



First Quarter Report 2005

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ACRONYMS

AABWA	American and African Business Women’s Alliance
ABT	Abt Associates Incorporated
ACP	African, Caribbean and Pacific countries
ACV	Agreement on Customs Valuation (WTO)
AfDB	African Development Bank
AGOA	Africa Growth and Opportunity Act
ALINC	AGOA Linkages in COMESA project
ASCCI	Association of SADC Chambers of Commerce and Industry
ASNAPP	Agribusiness in Sustainable Natural African Plant Products
BEDIA	Botswana Economic Development and Investment Authority
BDS	Business Development Services
CARANA	CARANA Corporation
CCA	Corporate Council on Africa
CDE	Centre for the Development of Enterprise (EU)
CEDA	Citizen Entrepreneurial Development Agency (Botswana)
COMESA	Common Market for Eastern and Southern Africa
DC	Dar es Salaam Corridor
DCMC	Dar es Salaam Corridor Management Committee
DFID	Department for International Development (UK)
EU	European Union
FAO	Food and Agriculture Organization (UN)
FDA	Food and Drug Administration (U.S.)
FDI	Foreign Direct Investment
FESARTA	Federation of East and Southern African Road Transport Associations
FTA	Free Trade Agreement
GSP	Generalized System of Preferences
GTN	Global Trade and Technology Network
HCN	Host Country National
HS	Harmonized System
ICT	Information and Communication Technology
IMPACT	Impact Assessment, Monitoring and Evaluation Activity
ITA	International Trade Administration
IQC	Indefinite Quantity Contract
IR	Intermediate Result
ISA	Initiative for Southern Africa
ISPS	International Ship and Port Facility Security
ITA	International Trade Administration (U.S. Department of Commerce)
KPI	Key Performance Indicators
LOE	Level of Effort
MBDA	Minority Business Development Agency (U.S. Department of Commerce)

MCCL	Malawi Cargo Centres Ltd.
MMTZ	Mozambique, Malawi, Tanzania, Zambia
MOU	Memorandum of Understanding
NATHAN	Nathan Associates Incorporated
NEPAD	New Partnership for Africa's Development
NGO	Non-governmental organization
NORAD	Norwegian Agency for Development Cooperation
PEP	Productivity Enhancement Program
PMAESA	Port Management Association of Eastern and Southern Africa
PMP	Performance Monitoring Plan
PRA	Pest Risk Assessment
RAPID	Regional Activity to Promote Integration through Dialogue and Policy Implementation
RATES	Regional Agricultural Trade Expansion Support project
RCSA	Regional Center for Southern Africa
REDSO	Regional Economic Development Services Office (USAID)
ROO	Rules of Origin
SACU	Southern African Customs Union
SAD	Single Administrative Document
SADC	Southern African Development Community
SAIBL	Southern African International Business Linkages Program
SAPP	Southern African Power Pool
SARPN	Southern African Regional Poverty Network
SARS	South African Revenue Service
SBA	Small Business Administration (U.S.)
SIPA	Swaziland Investment Promotion Agency
SME	Small and Medium-sized Enterprise
SO	Strategic Objective
SOW	Scope of Work
SPS	Sanitary and Phytosanitary
SSATP	Sub-Saharan Africa Transport Policy Program (World Bank)
TAZARA	Tanzania Zambia Railway Authority
TCC	Trade Competitiveness Component
TCN	Third-Country National
TDA	Trade and Development Agency (U.S.)
TERA	Transportation and Economic Research Associates, Inc.
TESA	Trade Enhancement for Southern Africa
TKC	Trans-Kalahari Corridor
TKCMC	Trans-Kalahari Corridor Management Committee
TO	Task Order
TOR	Terms of Reference
TPC	Trade Policy Component
TRADE	Trade for African Development and Enterprise
TRASA	Telecommunications Regulators Association of Southern Africa
TSG	The Services Group

UNDP	United Nations Development Program
USDA/APHIS Plant	United States Department of Agriculture, Animal and Health Inspection Service
USDOC	United States Department of Commerce
USAID	United States Agency for International Development
USITC	United States International Trade Commission
USTR	United States Trade Representative
VAT	Value-added Tax
WCO	World Customs Organization
WTO	World Trade Organization

SECTION I: EXECUTIVE SUMMARY



Background

The first quarter of 2005 marked the consolidation of the transformation of the Trade Hub. The new Trade Hub contractors comprising consortia led by The Services Group (TSG) and Carana Corporation, both responsible for implementing RCSA Strategic Objective 14 (A more competitive Southern Africa economy), and Michigan State University, responsible for achieving RCSA's Strategic Objective 15 (Rural livelihoods diversified in Southern Africa) began to fully implement their work programs, and completed their staffing with the addition of more long-term and short-term experts.

Strategic Objective 14 comprises the following five inter-related components or broad work areas:

- Component 1: *Capacity Building and Policy Reform for Trade and Competitiveness*
- Component 2: *Sector Development*
- Component 3: *Trade Facilitation (Customs Modernization and Transport Facilitation)*
- Component 4: *Financial Services for Trade and Competitiveness*
- Component 5: *Dialogue for Competitiveness (Building Private Sector Advocacy and Outreach)*

The consortium led by TSG is responsible for implementing components 1, 3, 4 and 5, now referred to as the Trade Facilitation and Capacity Building (TFCB) project (previously the Trade Policy Development Project). The consortium led by CARANA Corporation is responsible for carrying out Component 2, now known as Trade Competitiveness Component (TCC). The TFCB project is involved in activities related to creating the enabling business environment to make trade happen, by assisting to remove the barriers and constraints to trade and build capacity. The TCC component is responsible for identifying and promoting exportable products,

business linkages between producers and markets as well as investors. The AGOA component provides capacity building and technical assistance at both the firm and national levels to help the region maximize opportunities under AGOA. The TFCB, TCC and AGOA activities are closely coordinated and collectively form the technical program of the Trade Hub.

During the quarter, Chemonics International finalized the process to hand over management of the Trade Hub to TSG, which formally took over on 1 April 2005. RCSA/USAID extended Chemonics “bridge” contract to September 30 ‘to facilitate specific workshops and conferences’. Under that contract Chemonics also continued to support the AGOA and transport work of the Trade Hub, and the re-design of the Trade Hub website.

Two important events were held during the quarter in connection with launching the new technical programs under the Trade Hub and building partnerships between the Trade Hub and its U.S. stakeholders: A briefing of the U.S. Ambassador to Botswana, Joseph Huggins, held on 18th March 2005 on the new Trade Hub focus and introduction of members of the new teams. The Ambassador emphasized the need to work as a team, “Team Botswana”, to make more trade happen and generate more investment opportunities in Botswana and the whole Southern Africa region, with strengthened trade and investment links with in particular the U.S. The second event was the holding at the Trade Hub, 30-31 March, of a conference for economic and commercial officers from U.S. embassies in the region and representatives from USAID bilateral missions. The conference, which was organized by the U.S. Embassy of Botswana, helped to further clarify the partnerships and cooperative opportunities available for achieving the U.S. Government / RCSA / Trade Hub objectives.

High Level Visits

In addition to the visit to the Trade Hub by Ambassador Huggins, accompanied by Lois Arioan, Deputy Chief of Mission, there were other important visitors. They included the USAID/Mozambique deputy director, Donna Stauffer; the Assistant Secretary General of COMESA, Sindiso Ngwenya, who came for the above mentioned conference of economic and commercial officers; and the visit of some 30 MBA students from the Massachusetts Institute of Technology, joined by about ten students from the University of Botswana. All these visitors toured the exhibits and were briefed about the objectives, activities and services of the Trade Hub especially as they relate to their own areas of work. They were also introduced to the new implementation teams. Specific requests for the Trade Hub assistance were also made or identified during the visits.

Verification of Demand for Planned Trade Hub Services

Although the first quarter of 2005 marked the start of full implementation of work activities for all five components of SO14 by the new TFCB and TCC components’ implementing teams, additional activities continued to refine the work program to ensure it remains demand driven and fully integrated. Activities undertaken included consultations with and visits to bilateral Missions in eligible countries, regional organizations and donors within the region. The principal objective is to verify demand, determine priority areas and obtain “buy-in” of the planned Trade Hub services from interested parties. This process is expected to continue in the next

quarter in the process to develop longer-term, life of projects synergetic work plans for the TFCB and TCC components, taking into account the AGOA and transport activities under the RAPID project and those of partners under the rural livelihoods program.

Agricultural Trade

In Q1 of 2005, the Trade Hub (TCC) activities to identify and promote agricultural trade focused on exportable agricultural products in horticulture, livestock and cotton sub-sectors. The products that received most attention are cut flowers, paprika, mangos, pineapple, lychee, avocado, macadamias, banana, weaner calves/cattle and cotton. The principal countries involved are Botswana, Mozambique, South Africa and Zambia. A summary of work done planned for these countries and products are presented below.

In *Zambia*, the Trade Hub identified the potential for increase of *cut-flower* exports but this was dependent on diversifying the existing products and markets. For another potential growth industry, *paprika*, there is need for better assurance systems for quality and safety, as well as better certification for absence of aflatoxins that would prohibit entry in the EU market. The Trade will in the next quarter, QII 2005, assist in dealing with these issues to facilitate increased cut-flower and paprika trade.

For *South Africa*, there is tremendous potential for growth of the existing trade in *macadamia, avocado, mango, papaya and lychee* products in the areas of Mpumalanga and Limpopo provinces, and for new production across the border in *Mozambique*. However, for this growth to materialize, there is need to access markets to the U.S., Gulf States and within South Africa itself, taking advantage of counter-seasonal windows. Access to the Indian market of South Africa mangos and lychees was also analyzed, with the latter presenting a better chance of admissibility. The Trade Hub will assist to further pursue market access for these products and in dealing with constraints prohibiting admissibility, especially into the U.S. and Indian markets.

The Trade Hub also provided assistance to a South African subsidiary of a large multinational agribusiness firm, in its endeavor to introduce a superior variety of *pineapple* into South Africa and Mozambique, and also to source more mangos and pineapple from West Africa, as well as more *papayas* and *melons* from within the region. The Trade Hub paved the way for an important late-April visit by the client's technical director to Ghana, Senegal, and Benin. Additional assistance is envisioned in sourcing, market access, and cross-border investment.

In *Mozambique*, the Trade Hub established information on the availability, cost and quality of cargo and transport infrastructure and services, as an input to possible cluster development in the Chimoio area and involvement in a large *banana* project near Beira. The Trade Hub also assisted the Aga Khan Fund for Economic Development (AKFED) to link up with potential co-investors and business partners in South Africa for possible *pineapple, lychee, avocado or foliage* projects in Mozambique.

In the *livestock* sub-sector, the Trade Hub assisted with the establishment of a *Botswana* Cattle Producers Association. The Trade Hub sponsored travel to South

Africa by leaders from industry and government has led to the determination of potential for export of weaner calves from Botswana into South Africa. Next steps involve supporting the start-up of the association, policy reform to allow export of weaners to South Africa, and organizing a visit to the U.S. by the Botswana public and private leaders to familiarize with U.S. marketing and auction operations, as prelude to limited private auction within Botswana.

In respect of the *cotton* sub-sector, the Trade Hub will in the next quarter assist a major international ginning company interested in expanding its ginning operations into *Namibia*, in return for an overview of their method for managing the provision of inputs on credit and for transferring technology to large numbers of small farmers. In *Zambia*, the Trade Hub will assist in the design and implementation of a pilot national campaign to reduce contamination in seed cotton, which is viewed by the textile and garment industry as a serious quality flaw that results in rejection and/or claims.

Apparel Trade

In providing assistance for coping with a post-Multi Fiber Agreement (MFA) apparel trading environment, the Trade Hub has commenced preparations to hold, in the next quarter, a series of four one-day industry round-table discussions for the highest priority textile and apparel countries of *Botswana, Lesotho, Swaziland* and *South Africa*. This initiative is based in particular on the observations and recommendations of the earlier Trade Hub (AGOA) technical reports prepared for Swaziland and Lesotho assessing the probable impact of the phase out, from January 2005, of the WTO Agreement on Textile and Clothing (ATC) and identifying mitigating strategies. During these discussions, presentations will also be made on workplace strategies and programs for *HIV/AIDS* and a toolkit for occupational safety and health, based on a model developed and successfully implemented in the Central American apparel industry.

As a direct follow-up of the above mentioned technical reports for *Swaziland and Lesotho*, the Trade Hub will, in the next quarter, prepare a strategy to assist the apparel industries in the two countries to improve competitiveness as country clusters, based on improved productivity and lowering costs at industry and enterprise level.

In the non-cluster countries (i.e. excluding Lesotho and Swaziland), the Trade Hub will begin targeting specific leading enterprises for customized assistance to raise productivity and competitiveness. This assistance will commence with firms in *Botswana* and *South Africa*.

In order to intensify knowledge of the development possibilities in the Cotton-Textile-Apparel (C-T-A) sub-sector in the *SADC region*, an Africa-wide report on the C-T-A complex, prepared under the auspices of the Presidential Initiative to End Hunger in Africa, will be distributed to all regional relevant stakeholders. Furthermore, information on the C-T-A situation and outlook for selected countries will be updated and expanded.

Tourism and Related Trade

In order to develop a broader technical assistance program in tourism, The Trade Hub has initiated a process to conceptualize and develop a strategy for a new "Tourism Products Initiative". The draft strategy seeks to (1) diversify tourism products

(especially for cultural and historical destination); (2) concentrate on the “middle market” of regional and local travelers; (3) build local content and value-added; and (4) reduce policy and infrastructural impediments to tourism growth, such as air travel, land use, borders, as well as workforce issues and HIV/AIDS.

The next step, from QII 2005, will be to design and implement a strategy for raising competitiveness of selected value chains in tourism. Emphasis will be given to Botswana, in particular the Kalahari Desert and certain historical villages. The Trade Hub will also investigate the potential for exploiting new routes from non-traditional points of origin, especially via the Rio de Janeiro-Cape Town-Maun Botswana route already operating, and the new direct flight from Dulles Airport in Washington D.C. to Johannesburg that will begin service in July.

In order to optimize utilization of limited resources available, the Trade Hub will devote effort to leveraging resources available under other programs. Main examples are the ComMark Trust in Lesotho, a new USAID-financed tourism project being designed now in Mozambique, and other related initiatives in South Africa.

The Trade Hub will also seek to fortify backward linkages in tourism by information sharing through a web-based network of tourism suppliers and products, which would specifically target small and medium enterprises.

Seizing on a very promising tourism based business and economic development opportunity, the Trade Hub conducted a reconnaissance assessment of the prospects for an investment and business venture concerning the operation of an “Excursion Tourist Train” in the Western Cape, South Africa. The project is founded on private sector investment to revive and utilize a currently abandoned or unused rail section. Follow up full cost-benefit analysis is being undertaken to determine the economic viability for the project. At the same time, consultations are being made, led by RCSA, to secure formal endorsement of the proposed project by relevant authorities.

Other AGOA Related Trade

Under *AGOA*, work continued on several important initiatives. Through Trade Hub support, several countries have embarked on establishing and implementing strategies to enable them to benefit more from AGOA. In this regard, specific initiatives were accomplished and are ongoing in Swaziland (commencing a national dialogue on export diversification), Botswana (launch of the Botswana AGOA Forum and developing of a short list of AGOA targets), Malawi (Government decision to incorporate national AGOA strategy into national export strategies) and Lesotho (initiating discussion on post-quota environment).

The Trade Hub also assisted with trade shows and missions. A Lesotho public-private sector delegation, led by the Minister of Trade and U.S. Ambassador to Lesotho, visited the U.S. and was able to secure additional orders for Basotho goods. These include orders from The GAP for textiles, securing a new client, GYMBOREE, and scheduling a mid-March visit to Maseru by Levi-Strauss. A delegation from Swaziland also attended the world’s largest gift and craft show held January 22-23 in Los Angeles, U.S. The delegation secured over \$13,000 of new orders of AGOA eligible products. Eligible Swazi companies expect to double orders as a result of this event. Furthermore, the Trade Hub, in partnership with Africa Fast Track Trade

(AFTT) is preparing for the Fancy Food Show in Chicago in May 2005. Companies from South Africa, Swaziland and Malawi will attend the show.

