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ACRONYMS

AGOA	Africa Growth and Opportunity Act
AFTT	Africa Fast Track Trade (Program)
APHIS	Animal and Plant Health Inspection Service
BCPA	Botswana Cattle Producers' Association
BEE	Black Economic Empowerment
BIDPA	Botswana Institute for Development Policy Analysis
BHC	Botswana Horticulture Council
BLNS	Botswana, Lesotho, Namibia, Swaziland
BMC	Botswana Meat Commission
BNPC	Botswana National Productivity Commission
BOCCIM	Botswana Confederation of Commerce, Industry, and Manpower
CARANA	CARANA Corporation
COMESA	Common Market for Eastern and Southern Africa
COMSEC	Commonwealth Secretariat
CPHST	Center for Plant Health and Science Technology
CTO	Cognizant Technical Officer
DCC	Dar es Salaam Corridor
DTI	Department of Trade and Industry (of South Africa)
DTIS	Diagnostic Trade Integration Study
DFID	Department for International Development (of the United Kingdom)
DRC	Democratic Republic of the Congo
EC	European Commission
ECA	East and Central Africa
EPA	Economic Partnership Agreement
ESIPP	EU-SADC Investment Promotion Programme
EU	European Union
FDA	Food and Drug Administration (of the United States)
FPD	Foundation for Professional Development
FTA	Free Trade Agreement
GATS	General Agreement on Trade in Services
GATT	General Agreement on Tariffs and Trade
GFP	Global Facilitation Partnership
H.E.	His/Her Excellency
HTT	Hoedspruit Training Trust
HIV/AIDS	Human Immunodeficiency Virus / Acquired Immune Deficiency Syndrome
ICT	Information and Communication Technology
IESC	International Executive Service Corps
IFSC	International Financial Services Centre (of Botswana)
INSAT	Inside Southern African Trade
IOM	International Organization for Migration
LDC	Least Developed Country
LNDC	Lesotho National Development Corporation
LOE	Level of Effort
MATEP	Market Access, Trade and Enabling Policies
MCLI	Maputo Corridor Logistics Initiative

MCTI	Ministry of Commerce, Trade and Industry (Zambia)
MIC	Malawi Investment Center
MIDP	Motor Industry Development Programme
MISA	Media Institute for Southern Africa
MOU	Memorandum of Understanding
MTI	Ministry of Trade and Industry (of Namibia)
NAMA	Non-Agricultural Market Access
NASFT	National Association for the Specialty Food Trade
NATHAN	Nathan Associates Incorporated
NDA	National Department of Agriculture (of South Africa)
NEPRU	Namibian Economic Policy Research Unit
NGO	Non-governmental Organization
NIC	Namibia Investment Center
NIPA	Namibia Investment Promotion Agency
NPO	National Productivity Organization
NT	National Treasury (of South Africa)
OECD	Organization for Economic Co-operation and Development
OTEXA	Office of Textiles and Apparel (U.S. Department of Commerce)
PAL	Promoting Agribusiness Linkages
PEPFAR	President's Emergency Plan for AIDS Relief
PFID	Partnership for Food Industry Development
PFID-MSU (F&V)	Partnership for Food Industry Development-Michigan State University/Fruits & Vegetables
PUM	Netherlands Senior Experts Programme
RCSA	Regional Center for Southern Africa
RTFP	Regional Trade Facilitation Project (DFID)
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
SALGA	South Africa Litchi Growers Association
SA-PIP	South African Pesticide Initiative Program
SARPN	Southern Africa Regional Poverty Network
SATPA	Southern Africa Tourism Products Alliance
SEGA II Project	Support for Economic Growth and Analysis Project II (of South Africa)
SIPA	Swaziland Investment Promotion Authority
SMME	Small, Micro, and Medium-Sized Enterprise
SNV	Schweizerische Normen-Vereinigung (Swiss Norms/Standards Association)
SPS	Sanitary and Phyto-sanitary
SSSN	SADC Seed Security Network
SWEEP	Swaziland Enterprise and Entrepreneurship Program
TAP	Tourism Action Plan
TC	Trade Competitiveness
TCB	Trade Capacity Building
TDCA	Trade, Development and Cooperation Agreement

TFCB	Trade Facilitation and Capacity Building
TKC	Trans-Kalahari Corridor
TKCMC	Trans-Kalahari Corridor Management Committee
TPIM	Tariff Policy Impact Model
TRALAC	Trade Law Centre for Southern Africa
TRS	Time Release Study
TSG	The Services Group
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UK	United Kingdom
U.S.	United States
USAID	United States Agency for International Development
USDA	United States Department of Agriculture
USDA / FAS	U.S. Department of Agriculture's Foreign Agricultural Service
USG	United States Government
USTDA	United States Trade Development Agency
USTR	United States Trade Representative
VAT	Value-added Tax
WBCG	Walvis Bay Corridor Group
WB SSATP	World Bank Sub-Sahara Africa Transport Policy Project
WCO	World Customs Organization
WIBA	Women in Business Association
WTO	World Trade Organization
ZAR	South African Rand
ZEGA	Zambia Export Growers' Association

SECTION I: EXECUTIVE SUMMARY



Background

The fourth quarter of 2005 was the first quarter of the second year of the project. The challenge for the second project year will be to maintain the momentum built during year one and a dynamic program of demand-driven activities that further the goals of the Trade Hub mandate. The Trade Hub will be guided by the same vision as a “Center of Excellence” for “making trade happen” in Southern Africa through improving the business-enabling environment and working with business-ready firms in finding new markets. This strategy saw significant successes during the first year as demonstrated by:

- policy change in the beef and cattle sub-sector in Botswana, including a commitment to pay export parity price to cattle producers - implemented by an interim increase of 40 percent in cattle prices paid by the Botswana Meat Corporation (BMC);
- preliminary acceptance of a Single Administrative Document (SAD 500) by Mozambique Customs, further extending its use throughout the region;
- recognition of the Trade Hub’s new flagship newsletter, *Inside Southern African Trade* (INSAT) a source for high quality trade-related information and analysis from the region;
- establishment of a supply channel of West African grown mangoes and pineapples allowing a South African processor access to the UK market; and
- successful implementation of trials of watermelons and sweet melons, grown in Botswana, destined for the South African market.

The second project year will build on these and other successes from the first year and expand into additional areas in response to requests for assistance from around the region. The work plans for the second project year of the Trade Facilitation and Capacity Building and Trade Competitiveness activities were completed during the fourth quarter of 2005 and submitted to RCSA in fulfillment of contractual obligations.

In total, the Trade Hub houses three technical activity areas: (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 coordinated closely with the TFCB technical activities.

High-Level Visits and Events

The fourth quarter of 2005 included a lively schedule of visits, especially from high-level U.S. Government officials. H.E. Katherine H. Canavan, the recently appointed U.S. Ambassador to Botswana, paid her first official visit to the Trade Hub on October 4 for a briefing on Trade Hub activities.

Other distinguished visitors included: Edith Houston, Regional Advisor/Regional Affairs Team Leader in the Office of Southern African Affairs at USAID in Washington, DC, and the Desk Officer for the Regional Center for Southern Africa (RCSA) on November 7; Michael Glover, Deputy Special Representative, Commercial and Business Affairs at the U.S. Department of State, on November 9, who received a briefing on the Trade Hub’s private sector outreach activities; and Happy Fidzani, Executive Director of the Botswana Institute for Development Policy Analysis (BIDPA), on October 27, who arrived with World Bank Lead Economist for Southern Africa, Fahrettin Yagci, to discuss how the Trade Hub can support the implementation of recommendations made in the Botswana Export Diversification Study.

The Trade Hub also hosted several major events during the fourth quarter. The Cattle Production and Marketing Policy Conference, organized by the Botswana Cattle Producers’ Association (BCPA) was held on November 1 with the participation of approximately 80 attendees. U.S. Ambassador to Botswana, Katherine H. Canavan, delivered the keynote address. The purpose of the meeting was to invite senior policy makers to dialogue with the country’s beef and cattle

producers on optimal beef export markets in the short, medium, and long term and how to make the industry as a whole more competitive. The Trade Hub's Partnership for Food Industry Development-MSU / Fruits & Vegetables (PFID-MSU [F&V]) also organized and hosted an HIV-AIDS Workshop at the Trade Hub on December 12 and 13 and the first meeting of the Botswana National Food Fortification Task Force on December 14.

Improving the Business Enabling Environment

The Trade Hub continued to receive numerous requests for assistance in the area of *capacity building and policy reform for trade and competitiveness*. The following projects were undertaken in response to these requests.

During the quarter, the Trade Hub finalized a policy paper and agreed on a strategy for advancing a regional harmonized seed policy in collaboration with the SADC Seed Security Network (SSSN). A joint meeting for Ministries of Trade and Agriculture Senior Officials will be held in March 2006 to discuss these findings. The Department for International Development's (DFID's) Regional Trade Facilitation Project (RTFP) and the Trade Hub have agreed to co-fund the participation of officials of the regional ministries of trade in this meeting.

Support to the Southern African Customs Union (SACU) Secretariat during the quarter included preparation of a policy brief on bilateral trade agreements to be finalized and presented to the SACU Secretariat in early 2006 and work on a paper on national tariff bodies.

The Trade Hub continued to explore ways of collaborating with other donors on implementation of trade capacity building activities in the countries of Southern Africa. This included agreement in principal with the Commonwealth Secretariat (ComSec) to work together with ComSec's Hub and Spokes Project Management Team for the Southern Africa Region. The Trade Hub also held meetings with Helena McLeod, Regional Trade and Integration Advisor from DFID's Pretoria Office, at the Trade Hub to discuss trade facilitation projects that would lend themselves to cooperation between DFID and the Trade Hub.

The Trade Hub's assistance to capacity building in Swaziland continued through a series of strategic activities. Planning for implementation of the Investor Roadmap, which had been completed during the third quarter, continued, including a process improvement workshop scheduled for the first quarter of 2006 and the completion of an Investor's Guide. Also, the Trade Hub prepared a policy brief on the difficulties relating to VAT procedures applicable to Swazi exports transiting through South Africa.

The Trade Hub continued to work closely with Namibia to develop the analytical skills of Namibia's trade policy-makers and trade negotiators. In follow-up to the presentation of the Namibian Roadmap in September 2005, the Trade Hub prepared a matrix for the Ministry of Trade and Industry with a summary of Roadmap recommendations and assigned responsibilities. In addition, the Trade Hub has begun preparing for a Tourism Investor Roadmap for Namibia to be carried out in early 2006.

Trade Hub assistance to Zambia during the quarter included the design and implementation of a stakeholder questionnaire to gauge Zambia's compliance with Articles V, VIII and X of the GATT in preparation for WTO Trade Facilitation Negotiations. Based on the data collected, the Trade Hub will prepare an analysis of Zambia's Trade Facilitation situation for the Zambian authorities with recommendations as to Zambia's trade facilitation needs and the implications of multilateral negotiations.

In preparation for the WTO Hong Kong Ministerial Meeting, the Trade Hub provided technical assistance to Botswana in understanding the implications of the non-agricultural tariff reductions formulae proposed by the WTO. Trade Hub team members prepared a quantitative analysis of the projected impact of these formulae and presented the findings at a UNDP workshop on December 6 attended by both the Botswana private and public sectors. Among the recommendations made were that SACU members arrive at a common position with regard to WTO negotiations on market access, and that Botswana liberalize its trade policy.

The Trade Hub's work on an analysis of South African investment incentives in partnership with USAID South Africa's SEGA II project, which began in the second quarter of 2005, caught the attention of the Office of the Presidency in South Africa and key ministries and agencies and took on new importance during the fourth quarter. An expanded scope of work which will extend into the first quarter of 2006 includes a major industrial policy strategy document, briefings and presentations to key stakeholders.

The fourth quarter saw elevated activity in the area of *customs modernization and transport facilitation*. The Trade Hub launched the first World Customs Organization (WCO) Time Release Study (TRS) in the Southern Africa region in Malawi. This diagnostic tool will be used by Malawi Customs to identify the problems that hamper the customs clearance process in that country. The first two phases of the project were completed during the fourth quarter of 2005 and the third and final phase is scheduled to be completed during the first quarter of 2006. Using the experience in Malawi as a pilot project, the TRS in Malawi will be rolled out in other countries of the region upon request.

With respect to *transportation corridor efficiency*, the Trade Hub continued to coordinate closely with the Walvis Bay Corridor Group (WBCG), the Interim Secretariat for the Trans-Kalahari Corridor (TKC), on progress with the TKC in confirming measures to appoint a TKC program coordinator and securing contributions for the TKC Secretariat. It also participated in a workshop on the establishment of the North-South Corridor. Participants in the workshop developed an action plan to set up the Corridor Management Committee during 2006. The Trade Hub will assist with adapting the simplified and harmonized customs transit procedures of the TKC for use on this non-SACU Corridor, and by implementing a cross-border vehicle overload control policy. The Trade Hub also facilitated a meeting of the Dar es Salaam Corridor Committee (DCC) in Lusaka, Zambia. As the corridor constitution has not yet been signed, meeting participants asked the Interim Corridor Secretariat and Trade Hub to convene a meeting of all Zambian stakeholders to increase ownership and commitment for establishing national mechanisms for implementing corridor initiatives.

At the request of USAID Zambia's MATEP (Market Access, Trade and Enabling Policies) Project, the Trade Hub's Senior Customs Advisor, Ranga Munyaradzi, visited MATEP's offices in Lusaka to identify key areas where the Trade Hub and MATEP could partner and collaborate on Zambia's requests for technical assistance. In other ongoing work in Zambia, a Trade Hub report assessing the potential impact of a Regional Customs Bond Guarantee Scheme is currently under study and review by the Zambian Authorities, who have to make a decision on whether or not to ratify the COMESA Regional Customs Bond Guarantee. Trade Hub staff will follow up on this process during the first quarter of 2006. The Trade Hub also started work on an assessment of the factors that cause high air cargo rates in Zambia after receiving a request for this study from the Zambian horticulture export sector.

A Trade Hub team visited Swaziland from November 1 to 5 to assist exporters with difficulties in the AGOA procedure for Category 9, meet with the Commissioner of Customs and Excise and his Management Team on problems being encountered by AGOA exporters as described in the

Swaziland Investor Roadmap, and meet with the Swaziland Investment Promotion Authority (SIPA) and discuss progress on the AGOA Task Force and AGOA Diversification. As a follow-up to this visit, the Trade Hub will be providing technical assistance during 2006 according to an action plan approved during 2005.

In Lesotho, the Trade Hub participated in a diagnostic workshop on the EU-funded Maseru Container Terminal Development Pre-Feasibility Study in November in Maseru. The Government of Lesotho requested further assistance from the Trade Hub in terms of reviewing consultant proposals.

In the area of *financial services for trade and competitiveness* the Trade Hub continued to liaise with stakeholders in Mozambique on potential assistance for implementation of the recommendations from the Trade Hub's study on trade finance presented at a roundtable earlier in the year.

In addition to the above-mentioned activities, Trade Hub technical staff members were invited to participate in the following events organized and held outside the Trade Hub:

- Annual Conference of TRALAC in Cape Town, October, (Paulina Elago, Deputy Director, TFCB, made a presentation on the implications of the EPA on the WTO negotiations);
- Conference on Regional Integration and Economic Partnership Agreements organized by the South African Institute of International Affairs (SAIIA) in Johannesburg, November;
- Conference on the new SACU Agreement jointly organized by the Law Faculty at Stellenbosch University and TRALAC in Stellenbosch, South Africa, November;
- Round-table discussion entitled "What can Hong Kong deliver to South and Southern Africa?" organized by SAIIA and Oxfam in Johannesburg, October; and
- Two WTO Workshops on Trade Facilitation Negotiations, the first in Windhoek, Namibia, and the second in Gaborone, Botswana, October. During the workshop in Gaborone, Trade Hub staff members Ranga Munyaradzi and Evans Marowa made a presentation on the success of trade facilitation measures along the Trans-Kalahari Corridor (TKC)

Dialogue for Competitiveness and Trade Hub Public Outreach and Communications

With respect to the *dialogue for competitiveness* component of the TFCB activities, the Trade Hub continued its role as catalyst for private-public dialogue on trade issues during the fourth quarter. Major activities included the development of a series of educational films which will be used as a training tool in trade issues and best practices.

In a first-of-its-kind project, and as an educational tool to support TFCB's Dialogue for Competitiveness and Capacity Building Activities, during the quarter the Trade Hub began developing a series of films on important trade topics of the region. The first three films to be launched during the first half of 2006 focus on (1) the impact of trade preferences (focusing on AGOA); (2) business environment challenges and initiatives in the region; and (3) building an effective private sector voice for policy change, using the Trade Hub's work with the Botswana Cattle Producers Association (BCPA) as a case study. Lisa Yarmoshuk is spearheading this effort with the technical help of HRH Media whose Executive Producer, Hanson Hosein, is an Emmy-award winning journalist. Additional films are programmed for 2006.

The Trade Hub continued to work closely during the quarter with several key public sector organizations as part of its private sector advocacy mandate. In addition to ongoing work with the BCPA, the Trade Hub met with representatives of WIBA to assess the needs of the organization and plan for activities for 2006. The Trade Hub also participated in the Capacity Building Seminar of the National Productivity Organizations (NPOs) of the Southern African Region.

At the beginning of December, the Trade Hub published the third issue of its flagship newsletter, *Inside Southern African Trade (INSAT)*, which focused exclusively on the WTO Ministerial Meeting that took place from December 13 to 18 in Hong Kong – from a Southern African perspective on the issues. The electronic version of the newsletter was e-mailed to more than 3,000 stakeholders in the Southern African region, the United States and beyond. Work also started on producing the fourth issue of INSAT which will focus on the involvement of the private sector in shaping the trade and business environment in Southern Africa.

Other continuing activities included (i) the distribution of the Trade Hub's monthly events calendar *Hub Happenings*; (ii) the expansion of the database of contacts used for distributing Trade Hub publications by 20%; and (iii) the joint coverage together with RCSA and the U.S. Embassy of the melon trials at the beginning of December.

