

# SOUTHERN AFRICA TRADE HUB



## **Second Quarter Report Financial Year 2012**

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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 second quarter report for fiscal year (FY) 2012.

### **Intermediate Result (IR) 1.1: Effective Implementation of the SADC Free Trade Area (FTA) and Other Regional Trade Agreements**

*Our work directly targets the effective implementation of the SADC Protocol on Trade and other regional trade agreements including support to the Tripartite FTA.*

SATH launched the 2012 Trade Audit in conjunction with the SADC Secretariat. This year's Trade Audit, the final audit to be undertaken by SATH, will include a review of all SADC Member States as well as trade facilitation instruments, rules of origin (ROO), sugar policy, an economic assessment of the impact of the FTA and a review of progress on related initiatives such as competition policy.

- In February, SATH supported the Botswana Department of Industrial Affairs (DIA) by providing training to 20 participants on the advantages of preferences offered through the SADC Protocol on Trade and other trade agreements, as well as enhanced understanding of ROO associated with the agreements.
- SATH worked with the SADC Secretariat and other donors on the development of a holistic monitoring process for SADC Protocols.
- SATH worked with the SADC Sanitary and Phytosanitary (SPS) Coordinator to put in place a program to refine the rules of procedure for the SADC SPS Coordinating Committee, design/formulate the Terms of Reference (TOR) for the recently formed SPS Advisory forum, develop a work plan for the SADC Secretariat to entrench SPS transparency rules in Member States and to develop a draft action plan for the SPS Coordinating Committee.
- In response to a request by the Southern Africa Customs Union (SACU) Secretariat, SATH began work on a study on possible areas of technical assistance related to the United States (US)-SACU Trade, Investment and Development Cooperation Agreement (TIDCA) with a focus on Customs, Technical Barriers to Trade (TBT) and SPS Measures.
- SATH participated in the African Economic Research Consortium (AERC)'s technical workshop on Time Series Econometrics in Arusha, Tanzania, from March 12-23, 2012.
- SATH presented on the "*Implications of the envisioned Common Market for Eastern and Southern Africa (COMESA), East Africa Community (EAC) – SADC Tripartite Free Trade Area (T-FTA) on welfare and food security*" at the Economic Development in Africa Conference in the UK from March 18-20.

## **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 trade costs and streamline logistics through the improved performance of trade corridors and transit systems and streamlined customs procedures.*

- SATH undertook a workshop at Mwanza Border which reviewed progress in Joint Border Committee (JBC) Action Plan implementation and identified specific activities from the JBC Action Plan, allocated responsibilities for their implementation, resources required and timeframes. A number of measures that should reduce the time and cost of goods crossing the borders have already been implemented.
- SATH facilitated a Dar es Salaam Corridor Committee (DCC) Executive Committee meeting which was also attended by the World Bank. It was reported at this meeting that, as a result of the SATH grant, the World Bank has pledged to support the DCC with US\$5 m for Secretariat capacity building and US\$5 m for the implementation of projects over the next 3-5 years. This pledge is expected to be formalized by August 2012.
- SATH continued to work with Trans-Kalahari Corridor (TKC) Member States to facilitate pilot implementation of Risk Management and Accreditation/Authorized Economic Operators (AEO) programs. The South African Revenue Service (SARS) designed a training program on Risk Management and Preferred Traders for Botswana and Namibia and after comments from SATH, the package was submitted to the Botswana and Namibian Commissioners of Customs and Excise and the Executive Director of the TKC for their review and agreement on the way forward.
- SATH procured and delivered to Botswana and Namibian Customs Windows Servers 2008 R2 operating systems, which were then installed by the two customs administrations. The servers are integral to launching the Cloud Computing Program. The Microsoft team continued with the internal development of the Cloud Computing Program, and visited Botswana and Namibian Customs Administrations.
- As a first step in the development of the Botswana Single Electronic Window, SATH invited and funded a visit from Mozambique Community Network, which is implementing Single Electronic Window in Mozambique, to demonstrate their system to Botswana public and private stakeholders. At the end of the Workshop, the Botswana Commissioner of Customs and Excise, on behalf of all stakeholders, confirmed that Botswana will now move forward with the development and implementation of Single Electronic Window (SEW) for which he requested SATH support.