The Trade Hub assisted the U.S. Embassy in Mozambique to organize and hold an Entrepreneurship Forum in Maputo, March 23-24. The Trade Hub also held a seminar for Malawi women entrepreneurs. At both the Mozambique Forum and Malawi seminar, the Trade Hub provided a toolkit for local entrepreneurs. The toolkit includes a strategic planning and financing package and practical steps for identifying buyers.

As regards future activities, in addition to above continuing on-going work, the Trade Hub will send delegations of regional companies to the Corporate Council on Africa's Business Summit to be held in Baltimore, Maryland from June 21-24. Furthermore, the Trade Hub will also send a regional delegation to the 2005 AGOA Forum to be held in Dakar, Senegal in July.

Improving Business Enabling Environment

During the first quarter of 2005, the Trade Hub, under the TFCB project, began to fully implement its first year work plan, with completion of mobilization of key long-term and short-term staff. A framework paper for mainstreaming HIV/AIDS and Gender into all the activities of the project was also prepared.

Project activities through the first quarter fall into four broad categories: (1) Capacity Building and Policy Reform for Trade and Competitiveness; (2) Financial Services for Trade and Competitiveness; (3) Customs Modernization and Transport Facilitation; and (4) Building Private Sector Advocacy and Outreach.

The Trade Hub work under the TFCB focuses on ensuring government and private sector stakeholders engage effectively in making, implementing and taking advantage of the rules that govern trade nationally, regionally and internationally. A supportive business environment is necessary for producers and traders to compete effectively in international markets. Establishing a coherent trade policy that promotes rather than discriminates against exports is essential for ensuring competitiveness. Issues such as meeting rules of origin to take advantage of duty free access, satisfying health and safety standards, slow VAT rebates, expensive transit, and the slow clearance of goods at Customs are all practical issues that impact on each and every business transaction. The project coordinates closely with the AGOA Advisor, the Trade Competitiveness Component and our partners under the rural livelihoods program to strengthen the enabling environment for African businesses.

To date trade facilitation and capacity building activities have focused, at the country level on Botswana, Lesotho, Mozambique, Namibia and Swaziland, and at the regional level on work with the new SACU Secretariat. Following discussions with the government of Malawi and Zambia, the USAID bilateral Missions and the U.S. Embassy, the Trade Hub expects to undertake work in these countries during the next quarter. The work plan should be considered a live document that is capable of responding flexibly to requests from bilateral missions, embassies, eligible countries and other stakeholders.

During the first quarter of 2005 activities under ***Capacity Building and Policy Reform for Trade and Competitiveness*** included the preparation of a Business Plan for the SACU Secretariat, work supporting effective implementation of the new SACU revenue sharing arrangement, and the development of an Investor Roadmap for Swaziland and support for export diversification. Relevant Trade Hub personnel also held consultations with officials in Botswana, Mozambique, Lesotho, Malawi, Namibia, South Africa and Swaziland to discuss specific activities that will be initiated during the second quarter of 2005.

In the sub-area of ***SACU/US FTA Trade Capacity Building (TCB)*** program, the Trade Hub continued to provide national TCB facilitators for the BLNS countries. These have been responsible for improving internal and national coordination on TCB matters. The Trade Hub also completed important reports. These include a report on economic effects of services liberalization, which highlights policy issues that BLNS have to consider within their negotiation strategies, and a report on further tariff liberalization. The latter report will be a basis of decisions on future tariff policy and establishment of effective tariff administration bodies in the BLNS countries.

Under the ***Financial Services*** category, the Trade Hub assembled a team of financial experts that carried out fieldwork in South Africa and Mozambique to identify and propose financial sector interventions aimed at increasing the access of small and medium sized enterprises to trade-related financial services. The work identified possible areas of intervention, which will be discussed in a series of stakeholder roundtables scheduled for the second quarter. These will include both the private sector and donor representatives. This work has elicited widespread interest within Mozambique where the team was interviewed on a major TV show specializing in Economic and Financial issues.

The work on ***Customs Modernization and Transport Facilitation*** has focused on supporting countries to adopt world class best practice techniques - the Release Time Study was introduced and will be carried out in Mozambique- while also responding to specific country requests and continuing to support the transport corridor work. In Mozambique the project successfully brought together the Customs administration and private sector to discuss specific customs and transport constraints. This event resulted in an action plan, which has been presented to and accepted by the Director General of Mozambique Customs.

In respect of ***Transportation Corridor Efficiency***, the Trade Hub undertook activities to support implementation of specific priority actions in the Trans Kalahari Corridor Memorandum of Understanding (TKC MOU) action plan and tackling inefficiencies and business opportunities in the transport systems in Swaziland, Lesotho and South Africa.

The Trade Hub in February assisted in the selection process and identifying a candidate to fill the post of TKC Program Coordinator. The identified candidate is now expected to be in post in April/May 2005. The TKCM working groups and task team meetings, which were planned for 1st quarter 2005 are now scheduled to be held in May 2005. These will address critical issues including further streamlining of Customs processes, harmonization of weight limits and overload control procedures, and extending opening hours at the Schilpadshek/Pioneer Gate.

The Trade Hub conducted an analysis to prepare recommendations of a strategy to address policy, regulatory and institutional matters responsible for the high costs of trade for Swaziland. The technical report and proposed action plan to remove the identified constraints will be issued and discussed at a national workshop in early May 2005. Similar analysis and action planning will be undertaken for Lesotho in April and May 2005.

As a spin off from the assessment of the above-mentioned “Excursion Tourist Train” project, and in response to a request by the South African railway authorities (Spoornet) to the RCSA, the Trade Hub has initiated conceptualization of a technical assistance program. The objective is to provide information and facilitate the relevant authorities to gain deeper knowledge of issues related to private sector participation in investment and management of various railway assets especially rolling stock.

Trade Hub Public Outreach and Communications

Under the category of *Building Private Sector Advocacy and Outreach* of the TFCB component, the Trade Hub sought to raise its profile through initiating a series of private sector advocacy and outreach events and to begin integrating dialogue into all capacity building activities. The activities undertaken included updating and developing a series of short fact sheets and presentations outlining the mandate and activities of the project, and commencing work on a new newsletter, *Inside Southern African Trade (INSAT)*, which will focus on trade developments in the region and highlight the work of the Trade Hub. The first issue, to be published electronically, will come out in the second quarter of 2005. A series of briefing papers and presentations were also prepared for various visitors, workshops, conferences and outreach activities.

Within the context of handing over Trade Hub management, the transfer of management and maintenance of the Trade Hub website, www.satradehub.org, was also initiated. The RAPID project’s IT/Web Specialist continued managing the maintenance of the website, and, in cooperation with the TSG Information and Communications Coordinator commenced redesign of the website and hand-over other publicity materials.

Workshops and Conferences

In the next quarter, the RAPID project shall, in response to specific requests, provide many workshops and conferences as well as technical assistance to all RCSA SOs including Democracy and Governance, Natural Resources Management, as well as Trade and Rural Livelihoods.

Performance Monitoring Plan

During the quarter, the TFCB and TCC implementers refined and discussed with USAID/RCSA their Performance Monitoring Plan (PMP), including performance indicators to be used. Appropriate systems for data collection and processing are being developed to track each of the agreed indicators.

Conclusion

The consolidation of changes in the Trade Hub implementation framework and teams has provided capacity to accelerate delivery of Trade Hub services to achieve the RCSA's Strategic Objectives in Trade for the SADC region. The following sections elaborate the achievements of the Trade Hub projects in the last quarter of 2004 and the activities and results they will pursue in the first quarter of 2005.

SECTION II: ACTIVITIES AND RESULTS

January - March 2005

RAPID PROJECT SERVICES

SELECTED AGOA ACTIVITIES

Background

For the first quarter of 2005, the Trade Hub made significant progress in supporting the AGOA mission of promoting partnerships that increase trade in goods to the United States. Several core activities were undertaken to facilitate increased trade under AGOA.

National AGOA Strategies

Countries that have benefited the most from AGOA are those that have devised AGOA-specific strategies to actively attract investment, and establish the commercial linkages resulting in new AGOA exports.

Botswana

The Government of Botswana will launch the Botswana AGOA Forum (BAF) at the Trade Hub on May 2, 2005. The Minister of Trade and Industry Moroko and Ambassador Huggins will launch the event, followed by the first working group meeting. The idea of creating the BAF to promote export diversification evolved from discussions between the AGOA Advisor and the Ministry of Trade and Industry in February. The BAF is composed of both the public and private sector will identify short-term and long-term strategies to take full advantage of AGOA. The BAF will be in an excellent position to target local regulatory and structural obstacles to trade under AGOA.

- The BAF plans to develop a short list of AGOA targets in the coming weeks.
- The BAF plans to examine how AGOA provisions intersect with the SACU FTA proposals in market access, rules of origin, and textiles and apparel.

Malawi

After a visit to Malawi by the AGOA Advisor in February, the Government of Malawi (GOM) is keen to incorporate a national AGOA export strategy into already existing export strategies at the national level. In addition to targeting products for export, an AGOA export strategy would also serve to highlight some of the problems Malawi is facing in terms of the enabling environment for trade, which is a significant constraint to increasing Malawian AGOA exports at this time.

Swaziland

United States Ambassador to Swaziland, Lewis Lucke, requested that the AGOA Advisor, Trade Policy Advisor, and additional Trade Hub specialists travel to Swaziland to conduct a 'Diversification Seminar', based upon the recommendations in *The Elimination of Quotas Under the World Trade Organization*

"The AGOA diversification seminar was a big hit. It was very well attended, well presented and came off wonderfully. Many thanks for the assistance."

Lewis Lucke
U.S. Ambassador to Swaziland

Agreement on Textiles and Apparel: The Impact on Swaziland. U.S. Embassy Mbabane specifically requested a seminar addressing Swaziland's relative comparative advantages under the African Growth and Opportunity Act (AGOA), and methods to assist Swaziland in moving to a concrete diversification strategy.

The Swaziland Diversification Seminar included a presentation by the AGOA Advisor on the current state of the apparel industry, highlighting structural barriers to trade, followed by an apparel industry response, presented by Robert Maxwell of the Swaziland Exporters Association.

Following the apparel presentations, a panel addressed the issue of moving beyond apparel and diversifying the export base. Presenters included Joshua Setipa, Trade Policy Advisor at the Trade Hub; Dumisani Mahlinza, Economist with the Swazi Sugar Association; Zodwa Mabuza, Director of Trade and Commerce at the Swazi Chamber of Commerce; and Dr. Thambo Gina of the Swaziland Industrial Development Company.

The final panel addressed the theme of designing the way forward and included Sutherland Miller on designing investor roadmaps, Amanda Hilligas on convening an AGOA task force and Joshua Setipa, outlining the steps forward.

- As a result of the Swaziland Diversification Seminar, the Swaziland Investment Promotion Agency (SIPA) agreed to convene a national dialogue on export diversification. The Trade Hub is following up with SIPA to assist in guiding the process.

Continued Work on Quota Expiration

The AGOA Advisor visited Lesotho from January 30-February 5 to conduct an assessment of the apparel industry in the post-quota environment. The report, *The Elimination of Quotas Under the WTO ATC: The Impact on Lesotho* was released at the end of February. While the elimination of quotas has placed downward pressure on price, firms reported that the major problem with exporting apparel to the United States is the dollar/rand valuation.

- The AGOA Advisor will work with the Competitiveness Team on the upcoming apparel conference in Johannesburg in April 2005.
- The AGOA Advisor will work with stakeholders at the AGOA Forum for the apparel workshop on this topic.

Trade Shows and Trade Missions

The Lesotho Trade Delegation to the United States with Minister Malie and Ambassador Perry, accompanied by public, private and labor sector personnel netted additional orders for Basotho goods. Lesotho, AGOA's largest exporter of textiles to the U.S. (\$500 million in 2004) in sub-Saharan Africa, received additional orders from The GAP, secured a new client, GYMBOREE, and scheduled a mid-March visit to Maseru by Levi-Strauss. The delegation met with private sector representatives on diversification such as both mid and high-end products like weavings and baskets as well as major retailers like TARGET and Liz Claiborne. The meetings occurred in Washington, D.C., New York and San Francisco.

In addition, the delegation held meetings with the Chairman of the Millennium Challenge Corporation, the National Security Council Senior Director for Africa, the State Department Assistant Secretary for Africa and AF/DAS, Acting USAID Africa Administrator, Congressman Ed Royce, and Assistant USTR Florie Liser. The delegation also met with private sector Seaboard Corporation Vice President Ralph Moss, USDA Special Assistant Ambassador Mattie Sharpless, and Lesotho's Ambassador Rapolake. Ambassador Perry had a separate Roundtable with the Corporate Council on Africa (CCA) to discuss a U.S. trade delegation to Lesotho in late Spring or early Fall. CCA recommended Lesotho's participation in the June 2005 Investment Conference in Baltimore, Maryland. The Delegation achieved one of the U.S. Embassy's primary objectives of trade and economic promotion with significant assistance from RCSA.

Success at the Los Angeles Gift Show: The delegation from Swaziland that attend the largest gift and craft show in the United States from January 22-25 in Los Angeles, California secured over \$13,000 in new orders of AGOA-eligible products. Companies expect orders to double this year as a result of this event. The California Gift Show exposed the Swazi companies to new market opportunities and business partners. The Trade Hub jointly sponsored the companies with the Africa Fast Track Trade (AFTT) program.

Preparing for the Fancy Food Show in Chicago: The Trade Hub has partnered with the Africa Fast Track Trade (AFTT) Program to send a delegation of companies to the Fancy Food Show in Chicago in May 2005. Companies from South Africa, Swaziland, Malawi and Botswana will attend the show.

Nali Peri-Peri Sauce - AGOA Export Success in the Making

The Support for Agriculturally-Linked Enterprises, (SALES) will partner with the Africa Fast Trade Trade (AFTT) and the Trade Hub to send Nali to the Fancy Food Show in Chicago. The chili-sauce manufacturing business was established in Blantyre, Malawi in 1974. Since that time, the company has evolved comprising Nali Foods and Nali Export, which handles the export business of sauces to Mozambique, Zambia and Zimbabwe. The company has recently redesigned packaging and its business model for exports, and is currently looking to expand to the U.S. market.

The company contracts production for export to South Africa, shipping Malawian inputs to the production plant in Johannesburg. The product is then produced based upon the original recipe, attractively packaged in glass bottles, and is available in export quantities. The capacity at the South African plant is 10,000 cases in 48 hours. The product is not produced in Malawi for export to international markets because of transportation costs, lack of capacity, and standards regulations.

The Fancy Food Show will be Nali's entry point into the U.S. market. The company has interest from companies such as Trader Joe's and other U.S. buyers. The Trade Hub is facilitating business linkages between Nali and buyers in the United States to ensure this successful new product under AGOA.

Mozambique Entrepreneurship Forum

The U.S. Embassy in Maputo held an Entrepreneurship Forum, in cooperation with the Southern African Global Competitiveness Hub in Botswana, in Maputo, Mozambique from March 23-24. The forum was divided around three themes: 1) private sector success stories; 2) potential export markets; 3) financial and technical assistance.

Phyllis Shearer-Jones, former AUSTR under the Clinton Administration, joined the AGOA Advisor at the Mozambican Entrepreneurship Forum and conducted a “toolkit” for local entrepreneurs on the second day of the event. The toolkit was well received and publicized, carried on seven different networks and receiving a high level of attention in the local papers. Ambassador La Lime and Ambassador Huggins attended the event.

Business Seminar in Malawi for Women Entrepreneurs

Phyllis Shearer-Jones, former AUSTR under the Clinton Administration, conducted an entrepreneurship toolkit for women entrepreneurs in Blantyre, Malawi on March 29th. The seminar was the second session of a program designed by the Trade Hub to promote women-owned SME's in Malawi. The toolkit included a strategic planning and financing seminar session, and practical tools for identifying buyers of Malawian products in the United States.

