



Second Quarter Report 2005

April - June

Submitted by:

The Services Group

USAID Contract No: GSA no. GS 10F-0277P, Order No. 690-M-00-04-00309-00

In collaboration with:

CARANA Corporation

USAID Contract No: AFP-I-801-03-00020-00, T.O. # 801

Submitted to:

Regional Center for Southern Africa

U.S. Agency for International Development

Gaborone, Botswana

July 2005

TABLE OF CONTENTS

Acronyms		ii
Section I	Executive Summary	1
Section II	Activities and Results: April - June 2005	9
	<i>Trade Hub Management, Trade Facilitation and Capacity Building</i>	
	Background	9
	Events and High-Level Visits	10
	Capacity Building and Policy Reform for Trade and Competitiveness	12
	Customs Modernization and Transport Facilitation	22
	Financial Services for Trade and Competitiveness	26
	Dialogue for Competitiveness	27
	<i>Trade Competitiveness</i>	
	Background	32
	Implementation of the Value-Chain Approach	32
	Exportable Agriculture	38
	Sustainable Tourism	41
	Textiles and Apparel	42
	AGOA Support	43
	Support for HIV-AIDS Mitigation	47
Section III	Planned Activities and Results: July - September 2005	49
	<i>Trade Hub Management, Trade Facilitation and Capacity Building</i>	
	Expected Achievements	49
	Planned Activities	50
	Trade Hub Management and Vision	50
	Trade Capacity Building	50
	Customs Modernization and Transport Facilitation	53
	Dialogue for Competitiveness	54
	Global Development Alliance	55
	<i>Trade Competitiveness</i>	
	Expected Achievements	56
	Planned Activities	59
	Exportable Agriculture	59
	Sustainable Tourism	60
	Textiles and Apparel	61
	AGOA Support	62
Section IV	Financials	64

ACRONYMS

AABWA	American and African Business Women's Alliance
AFIS	Office of Southern African Affairs (US State Department)
AFTT	Africa Fast Track Trade
AGOA	Africa Growth and Opportunity Act
AKFED	Aga Khan Foundation for Economic Development
ASYCUDA	Automated System for Customs Data
ATC	Agreement on Textiles and Clothing
BAF	Botswana AGOA Forum
BCPA	Botswana Cattle Producers' Association
BEDIA	Botswana Economic Development and Investment Authority
BEE	Black Economically Empowered
BHC	Botswana Horticulture Council
BLNS	Botswana, Lesotho, Namibia, Swaziland
BMC	Botswana Meat Commission
BOCCIM	Botswana Confederation of Commerce, Industry, and Manpower
BTV	Botswana National Television
CARANA	Carana Corporation
CBP	Customs and Border Protection (US)
CCA	Corporate Council on Africa
CEO	Chief Executive Officer
CGTCB	Consultative Group on Trade Capacity Building (of SACU)
COMESA	Common Market for Eastern and Southern Africa
COSSE	SADC Committee of Stock Exchanges
CSI	Container Security Initiative
CTO	Cognizant Technical Officer
DFID	Department for International Development (UK)
DRC	Democratic Republic of the Congo
EC	European Commission
ECA	East and Central Africa
EPZ	Export Processing Zone
EU	European Union
FDA	Food and Drug Administration (U.S.)
FFM	Fact Finding Mission
FTA	Free Trade Agreement
GDS	Global Development Solutions
HACCP	Hazard Analysis Critical Control Point
HATAB	Hotel and Tourism Association of Botswana
ICT	Information and Communication Technology
IDI	International Development Ireland
IFSC	International Financial Services Centre
INSAT	Inside Southern African Trade
IQC	Indefinite Quantity Contract
IPR	Intellectual Property Rights
IR	Intermediate Result
ITA	International Trade Administration (U.S. Department of Commerce)

LNDC	Lesotho National Development Corporation
LOE	Level of Effort
MATEP	Market Access, Trade and Enabling Policies
MCA	Millennium Challenge Account
MCC	Millennium Challenge Corporation
MFA	Multi-Fibre Arrangement
MOU	Memorandum of Understanding
MSU	Michigan State University
MTI	Ministry of Trade and Industry (of Namibia)
MTMP	Mozambique Trade Mainstreaming Program
NAG	National Action Group (of Malawi)
NATHAN	Nathan Associates Incorporated
NDA	National Department of Agriculture (of South Africa)
NGO	Non-governmental organization
NIC	Namibia Investment Center
OPIC	Overseas Private Investment Corporation
PEPFAR	President's Emergency Plan for AIDS Relief
PFID	Partnership for Food Industry Development
PMP	Performance Monitoring Plan
PROFIT	Product, Finance and Technologies
R&D	Research and Development
RAPID	Regional Activity to Promote Integration through Dialogue and Policy Implementation
RCSA	Regional Center for Southern Africa
ROO	Rules of Origin
RTC	Regional Interconnectivity of Customs
SACU	Southern African Customs Union
SAD	Single Administrative Document
SADC	Southern African Development Community
SAIBL	Southern African International Business Linkages Program
SAIIA	Southern African Institute of International Affairs
SALES	Support for Agriculturally-Linked Enterprises
SARPN	Southern African Regional Poverty Network
SARS	South African Revenue Service
SEGIR	Support for Economic Growth and Institutional Reform
SIPA	Swaziland Investment Promotion Agency
SME	Small- and Medium-sized Enterprise
SMME	Small-, Micro-, and Medium-sized Enterprise
SO	Strategic Objective
SOW	Scope of Work
SPS	Sanitary and Phyto-sanitary
SSSN	SADC Seed Security Network
TC	Trade Competitiveness
TERA	Transportation and Economic Research Associates, Inc.
TFCB	Trade Facilitation and Capacity Building
TFCBP	Trade Facilitation and Capacity Building Project
TKC	Trans-Kalahari Corridor
TKCMC	Trans-Kalahari Corridor Management Committee
TO	Task Order

TOR	Terms of Reference
TPA	Tourism Products Alliance
TRALAC	Trade Law Centre for Southern Africa
TSG	The Services Group
UK	United Kingdom
US	United States
USD	United States Dollar
USDA/APHIS	United States Department of Agriculture, Animal and Plant Health Inspection Service
USAID	United States Agency for International Development
USITC	United States International Trade Commission
USTDA	United States Trade Development Agency
USTR	United States Trade Representative
VAT	Value-added Tax
WCO	World Customs Organization
WIBA	Women in Business Association
WTO	World Trade Organization
ZEGA	Zambia Export Growers' Association
ZRA	Zambia Revenue Authority

SECTION I: EXECUTIVE SUMMARY



Background

On April 1, the first day of the second quarter of 2005, The Services Group (TSG) Consortium assumed management of the Trade Hub. It immediately began rolling out a major awareness-raising initiative to establish the Trade Hub as a “Center of Excellence” for trade within Southern Africa. This initiative has begun to permeate all aspects of the Trade Hub, from its technical programs to its outreach activities, and both its virtual gateway—the website, and its physical gateway—the Exhibition Hall and Resource Center.

This transfer of management of the Trade Hub completed the transition from Chemonics International to the new implementers and Trade Hub Team who came on board at the end of 2004. During the quarter, Chemonics/RAPID under a “bridge” contract continued to facilitate specific workshops and conferences, as well as support the Trade Hub’s AGOA and Transport work, through the end of June 2005.

In total, the Trade Hub houses three technical activity area: (1) Trade Facilitation and Capacity Building (TFCB), implemented by a consortium led by TSG-Nathan Associates, (2) Trade Competitiveness (TC) led by CARANA Corporation – Abt Associates, and (3) The Partnership for Food Industry Development (PFID) led by Michigan State University. Both the TFCB and TC activities are responsible for implementing RCSA Strategic Objective 14 (or “SO 14”, A more competitive Southern Africa economy), while PFID is responsible for achieving RCSA’s Strategic Objective 15 (or “SO 15”, Rural livelihoods diversified in Southern Africa).

TFCB is responsible for implementing components 1, 3, 4 and 5 of SO 14:

Component 1: Capacity Building and Policy Reform for Trade and Competitiveness

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)

TC is responsible for carrying out Component 2, “Sector Development” which focuses on activities related to specific industries, identifying and promoting exportable products, and business linkages between producers and markets. The TC activities also include the Africa Growth and Opportunity Act (AGOA) Advisor who provides capacity building and technical assistance at both the firm and national levels to help the region maximize opportunities under AGOA. This work is closely coordinated with the TFCB technical activities.

This report discusses activities undertaken and progress achieved by the Trade Hub through its technical programs during the second quarter of 2005 (the third quarter of the first year of the contract awards), and also anticipates activities and expected results for the next quarter.

High-Level Visits and Events

Special visitors to the Trade Hub during the second quarter of 2005 included Dan Mozena, Director, Office of Southern African Affairs (AFIS) of the U.S. Department of State, who visited the Trade Hub on April 6, Ambassador Joyce Barr, U.S. Ambassador to Namibia, and Gary Newton, Mission Director of USAID in Namibia, on June 22, and Brinton Bohling, Senior Trade Advisor, USAID Bureau for Economic Growth, Agriculture and Trade, on April 28 and 29. Each visitor received a briefing on Trade Hub activities, customized package of materials and a tour of the Exhibition Area.

Several important events were organized and hosted by the Trade Hub during the quarter. The first was the All-Partners Meeting of the USAID Regional Center for Southern Africa (RCSA) on April 5, which brought together all implementing partners working directly with RCSA and provided an opportunity for participants to share information about their programs. The meeting included RCSA staff, members of the Trade Hub Team and representatives from the Rural Livelihoods, Environment and Natural Resources, Democracy and Governance strategic objective programs. The second event was the presentation of the policy paper, ‘*How Trade Liberalization Can Help to Revitalize the Beef and Cattle Sector in Botswana*’, to stakeholders on May 23. The event attracted a full-house, including senior government officials and industry representatives. It received extensive press coverage and significantly raised the level of debate in the country regarding the crisis facing the industry. This activity was part of a series of activities undertaken by the Trade Hub during the quarter to assist the Botswana Cattle Producers Association to develop an effective advocacy voice. The Trade Hub also held several briefings and a press conference to update stakeholders and the media on AGOA, and meetings to discuss possibilities for collaborating with private sector associations.

Improving the Business Enabling Environment

The Trade Hub’s TFCB work focuses on ensuring that 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

essential for producers and traders to complete effectively in international markets. Establishing a coherent trade policy that promotes rather than discriminates against exports is necessary for ensuring competitiveness.

During the second quarter of 2005 activities under *Capacity Building and Policy Reform for Trade and Competitiveness* included several interventions to support the Botswana Cattle Producers Association (BCPA). As part of this assistance, Dr. Keith Jefferis, former Deputy Governor of the Bank of Botswana and currently Economic Advisor to the Trade Hub, prepared a paper on ‘*How Trade Liberalization Can Help to Revitalize the Beef and Cattle Sector in Botswana.*’ The paper recommended, among other things, the export of weaners, the removal of the export monopoly enjoyed by the Botswana Meat Corporation (BMC), and higher prices for cattle exports. The presentation of the paper to all stakeholders on May 23 and other meetings, including with the Botswana House of Chiefs, received extensive press coverage and led to concrete proposals for restructuring the industry and corresponding policy change.

The Trade Hub also continued its assistance to the Southern African Customs Union (SACU) Secretariat with the development and implementation of a business plan for the operation of the Secretariat, addressing the problem of intra-SACU trade data inconsistencies and a review of SACU members’ existing bilateral trade agreements. The one-year business plan for the Secretariat was adopted by the Council of Ministers. A draft recommendation for the institutional design of the SACU Secretariat was also finalized. Trade Hub consultants also commenced with an examination of trade data inconsistencies and existing bilateral trade agreements.

In the area of SACU-US Free Trade Agreement (FTA) Trade Capacity Building (TCB), having had their contracts extended until the middle of August 2005, the TCB Facilitators continued to coordinate activities for each BLNS country in conjunction with the Trade Hub. The Trade Hub worked with the BLNS to finalize a list of TCB activities for delivery beginning August, which include the preparation for the resumption of FTA negotiations.

The Trade Hub also worked on important studies and reports requested by countries in the region. These included (i) a report related to Swaziland’s current country rating for eligibility for support from the Millennium Challenge Account (MCA), (ii) a technical proposal for Trade Hub assistance to Malawi to develop a liberalization strategy to attract new investment in the transport and possibly tourism sectors as part of its on-going Trade in Services activities, (iii) the development of a roadmap for removing non-tariff barriers in Malawi, and (iv) the preparation of a policy paper examining best practices in providing land for tourism operations in the region to complement the Trade Competitiveness tourism work. Work also commenced on an analysis of investment incentives and industrial policy in South Africa. Finally, Investor Roadmap work continued in Swaziland and was launched in Namibia during the quarter.

Members of the Trade Hub Team also attended meetings and roundtables at the invitation of the U.K. Department for International Development (DFID), the European Union, the Common Market for Eastern and Southern Africa (COMESA) and USAID/Zambia as part of ongoing efforts to collaborate and work more closely with regional organizations and other donors.

Under the *Financial Services* category, the reports of the Mozambique and regional trade-related financial services work were finalized, and preparations for a stakeholders’ roundtable in Maputo, Mozambique, in the third quarter of 2005 were initiated.

The work on *Customs Modernization and Transport Facilitation* continued to support countries to adopt world class best practice techniques. The WCO Time Release Study was discussed with the Management of the Malawi Revenue Authority (MRA), and the Trade Hub explored

initiatives to assist countries in the region in addressing cargo security requirements for Customs operations and in developing policies and strategies for ensuring the security of the supply chain.

At the request of the Zambia Revenue Authority (ZRA), the Trade Hub undertook an assessment to quantify the likely impact of the COMESA regional transit bond guarantee on clearing agents, insurance companies, and business in general. After conducting the primary in-country research among freight forwarders and other stakeholders, the consultants completed a technical paper providing the ZRA with their conclusions as to the potential implications and impact of a regional bond on business and the Zambian Economy as a whole. The final report will be released in the third quarter of 2005.

With respect to *Transportation Corridor Efficiency*, the Trade Hub undertook a range of activities to support implementation of specific priority actions on the Trans Kalahari and Maputo Corridors. The Trade Hub facilitated meetings of the TKC and Dar es Salaam Corridors' Customs Working Groups for the purpose of assessing the implementation of harmonized administrative documents on the Trans Kalahari Corridor and Dar es Salaam Corridors and adapting and modifying TKC procedures so as to accommodate Mozambique and the Maputo Corridor.

The final Trade Hub activities completed under the outgoing Regional Activity to Promote Integration through Dialogue and Policy Implementation (RAPID) Project included interventions in support of the implementation of the *Trans Kalahari Corridor Memorandum of Understanding* (TKC MOU) Action Plan. The main focus was the strengthening of the Secretariat to ensure sustenance of the gains achieved to date through Trade Hub assistance to the TKC program. A meeting will be held in the third quarter of 2005 under the TFCB activities to provide a final decision on the crucial procurement process of a TKC Program Coordinator.

Also completed were two reports: (1) *“Improving Transport Logistics for Competitiveness of Swaziland”* and (2) *“Improving Transport Logistics for Competitiveness of Lesotho”*. The reports recommend strategies and action plans to address identified policy, regulatory and institutional matters responsible for the high costs of trade for the two countries of Lesotho and Swaziland. The reports will be discussed at national workshops to be held in the third quarter of 2005 under the TFCB activities.

Private Sector Advocacy and Trade Hub Public Outreach and Communications

At the start of the quarter the TFCB Team assumed responsibility for Trade Hub publications and outreach activities and commenced to act on multiple fronts to reach a wider group of stakeholders and increase the impact of Trade Hub programs. The Trade Hub launched its new flagship newsletter, *Inside Southern African Trade* (INSAT), in May which provides a forum for analysis of regional economic and policy issues and initiatives. It is designed to reach out to private and public sector actors engaged in or interested in trade and competitiveness in the Southern African region. The initial issue was distributed to more than 2500 stakeholders. The monthly events calendar, *Hub Happenings*, was also expanded to include reporting on future and past events held at the Trade Hub.

The Trade Hub also initiated the redesign of its website, with support from the Chemonics/RAPID “bridge” contract, to be launched in the third quarter of 2005. The updated website will provide enhanced interactivity with the user and will include a search engine so that documents and training materials can be accessed more easily.

In order to provide a physical space where Trade Hub stakeholders can come and conduct research, have access to the internet, and find a repository of Trade Hub studies and papers, a Resource Center was also opened on June 22.

Finally, under the Trade Hub's *Dialogue for Competitiveness* activities, work was undertaken to support several private sector associations. In addition to a range of activities in support of the newly constituted BCPA, meetings were also held in April, May and June between the American and African Business Women's Alliance (AABWA) and the Women in Business Association (WIBA) of Botswana to explore possibilities for collaboration between the two organizations, as well as with the International Financial Services Centre (IFSC), the Botswana Export Development and Investment Association (BEDIA) and others.

Trade Competitiveness

During the second quarter of 2005 the Trade Competitiveness (TC) Team made several important changes to its staff structure. These included the designation of a new Director and the hiring and placement of a Project Coordinator and Monitoring & Evaluation Specialist. On June 1, the Trade Hub's AGOA Advisor officially joined the Trade Competitiveness team moving over from the RAPID Project.

As TC steps-up its program of technical assistance and value-chain support throughout the RCSA region, a framework system to formalize the cooperation and track the various activities undertaken together with not-for-profit development partners and commercial entities was rolled out this quarter. Under this system, TC will sign Memoranda of Understanding (MOU) with non-profit development agencies (including producer associations, NGOs, and USAID-financed development projects) and Service Agreements with commercial entities that stand to profit directly from the Trade Hub's value-chain support. These umbrella agreements set out the basic terms of cooperation (who we are, who they are, why we are interested in working together, that we will always work in full compliance with USAID rules and regulations, etc.) and will, in turn, be accompanied by corresponding Activity Descriptions that set out the specific budget, areas of responsibility, a timeline, reporting requirements, and desired measurable outcomes for each field of cooperation.

Agricultural Trade. In the second quarter of 2005, the Trade Competitiveness team achieved its first major breakthrough in export agriculture. In a first of its kind example of intra-Trade Hub collaboration, the Trade Hub joined forces with the West Africa Trade Hub in April to secure a new market for MD2 pineapple from Ghana and counter-seasonal mangos from Senegal. Resulting sales to South Africa will be in the range of USD 1.0 to 1.2 million annually, thereby enabling a South African firm to preserve its share in an expanding multi-million dollar export market for processed fresh cut fruits to Europe.

In the ***livestock subsector***, the Trade Hub provided support to the BCPA by funding a joint Fact Finding Mission (FFM) undertaken together with the Botswana Government and Botswana Meat Commission (BMC). With Trade Hub support, BCPA members visited Namibia and South Africa to investigate regional market opportunities for live weaner calves and potential for creating a new auction system in Botswana. The FFM prepared a joint report presented to the Minister of Agriculture that recommended several important changes that would greatly enhance the competitiveness of the beef sector leading to rapid increases in exports and trade value. On May 12 and 13 the Trade Hub hosted a two-day meeting of the BCPA Steering Committee to present the FFM's recommendations.