Trade Competitiveness

As the Trade Competitiveness (TC) Team ends the fourth quarter of 2005 we continue to make progress in previously established focus sectors. Activities this quarter included: the first harvest from the trial of melons being conducted in Botswana; two one-day seminars focusing on labeling requirements for entry of specialty food products to the US market; participation in the first Africa Growth and Opportunity Act (AGOA) sectoral workshop held in Addis Ababa, Ethiopia; implementation of the US apparel buyers' survey; and continued coordination with USG agencies throughout the Southern Africa region. All aim to achieve the overarching goal of increasing AGOA qualified exports within and from the Southern Africa region. Other highlights in each sub-sector include:

In the *horticulture sector* work continues with the Zambian flower producers with the ultimate goal of providing the mechanisms necessary to allow growers to gain access to credit, allowing for expansion of their businesses. Specific activities include coordination with MATEP and the Zambia Export Growers' Association (ZEGA) to identify the appropriate expertise to provide training for local banks on the evaluation of floriculture projects. Also in this sub-sector, technical expertise is being provided to the South African Litchi Growers Association to assist in efforts which address a critical issue related to admissibility of litchi to the US market.

In the *livestock sector* the Trade Hub continued to support the BCPA. This quarter the BCPA held a nationwide meeting focusing attention on critical issues in the cattle industry in Botswana. The participation of both public and private stakeholders in this meeting has raised this issue to the ministerial level and is anticipated to lead to changes in pricing and production throughout the country.

During this quarter, activities in the *textiles and apparel sector* continued to focus on fostering new business linkages with significant progress which is leading to both immediate and long term financial results. This quarter also saw the fielding of a survey focused on US retailers and sourcing houses to determine requirements in terms of product specifications, minimum order quantities, lead times, and experiences with garment manufacturers in the Southern Africa Development Community (SADC) region. The survey results will allow for identification of

issues facing producers in the region and guide technical assistance to be provided in an effort for producers to become more competitive in the global market.

Activities undertaken in the *sustainable tourism sector* include the finalization of regional tourism strategy. This document aims to provide a plan for implementing the Tourism Action Plan (TAP). This quarter also saw continued coordination with the MATEP project in Zambia which will serve as a test case for TAP.

The Trade Hub's *AGOA strategy* continues to support the mission of promoting the formation of public-private partnerships that take advantage of AGOA export market opportunities, leading to increased sales of products and services to US and global markets. The approach being undertaken by the Trade Hub focuses on providing firm-level and national-level assistance with the overall goal of encouraging sustainability.

This quarter AGOA activities included two one-day workshops, held in South Africa, focused on labeling requirements of specialty food products attempting to gain access to the US market. Dr. Patrick Wilson, Ph.D., and Associate Director for Africa, Europe and the Eastern Mediterranean at the U.S. Food and Drug Administration, facilitated both the Johannesburg and Cape Town workshops to assist African companies in meeting U.S. Food and Drug Administration (FDA) labeling requirements.

This quarter also saw the first of four AGOA Sectoral Workshops, with events organized by the East Africa Trade Hub held in Ethiopia. Amanda Hilligas, Lisa Yarmoshuk and Ken Ames, along with Lawrence Johnson, CTO USAID/RCSA, represented the Southern Africa Trade Hub at this event. The workshop focused on three sectors: hand-loomed or hand-woven textile products ("AGOA Category Nine"), interior decorating or handicraft items, and leather goods. The next workshop will be held in Southern Africa and will be organized by the Southern Africa Global Competitiveness Hub. It is anticipated this event will be held in April 2006.

Cross-cutting Competitiveness Support. The Trade Hub continues to target South Africa and Zambia for HIV/AIDS workplace intervention programs. These activities focus on the development and implementation of programs aimed at HIV/AIDS prevention and awareness as fundamental prerequisites for long-term trade competitiveness. Activities in both locations are taking advantage of the clustering of firms allowing small and medium size institutions to undertake these workplace-based programs. To date over 21,000 employees and 87,000 "secondary" beneficiaries have been reached by these programs.

Conclusion

This fourth quarter of 2005, the first quarter of the second project year, saw concrete results that were the culmination of Trade Hub team efforts since the new consortiums took over the Trade Hub contract in later 2004. We find ourselves on a much firmer footing, with a seasoned team of recognized professionals who are advancing projects that are already seeing successes in the process of making the Southern African Region more competitive. We have built relationships with USAID Missions, US Embassies, Government Ministries, the private sector, donors and other stakeholders throughout the region, which allows us to provide value-added assistance consistent with the needs of our stakeholders and the mandate of the Trade Hub, the TRADE Initiative, and the AGCI. By building on this base and being in a position to respond to requests for assistance from stakeholders around the region, the Trade Hub will also be able to continue to enjoy success and assist with positive, pro-competitive change.

SECTION II: ACTIVITIES AND RESULTS

October - December 2005

TRADE HUB MANAGEMENT, TRADE FACILITATION AND CAPACITY BUILDING

BACKGROUND

The fourth quarter of 2005 marked the first quarter of the second project year. The challenge for the second project year will be to continue the momentum that was built over the first year and ensure that the technical team responds to as many of the new requests for assistance as possible while also following-up on activities begun in the first year. Our requests for assistance from the public and private sector throughout the region continue to grow, an indication that our services are increasingly being recognized.

The vision for the second year continues to be the Trade Hub as a “Center of Excellence” for “making trade happen” in Southern Africa through improving the business-enabling environment and working with business-ready firms on value chains and finding new markets. This strategy resulted in concrete achievements during the first quarter of the second year, such as the provisional increase of 40% in cattle prices paid by the Botswana Meat Corporation (BMC) and the preliminary acceptance of a Single Administrative Document (SAD 500) by Mozambique Customs. Looking back on these and other successes of the first year and considering some of the obstacles that existed, we are pleased that we were able to assist our stakeholders in achieving these interim milestones in such a short period of time. Other achievements from the fourth quarter of 2005 include:

- Year 2 Work Plan completed;
- Draft paper on recommendations for the establishment and operation of national tariff bodies prepared;
- Draft report examining the implications of existing bilateral agreements between individual SACU member states and third party countries completed;
- Policy note on the difficulties relating to VAT procedures which apply to Swaziland’s exports transiting through South Africa drafted;
- Final Report of the Namibia Investor Roadmap issued;
- WCO Time Release Study in Malawi implemented;
- Third issue of newsletter, *Inside Southern African Trade (INSAT)*, published;
- Final report on investment incentives, industrial policy and growth in South Africa completed.

The second project year will build on these successes and expand into additional areas, especially with respect to private sector advocacy under the Dialogue for Competitiveness Component. It will also focus on monitoring and evaluation of activities and the results and successes achieved.

Staffing: To spearhead an expanded Trade Hub campaign to target private sector organizations in the Southern African region such as industry associations, chambers of commerce and investment promotion agencies, Martin Norman was appointed as Dialogue for Competitiveness Director during the fourth quarter in addition to his duties as Hub Manager. In this position he will assess the institutional, training and advocacy needs of these organizations with the aim of making their voice heard in a greater way when policy decisions are made as well as ensure that Trade Hub activities receive maximum media coverage.

Elizabeth Rasmussen, a fourth-year student at Nebraskan Wesleyan University in Lincoln, Nebraska, joined the Trade Competitiveness team as an intern for a period of five weeks in November and December of 2005. Ms. Rasmussen came to the Trade Hub after having completed a semester at the University of Stellenbosch studying political science. During her internship, she worked closely with the African Growth and Opportunity Act (AGOA) Advisor to document activities being undertaken by the Trade Hub under the AGOA Component.

Home Office Visits. TSG Senior Vice President and TFCB Project Director Robert Kirk was in Botswana from October 18 to November 7 to work with the resident TFCB team on finalizing the second year work plan and meet with stakeholders and USAID. These meetings included discussions with BIDPA and the World Bank on the design of follow up activities from the Botswana Economic Diversification Study. Mr. Kirk also met with RCSA to discuss progress on the TFCB project and attended a special NEDLAC presentation by Frank Flatters on the Economic Impact of the SACU Motor Industry Development Plan (MIDP). While in Johannesburg for the NEDLAC workshop, Dr. Kirk also met with TIPS, Neal Cohen (USAID Pretoria) and Matthew Stern (COP, SEGA Project), Professor Rashad Cassim (University of Witswatersrand), Peter Draper (SAIIA), and Hennie Erasmus (SADC Director, Department of Trade and Industry).

Work Planning for Year 2. During the fourth quarter of the year, the Trade Facilitation and Capacity Building and Trade Competitiveness activities both completed their Work Plans for 2006 and submitted them to RCSA. While continuing to focus on demand-driven projects that will have far-reaching impact on the trade environment of the region, the Work Plans reflect some new areas such as the expanded Dialogue for Competitiveness Component and the increase in cross-border agricultural trade. Work Plans are completed on an annual basis in compliance with contractual obligations of both activities.

EVENTS AND HIGH-LEVEL VISITS

On October 4, the recently appointed U.S. Ambassador to Botswana, H.E. Katherine Canavan, paid a formal visit to the Trade Hub for a briefing on the Trade Hub's activities. The Trade Hub Team made a presentation and walked her through the facilities. Ambassador Canavan expressed her commitment to working closely with the Trade Hub and stressed the importance of the work of the Trade Hub to regional trade and integration.



Helena McLeod, Regional Trade and Integration Advisor at the Pretoria Office of the Department for International Development (DFID), visited the Trade Hub on October 11 to discuss trade facilitation projects that would lend themselves to cooperation with the Trade Hub, including food and poverty programs, trade data analysis, one-border posts, simplified documents, and the Trade

Hub's seed work. She was accompanied by representatives of DFID's Regional Trade Facilitation Program. Conversations with DFID on these and other opportunities for collaboration are on-going.



Representatives of the Namibian Economic Policy Research Unit (NEPRU) visited the Trade Hub on October 19 to discuss their project for monitoring regional integration, and to obtain information on the Trade Hub's activities in support of regional economic integration.



Linda Muncey, Desk Officer for Botswana, Lesotho and Namibia at the U.S. Department of State in Washington, DC, visited the Trade Hub on October 20 for a briefing on the activities of the Trade Hub and to discuss the latest trade developments from the region. Among the topics discussed were AGOA diversification, the impact of the expiration of the Third Country Fabric Agreement, and the news that the Animal and Plant Health Inspection Service (APHIS-USDA) had submitted its recommendations for the pest mitigation of table grapes to the Namibian government.

On October 27 Happy Fidzani, Executive Director of BIDPA, visited the Trade Hub with World Bank Lead Economist for Southern Africa, Fahrettin Yagci, to discuss how the Trade Hub can support the implementation of recommendations made in the Botswana Export Diversification Study. It was agreed that the Trade Hub can be of use in disseminating the findings of the report in partnership with BIDPA.

On November 2, Brooke Williams, the Economic and Political Officer of the U.S. Embassy in Maputo, Mozambique, who recently arrived at post, visited the Trade Hub for an introduction to its goals and activities. This visit served as the foundation for a continuing close collaboration between the Trade Hub / RCSA and the U.S. Embassy in Maputo for the Trade Hub's activities in Mozambique.



Edith Houston, Regional Advisor/Regional Affairs Team Leader in the Office of Southern African Affairs at USAID in Washington, DC, visited the Trade Hub on November 7 for a briefing on Trade Hub activities in Botswana and throughout the region. Ms. Houston also serves as the Desk Officer for the Regional Center for Southern Africa (RCSA) at USAID in Washington, DC.

Michael Glover, Deputy Special Representative, Commercial and Business Affairs at the U.S. Department of State, came to the Trade Hub on November 9 to discuss the Trade Hub's private sector outreach activities with Trade Hub staff members.

On November 10, Michael Allen Lake, Deputy Director of the U.S.-South Africa Business Council in Washington, DC, met with Trade Hub technical staff members to discuss private sector issues and the Free Trade Agreement (FTA) negotiations between the United States and the

countries of the Southern Africa Customs Union (SACU). He provided the staff members with information on his organization, and it was agreed that the Business Council and the Trade Hub would consider alternatives for projects of mutual benefit in the future.

On November 1, the Trade Hub hosted the Cattle Production and Marketing Policy Conference which was organized by the BCPA. The meeting, attended by public and private organizations, included representatives from the Botswana Meat Commission and the Ministry of Agriculture. Katherine H. Canavan, U.S. Ambassador to Botswana, delivered the keynote address. The Trade Hub subsequently supported several meetings of the Botswana Cattle Producers Association (BCPA), which were held at the USAID Trade Hub in November and December. These meetings, attended by the Ministry of Agriculture and the Botswana Meat Commission (BMC), focused on achieving the government's mandate of adjusting the price paid by the BMC to cattle producers. It is anticipated that this adjustment will be instituted during January and will impact farmers throughout the country.



On November 29 in Johannesburg and on December 1 in Cape Town, and in coordination with the Africa Fast Track Trade Program (AFTT), the Trade Hub conducted two one-day workshops addressing (1) How producers can meet the United States FDA labeling requirements; and, (2) How they can gain access the \$30 billion specialty food market.



The Trade Hub hosted the Partnership for Food Industry Development-MSU / Fruits & Vegetables (PFID-MSU [F&V]) organized HIV-AIDS Workshop on December 12 and 13. The objectives of the workshop were (i) to increase understanding of the impact of HIV/AIDS in the agricultural sector in the region, (ii) to demonstrate current agricultural efforts to reduce the impact of HIV/AIDS in the region with a focus on technology development and promotion of nutritionally enriched crops/foods, and (iii) to facilitate a partnership

between public and private sector actors in fortification-related initiatives in Botswana, in order to initiate the establishment of a National Fortification Alliance that would drive the agenda on the role of nutrition in mitigating the HIV/AIDS pandemic and production of fortified food products.

As a result of the PFID Workshop on December 12 and 13, the Botswana National Food Fortification Task Force held its first meeting at the Trade Hub on December 14.

CAPACITY BUILDING AND POLICY REFORM FOR TRADE AND COMPETITIVENESS

The Trade Hub has continued to receive numerous requests in the area of capacity building and policy reform. The following activities were undertaken in response to these requests:

Policy Change in the Beef and Cattle Sub-sector in Botswana

The work of the Trade Hub to encourage policy change and restructure the beef and cattle sub-sector in Botswana which began in March 2005 bore concrete fruit during the fourth quarter of 2005.

As a natural progression of events emerging from the policy paper written by Dr. Keith Jefferis entitled *How Trade Liberalization Can Help to Revitalize the Beef and Cattle Sector in Botswana*, as well as the institution building implemented by the Trade Competitiveness team to develop the BCPA as an organization which influences the government's policy agenda, the issue caught the attention of senior levels of the Botswana Government.

In December 2005, the Botswana Meat Commission (BMC) in a move towards paying cattle producers export parity price announced an increase in the price paid for cattle of an average of 40 percent. This was a tangible sign of the Government's commitment to solving the problems in the beef and cattle sub-sector in Botswana and evidence of the effectiveness of the advocacy voice of the BCPA. Furthermore, the high-level meetings that the BCPA is now invited to participate in is evidence that the BCPA is being recognized as a legitimate and authoritative voice of the sub-sector. The work of the Trade Hub to continue to encourage this process and build the BCPA's role as policy advocate will continue during the first quarter of 2006.

Regional Harmonized Seed Policy

During the fourth quarter, Bridget Chilala, Trade Capacity Building Director, and Dr. Keith Jefferis, Economic Advisor, finalized a policy paper and agreed on a strategy for advancing consultations on a regional harmonized seed policy in collaboration with the SADC Seed Security Network (SSSN). The policy paper identifies the following as the major constraints to freer movement of seeds in the region:

- (a) Sanitary and Phytosanitary (SPS) requirements and related issues.
- (b) Multiplicity of technical seed requirements and regulations
- (c) Multiplicity of documentation for the import and export of seeds.

The policy note was sent to the SSSN and contributed to background material for a Regional Workshop for Permanent Secretaries and Senior Officials from Ministries of Agriculture across the region from December 8 to 9 in Maputo, Mozambique, organized by the SADC Secretariat. Ms. Chilala presented this policy note at the workshop. Her presentation emphasized the need to link this work with the implementation of the SADC Protocol on Trade, especially as it relates to SPS requirements and trade documentation.

Unfortunately, because of the WTO Ministerial Conference in Hong Kong that began on December 13, most of the key trade officials were not available to attend the workshop. It was therefore decided that a joint meeting be held in April 2006, and DFID's Regional Trade Facilitation Project (RTFP) and the Trade Hub agreed to co-fund the participation of officials from Ministries of Trade in the region.

In addition to the seed study, the Trade Hub conducted a review of the proposed regional legislation using Zambia and South Africa as case studies to identify areas of contradiction or conflict with existing national legislation and the implications for member states. The final presentation of findings was deferred to the joint meeting of Ministries of Trade and Agriculture planned for March 2006.

Furthermore, the Trade Hub and SSSN discussed the possibility of the Trade Hub facilitating future work to reduce the number of documents and procedures required to accompany a shipment of seeds in the region¹ in keeping with the capacity building component of the TFCB annual work program.

The agricultural sector plays a key role in the economies of most SADC countries, on average contributing about 35 percent of gross domestic product, however recent performance has been poor. The competitiveness of Southern African agricultural products on the world market has seriously eroded over the years. Furthermore, on the domestic market, year after year there are reports of food deficits as a result of drought or policy mismanagement. The lack of food in the Southern Africa Region has had a major impact on every area of life and the economy, and the difficulty of moving seeds within the region has been a major constraint to attaining food security. If, as a result of this work, seeds are able to move across borders with greater ease, a major victory toward the goal of regional food security as well as regional integration will have been accomplished.

For additional information see the trip report by Bridget Chilala for Mozambique: “Workshop for Permanent Secretaries of Agriculture on Harmonization of Seed Policy in the SADC Region to Facilitate Freer Movement of Seed, December 8-9”.

