FINAL REPORT

Trade Competitiveness Project (TCP)
USAID Southern Africa Global Competitiveness Hub
Trade Expansion for Southern Africa II (TESA II)

USAID Southern Africa, Strategic Objective (SO) 14
Contract No: AFP-I-801-03-00020-00, Task Order 801

Photo Courtesy of Elephant Pepper

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CONTENTS

ACRONYMS & ABBREVIATIONS

AFTT	Africa Fast Track Trade Project
AGOA	African Growth and Opportunity Act
AGCI	African Global Competitiveness Initiative
ATC	Agreement on Textiles and Apparel
B2B	business to business
BCPA	Botswana Cattle Producers Association
COMPETE	Competitiveness and Trade Expansion Program
DFID	UK Department for International Development
EU	European Union
FDA	Food and Drug Administration
GTZ	German Development Cooperation
ICFF	International Contemporary Furniture Fair
IEHA	Presidential Initiative to End Hunger in Africa
LTEA	Lesotho Apparel Exporters Association
MATEP	Market Access, Trade, and Enabling Policies Program
M&E	monitoring and evaluation
NASFT	National Association for the Specialty Food Trade
PMP	Performance Monitoring Plan
SADC	Southern African Development Community
SAFFA	South Africa Fine Foods Association
SAGCH	Southern Africa Global Competitiveness Hub
SAIBL	South African International Business Linkages
SME	small and medium enterprise
SPS	sanitary and phytosanitary
SWEEP	Swaziland Enterprise and Entrepreneurship Program
TCP	Trade Competitiveness Project
TFCB	Trade Facilitation and Capacity Building Project
USDA	United States Department of Agriculture

EXECUTIVE SUMMARY

Since October 2004, the CARANA-implemented Trade Competitiveness Project (TCP, also referred to as the "USAID Trade Hub") promoted exports from key sectors of the Southern African economy to global markets. The project emphasized private sector and market-led approaches to achieving export competitiveness and regional trade in agriculture. Over the life of the project, the TCP achieved $46.3 million in AGOA and intra-regional agriculture and apparel trade.

This end of contract final report reviews activities under the Trade Competitiveness Project at the USAID Southern Africa Global Competitiveness Hub based in Gaborone, Botswana, covering 11 SADC countries – Angola, Botswana, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, South Africa, Swaziland, and Zambia. The project was implemented by CARANA Corporation under SEGIR Privatization II Task Order 801 in collaboration with Abt Associates. The TCP has been funded for a final year through September 2010 to continue activities at the Trade Hub in Gaborone.

The USAID Southern Africa Global Competitiveness Hub consisted of two projects – the Trade Competitiveness Project and its sister project, the Trade Facilitation and Capacity Building (TFCB) Project. The TCP and TFCB worked seamlessly under the Southern Africa Trade Hub to move the U.S. trade agenda forward in Southern Africa. The TCP focused on fostering critical business linkages and trade deals with U.S. and regional firms, while the TFCB focused on policy considerations. The TCP's specific objectives were to (i) identify industry sub-sectors in Southern Africa with the greatest potential for increased regional and international competitiveness and (ii) use value chain and cluster approaches to improve the export competitiveness of firms and groups of firms in targeted sub-sectors.

OUTLINE

This Final Report is divided into five sections. Section I reviews Southern Africa's main obstacles to facilitating export-led economic growth, such as information gaps regarding regional value chains and international markets, high production and transport costs, limited access to finance, and poor infrastructure. The TCP's strategic response to these issues included increasing firms' awareness of opportunities in global markets and global buyer expectations, placing Southern Africa on the map in the minds of regional and international buyers. These solutions were implemented through the TCP's main project strategies: a market-led approach, using South Africa as a catalyst, building regional capacity, capitalizing on AGOA trade preferences, and leveraging public-private partnerships.

Section II presents the TCP project's major achievements, which include providing technical assistance to 500 Southern African firms and enabling nearly 2,000 buyer-seller linkages through trade shows, business-to-business events and engagement with buyers. In the apparel sector, the TCP project supported women entrepreneurs, promoted regional integration, created a *Source Africa* brand, and increased the competitiveness of apparel exports regionally and internationally. In the agriculture sector, the TCP increased food security, provided agricultural training, introduced new agriculture technologies, created new jobs for farmers, created the *Taste of Africa* brand, assisted female farmers, facilitated investment, and supported public-private partnerships. Additionally, the Trade Hub served as an information resource for AGOA-related support.