In the *horticulture sector*, the Trade Hub also continued to provide support to Zambian cut flower and fresh vegetable exporters. Building on an earlier diagnostic assessment of the Zambian cut flower industry, two consultants were fielded this quarter to work with the Zambia Export Growers Association (ZEGA) to develop strategies for improved export competitiveness. In late April, the former Director of the Zambia Horticulture Council traveled to Lusaka to create an Action Plan for the streamlining of export documentation procedures. Another activity with ZEGA examines the specific growing conditions for cut flowers in order to recommend alternatives suited to the local environment.

In response to requests by several large horticulture firms in South Africa for Trade Hub assistance in identifying reliable business partners in Mozambique, a reconnaissance mission was undertaken in late April during which several useful contacts were identified. Chief among these opportunities, the Trade Hub learned of a nascent producers co-op that is forming around Chimoio in Manica Province. At the request of the Bilateral Mission in Maputo, a follow-up visit is planned for mid-July to assess the organization's capabilities.

Textiles and Apparel Trade. During this quarter, the Value Chain leader for Apparel continued to foster new business linkages and lay the groundwork for regional and international transactions. In cooperation with the Trade Hub's AGOA Advisor, information was provided to South African sourcing houses with apparel company contacts in Botswana and to apparel manufacturers on new knitting mills and yarn sourcing opportunities in Lesotho. Just one of the new yarn deals concluded this quarter is worth more than a million dollars per year in new exports for Lesotho.

Additionally, technical assistance was provided to a Tanzanian textile company to secure zero duty clearance into the SACU for their subsidiary textile mill in Mozambique for manufacturers in Swaziland. Assistance was also provided to an AGOA-eligible firm in Ghana that requested Trade Hub assistance in sourcing specific types of fabric in South Africa. This could result in several hundred thousand dollars of exports from the Southern African region annually.

Consistent with the overall approach to value-chain development, TC will conduct research next quarter in the US on retailers and sourcing houses to determine U.S. apparel sourcing requirements in terms of product specifications, minimum order quantities, lead times, and where applicable, their experiences (good/bad and why) with garment manufacturers in the SADC region. This information will then be used to identify garment manufacturers in the SADC region potentially capable of meeting U.S. retail and sourcing house requirements as well as companies that need technical assistance, be it in the form of quality, productivity, or alternative material sourcing in order to be more competitive.

Tourism and Related Trade. During the second quarter of 2005, the Value Chain Leader for Tourism worked from the US in building support for the vision of a Tourism Products Alliance (TPA). Organizations contacted include the World Bank, National Geographic Society, and ComMark Trust, a DFID-funded entity. These relationships aim to increase awareness of the TPA and have the potential for leveraging significant new funds in support of Trade Hub-initiated tourism work throughout the RCSA region.

The ultimate vision is to (i) establish regional networks around a centrally managed data hub of market-ready products and services, using ICT intermediation to link local producers and service providers into global tourism distribution channels, and (ii) increase local content in the development and delivery of activity and hospitality components for international and intra-regional leisure travel in Southern Africa. A meeting is planned for July 21 in Pretoria to map out

the next steps for TCP assistance to the tourism sector. The TPA was launched this quarter, and can be accessed at: <http://www.satourismproducts.org/>

Also during the second quarter of 2005, the Trade Hub drew attention to the importance of ecotourism as an AGOA product. P.L 108-274, Section 10 specifically mandates the development and implementation of policies that increase capacity in sustainable tourism in AGOA-eligible countries. Most, if not all, of the activities planned under the TPA contribute directly to this mandate.

Other AGOA-Related Trade. The Trade Hub's AGOA strategy is to provide for a smooth transition of all AGOA related work and will involve: (i) continuation of awareness and information-oriented activities at the country, sub-sector, cluster and enterprise level; (ii) promotion of apparel and agricultural exports eligible for duty-free status under AGOA; (iii) organization of, co-sponsorship or participation in relevant events such as the AGOA Forum and Corporate Council on Africa Business Summit; and (iv) responding to unique, often unpredictable requests or opportunities to engage in match-making between suppliers and buyers, to facilitate export transactions, and to nurture particular investment or export deals.

During the second quarter of 2005, the AGOA Support Component made significant progress with the AGOA Mission in promoting partnerships that increase trade in goods to the United States. Two new export successes from Mozambique to the United States were realized with Trade Hub support during the CCA Business Summit in Baltimore, Maryland, in seafood products and cashews from Mozambique.

This quarter, the Trade Hub's AGOA component also partnered with the Africa Fast Track Trade (AFTT) Program to send a delegation of companies to the Fancy Food Show in Chicago in May. Companies from South Africa, Swaziland, and Malawi attended the show. Participating firms received many expressions of interest. The AGOA Advisor will continue to work with interested firms during the third quarter to assess their business model from a competitiveness perspective to ensure all products targeted for the US market are fully-compliant with FDA standards and other market requirements.

Other Competitiveness Support. During the second quarter of 2005, TC targeted South Africa and Zambia for HIV/AIDS workplace interventions. These activities focused on developing programs aimed at HIV/AIDS prevention and awareness as fundamental prerequisites for long-term trade competitiveness.

In South Africa, the Trade Hub focused on setting up systems for implementation with two clusters of horticultural marketing companies in the area around Kruger Park near Swaziland and Mozambique. Clustering increases the critical number of employees to be reached by the HIV/AIDS interventions and helps to ensure that critical economies of scale are achieved. As a result, some USD 7,500 in cash contributions were leveraged from the South African Business Trust and an estimated 11,500 new beneficiaries will be reached by HIV/AIDS workplace programs.

At the end of the second quarter, the Trade Hub began to look for opportunities to roll out a similar program in cooperation with the ZEGA. Based on preliminary agreements made with bilateral USAID projects in Zambia, the Trade Hub expects to help create a workplace mitigation program that will reach at least 30,000 individuals linked to the horticulture export sector by March 2006.

Conclusion

During the second quarter of 2005, the Trade Hub experienced several important milestones: (i) The Services Group Consortium assumed management of the Trade Hub; (ii) the AGOA program was incorporated into the Trade Competitiveness Project; and (iii) the Trade Hub's flagship newsletter, *Inside Southern African Trade* (INSAT), was launched; and finally and perhaps most importantly (iv) the Trade Hub technical team executed a wide range of demand-driven activities throughout the region. The following sections describe the achievements of the Trade Hub projects in the second quarter of 2005 and the activities and results they will pursue in the third quarter of 2005.

SECTION II: ACTIVITIES AND RESULTS

April - June 2005

TRADE HUB MANAGEMENT, TRADE FACILITATION AND CAPACITY BUILDING

TRADE HUB MANAGEMENT

Background

On April 1 The Services Group Consortium assumed management responsibility of the Trade Hub, including responsibility for the publication of the monthly events calendar, Hub Happenings and production of the Quarterly Report CD Rom. It immediately undertook activities to raise the profile of the Trade Hub throughout the region. This included the design and production of new outreach materials describing the technical programs of the Trade Hub, redesign of the Website (in collaboration with the incumbent Trade Hub Manager, Chemonics-RAPID), launch of a new flagship newsletter, *Inside Southern African Trade* (INSAT), development of a Resource Center and updating of the Trade Hub Display Room.

During the quarter the trade facilitation and capacity building project continued to deliver on its work plan, as well as respond to numerous requests from stakeholders throughout the region for specific trade-related support. Trade Facilitation and Capacity Building implemented activities and interventions during the quarter in Botswana, Swaziland, Lesotho, Namibia, Zambia, South Africa, Malawi and Mozambique. These responded to specific requests from (1) the bilateral missions and non-presence countries; (2) government ministries and institutions in the region and (3) the private sector and private sector associations.

Additional Staff. The quarter saw the addition of several new team members to further enhance the work of the Project. On May 16, Martin Norman arrived in Botswana to assume the position of Hub Manager. He leads all events planning and administrative aspects of operating the Trade Hub. He is also charged with working with the Trade Hub Technical Team to raise the profile of the Trade Hub in the region, and increase awareness among stakeholders of Trade Hub activities and services.

Dr. Keith Jefferis, a recognized trade economist and former Deputy Governor of the Bank of Botswana, joined the Trade Hub on April 14. As a part-time Economic Advisor to the TFCB team he is involved in the preparation and supervision of a series of policy briefs and concept papers. He works closely with the long-term technical team on applied economic issues, and promoting the adoption of best policy and regulation practices in the region. Dr. Jefferis is on a short-term assignment with the Trade Hub, initially through September 30, 2005.

In June, Segomotso Selabe, a recent graduate in Economics from the University of Botswana, was selected for a three-month internship at the Trade Hub. Among other projects, she is responsible for conducting a study of the labor market supply in Botswana for the International Financial Services Centre (IFSC).

Events and High-Level Visits

As part of its public diplomacy, outreach and dialogue for competitiveness activities the Trade Hub organized and hosted a number of events and visits.

On April 1 the US Embassy in Botswana held a press conference to discuss AGOA exports. Amanda Hilligas, the Trade Hub's AGOA Advisor, joined Hagen Maroney, Economic/Commercial Officer of the Embassy, to discuss Botswana's exports under AGOA, the ending of quotas, and prospects for the future under AGOA for members of the media. The event was televised on Botswana National Television (BTV) and was covered by the local press.

The Trade Hub hosted the All-Partners Meeting of the USAID Regional Center for Southern Africa (RCSA) on April 5. The purpose of the day-long event was to introduce all of the new partners implementing USAID/RCSA-funded programs, share information about the partners' programs, highlight USAID priorities and concerns, and understand and respond to the concerns of all partners. Participating from the Trade Hub were: (1) representing Trade Hub Management and the TFCB activities, Lisa Yarmoshuk, Director, Paulina Elago, Deputy Director, Lisa Highland, TSG Home Office; (2)



representing the Hub's trade competitiveness activities, John Lamb, Abt Associates Home Office, John Keyser, Agriculture Advisor, Paolo Craviolatti, HIV/AIDS Advisor; and (3) representing Chemonics-RAPID, Nancy Jaffie, COP, Amanda Hilligas, AGOA Advisor, and SMAK Kaombwe, Transport Advisor. The meeting also included implementing partners under the Rural Livelihoods, Environment and Natural Resources, and Democracy and Governance strategic objectives.

On April 6, Dan Mozena, Director, Office of Southern African Affairs (AFIS) of the U.S. Department of State, visited the Trade Hub for a briefing on ongoing activities and the successes of AGOA. Lisa Yarmoshuk, Amanda Hilligas, Paulina Elago, SMAK Kaombwe, John Keyser, and John Lamb fielded questions related to the activities of the Trade Hub and support given to eligible countries, in particular to those facing post-Multi-Fibre Arrangement (MFA) challenges such as Lesotho and Swaziland.

On April 18, Amanda Hilligas, Bridget Chilala, and Hagen Maroney, Economic Officer, U.S. Embassy, Botswana, held a briefing session for senior staff members of the Botswana Ministry of Foreign Affairs on AGOA and the work of the TFCB team at the Trade Hub.

On April 28 and 29, Brinton Bohling, Senior Trade Advisor, USAID Bureau for Economic Growth, Agriculture and Trade in Washington DC, visited the Trade Hub. Amanda Hilligas, John Keyser, Paulina Elago, Bridget Chilala, Joshua Setipa and SMAK Kaombwe briefed him on the Trade Hub and its activities.

A group of National War College Officers visited the Trade Hub as part of their tour of Southern Africa on May 12. Ambassador Joseph Huggins chaired a briefing session at the Trade Hub which involved the US Embassy, RCSA and a number of US-funded programs. Paulina Elago briefed the officers on the regional activities of the Trade Hub, after which they took a tour of the exhibition area and held discussions with the RCSA and Trade Hub technical staff.



On May 12-13 the Trade Hub as part of its Trade Competitiveness activities hosted the first Steering Committee meeting of the newly established Botswana Cattle Producers Association (BCPA). The meeting brought together chairpersons from the 12 regional associations and was also attended by Lawrence Johnson, SO14 Team Leader, RCSA/USAID, and Hagen Maroney, Economic Officer, U.S. Embassy

On May 23, Dr. Keith Jefferis, Economic Advisor to the Trade Hub, presented his policy paper, “How Trade Liberalization Can Help to Revitalize the Beef and Cattle Sector in Botswana”, to a full house at the Trade Hub. The audience included the Minister of Trade and Industry, Hon. Neo Moroka, senior officials from Government, Board Members of the Botswana Meat Commission (BMC), representatives of diplomatic missions, cattle farmers and the press. The issues and recommendations of the presentation were hotly debated. The event was widely covered in the local press and was the lead story that night on the Botswana Television (Btv) evening news.



On May 27 the Trade Hub hosted a luncheon for Botswana Customs officials to discuss U.S. cargo security measures. The speaker for the event, Mr. Adrien Goorman, a Customs Expert with the World Bank, discussed ways in which the Southern Africa Trade Hub can assist regional stakeholders in understanding U.S. programs that address cargo security and the importance of creating efficient and transparent customs procedures. The Acting Commissioner-General of Botswana Unified Revenue Service and two of his senior officials were present at the working lunch.

On June 10 the Trade Hub hosted a luncheon for representatives of the media in Botswana. The purpose of the luncheon was (a) to familiarize the media with the objectives and activities of the Trade Hub, (b) to introduce the Technical Team to the media, (c) to explain that the Trade Hub is a USAID-funded project and must be reported as such, and (d) to encourage accurate reporting of events and accurate quoting of Trade Hub personnel. The presentation was followed by a lively discussion of issues and a tour of the Trade Hub’s Exhibition Area.





On June 22 the Trade Hub received Ambassador Joyce A. Barr, U.S. Ambassador to Namibia, and Gary Newton, USAID's Mission Director in Namibia, for a briefing on the Trade Hub's activities, especially as they impact the Namibian economy. Also in attendance were USAID/RCSA's Mission Director, Gerry Cashion, and other members of his staff. The Trade Hub also introduced its recently-opened Resource Center which provides staff and stakeholders with a physical space for conducting research and accessing information on trade-related issues.

The Regional Center for Southern Africa (RCSA) hosted a meeting on RCSA's Strategic Objective 15 (SO 15), "Rural Livelihoods Diversified in Southern Africa", at the Trade Hub on June 27 and 28. The purpose of the meeting was to bring the SO 15 partners of the region together to ensure uniformity of indicators for agricultural-based products.

CAPACITY BUILDING AND POLICY REFORM FOR TRADE AND COMPETITIVENESS

Policy Papers

Liberalizing The Beef and Cattle Industry in Botswana. Complementing the Trade Hub's Trade Competitiveness activities in support of the development of the BCPA as the advocacy voice for more than 60,000 cattle producers in Botswana, Dr. Keith Jefferis, former Deputy Governor of the Bank of Botswana and currently Economic Advisor to the Trade Hub, prepared a paper on *How Trade Liberalization Can Help to Revitalize the Beef and Cattle Sector in Botswana*. In May, Cattle/Beef Sector Expert Monnanyana Stephen Bingana conducted research on pricing, policy, and the history of Botswana cattle markets. The resulting policy brief contributed to Dr. Jefferis' report.

The final report, completed during the third week in May, argued that the cattle industry in general, and Botswana Meat Corporation (BMC) in particular, is facing a vicious circle of economic decline which requires drastic reforms. The report attributes the crisis, at least in part, to the fact that the Botswana cattle sector is heavily protected, limiting the scope for trade, competition and the price mechanism to bring about the necessary adjustments. Furthermore, it is based on an oxen production system, as distinct from a more modern weaner production system. The principal recommendations emerging from the report were that (a) Botswana shift to a weaner production system, (b) a weaner auction system be created modeled on that of Namibia, (c) the export monopoly enjoyed by the BMC be removed, and (d) the ban on live cattle exports be removed.

Dr. Jefferis presented his findings and recommendations to stakeholders in the Botswana Beef Cattle Industry at a meeting hosted by the Hub on May 23 where a copy of his paper was distributed to all participants. The audience included Minister of Trade and Industry of Botswana, Hon. Neo Moroka, senior officials from the Botswana Government, representatives of the Botswana Meat Commission (BMC), members of the diplomatic corps, cattle farmers and members of the press.

An executive summary of the paper was prepared and translated into Setswana. Both versions have been wide distributed throughout the country for publication.

As a follow-up of this event, Dr. Jefferis was invited to speak at a meeting between the Botswana Cattle Producers Association (BCPA) and the Botswana House of Chiefs to discuss the liberalization of trade in support of the modernization of the beef and cattle sector. On June 17 in Lobatse, Dr. Jefferis gave a presentation of the thesis and recommendations of his paper, which was followed by a lively discussion on the merits of the proposed strategy. This culminated in an invitation from the Chairman of the House of Chiefs to the BCPA to continue working with the BCPA in developing and disseminating the proposals. The House of Chiefs is an important constituency with regard to the development of the beef and cattle sector as the Chiefs (Dikgosi) are highly influential in terms of the practices used by traditional farmers on communal (tribal) land.

The BCPA has continued to engage with senior decision makers in the Botswana Government and the BMC on the proposals in an effort to stimulate policy change. This is in parallel to other work underway to restructure the BMC.

The extensive media coverage of these events and the broad interest sparked by the study is evidence of the importance these issues have not only to stakeholders in the Botswana Cattle Industry, but also to the country as a whole. As a result of the broad debate which has emerged from the policy paper and the establishment of the BCPA, significant progress has been made in getting Botswana legislators to consider the recommendations. The BCPA has gained an effective advocacy voice and an audience among decision makers in the country. The Trade Hub will continue to work with stakeholders during the next quarter toward the adoption of the recommendations made in the report.

Land Tenure for Tourism Operations. Oliver Chapeyama, Tourism Sector Expert, conducted an analysis of land use policy in Botswana, Zambia, Mozambique and Namibia, in connection with Trade Hub Trade Competitiveness work in the tourism sector. The paper is a study of best practices in providing land for tourism operations in the region. The issue arose from concerns expressed by tourism operators in Botswana that the lease period for concessions in the country's Wildlife Management Areas is too short to support adequate levels of investment.

Findings and recommendations from the paper will be presented at the July 21 Tourism Products Alliance (TPA) roundtable meeting in Pretoria.

Further information can be obtained from the policy paper entitled "Tourism-Related Land Allocation Policies" by Oliver Chapeyama.

Investment Incentives and Industry Policy in South Africa. In June, Dr. Frank Flatters commenced with an analysis of investment incentives and industrial policy in South Africa. This activity has been undertaken in collaboration with the USAID South Africa funded SEGA II Project at the request of the Government of South Africa. It consists of the following broad elements:

- A critical and selective review of lessons about investment incentives from previous work and international experience;
- A review of the investment environment and performance in South Africa, and the main policies, programs and institutions affecting private investment decisions;
- Analysis of different fiscal measures to determine their net impact on the investment returns of marginal investors; and

- A select number of complementary case studies of the impact of national, provincial and local government policies in key areas of the South African economy.

This four-pronged strategy will deliver the broad policy conclusions required for policymakers at the regional, national, provincial and metropolitan levels, while also providing a better understanding of the microeconomic policy impacts that can help to guide specific policy interventions. The analysis will be guided by a clear understanding of the existing policy framework. It is programmed for completion at the end of July.

Regional Harmonized Seed Policy. In response to a meeting with the SADC Seed Security Network (SSSN) in April 2005, Bridget Chilala and Dr. Keith Jefferis produced a draft policy paper entitled *Seed Systems Development in Southern Africa: Implementing More Effective Policy to Enhance Exports* for the purpose of facilitating discussions on the potential benefits of a harmonized seed policy in the region.