## **IR 1.3: A Better Trade and Investment Environment through Improved Policies**

*Greater regional integration leading to a larger and more open market will not only raise the region's attractiveness to potential foreign investors but also spur increased investment from regional and domestic entrepreneurs. In addressing constraints to the overall enabling environment, SATH is focusing support in three areas: improving the investment environment; enhancing trade in services; and improving the trade environment, particularly at national level.*

- SATH organized and facilitated a validation workshop on March 29 to discuss the findings and recommendations of the Lesotho Investor Roadmap.

- SATH began consultations with the Cross-Border Road Transport Agency (CBRTA) in South Africa to implement regulatory impact assessments (RIAs) in the transport sector. CBRTA officials identified a number of specific issues including axle road limits, third party insurance, electronic data interchange, bonds and driver licensing from a recently completed study on South Africa's progress on road transport liberalization.
- On March 26, SATH convened a half day seminar on the complementarity between the Trade in Services and Trade Facilitation Agenda in Malawi. Immediately following the seminar, SATH delivered a training course on Trade in Services specifically tailored to assist trade officials to understand road freight transport issues. The primary outcome is an improved framework for constructing a national position based on enhanced knowledge by stakeholders and the commencement of a consultative process among the relevant government agencies.
- SATH carried out research and information gathering necessary for the update of the Lesotho Diagnostic Trade Integration Study (DTIS); interviewing key private and public sector stakeholders, gathering reports, policy briefs and legal texts, surveying clearing agents to gauge the ease of importing and exporting goods to and from Lesotho and conducting extensive regional consultations in four districts as well as Maseru.
- SATH started work on a comprehensive study focusing on the 15% wheat flour levy imposed by Botswana. This study comes from collaboration with the Botswana Confederation of Commerce, Industry and Manpower (BOCCIM) for presentation to Botswana's National Committee for Trade Policy Negotiation (NCTPN). The levy has been frequently cited as a Non-Tariff Barrier (NTB) in the SADC context and is part of a wider system of support for specific industries in Botswana which will be taken under review by the NCTPN.

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

*SATH is supporting SADC to build the capacity of regional regulatory institutions by focusing on clean energy development, planning, policy and transparent regulatory frameworks which are essential for increased private sector investment in clean energy supply and the creation of competitive energy markets.*

- SATH prepared and submitted an Inception Report to develop the Regional Energy Regulators' Association (RERA)'s Strategic Plan for 2012 to 2016. The Strategic Plan will contribute to the development of a harmonized regional regulatory framework necessary for the promotion of clean energy technologies.
- A regional renewable energy regulation training course was conducted in Lusaka, Zambia from March 26-31. A total of 99 people from within and outside the SADC region, representing ten countries in the public and private sectors, took part in the training. Trained regulators in the public and private sectors have a crucial role to play in creating an enabling environment for clean energy development and investment.
- SATH participated in the USAID sponsored energy assessment of the Angola Energy Sector and Bilateral Energy Dialogue resolutions of the US and Angolan governments. The Assessment Report and recommendations were submitted to USAID for further action.

