.org



USAID | **SOUTHERN AFRICA**
FROM THE AMERICAN PEOPLE

EXECUTIVE SUMMARY

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 third 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.

- SATH finalized the 2011 Audit of the Implementation of the SADC Protocol on Trade following country consultations in Mauritius, Botswana, Tanzania and Namibia. The Audit was presented to the SADC Secretariat in July. Overall, compliance with the tariff phase downs is high, with the exception of Zimbabwe, Tanzania and Malawi. Zimbabwe and Tanzania have both received derogations from the SADC Committee of Ministers Responsible for Trade (CMT). For Zimbabwe, tariff phase downs are suspended until 2012 after which it will complete phase downs by 2014. Tanzania was granted conditional approval for temporary tariffs on sugar and paper. Malawi continues to lag in its implementation of SADC tariff phase downs despite the fact that it withdrew its request for derogation at the last CMT meetings. An analysis prepared by SATH for the SADC Secretariat revealed that despite some movement, Malawi remains at its 2004/2005 tariff phase down levels.
- In conjunction with the 2011 Audit, SATH prepared a companion report on the economic impact of the derogation requests by Tanzania and Zimbabwe. The report found that the economic impact of these requests is likely to be small and transient. In the case of Zimbabwe, the derogation applies to the implementation of Category C or "Sensitive Products" phase downs. The share of SADC exports in these goods is small compared to the overall export basket of SADC and thus the effect is likely to be small. Similarly, the Tanzania request for derogation for certain categories of sugar and paper comprise only a small portion of SADC exports in these goods – mainly concentrated in South Africa. However, the share of Tanzania's imports from SADC in these goods is quite high. Additionally, since both derogations are time limited, the effect is likely to be transient.
- SATH has been actively involved in preparations for the Democratic Republic of the Congo (DRC) accession to the SADC FTA. A concept note for a complete program was submitted to the DRC in June. SATH also worked with the SADC Secretariat to coordinate activities to move forward the accessions of Angola and the Seychelles, and has prepared background documents in preparation for needs assessment missions.
- To support the review of the SADC Rules of Origin (ROO) on Textiles and Apparel, SATH prepared a technical report on "SADC Rules of Origin in Textiles and Apparel – Review and Policy Options", containing a detailed overview of trade flows and implications for textile and apparel ROO, as a background piece for the SADC

Secretariat. The document was finalized and submitted for circulation among the ROO Expert Working Group in May 2011. The report highlights the potential of the non-SACU Member States to trade under a relaxed single transformation ROO. At the request of representatives from Mauritius and Zimbabwe, SATH also conducted a study of Textile Capacity in the region.

- Following a request received from the Botswana Ministry of Agriculture, SATH provided a focused training/presentation to public officials on the implementation of the SACU-EFTA Free trade agreement. The objective of this training was to provide an overview of the background discussions on the provisions of the SACU-EFTA FTA as well as the bilateral agricultural agreements, to bring about clarity and understanding of the provisions of the agreement and finally to highlight current developments and expectations on the Ministry of Agriculture. A meeting between SACU and EFTA is planned for July 2011.
- Dr. Keith Jefferis, Trade Economist, completed a report on “Proposals for Business Friendly Immigration Reform in Botswana” for the National Strategy Office. The paper reviews policy towards economic migration in Botswana with a focus on the movement of skilled manpower, investors and others who can make a positive economic contribution to the country. The underlying assumption is that, properly managed, economic migration (inward immigration) will be highly beneficial to the economy, and indeed is essential if Botswana is to successfully diversify the economy. The paper makes proposals for reforms that will make the immigration system objective, transparent, accountable and business-friendly.
- SATH participated in the 2011 AGOA Forum in Zambia from June 8-10. SATH organized the private sector/civil society session, served as panelists in the private sector/civil society and ministerial sessions, and assisted with drafting the private sector communiqué for the AGOA Forum.