The binder of information presented to us at the seminar was packed with interesting tips about marketing, retail leads, and logistics such as shipping... I left the first seminar with a wealth of information and new ideas – tools that suited my education and privileged access to resources... The knowledge and tools you have shared with us are valuable assets as we grow and develop the nation. Yet it is the goodwill and respect you have shown Malawi that inspires a country to reach beyond its borders and build long lasting relationships.

Tamara Hudson, Creative Director
Chifundo Artisans' Network
Balaka, Malawi

Regional Economic Officers Conference at the Trade Hub



Johnny Brown, Minister Counselor for Commercial Affairs of the U.S. Commercial Service addresses the audience during the Economic Officer's Conference. Ambassador Joseph Huggins is sitting next to him.

The Trade Hub hosted a conference for economic and commercial officers from embassies in the region, and representatives from USAID bilateral missions on March 30-31, 2005. The program included one day of commercial training, and one day on regional trade and economic issues, including programs in place at the Trade Hub to assist with AGOA, trade competitiveness, and trade capacity building.

- A major objective of the conference is to demonstrate the services the Trade Hub provides on competitiveness, policy, and AGOA Advisory services. USG participants left the Trade Hub with a clear understanding of how to use Trade Hub services in their respective programs.

The conference was well attended with representatives from nearly every country in the Southern African region. The conference provided an excellent opportunity for the new contractors at the Trade Hub to interface with the embassies and coordinate programming.



RCSA Mission Director, Gerry Cashion addresses the audience at the US Economic Conference at the Hub, March 30-31. Looking on is the organizer of the event, Economic/Commercial Officer at the US Embassy in Gaborone, Hagen Maroney.

SACU TRADE CAPACITY BUILDING

Background

The following submission is being made pursuant to the schedule of planned activities and results for the period January to March 2005 contained in the first quarterly report of September to December 2004.

1. BLNS TCB Facilitators

Following requests from all the BLNS countries, the contracts of the four TCB Facilitators currently placed within the national Ministries of Trade and Industry were extended to the end of March 2005. To enhance the ability of the project to monitor the performance of the Facilitators, their scopes of work were amended to include specific periodic reporting requirements.

Based on consultations with senior Ministry officials in all the BLNS countries and monthly activity reports, the Facilitators are actively involved in coordinating TCB activities at the national level. Furthermore, the TCB Facilitators have undertaken the overall responsibility of coordinating all trade relate technical assistance activities in the ministries and this has improved internal and national coordination on TCB matters.

The BLNS have collectively expressed a need for the extension of the Facilitator's contracts until the conclusion of the US/SACU FTA negotiating process. This in their view will ensure that the remaining TCB activities are fully implemented and also that ministry technical staff can focus on substantive preparations for phase two of the negotiations.

2. Study on the economic effects of services liberalization

The final report of the SACU study on the economic effects of further services liberalization has been submitted and is currently being reviewed before circulation. It is intended that the report will serve as a basis for a series of national sector specific workshops that will be undertaken during the next quarter.

The report has outlined current legal and administrative measures in place in the BLNS which impact on investment flows to the services sectors. Furthermore, it highlights key policy issues that BLNS have to consider within the framework of the proposed FTA with the U.S. and the ongoing WTO GATS negotiations.

3. Study on the economic effects of further tariff liberalization

The final report of the SACU study on economic effects of further tariff liberalization has been submitted and is currently being reviewed. The report will serve as a basis for a series of planned activities on tariff policy. Specifically, the activities will focus on specific key industries in each country with particular focus on the concept of infant industry protection in BLNS. Furthermore; the activities will focus on the establishment of national tariff administration bodies and the creation of the requisite administrative capacity.

Workshops/Seminars

1-3 February 2005, Swaziland National WTO seminar on Trade in Services

This seminar was held in Mbabane, Swaziland and sponsored by the Trade Hub pursuant to a request by the government of Swaziland. The objective of the seminar was to highlight the ongoing multilateral trade in services negotiations at the WTO and the regional consultations for a services annex to the SADC Trade Protocol. The seminar was attended by senior representatives of government institutions and private sector institutions. During their deliberations participants considered issues related to the identification of Swaziland's strategic interests in the ongoing negotiations both at the WTO and the US/SACU level. The potential of services trade to serve as a driver of economic growth was highlighted taking into account the declining terms of trade in manufacturing, particularly in the clothing and textiles sector.

1 March 2005, Swaziland national diversification seminar

The AGOA adviser, Amanda Hilligas and the Trade Policy Adviser, Joshua Setipa traveled to Mbabane, Swaziland on 28 February 2005 to participate in a national seminar to consider a new export diversification strategy for Swaziland. This followed a request from U.S. Ambassador to Swaziland, Lewis Lucke for RCSA to send experts to convene and assist in the launch of this national process. The background of the seminar was the recent report by the AGOA adviser on the impact on Swaziland of the elimination of quotas under WTO Agreement on textiles and apparel.

The objectives of the seminar were as follows:

- To highlight the situation in the apparel industry, and underscore problems in the enabling environment for trade in other sectors in Swaziland.
- To initiate discussions among stakeholders aimed at facilitating the establishment of a national task force to formulate a short term strategy to salvage the most competitive sectors of the apparel industry, and formulate a long term diversification strategy on AGOA and other trade initiatives in the context of a national dialogue.
- To introduce work currently underway to prepare an Investor Roadmap for Swaziland.

24 March 2005, Botswana International Financial Services Corporation

The IFSC convened a stakeholder breakfast meeting to continue discussions on the recently issued report on a future BPO strategy for Botswana. It will be recalled that the Trade Hub participated as a member of the task force that drafted the national strategy document.

The meeting highlighted the experience of investors seeking to set up operations in Botswana to take advantage of the IFSC regime. It was noted that for Botswana to enhance its competitiveness, the administrative process of establishing operations has to be streamlined.

Furthermore, the meeting was briefed on the progress towards establishing an industry body for the call center sector.

IMPROVED CORRIDOR EFFICIENCY

Background

The Trade Hub undertook activities to support implementation of specific priority actions in the Trans Kalahari Corridor Memorandum of Understanding (TKC MOU) action plan and tackling inefficiencies and business opportunities in the transport systems in Swaziland, Lesotho and South Africa. The main achievements in the period January – March 2005 are reported below.

TKC MOU Implementation

The Trade Hub in February assisted in the selection process and identifying a candidate to fill the post of TKC Program Coordinator. The identified candidate has been approved by the Contracting Parties (Botswana, Namibia and South Africa) and is now expected to be in post in April/May 2005. The Trade Hub also advised on funding needed from the Contracting Parties and the Private Sector for fiscal year 2005/2006 to support the position and operations of the TKC Management Committee (TKCMC).

The Trade Hub initiated preparations for holding of TKCMC working groups or task teams responsible for addressing most pertinent constraints including further streamlining of Customs processes, harmonization of weight limits and overload control procedures, extending opening hours at the Schilpadshek/Pioneer Gate border post between South Africa and Botswana, road user charges and harmonization of traffic laws. These meetings are now scheduled to be held in May 2005.

Swaziland and Lesotho Transport Improvement Action Plans

The Trade Hub conducted an analysis to prepare recommendations of a strategy to address policy, regulatory and institutional matters responsible for the high costs of trade for Swaziland. The outcome of the analysis, which has been undertaken with the assistance of short-term regional logistics and transport economics experts, Ms Stallard Mpata and Bo Giersing, shall be a technical report and an “Action Plan to Improve Transportation Logistics for Competitiveness of Swaziland International Trade”. The analysis is a follow-up of recommendations contained in the AGOA Advisor’s trip report on “The Impact on Swaziland of the Elimination of Quotas under the World Trade Organization Agreement on Textile and Clothing (ATC)”,

which identified that high cost and unreliability of transportation constitute a major impediment to competitiveness of Swazi international trade. The technical report and proposed action plan will be issued in April 2005.

On the advice of the U.S. Embassy in Lesotho, the Trade Hub has consulted and agreed on a cooperation arrangement with ComMark, a (DfID) donor-funded organization that has done extensive analysis of the garment industry and related factors/sectors in Lesotho. ComMark's work includes also an analysis of the logistical issues and constraints. Following this agreement, the Trade Hub, using the same short-term experts involved with similar analysis for Swaziland, is working jointly with ComMark to elaborate existing constraints and propose an action plan to remove them in order to reduce transportation cost and improve logistics for Lesotho's international trade. This is also a follow-up to the recommendations contained in the AGOA Advisor's report on Lesotho. The action plan will also include actions for improvement of facilities and operational performance of the inland port or container terminal in Maseru (Mascon) and the related multi-modal transport services in and out of the port. The technical report and proposed action plan will be issued in May 2005.

Paarl - Franschhoek Tourist Railway Business

The Trade Hub conducted a site investigation visit and pre-feasibility analysis of an investment and business opportunity concerning revival of an abandoned or unused rail in the Western Cape, South Africa for tourist purposes. The project involves facilitating investment by an American company operating similar "wine" trains in a similar environment in the NAPA valley in California. In addition to being a very good platform for tourism and marketing of South African wine to especially the American market, the project has also a potential to create many jobs and significant economic growth for the local communities involved. Subsequent to the visit and consultations made, the Trade Hub assisted RCSA to follow up with relevant authorities in South Africa to secure formal endorsement of the proposed project and go-ahead to proceed to full feasibility analysis and, thereafter, negotiation and implementation of the project.

OUTREACH & COMMUNICATIONS

IT/Web Specialist, Karen Roland, has been managing the maintenance and redesign of the www.satradehub.org website. She wrote up and distributed a Request for Proposals, reviewed all submissions, selected the winning company and prepared and negotiated the contract. The work began in March and is to be completed by May 14. She has also been working with Gina Van Schalkwyk to provide guidance and assistance with the hand-over of materials including handouts and Trade Hub Happenings.

HIGH-LEVEL VISITS

On January 26th, the deputy director of USAID/Mozambique, Donna Stauffer, visited the Trade Hub. The staff made a presentation on Trade Hub activities in Mozambique from 2001 to date.



Ambassador Joseph Huggins listening to presentations by the Hub Team during his visit.

On March 18th, the U.S. Ambassador to Botswana, Joseph Huggins, visited the Trade Hub, accompanied by Lois Aroian, Deputy Chief of Mission. The new Trade Hub Team made a presentation on the new focus of the Trade Hub covering the two components: competitiveness and trade facilitation and capacity building.

On the 21st of March 2005, about 30 MBA students from the Massachusetts Institute of Technology, joined by about ten students from the University of Botswana visited the Trade Hub. The trip was part of the school's annual Africa familiarization tour and was coordinated by the U.S. embassy in Botswana. The students were accompanied by Hagen Maroney, Commercial Officer at the U.S. Embassy in Botswana.



A group of students from MIT visited the Hub on March 21st.



Lois Aroian, Deputy Chief of Mission at the US Embassy in Gaborone welcomes MIT students to the Hub.

Dr. Lois Aroian, Deputy Chief of Mission at the U.S. embassy in Botswana made a welcoming statement followed by presentations by Paulina M. Elago, Deputy Director of the Trade Facilitation and Trade Capacity Building Component and John Keyser Technical Director of the Trade Competitiveness Component on the activities of the Trade Hub under those two components in the region. This was followed by a Q and A session in which Bridget Chilala, Trade Capacity Building Director and Ranga Munyaradzi Senior Customs Advisor also participated. Questions raised by the students included amongst others, issues pertaining to regional integration, private sector development competitiveness of industries, technology transfer, assistance provide to small scale enterprises etc.

WORKSHOPS/CONFERENCES

At the request of the U.S. Embassy in Lesotho, and under the program of USAID/RCSA assistance to non-presence countries, USAID/RCSA requested the services of RAPID to arrange for airfare and per-diem for 5 Lesotho participants to travel from Lesotho to the United States and return. In the U.S. the participants were assisted by "The Whitaker Group". "The Whitaker Group" has been engaged by the Lesotho government, through a contract with the Lesotho National Development Corporation, to support a Lesotho Trade Promotion tour for five public and private sector leaders of the Lesotho's apparel sector. The tour primarily focused on the apparel trade as it is the nation's fastest and most promising sector of economic growth. The tour focused on trade diversification and strategies to address global pirating and counterfeiting in trade – all important pillars of export growth. Once Chemonics-RAPID receives the report, it will be forwarded to RCSA.

The delegation, accompanied by U.S. Ambassador to Lesotho June Perry, consisted of:

- H.E. Malie, Minister of Trade and Industry, Cooperatives & Marketing;
- H.E. Ms. Carter Perry, U.S. Ambassador to Lesotho;
- Mr. Molapo, CEO of the Lesotho National Development Corporation (LNDC);
- Mr. Mokheti Shelile, Head of the Entrepreneurial Development Division, LNDC and;
- Ms. Jennifer Chen, President, Lesotho Export Development Committee, President of Shinning Centre Limited -- one of Lesotho's first apparel companies and member of the newly formed Trade and Investment Liaison Committee.

The delegation, which traveled between January 22 to February 1, 2005 visited Washington D.C., New York, California and North Carolina. They held consultations with many key players in investment and trade matters, including the U.S. government officials, congressional staff, World Bank/IFC, U.S. Importers of Textile and Apparel Association, investment fund managers and potential investors, GAP and tour production facility and potential fabric, yarn and equipment suppliers.

TRADE FACILITATION AND CAPACITY BUILDING PROJECT

Background

During the first quarter of 2005 the new Trade Facilitation and Capacity Building Project (previously known as the Trade Policy Development Project) implemented a full program of activities based on the work plan submitted to the USAID/RCSA on December 24, 2004.¹ The team works closely with the Trade Competitiveness Component and the AGOA Advisor in establishing program priorities and with stakeholders in the region to ensure that activities are demand-driven.

During the first quarter of 2005 the project sought to: (1) respond to demands from the bilateral missions and non-presence countries for specific trade related support; (2) consult with eligible countries, regional organizations and donors to identify priority areas for technical assistance; (3) raise the profile of the Trade Hub through initiating a series of private sector advocacy and outreach events and to begin integrating dialogue into all capacity building activities; and (4) continue to refine the work program to ensure it remains demand driven and fully integrated with the work of the AGOA Advisor and Trade Competitiveness Component.

While implementing an ambitious work program, the project also grappled with news of budget cutbacks and staffing adjustments. It also prepared to assume management responsibility for the Trade Hub.

Specific activities for the quarter under review included the following:

¹ Details regarding the full mobilization of staff and challenges faced during the first quarter are discussed in the last section of the Trade Facilitation and Capacity Building Quarterly Activities section of this report.

Capacity Building and Policy Reform for Trade and Competitiveness *Support to SACU Secretariat*

Paulina Elago, Deputy Director, Trade Facilitation and Capacity Building Project, traveled to Windhoek, Namibia on February 21-23, 2005 to discuss with the Executive Secretary of SACU, Ms. Moremi, assistance that would be provided by the Trade Hub to support the newly established SACU Secretariat. Four priority areas were discussed: (1) development of a business plan for the operation of the Secretariat, including implementation of the new agreement; (2) addressing the problem of intra-SACU trade data inconsistencies that affect implementation of the new SACU Revenue Sharing Formula; (3) establishment of new SACU institutions at the national level coupled with trade capacity building; and (4) review of SACU Members existing bilateral trade agreements. *Please see the Namibia Trip Report for further details.*

The Executive Secretary sent a formal request for Trade Hub assistance with the aforementioned items to the USAID/RCSA Mission Director on March 1. Work supporting the establishment of the new SACU institutions and the review of bilateral agreements are expected to commence in the second quarter of 2005. Achievements to date are summarized below:

➤ **Development of a Business Plan for the SACU Secretariat**

At the request of the SACU Executive Secretary, the project agreed to provide a short-term consultant to assist with the development of a business plan for the Secretariat. Dr. Alan Osman, an economist and institutional development specialist, was selected by the Executive Secretary to carry out this task. The Executive Secretary has been the SACU Secretariat's only staff for the last year.