Several follow-up meetings were held with the SSSN, the USAID-funded “Partnership for Food Industry Development” (PFID) Project, and private seed companies in Botswana. As a result of these meetings, SEED-Co, one of the biggest seed producing and distributing companies in the region, decided to collaborate by providing the Trade Hub with their field research findings on existing requirements and regulations for seed importation and exportation in nine SADC countries which will be ready at the end of July.

Once a consolidated report is finalized, the findings will be discussed at a stakeholders’ workshop planned for September 2005 in collaboration with SSSN and PFID. The participants will be drawn from the private sector, government and research institutions. The recommendations of the workshop will be presented to SADC Ministers of Agriculture for consideration. The next step will be to submit the recommendations to the SADC Council of Ministers for adoption.

Support to SACU Secretariat

Consultations held with the Executive Secretary of the Southern African Customs Union (SACU), Ms. Tswelopele C. Moremi, in early 2005 resulted in the identification of four priority work areas with the SACU Secretariat. These are: (1) development and implementation of a business plan for the operation of the Secretariat, (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.

Pursuant to the formal request by the Executive Secretary for Trade Hub assistance sent to the USAID / Regional Center for Southern Africa (RCSA) Mission Director on March 1, work on the above-mentioned items commenced in late March and continued during the second quarter of 2005. Achievements during the second quarter are summarized below:

Development of a Business Plan for the SACU Secretariat. Dr. Alan Osman, Institutional Development Specialist completed the first year business plan for the SACU Secretariat in April. The study was submitted to the SACU Council of Ministers at their meeting at end of April and was subsequently adopted. This work will guide the activities of the Secretariat for the next year.

In addition to the business plan, Dr. Osman submitted a draft recommendation of an institutional design for the SACU Secretariat. The report evaluates the current institutional structure of the Secretariat, taking into account the functions of the Secretariat as outlined in the SACU

Agreement as well as its mandate in achieving SACU objectives. The report was submitted for review during the quarter and will be finalized in the next quarter.

Trade Data Inconsistencies Related to the Implementation of the New SACU Revenue Sharing Formula. In the first quarter of 2005 the Trade Hub contracted Trade Economist Frank Flatters to undertake a review of the administrative and economic constraints to implementing the new SACU Revenue Sharing Formula. The new formula requires pooled customs funds to be allocated according to total intra-SACU imports. However, the SACU countries have not agreed on which set of data on intra-regional trade to use when making this calculation.

In support of this activity, Paulina Elago conducted interviews in Gaborone with representatives of the Ministry of Commerce and Industry, Customs, Central Statistics Office, local motor vehicle dealers, local supermarkets, and food importers during the third and fourth weeks of April.

The work done in April constituted the first phase of this activity -which was a detailed diagnostic study of the problem. The second phase would have entailed visits to all SACU countries during the month of May 2005, to collect the required data including consultation with all relevant stakeholders on systems for data collection, including management and analysis of data. However, upon submission of the initial assessment of the problem to the SACU Secretariat, the SACU Council of Ministers at their meeting of April 28th in Pretoria took a decision for the study to be handled by member states internally, due to the urgent need to resolve the issue. The Council decision led the SACU Secretariat to withdraw their request for assistance from the Trade Hub on this specific activity.

Trade Capacity Building (TCB) Facilitators for the SACU - US Free Trade Agreement

During the quarter the contracts of the SACU-US FTA TCB Facilitators were extended until August 11, 2005. In accordance with their contractual obligations and the understanding reached between the US and BLNS countries, the Facilitators coordinate TCB activities in each country and work closely with the Trade Hub in delivering demand-driven technical assistance.

The BLNS continued to express satisfaction with the facilitators, however they noted that since the deadlock in the SACU-US FTA negotiations, TCB activities related to the FTA have ceased. The Trade Hub worked with the BLNS to finalize a list of TCB activities for delivery beginning August. These activities also assist BLNS in preparing for the resumption of FTA negotiations. The first scheduled activity is a trade negotiations course in Lesotho to be held in August.

The Trade Hub continued to monitor the work of the TCB facilitators closely and was in constant contact with the BLNS to ensure effective delivery of TCB support. To improve coordination, the Trade Hub encouraged the BLNS to involve the Facilitators in all TCB programs including those not related to the SACU-US FTA.

An example is the case of Botswana and Swaziland where the TCB Facilitators had a mandate to coordinate the contribution of the Ministry of Trade with the work of the National Economic Diversification Forum. In Swaziland, the TCB Facilitator coordinated Swaziland preparations for its International Trade Fair which is considered central to the National Export Diversification Program.

In Namibia, the TCB facilitator had the special role of coordinating all trade-related TCB programs. During the month of July the Facilitator will be working closely with a team from the Trade Hub to undertake an investor roadmap for Namibia.

Swaziland Capacity Building Activities

MCC Analysis. In May, Paulina Elago prepared a policy brief that examines and assesses Swaziland's current country rating for eligibility for support from the Millennium Challenge Account (MCA).

The policy brief outlines the criteria which are used to determine a country's eligibility and selection for MCA support and evaluates Swaziland's performance with respect to sixteen of these criteria. The report analyzes the reasons why Swaziland has not received MCA support despite its rating which meets eligibility requirements.

Among other factors is its low score for indicators relating to "Ruling Justly" even though its scores for economic freedom and investing in its people are relatively high. Swaziland will need to take measures and implement reforms that would improve scores and performance in certain key indicators. The constitutional reforms currently underway, if implemented, should improve possibilities for eligibility and selection for MCA support.

Swaziland VAT Issue. During the quarter the Trade Hub also began an examination of the difficulties relating to Value-added Tax (VAT) procedures which apply to Swaziland's exports transiting through South Africa in order to improve the trade environment. This work will continue into the next quarter.

Investor Roadmap. The final report and recommendations from the Investor Roadmap work undertaken in March 2005 was submitted to USAID/RCSA and stakeholders in June 2005. The Swaziland Investor Roadmap is a detailed accounting of the steps, costs, timeframes, and submission requirements related to starting up and operating a business in Swaziland and corresponding analysis of weaknesses. The findings of the Investor Roadmap reveal that despite recent, albeit declining success in attracting FDI, there are numerous issues that command urgent attention by the Government of the Kingdom of Swaziland (GoKS) and the Swaziland Investment Promotion Agency (SIPA) to improve the investment climate. In general terms, procedural transparency in Swaziland regarding investment is lacking. With few exceptions, agencies lack procedural guides and websites that would inform an investor of the legal necessities, submission requirements, timeframes, and costs associated with business startup and operations. Furthermore, SIPA has limited capacity, authority and resources to attain its investment promotion goals.

The Roadmap makes several major recommendations based on the findings of the research. Economic diversification was seen as the key to battling high unemployment and persistent poverty in Swaziland, and the Roadmap recommends a review of incentives and investment promotion activities to ensure that they foster diversification of the economy. SIPA must undertake a concerted image-building campaign for Swaziland, and the decision-making process at the highest levels of government must be coordinated and consistent with this campaign. The Swazi Government must resolve the dilemma of an investor having to obtain a Trading License in order to get an entry permit but requiring an entry permit to get that Trading License, and timeframes for obtaining both these documents must be shortened. The Trading License might even be eliminated in favor of the Master Business License system which was previously used. Reform of the purchase of government title deed land (TDL), the national land policy, and building industry regulations are also among the recommendations.

The key findings and recommendations from the report will be presented at a national workshop in July. As part of this workshop plans for implementation of the recommendations will also be discussed.

For more information see the Swaziland Investor Roadmap Report prepared by Sutherland Miller III, Theo Lyimo, and Trina Rand.

Malawi Capacity-Building Activities

Trade in Services. In consultation with stakeholders in Malawi, Bridget Chilala, Director of Capacity Building, prepared a technical proposal for Trade Hub assistance to Malawi with its ongoing Trade in Services activities. The objective of the proposed work is to develop a liberalization strategy to attract new investment in the transport and possibly tourism sectors.

As in most Southern African countries, high transport costs in Malawi are cited as a major constraint to competitiveness. Tourism has been identified as one of the sectors with growth potential, but the high costs of air travel, among other factors, has limited efforts to increase tourism. The proposed intervention by the Trade Hub would take into account previous activities to tackle the constraints that have been identified and would build upon previous work to liberalize these potential growth sectors. In addition to this proposal, and subject to further discussions with stakeholders in Malawi, interventions the Trade Hub is considering include:

- Building on the “Malawi Transport Cost Study” that the Tera International Group conducted for the Ministry of Transport and Public Works. The Trade Hub would design liberalization strategies and an implementation plan for trade in services.
- Organizing a workshop for the National Action Group (NAG), a private sector-led grouping of business leaders, government and interested donors, to discuss liberalization strategies for the two sectors while also enhancing this group’s understand of trade in services which is very different from trade in goods.

This technical proposal has received positive reaction from USAID/Malawi office. Follow-up meetings will be conducted to obtain approval for the proposal, prioritize Trade Hub interventions, and schedule specific support activities.

Roadmap for Removing Non-Tariff Barriers in Malawi. Ranga Munyaradzi, Trade Hub Senior Customs Advisor, traveled to Malawi from May 31 to June 7 to develop a Roadmap for Removing Non-Tariff Barriers. In preparation for the trip to Malawi, Mr. Munyaradzi prepared a paper identifying tariff and non-tariff barriers to Malawi’s exports which make them uncompetitive in regional and international markets. During his trip, he presented the paper to stakeholders which served as a basis for discussion.

Discussions were also held with both public and private-sector stakeholders regarding the practical issues that impact negatively on their exports. At a final meeting in Blantyre, stakeholders discussed and agreed on a roadmap for removing the identified non-tariff barriers. The goal of this exercise was for all stakeholders to take ownership of the roadmap and to take concrete steps to follow-up with relevant government ministries and departments.

The Roadmap prioritized activities for TFCB Trade Hub intervention and technical assistance which were subsequently discussed with officials at the US Embassy in Lilongwe—Bill Taliaferro, Economic/Commercial Officer, Richard Kimball, Private Sector Advisor and Priston Msiska, Economic and Commercial Specialist. TFCB Trade Hub technical assistance to Malawi was approved by the Bilateral Mission in Lilongwe.

Time Release Study. The World Customs Organization (WCO) *Time Release Study* concept was a further subject for Trade Hub assistance in Malawi. The Trade Hub Customs work has introduced

to the region the WCO *Time Release Study*, which assists national authorities in documenting the time lapse between each step in the process of releasing export/import cargo with the objective of identifying problems, removing bottlenecks, and improving overall Customs service delivery. Trade Hub experts proposed to the Management of the Malawi Revenue Authority that they undertake such a study in Malawi, and they approved the idea and requested technical assistance from the Trade Hub. The Trade Hub will work with Malawian authorities during the third quarter of 2005 to establish parameters for such a study.

Further details can be obtained from the Technical Assistance to Malawi Trip Report by Ranga Munyaradzi

Capacity Building Initiatives in Namibia

Investor Roadmap. As a result of a request by the Ministry of Trade and Industry (MTI) of Namibia and the Namibia Investment Center (NIC) for assistance in reviewing their investment climate, the Trade Hub launched the Investor Road Map process in Namibia on June 20. A team of three consultants—Donaldo Hart (Team Leader), Sutherland Miller and Theo Lyimo—spent two weeks in Namibia researching the policies and procedures that impact on and govern the establishment and operation of private sector investments in Namibia.

From June 20 to 30, the team held meetings with both public and private sector representatives during their stay in Namibia, which included a trip to the coastal town of Walvis Bay to interview the Port Authority, Export Processing Zone (EPZ) Management Company, and private companies operating both within and outside the EPZ. The consultants conducted a total of eighty-five interviews in Namibia.

During the month of July, the team will continue to analyze the data collected, formulate recommendations for improving management of private sector investment in Namibia, and draft the final report. The report will subsequently be presented at a workshop in Namibia where the consultants will encourage stakeholders to implement their recommendations.

The Roadmap will accomplish the following:

1. Identify and analyze all of the steps, timeframes, costs, and submission requirements involved with starting up and operating a business in Namibia;
2. Collect and review the relevant legislation establishing the various administrative procedures considered;
3. Analyze the efficiency of the present investment procedures in Namibia;
4. Craft recommendations for meaningful, practical reform; and
5. Present the report findings so as to catalyze reforms that will improve the country's investment climate.

Rules of Origin Workshop in Namibia. At the request of the Ministry of Trade and Industry (MTI) in Namibia, Paulina Elago, Theo Lyimo, Customs Consultant, and Paul Kalenga, Manager Trade Capacity Building at TRALAC, conducted a national training workshop on Rules of Origin June 22 and 23 in Windhoek, Namibia.

The objective of the training workshop was to develop skills and enhance understanding of concepts and technical aspects of rules of origin so that the country can effectively participate in negotiations and discussions on rules of origin taking place in ongoing trade negotiations.

Topics covered during the training included: (i) principles and economic rationale underpinning rules of origin (ii) how rules of origin are applied and how they relate to trade and industrial policies and negotiations of preferential trade agreements, (iii) examination of rules related to sectors of economic importance to Namibia, and (iv) issues related to the application, implementation, and administering of rules of origins in general. Also, rules of origin regimes related to the various preferential trade arrangements were examined.

An exporting company, Ramatex1, the Ministry of Fisheries and Marine Resources, and the Customs and Excise Directorate also made presentations on the local experience of applying rules of origin and the administration and implementation of rules of origin agreements.

Twenty-seven participants from key ministries involved in trade negotiations and the implementation of those agreements, private sector organizations, business associations, and exporting companies took part in the training course.

The Executive Director of the Namibia Investment Centre (NIC), Bernadette Artivor, officially opened the workshop on behalf of the Permanent Secretary of Trade and Industry. The Director of Technical Programs at the USAID Mission in Namibia, Dr. Tina Dooley-Jones, also attended the opening and first training session of the workshop.

“The seminar was very useful and informative. It also provided participants with an opportunity to ‘network’ and interact given that we were from different backgrounds and sectors. The presenters have all done a god job in achieving the seminar objective”

“I believe all the objectives were met fully and the facilitators went the extra mile!”

“This was one of the best workshops [I have ever] attended. Useful and comprehensive and [it] met my expectations. [I] learnt a lot and broadened my understanding with regard to ROO, trade policies and others.”

“[We] need workshops of this nature on a regular basis.”

Further information is contained in the Trip Report by Paulina Elago on the Namibia National Training Workshop on Rules of Origin.

Collaboration with COMESA and SADC

Collaboration with COMESA on Trade Facilitation Initiatives. At the invitation of the Deputy Secretary General of the Common Market for Eastern and Southern Africa (COMESA), Bridget Chilala and Ranga Munyaradzi traveled to Zambia from April 19 to 24 to attend the Sixteenth Meeting of the Trade and Customs Committee. Delegates at the Meeting made recommendations as to the Committee of Ministers on the Common External Tariff structure and rates, the launching of the Customs Union, Free Trade Agreements (FTAs), and trade liberalization.

In addition, a consultative meeting with the SADC/COMESA Joint Task force was held in order to identify specific activities for collaboration and possible intervention by the Trade Hub. The following areas for potential collaboration emerged from the Meeting:

- Harmonization of Customs procedure and documentation – Single Administrative Document 500 (SAD 500)
- Regional Customs Bond Guarantee Scheme
- Harmonization of road user charges

- Yellow card
- Interconnectivity of Customs administrations
- Joint one stop border post
- Rules of origin

The SADC Secretariat was unable to attend which prevented the participants from reaching specific agreements.

A follow-up meeting was held on June 21 which was chaired by the Assistant Secretary General for COMESA, Mr. Sindiso Ngwenya, and attended by several key COMESA staff members including Mr. M. Wyzan, Trade Facilitation Advisor, and staff from the East and Central Africa (ECA) Trade Hub. The main purpose was to reach an agreement with COMESA on activities and specific areas for collaboration between COMESA and the ECA Trade Hub.

The participants in the meeting agreed to the following:

- Since the SAD 500 was being implemented in Tanzania, Malawi, Zambia and Mozambique, the Democratic Republic of the Congo (DRC) should also participate in the implementation of the SAD 500. The COMESA Secretariat agreed to be responsible for selling this idea to the DRC. COMESA agreed to begin carrying out this activity in 2006 and to use COMESA financial resources under their Contribution Agreement with the European Union (EU).
- In recognition of the need to examine the participation of Mozambique in the Yellow Scheme in light of the important traffic between Malawi and Mozambique, COMESA in cooperation with the Trade Hub should organize a mission to engage the Mozambican authorities on the issue as soon as possible.
- The Regional Interconnectivity of Customs (RIC) is necessary to reduce transit times, but concurrently the legal implications of the RIC must be determined. The COMESA Secretariat will exchange information with the Trade Hub on the technical and legal implications of the RIC.
- In view of the various national practices on road user charges, there is need for an assessment of charges and how they affect the competitiveness of industries and the choice of road corridors.

Further information can be obtained from the Trip Report by Ranga Munyaradzi and Bridget Chilala on the COMESA Trade and Customs Committee and Consultative Session.

Presentation to the SADC Committee of Stock Exchanges (COSSE). At the invitation the SADC Secretariat, Trade Hub Trade Policy Adviser, Joshua Setipa, participated in the second quarter meeting of the Committee of SADC Stock Exchanges (COSSE) held in Gaborone on May 26.

In his presentation to the meeting, Mr. Setipa highlighted the work of the Trade Hub including the Trade Hub's interest in contributing to regional integration work. The Committee expressed an interest in having the Trade Hub assist with its capital markets harmonization work program.

Following the meeting, the Trade Hub received a formal request from COSSE for assistance in undertaking an assessment of the implications of the proposed harmonization of listing requirements by all the regional stock exchanges. In response the Trade Hub developed a scope

of work and identified a short-term consultant to undertake the work under the supervision of both Joshua Setipa and Keith Jefferies. The work had been expected to be complete by the end of August. Unfortunately, the consultant had to withdraw before starting the work and a replacement is being sought, thus delaying the start of the assessment work.

Since the participation in the COSSE meeting, a number of stock exchanges including the Lusaka stock exchange and the Botswana Stock exchange have approached the Trade Hub for assistance on bilateral programs. The Trade Hub is currently limiting its support to regional integration activities.

Coordination and Interface with other Donors

European Commission's Regional Training Workshop on Trade and Development. On June 1, Paulina Elago traveled to Pretoria at the invitation of the EC Delegation in Pretoria, South Africa to make a presentation on the Trade Hub and its activities involving trade-related technical assistance. The day's program to the Economic Officers from EC Delegations from across the Eastern and Southern African regions who were attending a week long training course on Trade and Development also included a presentation by DFID of its regional program activities. Discussions included ways in which the three donors could coordinate on specific activities.

Further information on the presentation is included in Paulina Elago's June Trip Report from South Africa.

Consultations with ComMark Trust. In response to advice from the U.S. Embassy in Lesotho, Amanda Hilligas, AGOA Advisor, and Lisa Yarmoshuk, TFCB Project Director, met with representatives of ComMark Trust, a UK Department for International Development (DFID) donor-funded organization that has done extensive analysis of the garment industry and related factors/sectors in Lesotho, on June 7 in Johannesburg, South Africa. The purpose of these talks was to agree on a cooperation arrangement between the Trade Hub and ComMark,

As a result of the talks with ComMark and other value chain stakeholders, the Trade Hub was able to plan for the next steps for the Trade Competitiveness activities to support the apparel sector and programmed a series of roundtable meetings in South Africa, Lesotho, and Swaziland.