Collaboration with the Commonwealth Secretariat for Regional Trade Capacity Building

The Commonwealth Project Management Committee approved in principal the concept note prepared by Bridget Chilala and Lisa Yarmoshuk on possible joint capacity building activities between the Trade Hub and the Commonwealth Secretariat (ComSec) Hub and Spokes Project Management Team for the Southern Africa Region. The Trade Hub would use, among other tools, the Economic Impact Assessment Study developed for SADC and the Common Market for Eastern and Southern Africa (COMESA) in January 2002 and the Tariff Policy Impact Model (TPIM) developed during the same period by the Trade Hub to train the Trade Policy Analysts and their counterparts.

Ms. Chilala continued to discuss the details of the joint activities with the Commonwealth Secretariat (ComSec) Hub and Spokes Management Team in order to refine the ideas that will be presented in an amended concept note to be submitted to ComSec during the first quarter of 2006.

Among other points, there is agreement that the existing network of ComSec’s Hub and Spokes “Trade Policy Analysts” located in several countries in the region should be used to perform some of the Trade Hub and ComSec capacity building work in close consultation with the Governments hosting these Analysts. Also emerging from recent discussions, there is agreement that the issue of overlapping and multiple trading arrangements in Southern Africa is an important one and a potential area for collaborative effort between the Trade Hub and the Commonwealth Secretariat.

This proposed collaboration between the Trade Hub and ComSec is part of the Hub’s overall strategy to collaborate with other donors and organizations in its capacity building activities

¹ A total of 23 steps are required to dispatch a shipment of seed in the region

around the region. The Trade Hub aims to leverage resources to assist countries of the region to analyze trade data and identify their own interests, skills critical to responding to the range of pressures presented by the second phase of EPA negotiations between the EU and SADC/COMESA and the negotiations between SACU and the United States for a Free Trade Agreement. The existing structure of Trade Policy Analysts under the Hub and Spokes Project will allow the Trade Hub to leverage the experience and location on-site of an existing network of analysts.

Support to SACU Secretariat

From December 1 to 3, Paulina M. Elago, Deputy Director of TFCB, traveled to Pretoria, South Africa, to collect data and consult with various stakeholders in preparation of the policy brief on bilateral trade agreements. The brief will examine the implications of bilateral trade agreements concluded between individual SACU member states and third parties and the degree to which such agreements are consistent with the provisions of the SACU Agreement. During her visit she met representatives from the South African Revenue Authority and the Department of Trade and Industry. She also consulted with the Malawi Trade and Investment Representative in Johannesburg and Departments of Agriculture and Foreign Affairs to discuss the issue. The draft policy brief will be finalized and presented to the SACU Secretariat in the first quarter of 2006. This work was requested by the SACU Secretariat.

Swaziland Capacity Building Activities

The following activities are part of the on-going capacity building efforts of the Trade Hub in Swaziland:

- **Training Courses**

The Ministry of Foreign Affairs and Foreign Trade in Swaziland has requested Trade Hub technical assistance related to Trade Capacity Building in the areas of trade data analysis and export development. In response, the Trade Hub agreed to conduct training in two areas: trade data analysis and new generation issues in the context of WTO negotiations.

Planning and preparation for the trade data course started in December and will continue through the month of January. The Trade Hub will conduct this course in collaboration with TRALAC during the month of February 2006. In addition, discussions and planning for the training on new generation issues will continue through the months of January and February 2006.

These courses are designed to enhance the understanding and technical know-how of trade policy officials and other stakeholders involved in policy development and formulation, including participation in trade negotiations. The Department of International Trade in the Ministry of Foreign Affairs and Foreign Trade is fairly new and is seeking to build capacity and enhance the skills of its technical team both in the areas of policy analysis and trade and export development.

- **Investor Roadmap Follow-up**

The Trade Hub continued to liaise with the Swaziland Investment Promotion Authority (SIPA) on the follow up activities related to implementation of the Investor Roadmap. As a result, the process improvement workshop initially scheduled for November has now been rescheduled for the second half of the first quarter of 2006.

The Trade Hub continues to work on an Investors' Guide for Swaziland using information and data collected for the Investor Roadmap. This tool, designed to help investors navigate the policies and procedures related to all aspects of establishing a business in Swaziland, will improve access to critical information on the country's investment environment in a consolidated and investor-friendly format.

The Swazi Roadmap has been a milestone for Swaziland in its efforts to improve its investment and regulatory environment with a view to becoming more business and investor-friendly and to attract new investments.

- **Study of Value Added Tax (VAT) Procedures in Swaziland**

Following his visit to Swaziland at the end of September 2005, Sutherland Miller prepared a policy brief on the difficulties relating to VAT procedures applicable to Swazi exports transiting through South Africa and presented it to the Swazi Customs Authority. The Trade Hub's Senior Customs Adviser, Ranga Munyaradzi, held follow-up discussions of the findings with the Swazi Customs Authority during his visit to Swaziland in the first week of November. The analysis provided should guide Swaziland in addressing the issue with their South African counterpart.

For additional information see trip report by Sutherland Miller: "Namibia and Swaziland, September 21- October 7".

Namibia Capacity Building and Policy Reform Activities

The Trade Hub undertook the following activities during the fourth quarter to build trade capacity in Namibia's public and private sectors and to build analytical skills relevant to trade policy formulation and trade negotiations:

- **Namibian Investor Roadmap**

Following the presentation of the Namibia Investor Roadmap report on September 23 in Windhoek, Namibia, the Trade Hub prepared and presented an implementation matrix to the Ministry of Trade and Industry. The matrix outlines key recommendations and required reforms along with the corresponding responsible institution and the estimated time frame required. The matrix should also help the Ministry of Trade and Industry and the Namibia Investment Center (NIC) to effectively coordinate the implementation process. The Trade Hub will continue to liaise with the NIC and discuss requests to provide support with respect to specific issues related to the implementation of the Investor Roadmap recommendations.

The Roadmap is a necessary step toward making Namibia a more competitive, business-friendly country for investors as it sheds light on the areas of procedural, financial, and administrative weakness, and assigns responsibility for reform to specific entities.

For additional information see trip report by Sutherland Miller: "Namibia and Swaziland, September 21- October 7".

- **Tourism Investor Roadmap for Namibia**

One of the recommendations emerging from the Investor Roadmap Workshop was the need to undertake an Investor Roadmap focusing primarily on the tourism sector,

considering the importance of tourism to the Namibian Economy and the fact that the tourism sector was not included in the Investor Roadmap presented in September. Both the private sector and the Ministries of Trade and Industry and Tourism and Environment strongly endorsed that recommendation.

The Trade Hub subsequently received a formal request for assistance from the Namibia Tourism Board. Following that request, the Trade Hub proceeded to prepare the scope of work in close consultation with the Namibia Tourism Board followed by identification of suitable consultants to undertake the work. Two consultants – an investor roadmap specialist and a tourism specialist – will be required to carry out the analysis and are scheduled to start work at the beginning of February 2006.

As is the case with the Investor Roadmap mentioned above, the tourism roadmap will make recommendations for improvements, and will ultimately help Namibia have a more competitive tourism industry, attract more tourists, and increase reserves of foreign currency.

Zambia–WTO Trade Facilitation Negotiations

Zambia has limited human and financial resource capacity to effectively participate in an ever-evolving and complex multilateral trading system. In light of this, Zambian authorities requested Trade Hub assistance with a detailed assessment of the status of trade facilitation and, to the extent possible, the resulting resource implications for Zambia. The assessment uses the current proposals as a benchmark to assess to what extent Zambia would conform to the current proposals if they were to constitute elements of the agreement on trade facilitation.

In response to this request, the TFCB Team first reviewed existing trade facilitation diagnostic tools developed by the WTO Secretariat and the World Customs Organization (WCO) to determine their suitability for use in Zambia. They then designed a methodology using tools/questionnaires developed by the WCO and WTO. The questionnaires were sent to approximately thirty-five relevant private-public sector stakeholders, including the Ministry of Commerce, Ministry of Trade and Industry, and the Zambia Revenue Authority. The responses to the questionnaires were poor, so on-site follow-up was deemed necessary.

From November 16 to 25, the Trade Hub Team consisting of Bridget Chilala, Director of Trade Capacity Building, Ranga Munyaradzi, Senior Customs Advisor, Evans Marowa, Transport Advisor, and Michael Hathaway, Short-Term Consultant and WTO Specialist, were in Zambia to interview stakeholders, obtain the completed questionnaires from those who had not submitted them, and meet with those who had responded to the questionnaire in order to verify the data submitted. This visit was coordinated with the USAID Mission in Zambia and its MATEP project. Currently, the team is analyzing the data and will provide the Zambian authorities with a technical report in the first quarter of 2006 which will identify Zambia's trade facilitation needs and priorities and the implications of implementing additional proposed trade facilitation measures. Initial review of the data reveals that the Zambian Revenue Authority's operations largely conform to WCO instruments and best practices pertinent to the provisions of GATT Articles V, VIII and X, but there are areas which are clearly in conflict with these provisions.

The results of this diagnostic study will assist Zambian authorities in coming up with a comprehensive package for Zambia's effective participation in the negotiations on trade facilitation with the WTO and the EU and for the implementation of trade facilitation obligations arising from regional trading blocs. The methodology developed by the Trade Hub will also serve as a "best practices" model for other countries in the region. COMESA has shown interest in

collaborating with the Trade Hub under similar work in the COMESA region in the first half of 2006.

For additional information see the Trip Report by Bridget Chilala, Michael Hathaway, Evans Marowa and Ranga Munyaradzi: “1. Launch of the WCO Time Release Study in Malawi; 2. Assessment of Trade Facilitation in Zambia; 3. Collaboration with Market Access, Trade & Enabling Policies Project (MATEP), November 13 to 23”.

Also see the “Exportable Agriculture—Zambia” Section under “Trade Competitiveness” in this report for more details on the collaboration with USAID Zambia’s MATEP activities..

Malawi Capacity-Building Activities

In response to a request from Malawi for assistance in developing a liberalization strategy for Trade in Services in the transport and tourism sectors, the Trade Hub completed technical proposals during the third quarter which were subsequently approved by the Government of Malawi. A scope of work was presented to the Ministry of Trade, and a technical team of regional and international experts will undertake this work which will build upon previous work in these two sectors. Unfortunately, the work has been delayed due to delays in feedback from the Ministry of Trade. Now that the WTO Hong Kong Ministerial Meeting has passed, it is expected that the work will resume as planned. The Government will use the results of this work to review their commitments under the General Agreement on Trade in Services (GATS) and decide whether they should improve upon them. The work will also be used in Economic Partnership Agreement (EPA) Trade in Services Negotiations with the EU, as well as in SADC and COMESA negotiations on Trade in Services as envisaged under the Trade Agreement/Protocol.

Trade Policy Analysis Botswana

As a result of the September 9 roundtable discussion at the Trade Hub on the Hong Kong Ministerial Conference, and in keeping with the continuing trade policy analysis work of the Trade Hub for Botswana, the Government of Botswana requested technical assistance in understanding the implications of the non-agricultural tariff reductions formulae proposed by the WTO. Countries are at a stage where they need to agree on the specific tariff cuts for manufactured products, cuts which must be both substantial and fair.

Trade Hub team members Bridget Chilala and Dr. Keith Jefferies worked with short-term consultant Sanath Jayanetti and BIDPA to prepare a detailed quantitative analysis of the projected impact of the WTO Non-Agricultural Market Access (NAMA) proposed tariff reduction formulae on Botswana and suggest a range of policy options for Botswana. The report also recommends that SACU members arrive at a common position with regard to WTO negotiations on market access, a position which should be in line with the new SACU Agreement. In addition, it suggests that Botswana should continue to liberalize its trade policy (i) through the SADC Protocol on trade negotiations to establish a free trade area by 2008, and (ii) as a member of SADC through the SADC EPA negotiations.

The findings were presented at a workshop funded by the UNDP on December 6 which was attended by officials from the Ministry of Trade and Industry and members of the committee on trade negotiations with representation from all relevant government offices and the private sector, as well. An electronic simulation template for trade data analysis in Excel was also discussed and demonstrated to a smaller group that was scheduled to attend the WTO Ministerial Meeting in Hong Kong.

For additional information see the Trip Report by Sanath Jayanetti: “Botswana November 12 – December 9”.

Investment Incentives

During the second quarter of 2005, Trade Hub short-term economic consultant Frank Flatters began an analysis of investment incentives in South Africa. Since that time the issue of investment incentives has taken center stage in the Office of the Presidency in South Africa and major Ministries and Agencies including National Treasury (NT), the Department of Trade and Industry (DTI) and the Competition Commission. It has expanded to cover a wide range of key issues in industrial policy of central importance to South Africa and the region.

Mr. Flatters’ work has become highly valued. The work completed to date has been used by the NT Minister, the Director General and the Deputy Director General and by senior officials in several other Ministries in analyzing important issues including the Motor Industry Development Program (MIDP) and domestic pricing of basic industrial raw materials.

Mr. Flatters was given an expanded scope of work and revised timetable at the initiative of senior NT officials, which now includes preparation of a major industrial policy strategy document, briefings for the Minister, presentations to key stakeholders and continued capacity building in trade and industrial policy analysis. This work will continue through the first quarter of 2006.

This work is being done in close cooperation with the Segal II Project (Support for Economic Growth and Analysis Project II), funded by USAID South Africa. Segal II is providing extensive logistical support and South African LOE to support Mr. Flatters’ work and to ensure the continuity of sustainable capacity building in South Africa.

Business Environment

Ted Lafarge, Business Development Specialist, traveled to Botswana from October 24 to November 13 to work on a concept paper project note to advance the work of the Southern Africa Global Competitiveness Hub in supporting a more competitive business environment. This concept paper will address a range of government policies and administrative requirements that impact on business costs, including starting a business, obtaining licenses and approvals, hiring and firing employees, obtaining property and credit, and the enforcement of contracts and rules of business closure, among other topics. Mr. Lafarge worked extensively with the long-term technical team in researching these topics and held several meetings with representatives of the private and public sectors of Botswana. The project note, scheduled for completion during the first quarter of 2006, will be an input into the project’s work plans and is consistent with the Trade Hub’s focus on assisting the countries of the region with increasing their competitiveness in the world economy.

Participation in Events Outside the Trade Hub

In addition to the above-mentioned activities, Trade Hub technical staff contributed to a number of events organized and held outside the Trade Hub:

- **TRALAC Annual Conference, October 12 to 13**

Paulina Elago attended the annual conference of the Trade Law Centre of Southern Africa (TRALAC) where she made a presentation on the implications of EPAs on the WTO negotiations. The Conference was held in Cape Town on October 12 and 13 and was

attended by trade experts and representatives from donor agencies and regional organizations. It provided an opportunity to network and interact with experts from the region and elsewhere.

- **SAIIA Roundtable Discussion: “What can Hong Kong Deliver to South and Southern Africa?”**

On October 14, Lisa Yarmoshuk participated in a round-table discussion entitled “What can Hong Kong deliver to South and Southern Africa?” The event, organized by SAIIA and Oxfam, was attended by representatives of the private sector, diplomatic community, donors, civil society and academia. Ms. Yarmoshuk also used the opportunity to meet with Peter Draper, SAIIA, to discuss programming collaboration over the next year in the “Dialogue for Competitiveness”, including “Knowledge for Development,” component of the Trade Hub’s work. Activities being explored include training, the development and promotion of web-based tools to increase competitiveness, and the promotion of “Dialogue for Development” through targeted public lectures, closed roundtable discussions, and publications. She also met with the United States Trade and Development Agency (USTDA) representative in Johannesburg, Doug Shuster, to discuss transport initiatives in the region.

- **WTO Workshops on Trade Facilitation Negotiations**

Evans Marowa attended a World Trade Organization (WTO)/World Bank (WB)/World Customs Organization (WCO) Regional Workshop on WTO Negotiations in Trade Facilitation in Windhoek, Namibia, from October 10 to 14. This was followed by a Sub-Regional Workshop in Gaborone, Botswana, from October 17 to 19. The workshops focused on providing practical steps to guide countries in assessing their needs for the WTO Trade Facilitation Negotiations as well as for implementing the emerging agreements.

During the workshop in Windhoek, the TKC Corridor was cited as a model for regional trade facilitation agreements that are making a difference in trade flows. During the workshop in Gaborone, Ranga Munyaradzi and Evans Marowa made a presentation on the success of facilitation measures in the TKC and how the Trade Hub will work to deepen the extent of trade facilitation measures along the corridor by implementing a corridor bond guarantee scheme and a cross-border vehicle overload control initiative. The presentations generated lively debate, clearly demonstrating the need for intensified trade facilitation interventions within East and Southern Africa. Mr. Munyaradzi’s and Mr. Marowa’s participation as speakers and recognized experts on the TKC, specifically, and customs/transportation issues in general, will maintain the Trade Hub on the regional radar as a key resource in these areas, especially as the work on trade corridors increases.

For additional information see the Trip Report by Evans Marowa: “Regional Workshop on Understanding the WTO Trade Facilitation Negotiations, Windhoek October 9 - 15”.

- **East and Central Africa Regional AGOA Sectoral Workshop, October 25 to 26**

Three Trade Hub representatives—TC Project Coordinator, Ken Ames, TFCB Director, Lisa Yarmoshuk, and AGOA Advisor, Amanda Hilligas—participated in the AGOA Sectoral Workshop sponsored by the East Africa Global Competitiveness Hub in Addis Ababa, Ethiopia, from October 25 to 26. The purpose of the workshop was to focus

special attention on AGOA export opportunities in specific sectors and to help producers in these sectors to learn how to penetrate the US market. This workshop was designed to be the first of a series of regional workshops across the African continent that will facilitate improvement in design, production, and marketing as well as promote increased trade and investment under AGOA.

During the first half of 2006 the Southern African Global Competitiveness Hub expects to organize a similar workshop for the Southern African Region in Johannesburg, South Africa. The participation in the workshop in Ethiopia provided a useful benchmark for the Trade Hub in planning its regional workshop.



For additional information see Trip Report by Ken Ames, Amanda Hilligas, and Lisa Yarmoshuk: “Ethiopia – September 2005”.

Also see the “AGOA Support” Section under “Trade Competitiveness” in this report for more details on the Workshop in Addis Ababa.