Dr. Osman arrived in Windhoek, Namibia on March 21, 2005 initially for a three-week period. At the request of the SACU Executive Secretary his stay was extended to a total stay of seven weeks. His mandate is to assist the Executive Secretary of SACU with the development an operational plan for the Secretariat. The plan will facilitate implementation of the new agreement including establishment of the required institutions. The task entails reviewing the functions of the Secretariat, institutional set-up and policy provisions as contained in the SACU agreement, with a view to recommend appropriate organizational structures and operational guidelines for the Secretariat including establishment of regional institutions. The plan will also include priority activities and a proposed implementation plan. The draft business plan once completed will be presented to the SACU Commission (senior officials) at the end of April.

➤ **Trade Data Inconsistencies for Implementation of the New SACU Revenue Sharing Formula**

At the request of SACU Secretariat and the Department of Treasury in South Africa work is underway to assist in resolving a pressing problem related to inconsistencies in intra- SACU trade data that has implications

on the implementation of the new SACU Revenue Sharing Formula. The new formula calls for the customs pool to be divided among SACU countries according to their shares of total intra-SACU imports. This has led to many administrative problems because there is no agreed set of data on intra-regional trade. Furthermore, the existing trade data is extremely volatile with the result that revenue flows are unpredictable. There are a number of economic problems with the proposed approach.

Ms. Elago and Jim Cassing met Professor Clark Leith, Economic Adviser to the Minister of Finance in Botswana, who had been involved in the renegotiations of the SACU agreement and specifically the Revenue Sharing Formula, to discuss and seek clarification on the problem related to implementation of the SACU Revenue Sharing Formula.

A meeting between Ms Elago, the Executive Secretary of SACU and the Department of Treasury in South Africa took place to discuss how best the project can assist SACU members to address this problem. Professor Frank Flatters, an international trade economist, held a separate meeting with the Department of Treasury in South Africa. Following these meetings, a concept note outlining the approach was prepared and submitted to SACU Secretariat after which a decision was taken to proceed with this assignment.

The work will review the main administrative and economic difficulties in implementing the customs component of the revenue sharing arrangement and make recommendations for estimating intra-SACU imports for each country in a way that minimizes disruption to and the transactions costs of intra-SACU trade. The work will be undertaken by Professor Frank Flatters and Paulina Elago and will require visits to all the SACU countries to collect data including consultations with key authorities involved in collection and management of trade data such as Customs, Central Statistics Offices, Central Banks, Ministries of Trade and Industries, etc. This work will begin towards the end of April.

SADC, the Trade Protocol and Implementation Activities

On February 9, Robert Kirk, Paulina Elago and Bridget Chilala met the Executive Secretary of SADC Dr. Prega Ramsamy, to introduce the new Trade Facilitation and Capacity Building Project and the long-term members of the team. Discussions focused on possible areas of support, in particular continuation of work done under the previous project on the Mid-Term Review of the SADC Trade Protocol. The Executive Secretary also commented on the work the Trade Hub is undertaking on trade facilitation and encouraged further work in that area especially the creation of the “one stop border post concept”. Dr. Ramsamy identified effective implementation of the SADC Free Trade Area as a key priority for SADC in the next three years. He stressed the importance of implementation and working to reduce the transaction costs of trade.

Botswana Export Diversification

Bridget Chilala, Director Capacity Building, attended the Botswana Export Diversification Workshop, March 11, 2005, organized by BIDPA and the World Bank to discuss with the stakeholders the draft conclusions and recommendations of the study. Following the workshop, the Trade Hub's Trade Facilitation and Capacity Building team held an internal roundtable discussion facilitated by Keith Jefferis, Deputy Governor, Bank of Botswana, to discuss possible Trade Hub interventions to support implementation of the recommendations in the report.

Botswana Capacity Building Activities

The Trade Hub received a formal request via the U.S. Embassy for capacity building assistance to Botswana. The assistance included requests related to capacity building for private sector associations, AGOA and developing a Multilateral Trading System Workshop Series for the public and private sector. In response to this request the Trade Hub is organizing several activities during the next quarter.

Lesotho Capacity Building Activities

The visit to Lesotho by Robert Kirk and Joshua Setipa focused on the US-SACU Trade Capacity Building work, the constraints to implementing existing trade agreements, and investment strategy in the post MFA world. The Ministry of Commerce Trade and Industry requested the Trade Facilitator be extended and subsequently submitted a detailed request for specific support. Following our meetings with staff at the MCTI a number of logistical constraints influencing the work of the Trade Facilitator were resolved. Interviews with the private sector confirmed the importance of extending the advance VAT refund facility and of the need to further streamline logistics impacting on the supply chain. The project will undertake work aimed at reducing the delays in VAT refunds if requested.

Private Sector and Services Capacity Building for Malawi

In February, Bridget Chilala, Director Capacity Building traveled with the AGOA Advisor, Amanda Hilligas, to examine Malawi's trade-policy related constraints and recommend specific actions for follow up. Previously, Malawi had not benefited significantly from Trade Hub supported technical assistance activities. As a result of meetings held with the U.S. Embassy, USAID and Malawi Government and private sector stakeholders, and a follow-up meeting with the Embassy Economic Officer in Gaborone at the end of March, several possible Trade Hub initiatives were identified. These include: (1) initiatives to improve the effectiveness of and results from dialogue between the private sector and government; (2) assistance in exploring liberalization of infrastructure services such as transport and telecommunications, this could be achieved through assisting Malawi to prepare her GATS Offers (General Agreement on Trade in services) which can also be used in the negotiations under COMESA where they are working on liberalizing trade in services and the EPA negotiations; and (3) facilitation with elimination of red tape in investment procedures leading to a more transparent system. The Swaziland investor road map in progress could be used as a template for Malawi. *Additional information is provided in the Malawi Trip Report prepared by Bridget Chilala.*

Regional Harmonized Seed Policy

The Trade Hub has started to work closely with the Ministries of Agriculture and the SADC Seed Security Network (SSSN) to facilitate the adoption and implementation of the proposed regional harmonized seed policy. It is expected that a lot of lobbying will be required and Ministries for Trade will need to be brought on board due to their trade mandate in relation to IPRs. Facilitating the implementation of the Intellectual Property Rights (IPR) legislation in the region will involve coming to terms with delays in introducing legislation for “Plant Breeding”, which has been in place for sometime now.

Swaziland Investor Roadmap

Together with the AGOA Advisor and the Trade Competitiveness Component, the project engaged in a multi-part program to assist Swaziland in developing a National Export Diversification Strategy. In response to a request by the Swaziland Investment Promotion Authority (SIPA) for assistance aimed at promoting new local and foreign direct investment, the Trade Hub sent a team of three consultants - Sutherland Miller III, a Trade and Investment Specialist, Theo Lyimo, a Customs Expert, and Trina Rand, a Trade and Investment Specialist, - to Swaziland to conduct primary research on the various procedures that govern private investment in Swaziland. The product of the research is an Investor Roadmap analysis of the administrative, procedural, and regulatory constraints to investment, and practical recommendations for change. The analysis covered the four Process Group Areas of setting up business in Swaziland, namely: (1) registering a company; (2) locating the company; (3) employing, acquiring investment incentives; and (4) registering for taxes and paying taxes.

The team interviewed more than 40 officials of government institutions and nearly an equal number of private sector stakeholders. The interviews covered a range of details including the steps, timeframes, costs, and submission requirements involved with starting up and operating a business in Swaziland. The legislation establishing the various administrative procedures was considered, along with an assessment of the efficacy and efficiency of the existing investment procedures.

The team found that in general terms procedural transparency in Swaziland regarding investment is lacking. With few exceptions, agencies lack procedural guidelines and websites that would inform an investor of the legal necessities, submission requirements, timeframes, and costs associated with business start-up and operations.

Among the four Process Group Areas examined, investors find the issues related to employment and reporting the most problematic. Locating procedures, which are in some cases hard to understand and poorly regulated, significantly impedes investor startup and/or operations. Operating processes are generally not considered problematic except for certain trade facilitation issues that are more directly related to outmoded Customs legislation and procedures. These include the absence of information and guidelines on the Customs formalities of interest to investors, and policies and procedures administered by the customs department of the South African Revenue Services that affect importation of raw materials into Swaziland and movement of Swazi exports in transit to the port of Durban.

The findings and recommendations of the team will be presented to SIPA in April. The General Manager of SIPA has indicated that SIPA will be requesting Trade Hub assistance to implement the Trade Hub's recommendations. The assistance will include providing technical inputs and facilitating a national workshop for stakeholders to discuss implementation of the recommendations. SIPA will also expect the Trade Hub to provide support to the SIPA team that might be established to spearhead the implementation of the workshop recommendations.

The methodology used in developing the Investor Roadmap for Swaziland will also be applied in Namibia and Lesotho following their requests.

Priority Capacity Building Initiatives in Namibia

Paulina Elago met with the Ministry of Trade and Industry in Namibia in February, which resulted in request for support in three priority areas:

- **Trade Capacity Building in Rules of Origin and Trade Data Analysis**

The Ministry of Trade requested support for training in two areas: Rules of Origin and trade data analysis. Following further discussion on these, we have agreed to hold a three or four day training program on Rules of Origin for officers from Ministries of Trade, Agriculture, and Finance (including customs officers), as well as representatives from the private sector and sectoral associations during the next quarter. The program will be held in Windhoek, Namibia. Planning for the program will begin in April.

- **Establishment of SACU National Tariff Body**

The Ministry of Trade also requested the Trade Hub to assist with the establishment of a National Tariff Body as provided for in the new SACU Agreement. The task will focus on developing a concept note that would elaborate the rationale, objectives, functions and organizational structure and staffing requirements for such a body, followed by stakeholder roundtables. Training of staff in the area of tariff policy setting and investigation would form part of this task. This work will begin in April. It is expected that the program will be extended to assist all BLNS countries that face the immediate challenge of creating national institutions under the new SACU Agreement.

- **Investor Roadmap**

Following a meeting with the Executive Director of the Namibian Investment Center, the Trade Hub has been requested to undertake an Investor Road Map for Namibia. This would assist the country to review its investment regime, including incentives, with a view to, where necessary, review and effect policy changes that would help promote a pro-competitive and investor friendly business and policy environment. The last Investor Road Map was done in 1997. Paulina Elago, held follow up discussions with the Ministry of Trade and Industry on the type of support the Trade Hub would provide. The Trade Hub has integrated this activity into its work plan for the April-June quarter.

Ms Elago's Trip Report for Namibia provides additional information and recommendations from that visit.

Mozambique Requests for Technical Assistance

During the visit of Donna Stauffer, Deputy Mission Director, USAID Maputo, to USAID/RCSA and the Trade Hub in January, the Trade Hub received an itemized list of areas where Mozambique requires technical assistance. The Trade Hub responded by offering immediate assistance with a number of Customs and Transport initiatives. These are ongoing activities as discussed later in this report.

Financial Services for Trade and Competitiveness

At the request of Mozambique, and pursuant to the scope of work and work plan for the project, the project assembled a team of finance experts to undertake fieldwork in South Africa and Mozambique to identify and propose financial sector interventions in Southern Africa aimed at improving the access of small and medium enterprises to trade-related financial services. After preparatory meetings in Gaborone, Dr. Thomas Timberg, an international finance expert and Team Leader, Mr. Alistair Tite and Mr. Steven Beck, international bankers, visited South Africa and Mozambique. In Mozambique they were joined by Mr. Omar Mitha, a Mozambican financial expert. The Mozambique financial system is limited, foreign-controlled and relatively uncompetitive. Rapid economic growth over the past decade has not resulted in a significant increase in credit to private industry; indeed there is very limited dependence on the financial system.

The work identified five possible areas of intervention aimed at improving access to trade finance. These included: the promotion of a project preparation facility, the use of framework agreements that bring together the financial sector and donors, improvements in the collection and dissemination of credit information, increased competition through encouraging new entrants in banking, insurance, and non-bank financing and improving the insurance services for trade. The final reports, one particular to Mozambique and the other addressing regional trade finance issues, are expected in April. Follow-up to the work, specifically stakeholder roundtables including the private sector and donor representatives are planned in the next quarter to distribute and discuss the findings and recommendations, aimed at finding interested parties to implement some of the recommendations. *The Trip Report prepared by Dr. Timberg, Mr. Tite and Mr. Beck provides a preview of the key issues and recommendations.*

Customs Modernization and Transport Facilitation ***Technical Assistance to Mozambique***

Following the visit to Mozambique by Lance Graef in November 2004, the Mozambique Customs Administration submitted a request for technical assistance through the USAID Mission in Maputo and directly to the Trade Facilitation and Capacity Building Project. In January 2005, the Deputy Mission Director, USAID Maputo, Donna Stauffer, visited USAID/RCSA and the Trade Hub and presented a consolidated list of technical assistance requirements for Mozambique. The

assistance required was in respect of elimination or reduction of delays in the clearance of goods and in other areas of Trade Hub operations

- **First Technical Visit to Mozambique: February 13 -18, 2005**

The purpose of the visit was to ascertain and prioritize the requirements for technical assistance and make an assessment of current Customs clearance procedures.

Meetings were held, first with the USAID Mission in Maputo and then with Mozambique Customs and private sector organizations /stakeholders, which included clearing and forwarding agents and their associations, as well as importers and exporters and their associations. A visit was made to operational areas at the seaport, the airport and the main inland terminal where goods coming by road from South Africa and Swaziland are Customs cleared.

Mozambique Customs updated and prioritized their technical assistance requirements and asked that the Trade Facilitation and Capacity Building Project work on these initiatives immediately. The meetings with Customs and private sector organizations and the visit to Customs operational areas revealed that obsolete and cumbersome procedures and administrative bureaucracy caused the delays. *Further detail is available in the Trip Report.*

- **Second Technical Visit to Mozambique: March 7 -19, 2005**

This visit was a follow-up to the February visit and was to address the constraints identified.

Speeding-up Customs Clearances. The findings were presented to the Director-General of Mozambique Customs and his senior management. He accepted all the recommendations and commenced implementation by decentralizing some functions from Head Office to regional offices and to certain entry/exit points. The recommendations relating to clearance procedures and regulations will be implemented in stages, as a number of customs officers have to be trained in their new role of a one-stop shop for Customs clearances, and various regulations have to be amended and the changes gazetted.

Trade Facilitation Strategic Workshop. The Trade Hub consultants conducted a Trade Facilitation Strategic Planning Workshop for *forty-five* senior and middle management Customs Officials and *twenty* private sector stakeholders in the Maputo area, whose objective was to:

- Examine strengths and weaknesses of Mozambique Customs;
- Identify specific operational and trade facilitation constraints;
- Identify workable and lasting solutions; and
- Develop an action plan for implementing the solutions.

The Workshop opened jointly by the Director-General of Mozambique Customs, Dr. Barros dos Santos, and the USAID Deputy Mission Director, Ms Donna Stauffer,

developed an action plan which has been presented to the management of Mozambique Customs.

Simplification and Harmonization of Customs Transit Procedures.

Mozambique and South Africa use different documentation and procedures on transit traffic, and this causes long delays at their border posts of Lebombo/Ressano Garcia. It was agreed to simplify and harmonize the transit procedures and introduce the Single Administrative Document (SAD 500), based on the form used by South Africa and the Trans Kalahari Corridor. Four Customs officials were assigned to work with the Trade Hub Senior Customs Advisor on the draft procedures and SAD 500. This was completed and will be presented and finalized at a Trade Hub-facilitated meeting with the South African Revenue Service and other stakeholders, to be held in Johannesburg during the next quarter.

Guidelines for the Proposed Dry Port. Mozambique Customs requested Trade Hub assistance in a feasibility study and development of guidelines/legal framework for the proposed Dry Port on the border with South Africa. Initial proposals were tabled and discussed with the Customs management team, but as a final decision to establish the Dry Port is still to be made, a more comprehensive feasibility study will be undertaken at a later stage.

Introduction of WCO Release Time Study. The idea of undertaking a Release Time Study, to document the time taken for each stage of the customs process, was presented to Mozambique Customs. The management accepted the proposal and asked the Trade Hub to assist Mozambique Customs to conduct the study at the earliest opportunity. The study will be conducted in the next Quarter after the groundwork has been done.