DFID Regional Trade Facilitation Program (RTFP) Brainstorming Meeting. On June 8 at the invitation of the RTFP, Lisa Yarmoshuk participated in a one-day brainstorming workshop as part of the redesign of the RTFP. The purpose of the workshop was to assist in guiding the future direction of the RTFP and ensure that it complement other programs in the region. At the workshop the new Director of the RTFP presented the draft work plan for the remainder of the program and a facilitated discussion of the proposed activity areas and interventions followed. The current work program of the Trade Hub was also described, together with illustrations of lessons learned from previous and current Trade Hub activities, as a vehicle for exploring possible areas of future collaboration. RTFP and DFID expressed the greatest interest in collaborating on Corridor and Customs activities.

Further details of the Workshop are provided in the June Trip Report by Lisa Yarmoshuk.

USAID/Zambia Stakeholders' Consultative Workshop.

On June 21 at the invitation of USAID in Zambia, Bridget Chilala represented the Trade Hub TFCB activities on a panel to discuss regional perspectives on improving businesses and clusters to produce goods and services which are competitive in the global market. The meeting included

a discussion of trade policy issues in the region and was attended by representatives from the government, the private sector and other collaborating partners.

The objective of the 5-day Consultative Workshop was to inform the stakeholders of the new Market Access, Trade and Enabling Policies (MATEP) Project and the Production, Finance and Technologies (PROFIT) Project, on the prevailing situation and priority areas that would need attention to facilitate trade and market opportunities in Zambia and in the Region.

The presentation included an introduction to the Trade Hub—how it is structured, how it operates, and that among its goals is to make trade rules work for business—and a discussion of the regional trading environment. Reference was made to special challenges in the region and what the Trade Hub is doing to address these challenges and constraints at the regional level. As a result MATEP and PROFIT concluded that there was need for the two projects to exchange work programs in order to identify specific areas of collaboration.

John Keyser also attended the workshop and met with the Directors of the new MATEP and PROFIT programs to identify important areas of collaboration for Trade Hub TC activities. It is expected that Memoranda of Understanding (MOUs) will be signed with both projects during the next quarter.

Bridget Chilala's Trip Report of June 14-24 provides further information regarding the issues discussed at the workshop.

CUSTOMS MODERNIZATION AND TRANSPORT FACILITATION

Combined Meeting of the Trans-Kalahari / Maputo Corridor Customs Working Groups

In order to build on the Trade Hub's successful work in facilitating the simplification and harmonization of Customs Transit Procedures and documentation on the Trans Kalahari Corridor (TKC) and the Dar es Salaam Corridor, Ranga Munyaradzi facilitated two meetings of the Corridors' Customs Working Groups in Johannesburg from April 26 to 29. The purpose of this combined meeting was to (a) review the implementation of harmonized procedures on the Trans Kalahari Corridor and Dar es Salaam Corridors, and (b) adapt and modify TKC procedures so as to accommodate Mozambique and the Maputo Corridor, thus reducing delays and the cost of moving transit goods along this corridor.

The first meeting on April 26 and 27 was for the TKC only, which reviewed the implementation status of the simplified and harmonized Customs procedures and Single Administrative Document 500 (SAD 500). Participants at the meeting discussed operational problems and formulated a program of action aimed at eliminating some of these. Customs Administrations along the corridors have accepted opening the border posts twenty-four hours a day but are still awaiting the agreement of relevant government departments operating at the border posts.

The second meeting from April 28 and 29 was the combined meeting of all three corridors. During the meeting, participants compared the simplified and harmonized Customs transit procedures, the SAD 500 and the current Mozambican declaration form, the *Documento Unico*. After in-depth discussions, the Mozambican officials accepted the adoption of the SAD 500, with some modifications to cater to certain national needs. Mozambican Customs officials informed

participants that they would hold consultative meetings with their stakeholders and would give feedback on the way forward at the next meeting.

As a result of the meetings facilitated by the Trade Hub, the Corridors' Customs Working Group drafted an action plan, which will complete the simplification and harmonization of Customs procedures among the three Corridors, covering most of the COMESA / SADC countries.

Additional information can be obtained in the Trans Kalahari/Dar/Maputo Corridors Customs Work Group Meetings Trip Report by Ranga Munyaradzi.

Customs and Security of the Supply Chain: The US Container Security Initiative (CSI)

The Container Security Initiative (CSI) is an initiative developed by the U.S. Customs and Border Protection (CBP) which has the primary objective of protecting the global trading system and trade lanes between CSI ports worldwide and the US. The CSI was first implemented for ports shipping the greatest volume of containers to the United States. The CBP has entered into bilateral discussions with the governments of the countries where these top ports are located and is now expanding to additional ports in strategic locations.

CSI operates on the basis of four core elements:

- Using intelligence and automated information to identify and target containers that pose a risk;
- Pre-screening those containers that pose a risk to the port of departure before they arrive at US ports;
- Using detection technology for rapid pre-screening of containers that pose a risk;
- Using “smarter”, tamper-proof containers.

On May 26, Ranga Munyaradzi and the World Bank Customs Expert, Adrien Goorman, visited Pretoria, South Africa, and held discussions with CBP officials at the U.S. Embassy in Pretoria. The objective of the meetings was to determine what role the Trade Hub could play in assisting countries in the region with the efficient compliance of CSI requirements.

It was decided that the Trade Hub could assist regional Customs Administrations by organizing seminars or informational visits to: (a) raise Customs management awareness about supply chain security issues, (b) enlighten Customs management as to the importance of emphasizing cargo security in Customs operations, and (c) to develop policies and strategies for ensuring the security of the supply chain.

While most countries in the region do not directly participate in the CSI (only the Port of Durban is part of the CSI program), their export trade may find itself impacted by a failure to qualify for any clearance facilities in the destination ports. More importantly, the security issue goes beyond CSI compliance, and ignoring security concerns is likely to damage a country's external competitiveness.

The Trade Hub can also play a useful role in keeping regional Customs authorities apprised of new initiatives and other developments in the cargo security area and in providing guidance on security measures.

Further details can be found in the Customs and Security of the Supply Chain: The US Container Security Initiative Trip Report by Adrien Goorman.

Regional Customs Bond Guarantee

At the request of the Zambia Revenue Authority (ZRA), Bridget Chilala, Ranga Munyaradzi, and Glyn Evans, a short-term Customs Transit Advisor, visited Zambia from June 14 to 22 to assess and quantify the likely impact of the COMESA regional transit bond on clearing agents, insurance companies and business in general.

The consultants held meetings with key public and private sector stakeholders to discuss the issues that would have a negative or positive impact on their operations and assembled the necessary statistical and financial data to assist in quantifying the impact of the bond guarantee scheme on business. During these interviews Zambian Freight Forwarders and other stakeholders expressed their concerns about the bond guarantee, as they fear the loss of jobs and income.

After conducting the primary in-country research, the consultants completed a technical paper providing the ZRA with their conclusions as to the potential implications and impact of a regional bond on business and the Zambian economy as a whole. Among other important factors that emerged from the research were the following: (a) Zambia is a landlocked country surrounded by both COMESA and non-COMESA member states; (b) the country itself belongs to both COMESA and SADC; and (c) COMESA and SADC are both proposing Regional Customs Bond Guarantee schemes that—although they have the same basic objective—utilize different approaches.

The final report, to be released in August, is expected to recommend, among other measures, that Zambia proceed to ratify and adopt the regional bond guarantee, subject to the following:

- Prior to introducing the regional bond guarantee, the ZRA should undertake a full publicity campaign in conjunction with COMESA to familiarize stakeholders with the benefits of such a scheme.
- The timing of implementation of this major initiative should be carefully considered to ensure maximum country readiness and a phased implementation.

The study will enable the ZRA to make an informed decision on the ratification and implementation of a Regional Customs Bond Guarantee Scheme. The ZRA will use the findings to explore alternatives with the Zambian Ministry of Trade and Industry and eventually to table a proposal before Parliament on what action Zambia should take.

After their mission to Zambia, the consultants traveled to South Africa from June 22 to 24 where they held discussions with the South African Revenue Service (SARS) and South African Customs Transit Bond Providers, such as banking and insurance institutions, who are accredited by SARS. These important institutions hold the key to allowing Zambian freight forwarders and logistics providers to offer a bond guarantee for transit cargo originating in South Africa under the Regional Bond Guarantee Scheme. The consultants were successful in getting the SARS to agree to recognize bonds issued outside South Africa, and South African bond providers had no objection.

Please refer to the Trip Report and Technical Report on Impact of Proposed Regional Customs Bond Guarantee Scheme on Business in Zambia by Ranga Munyaradzi and Bridget Chilala for further details.

COMESA Trade and Customs Committee and Consultative Meetings

In response to an invitation by the COMESA Secretariat, Bridget Chilala and Ranga Munyaradzi attended the COMESA Trade and Customs Meeting from April 19 to 24 and held consultative meetings with the Deputy Secretary-General of COMESA, Mr. Sindiso Ngwenya, and his officials.

The purpose of the Trade Hub / COMESA meeting was to identify specific project activities that could be jointly undertaken. Participants discussed topics such as a COMESA Free Trade Area, the proposed COMESA External Tariff, harmonization of Customs procedures, and trade-related issues such as Trade Facilitation measures being undertaken by COMESA.

The Trade Hub Team made a presentation on the Trade Hub's accomplishments in facilitating the simplification and harmonization of Customs transit procedures and documentation on the TKC and Dar es Salaam Corridor. The adoption and use of one Single Administrative Document (SAD 500), based on the COMESA / SADC Single Administrative Document and the ASYCUDA+++ computer program received special emphasis.

The COMESA Secretariat expressed interest in Trade Hub efforts to facilitate the movement of goods along the Corridors which cover most SADC and COMESA countries. The Secretariat proposed closer working relationship with the Trade Hub in order to achieve regional integration and cooperation and proposed that Trade Hub representatives attend and contribute to certain COMESA technical meetings. The Trade Hub would in turn invite COMESA to meetings on trade facilitation and would collaborate closely with the East African Trade Hub on trade facilitation, given overlapping COMESA membership in the region.

Additional information is provided in the COMESA Trip Report by Ranga Munyaradzi and Bridget Chilala.

Improved Corridor Efficiency

With funding from the Regional Activity to Promote Integration through Dialogue and Policy Implementation (RAPID) project which is currently in its final stages, 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 quarter are as follows:

- **TKC MOU Implementation**

Having assisted the TKC Management Committee (TKCMC) in the first quarter of 2005 in the selection process and identifying a candidate to fill the post of TKC Program Coordinator, the Trade Hub assisted with preparation of a draft contract for the identified person. The Trade Hub also assisted with preparation of a meeting of the TKCMC to approve the draft contract and financial regulations for use of the funds contributed to sustain the position and operations of the TKCMC. The financial regulations were prepared by the TKCMC Secretariat. However, the meeting was deferred due to last-minute unavailability of some key members. The meeting will now take place in August 2005.

- **Swaziland and Lesotho Transport Improvement Action Plans**

The Trade Hub completed the preparation of and submitted a report on “Improving Transport Logistics for Competitiveness of Swaziland”. The report contains recommendations for a strategy to address policy, regulatory and institutional matters responsible for the high costs of trade for Swaziland. This report, which has been produced with the assistance of short-term regional logistics and transport economics experts, Stallard Mpata and Bo Giersing, also contains an “Action Plan to Improve Transportation Logistics for Competitiveness of Swaziland International Trade”. The proposed action plan is part of an overall strategy to mitigate the impact on the economy of the Elimination of Quotas under the World Trade Organization Agreement on Textile and Clothing (ATC), as contained in an earlier report by the Trade Hub AGOA Advisor.

The Trade Hub, under the TFCB activities, will assist in organizing and facilitating a national workshop in Swaziland programmed for July 5 and 6, to consider recommendations and the 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.

Similarly, the Trade Hub carried out an analysis and prepared and submitted a report on “Improving Transport Logistics for Competitiveness of Lesotho”. The analysis was carried out with ComMark, a DFID-funded organization that has done extensive analysis of the garment industry and related factors/sectors in Lesotho. ComMark’s work also includes an analysis of the logistical issues and constraints. This is a follow-up to the recommendations contained in the AGOA Advisor’s report on Lesotho. The action plan for Lesotho includes activities designed to improve 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 national workshop is scheduled for August 2005. As is the case for Swaziland, the main aim of the workshop is to secure ownership, endorsement and commitment to implementation by various Lesotho public and private sector stakeholders.

- **Paarl - Franschhoek Tourist Railway Business**

The Trade Hub prepared a scope of work (SOW) and initiated the procurement of a short-term consultant to carry out a more detailed analysis of an investment and business opportunity concerning revival of an abandoned or unused rail in the Western Cape, South Africa for operating tourist trains in the wine land. This was to follow-up on the preliminary analysis carried out earlier in the first quarter of 2005. However, the identified consultant was not available or responsive and, therefore, the analysis could not be undertaken. Also under consideration is the preparation of a concept note for organizing a roundtable discussion to assist Spoornet and other relevant South Africa authorities to gain a deeper knowledge and appreciation of issues related to private sector participation in investment and management of various railway assets, especially rolling stock. The Trade Hub is consulting with USAID/RCSA on next steps.

FINANCIAL SERVICES FOR TRADE AND COMPETITIVENESS

Trade Finance in Mozambique

The report on Trade Finance in Mozambique was released in April. The work reviewed the market for trade finance and makes recommendations for improving the supply through providing for a project preparation facility, encouraging framework agreements between financial

institutions and development agencies, improving information on credit ratings, and priority technical assistance on risk assessment. The report was subsequently released to stakeholders for comment. The Trade Hub will begin to organize a stakeholders' roundtable in Maputo in September where the recommendations on the provision and availability of trade finance in Mozambique will be discussed.

DIALOGUE FOR COMPETITIVENESS

Private Sector Advocacy

During the quarter the Trade Hub assisted a number of private sector organizations in their efforts to achieve greater relevancy to their constituents and have greater resonance in their industries. The following are just a few of the organizations which have been assisted by the Trade Hub:

- **Botswana Export Development and Investment Authority (BEDIA).**

As part of the Trade Hub's outreach activities, the TFCB team invited a delegation of senior officials from the BEDIA to an informal luncheon at the Trade Hub on April 22. The meeting provided an opportunity for BEDIA to brief the Trade Hub on its recent activities and future priorities, including ongoing discussions regarding a new export diversification strategy for Botswana. The discussion also allowed the Trade Hub an opportunity to brief the delegation on its work program including an overview of areas for possible intervention. In outlining their



priorities, BEDIA highlighted new sectors which have been identified as possible drivers of economic growth. These include jewelry and other value-added activities in the diamond and glass production sectors as well as diversification of the textiles and clothing product portfolio. The meeting concluded with an agreement to organize regular consultations between the two institutions.

- **Botswana Cattle Producers Association (BCPA)**

From 12 to 13 May, the Trade Hub's Trade Competitiveness team hosted a two-day Steering Committee meeting for the newly formed BCPA. The meeting, which marked an important step in the legal formation of the BCPA, brought together representatives of Botswana's twelve regional cattle farmer associations from all corners of the country. After important discussions about the future of the Beef Cattle Industry in Botswana, Trade Hub advisors felt that it was important to organize a wider meeting for all industry stakeholders. The resulting meeting on May 23 received wide media coverage and resonated not only in Botswana but in the entire region (for more information refer to the section entitled "Policy Paper on the Beef and Cattle Industry" under *Capacity Building and Policy Reform for Trade and Competitiveness*).

- **American and African Business Women’s Alliance (AABWA) and the Women in Business Association (WIBA) of Botswana**

These two businesswomen’s organizations approached the Trade Hub to facilitate a series of meetings to discuss a closer collaboration between them. Although they have different origins—the AABWA being an initiative from the United States and the WIBA having emerged from a Committee of the Botswana Confederation of Commerce, Industry & Manpower (BOCCIM)—the two organizations were able to identify synergies and similarities in their organizational goals.

On April 29 the Trade Hub hosted a delegation from WIBA at an informal luncheon. The objective of the discussions was to exchange information and to identify areas for possible Trade Hub assistance. WIBA also presented a project proposal to the Trade Hub for assistance in improving its capacity to provide assistance to its members and to enhance its advocacy role.

On May 20 executive members of the AABWA met over lunch at the Trade Hub to discuss ways of strengthening the advocacy voice of the association and attract programming funds. Discussions focused on how to align the membership and activities of AABWA and WIBA.

These two meetings led to a joint meeting on June 10 to provide an opportunity for the two organizations to explore possibilities of streamlining their operations to avoid overlaps and to consider ways in which they can undertake joint activities where possible. After introductions by Elias Dewa, Director of BOCCIM, and representatives of AABWA and WIBA, Trade Hub



facilitators made a presentation on the services of the Trade Hub and presented three models for institutional collaboration: (a) Creating an umbrella “Federation of Businesswomen’s Associations of Botswana” with a coordination function but limited authority; (b) Creating a similar Federation but giving it more authority by merging the boards of directors of the two organizations into a single entity; and (c) implementing a full merger of the two organizations while reflecting the strengths of each in a series of committees.

The conference concluded with a request that the Trade Hub consider providing support towards follow up activities to be defined by the two organizations.

- **International Financial Services Centre (IFSC)**

On 9 June the Trade Hub capacity building team hosted a delegation from the Botswana IFSC to an informal luncheon. The IFSC Delegation was led by the CEO of the organization, Mr. Alan Boshwaen. Joshua Setipa provided an overview of the activities of the Trade Hub and highlighted areas in which the two organizations can



- **Website Enhancement**

Recognizing that the first point of contact that most people in the region and from around the world will ever have with the Trade Hub is the virtual point of entry, that is, the website, the Trade Hub initiated the redesign of its website toward the end of the first quarter of 2005. During the second quarter, Gina van Schalkwyk, the Trade Hub's Information and Communications Coordinator, oversaw the redesign of the Trade Hub web site by Karen Roland, RAPID's Web / IT Specialist, and coordinated closely with the contractor building the new site.

The new design will enhance the website's interactivity with the user and will include a search engine so that documents and training materials can be accessed more easily. The new design will expand links to Trade Hub stakeholders and other trade-related websites. The improved features include an interactive AGOA Forum where visitors can direct questions directly to Amanda Hilligas, the Trade Hub's AGOA Advisor. There will also be a photo album, a listing of upcoming and recent events, news briefs, highlights, and country files.

The new website will be launched in the third quarter of 2005. Its enhancement and expansion is in keeping with the Trade Hub's goal of increasing the impact of its technical projects and having greater resonance in the region.

- **Resource Center**

In order to provide a physical space where Trade Hub stakeholders can come and conduct research, have access to the internet, and find a repository of Trade Hub studies and papers, a Resource Center was opened on June 22 on the occasion of the visit from the US Ambassador to Namibia, Joyce Barr, to the Trade Hub. The resource center is designed as a one-stop-shop for information on trade-related issues in the region and beyond. Among other materials that are currently available in the Resource Center are the following:

- Copies of the publications produced by the Trade Hub such as INSAT and Hub Happenings.
- The promotional materials of Trade Hub stakeholders both in the US—such as the Overseas Private Investment Corporation (OPIC), the United States Trade Development Agency (USTDA), and the Export-Import Bank—and in the region—such as IFSC and BEDIA.
- Regional Trade Directories and country Yellow Pages
- Clippings of recent news articles on topics which are of interest to the Trade Hub and its stakeholders
- The Resource Center will eventually comprise a large selection of resource materials, business directories from the US and the world, reference works, magazines and reports in both hard copy and electronic format.