Section III discusses the TCP's activities relating to the African Growth and Opportunity Act (AGOA) and the African Global Competitiveness Initiative (ACGI). The TCP supported AGCI's second pillar: "Strengthening the knowledge and skills of sub-Saharan African private sector enterprises to take advantage of market opportunities," and the ultimate goal of significantly expanding the value of Southern African exports through effective market linkage and capacity building activities. Through trade shows and business to business events, and by acting as an information resource, the TCP's activities targeted multiple AGCI objectives, including increasing:

- Private Sector Productivity; and
- Trade and Investment Capacity.

The Trade Hub's market linkage approach to the apparel, specialty food and other sectors also enabled new investment through these firms' access to international markets.

Section IV reviews the TCP's work in the agriculture sector, and activities supporting the Presidential Initiative to End Hunger in Africa (IEHA). TCP activities from 2008-2009 targeted IEHA's core objective, "to rapidly and sustainably increase agricultural growth and rural incomes in sub-Saharan Africa" in the following areas:

> **IEHA IR 2:** Improved Policy Environment for Smallholder-Based Agriculture; and
> **IEHA IR 3:** Increased Agricultural Trade, and sub-IR 3.1 Enhanced Competitiveness of Smallholder-Based Agriculture.

The Trade Hub made significant progress in addressing market access issues for regional fresh produce and specialty food imports, created jobs for farmers, stimulated new investments, and supported private sector associations such as the Botswana Cattle Producer Association and the SADC Honey Council.

Section V sets forth lessons learned and recommendations.

1. BACKGROUND

1.1 SOUTHERN AFRICA'S DEVELOPMENT CHALLENGE

The general consensus among public, private and donor stakeholders is that sustained export development and diversification are critical to accelerating economic growth in African economies. With limited domestic markets and purchasing power, sales into international markets provide the engine of growth needed to create direct jobs and indirectly expand demand for goods and services.

In order for exports to be the catalyst for accelerated growth and job creation, Southern African economies must capture new markets, especially in differentiated goods and services that allow for more value added to remain in Africa. For example, consumers in Europe increasingly seek and pay premiums for natural products, which together with European reforms of trade preference regimes for Africa, present tangible opportunities for export development.

CARANA's market led approach to the USAID Southern Africa Trade Hub's Trade Competitiveness Project is predicated on the hypothesis that accelerated export development requires a process of identifying and capitalizing on promising market opportunities. Producers and manufacturers in the region have not been able to effectively identify and penetrate value-added markets where they could be competitive (other than traditional commodities). Part of the problem for Southern African firms seeking international export opportunities is the "information gap" between international markets and Southern African manufacturers and exporters. Once they develop these market opportunities, investment is invariably required to develop the ability of the producers and overall supply chain to meet the specific requirements of the buyers.

While this problem is most acute in Southern Africa's relationship with major external export markets such as the United States and EU, it also exists within regional supply chains. This lack of information for buyers and suppliers regarding market requirements, sourcing opportunities and supplier capabilities results in intra-regional trade flows far below potential.

A number of other factors limit the competitiveness of regional export industries, such as high production and transport costs, limited access to finance, and poor infrastructure. These factors make it difficult to meet the cost and time to market requirements of buyers. While these constraints to competitiveness are also being addressed by the USAID Trade Hub[1], it is also critical to identify market segments where African products can still compete, especially on the basis of some unique differentiation (e. g. specialty foods with a "story") rather than just price (e.g. which means African labor and producers would have to compensate for structural inefficiencies through lower wages and incomes).

With the exception of South Africa, most African exports have traditionally been natural resource based commodities. These tend to be non-differentiated, compete on price, and leave relatively little value added in Africa. In order to reverse this trend, the region's exporters must have the capacity to engage global buyers and investors far more effectively to raise Southern Africa's profile as a sourcing location for differentiated products. Exporters must determine what to produce and how to produce it, while making investments to upgrade quality, productivity and product design for their products. This requires a certain minimum scale of operation that can meet buyer volume requirements while making investments in technology, new product development and expansion.

As will be further developed in this report, the limited number of export ready firms with the necessary vision and commitment to invest in export development is one of the most critical constraints. These are firms that can act as integrators, consolidators and marketing firms, connecting small scale producers and farms with international buyers. Addressing this "missing middle" is one of the central challenges addressed by the USAID Trade Hub.