(Additional information reporting on these technical visits are available in the Mozambique Trip Report by Ranga Munyaradzi and I.V. Mazorodze.)

Customs Modernization - Best Practices and Time Release Studies

A short-term consultant, Luc de Wulf, an international customs expert from the World Bank, traveled to Gaborone in February to advise and mentor the Trade Hub Customs Advisors on best practices to assist with Customs modernization initiatives, in particular the introduction of the World Customs Organization (WCO) Release Time Study procedures. Mr. de Wulf is co-Editor of the recently published Customs Modernization Handbook (World Bank, 2004). This concept, developed by the WCO, was piloted in Africa by Kenya Customs last year. The study in Kenya was very successful and it greatly assisted Kenya Customs in removing the bottlenecks in the clearance of goods.



Luc de Wulf addresses the audience on Customs Modernization.

Under the Release Time Study, the national Customs authority undertakes a study detailing the various steps in the cargo release procedures for imports and exports and how much time elapses between each step. The study involves the Customs Department and private sector organizations and it identifies problem areas and delves



Discussions during luncheon with Luc de Wulf.

into the causes of these problems, with a view to drawing up a prioritized action plan for solutions, including targeted outside support and further technical assistance.

Mr. de Wulf recommended that the project suggest the approach to certain countries in the region that are committed to taking ownership over improving the efficiency and effectiveness of Customs clearance and offer technical assistance to facilitate the work.

This was introduced to Mozambique during the visit of Mr. Munyaradzi. Based on their positive response it was agreed to undertake the first pilot study in Mozambique during the next quarter.

Priority Customs and Corridor Initiatives

Sandra Coetzee from Consilium Legis began work during the quarter on a short-term assignment identifying specific interventions the Trade Hub might consider undertaking in transport facilitation over the life of the new project as a way of focusing resources for more effective results. As part of that work she traveled to Gaborone for a two-day briefing with the Trade Facilitation and Capacity Building Project Directors and Customs Advisors. Her completed recommendations and action plan are expected in April. In addition to continuing the Trade Hub's ongoing work on the TKC, initiatives are also underway to extend the work done on the TKC to the Maputo corridor.

Theo Lyimo, Customs Specialist, continued to work through January with the COP and other team members as a short-term consultant, identifying the demand for work on trade facilitation. A draft annual work plan for the Customs and Transport component for period ending September 30, 2005 was completed, together with a complete breakdown by quarter and level of effort for long-term and short-term consultants. This was revised in light of budgetary developments.

Dialogue for Competitiveness: Building Private Sector Advocacy and Outreach

Communications Materials

Upon her arrival at the Trade Hub, the Trade Facilitation and Capacity Building Project Information and Communications Coordinator, Gina van Schalkwyk, began work on a series of informational handouts highlighting the mandate and activities of the new project. In addition, she worked intensively with the technical team to prepare several briefing papers and presentations for various visitors, workshops, conferences and outreach activities. These materials will be available on the Trade Hub's updated website.

The Project also started producing concept 'Notes' on specific topics of interest. The first was by Luc de Wulf on Customs Modernization, *Modernizing Customs: A Vision*.

Trade Hub Newsletter - Inside Southern Africa Trade

During the quarter the Project began work on conceptualizing, researching and designing a flagship newsletter for the Trade Hub. Moono Mupotola and Mirvat Siwadeh, were retained as short-term consultants, based out of Harare/Botswana and Washington, D.C., respectively, to do the foundational research, concept and development of Inside Southern Africa Trade (INSAT). Gina van Schalkwyk, the Project's Information and Communications Coordinator, will oversee development and publication of this periodic publication. The newsletter will focus on trade developments in the region and highlight the work of the Trade Hub. Its focus will be on providing topical and current news and information to both public and private sector stakeholders in the region. The first issue, to be published electronically, will come out in the second quarter of 2005.

Website Re-design

Since arriving at the Trade Hub, Ms. van Schalkwyk has worked closely with Karen Roland, RAPID's Web/IT Specialist, on the re-design and content enhancement of the Trade Hub website, assuming production of Trade Hub Happenings and understanding how the Quarterly Report is compiled and published. This collaboration will continue through the next quarter as TSG transitions to take over management of the Trade Hub.

Public Outreach and Professional Development Programs

In March, Robert Kirk, Torge Gerlach and John Keyser met with the U.S. Ambassador to Botswana, Mr. Joseph Huggins, to discuss the new technical projects under the Trade Hub, the new contractors' visions for the Trade Hub and plans to raise the profile of the Trade Hub both in Botswana and throughout the region.

During the quarter a new public outreach program was also developed in order to raise the profile of the Trade Hub in Botswana and throughout the region. The program will continue to be developed over the next quarter once the new Trade Hub Manager Marty Norman assumes his duties. The outreach program will include the hosting of breakfasts and lunches to introduce the Trade Hub to public and private sector stakeholders in Botswana. It will also involve a Lunch Series on topics of interest to stakeholders. The first Lunch Series event was held in February when Luc de Wulf spoke to a group composed of Senior Botswana Customs Officials, SADC Customs Advisors and donor representatives on the topic of Customs Modernization.

Also being organized is a Professional Development Series on Multilateral Trade Issues for the Botswana public and private sectors.

Work plan, PMP and Cross-cutting Issues

Consultation Visits. The TSG-Nathan consortium submitted its first year work plan to USAID/RCSA on December 24, 2004. Consultation and buy-in from stakeholders from eligible countries in the region continued during the first quarter of 2005 to ensure that the work plan is demand driven and that activities coordinate with interventions by other donors. However, the planned consultation trips scheduled for January and February were adjusted. Paulina Elago traveled to Namibia, Bridget

Chilala traveled to Malawi and Robert Kirk traveled to Lesotho. (*For more information please see the respective Trip Reports.*)

With the arrival of the long-term team contacts were also established and followed-up with SACU Secretariat, SADC Secretariat, particularly the EPA unit coordinator and DIFD funded Adviser to the EPA Unit, the SADC DFID funded project Manager and the GTZ Trade Policy Adviser at the SADC Secretariat, as well as the Economic Advisor at the EU Delegation. Discussions involved identifying priority implementation activities and ways and means of coordinating activities. In particular, the DFID Regional Integration Program expressed a serious interest in finding ways to collaborate closely on activities. Discussions are ongoing.

Project Monitoring Plan. Sarah Helmstadter, an expert in project design and performance monitoring, arrived on January 24 on a short-term assignment to lead the design of the Project Monitoring Plan (PMP). During the last week of January and first week of February the core long-term team including Jim Cassing, Paulina Elago, Ranga Munyaradzi and Bridget Chilala worked with Sarah Helmstadter on the preparation of the PMP. The draft PMP and the indicators were discussed with USAID/RCSA. Given the budget uncertainties, the PMP is being re-evaluated and re-discussed with USAID/RCSA.

HIV/AIDS and Gender Mainstreaming. From February 7-10 the project's HIV/AIDS specialist and short-term consultant Rose Smart visited the Trade Hub to prepare a framework on mainstreaming HIV/AIDS and Gender into the Trade Facilitation and Capacity Building Project work plan. The paper and the project's proposed approach were discussed at an all-partners roundtable on April 6. The framework mainstreams HIV/AIDS and Gender into the activities of the project by:

- making the economic and business case for mainstreaming HIV/AIDS and gender into any trade initiative;
- analyzing the core activities for areas of comparative advantage to mainstream HIV/AIDS and gender;
- proposing activities – primarily the amendment of planned activities – that will ensure HIV/AIDS and gender mainstreaming;
- developing indicators to monitor and measure HIV/AIDS and gender mainstreaming in the Trade Facilitation and Capacity Building project.

(*For more information please see the Report prepared by Rose Smart.*)

Life-of-Project Work Plan. Following discussions with RCSA/USAID through February and March it was clarified that we should continue to implement the Work Program submitted on December 24, 2004 and delay submitting the Life-of-Project Work Plan until we received further information on the funds to be obligated through FY 06.

Operational Activities and Challenges

In addition to implementation of a full program of activities, the first quarter of 2005 saw continued mobilization of the new Trade Facilitation and Capacity Building Project team by The Services Group (TSG) – Nathan consortium. It also witnessed the announcement of expected budget cutbacks to the USAID/RCSA Mission for FY

06 and, as a result, to the Trade Facilitation and Capacity Building Project. Finally, during the last month of the quarter transition planning was put in place for TSG to take over management of the Southern Africa Trade Competitiveness Hub from Chemonics International, Inc., effective April 1, 2005.

Resident Team Mobilization. During the fourth Quarter of 2004 (and the first quarter of the Project), a Chief of Party (COP) was identified and approved by RCSA. In mid December 2004 the necessary approvals to mobilize the long-term regional staff were obtained from USAID/RCSA, which paved the way for mobilizing the team in the New Year. Four members of the long-term team were mobilized in January 2005. The COP, Professor Jim Cassing, arrived on January 1. Ranga Munyaradzi, the Senior Customs Advisor, also arrived at the beginning of January. Paulina Elago, the Deputy Chief of Party, and Bridget Chilala, the Director, Trade Capacity Building, arrived on January 24 and 31 respectively. The Information and Communications Coordinator, responsible for publications and outreach activities, Gina van Schalkwyk, was recruited during the quarter and commenced her duties on March 1. Although initially intended to be a long-term appointment, due to the uncertain budget situation discussed below Ms. van Schalkwyk was provisionally hired on a short-term contract through the end of September 2005.

Head Office Staff Travel. Lisa Yarmoshuk, Nathan Project Director, returned to Gaborone January 11 to continue with mobilization of the long-term team and implementation of the program of activities. Robert Kirk, TSG Project Director based in Washington, D.C., traveled to Gaborone February 5 and stayed through the end of the quarter in order to address budget, staffing and project activity implementation issues. Torge Gerlach, TSG CFO, traveled to Gaborone March 8-16 for meetings with USAID/RCSA on contract issues related to the budget and management of the Trade Hub. During March, our Operations Manager, Rekha Lal, took unpaid leave and was replaced by Lisa Highland who backstops the project from the TSG Head Office. In light of the unexpected advancement of the date for TSG to assume management of the Trade Hub, discussed below, and the details to be addressed, TSG made a decision to have Ms. Highland remain at the Trade Hub through April on overhead to assist with the transition of responsibilities of the Trade Hub to TSG.

Budget Issues and Restructuring. On February 7, USAID/RCSA informed TSG that based on preliminary allocation letters regarding the Mission's funding for FY 06 no additional funds would be obligated to the project in the current financial year and funding would be reduced by 60 per cent from September 2005. In early consultations with the Mission TSG was advised to restructure the project accordingly to take account of the expected short-fall in funds. The TSG Project Director reviewed future staffing plans against the expected budget. After learning of the funding uncertainty the candidate for Director, Dialogue for Competitiveness decided not to join the project. The COP, Professor Jim Cassing, left the project on February 28. The TSG Project Director, Robert Kirk, became the interim Acting COP and remained in country through April 4. It was agreed with USAID/RCSA that in the absence of the Acting COP the co- Project Director, Lisa Yarmoshuk, will be the official point of contact at the Trade Hub and for the Project.

Discussions on future budget allocation continued between TSG and USAID/RCSA through the quarter. TSG was presented with two choices – (1) restructure the team

and reduce the work program immediately to prepare for a potential major reduction in funding or (2) continue the work program and staffing based on the first year work plan in accordance with the Statement of Work and using existing obligated funds. TSG decided to proceed at the expected level of performance for the first year of the project and adjust as necessary to reduced funding in the future. This decision was based on a belief in the strength of the project team and work plan to deliver results and achieve successes in the region as laid down in the Statement of Work. The Mission supported TSG's decision to continue with the First Year work plan submitted in December 2004.

Management of the Trade Hub. In February, USAID/RCSA asked TSG to bring their candidate for Trade Hub Manager to Gaborone to interview with the Mission. Marty Norman, a private sector and export processing zone specialist, arrived in Gaborone on February 13 and stayed through February 22. During his stay he was briefed extensively on the objectives, functions and activities of the Trade Hub. He interviewed with all USAID/RCSA senior staff, including the Mission Director. It was agreed with USAID/RCSA that Mr. Norman would assume his position of Trade Hub Manager on or about June 1.

On March 14, USAID/RCSA notified TSG of its intention for TSG to take over management of the Trade Hub from Chemonics on April 1, 2005. During the last two weeks of March TSG worked closely with USAID/RCSA and Chemonics to plan the transition of management responsibilities to ensure a smooth takeover and uninterrupted service and activities. To ensure continuity of service until the arrival of the new Trade Hub Manager Marty Norman in mid-May, Lisa Yarmoshuk was appointed the Trade Hub point of contact.

TRADE COMPETITIVENESS COMPONENT

Completion of the Start-up Phase of the Trade Competitiveness Component

During this period Margaret Bishop, who had served as Team Leader during the three-month Start-up Phase of the TCC activity, completed her assignment and returned to the United States to take up other duties with consortium member Abt Associates Inc. Her hard work and dedication are duly acknowledged and were much appreciated.

During this quarter an active search for a permanent Team Leader was undertaken, taking into account the fact that the work plan formulation process resulted in a heavier agricultural emphasis than anticipated in the original scope of work and proposal. A suitable candidate was identified, and as of this writing is being formally proposed to RCSA. If approved, he is expected to arrive at post in May.

At the end of January, the TCC team (resident agribusiness specialist John Keyser and home office technical director John Lamb) presented its draft Work Plan to a large audience within RCSA, which included the Director and Deputy Director of Mission, the Head of the Project Implementation Unit, the leader of Strategic Objective 14, the Cognizant Technical Officer (CTO), colleagues from the Trade Policy Component, and other interested Mission staff. The presentation summarized progress to date,

especially within the exportable agricultural products subcomponent, which was the first to get started on implementation. Based on highly successful reconnaissance visits around the region, promising opportunities were unveiled at that time with respect to each of the targeted sectors:

In exportable agricultural products, these included:

1. opening up the RSA market for counter-seasonal fruit by assisting the Plant health Department of the National Department of Agriculture with its admissibility process;
2. prioritizing APHIS crop admissibilities from the region to the United States from a market perspective and then moving forward on the pest risk assessment, risk appraisal and mitigation, and rule-making process;
3. expanding penetration of subtropical fruit into the Gulf States, starting from RSA;
4. cracking open the Indian market for fresh lychees and mangos from South Africa;
5. supporting South African and local investment in Mozambique, with a view toward filling undersupplied market windows in South Africa for certain fruits.

In apparel, the TCC team explained that the process had begun of melding together the apparel related activities anticipated under the TCC itself (firm-level productivity improvement for selected “channel captains” and cluster competitiveness enhancement for Lesotho and Swaziland) with those of RAPID’s AGOA advisor, who in May will move over to the TCC team.

In tourism, TCC described the current state of strategy formulation, which is moving toward an emphasis on middle-market tourism with high local content, not only based on adventure, ecology and wildlife but also cultural and historical themes.

Before and after this key work plan meeting, the TCC continued the requisite reconnaissance and scoping-down visits. Visits this quarter concentrated on South Africa (fresh cut fruits for export, sub-tropical fruits and nuts for export, seasonal windows for horticulture products in RSA itself, apparel for global export, “bush-to-beach” regional tourism); Botswana (horticultural import substitution, cattle auction for weaners destined for the RSA market, apparel, adventure/wildlife/cultural tourism); Zambia (paprika quality and safety, cotton productivity, export processing, fresh vegetables and cut flowers for export to the EU and RSA); and Mozambique (fresh fruits for export to RSA, dried fruits for the domestic market, ornamental plants for the RSA market).

Written comments received by the TCC prior to the formal presentation of the draft work plan in late January, plus the feedback provided verbally during the meeting, and lastly the scoping visits undertaken during the entire quarter across the region, all led to a consensus between the TCC Team and RCSA that some modifications were

needed in the initial draft of the work plan. Some are already reflected in headings and tasks shown in this report, while others will be made in the next month, then a revised work plan will be submitted for final approval.