- **Exhibition Area**

In addition to the virtual gateway to the Trade Hub, its website, Trade Hub stakeholders also frequently have contact with our physical gateway in Commerce Park in Gaborone. It is customary for visitors to tour the Trade Hub's standing exhibition of programs in the Exhibition Area of the Trade Hub. During June this Exhibition Area was updated to include exhibits of new products that have been assisted by the Trade Hub in recent months and to add a section on the "Trade Hub in the News" which chronicles the news coverage that Trade Hub programs receive in

the media. It also now includes selected video clips of key Trade Hub events and testimonials from Trade Hub partners.

The recent update of the Exhibition Area is an interim step toward a more fundamental change in concept. In the future, the Trade Hub will create an Exhibition Area which reflects the full diversity of work executed by the technical programs of the Trade Hub and enhances the way displays are presented by including a multi-media dimension. Planning and design for this new Exhibition Area is underway and is earmarked for completion by the end of the calendar year.

- **Database**

The backbone of any outreach and communication campaign is a dynamic and interactive database of contacts, and Gina van Schalkwyk began the quarter by creating a database of Trade Hub stakeholders which allows for easy expansion and access. Policy makers in the region and abroad, government officials, the private sector, civil society, the media, and the donor community have all been included in the database. This has already demonstrated concrete benefits as the distribution of Hub Happenings and especially the first distribution of INSAT have reached a wider audience than was previously possible.

Catalyzing Dialogue

- **Inside Southern African Trade (INSAT)**

The Trade Hub launched its new flagship newsletter, *Inside Southern African Trade (INSAT)*, with publication of the first issue in May. It will be distributed on a quarterly basis to policy makers in the region and beyond, as well as to the private sector, civil society, the media and donor community. The first issue was sent electronically to over 1,000 stakeholders in the region and in the United States. 1,500 hard copies were also distributed at the CCA in Baltimore in June, and through the Trade Hub, Embassies and Missions in the regions, private sector associations, government ministries in partner countries and firms in the US.

The newsletter is unique in providing an overarching analysis of regional economic issues, events and initiatives, which serve to contextualize the work of the Trade Hub in the regional and global trading environment, inform our stakeholders of trade related issues and news, and increase awareness of the activities and successes of the Trade Hub. In reflecting the work done at the Trade Hub, it also compliments the monthly Events Calendar, “Hub Happenings”, as a resource on the past and future activities of the Trade Hub.

“Excellent newsletter” **H.E. Ambassador Joseph Huggins**, U.S. Ambassador to Botswana

“The SACU-US story's writing style is fantastic. It is plain, simple and easy to read...Really nifty was the German Metrology Institute tool kits. Publish more of these business tools that will aid exporters to the first world.” **Jacques Hare**, Divisional Export Manager, Narrowtex Group, Industrial Textile Manufacturers, HO Estcourt, KZN, South Africa

“By and far, the most useful (and I might even add best looking) newsletter I have ever seen. I'm not exaggerating. Every article is useful and news worthy. The format, pagination, fonts, everything looks great.” **Rachid Benjelloun**, International Trade Specialist, Cairo

“I thought the layout was fresh and the content useful. I read several articles and found them to be of good quality. I also appreciated the analysis and reportage on different countries.” **Peter Draper**, Research Fellow: Development Through Trade, South African Institute of International Affairs

“It is a great paper – I really think this is a great service to all of us in the field.” **Carrie Walczak**, USTDA

TRADE COMPETITIVENESS

BACKGROUND

The Hub's Trade Competitiveness activities seek to improve the capacity of regional businesses and clusters to produce and market competitive good and services. These activities aim to develop value-adding export relationships within the region and internationally by providing enhanced access to technical assistance. Much of the work planned under Trade Competitiveness ultimately aims to assist producers, exporters, and countries to maximize benefit from AGOA opportunities.

Work Planning and Staff Completion. During the Second Quarter of 2005 the Trade Competitiveness (TC) Team made several important changes to its staff structure. These included the designation of a new Director, the addition of the AGOA Trade Advisor, and the hiring and placement of a Project Coordinator and Monitoring & Evaluation Specialist.

John C. Keyser, who has served as the Agribusiness Advisor since the inception of the project was nominated and approved by USAID/RCSA as the new Director of Trade Competitiveness. Mr. Keyser will continue to serve as Hub Agribusiness Advisor and at the same time assume the responsibilities of Project Director.

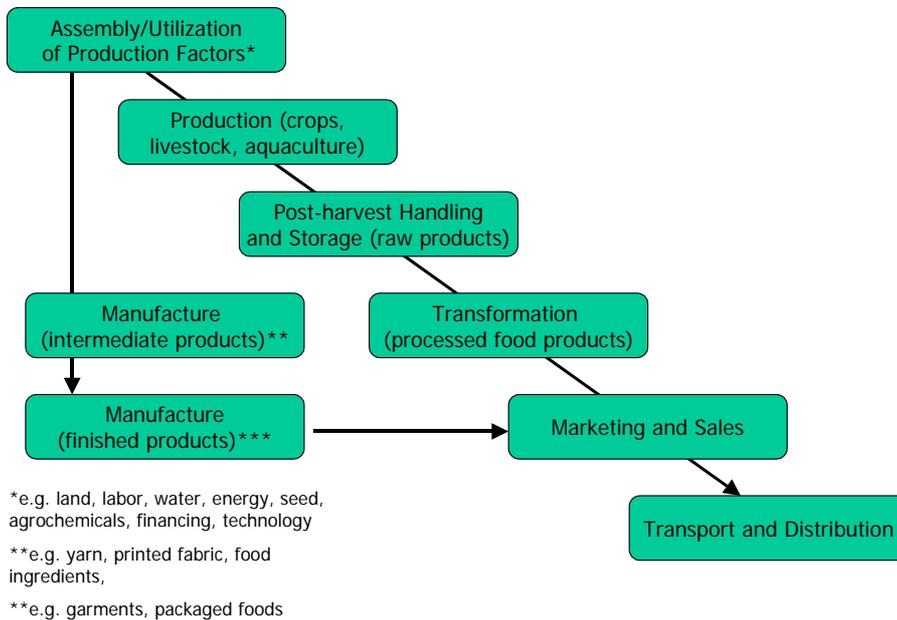
Also during this quarter, with the winding up of the Chemonics/RAPID program, the Hub's AGOA Advisor, Ms. Amanda Hilligas, joined the Trade Competitiveness Team. Mr. Ken Ames also joined the Competitiveness Team on June 1st and arrived in Gaborone on June 10th to provide contract management support to the team and also to fill the vacancy of Monitoring and Evaluation Specialist. Mr. Ames has many years of experience in USAID contract management and brings this experience to the Trade Competitiveness Team. He will also be responsible for the development and implementation of the Project Monitoring Plan.

At the start of June, John Keyser traveled to Washington, DC for meetings with CARANA, Abt Associates, and Global Development Solutions (GDS) to discuss refinements to the Trade Competitiveness work plan taking into consideration results of scoping missions conducted since the inception of the project, available funding to achieve tangible results, and addition of AGOA support activities to the TC portfolio. These meetings led, in part, to the preparation of a detailed contract modification proposal that was submitted by the CARANA Corporation to RCSA in mid-June.

IMPLEMENTATION OF THE VALUE CHAIN APPROACH

Value chains are essentially extended enterprises in which participants work together within their respective supply chains to pursue one or more end-markets. Value chains encompass all of the factors of production as well as all economic activities necessary to create, sell, and deliver a product to a certain destination. These are depicted graphically in Figure 1 below.

Figure 1: Principal Links in Value Chains



During this quarter, the Trade Hub’s Competitiveness Team completed the initial identification of promising value-chains in its three target sectors (exportable agriculture products, sustainable tourism, and textiles and apparel) and began to carry out strategic interventions at various points along these value-chains where technical assistance or other Trade Hub actions could best improve productivity or competitiveness or reduce friction and transaction costs. Examples of such activities undertaken this quarter include:

- Opening of the South Africa market to MD2 pineapple imported from Ghana and counter seasonal mangos from Senegal through focused pest risk analysis and assessment of intellectual property rights issues in order for a leading fresh cut fruit exporter to satisfy the market specifications of a large UK retailer.
- Preparation of an action plan for streamlining export documentation procedures and upgrading of cold storage capacity at the Lusaka International Airport for fresh vegetable and flower exports from Zambia.
- Identification of new floriculture products that could play a strategic role in helping the Zambia floriculture export sector to grow thereby attracting more cargo flights as the best way to negotiate improved airfreight prices.
- Fielding of a joint fact finding mission by the Botswana Cattle Producers Association (BCPA) to Namibia and South Africa to investigate market requirements for live weaner cattle and opportunities for replicating the Namibian auction system in Botswana.
- Hosting of a BCPA Steering Committee meeting at the Trade Hub to present the fact finding mission’s recommendations to leaders of Botswana’s twelve regional farmer associations.
- Part financing of a feasibility study for a large-scale foliage project in central Mozambique being carried out in partnership with TechnoServe as a prelude to possible funding by the Aga Khan Foundation for Economic Development.

- Development of a strategic vision for a new Tourism Products Alliance (TPA) that will bring together regional stakeholders to market this important AGOA product and build new business to business linkages.
- Planning for a demand survey of US apparel retailers and merchandising houses in order to match Southern Africa manufacturers to these AGOA-related market opportunities.
- Implementation of two Action Plans in South Africa that link established horticulture firms working with the Hub to PEPFAR funds to develop workplace HIV/AIDS mitigation programs as a basic element of trade competitiveness.

To complement this value-chain approach, and in line with the TC's streamlined staff structure, the implementation plan agreed with RCSA calls for the use of value chain leaders to be responsible for project activities in their field of expertise.

Specifically, under the overall strategic guidance of the Trade Competitiveness Technical Director, John Lamb, the primary value chain leaders for the program's three focal sectors are John Keyser (agribusiness), Alvin Rosenbaum (sustainable tourism), and Joop deVoest (apparel). Within agribusiness, Henry (Win) Winogron continued to serve as Value Chain Leader for Horticulture and Ornamental Plants while Ronald Ramabulana, who comes to the Trade Hub through consortium member *ECIAfrica*, became operational as the Trade Hub's Regional Marketing Specialist based in Johannesburg. Mario Bacchiocchi also joined the TC team in the second quarter to work on horticulture export opportunities in Botswana and elsewhere in the region.

In the tourism sector, the value chain leader was supported by Oliver Chapeyama who worked on a variety of assignments. Other contributors to the tourism sector included Miguel Zweig, who completed a Global Demand Survey this quarter, and Lucy Kaplan who is making preparations for a July 21 TPA planning event to be held in Pretoria to map out the next steps in tourism.

In the apparel sector, the value chain leader worked closely with Trade Hub AGOA Advisor, Amanda Hilligas, to explore new opportunities for regional trade and market expansion and was assisted by short-term consultant David Esch to begin planning a series of competitiveness roundtable meetings to be held in South Africa, Lesotho, and Swaziland.

Coordination with Rural Livelihoods Strategic Objective (SO15)

Partnership building and coordination with the USAID/RCSA's SO15 Team and Implementers is fundamental to the success of the Trade Hub's work fostering export growth in RCSA countries. Following the RCSA All Partners Meeting on April 5, the CTO's of SO 14 (Lawrence Johnson and Victor Mong-gae) and SO 15 (Jerry Brown and Cecilia Khupe) met with Trade Hub staff including TC Technical Director, John Lamb, TC Agribusiness Specialist, John Keyser, TFCB Director, Lisa Yarmoshuk, MSU/PFID Chief of Party, Chibembe Nyalugwe and other technical specialists to discuss possible areas of collaboration between the two SOs. A follow-up meeting was held on April 21 between the Directors of the TC, TFCB and MSU/PFID activities to put some specifics on the issues raised in the meeting of April 5.

During the first quarter of 2005, a Trade Hub scoping mission to Mozambique identified an opportunity to build new market links through product and process innovations for a smallholder pineapple project established by Irish Aid in Inhambane. Although the plots have not yet peaked in total production, farmers already cannot sell their produce, partly because a poor variety was

chosen that does not travel well for fresh consumption. The opportunity, therefore, relates to the introduction of new drying technology to produce a trail mix made from pineapple, cashew, coconut, banana, and other tropical fruits readily available near Inhambane. The main market outlet, at least to begin, would be domestic consumption, but the deal also has regional implications in terms of the introduction of drying technology from South Africa. The MSU-PFID Team agreed to investigate this opportunity and develop a draft implementation plan based on information supplied by the Trade Hub's TC Team.

During the same scoping mission, the Trade Hub also identified a business opportunity in Nelspruit, South Africa, concerning the franchising of shared greenhouse space for the growing and drying of flowers. Under this program, small entrepreneurs rent for greenhouse space and benefit from the parent company's market connections. The franchisees are 66% women, and 86% black. From a standard 1,000m² plot, the entrepreneur can expect to earn around ZAR 16,000 (USD 2,500) per month. The franchisees handle all of the farming operations, and also pack their own flowers, which are all sold within Johannesburg. In this case, the opportunity for MSU-PFID support relates to the introduction of new crops like hydroponic vegetables, which can be more profitable than dried flowers and are a good strategy for market diversification. The TC Team undertook considerable research on this opportunity, which it agreed in the second quarter to handover to the PFID team for further action since the market is mainly domestic.

Formal Cooperation with Outside Partners

As the Trade Hub steps-up its program of technical assistance and value-chain support throughout the RCSA region, a framework system to formalize the cooperation and track the various activities undertaken together with not-for-profit development partners and commercial entities was introduced this quarter.

Under this system, Memoranda of Understanding (MOUs) will be signed with non-profit development agencies (including producer associations, NGOs, and USAID-financed development projects), and Service Agreements will be signed with commercial entities that stand to profit directly from Trade Hub value-chain support. These umbrella agreements set out the basic terms of Trade Hub cooperation (who we are, who they are, why we are interested to work together, that we will always work in full compliance with USAID rules and regulations, etc.) and will, in turn, be accompanied by corresponding Activity Descriptions that set out the specific budget, areas of responsibility, a timeline, reporting requirements, and desired measurable outcomes for each field of cooperation. Additional Activity Descriptions, if any, will be treated as addenda ad modifications to the original MOU or Service Agreement.

This approach has been designed for maximum flexibility and is intended to be an integral part of the Competitiveness Team's monitoring and evaluation plan. It will allow the Hub to track the resources it commits, the value of matching contributions from associated development partners, and the impact of specific activities.

During the second quarter, the TC Team concluded two MOUs and committed funds toward three specific Activity Descriptions as described below. Many more MOUs and Service Agreements are expected to be signed in the third quarter as outlined in the section on planned activities for July-September 2005.

- **The Hurvitz Group.**

An MOU was signed with the Hurvitz Group on April 1, 2005 as a proxy organization to support the Botswana Cattle Producers Association (BCPA), which at the time was not a legal entity. The MOU was prepared to cover initial activities and issues as a key step in the formation of the BCPA as the apex body of Botswana's twelve regional farmer associations representing the country's 60,000 cattle producers. Activities supported under the covering MOU include:

- (1) **A regional fact finding tour to Namibia and South Africa.** Building on initial contact made in the first quarter, the TC activity funded the BCPA's participation in a joint Fact Finding Mission (FFM) undertaken from April 4 to 8 with the Botswana Government and Botswana Meat Commission (BMC). With Trade Hub support, BCPA members of the FFM visited Namibia and South Africa to investigate regional market opportunities for live weaner calves and potential for creating a new auction system in Botswana. The FFM prepared a joint report presented to the Minister of Agriculture that recommended, *inter alia*, (a) ending the BMC's monopoly on beef exports; and (b) requiring the BMC to pay local farmers' export parity prices. The total value of TC support for this activity was USD 3,675; the BCPA's matching contribution is estimated to be at least USD 6,500, consisting of volunteer labor, communications and report preparation.

Members of the Fact Finding Mission at the Karan Beef Abattoir in South Africa.



Photo: Courtesy of BCPA.

- (2) **Hosting of a BCPA Steering Committee Meeting at the Trade Hub.** On May 12 and 13 the Trade Hub TC Team hosted a two-day meeting of the BCPA Steering Committee comprised of the twelve chairpersons of Botswana's regional farmer associations. This represented an important step in the institutional development of the BCPA, which the Trade Hub has committed to supporting. The meeting objectives were to: (i) present the results of the TC-sponsored FFM to the Steering Committee Members; (ii) discuss the draft version of a policy paper that was being prepared by the Trade Hub on the benefits of free trade and opportunities for establishing a live weaner auction system in Botswana; and (iii) allow for consultations between the BCPA and International Development Ireland (IDI), which was carrying out a strategic assessment of management options for the

“You guys hit a home run today – bringing all the cattle producers together around this kind of strategic vision is an absolute first for Botswana.”

**Philip Fischer, BCPA
Chairman**

BMC. Delegates traveled from all parts of Botswana to attend the meeting, which was addressed on the first morning by the RCSA SO14 Team Leader, Lawrence Johnson, and US Embassy Economic Officer, Hagen Maroney. The total value of TC support for this activity was USD 3,850; the BCPA's matching contribution is estimated to be at least USD 11,750, consisting of volunteer labor, travel time, communications and meeting preparations.

- **TechnoServe/Mozambique.**

An MOU was signed between the TC activity and TechnoServe/Mozambique on June 27, the goal of which is to define and guide implementation of joint development activities that promote trade in and for the people of Mozambique. Activities supported under the covering MOU during this quarter include:

- (1) **Feasibility study for a large-scale foliage project.** Flower Dynamics, a leading distributor of floriculture products from Southern Africa to the European and regional markets, is currently looking to expand its supply of foliage products destined for the Republic of South Africa and external markets. With that in mind, it has partnered with Eton Capital, a black-owned South African Financial Services Company to assess potential opportunities in Mozambique's Beira Corridor. Mozambique offers a significant advantage over South Africa in that foliage can be produced year-round. This project is on a short-list for concessional funding by the Aga Khan Foundation for Economic Development (AKFED) and the three partners thus requested TechnoServe/Mozambique to carry out a feasibility study to verify and refine the concept of a large-scale foliage project. While Flower Dynamics is willing to commit time and effort to this study in its role as technical partner, it does not have the cash resources necessary to finance external consultancies. As a matter of policy, neither can Eton Capital or AKFED, as prospective debt or equity partners, finance feasibility studies upfront. While TechnoServe/Mozambique has identified a business analyst to do the work, TechnoServe/Mozambique did not have all of the resources necessary to cover the full cost of international and local travel, per diems, and consultancy costs. Given these circumstances, TechnoServe/Mozambique sent a letter to the Hub in April 2005 requesting assistance to support a portion of this proposed activity. The Competitiveness Team agreed to this request and has committed to funding up to USD 14,900 toward domestic travel and per diems for local and international experts working on the study; the other development partners have agreed to commit USD 45,300 to cost of the study, which is still ongoing and scheduled for completion next quarter. If the investment is approved, the financial contribution from AKFED is expected to be at least USD 2.0 million

Other Achievements and Technical Support Provided

Similar to other Trade Hub activities, the TC activity provides technical support to the region via a combination of technical assistance and training. The technical assistance is provided either directly by resident specialists 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.