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 first phase of a Regional Transport, Logistics Services and Customs Reform Needs Assessment.
- SATH awarded a US\$30,000 grant to the Dar es Salaam Corridor Committee (DCC) Secretariat to leverage capacity building support from the World Bank worth US\$5 million. This grant will provide the DCC Secretariat with the requisite capacity to prepare technical proposals to the World Bank which are required by the latter before its grant is provided to the DCC Secretariat.
- Draft policy and legal frameworks for “Risk Management and Accreditation/ Authorized Economist Operators (AEOs)” as well as an action plan for implementation, developed with the assistance of SATH, were presented to the TKC Customs Working Group. They were adopted and referred to Heads of Customs for final approval to implement.

- SATH was invited to present its Cloud Computing project to a SACU Information Technology (IT) Connectivity workshop in Namibia, which subsequently endorsed it as a basis for developing the SACU IT Connectivity. It was also decided that Lesotho and Swaziland, SACU non-Trans-Kalahari Corridor (TKC) Members, should participate in the Pilot Project Workshops so that they familiarize themselves with how it operates.
- During the third quarter, at the request of SADC Secretariat, Agnes Katsonga Phiri, Short-Term Customs Expert, conducted a Customs Audit among SADC Member States to assess the status of the SADC Customs Administrations in implementing the various regional and international Customs instruments. The purpose was to identify the areas that require harmonization and standardization of Customs procedures, and to get feedback from Member States on implementation progress and challenges.
- SATH carried out Border Operations Assessments (BOAs) which focused on the border posts between Tanzania and Zambia (Tunduma / Nakonde), between Malawi and Tanzania (Kasumulu / Songwe) along the Dar Corridor, and between Malawi and Mozambique (Mwanza / Zobue) along the Beira Corridor. The team established baselines on time to cross each of these borders and also identified a number of causes for delay at these borders.
- SATH completed in-country consultations with key stakeholders in the road freight transport sector in Malawi, Botswana, Mozambique and Namibia. In addition, stakeholder workshops were held in Malawi and Botswana to allow the SATH team to present the findings of their consultations; to provide stakeholders with the opportunity to provide feedback on the findings and possible avenues of collaboration with SATH to work on identified problems; and to create a forum for interaction among the stakeholders.

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.

- SATH worked with SADC to develop a joint work plan regarding the SPS 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.

- SATH carried out field work in Botswana, Namibia and Mauritius to assess national renewable energy policy, planning and institutional capacities. The assessments involved consultations with various stakeholders in government, energy regulatory authorities, national power utilities, and the private sector.
- SATH began drafting a manual intended to assist regulatory agencies at the policy level of Energy Regulatory Agencies on best practices for renewable energy. The

assessments which have been done so far will help to make the manual relevant to the situation in the region.

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 concluded memoranda of understandings (MoUs) and initiated scopes of work (SOWs) with various companies, institutions and organizations to enhance the competitiveness of regional value chains. Work with these organizations will also have a positive effect on trade linkages within the value chains.
 - MoU with Technoserve relating to support of 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.
 - Provide support to the World Initiative for Soy in Human Health (WISHH), part of the American Soy Association (ASA), to provide technology and training in support of SATH activities in the soybean value chain.
 - MoU with the UK-based, Fair Trade organization, Twin Trading. SATH will leverage Twin's supply chain in order to introduce aflatoxin mitigation interventions. A similar MoU with South African-based Tiger Brands is being finalized.
 - MoU with the South African-based Agriculture Business Chamber (ABC) to facilitate new technology and agricultural trade within the region.
- 52 companies from Malawi, Mozambique, Zambia and Zimbabwe participated in the NAMPO Harvest Day agricultural show as a way of exposing regional companies to new technology and establishing new trade linkages.
- A textile, apparel, and garment trims Business-to-Business (B2B) meeting was held in Cape Town from June 20-21. The event provided about 420 one-on-one business contact meetings, and it is estimated that at least another 40 non-scheduled meetings between participants were held.
- SATH, in partnership with the Alliance for Commodity Trade in Eastern and Southern Africa (ACTESA) and the Western Cape Fine Foods Initiative and with support from the Department of Trade and Industry (DTI), hosted a Specialty Foods Workshop in Cape Town, May 9-10, 2011. The workshop addressed food safety and traceability, retailer requirements, raised awareness of WC-FFI and prepared companies for the Summer Fancy Food show.
- SATH confirmed its selection of specialty food items with strong linkages to food insecure rural households, and a focus on the U.S. market for interventions, to include honey, baobab pulp and cashews.
- SATH presented at African Growth and Opportunity Act (AGOA) seminars in Botswana, Mozambique and South Africa.