The main points of agreement on modifications to the draft work plan and strategy that emerged during this quarter were/are that:

1. resource limitations necessitate concentration in a limited subset of countries (Botswana, RSA, Zambia, Mozambique, Swaziland, Lesotho) within the RCSA development domain of 11 countries;
2. the countries of greatest potential vary somewhat depending on the sector of interest;
3. limited assistance should be provided to Missions or U.S. Embassies in the other countries in response to specific demands;
4. exportable agricultural products offer more potential for incremental export volume and value than tourism;
5. TCC tourism support should focus on Botswana, while trying to network with and leverage funds from neighboring countries and other programs;
6. Trade Hub support for AGOA-related activities should focus on value chains, clusters, and enterprises in apparel and agriculture that have real potential to take advantage of the preferences, despite changing circumstances and some actual comparative disadvantages;
7. the TCC could and should serve as eyes and ears for both the Trade Policy Component team and cooperators under the Rural Livelihoods Strategic Objective, identifying opportunities for collaboration or full transfer of responsibility where the fit was right and TCC resources are too limited to provide coverage.

On-going Refinement of the Project Management Plan and M&E System

Although some tweaking will be needed, these revisions in approach and content described above remain generally consistent with the indicators previously proposed for use in TCC's Monitoring & Evaluation System.

The Mission's own Project Management Plan (PMP) for IR 14.2, defines the intended result of this activity as "Strengthened Capacity of Targeted Clusters to Produce and Market Competitive Goods & Services." It then goes on to define sub-intermediate results for IR 14.2 as IR 14.2.1 (Value-adding export relationships developed within the region and internationally) and IR 14.2.2 (Access by selected sub-sectors to technical assistance). Along with the draft work plan submitted in late 2004, the PMP submitted by the TCC suggested two indicators of enhanced competitiveness at this level: first, the number of formalized commercial relationships entered into by targeted sector; and secondly, the number of members of targeted sectors achieving international standards.

To recapitulate for the sake of clarity, whether **increased competitiveness** has been achieved at the level of selected value chains will still be assessed by measuring:

Indicator 1: Volumes and values of incremental sales by assisted groups (to be disaggregated into AGOA versus non-AGOA extra-regional

- exports, regional exports, and domestic sales of targeted goods and services (e.g., new foods sold to eco-tourism enterprises)
- Indicator 2:* Number of new deals (i.e. new commercial relationships)
- Indicator 3:* Number of incremental buy-sell agreements between existing buyer-seller pairs (same or different deal)

Success in **establishing or strengthening export relationships** will be measured by:

- Indicator 4:* Number of formalized commercial relationships entered into by firms in targeted sub-sectors

Capacity to meet export standards must also be enhanced, which can be measured in terms of:

- Indicator 5:* Number of enterprises in targeted sub-sectors achieving international standards

Access to required inputs and business services must be increased, an objective that can be measured in terms of:

- Indicator 6:* Number of new sourcing relationships that result in improved access by assisted firms to goods and services.

In recognition of the RCSA mandate to also engage in certain cross-cutting activities, the TCC proposed two more indicators:

- Indicator 7:* Organizational partnerships formed by TCC (excluding other USAID-funded activities)
- Indicator 8:* Number of new workplace policies, programs and/or procedures implemented by assisted firms to mitigate the effect of HIV/AIDS on productivity

With respect to M&E System implementation, during this quarter a decision was made to initiate in QII the design and installation of a database that would enable the field team to track the above indicators. While work on the database proceeds from the Abt Associates home office, a full-time local hire or third-country Monitoring & Evaluation Specialist will be hired for the Trade Hub office to begin collecting baseline and incremental data for each indicator.

Technical Support Provided

As do the other Trade Hub components and activities, TCC provides technical support to the region via a combination of technical assistance and training. The technical assistance is provided either directly by resident specialists on the TCC team located at the Trade Hub, or by short-term experts hired locally, regionally or internationally. The training is provided in the form of in-country workshops and seminars, regional conferences, observational travel, and participation in trade shows or industry conferences abroad.

Examples of technical assistance provided this quarter

- A diagnostic assessment of the Zambian cut flower industry, conducted by ST Win Winogron and John Keyser in January, concluded that most Zambian flower farms were growing less than optimal flower types and varieties, were overcapitalized on a per hectare basis, and should consider diversifying both products and markets. In response, the TCC will arrange for a short-term consultancy in QII 2005 by a California cut flower variety and production expert, whose technical recommendations will be weighed against financial analysis to be carried out together by Win and John.
- An extended short-term consultancy by TCC Tourism Leader Alvin Rosenbaum during this quarter resulted in conceptualization of a new Tourism Products Initiative, which sparked interest and commitment from many other development partners in and for the region. These include ComMark Trust, Open Africa, the Center for Sustainable Destinations at National Geographic Society, and the Regional Tourism Organization of Southern Africa (RETOSA), among others.
- A reconnaissance visit by TCC Technical Leader John Lamb to leading players in the Zambian paprika industry, led to the conclusion that the industry needed better assurance systems for quality and safety, as well as better certification for the absence of aflatoxins that would prohibit entry in the EU market. It was agreed that TCC would provide a short-term expert in HACCP and Good Laboratory Practices during QII 2005.
- A reconnaissance visit by ST Patrick Hanemann to the Maputo, Beira and Chimoio areas of Mozambique produced detailed information on the availability, cost and quality of cargo and transport services, as well as port and road infrastructure. This information will help shape the TCC approach to cluster development in the Chimoio area as well as possible involvement in a large banana project near Beira.
- Reconnaissance visits by John Lamb, Pat Hanemann and Win Winogron to large growers of macadamias, avocados, mangos and lychees in the Mpumalanga and Limpopo Provinces of South Africa (Nelspruit, Hectorspruit, Hoedspruit, Tzaneen) revealed tremendous potential for growth within the same area, as well as across the border and up to the Chimoio-Beira corridor in Mozambique. However, achievement of that potential will require an extended effort at improving market access into the U.S., the Gulf States and South Africa itself, all on the basis of counter seasonal windows. The TCC committed to various lines of action aimed at furthering market access.
- An initial diagnostic assessment of the situation and outlook for opening up the Indian market to mangos and lychees from South Africa, conducted by ST Annu Ratta, confirmed huge market potential, a reasonable chance of gaining admissibility for lychees in the medium term, and an uphill battle for getting import permits for mangos. The next step will be to work with interested grower/shippers in South Africa especially, and also with interested Indian

traders, to define an action plan for market access for either or both crops.

- In response to a request received by lychee growers in South Africa, the TCC's John Lamb and Patrick Hanemann investigated the scientific and regulatory circumstances surrounding the apparent prohibition of use of sulfur dioxide on lychees to be marketed in the United States. It was discovered that this barrier to market access may actually reflect a mis-interpretation of the reasons for using this treatment, and that it may be possible to get it reclassified from food additive to mold inhibitor, in which case EPA rather than FDA would have regulatory responsibility. If that should occur, based on the common use of sulfur dioxide for the same purpose in table grapes, it may well be possible to obtain permission for lychees. TCC will pursue this further, possibly going as far as supporting a brief mission by an FDA expert on sulfur dioxide, so that he can advise industry and the Agricultural Research Council on actions necessary to present their case.
- Responding to an urgent request from leaders in the Botswana livestock industry, TCC Agribusiness Specialist John Keyser joined in a seminal meeting at which in effect the Botswana Cattle Producers Association was borne. As a result of this meeting, TCC agreed to sponsor and financial support observational travel by leaders from industry and government to South Africa, to see how cattle raising, fattening, and marketing occur. In an eye-opening trip that occurred just before this report was written, it was discovered that the very same low-weight weaner calves that are abundant in Botswana and have low value, are what the fatteners want for RSA, and for which they will pay a premium. Next steps in support of legal formation and start-up of this new association, a policy reform that would allow export of weaners to South Africa, and the concept of setting up a local auction, are all summarized in the next section.
- Building on a client relationship emerging from work on new or expanded value chains for horticultural crops, Paolo Cravaliotti, HIV/AIDS leader for TCC, visited three major agribusiness operations in Northeastern South Africa to assess their needs and on-going programs in relation to HIV/AIDS. In the case of one major producer, packer, marketer and exporter of fresh fruits and vegetables located in Hectorspruit, Paolo immediately began working with the firm to explore how PEPFAR initiatives through local NGOs could be better accessed for prevention, treatment and community support for that operation as well as other farms in the area. In the case of a major Hoedspruit grower/shipper/exporter of fresh mangos and dried fruit, Paolo began working with the UN agency IOM to design and implement an HIV/AIDS program for this large agribusiness as well as another 20 farms in the area.
- In response to a request for assistance from the South African subsidiary of a large multinational agribusiness firm, which is interested in introducing a superior variety of pineapple into South Africa and Mozambique for its freshcut fruit operation, and also interested in sourcing more mangos and pineapple from West Africa, as well as more papayas and melons from within the region, the TCC took advantage of its consortium connections with the West African Trade Hub in Accra to help pave the way for an important late-

April visit by the client's technical director to Ghana, Senegal, and Benin. Additional assistance to this client by TCC is envisioned in sourcing, market access, and cross-border investment.

- ⇒ During this quarter, the TCC team also assisted the Mozambican Director of the Aga Khan Fund for Economic Development (AKFED) to link up with potential co-investors and technical/marketing partners from South Africa for possible large-scale pineapple, lychee or avocado projects in Mozambique. AKFED also requested assistance in the preparation of a concept paper and eventually a feasibility study for the pineapple project.

Examples of training activities this quarter

As might be expected this early in a new project, when finalization of strategy and selection of value chains and clients are the main concerns, no formal training activity was carried out.

1. In response to initial feedback received from industry stakeholders, the regional apparel conference based on the theme "Coping with a Post-MFA Apparel Trading Environment" was converted into a set of four one-day industry roundtables to be held sequentially in Botswana, South Africa, Swaziland, and Lesotho during the first week of May of 2005.
2. The idea of a mitigation strategy workshop tentatively dubbed "HIV/AIDS-in-trade" originally slated for February was dropped when RCSA decided to take advantage of the April 5th Partners Conference to hold a next-day meeting of contractor and grantee staff involved in the HIV/AIDS struggle.

The organizers of the AFGRI conference on regional agriculture, which was originally planned for Johannesburg in early March, decided to delay it until October or November of 2005, in order to have more time for promotion. The TCC offer to co-sponsor the event by providing some of the speakers still stands.

SECTION III: PLANNED ACTIVITIES AND RESULTS

April - June 2005

RAPID PROJECT SERVICES

AGOA

During the second quarter, the AGOA program will continue to achieve the objective of fostering business linkages to increase both the value and the volume of exports under AGOA.

The AGOA Advisor will be joining the TCC team at the end of May, under Carana, Corporation, to work on business linkages, competitiveness, and increased exports under AGOA.

Apparel Program for Botswana, Swaziland, Lesotho and South Africa

In the first week of May, a series of four one-day Industry Round Tables will be held in the highest priority textile and apparel countries for the TCC: Botswana, South Africa, Lesotho, and Swaziland. Steven Jesseph, Vice-President for Corporate Responsibility for Sara Lee Corporation, which has been an apparel industry leader for decades, will provide high-level mentoring on strategy, and also represent the Worldwide Responsible Apparel Production certification initiative. At the same event, Donald Matson, owner of Grotex USA LLC and formerly Vice-president of Sales and Production Management for Capital Mercury Apparel, Ltd, will discuss his experience sourcing from and competing with China. Short presentations will also be made on country-level programs on workplace strategies for HIV/AIDS and a toolkit for occupational safety and health in the apparel industry, which was developed and successfully implemented in the Central American apparel industry.

CCA Summit

The Trade Hub will send a delegation of companies to the Corporate Council on Africa's Business Summit held in Baltimore, Maryland from June 21-24. The Trade Hub delegation will feature companies from Namibia, Botswana, Swaziland, South Africa and Mozambique and will feature the seafood, handicraft, apparel and agriculture sectors. The Trade Hub is partnering with SAIBL to send companies from South Africa to the event.

Phyllis Shearer-Jones will assist with the delegation in Washington, facilitating meetings, business linkages and marketing for the companies. The Trade Hub is partnering with SAIBL to send companies from South Africa to the event.

AGOA Forum

The 2005 AGOA Forum will be held in Dakar, Senegal in July. The Trade Hub will send a regional delegation to the AGOA Forum. The AGOA Advisor will work with

the Trade Hub team during the second quarter to develop workshops on apparel and global food standards for the program in Senegal.

The apparel workshop would explore strategies for firms in Southern Africa to remain competitive in the post-quota environment. This workshop would build upon the work that Steve Jesseph, Vice President of Sara Lee Branded Apparel, will conduct in Botswana, Swaziland, Lesotho and South Africa the first week of May.

The global food standard workshop will explore the dual challenge of trade capacity building in the TBT and SPS area in furtherance of WTO commitments. It will also explore the rise of private standards for quality, SPS, environment, social, and service considerations, which is driven by the increasing domination of major chains in the food industry.

TRANSPORT CORRIDOR EFFICIENCY

The Trade Hub shall assist to organize and facilitate a national workshop in Swaziland towards the end of April 2005 to consider recommendations and action plan for removing the transportation constraints to competitiveness of the country's international trade. The aim of the workshop is to secure ownership, endorsement and commitment to implementing the action plan by various Swazi public and private sector stakeholders.

The Trade Hub, in coordination with ComMark, will finalize a similar analysis for Lesotho aimed at elaborating existing transport constraints and propose an action plan to remove them in order to reduce transportation cost and improve logistics for Lesotho's international trade. The technical report and, in particular, the proposed action plan will be presented at a national workshop in May 2005 to secure ownership, endorsement and commitment to implementation by various Lesotho public and private sector stakeholders.

After postponing the holding of a meeting in March 2005 of the Trans Kalahari Corridor Management Committee (TKCMC) working groups and team of experts (task team) for harmonization of vehicle weight limits and weighing equipment and overload control procedures along the TKC, the Trade Hub will assist Botswana and TKC Secretariat to organize the meeting in April/early May 2005. The aim of the meeting is to expedite removal of current discrepancies especially at Lobatse and Mamuno weighbridges in Botswana.

The Trade Hub shall also assist Botswana and South Africa to prepare for another postponed meeting of relevant stakeholders and/or authorities to agree on the extending of the operating hours at the Schipadshek/Pioneer Gate border post. The road transport operators have strongly requested the extension, which they consider critical to attracting more traffic along the TKC

The Trade Hub will also initiate work to provide technical assistance to Spoornet (national railway company) of South Africa concerning planned private sector involvement in rail development and operations, especially on the short and abandoned or unused lines and in the procurement and operation of rolling stock. Consideration is being made to organize a round-table meeting of various relevant

public and private sector participants in South Africa, other Southern Africa countries and the U.S. to exchange information on the available good options. The aim is to inform relevant South Africa authorities and decision makers adequately to enable them proceed with the necessary feasible reforms of the railway system, whose efficiency is critical to trade competitiveness of the whole of Southern Africa countries.

Following a request of the TKC Secretariat, the Trade Hub will also assist in the procurement of experienced multi-modal transport operators (MTOs) to consider introducing such services along the TKC, as a follow up to the proposals of the USTDA financed study completed in the last quarter of 2004.

The Trade Hub will assist to organize and facilitate a meeting of the TKCMC to review the operational performance of the corridor and implementation of the TKC MOU. The meeting will also determine measures to expedite implementation of the priority action, taking the advantage of strengthened capacity of the TKCMC Secretariat through the employment of a dedicated Program Coordinator.

OUTREACH & COMMUNICATION

Ms. Roland will continue to provide required materials and files to TSG during the transition. She will also provide assistance with the preservation of electronic files during the RAPID close-out. Ms. Roland will continue to work closely with Cyberplex Africa to facilitate and monitor web redesign progress to ensure a May 14th roll-out. She will also prepare for the hand-off of the website to TSG.