As described in the TC work plan, the Trade Competitiveness Team has developed distinct approaches individually suited to each of its three focal sub-sectors: exportable agriculture products, sustainable tourism, and apparel. Each approach shares a common philosophy of increasing sales through enhanced productivity, competitiveness, market access, linkages, and

value-addition. In accordance with USAID policy, gender, HIV/AIDS, and environmental concerns have also been incorporated in each approach as fundamental determinants of long-term trade competitiveness. To maximize likelihood of a solid startup in each sector, implementation of activities in the three sectors are being launched sequentially in a staggered manner, starting in the first quarter of 2005 with exportable agricultural products, quickly followed in the second quarter by sustainable tourism, and finally by textiles and apparel in the third quarter of 2005.

Highlights under each of the three focal sectors and the new area of AGOA Support are described below. Cross-cutting work in the area of HIV/AIDS mitigation is also described. Beginning in the third quarter, the TC Team will formalize these areas of cooperation with MOUs, Service Agreements, and Activity Descriptions as described above. Some of the activities already undertaken will also be incorporated under retroactive MOUs and Service Agreements.

EXPORTABLE AGRICULTURE

In addition to the ongoing work with the BCPA and TechnoServe/Mozambique described above, the Trade Hub was also active in the following areas of export agriculture.

Conclusion of a Major Export Deal for Pineapples in South Africa

The Trade Hub achieved its first major breakthrough in export agriculture in June. For the past several months, the Southern Africa Trade Hub has been working with a leading fresh cut fruit processor in South Africa to resolve a shortage of MD2 pineapple and high quality mangos needed to satisfy the specifications of a large UK retailer. To open new supply channels for these crops, the Southern Trade Hub's competitiveness team began working with the West Africa Trade Hub to plan the client's trade mission to Ghana and Senegal, which identified a number of highly competitive suppliers in each country.

Before the new trade links could be opened with South Africa, however, concerns of the South African National Department of Agriculture (NDA) about quarantine action pests and intellectual property rights (IPR) had to be addressed. In response to this need for information, the Southern Trade Hub first helped the client to analyze the pest risk based on a literature review, which narrowed down the list of pests for both crops and led to the proposal of risk mitigation strategies that were approved by the NDA. On the IPR front, similar Trade Hub research revealed a number of weaknesses in claims related to MD2, which satisfied the South African authorities and enabled the import permit to be approved.

In a first of its kind example of intra-Hub collaboration, the Southern Africa Trade Hub joined forces with the West Africa Trade Hub in April to secure a new market for pineapple from Ghana and counter seasonal mangos from Senegal. Resulting sales to South Africa will be in the range of USD 1.0 to 1.2 million annually, thereby enabling a South African firm to preserve its share in an expanding multi-million dollar export market for fresh cut fruits to Europe.

“The Trade Hub’s help in forwarding the IPR judgment and information on pest risk analysis were invaluable in opening this new channel.”
- Export Development Manager of the benefiting firm.

As a result of these efforts, the first shipment of mangos was sent from Senegal in June 2005 and MD2 pineapples will be shipped from Ghana in early September, thereby enabling the South African firm to preserve its share in a rapidly expanding export market for fresh cut fruit mixes in

Europe worth several million dollars annually. Resulting value in regional pineapple exports alone is expected to be at least USD 800,000 annually (50mt per week) and mango sales are projected to range from USD 200,000 to 365,000 per year (5-10mt per week) for exports from May to November for at least the next three years.

Continued Support to the Horticulture Export Sector in Zambia

A diagnostic assessment of the Zambian cut flower industry, conducted by Value Chain Leader, Win Winogron, and John Keyser in January, concluded that most Zambian flower farms were growing less than optimal flower types and varieties and were overcapitalized on a per hectare basis, and that farmers should consider diversifying both products and markets. The assessment also concluded that Zambia's competitiveness in floriculture and fresh vegetable exports is compromised by inefficient export documentation procedures and sub-optimal handling at Lusaka International Airport.

In response to this, the Trade Hub fielded two consultants this past quarter to work with the Zambia Export Growers Association (ZEGA) to improve the situation. In late April, Stanley Heri (former Director of the Zimbabwe Horticulture Council) traveled to Lusaka to devise an Action Plan for the streamlining of export documentation procedures. Among other things, the plan calls on ZEGA to begin stocking customs forms at the airport and to upgrade its own SPS inspection capabilities. ZEGA wholeheartedly endorsed the recommendations and is currently implementing various stages of the Action Plan.

Workers in Zambia packing export roses for supermarket sale.



The second activity carried out with ZEGA was an examination of specific growing conditions for cut flowers in order to identify and recommend several alternatives to intermediate and sweetheart roses that are well suited to the local environment. This work was carried out by Regional Floriculture Expert, Jonathan Lapham, who worked with Trade Competitiveness Director, John Keyser to carry out a financial costs and profitability analysis of the recommended cultivars. It is expected that the results of this assessment will be presented to the ZEGA members and other local stakeholders during a follow-up mission to be organized in the third quarter.

A wood greenhouse near Lusaka with new plantings of solidago.



Feasibility of Melon Production in Botswana

During the second quarter, the Trade Hub began planning for a series of sweet melon trials to be undertaken in partnership with the Botswana Horticulture Council (BHC). Under the leadership of Value Chain Specialist, Mario Bacchiocchi, the aim of these trials is to produce very high quality melons, which can then transshipped to South Africa for the fresh and processed market taking advantage of the growing season in Botswana. To date, a short list of able and willing farmers to participate in the trials has been prepared, and appropriate varieties of sweet melon and seed requirements have been identified. It is proposed that the Trade Hub should procure the seed on behalf of the BCH farmers and discussions are now underway on the establishment of a revolving fund into which farmers would repay the cost (plus interest) of the inputs they receive. Market Linkages Specialist, Ronald Ramabulana will carry out a survey of seasonal price windows and demand conditions in South Africa and ensure the necessary import permits are obtained from the South African National Department of Agriculture (NDA).

Identification of Business Opportunities in Mozambique

In response to requests by several large horticulture firms in South Africa for Hub assistance in identifying reliable business partners in Mozambique to participate in new cross-border production and marketing arrangements, John Keyser undertook a mission to Mozambique in late-April together with SO14 Team Leader, Lawrence Johnson, and USDA APHIS Advisor, Ann Ferguson. During this mission, several contacts were identified while TechnoServe/Mozambique and the US Embassy Economic and Political Section both said they would gladly assist the Trade Hub with the vetting of potential investors and could provide further contacts leading to new business partners.

As a result of this cooperation a number of potential investors were identified that now need to be followed-up on with further scoping work, both by the Trade Hub and by interested South African firms. Chief among these opportunities, the Trade Hub learned of a nascent producers' co-op that is forming around Chimoio in Manica Province. This group is composed mainly of former Zimbabwean farmers, but also includes a share of commercial Mozambican growers and a number of smallholder farmers. The idea of this co-op is to form together to produce crops like litchis and mangos on a larger scale than would otherwise be possible and to bulk these commodities to save on marketing costs and ensure that reliable volumes of good quality produce

are available to ship. The USAID/Mozambique Agriculture Development Officer made a presentation to this group on opportunities to develop a new generation producers' co-op at the end of May and, at the request of the Bilateral Mission, a reconnaissance mission is now planned for mid-July to investigate this group and determine their real capabilities.

A second group of potential investment partners identified during the TC Director's visit to Mozambique are the members of FRUITISOL, which is an association of established commercial producers based in the south (Boane Dam area, Namaacha, etc) producing a diversity of crops ranging from very high quality grapefruits, to litchi, mango, macadamia, and banana. Most of these farmers have considerable experience in commercial agriculture and are very familiar with the local institutional context. What FRUITISOL members say they lack, however, is investment capital, information on new technologies, and secure export links. The TC program can thus play a key role by linking FRUITISOL members to the horticulture investors it has been working with in South Africa.

SUSTAINABLE TOURISM

Partnership Building for the Tourism Products Alliance

During the second quarter, Hub Value Chain Leader for Tourism, Alvin Rosenbaum, worked from his home base in the United States building support for a Southern Africa Tourism Products Alliance (TPA). Organizations contacted include the World Bank, National Geographic Society, and ComMark Trust, a DfID-funded entity. These relationships aim to increase awareness of the TPA and have the potential for leveraging significant new funds in support of Trade Hub-initiated tourism work throughout the RCSA region. The focus on partnership building is especially important because, at current funding levels, CARANA projections are that the Hub will not be able to finance tourism competitiveness activities past the end of 2005. The injection of additional resources to achieve a more sustainable balance between the Trade Hub's competitiveness work in other sectors, including AGOA support, is therefore essential to advancing the TPA.

The TPA was organized to identify opportunities for community-based businesses and organizations in Southern Africa to participate in the international tourism marketplace. The long-term vision is to establish regional networks around a centrally managed data hub of market-ready products and services, using ICT intermediation to link local producers and service providers into global tourism distribution channels. The TPA is thus being organized to increase local content in the development and delivery of activity and hospitality components for international and intra-regional leisure travel in Southern Africa; in sum, to promote economic growth and development while encouraging social and environmental sustainability. An interactive planning meeting is scheduled for July 21 in Pretoria to map out the next steps for Hub assistance to the tourism sector.



Identification of Tourism as an AGOA-Related Product

Also during the second quarter, attention was drawn to the importance of ecotourism as an AGOA product. Specifically, P.L. 108-274, Section 10 mandates attention by the President to develop and implement policies that (a) increase capacity in sustainable tourism in AGOA-eligible countries; (b) encourage and facilitate trans-boundary cooperation among sub-Saharan African countries; (c) encourage the provision of technical assistance to eligible sub-Saharan African countries; and (d) encourage SMMEs in eligible sub-Saharan African countries to participate in the tourism industry. Most, if not all, of the activities planned under the TPA contribute directly to this mandate. Plans for a TPA business-to-business data-hub, for example, is part of building new information and communications infrastructure and the very essence of the TPA is based on trans-boundary and regional cooperation.

The marketing of regional tourism products generated considerable interest from public and private stakeholders at the CCA Business Summit in Baltimore, Maryland. During Q&A sessions, key government officials asked about progress with the marketing of tourism in the region.

“The marketing of Southern African tourism as an AGOA product is a real chance for RCSA to jump out in front of the curve.”
Alvin Rosenbaum, Value Chain Leader for Tourism

Launch of the TPA Website

Another major accomplishment in the tourism sector this quarter was the development and launch of the TPA webpage. This site serves as a means for sharing information on the TPA’s objectives is a means for disseminating information globally on opportunities for tourism development in the Southern Africa region. The webpage can be accessed at: <http://www.satourismproducts.org/>

Completion of the Global Demand Survey

This quarter also saw the completion of a Global Demand Survey which is being used to guide the TPA approach. The survey validated the demand for cultural products and middle value tourism and will help guide the direction of future TPA activities. A full summary of findings is posted on the TPA webpage.

Participation in the HATAB Open-Season Event

Finally, as part of a regional implementation mission, TC Technical Director, John Lamb attended the Hotel and Tourism Association of Botswana (HATAB) Open-Season event in Kasane on April 8 and 9. This two-day workshop brought together leaders of the Botswana tourism industry and provided an opportunity to discuss development needs in the tourism sector and potential for Trade Hub support. The Open-Season event was also attended by the US Ambassador to Botswana, the Honorable Joseph P. Huggins, who spoke on the importance of developing a new market for middle-value tourism, which is one of the guiding principles of the TPA.

TEXTILES AND APPAREL

Pursuit of Deal-Making Opportunities

During this quarter, the Hub’s Value Chain leader for Apparel, Joop de Voest continued to foster new business

This quarter the Hub engaged in deal-making activities between regional yarn spinners and fabric knitters. The value of one running order alone is **worth more than USD 100,000 per month** in new exports for Lesotho.

linkages and lay the groundwork for regional and international transactions in the apparel sector. Recently, in cooperation with AGOA Advisor, Amanda Hilligas, Mr. de Voest continued to provide sourcing assistance to a participating AGOA garment export company in Ghana to source specific fabrics and apparel items from South Africa. Similarly, Mr. de Voest provided information to South African sourcing houses with apparel company contacts in Botswana and to apparel manufacturers on new knitting mills and yarn sourcing opportunities in Lesotho. Just one of these yarn deals alone is worth more than a million dollars in new business per year. Technical assistance was also provided to a Tanzanian textile company to secure zero duty clearance into the Southern African Customs Union (SACU) for their subsidiary textile mill in Mozambique under a deal to supply manufacturers in Swaziland. Other activities under the Hub's apparel strategy, including a demand survey of US apparel buyers and merchandising houses will be rolled out in the third quarter.

Planning for a Series of Regional Roundtable Meetings on Post-MFA Survival Strategies

Planning began in the second quarter for a series of roundtable workshops to be held in South Africa, Lesotho, and Swaziland. The meetings are intended to provide a unique networking opportunity for regional producers and apparel buyers to meet with global apparel leaders and discuss key issues related to post-MFA/ACT survival and continued Chinese expansion in global markets. The meetings were originally planned to take place in late April, but had to be postponed due to an unexpected family emergency for one of the international guest speakers. The roundtable meetings are now expected to be held in the fourth quarter and will be used to present results of the US demand survey.

AGOA SUPPORT

The Trade Hub's AGOA strategy is to provide for a smooth transition of all AGOA related work and will involve: (a) continuation of awareness and information-oriented activities at the country, sub-sector, cluster and enterprise level; (b) promotion of apparel and agricultural exports eligible for duty-free status under AGOA; (c) organization, co-sponsorship or participation in relevant events such as the AGOA Forum and Corporate Council on Africa Business Summit; and (d) responding to unique, often unpredictable requests or opportunities to engage in match-making between suppliers and buyers, to facilitate export transactions, and to nurture particular investment or export deals.

Since value-chain and cluster development are more methodical and strategic in nature, they tend to result in larger export gains over time. On the other hand, it is important that the Trade Hub show short-term results and be responsive to the immediate needs of commercial stakeholders and development shareholders alike. For that reason, the Hub will also provide limited support for match-making, discrete transactions, and specific deals, all of which tend to be opportunistic in nature. The main mechanisms for delivering such support will be technical assistance given by the resident AGOA Advisor and short-term technical experts, and observational tours to target markets or visit the operations of more experienced players in a particular value chain.

The Hub's AGOA Support Component is thus designed to provide complementary capacity building and technical assistance at both the firm level and national level to increase the value and volume of exports to the United States from eligible countries in the RCSA region. During the second quarter the AGOA Support Component made significant progress with the AGOA Mission

of promoting partnerships that increase trade in goods to the United States, facilitating deals in the seafood and cashew sectors. Several other core activities were undertaken as follows:

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. AGOA national strategies are a policy priority for the Administration, and a topic of focus at the upcoming AGOA Forum in Dakar, Senegal from July 18-20.

- **Botswana.** As a result of discussions between the Trade Hub and the Ministry of Trade and Industry, the Government of Botswana agreed to re-launch the Botswana AGOA Forum (BAF) in August 2005. On this basis, planning on AGOA diversification continued during the second quarter in partnership with a policy group composed of both the public and private sector tasked with identifying short-term and long-term strategies to take full advantage of AGOA. In addition, the BAF will be in an excellent position to target local regulatory and structural obstacles to trade under AGOA. At the request of the Trade Hub, the BAF will invite women's entrepreneur groups to have a seat on the BAF, to encourage women's SME (Small and Medium-sized Enterprise) development, and business linkages with the United States.
- **Swaziland.** The Swaziland Investment Promotion Agency (SIPA) continued discussions with the Hub AGOA Advisor on the elements of an AGOA diversification strategy in the second quarter, which will be presented on July 6th at the "Building Prosperity through Trade and Investment" Seminar in Ezulwini, Swaziland. It is expected that this will lead to the identification of several opportunities for AGOA support for the development of new value chains and clusters working in export agriculture and other areas with diversification potential.
- **Lesotho AGOA Category 9 assistance:** At the request of the U.S. Embassy in Maseru, the Trade Hub's RAPID Project sent Julie Nixon, a consultant responsible for success of the handicraft and giftware industry in Swaziland, to Lesotho in June. Ms. Nixon examined how to increase exports of AGOA Category 9 products to the United States, and improving the cooperation and marketing efforts of producers in Lesotho based upon the successful Swaziland association model.

Firm-Level Export Assistance and Transactions

The second important component of the Trade Hub's AGOA program is to provide firm-level export assistance. Highlights in this area during the second quarter include:

- **Corporate Council on Africa Business Summit**

In the second quarter, the Trade Hub sponsored a delegation of companies to attend the Corporate Council on Africa's Business Summit held in Baltimore, Maryland, from June 21-24. The Trade Hub delegation featured companies from Namibia, Botswana, Swaziland, South Africa and Mozambique in the seafood, handicraft, apparel and agriculture sectors. The Trade Hub partnered with SAIBL to send companies from South Africa to the event. RAPID

"There was so much information on trade opportunities to the United States under AGOA at the CCA Summit. I would very much like to thank USAID and the Trade Hub for my sponsorship."

Hendrick Flourie, Namibian Manufacturers Association

Business Consultant, Phyllis Shearer-Jones, assisted with the delegation in Washington, facilitating meetings, business linkages and marketing for the companies. Companies attended site visit capacity building sessions facilitated by Ms. Jones. Specific sector assistance included seafood site visits, buyer networking meetings for the cashew sector, and marketing meetings for the AGOA Category 9 producers.



Two new export successes from Mozambique to the US were realized at the CCA Summit in Baltimore.

(1) Cashews from Mozambique

The Trade Hub sponsored Antonio Miranda of Miranda Caju to attend the CCA Summit where President Armando Guebuza of Mozambique and TechnoServe unveiled a newly branded cashew nut, “Zambique,” for its first export sale to a U.S. buyer, Suntree. Mr. Miranda attended additional meetings with buyers facilitated by the Trade Hub, and is in the process of securing a deal with a company based out of Maryland, which will provide regular export sales to the United States.

“The successful rebirth of the cashew sector is one of many concrete signs that Mozambique continues on a path of economic growth and offers real opportunities for expanded business links with U.S. firms.”
Armando Guebuza, President of Mozambique at the CCA Summit in Baltimore, Maryland

Cashew graders at work at a manual cracking plant in Mozambique.



Photo: Courtesy of TechnoServe/DitlevSchwanenflugel

(2) Seafood from Mozambique

Aqua & Mar has been operating in Maputo since 2002 processing seafood sourced from artisan fisherman from the south and central coastline of Mozambique. Aqua & Mar, a HACCP-certified factory, is an SME that has grown to over forty trained staff in the processing plant. The company exports frozen, fresh, and live seafood to clients located worldwide, with significant exports to South Africa and Europe. The Trade Hub’s AGOA Advisor visited Aqua & Mar in March 2005 and developed a plan to facilitate exports to the United States.

The Trade Hub then sponsored Aqua & Mar to attend the CCA Summit, and engaged in site visits and meetings with potential buyers in Maryland. With the assistance of RAPID consultant, Phyllis Shearer-Jones, Aqua & Mar is working on a potential deal to ship one ton of seafood to the buyer every ten days. The shipment will include live crab and shrimp and represents significant new business for this SME into the U.S. market.