The USAID Trade Hub, through targeted interventions from the period of 2004 – 2009, made significant gains in increasing the competitiveness in selected sub-sectors or value chains, specifically apparel, specialty food and fresh produce sectors. Increasing awareness of products produced in the region to regional and international buyers and, linking producers to markets, the Hub increased exports and jobs in the region, placed Southern Africa on the map for sourcing for global buyers in the apparel and specialty foods sectors, and contributed to systemic and transformational changes in the value chains related to these products.

[1] The Trade Facilitation and Capacity Building (TFCB) Project, implemented by AECOM, works with governments, the private sector and regional institutions to facilitate and support trade capacity building initiatives that reduce the transaction costs of trade and promote competitiveness.

Apparel and agribusiness (fresh produce and specialty foods) were prioritized forUSAID Trade Hub support on the basis of the following criteria: market potential (attractive market segments where southern Africa can compete), econ omic impact (jobs, exports and improved livelihoods for farmers), and cost -benefit of addressing requirements for meeting market requirements. Early in the project, tourism , handicrafts and wood products were considered in addition to agribusiness and app arel. Tourism was also considered to have high potential and impact, but the cost -benefit was lower, and given project resources, the decision was made to focus on fewer opportunity areas.

The CARANA-implemented TCP also highlighted the need for the pu blic sector to look to the market to prioritize the policy and regulatory issues most affecting manufacturer's ability to access, penetrate and compete in global markets. In the future, public, private and donor stakeholders must work together to establish a platform for Southern Africa's exporters to gain market exposure and the capabilities needed to close deals, and become more dynamic players within the modern global economy.

1.2 TCP SOLUTIONS

The Trade Competitiveness Project helped to address Southern Africa's development challenge by increasing firms' awareness of opportunities in global markets and global buyers' expectations, and by improving Southern Africa's status in the minds of regional and international buyers.

TABLE 1: INCREASING FIRMS' AWARENESS OF OPPORTUNITIES

Problem
• *Many Southern African companies are not fully aware of the opportunities existing in global markets*. Even if firms were aware of opportunities in the United States or Europe, they did not have the market contacts necessa ry to secure an export deal. • *Many producers did not sufficiently understand the demands and expectations of global buyers*—in terms of standards, specifications and best practices — in order to be considered credible suppliers. Without this information, it was difficult for firms to take the steps needed to penetrate international markets.
TCP Solution
• Provided a venue for firms to reach international markets through trade shows and training programs designed to explain the steps, standards and specifi cations international buyers expect. • Identified key buyers in international markets, and provided an opportunity for the region's producers and manufacturers to establish market contacts and engage influential buyers and investors in key markets, particul arly in the United States and South Africa. • Identified market opportunities by interfacing with key buyers in the private sector, and assisted exporters to determine what to produce and how to produce it, while making investments to upgrade quality, produ ctivity and

product design.
- Helped "export ready" companies translate market contacts into deals.

TABLE 2: IMPROVING SOUTHERN AFRICA'S SOURCING CREDIBILITY

Problem
• *Southern Africa is "off the map" in the eyes of many buyers, both regionally and internationally.* International and regional buyers did not recognize Southern Africa as a sourcing destination in sectors where it could compete (e.g. apparel and specialty foods). Potential buyers have only a limited understanding of what the region has to o ffer—in terms of potential product offerings and productive capacity—and have a more skeptical perspective based on stereotypes causing them to ignore Southern Africa's potential.
TCP Solution
The USAID Trade Hub provided the market knowledge and resources that: • Raised the credibility and positioning of Southern Africa as a sourcing location in the eyes of international buyers. • Created two recognized brands, "Source Africa" and "Taste of Africa" used to present apparel and specialty food producers atinternational trade shows. • Facilitated buyer sourcing trips to the regior, resulting in trade deals. • Facilitated regional sourcing opportunities, which increased business for local firms in Southern Africa and kept business on the continent, as opposed to other regions such as Asia. • Created new jobs in the agriculture sector, resulting in increased income and food security for 1000 farmers. • Facilitated $1.969 million in new investment in the agriculture sector, resulting in 700 new jobs. • Addressed crit ical sanitary and phytosanitary issues , which are the main agricultural barriers to trade in Southern Africa.