## **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; create jobs and enhance food security.*

- SATH completed three technical studies in the selected value chains: Value chain approach to aflatoxin mitigation in groundnuts; Assessment of Aflatoxin Testing Facilities in Zambia and Malawi and Maize Value Chain in the SADC Region.
- SATH mobilized 85 companies from Mozambique, Zambia and Botswana through the Local Service Providers (LSPs) to participate at the National Association of Maize Producers (NAMPO) 2012 on May 15 and 16 in Bothaville, South Africa.
- SATH signed a Memorandum of Understanding (MOU) with the South African National Seed Organization (SANSOR) to formalize a relationship supporting business to business expansion for seed activities in the region.
- Training at the International Grains Program (IGP, <http://grains.k-state.edu/igp/>), a program at Kansas State University in Manhattan, Kansas, was arranged by the World Initiative for Soy in Human Health (WISHH) as part of their SATH grant activity. The companies represented by the trainees are vertically integrated animal feed manufacturers and together account for approximately 90% of all commercial poultry production in the region.
- SA Groundnut, a company SATH brought to Mozambique, is currently planting 100 hectares (ha) of new varieties of groundnuts in Quilimane. The company – with the assistance of AgriFuturo – established a joint venture with Madal, a Mozambican company, to produce groundnuts. SA Groundnut is also negotiating with Joint Aid Management (JAM) to establish a joint venture on their Corn Soya Blend (CSB) and Plumpy Nut processing facility in Beira. SA Groundnut expects to utilize new Mozambican groundnut production as feedstock for the factory.
- SATH conducted an inception meeting of the Genetically Modified Organism (GMO) cotton working group in Zambia in order to develop a strategy to bring about GM seed trials in Zambia. A total of 23 private sector seed traders, regulators and cotton farmers and ginners were represented at the meeting.
- SATH met with LTE South Africa to develop a “SOURCE Africa” operational plan, define exhibition dates, targeted exhibitors, and finalized exhibition format and cost structure.
- SATH participated in Sourcing at Magic, one of North America’s largest, most comprehensive textile, apparel and garment trims sourcing events. SATH used the event to introduce “SOURCE Africa” to US buyers and also supported Formosa Textiles, a Lesotho denim and textile garment manufacturer, to exhibit at the show.
- In March, SATH participated in a two-day African Growth and Opportunity Act (AGOA) and ROO workshop organized by the Swaziland Investment Promotion Authority (SIPA) in which participants were trained on AGOA legislation, requirements, challenges and opportunities.

## **IR 2.2: Increased Use and Availability of Financial Products and Services for Trade and Investment**

- SATH carried out fact finding visits to banks, Development Finance Institutions (DFIs), leasing companies and non-bank Financial Intermediaries (FIs) in Mozambique, South Africa, and Zambia as well as to 15 capital equipment manufacturers in South Africa to assist Export Credit and Insurance Corporation (ECIC) to expand its product offering.
- SATH engaged the Botswana Export Credit Insurance and Guarantee Company (BECI) to establish interest in taking up similar products SATH developed for ECIC. BECI requested that SATH conduct a seminar next quarter to present medium/long term export credit insurance and outward investment insurance best practice models, costs, benefits and potential outcomes.
- SATH completed a scoping study of international private equity funds with significant investment or planned investment in agriculture and agribusiness in Southern Africa. Findings emanating from this evaluation revealed that Development Finance Institutions (DFIs) are new but also very crucial contributors to agricultural private equity funds.

## **IR 2.3: Increased Investment through Targeted Promotion Efforts**

*SATH will assist individual Southern African states to attract investment within its selected value chains. International investors have long recognized the opportunities that exist in Africa, but accessing reliable data on those opportunities has been a constraint. Within its selected value chains, SATH will develop investment activities for each country from the information in the country profiles. These activities will utilize the investment promotion agencies (IPAs) within the SADC region and the Corporate Council on Africa (CCA) to promote investment in countries for which we have performed investment analyses.*

- SATH revised two reports which profile the strengths, weakness, opportunities and threats of Lesotho and Swaziland in textile and apparel. These reports contain a significant amount of empirical data related to the cotton, textile and apparel manufacturing sectors in these countries.

## **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.
- To identify new, potential grantees to support project objectives, SATH issued a call for grant concept ideas. Of the 17 potential applicants that responded, four qualified to continue with a full proposal, six were declined and seven are under review.
- The grant agreement with PhytoTrade Africa was signed and implementation of Milestone 1 (recruitment of a consultant for strategic advice into the US market) was initiated as scheduled.
- The SATH Monitoring and Evaluation (M&E) plan was reviewed to align with the revised strategic direction of the project for year two. New indicators and targets were incorporated into the plan to capture the increased emphasis on Feed the Future and African Competitiveness and Trade Expansion (ACTE) objectives and to address the revised Intermediate Results of the project.