- Members of the SATH team served as panelists in the African Women's Entrepreneurship Program (AWEP) training focused on U.S. import requirements, access to finance, and advocacy. SATH supported the participation of some of these leading women entrepreneurs from the SADC region at the international trade exhibition and Zambia pavilion at the AGOA Forum.

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

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

- SATH held discussions with a variety of BSPs and apex organizations such as SACAU, Animal Feed Manufacturers Association (AFMA), Grain Handling Association of Southern Africa (GOSA), and GrainSA on capacity building interventions.
- SATH collaborated with the Southern African Confederation of Agricultural Unions (SACAU) on genetically modified organisms (GMO) issues early in the quarter, following which SACAU member agricultural unions endorsed a resolution supporting availability of GMO seed and access to other biotechnology alternatives.
- SATH supported the Farmers Union of Malawi (FUM) to host a biotechnology summit in July, where the members of FUM are expected to adopt a similar resolution. SATH provide speakers from Burkina Faso and South Africa where GMO seed is accessible to farmers.
- SATH developed MoUs and is designing partnership programs with two major exporters of groundnuts from southern Africa, to introduce aflatoxin mitigation measures in groundnut supply chains from Zambia and Mozambique.

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

- In April, SATH visited Malawi as the second country selected for a rapid financial sector assessment.
- SATH developed a SOW to critically analyze the role of private equity investment in agriculture, and to develop recommendations on how SATH could partner with one or more of the funds to increase the scope, food security/development impact, and sustainability of these investments.
- SATH signed a MoU with the Export Credit Insurance Corporation (ECIC) to cooperate and enhance products that provide cover to South African firms wishing to supply capital assets and other equipment to the region.
- At the request of USAID/Zambia, SATH has focused on an assessment of the Zambia Commodity Exchange (ZAMACE), and means to strengthen its function as a commodity exchange and a certifier of warehouses to issue transferable/negotiable warehouse receipts. These improvements will facilitate greater production and increase efficiencies in the export and import of staple grains.

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 held exploratory meetings with Zambia National Farmers Union (ZNFU), Malawi Agricultural Commodities Exchange (MACE), Senwes, ABSA and researched other market price information systems being developed for the region. Subsequently SATH developed a SOW to carrying out a comprehensive analysis of options and action recommendations, and has selected consultants to undertake this analysis in the fourth quarter.

Other Activities

- Early this quarter, SATH redesigned and launched a new website. The implementation of a content management system allows SATH to update the site almost in real time, rendering it more relevant to our stakeholders and easier to use. As of May, SATH's news summary service, *Daily News Clips*, are uploaded onto the SATH website and can now be accessed online or through Real Simple Syndication (RSS) tools, making it accessible to a much broader audience.
- As of June, SATH's monthly e-newsletter, *Hub Happenings*, features a new, dynamic format which is seamlessly integrated with the website.
- Efforts to update the SATH database accelerated during the third quarter to now feature 4,500 contacts. The database is also being integrated into the website, allowing registered users to access and update their details directly and clearly demarcate their interests and preferences. This will also allow SATH to issue more sector-specific notifications and distribute information in a more targeted manner to selected stakeholders.
- During this quarter, a Grantee Handbook was drafted and, once finalized, will be available for grant recipients to guide them on the management of grants, close out and reporting requirements, as well as USAID policies and regulations.
- The SATH Grants Handout was developed to inform potential grantees on application and eligibility criteria.
- The Dar es Salaam Corridor Committee (DCC) application for a grant was approved this quarter and work is scheduled to commence on July 1, 2011.
- To improve the quality of data collected by SATH in its various interventions, new data collection tools were developed. The importance of using the tools and standard templates was also emphasized during the monitoring and evaluation (M&E) workshops.