1.3 PROJECT STRATEGIES AND IMPLEMENTATION

As a result of CARANA's approaches to Southern Africa's development challenge from 2004 to 2009, th e USAID Trade Hub became a recognized resource for both buyers and sellers , and a proven facilitator of significant new business transactions in international trade with Southern Africa. The next section outlines the strategies and programs that were key to its success.

> ***"We cannot stress how thankful we are to be a part of the SA Trade Hub and USAID 's program. It has definitely benefitted our company and as we grow will have a major impact on the local economy through employment, raw material purchases and capital expenditure."***
>
> ***-James Lo ughor-Clarke, Owner Sanolio Nuts and Oils***

1.3.1 MARKET-LED APPROACH

Over the life of the project, the Hub built a proven reputation of applying cutting-edge value chain development strategies following a market -led approach to achieve key results under both AGCI and IEHA. The Hu b used a market-led approach to generate significant momentum in trade , as a resource for international business linkages, as a bridge between smallholder farmers and catalytic partners in agribusiness, and as a proven facilitator of significant new trade deals. This approach involves working with export ready or near ready firms in identifying specific market opportunities with buyers, and then working backwards to develop the supply side capabilities to for this concrete opportunity. The exporter then p rovides market led specifications to its suppliers in Africa.

Real-time Market Information for Firms

The Talier Group's (specialty foods) interaction with Southern African companies is more than a mere business relationship. When engaging a potential candidate for its Africa set, the Talier Group spends a good amount of time providing advice on USDA -compliant labeling, meeting supermarket/distributors' packaging needs, enhancing marketability (e.g. improving labeling design, producing kosher/halaal products, etc), and pric ing. This guidance represents a significant value to firms in Southern Africa.

The TCP used real market intelligence to inform engagement with regional stakeholders, and served as a go-to resource for regional manufacturers, agricultural traders and producers, and government export promotion and regulatory agencies.

1.3.2 SOUTH AFRICA AS A CATALYST

South Africa is the largest consumer market in sub-Saharan Africa and the largest source of foreign direct investment into the region. South Africa represents a significant market opportunity for fresh produce exports and processed food products due to increasing market demand. Products that can meet South African market standards are also likely to succeed in European and U.S. markets, and represent a stepping -stone to globa l competitiveness for regional products.

While there are market opportunities for fresh fruit and produce, SPS considerations, particularly with South Africa, restrict trade in the region. The USAID Trade Hub focused on targeted activities in conjunctio n with the USDA to address some of the barriers to agricultural trade in Southern Africa.

1.3.3 BUILDING REGIONAL CAPACITY

From 2004 to 2009, the Hub built the capacity of 2000 companies, entrepreneurs, and associations through training and troubleshooting on market access issues, including: SPS, customs compliance, AGOA compliance, labeling compliance with the Food and Drug Administration (FDA), private certifications and others. The Hub also supported industry

"The Trade Hub has been a consistent source of support and market information for exporting specialty food products from Mauritius to the United States under AGOA. Our comp any has benefited from their work. Thanks to USAID for this fantastic program and support. "

- Reaz Gunga, Fruit Processing Manager, Labourdonnais Company, Mauritius

associations that advocated for the improvement of the regional trading environment, e.g., the Lesotho Apparel Exporters Association (LTEA). These activities empowered industry associations and informal industry alliances with the information and organizational ability necessary to engage government effectively on the issues that impact their businesses.

1.3.4 CAPITALIZING ON TRADE PREFERENCES

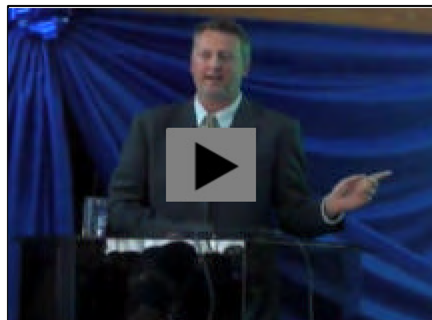
Initiatives such as the African Growth Opportunity Act (AGOA) created incentives for African states to strengthen their business environment for export industries and increase their international competitiveness. The Hub assisted firms in Southern Africa to translate trade preferences into economic activity and employment creation.

1.3.5 LEVERAGING PUBLIC-PRIVATE PARTNERSHIPS

Public-private partnerships assist in mobilizing ideas, efforts and resources from the private sector to stimulate economic growth. Over the life of the project, the Hub worked with the private sector to leverage key relationships that helped to bring additional products to market, technical expertise to producers, and resources to product development.