PROPOSED WORKSHOPS/CONFERENCES

- 2005 AGOA Forum –to sponsor Southern African participants to this year’s forum – Dakar, July 18-20, 2005
- Trade Mission Exhibits in the United States such as the Fancy Food Fair in Chicago in May – for Southern African participants to make trade contacts
- Attendance at Corporate Council on Africa summit in the United States – southern African participants to the annual CCA meeting in Baltimore in June
- AGOA capacity building workshop – under RAPID, to strengthen local capacity in responding to AGOA opportunities – (principal targets are non-presence countries)
- Engagement of Swaziland lawyer to review claims on Swazi Trust Fund –
- Southern Africa Regional Community Based Natural Resources Management Workshop. A final regional workshop to summarize regionally supported CBNRM activities over the past decade
- Technical assistance and meeting of principals for Okavango-Zambezi Trans-boundary Conservation Initiative – in support of U.S. Embassy/Botswana request
- Training Workshop for Botswana Community Trusts with Conservation International – in support of a U.S. Embassy Botswana request
- USAID Environmental Regulation and Management Training Conference Kasane
- Rural Livelihood Project Monitoring System – TA and training to establish a SO wide monitoring system for the current program

- Regional workshop for Farmer Associations in Malawi/Zambia/Mozambique – to strengthen association building for farmers in this triangle
- Regional Food Security and Hunger Workshop
- Study with TI/Botswana on Corruption Perception Index Study – at the request of U.S. Embassy Botswana
- Study on Campaign Finance Reform in Botswana – at the request of the U.S. Embassy Botswana
- Study of Botswana Independent Electoral Commission legislation – at the request of U.S. Embassy Botswana to strengthen legislation for an independent commission
- Transport Corridor Workshop
- SPOORNET Railroad of South Africa Study Tour to the U.S.
- Review of Six Major River Basins Organization and Operation in Southern Africa – to prepare a detailed baseline document on the six major river basins in the region
- Analysis of the Paarl Franschoek tourist Railway—SA
 - An Assessment of the Swaziland Anti-Corruption Commission

TRADE FACILITATION AND CAPACITY BUILDING PROJECT

Expected Achievements

The Trade Hub will in collaboration with regional private sector stakeholders, governments, regional institutions and international strategic partners such as U.S. Border Protection Agency, USTDA, USTR, and DOC, build on the progress achieved to date and expand the regional reforms to deliver the following:

- Reduce transit and clearance times for goods through increasing understanding of the importance of developing appropriate risk management procedures and by reducing unnecessary red tape;
- Improve the business enabling environment through raising awareness of the benefits of targeted policy/regulatory reforms through the dissemination of policy analysis briefs;
- Support the development of a dynamic and broad based constituency advocating for pro-competitive policies and regulations.

The Trade Facilitation and Capacity Building activities of the Trade Hub address directly the goals of the President’s TRADE initiative. By providing technical assistance, training and other support, it endeavors to promote regional integration and cooperation by strengthening the ability of sub-Saharan Africa countries and businesses to develop regional trade and to facilitate economic policy formation.

Specific results through the next quarter build on the work and results of the first quarter of 2005 and are scheduled to include:

- Recommendations for the establishment of national tariff administration bodies in the BLNS prepared along with proposed operating guidelines;
- Recommendations for the establishment of national implementing institutions for the upcoming US-SACU FTA;
- New export promotion guidelines for Swaziland prepared;
- Investor roadmaps for Lesotho and Namibia prepared;
- Industry operating guidelines established for the Botswana Call Center Association;
- Investor Roadmap for the Botswana International Financial Services Corporation (IFC) prepared;
- A series of Policy Concept Papers prepared and submitted to stakeholders;
- First Release Time Study in Southern Africa completed, resulting in increased awareness of the cause of delays.

These achievements are expected to result from the following planned activities.

Planned Activities

Trade Hub Management and Vision

TSG assumes responsibility for managing the Trade Hub on April 1. The new contractors plan to embark on a major awareness raising initiative that will establish the Trade Hub as a 'Center of Excellence' for trade within Southern Africa. Specifically, this will include upgrading the exhibition area, strengthening the Trade Hub as a resource center for information on U.S. government agencies such as USTDA, EX-IM Bank, and OPIC, and the delivery of high quality technical advice and assistance to governments, the private sector and regional organizations.

The new Trade Hub Manager, Mr. Martin Norman, will take up his duties in mid-May. Mr. Norman is an experienced administrator having previously managed Export Processing Zones in Central America and Nigeria. Most recently he has been working on the establishment of an Investment Promotion Agency in Iraq.

Trade Capacity Building

Task 1.1 Support for Countries to Participate more effectively in Trade Negotiations and Task 1.5 Support to SACU US/SACU FTA

- The Trade Hub will continue to coordinate and deliver demand driven technical assistance to BLNS countries as part of U.S. support during the US-SACU FTA negotiations. Funding for the Trade Facilitators will continue through June with the aim of supporting the BLNS engagement in the US-SACU FTA negotiations. The Facilitators will continue to submit monthly

reports. In addition, the Trade Hub will undertake specific activities to support trade policy development.

- The Trade Hub will undertake a series of Services sector specific activities to assist BLNS countries prepare for the final round of the FTA services negotiations. The key focus of these seminars will be on the formulation by BLNS of offers and requests in strategic sectors.
- The SACU tariff study will be finalized in April and will be followed up with national workshops on tariff setting and administration. This will serve to enhance the ability of the BLNS to implement their obligations under both the SACU Agreement and the proposed FTA.
- The Trade Hub will organize regional seminars on Intellectual Property Rights and Trade and Labor issues as part of the SACU/US FTA TCB program.

Task 1.2 Providing Support for Countries to Identify National Trade Interests and to Implement National Priorities

- At the request of the Swaziland Investment Promotion Agency (SIPA), the Trade Hub will provide technical inputs and facilitate a national workshop on the implementation of the Investor Roadmap.
- The Trade Hub will also provide technical support to the SIPA team that will be appointed to spearhead the implementation of the recommendations adopted by the national workshop.
- At the request of the Ministry of Finance of Swaziland, the Trade Hub will provide technical support to establish a Revenue Authority. This will involve facilitation of a stakeholders' workshop and supporting the participation of heads of revenue authorities from four countries in the region. The workshop will discuss the various models of revenue authorities in the region, their relationship with the ministries of finance, the sources of their budget, etc. The conclusions and recommendations of the workshop will be the basis for a blueprint for the proposed authority and a work plan for establishing it.
- The Trade Hub will follow-up on the diversification seminar in Swaziland with focused industry activities to finalize the identification of new strategic sectors in Swaziland to replace clothing and textiles.
- Following requests from the Lesotho National Development Corporation (LNDC) and the Namibian Investment Center the project will commence work on Investor Roadmaps for both Lesotho and Namibia.
- As part of the support the Trade Hub is providing to the IFSC for the development of a national BPO strategy, the Trade Hub will undertake the formulation of an investor roadmap focusing on the financial services sector in Botswana. Furthermore, the Trade Hub will extend support towards the establishment and start up of the Botswana Call Center Association;

- In response to a request from the National Treasury in South Africa and USAID South Africa the Trade Hub will participate in a review of Investment Incentives that will estimate the marginal effective rate of taxation. The work will show how different interventions have affected the business decisions of firms receiving specific incentives. The Trade Hub will undertake a series of case studies of priority sectors and prepare guidelines for future national and local investment strategies.
- Responding to a request from Swaziland, preparation of a short note summarizing the MCC eligibility criteria and outlining Swaziland's economic characteristics. The note will highlight the policy and regulatory issues that Swaziland will need to prioritize in order to benefit from MCC funds.

Task 1.3 Support for Implementation of Trade Agreements

- The project will work with Government Ministries in Zambia to implement a Trade Facilitation assessment in preparation for the ongoing WTO negotiations on Trade Facilitation. Specifically the work will assess the implications for Zambia of implementing new initiatives in trade facilitation and prepare recommendations for ensuring effective compliance. It is expected that this work will be extended to other countries in the region;

Task 1.4 Support to SADC

- At the request of the Assistant Secretary-General of COMESA, Trade Hub staff will meet with the COMESA Secretariat to identify specific activities and interventions where the Trade Hub could facilitate implementation including, harmonization of customs procedures and exchange of data, implementation of the regional Customs Bond Guarantee Scheme, fast tracking the integration of the COMESA Yellow Card Scheme with the fuel levy system used in SACU, and the harmonization of road user charges.
- By invitation of COMESA Secretariat, participate in the 16th Meeting of the COMESA Trade and Customs Committee scheduled for April 20-22 in Lusaka. The meeting will review the implementation of the Transit Customs and Trade Facilitation programs.



Mr. Sindiso Ngwenya, COMESA Deputy Secretary General and RCSA Mission Director, Gerry Cashion, listen to a speaker during the US Economic Officers Conference at the Hub, March 30-31.

Task 1.5 Support to Policy Change Issues Related to Trade Competitiveness Project Activities

- In response to requests from the Trade Competitiveness Project the Trade Hub will prepare a series of short concept papers outlining best practice on specific transaction-based issues in the priority sectors of tourism, agriculture and textiles and apparel.

- Preparation of a series of concept papers and policy briefs on transaction related issues identified by the Trade Competitiveness Project. In partnership with the TCC team the Capacity Building consultants have identified a series of specific policies and regulations that continue to constrain growth.
- Address the issue of discriminatory treatment for VAT purposes of Swaziland's transit trade through South Africa. In an attempt to reduce VAT evasion the South African Revenue Service imposed new requirements on cross border trade, which has increased transaction costs. The Trade Hub has been requested by the Swaziland Chamber of Commerce to review the situation and make recommendations.

Global Development Alliance

- Discussions will be held with the American Soybean Association/World Initiative for Soy in Human Health (ASA/WISHH) who in partnership with Malnutrition Matters, Natural Products Inc., Solae, Soyatech, and WhiteWave Foods have joined together to create the Soy in Southern Africa Alliance. WISHH is interested in developing a GDA aimed at improving the nutritional value of locally processed foods, increasing the capacity of local commercial firms to produce nutritional foods, and benefiting approximately 2,500 people living with HIV/AIDS.

Customs Modernization and Transport Facilitation

Task 2.1 Improve the Capacity of Customs Administrations to Implement Policies and Regulations that Support Competitiveness and Free Trade

- Facilitate a meeting of the Trans Kalahari (TK), Dar and Maputo Corridors. The meeting is being convened to facilitate the modification and adoption of simplified and harmonized Customs transit procedures for use on the Maputo Corridor, based on those currently used on the TKC and agreed upon for the Dar corridor.
- Prepare a Road Map for removing identified non-tariff barriers to exports, particularly to agricultural inputs in Malawi and Zambia to support the work of the Trade Competitiveness Component.
- Finalize electronic certificate of origin and arrange for its rollout.
- Assist Botswana to introduce transparent and WTO compatible valuation for used motor vehicles.

Task 2.2 Support for Implementation of Customs Efficiencies, State of the Art Methodologies

- The Senior Customs Advisor, together with an expert from the World Customs Organization (WCO) in Brussels, will design the methodology for conducting

a Release Time Study, including the appropriate Questionnaire for Mozambique, and assist in the conducting and compilation of the final Release Time Study Report, using the specially designed software program.

- Introduce and offer to facilitate WCO Release Time Studies for Malawi and Zambia.

Task 2.3 Support for Training and Capacity Building

- Begin to design specific support and technical assistance to eligible countries to meet the new U.S. security and bioterrorism requirements.
- Continue to assist the TK Corridor to pilot joint customs controls.
- Identify Trade Facilitation Constraints at Ports of Beira and Nacala and conduct Trade Facilitation Workshop in Northern Mozambique.

Dialogue for Competitiveness: Building Private Sector Advocacy and Outreach

Task 4.1 Relationship Building and Workshops, Seminars, Roundtables and Training

- Organize a regional workshop to present the findings of the Trade Finance Study. The workshop aims to build support for implementing measures aimed at increasing the availability of trade finance to small and medium enterprises;
- Organize a series of breakfast and lunch events to introduce the work of the Trade Hub to Botswana government officials and the private sector. A briefing for BEDIA is planned for April. Also scheduled are briefings to the private sector associations in Botswana.

Task 4.2 Preparation and Dissemination of Outreach Materials

- Publishing of the new newsletter, which will report on topical issues in Southern Africa Trade, including the status of ongoing negotiations. It will also serve to record success stories from the Trade Hub.
- Preparation and dissemination of regular policy notes, events one-pagers and other promotional materials.
- Updating and finalization of the revamped Trade Hub website.
- Preparation of the monthly Trade Hub Happenings. This will continue to be a monthly events and listings publication.
- Design and implementation of an Outreach Strategy for the Trade Hub.
- Preparation of regular press releases and media liaison through RCSA/USAID and the U.S. Embassy.

TRADE COMPETITIVENESS COMPONENT

During the second quarter of 2005, the Trade Competitiveness Component will endeavor to achieve a broad array of results within and across the targeted sectors. These will include:

Work Plan Finalization and Stakeholder Acceptance

Revision of the first annual work plan based on the results of the first full round of reconnaissance visits to the field, plus discussions internal to RCSA, and feedback from Missions or Embassies in the main countries of emphasis: Botswana, South Africa, Mozambique, Zambia, Lesotho and Swaziland

1. Finalization of a life-of-project work plan along the same lines, including acceptance from RCSA

Completion of Staffing

Recruitment and arrival at post of a permanent Team Leader with strong credential in enterprise development, trade and/or agricultural development.

1. Ratification by RCSA of the Value Chain Leader (VCL) concept, i.e. individuals with particular competence in a certain theme, sub-sector or product group who are available for intermittent but extended short-term consultancies. At least five such people will be so designated during QII. Preferred candidates have already been identified and have begun working for: tourism; HIV/AIDS; cut flowers/ornamental plants; pineapple/bananas; and mangos/lychees/macadamias.
2. Recruitment and placement of a long-term TCN or HCN Monitoring and Evaluation Specialist within the Trade Hub
3. Creation and filling of a half-time position in South Africa for a local hire Market Development Specialist, to be provided by consortium member ECI/Africa

Coordination with other Development Partners

Continue to perfect mechanisms for coordination in planning and execution with other contractors and cooperators at the Trade Hub, both with SO14 and with SO15

1. Continue to identify related programs and projects in each of the target countries and sectors, and then establish/perfect mechanisms for coordination
2. Seek out and develop additional opportunities for leveraging resources, especially in regional tourism, apparel, and HIV/AIDS

Further Ratification and Refinement of the Value/Supply Chain/Cluster Approach

The first quarter of implementation reaffirmed the validity of the core strategy of the Trade Competitiveness Component (TCC) as defined in the proposal and draft work

plan. The four-step process is as follows: (a) identify industry sectors in Southern Africa with the greatest potential for increased regional and international competitiveness, (b) within those sectors, take a *value chain* approach to export development, which means identifying source-product-end market combinations that offer growth potential, then resolving issues of productivity and reducing supply chain friction (time, cost, red tape, etc), (c) engaging intensively with leading enterprises ('channel captains') to achieve breakthroughs in product development and market linkages; and then (d) working to replicate and spread the resulting economic benefits by expanding the *cluster* of firms and suppliers involved in the same value chain.

In the sections below, the main tasks for each sector/subsector are set forth for the first year. Specific deliverables under each task have been proposed in the draft work plan, but they are not listed below because they had not yet been formally approved, and also because feedback from early implementation highlighted the need for some changes.

Selected Activities in the Horticultural Sub-Sector, Exportable Agricultural Products

Task 1.1 Update Regional Action Plan/Road Map for Selected Horticultural Value Chains, Supply Chains, Deals

Obviously promising value chains and clusters emerged unexpectedly fast from the reconnaissance visits undertaken during Q1. For that reason it is no longer necessary to develop a comprehensive, regional action plan or road map as a means of targeting. The focus this quarter will instead be on formulation and initial implementation of value chain-specific action plans.

The current long list of promising value chains is presented below. Given resource limitations, some will likely be shelved or postponed in the course of the quarter, as more information is acquired and more analysis undertaken. By the end of the quarter the list will have been shortened to better reflect available resources.