- **SAIIA Conference on EPAs**

Lisa Yarmoshuk and Paulina Elago traveled to Johannesburg, South Africa, on November 10 and 11 to attend a conference on Regional Integration and Economic Partnership Agreements organized by the South African Institute of International Affairs (SAIIA). The conference brought together trade experts and policy makers from both within and outside the region to discuss the implications of EPAs on regional integration. Among the issues discussed at the conference were (i) the review of the South Africa-EU Trade, Development and Cooperation Agreement (TDCA) and the role of the BLNS (Botswana, Lesotho, Namibia, Swaziland) in that process, (ii) multiple and overlapping memberships to regional organizations, and (iii) the implication of the BLNS negotiating an EPA under SADC while de facto they are party to the TDCA in terms of preferential market access extended to the EU.

The issue of multiple memberships continues to draw a lot of attention given possible implications to the region as it becomes more integrated. The conference gave the Trade Hub an opportunity to interact with other important regional players on this topic and to present itself as a resource for trade issues in Southern Africa. Ms. Yarmoshuk also used the opportunity to meet with Matthew Stern, COP of USAID South Africa’s SEGA II project, and Frank Flatters on the Incentives work the Trade Hub is co-funding.

For additional information see the trip report by Lisa Yarmoshuk and Paulina Elago: “SAIIA Conference on Regional Integration and Economic Partnership Agreements, November 10-11”.

- **Stellenbosch University and TRALAC Conference on the SACU Agreement**

Paulina M. Elago attended a conference on the new SACU Agreement jointly organized by the Law Faculty at the Stellenbosch University and TRALAC on November 28 and 29 in Stellenbosch, South Africa. Participants included economists, trade and trade law experts from within and outside the region, regional and international organizations,

government representatives and policy makers from SACU countries, academics, researcher institutions and the SACU Secretariat. Its main objective was to examine the SACU Agreement, specifically focusing on the legal text, issues and challenges related to implementation of the Agreement from a policy, legal and institutional perspective.

Implementation of the SACU Agreement presents both challenges and opportunities for SACU members as they proceed to implement and address its policy and institutional aspects, in order to give substance to what is currently a framework agreement. The implementation of the agreement has implications for the national policies of member countries and to some extent impact on available human resources which are already limited. The conference provided the Trade Hub with an opportunity to make and maintain key contacts throughout the region, and to continue making a contribution to debates and discussions surrounding regional trade policy.

For additional information, see the trip report by Paulina Elago: “TRALAC Conference on SACU and Consultations on Bilateral Trade Agreements, November 27 – December 2”.

- **National Productivity Organizations’ Capacity Building Seminar**

On November 28, Martin Norman made a presentation on the Trade Hub and its services during the Capacity Building Seminar of the National Productivity Organizations (NPOs) of the Southern African Region. The seminar, organized by the Botswana National Productivity Centre (BNPC), was attended by more than sixty representatives of NPOs from ten countries including Uganda, Ghana, and Kenya, as well as many countries from the SADC region. Mr. Norman emphasized that the Trade Hub’s programs are demand-driven and encouraged the NPOs to formulate specific requests for projects with the Trade Hub in the near future.

Coordination and Interface with other Donors

During the fourth quarter of 2005, the Trade Hub technical staff continued to collaborate formally and informally with international donors and organizations in developing and delivering its programming throughout the region. In addition to the activities discussed elsewhere in this report, the Trade Hub had the following formal meetings with other donors.



- **DFID**

Helena McLeod, Regional Trade and Integration Advisor at the Pretoria Office of the Department for International Development (DFID), visited the Trade Hub on October 11 to discuss trade facilitation projects that would lend themselves to cooperation with the Trade Hub, including food and poverty programs, trade data analysis, one-border posts, simplified documents, and the Trade Hub’s seed work. She was accompanied by representatives of DFID’s Regional Trade Facilitation Program.

The Trade Hub together with USAID/RCSA recognizes the importance of DFID’s regional work and has sought greater opportunities to liaise with it and its regional project to explore activities where cooperation is possible. The Trade Hub continues to believe that combining technical expertise and jointly planning activities with DFID will lead to economies of scale that will accomplish more than either organization can on its own.

CUSTOMS MODERNIZATION AND TRANSPORT FACILITATION

Launch of the WCO Time Release Study (TRS) in Malawi

At the request of the Malawi Revenue Authority, the Trade Hub's Senior Customs Advisor, Ranga Munyaradzi, and World Customs Organization (WCO) Technical Officer, Simon Royals, launched the TRS in Malawi.

The WCO TRS serves as a tool to measure the progress and impact of a Customs Reform and Modernization Program being implemented by a Customs Administration. The objectives of a TRS are to identify the problems that hamper the customs clearance process chain in a country, describe the nature of these problems, and determine the causes with a view to implementing solutions. A TRS serves as a tool to measure the progress and impact of a Customs Reform and Modernization Program being implemented by a Customs Administration. It is administered and "owned" by the national Customs Authority. The TRS in Malawi is the first of its kind in the Southern African Region and will serve as a pilot program that can be rolled out in other countries of the region, building on the experience in Malawi. Identifying areas where improvement of Customs is needed and tackling those areas one by one, country by country, will contribute directly to a key Trade Hub goal of improving the capacity of Customs administrations in the region and reducing transportation times and costs.

The TRS will be conducted in three phases:

1. Preparation of the study.
2. Administration of the questionnaire and processing of data collected.
3. Data analysis and report writing.

In November 2005 the Trade Hub Team held meetings with the TRS Working Group (consisting of Customs Officials, representatives from relevant Government Departments and relevant private sector stakeholders such as freight forwarders, transporters, and pre-shipment Inspectors) to train the Working Group and coordinate the first phase, preparation of the study. The team also assisted in designing the questionnaire to be used by the TRS Working Group for data collection and drafting guidelines for data collection and the terms of reference for the TRS Working Group.

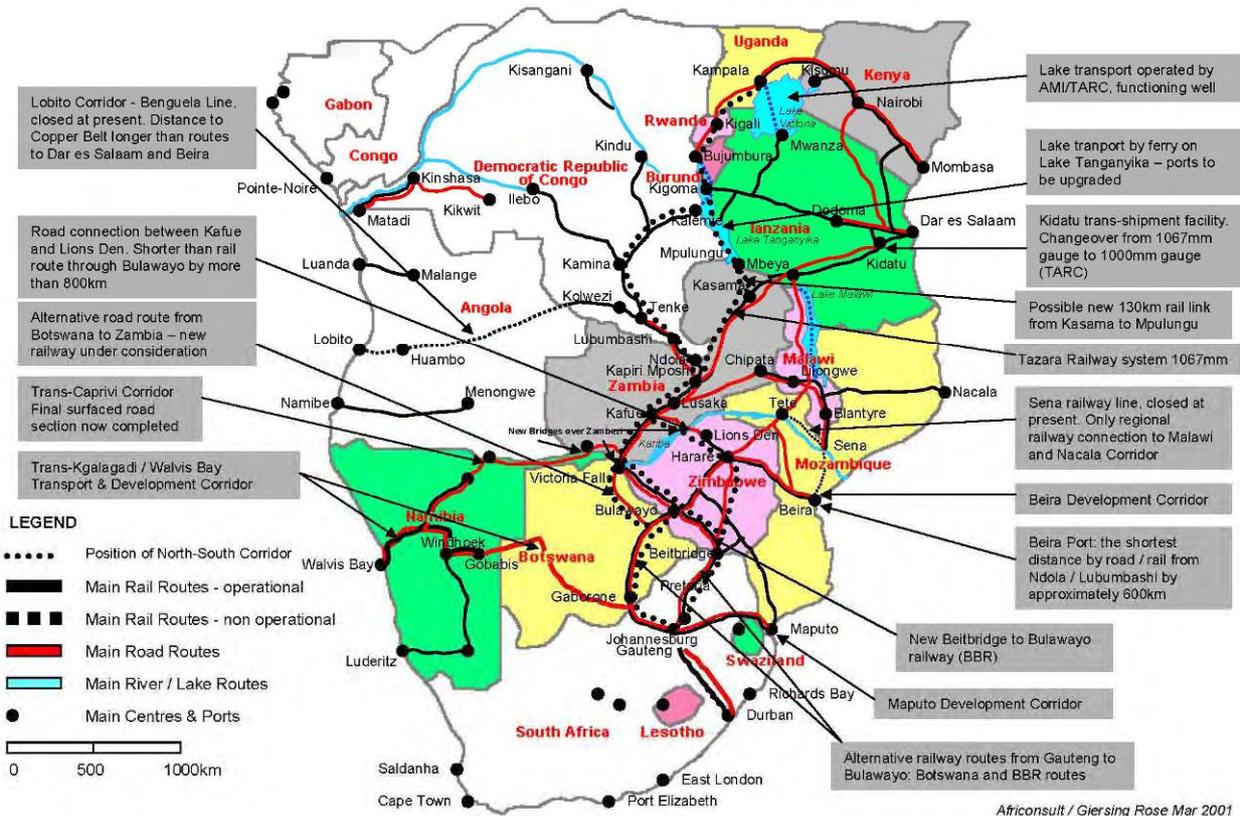
A training session on November 16 and a trial run at one of the busiest border posts (between Mozambique and Malawi) to ensure that the data collection on the questionnaire was carried out exactly as prescribed concluded the Trade Hub Team's first mission to Malawi.

During November and December 2005, the Malawi TRS Working Group administered the questionnaire at selected border posts and inland customs houses. The Trade Hub Team will return to Malawi in January 2006 to assist the TRS Working Group to analyze the data and write up their findings, conclusions and recommendations into a report and action plan.

For additional information see the Trip Report by Ranga Munyaradzi: "The Launch of the WCO Time Release Study, November 13-18".

Transport Corridor Support Work

CORRIDORS IN SOUTHERN AFRICA



Activities in support of Southern African Transport Corridors during the fourth quarter included the following:

- **Trans Kalahari Corridor, TKC**

The Trade Hub's Transport Advisor, Evans Marowa, met with the new Acting Director of Road Transport and Safety for Botswana to review progress with securing legal advice from the Attorney General necessary for Botswana to (i) confirm measures to appoint a TKC program coordinator, and (ii) secure contributions for funding the TKC Secretariat while measures for long-term sustainability are being explored. The institutional measures are vital in ensuring the continuity and momentum of activities to improve the efficiency of the TKC and to increase the fluidity of movement along the borders of the region.

The Acting Director confirmed that no action had been taken by the previous Director to get approval from the Botswana authorities to allocate funds for the Interim Secretariat, but that the process has been initiated.

The Trade Hub will continue to engage with the Botswana Road Transport and Safety Department to achieve the above-mentioned objectives. To this end the Trade Hub has been coordinating closely with the Walvis Bay Corridor Group (WBCG) which is acting as the Interim Secretariat for the TKC.

- **Workshop on the Establishment of the North-South Corridor Management Committee**

Evans Marowa and Ranga Munyaradzi accepted an invitation by the World Bank Sub-Saharan Africa Transport Policy Project (WB SSATP) and SADC to attend a workshop on the establishment of the North-South Corridor Management Committee in Johannesburg from October 27 to 28. Participants in the workshop, which was organized by the WB SSATP, COMESA and SADC, produced an action plan to set up the corridor management committee during 2006. The Trade Hub will participate by adapting the simplified and harmonized Customs transit procedures of the Trans Kalahari Corridor for use on a non-SACU Corridor, from the Gauteng Province of South Africa through Botswana to Zambia, and by implementing a cross-border vehicle overload control initiative at Kazungula Ferry border post between Botswana and Zambia.

The invitation from the World Bank was encouraging in that it confirms that the Trade Hub's work on the TKC is recognized as (a) effective and (b) applicable to the other corridors of the region. The simplification and harmonisation of Customs transit procedures and the cross-border vehicle overload control initiative assigned to Mr. Marowa and Mr. Munyaradzi gives the Trade Hub a solid foothold in the work of the North-South Corridor and will facilitate additional work on the Corridor in the future.

For additional information see the Trip Report by Evans Marowa and Ranga Munyaradzi: "Workshop on the Establishment of the North-South Corridor Management Committee, October 26-29".

- **Dar es Salaam Corridor**

On December 16, Ranga Munyaradzi and Evans Marowa facilitated a meeting of the Dar es Salaam Corridor Committee (DCC) in Lusaka, Zambia.

The objectives of the meeting were to:

1. Review the DCC business plan and action plan for trade facilitation along the corridor.
2. Review the status of the implementation of the recommendations of the Corridor Sustainability Study.
3. Consider measures for the establishment of a permanent corridor secretariat.
4. Review the status of the implementation of the Corridor Performance Monitoring Database Study and facilitate the establishment of a fully operational corridor performance monitoring management system.

As the corridor constitution has not yet been signed, meeting participants asked the Interim Corridor Secretariat and Trade Hub to convene a meeting of all Zambian stakeholders to increase ownership and commitment for establishing national mechanisms for implementing corridor initiatives. The Interim Corridor Secretariat will also mobilize funds for financing of the secretariat as an interim measure while the Trade Hub will

facilitate the identification and adoption of long term sustainable financing options for the secretariat. In a relatively short period of time, the Trade Hub has become a central figure in the implementation of the Dar es Salaam Corridor, a confirmation of the positive reputation that the Trade Hub work in the region enjoys and a recognition of its work on the TKC.

For additional information see the Trip Report by Evans Marowa and Ranga Munyaradzi: “Dar es Salaam Corridor Committee Meeting, Lusaka, December 15 – 17”.

- **SADC/EU Support for HIV/AIDS Initiatives along the Corridors**

During the fourth quarter the Trade Hub submitted a project proposal for funding of HIV/AIDS Initiatives along the Transport Corridors through the EU-SADC HIV/AIDS Project. Subsequent to this submission, the SADC HIV/AIDS Unit advised the Trade Hub that the EU-SADC HIV/AIDS Project was being wound down. Consequently, funding alternatives for the Corridors’ HIV/AIDS initiatives will be pursued.

Collaboration with Market Access, Trade and Enabling Policies Project (MATEP), Zambia

At the request of USAID Zambia’s MATEP, the Trade Hub’s Senior Customs Advisor, Ranga Munyaradzi, visited MATEP’s offices in Lusaka on November 23 where he held discussions with the Chief of Party, Scott Simons, and the Trade and Policy Advisor, Mupelwa Sichilima.

The purpose of the meeting was to identify key areas where the Trade Hub and MATEP could partner and collaborate on Zambia’s requests for technical assistance. After exchanging information about the respective scopes of work of the two organizations, MATEP reiterated its request for a partnership with the Trade Hub on selected Zambian projects. MATEP is interested in leveraging the technical expertise of the Trade Hub in areas where they lack a particular capacity, such as in the areas of customs and transport. This presents a valuable opportunity for the Trade Hub to collaborate with a bilateral project to achieve common goals, in areas where the Trade Hub has significant expertise and regional “best practices” knowledge. Such partnering relationships also allow the Trade Hub to leverage the scope and strengths of bilateral projects as it seeks to deepen its impact in individual countries.

For additional information see trip report by Ranga Munyaradzi: “Collaboration with Market Access, Trade & Enabling Policies Project (MATEP), November 23.”

Customs Transit Bond Guarantee, Zambia

During the third quarter, the Trade Hub’s report on the *Economic Impact of Implementing a Regional Customs Bond Guarantee Scheme on Zambian Businesses and the Economy* was finalized and presented to the Zambia authorities.

The Trade Hub’s Report is currently under study and review by the Zambian Authorities, and they have informed the Trade Hub that they will communicate with them and other Stakeholders as to the outcome of their review in early 2006.



Zambian Authorities have to make a decision on whether to ratify the COMESA Regional Customs Bond Guarantee, based on the Trade Hub's findings in the Report, which would go a long way toward influencing regional cooperation on trade facilitation. Other countries in the region are keenly awaiting public release of the Trade Hub's Zambia Report.

The Trade Hub continues to seek Zambia's cooperation with a regional bond guarantee scheme. Zambia lies on several of the regional transit corridors, and her collaboration on a regional bond guarantee scheme is essential to the success of the project.

Zambia Air Cargo Costs

In response to requests from the Zambian horticulture export sector to assess the factors that cause high air cargo rates, Transport Advisor Evans Marowa traveled to Zambia to gather data for the assessment. During the first quarter of 2006, Mr. Marowa will use this information to benchmark air cargo costs against other regional air cargo costs in order to identify specific areas that might require attention in order to reduce air cargo rates and enhance the country's competitiveness in the horticulture sector.

Facilitation of AGOA Exports in Swaziland

The Swaziland Investor Roadmap completed during the third quarter identified a number of Customs barriers to trade in Swaziland which negatively impact the competitiveness of exports. In order to tackle some of these areas, Senior Customs Advisor, Ranga Munyaradzi, and AGOA Advisor, Amanda Hilligas, visited Swaziland from November 1 to 5 to (i) assist exporters with difficulties in the AGOA procedure for Category 9, (ii) meet the Commissioner of Customs and Excise and his Management Team on problems being encountered by AGOA exporters as described in *The Swaziland Investor Road Map, Improving Transport Logistics for Competitiveness of Swaziland*, and *the VAT Treatment of Swazi Exports / Imports Through South Africa*, and (iii) meet with the Swaziland Investment Promotion Authority (SIPA) and discuss progress on the AGOA Task Force and AGOA Diversification.

The meetings with Swazi officials and private sector stakeholders highlighted a number of areas which were in fact barriers to the smooth flow of exports from Swaziland, thus making them uncompetitive in regional and international markets. Swazi officials asked for Trade Hub technical assistance to eliminate these barriers and agreed on an Action Plan to have them removed with a view toward making Swaziland more competitive. The Action Plan will be implemented during the first quarter of 2006.

For additional information see trip report by John Keyser, Ranga Munyaradzi and Amanda Hilligas: "USDA U.S. – Sub-Saharan Africa Trade and Investment Mission in South Africa and Facilitation of AGOA Exports in Swaziland, November 1-5".