- **Fancy Food Show – Chicago**

This quarter, the Trade Hub 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, and Malawi attended the show. The Fancy Food Show attracted more than 20,000 attendees from the specialty food, wine, supermarket and mail-order businesses. Two important new business deals that emerged from this event are worth noting.

(1) Nali Peri-Peri Sauce – Malawian AGOA Export Success in the Making

In cooperation with the Support for Agriculturally-Linked Enterprises (SALES) Project and the Africa Fast Trade Track (AFTT) Program, the Trade Hub combined forces to send Nali Ltd. 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 Ltd. and Nali Export Ltd, which handles the export business of sauces to Mozambique, Zambia and Zimbabwe. The company recently redesigned its packaging and 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.

During the Fancy Food Show Nali Ltd. received many enquiries and is currently looking for assistance in labeling and SPS requirements for the U.S. market. In collaboration with the SALES project, the AGOA Advisor will review next steps to facilitate Nali's goal of breaking into the U.S. market and present a plan for possible Trade Hub support.

Nali Sauce is made from birds-eye chili peppers grown by Small-holder farmers in Malawi.
Photo: Purely Africa.



(2) Africa Deluxe – Grouping products for export

Africa Deluxe, a South African registered black economically empowered (BEE) company, is leading an initiative to bring a portfolio of African specialty food and beverage products into strategically targeted U.S. grocery stores and other specialty chains under an African marketing and promotional umbrella. The Africa Deluxe vision is to establish an African International Section in the international isles of major food store chains. After attending the Fancy Food Show with the support of the Trade Hub and the Africa Fast Track Trade program, Africa Deluxe has

received over 250 expressions of interest, and is well on their way to making the group marketing of value-added food products from Africa a reality.

In the third quarter, the Trade Hub AGOA Advisor and other competitiveness experts will continue to build on the momentum by working with Africa Deluxe to assess the business model from a competitiveness perspective to ensure the products destined for the US market are fully compliant with FDA standards and other market requirements.

SUPPORT FOR HIV-AIDS MITIGATION

During the second quarter of 2005, the Trade Hub targeted South Africa and Zambia for HIV/AIDS workplace interventions. Consistent with the value-chain approach, these activities focused on the development of programs aimed at HIV/AIDS prevention and awareness as fundamental prerequisites for long-term trade competitiveness. In this context, the Trade Hub's competitiveness approach is to engage the firms and associations it works with on other value-chain issues on HIV/AIDS as a complementary matter of strategic importance. For firms and clusters that are committed to this vision, the TC Team then works to design an appropriate intervention strategy that links the exporters with PEPFAR resources and other health sector projects.

South Africa. In South Africa, competitiveness activities focused on setting up systems for implementation of appropriate HIV/AIDS workplace programs with two clusters of horticultural farms and marketing companies including one cluster around Hectorspruit, Mpumalanga, and another in the Hoedspruit, Limpopo Region. The clustering is necessary because the size of the workforce in each farm is not enough to have full workplace program structure, such as voluntary counseling and testing (VCT) and an on-site clinic. Clustering also increases the critical number of employees to be reached by the HIV/AIDS interventions with the goal of ensuring economies of scale. A summary of persons reached by the HIV/AIDS work is provided below.

Number of Beneficiaries in South Africa Reached by Trade Competitiveness HIV/AIDS Workplace Programs in the second quarter of 2005.

	Participating Farms	Permanent Employees	Estimated Beneficiaries (employees plus families)
Hectorspruit Cluster	3	1,050	4,200
Hoedspruit Cluster	20	1,737	6,950
Total	23	2,787	11,150

To coordinate these efforts, the Trade Hub determined that workplace programs within a cluster depend on a local agency, possibly an NGO. This organization should be located near or in the geographical centre of each cluster and needs the capacity to assist with implementation from a technical and administrative point of view.

In the case of Hectorspruit Cluster, it was decided to work with an existing NGO, Neo Estates Social Development Program (NESDP). In order to build the capacity of NESDP, the Trade Hub helped to leverage funds from the Tourism Enterprise Program funded by the Business Trust of South Africa. Training activities will focus on (a) integration of HIV/AIDS awareness building into existing literacy training programs for farm and pack house workers; (b) training for health

officers; and (c) identification of two focal persons per farm to work on basic HIV/AIDS, VCT, and counseling. The Trade Hub expects to mobilize about ZAR 50,000 (USD 7,500) from the Business Trust to support this NGO. Meanwhile, in the Hoedspruit Cluster, activities are still at the beginning stages and an initial planning meeting will take place in the third quarter of 2005.

Zambia. At the end of the second quarter, Hub Advisor for HIV/AIDS, Paolo Craviolatti visited Zambia together with RCSA Senior HIV/AIDS Advisor, Ikwo Ekpo, and TC Director, John Keyser, to discuss how new workplace mitigation programs can be rolled out built on the successful model piloted in South Africa. During this mission, the team met with the Zambia Export Grower’s Association (ZEGA), which has been the main focal point of the competitiveness work in Zambia so far and has expressed its concerns about worker health as an important issue for market access. Meetings were also held with major PEPFAR-funded programs in Zambia and with the new MATEP project which agreed to join forces with the Trade Hub in developing a HIV/AIDS workplace mitigation program for ZEGA. Discussions will continue next month on how the resources of each partner can be deployed to the greatest effect. By March 2006, it is expected the TC activities will have successfully helped to target 30,000 individuals linked to the horticulture export sector.

This quarter, the Hub’s competitiveness program leveraged some USD 7,500 in cash contributions from the South African Business Trust and more than USD 50,000 in volunteer labor and in-kind contributions from participating horticulture export companies for HIV/AIDS prevention and awareness.

“All the firms have been extremely responsive to the challenge of developing an effective workplace program.”

Paolo Craviolatti, Senior Advisor for HIV/AIDS

SECTION III: PLANNED ACTIVITIES AND RESULTS

July - September 2005

TRADE FACILITATION AND CAPACITY BUILDING

EXPECTED ACHIEVEMENTS

The Trade Facilitation and Capacity Building activities of the Trade Hub directly address the goals of the President's TRADE initiative and the recently announced African Global Competitiveness Initiative. Through the provision of technical assistance, training and other support, it works to promote regional integration and cooperation by strengthening the ability of sub-Saharan African 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 second quarter of 2005 and are scheduled to include:

- Recommendations for the establishment and operation of national trade bodies in the BLNS;
- A discussion paper outlining trade capacity building priorities for the BLNS to support the US-SACU FTA negotiations;
- Finalization of the Namibia Investor Roadmap and the organization of a National Stakeholder Workshop;
- Finalization and submission of a Technical Report on Proposed Regional Customs Guarantee Scheme on Business in Zambia;
- Design and scheduling of a short program on Trade in Services for Malawi;
- Completion of the Trade Hub Website upgrade;
- Second issue of newsletter, *Inside Southern African Trade (INSAT)* published;
- Provision of technical support for the meeting of the Trans Kalahari Corridor;
- Study prepared on the labor constraints impacting on the growth of the offshore financial sector in Botswana;
- A series of Policy Concept Papers prepared and submitted to stakeholders.

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

PLANNED ACTIVITIES

Trade Hub Management And Vision

The TFCB team will continue to build on the awareness-raising initiatives commenced April 1 when it assumed responsibility for managing the Trade Hub. These initiatives are aimed at establishing the Trade Hub as a ‘Center of Excellence’ for providing advice and support on improving policies, identifying constraints, training, disseminating information, and sharing best practices. The Trade Hub in Southern Africa has established a high profile among both senior government officials and the private sector as a result of the high-profile regional and international team recruited and the work program the team has been delivering since the start of 2005.

Work will continue on 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 delivering high quality technical advice and assistance to the private sector, governments and regional organizations.

The technical activities planned for the next quarter, organized by task in the First Year Workplan, are expected to include the following.

Trade Capacity Building

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

- During the next quarter, the Trade Hub will continue to work with stakeholders in Malawi—including the USAID Mission and the U.S. Embassy—to finalize the technical proposals for assisting Malawi with the ongoing activities in Trade in Services and for developing a strategy to attract new investment to the transport and tourism sectors.
- As a follow-up to the presentation made by Bridget Chilala at the USAID/Zambia Stakeholders’ Consultative Workshop in Lusaka from June 20 to 24, the Trade Hub’s TFCB team is identifying areas for possible collaboration with the new contractors with respect to trade facilitation and capacity building for Zambia.
- The Trade Hub will prepare to participate in the second national diversification conference entitled “Building Prosperity through Trade and Investment: Swaziland 2005” to be held in Mbabane on July 6 and 7. The Trade Hub’s presentations will focus on three topics: (a) The “Launch of the Economic Diversification Task Force and the Design of the Terms of Reference” by Amanda Hilligas and Joshua Setipa, (b) the “Investor Roadmap Report: Public and Private Sectors” by Sutherland Miller, and (c) “Improving Transportation Logistics for Competitiveness of Swaziland Report”. Following the conclusion of the conference, the Trade Policy Advisor will participate in the inaugural session of the national consultative forum which is coordinated by the Swaziland Investment Promotion Authority (SIPA). The Deputy Prime Minister of Swaziland and the Minister of Enterprise Development will both be in attendance at the event.
- The Trade Hub will provide technical support to the recently established National Export Diversification Committee appointed to support the implementation of the recommendations adopted by the Swaziland National Workshop.

- The Trade Hub will complete the work requested by the National Treasury in South Africa and USAID South Africa on investment incentives. This work will show how different interventions have affected the business decisions of firms receiving specific incentives through case studies of priority sectors. The report will also present guidelines for future national and local investment strategies.

Task 1.3 Support for Implementation of Trade Agreements

- At the request of the SACU Secretariat, the Trade Hub will complete an examination of the implications of existing bilateral trade agreements between individual SACU member countries and third party countries as well as an assessment of the degree to which these agreements conform to the provisions of the SACU agreement.
- As a result of meetings with COMESA in April, the Trade Hub will invite COMESA to meetings on trade facilitation and will collaborate closely with the East African Trade Hub on trade facilitation, given overlapping COMESA membership in the region.
- Follow-up activities to the Swaziland Investor Roadmap and the Economic Diversification workshop are expected to include support to SIPA for the creation of a website, materials based on the Roadmap to better guide potential investors, and the organization of one or two process improvement workshops on entry permits / trading licenses / health inspections and the implementation of existing incentives.
- In Namibia the Trade Hub will complete the Investor Roadmap and present the findings. The team will conduct a Process Improvement Workshop and is expected to commence a study on the existing incentives regime to assess the effectiveness and appropriateness of current targeting, assist the NIC to develop an updated website based on the Investor Roadmap, and provide some technical assistance to improve the institutional structure of the NIC and the institutional arrangements for promoting foreign direct investment.

Tasks 1.4 Support for Countries to Participate more Effectively in Trade Negotiations and Task 1.5 Support to SACU- US 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 mid-August with the aim of supporting the BLNS engagement in the US-SACU FTA negotiations. Following consultations with the BLNS the Trade Hub will prepare a concept paper outlining options for delivering increased levels of support for TCB in the BLNS.
- In response to a formal request by the Government of Lesotho, the Trade Hub will prepare a national workshop on trade negotiations in Lesotho.
- The SACU Tariff Study was finalized in April and will be followed up with national level 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. Planning for this program will commence during the third quarter of 2005.

Task 1.5 Support to SACU

- The SACU Secretariat will be reviewing the recommendations for the institutional structure of the Secretariat prepared by Dr. Alan Osman, and will give feedback to the Trade Hub as to the recommendations.
- The team will work towards providing assistance to BLNS countries in setting up national institutions in accordance with SACU obligations.

Task 1.6 Support to SADC

- The Trade Hub will continue working with the Committee of SADC Stock Exchanges (COSSE) on harmonization work related to listing requirements.
- Work on Seed Policy Harmonization will continue in collaboration with SEED Co, the SADC Seed Security Network and the Partnership for Food Industry Development (PFID). This initiative will lead to the development of draft technical proposals on the harmonization of seed regulations to promote seed trade in the SADC region. TFCB will collaborate in facilitating and organizing a workshop in September that will adopt the draft technical proposals for onward transmission to SADC's Integrated Committee of Ministers and Summit for implementation by member states.

Task 1.7 Support to Policy Change Issues Related to Trade Competitiveness Activities

- A policy paper on best practices in providing land for tourism operations in the region will be presented on July 21 during the roundtable meeting in Pretoria, South Africa, to discuss and agree on the strategic directions for the Tourism Products Alliance (TPA).
- As part of its on-going efforts to assist Swaziland in improving its trade environment, the Trade Hub will examine the difficulties relating to Value-added Tax (VAT) procedures which apply to Swaziland's exports transiting through South Africa.
- During the month of July, the team will continue to analyze the data collected, formulate recommendations for improving management of private sector investment in Namibia, and draft the final report. The report will subsequently be presented at a workshop in Namibia where the consultants will encourage stakeholders to implement their recommendations.
- Work will begin with SIPA to undertake a Diagnostic Trade Integration Study for Swaziland as part of the Trade Hub's support to the National Diversification Strategy. New terms of reference for the Swaziland National Consultative Forum will also be presented.
- The Trade Hub will work with the Lesotho National Development Corporation (LNDC) in developing a plan of action for a national export diversification strategy and will assist in coordinating the work products from recent and ongoing initiatives in Lesotho.
- Following the submission of the paper on Trade Policy and the Botswana Cattle Industry the Trade Hub will continue to work with interested stakeholders to explain the implications of the continued ban on the exports of live weaners.

Customs Modernization And Transport Facilitation

Task 2.2 Improve the Capacity of Customs Administrations to Implement Policies and Regulations that Support Competitiveness and Free Trade

- The report on the impact on Zambian businesses and the economy in general of implementing a regional bond guarantee scheme will be finalized.
- The Trade Hub will initiate a study of the difficulties relating to the Value-Added Tax (VAT) which is applied to Swaziland's exports transiting through South Africa and the procedures that govern the VAT.
- The Trade Hub will contract a short-term consultant to carry out a more detailed analysis of an investment and business opportunity concerning revival of an abandoned or unused rail in the Western Cape, South Africa, for operating tourist trains in the wine land.

Task 2.3 Support for Implementation of Customs Efficiencies and State-of-the-Art Methodologies

- The Trade Hub will continue to facilitate meetings of the Trans Kalahari/Dar es Salaam/Maputo Corridors Customs Working Groups. The working groups will adapt and modify the Trans Kalahari/Dar Corridors' simplified and harmonized Customs Transit procedures and Single Administrative Document (SAD 500) in order to accommodate Mozambique and the Maputo Corridor. The adoption of regional simplified and harmonized Customs procedures and documentation will assist in the elimination of Customs clearance delays at border posts and inland cargo terminals currently being experienced in Mozambique.
- With respect to its technical assistance to Mozambique, the Trade Hub will continue to work on the Roadmap for removing non-tariff barriers to exports and will re-design the Mozambique Customs Training Program and conduct a 'train the trainers' course to introduce the new program.
- The Trade Hub will undertake discussions regarding possible assistance to countries in the regarding efficient compliance with US Cargo Security Initiative (CSI) requirements
- For its customs work in Malawi, the Trade Hub will develop a methodology for conducting the WCO Time Release Study, including appropriate Questionnaire, and assist in the compilation of the final Time Release Study Report, using the specially designed software program. It will pilot electronic certification of Rules of Origin between Malawi and South Africa and will conduct a Trade Facilitation Workshop for Customs and the private sector.
- The Trade Hub will continue to work toward adapting TKC Customs Procedures and Single Administrative Document (SAD) in all Corridors.
- The Trade Hub will continue to assist the countries of the region in harmonizing Road User Charges, Axle Load Limits and Overload Control Allowances.

- The Trade Hub will develop a work plan for corridor work going forward, that will include the TKC and Maputo Corridors.

Task 2.4 Support for Training and Capacity Building

- To support Malawi's Trade in Services activities, the Trade Hub will examine several alternatives for intervention and will prioritize them. Among the options are designing liberalization strategies and an implementation plan for the services sector and organizing a workshop for the National Action Group (NAG) to discuss liberalization strategies for this sector

Dialogue For Competitiveness: Building Private Sector Advocacy And Outreach

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

- Two-day workshop entitled "Building Prosperity through Trade and Investment: Swaziland 2005" in Swaziland; July 6-7.
- A workshop for stakeholders in Lesotho to discuss the Draft Report entitled Improving Transportation Logistics for Competitiveness of Lesotho which will focus on the implementation of the report's action plan; late July or early August 2005; organized by Evans Marowa.
- A national workshop on trade data analysis in response to a request by the Ministry of Trade and Industry in Namibia.
- A Trade Facilitation Training Workshop in Beira and Nampula, aimed at speeding up Customs clearances for Mozambique Customs officials and private sector stakeholders, including Customs brokers, importers and exporters.
- A stakeholders' workshop in Maputo, Mozambique, to discuss the findings and recommendations of the Trade Finance Study undertaken in Mozambique. The workshop aims to build support for implementing measures aimed at increasing the availability of trade finance to small and medium enterprises.
- The Trade Hub will screen the World Bank film *Africa Open for Business* in Gaborone. The film interviews private sector representatives in ten African countries and demonstrates that doing business in Africa can be a positive, profitable experience.
- The Trade Hub will continue to work towards expanding its database so that mailings of Trade Hub publications can include more contacts and publications can have a wider impact among a larger group of stakeholders.
- The Trade Hub will begin planning for a training course for regional journalists on trade and economic reporting possibly in collaboration with the Southern African Institute of International Affairs (SAIIA) & Institute for the Advancement in Journalism. The goal is to ensure a higher level of understanding of trade issues among regional journalists and thus to promote great accuracy of reporting of Trade Hub, USAID, and US Embassy activities.

- In response to a request from the IFSC of Botswana, the Trade Hub will undertake an assessment of the labor supply in Botswana. The focus of the study will be on recent graduates in finance, business administration, and information technology. The assessment will quantify the supply of labor in Botswana that is available to the offshore financial services sector and will identify any gaps between supply and demand.

Task 4.2 Preparation and Dissemination of Outreach Materials

- The Trade Hub will work on the second issue of the Trade Hub’s quarterly newsletter on trade matters, *Inside Southern African Trade (INSAT)* which will be published in August and will focus on multilateral trade agreements.
- The Trade Hub will write Success Stories and Case Studies reporting on major achievements from recent technical activities undertaken in the region.

Task 4.3 Website Enhancement

- The Trade Hub will continue to improve, expand, and enhance its website by increasing its functionality, adding links to related websites to expand the information which is available. It will also monitor the website to gauge the number of visits it is receiving and thus the impact it is having among stakeholders.

Global Development Alliance

- Following discussions with the American Soybean Association/World Initiative for Soy in Human Health (ASA/WISHH), and in partnership with Malnutrition Matters, Natural Products Inc., Solae, Soyatech, and WhiteWave Foods, have joined together to create the Soy in Southern Africa Alliance; the Trade Hub will implement a GDA in this quarter that will work to improve the nutritional capacity of locally processed foods, increase the capacity of local commercial firms to produce nutritional foods, and benefit approximately 2,500 people living with HIV/AIDS.

TRADE COMPETITIVENESS

EXPECTED ACHIEVEMENTS

Regional Partnerships

In the area of Trade Competitiveness, emphasis will continue to be given to regional partnership building as a fundamental building block of the Trade Hub's strategy for value-chain support and to leverage additional resources to achieve greater impact.