- Fresh melons from Botswana to RSA fresh market and EU fresh cut market
- Fresh specialty vegetables from Zambia to RSA
- Cut flowers from Zambia to the EU
- Fresh cut roses from Zambia to RSA during the winter season
- *Fresh mangos from Mozambique to RSA fresh market and EU fresh cut market
- *Fresh papaya from Mozambique to RSA fresh market and EU fresh cut market
- *Fresh bananas from Mozambique to RSA
- *Fresh plantains from Mozambique to RSA
- *Fresh pineapple from Mozambique to RSA
- *Fresh lychees from RSA and Mozambique to the United States
- *Fresh avocados from RSA to the United States
- Fresh mangos from RSA to the Gulf States
- Frozen shrimp from Mozambique to the United States

Task 1.2 Provide Assistance to Specific Horticultural Deals

Based on service agreements, customized technical assistance and training will be provided to selected enterprises within each of the targeted value chains. However, confidentiality clauses prevent the names and specific deals from being divulged in this particular report, at least in this stage of the deal-making process. Individual technical assistance missions planned for each value chain and deal will be summarized in the quarterly travel tracker and detail provided in associated scopes of work.

During this quarter a newly assigned Market Development Specialist will begin working out of Johannesburg, tasked with helping to place in South Africa agricultural and food products produced elsewhere in the region. His services will be announced and made available not just to clients of the TCC, but also of the Rural Livelihoods implementing partners, and to bilateral projects working in export development.

Task 1.3 Help Resolve Cross-Cutting Constraints to Horticultural Export Development

The main constraint to be addressed during this quarter—indeed for the next year or more--will be market access. The value chains that require additional effort in this regard, usually in the form of work on pest lists, pest risk assessment, risk appraisal, mitigation measures and/or quarantine treatments, are indicated above by an asterisk. The roles that the TCC will perform to expand market access will include: identifying opportunities for cross-border trade, assessing market potential, pinpointing risks, providing short-term technical assistance, and catalyzing policy reform. When appropriate, the Trade Policy Component will collaborate as well, especially on policy reform such as the use of sanitary or phytosanitary measures as a non-tariff trade barrier.

Another recurring constraint is lack of familiarity with new opportunities for trade within and outside the region. This problem will generally be resolved by the TCC agribusiness advisor, Value Chain Leaders, and other short-term technical experts entering dialoguing with retailers, importers and other receivers in generally promising markets, to identify gaps in supply in terms of product type, variety, presentation, or seasonality, then bringing it to the attention of clusters of producers with whom the project is working.

Task 1.4 Improve Capacity of Horticultural Players in Focus Countries to Deal with Emerging Standards

In some cases this will take the form of specific short-term assistance—for example a consultant in Hazard Analysis and Critical Control Points (HACCP) and Good Laboratory Practices (GLP) to be provided to leading packers/processors of paprika in Zambia—while in other cases it will just be part of on-going market linkage work by a Value Chain Leader who has broad experience in a particular industry.

For promising value chains that lead into South Africa, the Market Development Specialist based in Johannesburg will also convey to interested suppliers all relevant

standards concerning quality and condition, SPS matters, environmental protection, labor and service.

For other target markets, the resident Agribusiness Specialist and Value Chain Leaders will generally provide all required assistance in the area of standards, bringing in outside technical help or connecting entrepreneurs with other projects such as the MSU and LSU Partnership for Food Industry Development teams as appropriate.

Task 1.5 Intensify Knowledge for Development (KfD) Activities for Horticultural Trade

The main KfD activity this quarter for horticulture will be compilation of a comprehensive bibliography on each of the targeted value chains.

Selected Activities in the Cotton Sub-Sector, Exportable Agricultural Products

Task 2.1 Move the Policy and Regulatory Environment for Planting Materials to the Level of Global Best Practices

As a result of the April 5th Partners Meeting held by RCSA at the Trade Hub, it became evident that the seed industry and related legislation had been defined as high priority by Oregon State University, operating under SO15 (Rural Livelihoods). Since that effort has more resources to devote to this task, TCC's activities from this point forward will be limited to collegial collaboration about how best to move the region forward in terms of bio-safety protocols and legislation surrounding Plant Breeders' Rights and Plant Varietals Release consistent with the international convention UPOV.

Task 2.2 Assist in the Regional Expansion of Private Ginning and Marketing, while Capturing Lessons Learned on Private Input, Credit, and Technology Transfer Systems

During this quarter, limited assistance will be given to a major international ginning company interested in expanding its ginning operations into Namibia, in return for a concise overview of their method for managing the provision of inputs on credit and for transferring technology to large numbers of small farmers.

Task 2.3 Assist in the design and implementation of a pilot national campaign in Zambia to reduce contamination in seed cotton

One of the biggest problems in cotton quality worldwide is contamination, which comes from various sources: rocks, sticks, leaf trash, stickiness (from aphids), extraneous materials, dirt, and most importantly, bits of polypropylene bags. When fibers from the latter are ginned, the resulting bits of material become intermixed in the lint cotton. When spun, the bits become invisible in thread. Then when the thread is dyed, the bits of polypropylene do not take up the dye, yet remain invisible to the naked eye. Once woven into cloth, the specks remain colorless, in contrast to the rest of the material. This is viewed by the textile and garment industry as a serious quality

flaw, which results in rejection and/or claims.

Having reached preliminary agreement with one of the major ginners in Zambia on a joint initiative to address this problem, during this quarter the TCC will transfer the concept of a pilot program on reduction of contamination in cotton to one of the implementers of S015, since this problem indirectly affects Rural Livelihoods by lowering net returns to the cotton sector.

Task 2.4 Intensify Knowledge for Development Activities in the Cotton Sector

During this quarter a report on the Cotton-Textile-Apparel complex, especially within Sub-Saharan Africa, that was prepared by a TCC team member under the auspices of the Presidential Signature Initiative to End Hunger in Africa, will be distributed to relevant stakeholders through the region.

Task 2.5 Assist in the Final Design (and if feasible) the Implementation of an Organic Cotton Project in Mozambique

In recognition of resource constraints, this task that was contemplated in the draft work plan has now been dropped for the foreseeable future.

Selected Activities in the Livestock Sub-Sector, Exportable Agricultural Products

Building on initial support given in QI/2005 for observational travel to South Africa by industry leaders, during this quarter the TCC will intensify support for a private initiative that could revolutionize the ailing industry

Task 3.1 Support the formation of a new second-tier producer organization called Botswana Cattle Producers Association, which will bring together 12 smaller cattle associations.

Through a short-term advisor in producer organizations and cooperatives, in QII the TCC will help the nascent organization to clarify its vision and mission, draft statutes and by-laws, and gain legal status, probably as a non-governmental organization.

Task 3.2 Help assess the feasibility of establishing a weaner auction in Botswana

Through short-term assistance by a livestock marketing economist, the TCC will compile and synthesize existing published and anecdotal data into a 10-15 page concept paper that will explain the economic rationale for allowing the private sale and export of weaner cattle, and also describe how a private cooperative auction might work, all in anticipation of rapid implementation in mid-2005.

Task 3.3 Arrange observational travel by public and private leaders of the Botswanan cattle industry to the United States to see how cattle marketing and auctions operate

During this quarter about 7 people will be selected to participate in observational travel designed to familiarize them with how private cattle marketing and cattle markets work in selected areas of the United States (probably Texas and one other State), all as a prelude to limited private action within Botswana.

Selected Activities in the Apparel Sub-Sector

Task 4.1 Help improve the content and implementation of competitiveness strategies for the apparel industry

In the first week of May, a series of four one-day Industry Round Tables will be held in the highest priority textile and apparel countries for the TCC: Botswana, South Africa, Lesotho, and Swaziland. Steven Jessephs, Vice-President for Corporate Responsibility for Sara Lee Corporation, which has been an apparel industry leader for decades, will provide high-level mentoring on strategy, and also represent the Worldwide Responsible Apparel Production certification initiative. At the same event, Donald Matson, owner of Grotex USA LLC and formerly Vice-president of Sales and Production Management for Capital Mercury Apparel, Ltd, will discuss his experience sourcing from and competing with China. Short presentations will also be made on country-level programs on workplace strategies for HIV/AIDS and a toolkit for occupational safety and health in the apparel industry, which was developed and successfully implemented in the Central American apparel industry.

Task 4.2 Support country-centered strategies for apparel in Lesotho and Swaziland

As noted previously, under the RAPID task order for bridging activities at the Trade Hub, AGOA Advisor Amanda Hilligas has already been working in both of these countries, helping to assess the probable impact of the phase-out of the WTO Agreement on Textiles and Clothing (ATC) and to identify mitigation strategies. During this quarter, the AGOA advisor will join the TCC team, and her plans will be harmonized with those already planned or being implemented by the TCC.

At the same time, during this quarter Joop deVoest, TCC Value Chain Leader for Apparel will work with Amanda to come up with a revised joint strategy for assisting the apparel industries in Lesotho and Swaziland to improve their competitiveness as country clusters.

In the case of Swaziland specifically, the Trade Facilitation and Capacity Building Project will complete the Investor Road Map begun during the first quarter of 2005. In connection with this work, the TCC will provide high-level short-term technical assistance to help reorient and strengthen the Investment Promotion Agency of Swaziland (SIPA). These activities are part of the Trade Hub's work assisting Swaziland with an Export Diversification Strategy.

In the specific case of Lesotho, the TCC team will tighten collaboration with ComMark Trust (DFID of the UK), which is also providing technical assistance at the enterprise level to raise productivity and lower costs as principal means of increasing chances of competing successfully in a world without quotas dominated by China.

Task 4.3 Assist leading apparel firms in selected other countries to raise productivity and better compete

This strategy is built on the premise that only certain enterprises in the non-cluster countries (i.e. excluding Lesotho and Swaziland) are likely to remain competitive under the drastically changed circumstances that now affect the textile and apparel world.

Based on the results of the Industry Roundtables to be held in four countries in May, during this quarter the TCC will begin targeting specific enterprises for customized assistance, starting with Botswana and South Africa.

Task 4.4 Knowledge for Development in Apparel

As noted previously, an Africa-wide study on the Cotton-Textile-Apparel complex has already been conducted. During this quarter the information and data on the C-T-A situation and outlook for selected countries within the region will be updated and expanded.

Selected Activities in the Tourism Sector

Task 5.1 Conduct industry background research (internal and external assessments) to inform strategy development

Since considerable research was completed during QIV/2004 and QI/2005, first by short-term consultant Wilson Mutinhima and then by Tourism Value Chain Leader Alvin Rosenbaum, no more formal research is planned for this quarter. Instead the focus will shift to tweaking and building consensus around the Tourism Products Initiative drafted by Alvin during QII

However, during this quarter results are expected to come in from a reconnaissance assessment of the prospects for privatization and operation of an “Excursion Train” in the Cape Region of South Africa, in order to further the tourism development of South Africa. Based on prior experience and on the ground information in the Cape region, the consultant will determine the economic viability and potential revenue stream for this tourism project by doing a cost-benefit analysis

Task 5.2 Design and implement a strategy for raising competitiveness of selected value chains in tourism

The draft strategy entitled “Tourism Products Initiative” envisions a regional network that seeks to:

1. diversify tourism products (especially for cultural and historical destination);
2. concentrate on the so-called “middle market” of regional and local travelers;
3. build local content and value-added (i.e. reduce “leakage”);

4. continue to work in concert with the Trade Policy Component team and other shareholders to reduce policy and infrastructural impediments to tourism growth, such as airlift, land use, borders, workforce issues and HIV/AIDS.

Particular emphasis will be given to Botswana, taking advantage of the Trade Hub's physical presence in Gaborone, the existence of a strong national association (Hatab, and the decisive support of the U.S. Ambassador, Honorable Joseph P. Huggins. The Kalahari Desert and certain historical villages have been cited as examples of underdeveloped destinations that warrant more attention.

In recognition of resource limitations under the TCC, substantial effort will be made to leverage resources available under other programs for regional tourism, for example, ComMark Trust in Lesotho, a new USAID-financed tourism project being designed now in Mozambique, and in South Africa, the Department of Trade and Industry, SAT, the Tourism Enterprise Initiative, and Open Africa. Some significant funding commitments have already been obtained.

TCC's Alvin Rosenbaum has taken the lead in organizing the regional Tourism Products Initiative, which will be kicked off formally via a July 21, 2005 meeting of all development partners.

Task 5.3 Fortify linkages in tourism

As far as backward linkages are concerned, a cornerstone of the Tourism Products Initiative described below may be a comprehensive web-based network of tourism suppliers and products that was conceived during Q1/2005. It would be targeted specifically at small and medium enterprises, since the larger firms are already well-connected generally. During this quarter discussions will be intensified with development partners to determine whether sufficient funding can be assembled to create and operate such a site.

With respect to market linkages, during this quarter the TCC will investigate the potential for exploiting new routes from non-traditional points of origin (especially Latin America, via the Rio de Janeiro-Capetown-Maun Botswana route already operating, and the Washington, D.C. metropolitan areas, via the new direct flight from Dulles Airport to Johannesburg that will begin service in July). If these value chains are as promising as they appear, a concerted effort to connect the region to operators located around those points of origin will be undertaken, probably in the third quarter of 2005.

TCC PERFORMANCE REPORT FOR JANUARY - MARCH 2005

Since implementation just began during this first quarter, and a revised work plan and associated indicators are in progress, no quantitative comparison of progress against plan can yet be made.

However, as described above, significant progress was made against the scooping-down process set forth in the draft plan.

In addition, various important meetings on approach and strategy were held with the

Trade Policy Component contractor team under S014, as well as grantees recently selected to carry out S015 (Rural Livelihoods). These resulted in elimination of some potential duplication, in better understanding of respective approaches, and in some cases, transfer of lead roles from one partner to another, to better balance available expertise and resources.

Two external relations activities worthy of mention were also carried out:

- a. Participation in the RCSA-sponsored Economic Officers Workshop in late March, which brought together U.S. Embassy and Mission staff from all over the region in order to explain the resources and services available at the Trade Hub and to exchange information on opportunities and challenges.
- b. A high-level briefing for the U.S. Ambassador to Botswana, the Honorable Joseph P. Huggins, conducted jointly with other partners at the Trade Hub.

SECTION IV: FINANCIALS

January - March 2005

RAPID PROJECT

Strategic Objective	<u>SO 1</u>	<u>SO 2</u>	<u>SO 12</u>	<u>SO 13</u>	<u>SO 14</u>	<u>Totals</u>
Obligated Amounts	\$ 238,000.00	\$25,299,812.76	\$ 2,498,359.00	\$ 2,928,730.33	\$ 2,192,931.91	\$ 33,157,834.00
Cumulative Expenditures To March 2005	\$ 213,283.19	\$25,306,724.95	\$ 2,402,313.92	\$ 2,928,212.63	\$ 1,121,687.50	\$ 31,972,222.19
<i>Remaining Budget</i>	\$ 24,716.81	\$ (6,912.19)	\$ 96,045.08	\$ 517.70	\$ 1,071,244.41	\$ 1,185,611.81

Task Order Balances

<u>Task Order</u>	<u>T.O. 1</u>	<u>T.O. 2.3</u>	<u>T.O. 2.4</u>	<u>T.O. 2.5</u>	<u>PD&S / 4.1</u>	<u>Totals</u>
Obligated Amount	\$ 7,013,987.05	\$ 2,541,351.62	\$ 10,228,995.57	\$ 2,192,931.91	\$ 698,747.00	\$ 22,676,013.15
Cumulative Expenditures To March 2005	\$ 6,919,197.12	\$ 2,541,351.62	\$ 10,228,995.57	\$ 1,121,687.50	\$ 679,169.53	\$ 21,490,401.34
<i>Remaining Budget</i>	\$ 94,789.93	\$ -	\$ -	\$ 1,071,244.41	\$ 19,577.47	\$ 1,185,611.81

TRADE FACILITATION AND CAPACITY BUILDING PROJECT

a. Budget	\$24,711,932
b. Cumulative expenditures before this quarter	\$200,959
c. Expenditures during this quarter	\$925,765
d. Cumulative expenditures through this quarter ($b+c$)	\$1,126,724
e. Remaining budget ($a-d$)	\$23,936,046
f. Obligated amount	\$3,902,073
g. Remaining obligated amount ($f-d$)	\$2,775,349