Also see the "Exportable Agriculture—Swaziland" Section and the "AGOA Support—Facilitating AGOA Exports in Swaziland" under "Trade Competitiveness" in this report for more details on the accomplishments of the Trade Hub Team during its trip to Swaziland.

Lesotho Transport and Logistics Constraints

Following invitations by the Ministry of Public Works and Transport of Lesotho and Scott Wilson Railways, UK, Evans Marowa attended a diagnostic workshop on the EU-funded Maseru Container Terminal Development Pre-Feasibility Study on November 1 in Maseru, Lesotho.

This workshop was identified as a key action item in the Trade Hub-sponsored study on transportation logistics constraints for Lesotho. Scott Wilson Railways, UK, the consultants conducting the EU-funded study on behalf of the Government of Lesotho, organized the workshop.

The workshop recommendations confirmed the findings of the Trade Hub study on transportation logistics in Lesotho. The Government of Lesotho and the consultants conducting the Pre-Feasibility Study were highly appreciative of the input from the Trade Hub report on Improving Transportation Logistics Constraints for Lesotho as well as input at the workshop. They requested further assistance from the Trade Hub in terms of reviewing consultant proposals as well as the Spoornet strategy for the Bloemfontein-Maseru Railway Line.

On November 28, the Trade Hub received a further invitation from the EU Project Unit in Maseru to participate in a review of the Maseru Container Terminal Pre-Feasibility Study briefing report on December 5. Unfortunately, because of the lateness of the invitation and other work commitments, Evans Marowa could not participate. The Trade Hub will, however, monitor the development of the final report of the pre-feasibility study.

For additional information see the Trip Report by Evans Marowa: “Diagnostic Workshop on the Pre-Feasibility Study for Upgrading the Maseru Container Terminal, Maseru October 31 – November 2”.

DIALOGUE FOR COMPETITIVENESS

During the fourth quarter, the Trade Hub continued in its role as catalyst for private-public dialogue on trade issues. In seeking to increase the impact of these activities, Martin Norman was assigned responsibility for private sector dialogue activities, in addition to his duties as Hub Manager. The Trade Facilitation and Capacity Building team also embarked on an innovative project of developing a series of educational films on trade issues affecting the region. Simultaneously, it continued its regular schedule of communication and publication projects, including regional trade newsletter INSAT, the monthly *Hub Happenings*, and enhancements to the website.

Development of Educational Films

As an educational tool to support TFCB’s Dialogue for Competitiveness and Capacity Building activities, the Trade Hub is currently developing a series of short films on trade topics of the region for use in seminars and workshops. The first three films, to be launched at the beginning of the second quarter of 2006, will focus on the following topics:

- (1) The impact of trade preferences, with a particular focus on AGOA and the apparel industry in Southern Africa;
- (2) Business environment challenges in the region and initiatives to address them to improve competitiveness; and
- (3) Building an effective private sector voice for policy change using the Trade Hub’s work with the Botswana Cattle Producers Association as a case study.

Filming for these three films took place in November and December of 2005 in Botswana, Lesotho and Swaziland. Both in preparation for and during the filming the Trade Hub received tremendous

support from the US Embassy's in each country and USAID, as well as Government Ministries and private sector firms and organizations in the countries.

Lisa Yarmoshuk, TFCB Director, is leading the design, development and implementation of the project and HRH Media has been contracted to perform the technical work. HRH Media's Executive Producer, Hanson Hosein, is an Emmy-Award winning journalist who counts among his repertoire of experiences NBC's coverage of the 1994 U.S. handover of power to Iraq from Baghdad and the recently-released feature documentary film "Independent America—The Two-Lane Search for Mom & Pop", which is to be screened across North America in 2006.

These professionally-made films, in documentary format, are expected to (a) provide a valuable educational tool which will facilitate the work of Trade Hub experts; (b) create a medium that discusses trade issues important to the region's competitiveness that can reach a broader audience (c) serve as a vehicle for sharing some of the work and successes of the Trade Hub and USAID/RCSA; and (d) raise the profile of the Southern African Trade Hub. Each film will be 15 minutes or less in length.

As a result of the tremendous quality of the material obtained for these three films, the Trade Hub has also decided to add two additional films to the series – one on Trade Facilitation and Transport Corridors and a second on HIV/AIDS from a Business and Economic Perspective. Filming for these will occur during the first quarter of 2006.

For additional information see trip reports by Lisa Yarmoshuk and Hanson Hosein:

- *"The Implications of Trade Preferences and the Implications of Expiration of Trade Preferences and Special Agreements Such as Quotas and Third-Country Fabric in the Apparel Sector, November 21 - 26";*
- *"Adjusting to Elimination of Preferences through Development of National Strategies in Southern African to Improve the Business Environment, November 27- December 3";*
- *"Private Sector Associations as a Vehicle for Private-Public Dialogue on Trade Policy, November 15-19 and December 5-9".*

Private Sector Advocacy

During the quarter the Trade Hub continued to work closely with several organizations as part of its private sector advocacy mandate.

- **Women in Business Association (WIBA)**

Martin Norman held several meetings with representatives of WIBA during the fourth quarter to assess the needs of the organization and plan for activities for 2006. Among the projects identified for Trade Hub collaboration were (i) a major membership drive for the organization for which the Trade Hub can provide advisory services, and (ii) the development of services that WIBA will make available to its members; the Trade Hub would help with finding a regional expert / specialist in setting up those services.

- **Private Sector Productivity**

On November 28, Martin Norman gave a presentation on the Trade Hub and its services during the Capacity Building Seminar of the National Productivity Organizations (NPOs) of the Southern African Region. This was a first step in introducing the services of the Trade Hub to the NPOs and was strategic as an

additional probe into private sector issues and tapping into potential Trade Hub interventions for the NPOs.

Outreach and Communication

During the last quarter of 2005, the Trade Hub undertook several outreach activities on multiple fronts to reach a wider group of stakeholders and increase the impact of Trade Hub programs. The following are some of the major efforts towards this goal:

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

At the beginning of December the Trade Hub published the third issue of its flagship newsletter, *Inside Southern African Trade (INSAT)*.

This issue focused exclusively on the WTO Ministerial Meeting that took place from December 13 to 18 in Hong Kong. It featured a number of interviews with prominent individuals from the private and public sector, largely in Southern Africa, who aired their views on multilateral trade issues and the expected outcomes of the meeting in Hong Kong.

Those who were interviewed for this issue hail from both the developed and developing world and represent a broad collection of views and opinions that collectively provided a picture of the various issues at stake for the region in multilateral trade negotiations.

The electronic version of the newsletter was emailed to more than 3,000 stakeholders in the Southern African region, the United States and beyond. Because of the particularly time-sensitive nature of this third issue of INSAT, slightly fewer hard copies than of the previous, a total of 2,000, were ordered and distributed. These are distributed via mail and hand delivery to stakeholders in virtually all SADC countries as well as in the United States. Additional hard copies are distributed during Trade Hub events and at relevant events around Africa.

In addition, the Southern Africa Regional Poverty Network (SARPN), forwards INSAT to their trade group, some 550 people from various sectors around the world, who are interested in development, trade and poverty issues.

SOUTHERN AFRICA GLOBAL
COMPETITIVENESS HUB



INSIDE SOUTHERN AFRICAN TRADE

ISSUE 3

DECEMBER 2005

SPECIAL ISSUE: WTO HONG KONG MINISTERIAL

As the Delegations of the Members of the World Trade Organization (WTO) convene in Hong Kong from December 13-18 for the Sixth WTO Ministerial Conference, INSAT takes an in-depth look at the state of play of the Doha Development Round of Negotiations from the perspective of Southern Africa.

WTO Ministerial Conferences take place at least once every two years and are the WTO's highest decision-making body. The Hong Kong Conference is essential to a successful conclusion of the Doha Round by the end of 2006. However, prospects for realizing the intended objectives at the Conference have been tempered in the weeks leading up to the meeting.

We speak to a number of policymakers, negotiators and private sector and civil society actors from the region and beyond, to get their views on what we can expect from Hong Kong, how we can expect the region to react, and what will be needed for negotiations to move forward post-Hong Kong.

While most of our interviewees lament the downscaling of expectations from Hong Kong, they are still optimistic about the possibility of concluding the Round by the end of 2006. They retain their confidence in the multilateral trading system and are geared up for renewed efforts to ensure that development-friendly trade liberalization becomes a reality.

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USAID SOUTHERN AFRICA

Published by the Southern Africa Global Competitiveness Hub, as part of its Trade Facilitation and Capacity Building Activities, and funded by USAID. However, the views expressed in this publication do not necessarily reflect the views of USAID or the U.S. Government.

Because of its wide circulation and the extremely positive responses *INSAT* has received since it was first issued, it has become one of the major communications instruments of the Trade Hub. It has stirred private-public debate regionally and internationally and has positioned the Trade Hub as an organization with cutting-edge analyses of trade issues on the one hand and concrete action on the other.

Responses to Issue 3 of INSAT:

Thank you very much for such an informative newsletter.
D. Njowa, SADC Desk Officer, Ministry of Foreign Affairs,
Zimbabwe

I read you last issue of INSAT dedicated to Hong Kong and found it being an excellent putting together of valuable and insightful materials. My congratulations.

Luis Eduardo Siteo, National Director for International Relations,
Ministry of Industry and Trade, Maputo-Mozambique

I want to congratulate you on developing a very insightful document. This is terrific!

Mihir Desai, Dexis Consulting Group

Excellent! Thank you very much.

Dr. Ada S Adler, Commercial Coordinator, Economic Policy Staff,
Bureau for African Affairs. Department of State. USA

While completing the third issue, work started on producing the fourth issue of *INSAT* which will focus on the involvement of the private sector in shaping the trade and business environment in Southern Africa. This issue will be published at the beginning of March 2006.

- **Website Enhancement**

In keeping with Trade Hub efforts to increase the regional dimension of its public information and outreach activities, constant efforts to enhance and expand the Trade Hub's website – content and regular updates - which began in the third quarter continued in the last quarter of 2005. These enhancements have born fruit; statistics show that average sessions per day increased more than twofold from the third to the fourth quarter (from 32.28 to 66.20), and average page views per day increased threefold in the same period (from 101.86 to 362.57) as did average hits per day (from 303.17 to 949.40).

Significantly, the Trade Hub responded to requests from USAID in Washington to bring the Southern African Hub's website in line with the newly launched African Global Competitiveness Initiative, and direct links to the other websites were also added.

- **The New *Hub Happenings***

After the design of the Trade Hub's monthly events calendar *Hub Happenings* was enhanced and expanded in May 2005, the Trade Hub has continued to disseminate the publication to a growing number of contacts regionally and internationally. *Hub Happenings* has received positive comments from its readership and is instrumental in communicating with stakeholders with respect to Trade Hub activities. Several new concepts for additional activities have come from readers contacting the Trade Hub with specific requests because they have read something in *Hub Happenings* that gave them a new idea.

- **Database**

During the last quarter of 2006 the Trade Hub's contact database was expanded by 20% which corresponded with the target set for its growth at the end of the second quarter.

This has allowed for a systematic increase in circulation of the Trade Hub's publications such as *INSAT* and *Hub Happenings* and has consequently increased their impact in the region.

- **Media**

At the beginning of December the Trade Hub joined forces with RCSA and the U.S. Embassy in Gaborone to arrange the extensive media coverage of the melon trials being carried out on a number of farms close to Gaborone.

The effort was met with great success and considerable coverage on Botswana television and radio and in the local press. The lessons learned from this exercise will be carried forward in inter-agency cooperation towards increasing the media coverage of Trade Hub activities.

For additional information see the "Exportable Agriculture—Botswana" Section under "Trade Competitiveness" in this report.

The following indicators quantify the activities of the Trade Hub that were completed during the fourth quarter under Outreach and Communications.

Table 1: Important Outreach and Communications Indicators

Indicator	Definition/Unit Measure	Data Source	Results
Outreach through the Media			
Number of radio and television spots	interviews and news broadcasts dedicated to Trade Hub activities	TV and radio stations	4
Quantity of newspaper coverage	individual newspaper and magazine articles, press releases printed in publications, and news articles appearing in major internet sites.	Regional press	6
Trade Hub Publications			
<i>Inside Southern African Trade (INSAT)</i> quarterly newsletter	Number of people receiving INSAT electronically	TFCB Dialogue Unit	3,000
<i>Inside Southern African Trade (INSAT)</i> quarterly newsletter	Number of people receiving INSAT in hard copy	TFCB Dialogue Unit	2,000
<i>Hub Happenings</i> monthly calendar of events and projects	Number of people receiving <i>Hub Happenings</i> electronically	TFCB Dialogue Unit	1,030
Website Statistics (Date range - October 1, 2005 – December 31, 2005)			
Total sessions	A series of hits to the site over a specific period by one visitor	website	6,090
Total page views	A request to the web server by a visitor's browser for any web page = excludes images, javascript, and other embedded file types	website	33,356
Total hits	Any successful request to the server from a visitor's browser	website	87,345

Indicator	Definition/Unit Measure	Data Source	Results
Average sessions per day		website	66.20
Average page views per day		website	362.57
Average hits per day		website	949.40

TRADE COMPETITIVENESS

BACKGROUND

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

During this quarter, the Competitiveness Team has continued work in three target sectors: exportable agriculture products, sustainable tourism, and textiles and apparel. The following represents highlights of activities, aimed at improving the competitiveness of enterprises in Southern Africa.

- Continued Support for New Floriculture Investments. Building on the assessment of floriculture alternatives undertaken with the Zambia Export Growers Association (ZEGA) earlier in the year, the Trade Hub worked with ZEGA this quarter to prepare a proposal for a PUM Dutch Volunteer Expert to provide training to local banks on the evaluation of floriculture projects.
- Collaboration with the South African Litchi Growers Association and European Union on Market Admissibility Research. In December, the competitiveness team concluded a Memorandum of Understanding with the South African Litchi Growers Association (SALGA) to provide funding for a research program on key market admissibility issues for litchi. The research is being funded in equal parts by the Trade Hub, SALGA, and the South African Pesticide Initiative Program (SA-PIP), which is an activity funded by the European Union (EU) designed to ensure continued access for South African horticulture produce to the international market.
- Participation in USDA-sponsored U.S. – Sub-Saharan Africa Trade and Investment Mission. From October 31 to November 4, the U.S. Department of Agriculture's Foreign Agricultural Service (USDA/FAS) led a Trade and Investment Mission to the Southern Africa Region. USDA invited John Keyser and Amanda Hilligas to conduct a presentation on USAID's trade promotion activities in Southern Africa and discuss how AGOA benefits African exporters.
- New Export Deal for an Emerging AgriBEE Farmer. This quarter the Trade Hub helped to create a long-term marketing relationship between a historically disadvantaged landowner in South Africa and a leading horticulture export company worth between \$170,000 and \$226,000 per year to the grower or around \$330,000 to \$440,000 annually in gross export revenue for South Africa.
- Ken Ames, Lisa Yarmoshuk, and Amanda Hilligas participated in a workshop sponsored by the East Africa Global Competitiveness Hub in Addis Ababa, Ethiopia, from October 25 to 26. This AGOA Sectoral Workshop focused attention on AGOA export opportunities in specific sectors and to help producers to learn how to break into the United States market.

- On November 1, the Trade Hub hosted the Cattle Production and Marketing Policy Conference which was organized by the Botswana Cattle Producers Association (BCPA). The meeting was attended by public and private organizations, including representatives from the Botswana Meat Commission and the Ministry of Agriculture. Katherine H. Canavan, U.S. Ambassador to Botswana, delivered the keynote address.
- Working in collaboration with the Botswana Horticulture Council (BHC), the Trade Hub is providing support for a series of farm trials near Gaborone aimed at producing high quality watermelons and sweet melon for export to South Africa. On December 14, Katherine H. Canavan, U.S. Ambassador to Botswana toured three farms, participating in the trials together with Anthony Vodraska, RCSA Acting Mission Director, members of the local press, and other U.S. Embassy and RCSA officials.
 
- Ronald Ramabulana, Regional Market Specialist, has resigned from ECIAfrica, a TC team subcontractor, being replaced by Jutta Drewes. Ms. Drewes joined ECIA in August 2005 as a specialist in agribusiness and rural development and has experience in large-scale fruit crop production, specifically subtropical fruit production. The TC team welcomes the addition of Ms. Drewes and looks forward to continued collaboration with ECIAfrica.
- At the request of the Zambian Ministry of Commerce, Trade and Industry (MCTI) the Trade Hub's AGOA Advisor and Director for Trade Competitiveness conducted a scoping mission focused on identifying assistance possibilities to the producers of exportable product under AGOA. Also at the Ministry's request, the AGOA Advisor provided a series of capacity building meetings in Lusaka and Ndola for export-ready firms.
- Activities continue with Trade Hub partners in Zambia and South Africa to implement HIV/AIDS workplace programs. These programs continue to benefit employees and employers in both countries.

Formal Cooperation with Outside Partners

As the competitiveness team continues to provide support throughout the RCSA region, the framework system for tracking the various activities undertaken continued during this quarter. Under this system, Memoranda of Understanding (MOUs) and Service Agreements are negotiated with implementation partners. These agreements set out the terms of Trade Hub assistance and include Activity Descriptions detailing specific activities to be undertaken. The following is a representation of agreements signed during this quarter.

- South Africa Litchi Growers Association. The South African litchi industry is striving to access new markets, but insects such as litchi moth, false codling moth and fruit flies are quarantine pests in South Africa and restrict export to the United States and other countries. Activities to be conducted under this service agreement include the development of rearing techniques for litchi moth, determination of infestation levels of moths in various areas; and

evaluation of control methods. The activities will enable the development of a cold treatment for the pests.

- Botswana Cattle Producers Association. To inform and enrich the policy formation process around restructuring of the Botswana cattle production sub-sector, the BCPA is engaging senior policymakers in the Botswana Government, Botswana Meat Commission (BMC), private sector operators, and members of the international community to identify: optimal beef export markets in the short, medium and long term; optimal restructuring strategy to make the sub-sector competitive in those target export markets; conditions required to attract investment necessary to build sub-sector productive capacity. The Trade Hub is supporting the BCPA in achieving these aims with technical assistance and financial support. Financial support for conducting the necessary meetings and seminars to achieve the desired results are being supported under this MOU.