Memoranda of Understanding

As described in the section on recent achievements, partnerships with development organizations and commercial entities are now being documented in the form of Memoranda of Understanding (MOU) and Service Agreements respectively. Under each type of agreement, detailed Activity Descriptions will be prepared with further specific information on the nature of Trade Hub cooperation.

During the third quarter of 2005, the Competitiveness Team is likely to sign MOUs with the following regional development partners.

- **USAID/Zambia MATEP Project.** The Market Access, Trade and Enabling Policies (MATEP) Project was recently launched by USAID/Zambia under the Bilateral Mission's SO5 "Increased Private Sector Competitiveness in Agriculture and Natural Resources". This project is focused on developing international market links for Zambian producers in areas of strategic interest to including export agriculture and tourism. During a recent mission to Zambia, John Keyser, met with the MATEP Chief of Party, Scott Simons, and agreed to prepare a MOU between the two projects. Likely Activity Descriptions to fall under the MOU include:
 - (1) **Technical assistance for HIV/AIDS workplace mitigation.** It is envisioned that HIV/AIDS Advisor, Paolo Craviolatti, will work with MATEP to develop a workplace mitigation program tailored to the needs of the Zambia Export Growers Association (ZEGA), which sees progress in this area as an important competitiveness and market access issue. In principle, the financial contribution from MATEP could reach USD 200,000 over the next three quarters to March 2006 for training and health care promotion.
 - (2) **Market entry for Zambian produce to South Africa.** Another likely area for cooperation includes the provision of technical assistance for market entry of Zambian agriculture goods to South Africa. Market Linkages Specialist, Ronald Ramabulana would work from South Africa to support admissibility requirements and market placement.
 - (3) **Support to the Zambia cotton sector.** An initial scoping visit in January 2005 identified an opportunity to work with leaders of the Zambia cotton industry to establish a regional ginner's school that would provide training on gin maintenance and contamination mitigation strategies to increase ginning outturn. Financial constraints prevented the Trade Hub from moving ahead with this work as expected, but MATEP agreed the concept could be a good fit with its own work program and focus on cotton. The TC Team thus expects to share its initial plans for this work with MATEP and, once the training program has been launched, will help organize gin managers from other RCSA countries to attend the training program.

- (4) **Marketing of tourism as an AGOA product.** As noted, MATEP includes a tourism component. During the third quarter, Value Chain Leader, Alvin Rosenbaum will travel to Lusaka to discuss possible synergies between MATEP's tourism work and the Hub's ongoing efforts to develop a regional Tourism Products Alliance (TPA).
- **USAID/Zambia PROFIT Project.** The Production, Finance and Technologies (PROFIT) Project was also launched recently under USAID/Zambia's SO5. The PROFIT Project was designed to complement MATEP and is focused mainly on primary production and production technologies. Although this suggests the most likely area for RCSA cooperation is through the SO15 Rural Livelihoods Program, a number of areas for collaboration with the TC are also envisioned.
 - (1) **Support to the Zambia cotton sector.** Another opportunity identified early on to improve the competitiveness of the Zambia cotton industry was to develop a media campaign for the reduced contamination of seed cotton, which comes from various sources including polypropylene bags. Once again, financial constraints prevented the Trade Hub from moving ahead in this area, but PROFIT has now agreed this would be an excellent fit with its own focus on farm-level productivity. The TC Team thus expects to share its initial research on the topic and would resume responsibility for rolling out the program on a regional basis once the campaign has been tested.
 - (2) **Tourism.** PROFIT also includes a tourism component. In line with the emphasis on local production technologies, the approach is to link village-level service providers to established tour operators. This parallels the TPA's own focus on new market relationships as the best way to increase value retention by local communities. Alvin Rosenbaum will explore these opportunities during a mission to Zambia in July and make proposals for tourism-related Activity Descriptions under the expected MOU.
 - **Zambia Export Growers Association (ZEGA).** The Trade Hub has been working closely with ZEGA since the first quarter and now plans to formalize this relationship through a retroactive MOU that describes past areas of cooperation and maps out a framework for future assistance. Planned activities with ZEGA in the third quarter include (i) support for development of a HIV/AIDS workplace mitigation program in cooperation with MATEP as described above; and (ii) presentation of the study on alternative flower varieties carried out in July by Floriculture Expert, Jonathan Lapham.
 - **Botswana Horticulture Council (BHC).** As described in more detail elsewhere in this report, the Trade Hub has been working with the BHC to plan a series of field trials aimed at gaining market access for high quality sweet melons in South Africa. During the third quarter, the trials will be planted and relationship with the BHC formalized through a MOU. The corresponding Activity Description will relate to provision of technical assistance and setting-up of a revolving fund for the distribution of test seed procured by the Trade Hub.
 - **Botswana Cattle Producer's Association.** Thus far, the Trade Hub's relations with the BCPA have been carried out through The Hurvitz Group as a proxy organization while the BCPA completes its own legal registration. This quarter the BCPA Chairman expects the legal registration to be complete thus enabling a new MOU to be signed directly with the BCPA. Activities likely to be carried out under the covering MOU will focus on training for Botswana cattle farmers on the conversion to a weaner production system and establishment of a value-added producers' co-op in response to price changes expected from the BMC.
 - **Mozambique Trade Mainstreaming Program.** During the TC Director's mission to Mozambique in April, a meeting was held with the USAID-funded Mozambique Trade Mainstreaming Program (MTMP) in which several areas of possible cooperation were discussed. The Trade Hub will continue to explore these opportunities in the third quarter and, if appropriate, prepare a formal MOU detailing the nature of this cooperation. One of the most

likely areas for collaboration relates to an assessment of Mozambique's SPS laboratory capabilities as a pre-requisite for successful export development.

- **ComMark Trust and other TPA partners.** During the third quarter, the Tourism Value Chain Leader will travel widely in Botswana, South Africa, and Zambia to build interest and develop partnerships under the framework of the Hub's Tourism Products Alliance (TPA). One especially promising opportunity is that ComMark Trust has indicated a willingness to provide between USD 75,000 and 150,000 of bridging finance to support the TPA's development. Should this come to fruition as expected, the partnership will naturally be documented in the form of an MOU.

Service Agreements

In the next quarter, the TC activity also expects to sign a number of Service Agreements with commercial business partners.

- **Spring Valley Foods.** Since the first quarter the Competitiveness Team has been working in close partnership with GEEST/Spring Valley Foods on regional market access issues, identification of areas in Mozambique and Swaziland suited to the production of MD2 pineapple, and planning of the Botswana melon trials. In the third quarter, the Trade Hub expects to formalize this relation in the form of a Services Agreement with corresponding Activity Descriptions covering past and future assistance.
- **Colors/Neo.novo.** The Trade Hub has also been working in close cooperation with this horticulture production and marketing firm based in Hectorspuit and now plans to formalize the partnership in the form of a Services Agreement. Colors/Neo.novo has been especially active in developing a HIV/AIDS workplace mitigation program in cooperation with two other large horticulture producers and expects to send its R&D Manager to Mozambique in July to accompany Value Chain Leader, Win Winogron, on a reconnaissance mission to identify new sources of supply for various horticultural crops.
- **Laughing Watters.** This company is managed by the Chairman of the South African Litchi Association and is involved in the HIV/AIDS workplace mitigation program being led by Colors/Neo.novo. On this basis, it is expected that a Services Agreement will be signed to formalize Trade Hub assistance on US admissibility requirements for litchi and linkages forged to PEPFAR for the work on HIV/AIDS as a competitiveness issue.
- **Hall & Sons.** This company is one of the oldest and most well established horticulture marketing companies in South Africa. The Competitiveness Team has been working with Hall estates for the past several months which has specifically requested Trade Hub assistance with the identification of new opportunities to build working relationship with Black Empowerment Schemes. Market Linkages Expert, Ronald Ramabulana, will coordinate this assistance with a view to attracting finance through the PAL and SAIBL projects supported by USAID/South Africa.
- **Bavaria Estates.** This firm located near Hoedspruit has also been working with the Trade Hub to develop an HIV/AIDS workplace mitigation program in cooperation with more than 20 other smaller horticulture producers in the same area. Through this cooperation, TC activities have provided access to PEPFAR funding leading to the setting up of new clinic facilities that will benefit more than 1,700 workers. The Trade Hub expects to formalize this cooperation in the third quarter in the form of Services Agreement with Bavaria.

Technical Assistance in Support of Value-Chain Development

In addition to planned activities to be carried out under the MOUs and Service Agreements described above, the TC Team will continue to provide technical assistance and other types of support on a more general basis to each priority sector.

PLANNED ACTIVITIES

Exportable Agriculture

Expansion of cross-border deal making between South Africa, Mozambique and Swaziland

Early in the third quarter, Win Winogrand will travel to South Africa, Swaziland, and Mozambique together with Mario Bacchiocchi on a reconnaissance mission to meet with horticulture producers and distributors to review and analyze potential exportable agriculture products for regional and extra-regional markets.

Although some of the countries in Southern Africa have been able to penetrate and retain a position within the EU market, for others that goal has become increasingly elusive, especially as seasonal gaps have been filled and competition from lower cost sources has increased. Given its distance from the EU, it is important for Southern African countries to explore other, more accessible markets.

At the same time, demographic and economic changes within the Republic of South Africa have increased its attractiveness as a target market for neighboring countries. One major change has been the strengthening of the South African Rand, which especially helps those countries whose currency is not tied exclusively to the Rand. A second change has been the increase in costs of agricultural production that has occurred as RSA seeks to improve its labor, environmental, and SPS standards in response to WTO commitments and expectations of more demanding buyers in the EU and upscale markets at home. A third change has been an apparent increase in demand for variety and year-round supply within South Africa. A fourth change has been relaxation of opposition by domestic producers to imports of their commodities, coupled with a recognition that twelve-month supply of the same commodities will in fact lift consumption during peak production periods. A fifth change has been increased willingness on the part of RSA regulatory authorities, especially the Plant Health Division of the RSA National Department of Agriculture, to entertain new requests for admissibility and to process expeditiously related import permits.

For these reasons, established horticultural marketing and production firms in South Africa have expressed considerable interest in working with the Trade Hub to develop new cross-border relations with growers of fresh produce in Mozambique and Swaziland. These firms have said they could supply production technologies, market access, and possibly investment finance, but require reliable business partners. Commodities of special interest include: bananas, litchi, mango, papaya, and MD2 pineapple. The consultants are expected to map out an Action Plan for Trade Hub technical assistance to these regional horticulture value chains.

Development of Market Linkages in South Africa

To complement the above mentioned reconnaissance mission and other work begun in Zambia and Botswana, Market Linkages Expert, Ronald Ramabulana will become fully operational this quarter working for the TC Team from his base Johannesburg on a variety of assignments. Mr. Ramabulana will accompany Win Winogron and Mario Bacchiocchi on the South African part of their regional mission. Other specific tasks to be set in motion this quarter include:

- Identification and analysis of RSA market possibilities for exportable agriculture products from other RCSA countries.
- Developing a country-by-country list of products that are admissible into RSA (and under what circumstances they are admissible) that can be updated over time.
- Preparation of a “how to” guide to exporting fresh produce from RCSA countries into South Africa.
- Ongoing assessment of the structure, conduct, and performance of the RSA supply and marketing systems for selected commodities identified by the TC Agribusiness Specialist and Value Chain Leader for Horticulture beginning with melons, cut flowers, foliage, and ornamental plants.
- Representation to help place specific exportable agriculture products from other RSA countries in RSA beginning with melons from Botswana and fresh vegetable mixes from Zambia.
- Creating opportunities for established horticulture firms to develop new working relationships with Black Empowerment Schemes and to access additional USAID project support through PAL/SAIBL and other RCSA Rural Livelihoods programs.

Sustainable Tourism

This quarter will see a great deal of activity in the tourism sector. On July 5, Value Chain Leader, Alvin Rosenbaum, will begin a six week mission to build support for a regional Tourism Products Alliance (TPA) based on new business-to-business networks designed to increase local value retention and open new markets for middle-value tourism. Mr. Rosenbaum’s mission will include travel to Botswana, Zambia, and South Africa where he will meet with suppliers and consumers of tourism products and liaise with other USAID-funded programs working in tourism such as the new MATEP and PROFIT programs in Zambia.

Although significant progress has been recorded in the tourism sector so far, an important challenge this quarter will be to leverage additional resources from USAID and other TPA partners in order for the Alliance to continue to grow. At current funding levels, CARANA budget projections are that the TC activities will not be able to finance TPA activities past the end of 2005 because of other priorities and demands in the export agriculture, apparel, and AGOA support sectors.

The TPA's inclusive framework provides many opportunities for outside financiers to support the Alliance. As noted, the DfID-funded ComMark Trust has indicated a willingness to provide between USD 75,000 and 150,000 in bridging support to sustain the TPA, and expressions of interest have also been received from the World Bank and National Geographic Society. In this respect, it is hoped that additional resources will also be forthcoming from RCSA to sustain the momentum and enable the Trade Hub to accelerate its marketing of Southern African tourism products as an innovative AGOA success story.

A key event on the TPA calendar this quarter is a one-day planning meeting that will bring tourism leaders from RCSA countries together in Pretoria, South Africa, to map out the next steps for this new Alliance. The event will be held at Leriba Lodge on July 21 and is designed to be an intense, creative roundtable to finalize the project design for the TPA. Regional stakeholders, including private tour operators, tourism promotion agencies, and donors are expected to discuss the Trade Hub's latest policy and market research and demand intelligence in order to formulate a collaborative strategy that will increase local content and expand market access for activity and hospitality components for Southern African vacation experiences. The RCSA Director of the Regional Program Implementation Office, Fred Wayne McDonald, and Trade Competitiveness Cognizant Technical Officer, Victor Mong-gae, are expected to attend this important event.

Tourism leaders from Southern African countries will assemble on July 21 for a one-day *charrette* at Leriba Lodge, Pretoria, South Africa. This event will be an intense, creative roundtable to finalize the project design for the Southern Africa Trade Hub's Tourism Products Alliance.



Textiles And Apparel

In line with the sequencing of support activities that first saw the launching of activities in the exportable agriculture sector in the first quarter, then in tourism for the second quarter, a major objective for the Trade Hub in the third quarter is to roll-out its apparel program and launch new activities in this sector.

Especially with the addition of the AGOA support component as an integral part of the TC portfolio, there are great opportunities for synergies between the apparel strategy and the promotion of regional exports to United States under AGOA. Value Chain Leader for Apparel, Joop de Voest is expected to visit the Trade Hub in early July to meet with the John Keyser and Amanda Hilligas to plan specific activities for the quarter.

Chief among the apparel events in the third quarter, the Trade Hub proposes to conduct a survey of international sourcing houses and U.S. retailers to determine their needs (product requirements, minimum order quantities, lead times, time to market, quality design levels, price points, etc) and experiences with apparel manufacturers in the RCSA region. The U.S. demand survey will be supported by a parallel survey of international sourcing houses working in southern Africa to determine their main requirements, specific sourcing needs, and perceptions of international buyers about the opportunities in southern Africa and challenges in the post-MFA world. Resources permitting, these surveys will be repeated, on a more focused basis, two or three times over the life of the project to update the product requirements with new seasonal information and evolving perceptions of the southern Africa apparel industry.

These inputs will then be used to identify garment manufacturers in the SADC region potentially capable of supplying U.S. retail and sourcing house requirements. Their experiences, good and

bad, will also assist the Trade Hub to identify companies that need technical assistance, be it in the form of quality, productivity, or alternative material sourcing, to be more competitive.

AGOA Support

AGOA Forum

The main event in the AGOA support sector for the third quarter is the 2005 US-Sub-Saharan Africa Trade and Economic Cooperation Forum (otherwise known as the AGOA Forum) to be held in Dakar, Senegal, from July 18-20. The TCP AGOA Advisor and TCP Director will attend the Forum together with Trade Hub counterparts representing the TFCB. The Trade Hub will also send a delegation of private and public sector representatives from across the RCSA region to attend the Forum in Dakar. The delegation consists of stakeholders that have agreed to serve as facilitators within their respective countries on AGOA. The AGOA Forum will be the first step to a training program for these participants.

The 2005 AGOA Forum consists of parallel meetings including a ministerial meeting between the United States and governments of the thirty-seven AGOA-eligible countries, a meeting of the U.S. and African private sectors, and a meeting of civil society organizations from the United States and Africa.

- **AGOA Ministerial.** The 2005 AGOA Ministerial will focus on how AGOA beneficiary countries can diversify their exports by taking advantage of the broad range of products eligible for preferential treatment under AGOA. The workshops and plenary sessions aim to: (i) foster greater interest and investment in a broad range of industrial sectors in AGOA countries; (ii) provide practical information about how to meet U.S. export requirements and sell successfully into U.S. markets; and (iii) encourage those countries that have yet to take advantage of the benefits of the Act to do so.
- **AGOA Private Sector Forum.** The 2005 Private Sector Forum will focus on partnerships, building African capacity in agriculture, energy, apparel/textiles and information technology. The Private Sector Forum will also address incentives for financing expanded trade and investment in the region.

Swaziland – Continuing National Strategy Work under AGOA

In March 2005 United States Ambassador to Swaziland, the Honorable 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 Agreement on Textiles and Apparel: The Impact on Swaziland*. The U.S. Embassy in Mbabane specifically requested a seminar addressing Swaziland’s relative comparative advantages under AGOA and methods to assist Swaziland in moving to a concrete diversification strategy. This Diversification Seminar included a presentation by the Trade Hub AGOA Advisor on the current state of the apparel industry, highlighting structural barriers to trade.

As a result of the Swaziland Diversification Seminar, the Swaziland Investment Promotion Agency (SIPA) agreed to convene a national dialogue on export diversification. Building on the Diagnostic Study of SIPA prepared by the Trade Competitiveness Team and an Investor Roadmap prepared by TFCBP, the AGOA Advisor will lead a framework workshop together with the Trade Policy Advisor to be held in Ezulwini from July 6-7. During this workshop on “Building Prosperity through Trade and Investment,” the AGOA Advisor will discuss key elements of the

Swaziland diversification strategy including the need for continued technical assistance on AGOA diversification and opportunities to work with value chain experts in horticulture, apparel, and tourism to promote new exports based on the fundamental principles of trade competitiveness.

Other activities planned under the AGOA support component for the third quarter include:

- Organization of an AGOA seminar for the Namibian Manufacturers' Association (NMA) to explore realistic possibilities for Namibian exports to the United States in light of plant closures in the apparel sector. The AGOA Advisor will also meet with the Ministry of Trade about developing a comprehensive export diversification strategy, similar to the work being done in Swaziland and Botswana.
- Continued work on a National Export Diversification Strategy in Swaziland, being prepared in conjunction with Trade Hub Trade Advisor, Joshua Setipa. The export diversification task force, convened by the Swaziland Investment Promotion Agency, will explore the elements of a diagnostic trade integration study to determine target markets in South Africa, Europe, and the United States.
- Assessing the feasibility and need for convening a labeling requirements seminar for African exporters of processed food products with FDA representatives. This activity will assist SMME firms in the region to understand labeling requirements in order to be part of the Africa Delux group export model.
- Continued business linkage support to Miranda Caju and Aqua & Mar of Mozambique to grow their trade deals with buyers in Maryland. This support will assist increasing the value and volume of exports from Mozambique to targeted US markets in cashews and seafood.

Section IV: Financials

TRADE FACILITATION AND CAPACITY BUILDING

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