"The public private partnership with the USAID Trade Hub in Botswana has helped bring the entrepreneurs and the face of Africa to the U.S. market. The Africa category is strong and growing in part due to the Hub's assistance on Branding Africa."

– Jim Thaller, CEO Talier Trading

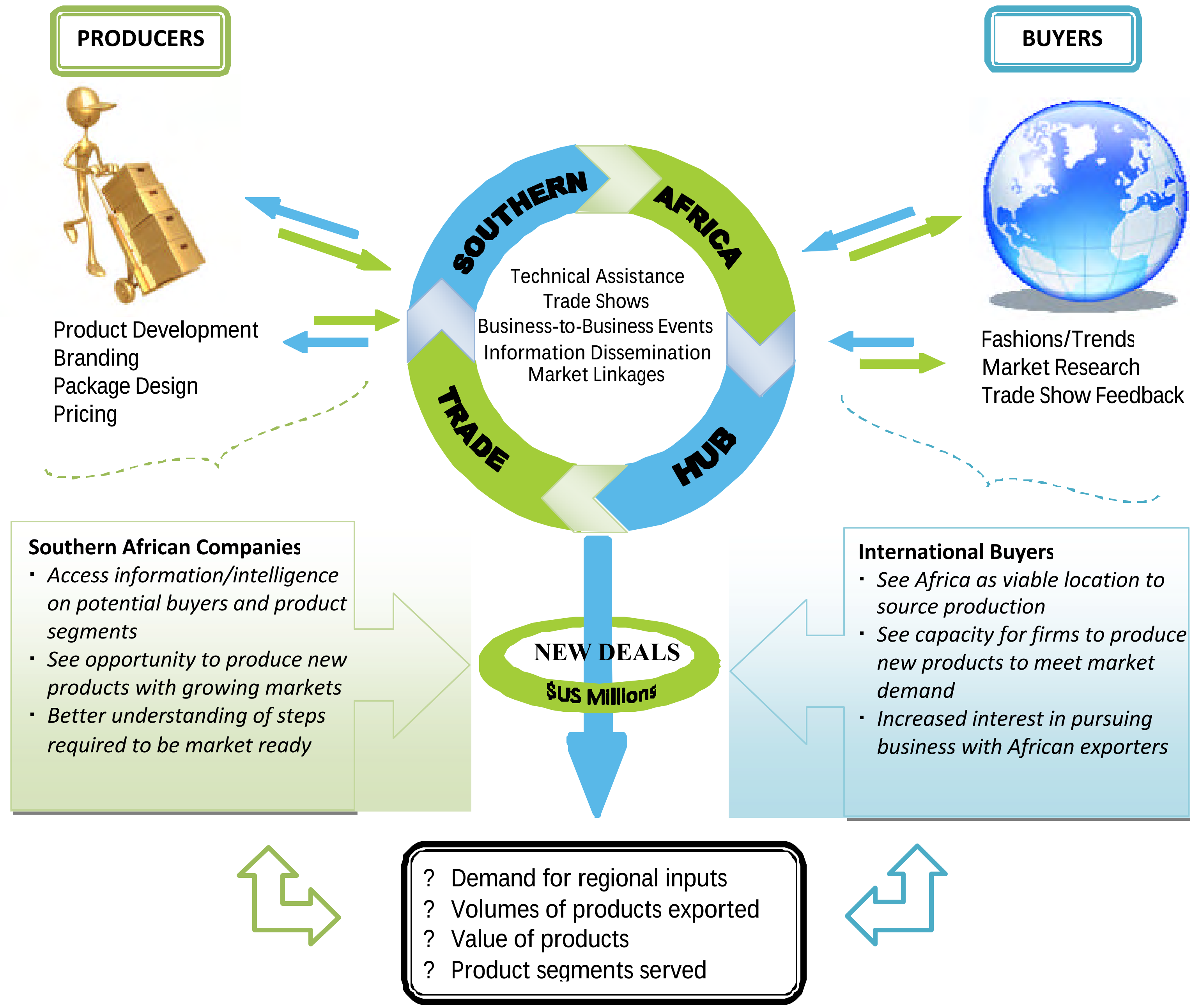


Jim Thaller, CEO of Talier Trading Group, discusses the Hub's involvement with African Specialty Foods

1.4 MARKET-LED APPROACH TO EXPORTS AND AGRICULTURE IN SOUTHERN AFRICA

The market linkage strategy and activities employed by the USAID Trade Hub were designed to respond to international market demands. While the USAID Trade Hub has done some work in identifying the sectors that are most likely to succeed in international markets and improve livelihoods in Southern Africa, market forces determined Hub activities.