Other MOUs and Service Agreements are expected to be signed in the next quarter as outlined in the section on planned activities.

EXPORTABLE AGRICULTURE

This quarter, activities in export agriculture focused on preparation of a training program to facilitate new investments in floriculture exports, support for ongoing market admissibility applications to the United States for litchi and other subtropical crops, and development of regional market linkages for specialty melons and other horticulture produce. Highlights of recent activities undertaken in each focal country are as follows.

Zambia

At the request of the Bilateral Mission, the Trade Hub's competitiveness work in Zambia is being implemented in collaboration with the USAID Market Access, Trade, and Enabling Policies Project (MATEP). A Memorandum of Understanding was signed with MATEP earlier this year through which the Trade Hub supports competitiveness improvements in the horticulture export sector, tourism, and apparel.

Progress with this strategy was discussed with Scott Simons, MATEP Chief of Party, during a mission to Lusaka by John Keyser, Director of Trade Competitiveness, and Amanda Hilligas, AGOA Trade Advisor in November. Coordination meetings were also held at the U.S. Embassy with James Garry, Second Secretary, Jill Derderian, Economic and Political Chief, and Vedruna Santana, Economic and Commercial Officer. Meetings were held at USAID/Zambia with Dann Griffiths, Economic Growth Team Leader, Jan Joost Nijhoff, Senior Agriculture and Trade Specialist, and Scott Simons. Other highlights and achievements this quarter include:

Continued Support for New Floriculture Investments. Building on the assessment of floriculture alternatives undertaken with the Zambia Export Growers Association (ZEGA) earlier in the year, the Trade Hub worked with ZEGA this quarter to prepare a proposal for a PUM Dutch Volunteer Expert to provide training to local banks on the evaluation of floriculture projects.

Trade Hub analysis of the Zambia floriculture industry shows there are opportunities for high producer profits and market penetration for investors who introduce new high-yielding varieties of roses and non-traditional summer flowers like solidago, hypericum, rudbeckia, and protea.

Despite the strategic importance of floriculture to the Zambian economy, local financial institutions have been reluctant to lend to new projects for a variety of reasons. One reason is the



failure of many small projects which suffered from poor planning and management. Another is the limited understanding among local credit managers for the specific requirements of a floriculture investment and potential returns from lending to this sector.

To build interest in floriculture, the Trade Hub and ZEGA developed a proposal to bring a PUM Dutch Senior Expert, qualified in the evaluation of floriculture loan applications, to Zambia to provide training for local banks in the evaluation of floriculture investments. The expert would come from Rabobank or another institution with experience in floriculture and knowledge of current market opportunities. The objective of this training is to open the door for new investments as a step to expand the country's production base and help Zambia negotiate more favorable airfreight prices to the benefit of cut flower and fresh vegetable exporters alike.

The PUM Dutch Senior Expert is a volunteer program for retired executives similar to the International Executive Service Corps (IESC). Economic development staff in the Dutch Embassy said the idea of bringing an expert in floriculture lending to Zambia is exactly the type of activity the PUM program is meant to support. Local banks feel the training would not only be useful for improved knowledge of floriculture, but also for the evaluation of other agriculture investments. MATEP expressed strong support for this Trade Hub initiative and agreed to provide material and logistical support as required.

For additional information see Trip Report by John Keyser and Amanda Hilligas: "Zambia and RSA, November 5".

South Africa

In South Africa, the Trade Hub's focus continues to be on building new market links with Mozambique and other African countries with counter-seasonal supply advantages. To support the USAID/South Africa bilateral strategy, priority is also being given to establishing market links between newly formed Black Economic Empowerment (BEE) groups and leading horticulture export marketing companies as a matter of trade competitiveness.

In late November, John Keyser and Amanda Hilligas met with Neal Cohen and Kimberley Lucas at the USAID Mission in Pretoria to review this work and discuss opportunities for the Trade Hub to complement bilateral development priorities. In Mid-December, John Keyser and Jutta Drewes, ECIAfrica Agribusiness Advisor, traveled to Nelspruit, Hoedspruit, and Tzaneen to meet with the commercial horticulture marketing companies the Trade Hub has been working with and to provide updates on progress with admissibility issues and regional market linkage work. Other highlights this quarter are set out below.

Collaboration with the South African Litchi Growers Association and European Union on Market Admissibility Research. In December, the competitiveness team concluded a Memorandum of Understanding with the South African Litchi Growers Association (SALGA) to provide funding for a research program on key market admissibility issues for litchi. The research is being funded in equal parts by the Trade Hub, SALGA, and the South African Pesticide Initiative Program (SA-

PIP), an activity funded by the European Union (EU) designed to ensure continued access for South African horticulture produce to the international market.



The South African litchi industry is striving to access new markets, but insects such as litchi moth, false codling moth, and fruit flies are quarantine pests and restrict export to the United States and other countries. For the exploitation of new foreign markets, it is important to develop effective quarantine treatments. Cold treatment can be used as litchi fruit can tolerate very low temperatures and is currently exported at 1° to 2°C. In order to develop quarantine cold treatment for litchi moth and false codling moth, it is important to establish colonies of both species. A rearing

technique for false codling moth is well established, but not for litchi moth. More information on the biology of the moths in orchards will contribute to an understanding of the pests with this information being used to form an integrated pest management system.

SALGA has identified the development of a rearing technique for litchi moth as its number one research priority due to the importance of US market access. The research will contribute directly to this long-term strategic objective. By combining the post-harvest cold treatment with pre-harvest management practices a systems approach will be developed. The research proposal was discussed by the project's research coordinator, Dr. Tertia Grové, during a visit to the Center for Plant Health and Science Technology (CPHST) in Raleigh, North Carolina, as part of a Cochrane Scholarship organized by the USDA and the Regional APHIS Advisor. The proposal was sent to Ann Ferguson and Dr. Richard Fite of APHIS to ensure compliance with long-term US admissibility requirements.

New Export Deal for an Emerging AgriBEE Farmer. The Trade Hub has helped to form a long-term marketing relationship between a historically disadvantaged landowner in South Africa and a leading horticulture export company. The farm, in Limpopo Province, currently has 2,400 litchi trees in production from which the marketing company will export between 60-80,000 cartons of fruit this season to the UK, Europe, and Canada. At an average farmgate price of ZAR 18.00 per carton (\$2.83), the value of this export deal is between \$170,000 and \$226,000 per year to the grower, equal to around \$330,000 to \$440,000 in gross export revenue for South Africa excluding 20% packaging and domestic transport costs. The farm has considerable land which can be developed for litchi or other subtropical crops. With support from the Trade Hub and Promoting Agribusiness Linkages Project (PAL), USAID/South Africa, the landowner is continuing to work with the export company to introduce new crops and establish a long-term, diversified supply relationship.

Participation in USDA-sponsored U.S. – Sub-Saharan Africa Trade and Investment Mission. From October 31 to November 4, the U.S. Department of Agriculture's Foreign Agricultural Service (USDA/FAS) conducted a Trade and Investment Mission to the Southern Africa Region. USDA invited John Keyser and Amanda Hilligas to conduct presentations on USAID's trade promotion activities in Southern Africa and discuss how AGOA benefits African exporters. Ellen Terpstra, FAS Administer, chaired the Trade Hub panel and fielded questions from the floor together with the Trade Hub representatives.



The main objective of the USDA Trade Mission was to promote U.S.– Sub-Saharan Africa agribusiness cooperation, trade, and investment. The Southern Africa Region mission focused on the following sectors: dry grocery products, food processing, beer and spirits, seafood, livestock genetics, and production inputs. Fifteen American companies participated in the Trade Mission. Under the African Growth Opportunity Act (AGOA), opportunities for American agribusinesses looking to enter or expand their presence in Africa are increasing. Participant countries included Angola, Botswana, Lesotho, Madagascar, Mauritius, Mozambique, Namibia, South Africa, and Swaziland.

For additional information see Trip Report by John Keyser, Amanda Hilligas, and Ranga Munyaradzi: “RSA and Swaziland, October – November 2005”.

Mozambique

In Mozambique, the Trade Hub’s competitiveness work is focused on promoting cross-border investment and market links with South Africa. Discussions were held this quarter with Andrew Levin, Agriculture Development Officer for USAID/Mozambique, and Jake Walter, Country Director of TechnoServe and Team Leader of the USAID/Mozambique Emprenda Program, to coordinate the Trade Hub’s support and plan a series of fact-finding visits to established horticulture marketing companies in South Africa. Further highlights this quarter are as follows.

Progress with cross-border investments. Building on a fact-finding visit last quarter in which the Trade Hub introduced the research and development manager of a leading South African horticulture marketing firm to a Mozambican production company, the competitiveness team continued to nurture this cross-border investment and marketing deal. Several visits were undertaken this quarter by the marketing company’s senior management to work out the details of



the cooperation. Current plans are to plant around 100 hectares of early season litchi and 50 ha of MD2 pineapple over the next two years near the Boane Dam beginning in early 2006. The South African company will provide planting material and technical support, while the Mozambican company will contribute land, irrigation water, and on-site management. Once mature, export sales for Mozambique are expected to surpass \$6 million annually, providing the company a new supply of early-season produce for regional trade and export to the European Union.

To promote similar cross-border transactions, the Trade Hub also began arranging for an observational tour in which Mozambican investors and government officials, responsible for the promotion of commercial agriculture, will visit South African companies and agriculture researchers to discuss production strategies and market opportunities. Consistent with the priorities of USAID/Mozambique’s Emprenda Program, a key objective of the tour will be to build a constituency in South Africa for Mozambican produce as a means of eliminating non-tariff trade barriers and speed regional market access applications. These tours are expected to take place during the first quarter of 2006.

Botswana

In Botswana, export agriculture activities are focused on institutional development support for the recently established BCPA and the introduction of field trials for export quality melons, which will be a new product for Botswana with significant market potential.

On November 1 the Trade Hub hosted the Cattle Production and Marketing Policy Conference which was organized by the BCPA. The conference objective was to inform and enrich the policy formation process around the restructuring of the Botswana cattle production sub-sector. The BCPA invited senior policy makers to discuss optimal beef export markets in the short, medium and long term; optimal restructuring strategy to make the sub-sector competitive in those target export markets; conditions required to attract investment necessary to build sub-sector productive capacity. The meeting was attended by both public and private organizations including representatives from the Botswana Meat Commission and the Ministry of Agriculture. H.E. Katherine Canavan, U.S. Ambassador to Botswana, delivered the keynote address. Prof. Jacobus Laubscher, University of Free State, led a discussion on new generation producer cooperatives drawing on experience from within Southern Africa.



Also this quarter and with support and funding from the Trade Competitiveness team, the BCPA was confirmed as the new Cattle Sector Committee of the Botswana Confederation of Commerce, Industry, and Manpower (BOCCIM). This designation entitles BCPA to representation on both the Ministry of Agriculture High Level Consultative Council and on the President's High Level Consultative Council. This follows the official registration of the BCPA as a Trust on September 26, which was an activity also supported by the Trade Hub.

In collaboration with the Botswana Horticulture Council (BHC), the Trade Hub is providing support for a series of farm trials near Gaborone aimed at producing high quality watermelons and sweet melon for export to South Africa. Six commercial and emergent farmers are participating in the trials, which will see seedless watermelons, new varieties of cantaloupe and honeydew melons being exported to international fresh cut fruit processors and leading supermarket chains which have expressed interest in this produce.

The trials are being coordinated by Mario Bacchiocchi, Commercial Melon Specialist for the Trade Hub, together with Alfred Dhlamini, Chairperson of the BHC. The objective of the trial program is to test and evaluate the capability of farmers and the feasibility of reaching a high quality standard in production. The larger strategic objective is to establish a long-term relationship between farmers and buyers/markets. To achieve this farmers have to reach an acceptable quality standard and organize visits of buyers and provide sample delivery to South African markets, all of which is being accomplished with the assistance of the Trade Hub.

Production has proceeded very well despite the lack of early rains. As of mid-December, both sweet melons and watermelons have been transplanted for the second time with a third transplanting undertaken in late December. This staggering of production will allow for harvest to continue until mid February 2006. Farmers have also introduced bee-boxes supplied by the Ministry of Agriculture to ensure good pollination of the melons. Total production from this trial will be between 80-100 tons of which 30% (25-30 tons) will be used as sample materials for evaluation and panel tests by South African supermarkets and processors. The trial melons are being harvested over a three-month period beginning in December.

Based on the outcome of the trials, the target for next year is to attempt a production program during the winter (June-August) season. This will allow farmers to develop long-term linkages with South African buyers and increase export incomes.

Namibia

In a letter dated October 17, Cathleen Enright, Assistant Deputy Administrator of APHIS, informed the Namibian Government that the USDA is initiating rulemaking to amend US regulations establishing requirements for the importation of Namibian table grapes to the United States. The letter proposed two mitigations, including 22-day cold treatment for false codling moth and fumigation with methyl bromide in the United States for mollusks. On November 30, George Rhodes, Phytosanitary Control Officer, Ministry of Agriculture, Water, and Forestry, notified Ann Ferguson, Regional USDA APHIS Advisor for Southern Africa, through the U.S. Embassy in Windhoek that the Namibian Government accepted the mitigation package and looked forward to USDA moving ahead with rulemaking.

These milestones in the admissibility process effectively clear the way for the Trade Hub to begin working with table grape exporters to identify market outlets and commercial partners in the United States. Rulemaking will take an estimated 6-18 months for completion, with the Trade Hub continuing to monitor progress closely to ensure exporters are ready to enter the US market with a competitive product. Depending on how rulemaking progresses, product could be shipped as early as the next harvest in November 2006. To prepare for this, the Trade Hub will begin working with grape exporters next year to assess needs and identifying areas where marketing assistance will be most effective.

Botswana Melon Tour

On December 14, Katherine H. Canavan, U.S. Ambassador to Botswana, toured three farms participating in the Botswana melon trials together with Anthony Vodraska, RCSA Acting Mission Director, members of the local press, and other U.S. Embassy and RCSA officials.

"I'm very impressed by what I've seen today. This is an important example of what can be achieved in agriculture as a step towards Botswana's economic diversification." **Katherine H. Canavan, U.S. Ambassador to Botswana speaking on Btv.**



Swaziland

As part of a Trade Hub mission to Swaziland undertaken with Amanda Hilligas and Ranga Munyaradzi in early November, John Keyser met with agriculture producers and investment partners to support cross-border marketing linkages with agriculture exporters in South Africa. These meetings focused on identifying opportunities for Trade Hub collaboration with the new Swaziland Enterprise and Entrepreneurship Program (SWEEP), implemented by TechnoServe, which begins operations early in 2006.

Swaziland offers a number of advantages which make it attractive for South African horticulture marketing companies to extend their sourcing operations. The South African National Department of Agriculture (NDA) considers Swaziland as having the same pest risks as South Africa and therefore imposes no SPS or other restrictions on the trade of agriculture produce. Swaziland enjoys close proximity to the main markets in Gauteng and, although it has few climatic advantages over the subtropical farming areas in South Africa, the freedom from risk of land claims makes Swaziland a relatively secure place to plan new investment and sourcing links.

On November 21, John Keyser, Amanda Hilligas, and Lisa Yarmoshuk met in Johannesburg with Leslie Johnston, SWEEP Chief of Party, and Simon Winter, TechnoServe Regional Director. Ms. Johnston briefed the Trade Hub team on the SWEEP approach and activities being planned. Building on earlier Trade Hub missions to Swaziland it was agreed that one of the first joint Trade Hub/SWEEP activities will be to organize a fact-finding tour for South African investors. One marketing firm, for example, is particularly interested in planting litchi and papaya in Swaziland while others have expressed interest in avocado, berries, pineapple and melons, which can all be grown in various climatic regions of the country. It was also agreed that the Trade Hub will catalyze these relations based on cross-border contacts in South Africa and that SWEEP would then follow-up on a sustained basis.

For additional information on the Swaziland visit and/or the SWEEP meetings, see Trip Report by John Keyser, Amanda Hilligas, and Ranga Munyaradzi: "RSA & Swaziland, October – November 2005".

SUSTAINABLE TOURISM

The purpose of Southern Africa Tourism Products Alliance (SATPA) is to help develop effective products, encourage investment, and introduce new international distribution approaches to the tourism industry in Southern Africa, with a focus on decreasing leakage, expanding the middle market, and stimulating growth of SMMEs in destination gateway communities.

A tourism product is defined as an activity, lodging, transport, or other component, either sold individually or as a package that may be themed, priced, and distributed into well-defined markets. International tourism distribution is the part of the value chain which includes assembly of packaged products, the wholesale deployment of those products, and retail sales by travel agents at generating markets around the world.

During this quarter the approach for SATPA was refined to address these issues and provide a plan to expand capacity, products, investment, and market access in selected gateway communities. SATPA methods apply criteria to the selection of destinations, partners, and interventions to achieve these goals.



During this quarter the Value Chain Leader for SATPA activities held discussions with the Market Access, Trade, and Enabling Policies (MATEP) project and the EU-SADC Investment Promotion Programme (ESIPP) to locate, assess, and provide technical assistance to Zambian tourism SMME's. The identified companies currently have plans to expand their business capabilities and a desire to reach new markets. It is anticipated that many of these businesses will qualify to participate in an ESIPP-sponsored trade fair to offer their capabilities and business plans for foreign direct investment from Europe. Schweizerische Normen-Vereinigung (SNV), the Dutch IDO with a Zambian post, has expressed an interest in providing technical assistance.

TEXTILES AND APPAREL

The Value Chain Leader for Apparel previously identified a lack of knowledge on the part of the US apparel retailers as a key constraint to growing AGOA apparel exports from Southern African. The Trade Hub has committed to undertaking a demand survey of US retailers and importers to identify sourcing needs. The survey was undertaken this quarter. Interviews are being conducted with retail buyers in the United States in an attempt to gain an understanding of knowledge and attitudes toward sourcing potential and opportunities in Southern Africa. The survey is being undertaken by a market research firm with a specialized understanding of the retail sector. Results of the survey will be used as a roadmap to direct activities to be undertaken in this sector in the future. Results of the survey will also be used to focus a series of regional roundtable workshops in South Africa, Lesotho, and Swaziland to be undertaken during the next quarter.

Pursuit of Deal-Making Opportunities

As part of the ongoing efforts being undertaken in this sector, focus continues on fostering relationships between various players both in the region and internationally. Highlights include:

- The introduction of two Mauritian fabric-knitting mills, interested in supplying and visiting Lesotho garment manufacturers with a possible view to investing, to Mark Bennett of ComMark Trust.
- Introduced integrated mill from Tanzania to ComMark, with a view to supplying knit fabrics to garment manufacturers in Lesotho.
- Introduced an EU based company, with “washing” plants in 8 countries around the world, to ComMark, with a view of investing in a Denim/jeans washing plant.
- Provided information to ComMark concerning Material World including how to evaluate the possibility of sponsoring companies from Lesotho for participation.
- Provided contact details for denim manufactures to Joann Hill from the U.S. Department of Commerce's Minority Business Development Agency. Ms. Hill is working with a U.S source interested in manufacturing jeans with a MadeInAfrica focus.

AGOA SUPPORT

The TC team's AGOA strategy includes: (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 (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.

Because 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 TC is providing 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 to the operations of more experienced players in a particular value chain.

The AGOA Support Component is 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 this quarter significant progress was made in supporting the AGOA Mission of promoting partnerships that increase trade in goods to the United States. These activities included:

Second Generation Regional AGOA Workshop for East and Central Africa



Ken Ames, Lisa Yarmoshuk and Amanda Hilligas participated in a workshop sponsored by the East Africa Global Competitiveness Hub in Addis Ababa, Ethiopia from October 25 to 26. The workshop focused special attention on AGOA export opportunities in specific sectors and to help producers in these sectors to learn how to break into the US market.

The workshop focused on three sectors: handloomed or handwoven textile products (“AGOA Category Nine”), interior decorating or handicraft items, and leather goods. Conference attendees included businesspersons and government officials related to these sectors from the following AGOA-eligible countries: the Republic of Congo, the Democratic Republic of Congo, Djibouti, Ethiopia, Gabon, Kenya, Madagascar, Mauritius, Rwanda, Seychelles, Tanzania, and Uganda. Buyers and sectoral experts from the United States also participated in the workshop. During the second day of the workshop, the Southern Africa Trade Hub’s AGOA Advisor, Amanda Hilligas, was asked to conduct business mentoring meetings with seven firms from East Africa.

The East and Central Africa Regional AGOA Sectoral Workshop was the first in a series of regional workshops across the African continent that will facilitate improvement in design, production, and marketing as well as promote increased trade and investment under AGOA. The workshop was partially funded by USAID and organized by the East and Central Africa Global Competitiveness Hub based in Nairobi.



Participants in the East and Central Africa Regional AGOA Workshop in Addis Ababa, Ethiopia.

The second AGOA sectoral workshop will be hosted by the Trade Hub and held in Johannesburg, South Africa, during the first half of 2006. The participation in the Addis workshop by Southern Africa Global Competitiveness Hub representatives was an opportunity to begin planning for the Southern Africa regional workshop. Discussions about funding and logistics of the ECA workshop were held with the workshop organizers and other USG representatives during and after the formal workshop session.

For additional information see Trip Report by Ken Ames, Amanda Hilligas, and Lisa Yarmoshuk: “Ethiopia – September 2005”

Facilitating AGOA Exports in Swaziland

Recent Studies by the Trade Hub on Swaziland identified a number of barriers to trade that negatively affect the competitiveness of exports from Swaziland. Consistent with the Trade Hub’s strategy for technical assistance in the removal of these trade barriers, a mission was undertaken by Senior Customs Advisor, Ranga Munyaradzi, and the AGOA Advisor, Amanda Hilligas, in Swaziland in November 2005. The purpose of the mission was to:

- Assist exporters with difficulties in the AGOA procedure for Category 9;
- Meet the Commissioner of Customs and Excise and his Management team on problems being encountered by AGOA exporters and follow-up on Trade Hub’s recommendations in *The Swaziland Investor Road Map, Improving Transport Logistics for Competitiveness of Swaziland, and The VAT Treatment of Swazi Exports/Imports through South Africa*;
- Meet the Swaziland Investment Promotion Authority (SIPA) and discuss progress on the AGOA Task Force and AGOA Diversification.



Senior Customs Advisor Ranga Munyaradzi and AGOA Advisor Amanda Hilligas meet with an AGOA exporter to discuss trade facilitation.

Bureaucracy on AGOA exports

AGOA exporters (especially small to medium-sized entrepreneurs) have complained that Swazi Customs are unhelpful and are themselves a non-tariff barrier to AGOA exports. They pointed out the following, which they said should be rectified if they are to continue exporting under AGOA:

- Lack of awareness of AGOA and Customs requirements;
- VISA Form not available on line or in hardcopies, and the exporter is asked to make a photocopy. This Form must not be handwritten but typed, which is impossible as it is not available on line or on diskette;
- Delays in the signing of Certificate of Origin by the Customs Department as only one or two officials are authorized to do this task;
- Export Inspections are costly: Customs require samples before the consignment is packed for export and once packaged, the consignment must be brought to Customs for physical examination before export. One AGOA exporter is located at Piggs' Peak, which is about 80 kilometers from Mbabane and she is required to bring the sample and then the packaged export for compulsory pre-export inspection.

The above observations on Customs operations were discussed with the Commissioner of Customs and Excise and his Management Team. Swazi Customs has started on a major exercise to facilitate AGOA exports by decentralizing certain functions to regional offices and by appointing more officers to countersign the AGOA Certificate of Origin. They have also decentralized the availability of AGOA VISA forms. Unfortunately, there is no publicity on all that they have done, and so very few exporters know about these developments.

Swazi Customs have therefore asked for Trade Hub technical assistance in the following areas:

- Dissemination of information on Customs laws, regulation and procedures, including the electronic version of certain information sheets (like the AGOA VISA Form);
- A one page summary of how to export both apparel and other goods under AGOA;

- Workshop on partnership between Customs and Private Sector stakeholders. This will improve the dialogue that is currently lacking;
- Training of Officers on AGOA.

Progress on AGOA Task Force and AGOA Diversification in Swaziland

During a previous mission to Swaziland, the AGOA Advisor participated in the first meeting of the AGOA Task Force on national diversification under AGOA. The Trade Hub has committed to assisting with technical inputs towards developing a terms of reference for the group which should be approved in the first quarter of 2006.

The committee will also prepare a formal request for submission to the Trade Hub for a Diagnostic Trade Integration Study (DTIS), building on an interim report conducted by the EU, which will be submitted through SIPA to the Trade Hub.

For additional information see Trip Report by John Keyser, Amanda Hilligas, and Ranga Munyaradzi: "RSA and Swaziland, October – November 2005".

Zambia: AGOA Capacity Building Mission Requested by the Ministry of Commerce, Trade and Industry

The Zambian Ministry of Commerce, Trade and Industry (MCTI) contacted the Trade Hub regarding a visit by the AGOA Advisor and Director for Trade Competitiveness to conduct a scoping mission for additional assistance with exportable products under AGOA. The Ministry also requested a series of capacity building meetings in Lusaka and Ndola for export-ready firms.

➤ *Zambia's AGOA Exports Lagging due to Business Operating Environment Concerns*

Zambia's 2004 AGOA exports including GSP provisions were valued at \$2.6 million, representing 8 percent of Zambia's total exports to the United States (other exports to the United States include metals and minerals that are not eligible under AGOA). The primary sector for AGOA exports from Zambia are in the forest product sector, followed by minerals and apparel. Although not reflected in AGOA trade figures, Zambia also exported several million dollars worth of cotton yarn to South Africa for use in AGOA apparel production there.

According to the United States Trade Representative's (USTR's) AGOA Competitiveness report, impediments to Zambia's exports include a high rate of inflation, high production and transportation costs (transport costs sometimes equal 60–70 percent of production costs), insufficient technical knowledge, high energy costs, and low production capacity. In the agricultural sector, limited irrigation facilities, deteriorating storage facilities and insufficient and expensive airfreight costs are major impediments to agricultural exports.

➤ *Identification of firms for capacity building in the processed food sector*

At the request of ZEGA Chief Executive, the Trade Hub provided information to Zambian exporters on the seminars being planned in cooperation with IESC on "Exporting Specialty Food Products to the United States". One firm based in Livingstone, African Spices, Ltd., was identified as an appropriate candidate to attend the specialty food event. They are currently selling chili peppers in bulk to Tabasco and plan to start marketing their own brand of sauce directly to consumers. Discussions were held with MATEP who agreed to sponsor essential travel costs for Africa Spices Ltd. to attend this Trade Hub organized event.

➤ *Firm Level Meetings at the request of MCTI*

The MCTI arranged a series of meetings with local firms interested in export markets. Firms included representatives from apparel production, processed foods and the handicraft sector. The AGOA Advisor discussed business plans, marketing and potential with the American market with each firm. The AGOA Advisor also conducted a capacity-building seminar with firms in Ndola on November 17 at the request of the MCTI.

For additional information see Trip Report by John Keyser and Amanda Hilligas: “Zambia and RSA, November 2005”.

Unity Garments will Benefit from Trade Hub’s Apparel Survey

Unity Garments consists of three companies, one for packaging, one for distribution and one for apparel production. They currently employ around 100 people in the apparel operation and focus on uniforms for the region, with the ability to produce 20,000 – 30,000 pieces per month. They are currently exporting to Malawi, Tanzania, and the DRC, with potential in Namibia and Angola. While Unity has previously produced hospital scrubs for a firm in Miami, Florida, they are not currently exporting to the United States.

Unity is interested in the results of the Trade Competitiveness survey, which will include roughly six firms sourcing uniforms and hospital gowns. The TC team will follow up with Unity to discuss the results of the survey with the hope of creating new export opportunities for uniforms and hospital scrubs under AGOA.

Exporting Specialty Food Products to the United States



On November 29 in Johannesburg and on December 1 in Cape Town the Trade Hub organized two day-long workshops to help Southern African firms understand FDA labeling requirements. The workshop was entitled “Exporting Specialty Food Products to the United States.” The Africa Fast Track Trade Program (AFTT) and the Trade Hub have been working with specialty food companies over the past year, because of the high potential for new exports in this niche sector. Many South African specialty food products are nearly ready for export, but require some capacity building in FDA labeling requirements and understanding the US marketing and distribution in this sector.

AFTT and the Trade Hub designed each day-long seminar to address:

- (1) How to meet the United States FDA labeling requirements
- (2) How to access the \$30 billion specialty food market

Dr. Patrick Wilson, Ph.D., and Associate Director for Africa, Europe and the Eastern Mediterranean at the U.S. Food and Drug Administration, traveled to Johannesburg and Cape Town in his capacity as an International Executive Service Corps (IESC) volunteer to assist African companies in meeting FDA labeling requirements. Dr. Wilson is a federal regulator and has conducted seminars throughout the African continent. In South Africa, he gave a presentation that outlined:

- (1) Quality requirements
- (2) Navigating the US regulatory framework
- (3) How to design an informative label for the American consumer that meets FDA requirements
- (4) What to do if your product is detained by U.S. Customs and the FDA

The afternoon seminar was conducted by two representatives from the National Association for the Specialty Food Trade (NASFT): Chris Crocker, Vice President of Media Development, NASFT; and Mike Dickinson, Sales Director of New Market Development, NASFT. Both Mr. Crocker and Mr. Dickinson came to South Africa at own-cost. Both representatives believe Africa specialty foods represent high market potential in the United States.

Mr. Dickinson and Mr. Crocker discussed the following topics in their presentation:

- (1) Market trends in the United States in Specialty Foods
- (2) Specialty food retailers in the United States
- (3) How to access buyers in the United States
- (4) The Fancy Food Show in Chicago

- **Johannesburg Seminar**

The Johannesburg seminar was held at the Balalaika Hotel in Sandton. Thirty-two representatives attended the presentation. The Trade Hub partnered with the USAID/Zambia MATEP project to send Michael Gravina, Director of African Spices, LTD, to this event in Johannesburg. The Trade Hub also partnered with the USAID/Malawi SALES (Support for Agriculturally Linked Enterprises) project to send Edward Khoromana of Nali, LTD, to the event in Johannesburg.



The AGOA Advisor outlines Trade Hub capacity building programs.

In addition to the South African companies in attendance, one representative from Swaziland and one representative from Mozambique traveled to the seminar.

- **Cape Town Seminar**



The Cape Town seminar was held at Table Bay Hotel Waterfront. Forty-three representatives attended the presentation.

Nearly 60% of the processed food products in South Africa come from the Western Cape. This event, which was originally intended for 20-25 producers became oversubscribed quickly and could have accommodated more than 80 participants had the Table Bay Hotel been able to provide additional space.

The Trade Hub decided to make a DVD of the presentations and send it to all interested parties, including those that were turned away due to demand and space limitations. In addition, the DVDs will be sent to the U.S. Embassies and Bilateral Missions in the region to use as a resource.

South African attendees included representatives from the seafood, specialty tea, spice, jam, and sauce sectors. In addition to the South African participants, Selven Rungasamy of Thon Des Mascareignes in Port Louis, Mauritius, attended the event.

After conducting the seminars in Johannesburg and Cape Town, the Trade Hub partnered with the SALES project of Blantyre, Malawi, to send Dr. Wilson to visit Mr. Edward Khoromana's plant to determine compliance with FDA standards. Following his trip to Southern Africa, Dr. Wilson went to Kenya to conduct additional seminars with the East and Central African Trade Hub.

For additional information see Trip Report by John Keyser and Amanda Hilligas: "RSA, November 2005". Also see presentation materials from the conference.

Support for HIV/AIDS Mitigation

During this quarter, the Trade Hub continued its work mainly with firms in South Africa for HIV/AIDS workplace interventions. These activities focused on the capacity building of the clusters of firms to adequately respond to HIV/AIDS and therefore minimize its medium- and long-term impacts on the clusters' trade competitiveness.

South Africa. During this quarter, the HIV/AIDS activities in South Africa focused on the Hoedspruit cluster in Limpopo Province. The Trade Hub consolidated its partnerships with the International Organization for Migration (IOM) and the Hoedspruit Training Trust (HTT) by signing a Memorandum of Understanding (MOU) which included Activity Descriptions outlining activities to be undertaken. With funding from the Business Trust of South Africa for training, the HIV/AIDS Advisor organized training for the manager and the coordinator of the HTT, and the two HIV/AIDS coordinators from the NeoNovo/Colors (Melalane, Mpumalanga Province) cluster of firms on the design of HIV/AIDS workplace policies and program. This training will assist both clusters in the development of standard policies for the 16 firms in the Hoedspruit cluster and 3 firms in the Melalane cluster. Part of the work of the Trade Hub entails leveraging funds for targeted clusters from existing donor funded program, especially the President's Emergency Plan for AIDS Relief (PEPFAR). The Trade Hub is in regular contact with PEPFAR-funded programs implemented by the Foundation for Professional Development (FPD) in South Africa. In the next quarters a scope of work to partner with FPD will be developed in order to build the capacity of the Hoedspruit cluster.

Zambia. The HIV/AIDS Advisor continued to provide support to partners in Zambia in an effort to obtain funding via PEPFAR. This assistance focused on the design of activities to mitigate the impact of HIV/AIDS for the Zambia Export Growers Association (ZEGA) farms in partnership with the USAID funded MATEP program. Indications are that funding will be available in the first quarter of 2006, enabling implementation of activities in the ZEGA cluster, which consists of 21 farms and approximately 25,000 workers.

SECTION III: PLANNED ACTIVITIES AND RESULTS

January - March 2006

TRADE HUB MANAGEMENT, 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 new African Global Competitiveness Initiative. Through the provision of technical assistance, training and other support, the Trade Hub works to promote regional integration and cooperation by strengthening the ability of sub-Saharan African countries and businesses to facilitate economic policy and an improved business environment towards developing regional and international trade.

Specific results through the next quarter build on the work and results of the first year of the project and are expected to include:

- Final report on recommendations for the establishment and operation of national tariff bodies;
- Final report examining the implications of existing bilateral agreements between individual SACU member states and third party countries;
- Analysis of expected impact on changes to beef and cattle policy in Botswana on the sub-sector;
- Report on Trade Facilitation for the Government of Zambia;
- Policy Note comparing national seed legislation with proposed Regional Seed Policy;
- Stakeholders' meeting to discuss the Technical Report on the Proposed Regional Customs Bond Guarantee Scheme on Business in Zambia;
- Policy Note on Cargo Capacity and Cost at Lusaka International Airport;
- Report of findings and recommendations from the Malawi Time Release Study;
- Publishing of the fourth Issue of *Inside Southern African Trade* (INSAT);
- Finalization of the first three videos in the Trade Hub Educational Film Series.

These achievements are expected to result from the following planned activities for the first quarter of 2006 which is organized according to specific tasks under the headings of "Trade Capacity Building", "Customs Modernization and Transport Facilitation" and "Dialogue for Competitiveness". Each activity is demand-driven and strategically designed to advance the work of TFCB and make a maximum contribution to the overall goals of the project.

PLANNED ACTIVITIES

During the next quarter and throughout the second year of the project, the TFCB team will continue to build on the activities and successes of the first year of the contract. The Trade Hub is

gradually becoming recognized as a “Center of Excellence” in the Southern African region for its team of regional and international experts. It has established a high profile among both senior government officials and the private sector for providing high-quality advice and support on improving policies, identifying constraints, training, disseminating information, and sharing best practices.