Figure I: Trade Competitiveness Project's Approach to Export Development in Southern Africa



The best way to create trade deals is to facilitate the interaction of buyers and sellers. The USAID Trade Hub designed a comprehensive and sustained program centered on market linkage activities that built up long term buyer-seller relationships for specific firms while also building up the image in the market of the capability and reliability of Africa as a source of supply. The following table outlines the TCP's market linkage activities and outcomes.

TABLE 3: TCP'S MARKET LINKAGE STRATEGY

ACTIVITY	OUTCOME
Promoting membership in global trade associations	Increased the visibility and credibility of firms within an industry, providing access to market information and buyer/investor networks.
Participation in industry trade shows and B2B events	Provided a venue for companies to engage buyers face-to-face, as well as develop a firsthand appreciation of market requirements and competition. Successful trade show participation required careful preparation of samples, presentations, and especially the scheduling of one-on-one meetings.
Branding Africa	Leveraged presence of African companies at major trade shows to market and brand Africa as a sourcing location.
Virtual Matchmaking	Used knowledge of sectors and network of both buyers and suppliers in the region to respond to specific sourcing requests for inputs and/or finished garments. This was a lower-cost, high return activity complimenting trade events.
Accelerated the realization of existing leads	Due to Hub activities, many companies and potential investors considered Southern Africa as a location to do business across multiple sectors. When appropriate, the Hub team assisted its partners in locking down these deals and partnership arrangements.
Buyer trips	While trade shows provided initial exposure, closing deals required further follow-up including counter-samples and proposals, follow-up meetings, inbound trips for purchasing agents and investors, matchmaking and site location, financing, workforce development and supplier technical assistance programs. The Hub acted as a catalyst in this process
Leveraged Hub credibility	In many cases, buyers were more inclined to work with companies in developing markets and supply chains if they were working with a USAID/donor project such as the Hub.

The core market linkage activities sponsored by the USAID Trade Hub included:

1. **Trade Shows**
2. **Business-to-Business (B2B) Events**
3. **Information Resource**

These three areas of activity were the focal points for all trade capacity building and private sector productivity technical assistance efforts over the life of the project.

Firms assisted by the USAID Southern Africa Trade Hub were categorized as either *export ready* or *domestic competitive*. Export ready firms understood international markets and had the capacity and funds to export. Domestic competitive firms had a sustained presence in their home markets and manufactured products that could be competitive in the global marketplace. Domestic competitive firms were not yet ready to export, but had plans to do so in the near future. They received technical assistance from the USAID Trade Hub to build capacity and graduate to export competitiveness.

> ***"The Trade Hub has been a major player in increasing trade in targeted sectors to the United States. The Hub's reputation in Washington is well established, and we see the Hub as a key partner on U.S. – Africa trade and economic relations."***
>
> ***-Kevin Boyd, Director, Office of Africa, United States Department of Commerce***

The USAID Trade Hub supported self-selected export ready firms on the basis of their capacity to cost-share participation in business networking events, and their own assessments of product viability in export markets. Buyer participation in business networking events was based on *expressed demand* for products that were *produced* by firms in the Hub's export-ready network of companies.

The USAID Trade Hub played a critical role in catalyzing transactions between these market players by:

- Ensuring that both buyers and producers had complete and accurate market information;
- Reducing transaction costs through subsidized participation in networking events and marketing support; and
- Pre-selecting or designing networking events that produced the most effective interactions between buyers and producers in common markets or market segments.
- Assisting that firms could adapt to the preferences of the market by suggesting new product categories, upgrades and packaging changes.

The USAID Trade Hub's activities created space for transactions to occur that would not otherwise have taken place. Most importantly, the market interactions and deal-making processes were led almost exclusively by producers and buyers. Southern African firms then took ownership of assessing product viability, planning follow-up interactions, and arranging transaction logistics based on market potential. This was specifically designed to ensure sustainability long after the project was completed.