The technical activities planned for the next quarter, organized by task, 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

- The Trade Hub will develop a strategy to facilitate and guide the implementation of the Namibia Investor Roadmap and will recommend a suggested institutional structure to guide the implementation process. In addition, the Trade Hub through short-term consultants Peter Nizette and Duca Hart will conduct primary research on the various procedures that govern private direct investment in the tourism sector in Namibia.
- Trade Hub specialists will continue to assess the status of trade liberalization of the transport and tourism sectors in Malawi in response to Malawi’s request for this work.
- The Trade Hub will work in collaboration with COMESA to undertake trade facilitation assessments in the region.
- The Trade Hub will coordinate and conduct a training course on trade data analysis in collaboration with TRALAC during the month of February.
- The Trade Hub will continue to work with the Commonwealth Secretariat on plans for collaborating on trade capacity building activities in Southern Africa and will participate in an orientation program for the recently recruited Trade Policy Analysts to be hosted by selected SADC member states, namely Zambia, Malawi, Mozambique, Tanzania, Botswana, Namibia and probably Swaziland. The Trade Hub will also make provisions for assistance with trade data analysis.

Task 1.3 Support for Implementation of Trade Agreements

- In response to a request from the SACU Secretariat, the Hub will complete a paper on recommendations for the establishment and operation of national tariff bodies.

Task 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 complete the final report assessing the trade facilitation needs and priorities for Zambia. This assessment will be used by Zambia in its WTO Trade Facilitation negotiations. It is expected that the findings will be presented to relevant stakeholders and will also assist Zambia with other negotiations on trade facilitation and implementation of trade facilitation measures under existing obligations or with other measures to reduce transaction costs as required by Zambia.

- In cooperation with the BLNS countries, the Trade Hub will develop a new program of trade capacity building activities to respond to the needs of the countries generally, as well as in the context of the ongoing SACU-FTA negotiations. As part of this re-design process, the Trade Hub will consult with the Permanent Secretaries of the Ministries of Trade of the BLNS.
- Throughout the first quarter of 2006 detailed discussions will continue on a training program that will seek to enhance understanding of the “new generation” issues and their relationship to trade in the context of the World Trade Organization. Stakeholders in the investment, competition, government procurement, trade facilitation, and environment and labor standards areas will be invited to participate. New generation issues are also on the agenda of the ongoing negotiations for an FTA between SACU and the United States. Training in this area would help the BLNS prepare for these negotiations in addition to WTO negotiations.

Task 1.5 Support to SACU

- 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 states and third party countries, as well as an assessment of the degree to which these agreements conform to the provisions of the SACU Agreement.
- The Trade Hub will complete the paper on national tariff bodies and submit it to the SACU Secretariat and the BLNS for discussion at national and regional workshops.
- The Trade Hub will continue discussions with the SACU Secretariat on possible support and cooperation activities.

Task 1.6 Support to SADC

- The Trade Hub will continue its work with the SADC Seed Security Network (SSSN) to ensure the adoption of the draft regional policy on harmonization by the Ministers of Agriculture by facilitating a joint workshop for Trade and Agricultural senior officials during the first quarter of 2006.
- The Trade Hub will assist Madagascar in acceding to the SADC Protocol on Trade by preparing a tariff schedule for the country.
- The Hub will continue working with the Committee of SADC Stock Exchanges (COSSE) on harmonization work related to listing requirements

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

- The Trade Hub will prepare an analysis of the expected implications and impact of the price increase accompanying the policy changes for the beef and cattle sub-sector resulting from the advocacy work of the Botswana Cattle Producers Association (BCPA), supported by the Trade Hub.
- The Trade Hub will continue to assist the Swaziland Investment Promotion Authority (SIPA) with implementation of the Investor Roadmap and will conduct a process improvement workshop to facilitate multi-agency reform process focusing on the procedures related to issuing Entry (Work) Permits, Trading Licenses, Health

Inspections, and other similar topics. The Trade Hub will also produce the first draft of the procedural guide for investment in Swaziland.

Customs Modernization and Transport Facilitation

The purpose of the activities under Customs Modernization and Transport Facilitation is to assist the region and the individual countries within the Trade Hub's mandate to eliminate / reduce barriers to trade and to increase regional integration with the aim of improving the region's competitiveness. The following activities build on the activities in the fourth quarter which included enhancing the physical and administrative infrastructure of the "corridors" of the region and the implementation of the WCO Time Release Study as a diagnostic tool for customs modernization initiatives.

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

- Trade Hub staff will work to facilitate the implementation of the Swaziland Transport and Logistics Constraints Action Plan designed to remove those transport and logistics constraints which were identified for Swaziland in the report, "Improving Transportation Logistics for Competitiveness of Swaziland" which will be coordinated by the Swaziland Investment Promotion Agency as the lead agency along with other implementing organizations.
- The Trade Hub will follow up on the implementation of the Lesotho Transport and Logistics Constraints Action Plan to remove constraints identified in the report, "Improving Transportation Logistics for Competitiveness of Lesotho" which will be coordinated by the Lesotho National Development Corporation (LNDC) as the lead agency and with the various implementing agencies.
- Trade Hub staff will make a presentation to Mozambican Government officials and private sector stakeholders on the draft Action Plan on the removal of non-tariff barriers to agricultural exports.
- The Trade Hub will assess the air cargo capacity at Lusaka International Airport and air cargo costs in response to requests from Zambian horticultural exporters through the Trade Competitiveness component.

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

- Ranga Munyaradzi, together with a WCO Technical Officer, will return to Malawi to complete the third and final Phase of WCO Time Release Study. They will also work with the TRS Working Group to analyze the data collected by the team and produce the Malawi National Report using the WCO Software.
- The Trade Hub will also launch the WCO Time Release Study in Mozambique which will include (i) drafting the methodology and questionnaire to be used, (ii) drafting Terms of Reference for the Mozambique TRS Working Group, (iii) training the Mozambique TRS Working Group, (iv) analyzing the findings of the Time Release Study and (v) producing a Mozambican National TRS Report.

- During the first quarter of 2006 Trade Hub staff will coordinate with the Zambian Revenue Authority to schedule a presentation of the Trade Hub's technical report entitled *Economic Impact of Implementing a Regional Customs Bond Guarantee Scheme on Zambian Businesses and the Economy*.
- The Trade Hub will facilitate a meeting of the TKC Customs Working Group on final implementation of the TKC Action Plan for Customs Pilot Bond Guarantee. He will also review the progress to date on the development of simplified and harmonized Customs procedures and SAD 500 on the Maputo Corridor.
- The Trade Hub will monitor the developments on the establishment of the Maputo Corridor Institutional Framework and provide support and assistance as necessary so as to promote public-private dialogue and action in facilitating trade flow along the corridor. The Trade Hub will also facilitate the identification of priority transport operations activities to reduce transit times and transaction costs.
- The Trade Hub will follow up on feedback from the TKC contracting parties to facilitate the recruitment of the TKC Program Coordinator and to initiate work to develop implementation of sustainable funding arrangements for the TKC Secretariat. The Trade Hub will facilitate the Transport Operations Working group of the TKCMC to review its work plan and implement priority activities.
- The Trade Hub will attend a meeting of the Zambian stakeholders of the Dar es Salaam Corridor as well as the Transport Coordinating Committee of the Corridor. The meeting will focus on establishing Zambian commitment and a national framework for implementing the corridor initiatives as well as reviewing operational problems in transportation along the corridor and agreeing on remedial action plans.

Task 2.4 Support for Training and Capacity Building

- Together with AGOA Advisor Amanda Hilligas, Ranga Munyaradzi will conduct workshops on the facilitation of both AGOA and non-AGOA exports and the removal of non-tariff barriers on exports in Swaziland.
- The Trade Hub will work with FESARTA (Federation of East and Southern African Road Transport Associations) and other stakeholders to organize a roundtable "best practices" workshop to bring key champions of the TKC, Maputo, North-South, Dar Corridors and other together in a high-level learning and planning meeting.

Dialogue for Competitiveness: Building Private Sector Advocacy and Outreach

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

- In response to a request from Botswana's Women in Business Association (WIBA), Martin Norman will explore the possibility of obtaining a regional specialist to assist the association with forming a microcredit scheme as a service for its members. During the first quarter of the year. He will also provide technical assistance to WIBA for a membership campaign.
- In response to a request for training from the Namibia Investment Promotion Agency (NIPA) and the National Investment Corporation (NIC), the Trade Hub will coordinate with those organizations to determine the needs for training and institution building. A

training schedule is expected to emerge from these talks for implementation during the first quarter of 2006.

- The Trade Hub will contact the Malawi Export Promotion Council and the Malawi Investment Center (MIC) about the potential fusing of the two organizations and will review the study that DFID is currently conducting to gauge the feasibility of such a merger. The Trade Hub will explore ways in which it may assist these organizations to make the transition as smooth as possible and identify optimal organizational structures.
- The Trade Hub will work with the US Embassy in Malawi to deliver a private sector advocacy program which will involve a one-day training workshop targeting key private sector associations, meetings with key government officials on the role of government in encouraging private sector development, participation in a “Private Sector Advocacy” roundtable dinner at the US Ambassador’s Residence, and follow-up meetings with all stakeholder entities.
- The Trade Hub will organize a second ‘Trade Talk’, either in the form of a closed roundtable or a public lecture, during the quarter on the topic of “WTO: Post the Hong Kong Ministerial Meeting.”
- Planning will continue for a training course for regional journalists in reporting on trade and economic issues. The goal will be to ensure a higher level of understanding of trade issues among regional journalists and thus to promote greater accuracy of reporting of Trade Hub, USAID, and US Embassy activities. The training workshop is planned for 2006. The Trade Hub is discussing the project with SAIIA as a possible partner. In addition to SAIIA, potential partners include the Institute for the Advancement of Journalism based in Johannesburg, South Africa, and the Media Institute for Southern Africa (MISA), headquartered in Windhoek, Namibia.
- In coordination with the USAID Mission / RCSA in Gaborone, the Trade Hub will work on developing a comprehensive outreach strategy which will target a wider scope of contacts in the region and the United States, as well as stronger ties with media representatives.

Task 4.2 Preparation and Dissemination of Outreach Materials

- During the first 4 months of 2006 the Trade Hub will complete the first three of a series of educational films it is developing to support TFCB’s Dialogue for Competitiveness and Capacity Building activities. In addition, it will begin developing two more educational films dealing with the issues of HIV/AIDS from a business/economic perspective and the importance of trade facilitation in the region using the Trans Kalahari Corridor and Maputo Corridor as examples.
- In March the Trade Hub will publish the fourth issue of the Trade Hub’s quarterly newsletter on trade matters, *Inside Southern African Trade (INSAT)*. The fourth issue will examine the role and involvement of the private sector in shaping the regional trading and business environment. Simultaneously, the Trade Hub will start developing the fifth issue of INSAT, due to be published during the second quarter of 2006.
- With respect to on-going activities under Dialogue for Competitiveness, the Trade Hub will continue to develop new outreach materials including Success Stories and Case Studies reporting on major achievements from recent technical activities undertaken in the

region and will continue to build its database to ensure that it is reaching as broad a group of stakeholders as possible with its mailings of *Hub Happenings*, INSAT and other outreach materials.

Task 4.3 Website Enhancement

- The Trade Hub will continue to expand and improve its website by adding its technical reports, training materials and expanded links. During the first quarter of 2006 a webpage available through the existing Trade Hub website will be created to inform all stakeholders on the details of the Regional AGOA Workshop for Southern Africa scheduled to take place in Johannesburg, South Africa, during the first half of 2006.

TRADE COMPETITIVENESS

Regional Partnerships

The Trade Competitiveness team emphasis will continue to be given to regional partnership building as a fundamental building block of the strategy for value-chain support and to leverage additional resources to achieve maximum impact.

As the competitiveness team continues to provide support throughout the RCSA region, the framework system for tracking the various activities undertaken continued during this quarter. Under this system, Memoranda of Understanding (MOUs) and Service Agreements are negotiated with implementation partners. These agreements set out the terms of Trade Hub assistance and include Activity Descriptions detailing specific activities to be undertaken. During the next quarter, the Competitiveness Team is likely to sign agreements with the following partners:

- Spring Valley Foods. The Competitiveness Team has been working in close partnership with GEEST/Spring Valley Foods on regional market access, identification of areas suited to the production, and the Botswana melon trials. In the next quarter, the Trade Hub will formalize this relation in the form of a Services Agreement with corresponding Activity Descriptions covering past and future assistance.
- H.L. Hall & Sons. The Competitiveness Team has been working with H.L. Hall & Sons, based in Nelspruit, South Africa, for the past several months on various topics including the identification of new market opportunities and preparation of a training program for BEE trusts that provide the company with a large share of the produce they market.
- Matsafeni Trust. This for-profit legal entity represents the business interests of 1,200 members of the Mdluli Clan in South Africa, which received 6,000 hectares of prime agricultural land through the restitution process. Tshililo Ronald Ramabulana, is developing a management training program for the Matsafeni Trust with a view to attracting finance through the PAL and Southern African International Business Linkages Program (SAIBL) projects supported by USAID/South Africa.
- Bavaria Estates. This firm located near Hoedspruit has been working with the Trade Hub to develop an HIV/AIDS mitigation program in cooperation with more than 20 other smaller horticulture producers in the same area. Through this cooperation, activities have provided access to PEPFAR funding leading to clinic facilities that will benefit more than 1,700 workers. The Trade Hub will formalize this cooperation in the form of Services Agreement with Bavaria.

Exportable Agriculture

The Trade Hub expects to carry out the following activities next quarter.

Zambia

- The focus in Zambia will be to continue with the development of a training program for local banks in evaluating floriculture investments with ZEGA and the Royal Netherlands Embassy. Depending on the availability of the PUM Volunteer Expert, the training is expected to be carried out in either the first or second quarter of 2006.
- Another issue raised in November by the ZEGA Chief Executive is the high price of airfreight from Zambia. ZEGA requested that the Trade Hub carry out a study to identify strategies to be used to reduce cargo prices. The Trade Hub will coordinate with ZEGA to determine the feasibility of carrying out this study during this quarter.

South Africa

- In January, Jutta Drewes, Agribusiness Specialist, will finalize the skills development plan developed for the Matsafeni trust. This will be based on the structure and job descriptions of a horticulture marketing firm, in order to identify skill gaps accurately and propose a plan to be implemented by PAL to fill these gaps.
- As part of the Trade Hub's market access work, the team will move forward on a joint research program being implemented by the SALGA and EU-funded SA-PIP program to develop a rearing technique for litchi moth so that cold treatments can be tested as a requirement for achieving US market entry.

Mozambique

- Arrange a fact-finding tour for members of the Manica Farmers Association and Mozambican Government officials to meet horticulture marketing companies in South Africa. This activity will be undertaken together with TechnoServe/Mozambique and other implementers of USAID Emprenda program.
- Building on an assessment of non-tariff barriers to agriculture exports, present a proposed action plan to remove the constraints to stakeholders in Maputo in February or March next year.
- Present a "how-to" regional exporter's guide with practical, step-by-step instructions on accessing the South African market to fresh horticulture produce.

Botswana

- Continue to support the melon trial underway with fruit from these trials being harvested thru the end of March. Each month, samples will be taken for panel tests by South African supermarket buyers and fresh cut fruit processors.
- Provide technical assistance to the BCPA as it continually attempts to restructure the cattle production industry in the country.

Namibia

- Assuming rulemaking changes, assess the table grape industry's marketing plan and the need for additional support with product placement in the United States.

Swaziland

- In collaboration with SWEEP, organize fact-finding tour for South African horticulture marketing companies to explore opportunities for cross-border investment and new sourcing arrangements.

Sustainable Tourism

It is anticipated that the coming quarter will represent the culmination of planned activities in the tourism sector. Ending of activities in this sector are a result of funding and technical considerations. The activities to be undertaken in the coming quarter in the sustainable tourism sector will include:

- The finalization of the terms of reference for the participation of the Value Chain Leader's participation in a short-term assignment with MATEP in Zambia. This support will facilitate a continuation of activities in this sector, with funding being provided with the bilateral Mission-funded project
- Continuation on the part of the Value Chain Leader to identify alternative support, both technical and financial, for moving activities in this sector forward. It is anticipated that MATEP, ESIPP, and ComMark Trust represent potential partners to support implementation of activities.

Textiles and Apparel

The Trade Hub expects to carry out the following activities next quarter:

- Complete the US demand survey and compile results
- Hold three roundtable meetings to disseminate results
- Continue preparation for participation in Material World
- Continue deal-making introductions for entities in Southern Africa

AGOA Support

The Trade Hub expects to carry out the following activities next quarter:

- Selecting a delegation of export-ready firms to attend the Fancy Foods Show in Chicago in May 2006.
- Coordinating with Africa Fast Track Trade to conduct capacity building for firms attending the Fancy Food Show in 2006.
- Conducting a series of country-level roundtables to present the findings of the apparel surveys.
- Conducting a training seminar of Regional AGOA Volunteer Experts from countries covered by the Trade Hub, following the Southern Africa regional sectoral workshop.

- Planning and implementation in coordination with RCSA and United States Trade Representative (USTR) for the Southern African Second Generation AGOA Conference, which will be held in April 2006.
- Additional business linkage support with Nali in Malawi, to facilitate admission of their product into the United States.
- Planning for the training seminar of Regional AGOA Volunteer Experts from countries covered by the Trade Hub, following work at the AGOA Forum in Dakar.
- Assisting the Government of Madagascar with their submission for AGOA Category 9 approval to the Office of Textiles and Apparel (OTEXA) in the United States Department of Commerce.

SECTION IV: FINANCIALS

TRADE FACILITATION AND CAPACITY BUILDING

a. Budget	\$24,711,932
b. Cumulative expenditures before this quarter	\$ 3,510,938
c. Expenditures during this quarter	\$ 851,576
d. Cumulative expenditures through this quarter (b+c)	\$ 4,362,514
e. Remaining budget (a-d)	\$20,349,418
f. Obligated amount	\$ 7,773,721
g. Remaining obligated amount (f-d)	\$ 3,411,207

TRADE COMPETITIVENESS

a. Budget	\$6,911,503
b. Cumulative expenditures before this quarter	\$1,679,908
c. Expenditures during this quarter	\$ 465,050
d. Cumulative expenditures through this quarter (b+c)	\$2,144,958
e. Remaining budget (a-d)	\$4,766,545
f. Obligated amount	\$3,899,010
g. Remaining obligated amount (f-d)	\$1,754,052