CARANA's strategy built on the significant opportunities in exports and market linkages created over the life of the project; collaborating with U.S government, regional public and private sector stakeholders; and using a demand-driven approach to maximize regional and international trade. The USAID Trade Hub collaborated with the following partners:

Worked closely with the Trade Facilitation and Capacity Building Project. The TFCB Project offered a first-class team of regional and international experts working to improve the business environment of Southern African Development Community (SADC) countries. CARANA experts worked seamlessly with TFCB staff to move the U.S. trade agenda forward in Southern Africa, including fostering critical business linkages and trade deals with U.S. and regional firms.

Worked with partners and donors. TCP experts worked closely with other donors, including DFID, the EU, GTZ, and Commonwealth Secretariat in the context of private sector productivity within the region. This resulted in co-funding, for example, of the successful Business-to-Business apparel event in 2009 with the ComMark Trust, a DFID funded project based in Lesotho.

The TCP staff also worked diligently to prevent duplication of efforts and activities during the project, and to create additional support and resources for its activities. As a result, the USAID Trade Hub partnered with key USAID and international donor regional and bilateral projects in Zambia (MATEP), Mozambique (Technoserve), Swaziland (SWEEP), South Africa (SAIBL), Lesotho (LTEA), Mauritius (Enterprise Mauritius), and Madagascar. The Trade Hub also partnered with colleagues at the West Africa Trade Hub in Accra, and the COMPETE team in Nairobi to ensure economies of scale when participating in trade shows and business-to-business events. The Hub also worked closely with the Corporate Council on Africa and their programs.

Worked with U.S. government stakeholders. In addition to key linkages with USAID officials at the bilateral missions, CARANA experts maintained close linkages with U.S. embassies (economic growth and commercial section) in each country in the USAID Trade Hub's mandate; the U.S. Department of Commerce; the U.S. Trade Representative, and USDA.

TCP experts provided key information and reports to these agencies to assist in advancing U.S. foreign policy and trade objectives, such as the Trade Investment Framework Agreements with Mozambique and Mauritius. In 2008 and 2009, the TCP integrated regional agriculture workplanning activities with the USDA and USDA contractors to maximize the number of activities working on sanitary, phytosanitary and market access issues and to encourage continuity and synergies in regional agriculture trade and food security.

"The Southern Africa Trade Hub has been a key player in many AGOA success stories. The Hub's dedicated staff have worked closely with scores of African firms and entrepreneurs, helping them to meet the demands of the U.S. market and to begin or expand their exports to the United States. The Hub's work in target sectors such as specialty food and apparel has been especially valuable. Hub staff facilitated broader and more effective African participation in U.S. trade shows in these two sectors and showcased African products through innovative branding at these shows. Their efforts helped generate new orders for AGOA products and greater diversification in AGOA exports from southern Africa."

-Florizelle B. Liser, Assistant U.S. Representative for Africa

Florizelle B. Liser, Assistant U.S. Trade Representative for Africa, discusses the Southern Africa Trade Hub's activities

2. MAJOR ACHIEVEMENTS

> ***"USAID's work through the CARANA - implemented Trade Competitiveness Project at the Hub has been instrumental in the success of businesses understanding what it takes to export to the United States under AGOA. Many companies throughout the region, including Botswana, have benefited from this resource and have executed new trade deals with U.S. buyers."***
>
> ***-Steve Nolan, U.S. Ambassador to Botswana and Special Representative to SADC***

Since October 2004, CARANA worked to promote exports from key sectors of the Southern African economy to global markets. The project emphasized private sector and market-led approaches to achieving export competitiveness and regional trade in agriculture. Over the life of the project, the TCP achieved $46.3 million in AGOA-related trade and intra-regional trade.

Over the life of the project, the Hub assisted **500 firms** with advice and information about exporting to Southern Africa and the United States, and created the opportunity for **1987** buyer-seller linkages for Southern African firms through Trade Shows, Business to Business Events and engagement with buyers. This assistance translated into **$46.3 million** in exports regionally and to the United States.

In addition, the Hub facilitated nearly $2 million in new investment in agricultural capacity, created new jobs for smallholder farmers, and became known as the leading expert for agricultural market linkages in Southern Africa and the United States.

2.1 MAJOR ACHIEVEMENTS BEYOND THE NUMBERS

While the export figures and capacity building indicators over the life of the project are impressive and have exceeded targets, they do not fully capture the important qualitative story which has directly impacted the lives of Southern African producers and farmers.

Keedo founder Neila Schutte checks garments destined for export markets in Cape Town, South Africa.

2.1.1 APPAREL

Supporting Women Entrepreneurs:
The Hub's assistance to Keedo clothing, a high-end children's clothing company, ensured that more than 200 families in the Cape townships retained employment. Keedo's manufacturing suppliers are women-owned, small manufacturing operations. Keedo has deliberately structured their manufacturing operations in the townships to enable women to save on transportation costs and to look after their children.

Promoting Regional Integration:
The Hub's Business -to-Business appare l event helped to keep orders in Africa that would have otherwise gone to Asia or other regions of the world. By bringing producers of the entire apparel value chain together under one roof, the industry became aware of opportunities within Africa, which ensured new business an d market leads on the continent. Total orders exceeded $10 million, but more important were relationships developed with 15 major buyers, including retail chains in the South African market.

"As soon as the Hub walked through the door, our business started to change… Keedo supports more than 200 families in the Cape townships. I would like to thank USAID for this initiative and for the Hub's assistance to our business."

-Nelia Schutte, founder of Keedo Clothing, Cape Town, South Africa

Branding Africa:
CARANA's "Source Afric a" pavilions placed Africa on the map for U.S. buyers at the MAGIC Apparel Show, held twice per year in Las Vegas, Nevada, The "Source Africa" concept was so popular that CARANA won "Best in Show" at the 2008 MAGIC Show for exceptional design, service, and presentation. Due to the repeated presentation of African apparel companies at this show, buyers now recognize the brand and associate it with high quality apparel production in Africa.

Increasing Competitiveness:
The Hub provided technical assistance such as fabric and trim sourcing, shipping information, pricing advice and information, and marketing and regulatory advice to increase the competitiveness of apparel exports and regional apparel trade in Southern Africa.

2.1.2 Agriculture

Increasing Food Security:
By successfully linking African food products to regional and international markets, the Hub helped to create a sustainable model of market offtake, which in turn directly impacted smallholder farmers in Southern Africa who suppli ed inputs int o these products. Companies such as Labourdonnais in Mauritius began to employ more workers and source additional inputs, not only in Mauritius but also in South Africa, which in turn created additional jobs for raw ingredient producers.

Production of "fruit pastes" in Mauritius

Agricultural Training:
Over the life of the project, the Hub conducted trainings to increase the competitiveness of agricultural products, resulting in millions of dollars in new trade .

Sector experts worked with export-ready firms to address packaging, marketing, pricing, shipping and logistical issues impacting their products. The Hub collaborated with the United States Agriculture Department and the Food and Drug Administration to deliver trainings to Southern African firms and entrepreneurs.

> ***"The Hub's assistance (Johan Labuschagne) assisted farmers in Swaziland to capture 60% of the market for honey. Smallholder farmers have invested in 1800 additional langstroth hives, which means additional income and choices for their families."***
>
> ***-Daniel Kombule, honey farmer in Swaziland***

Assisting Female Farmers:
Women farmers are important suppliers to export companies. For example, Eswatini Swazi Kitchen, a women-owned and operated business in Manzini Swaziland, provides an important source of income to women in the Ezulwini Valley in Swaziland. The firm donates proceeds to Manzini Youth Care, an organization supporting AIDS orphans. In addition, women farmers supplying this firm have increased income from scaling up production due to increased exports.

Facilitating Investment:
Most firms found it necessary to make investment in improvements and expansions based on the market opportunities developed in through the Hub. In addition, producers in the agriculture sector came to view the Hub as a facilitator of investment. For example, the Hub conducted a feasibility study that resulted in a $1.5 new farming investment near Maputo, Mozambique for a chili farm, creating additional jobs and employment in this impoverished region. The chili mash from this farm is now being exported to the world-famous Tabasco brand, and additional exports are being used for South African food ingredients.

Supporting Public-Private Partnerships:
The USAID Trade Hub formed a public-private partnership with Talier Trading, an innovative company that developed an African Set of 60 products now appearing in about 7,000 grocery stores throughout the United States. This creates an enormous opportunity for these firms to ramp up production to meet the volume requirements of U.S. grocery stores, while establishing the African brands in the United States.

2.1.3 AGOA

> ***"The USAID Trade Hub has been a major player in increasing trade in targeted sectors to the United States. The Hub's reputation in Washington is well established, and we see the Hub as a key partner on U.S. – Africa trade and economic relations."***
>
> ***-Kevin Boyd, Africa Office Director, International Trade Administration***

Information Resource:
The Hub gained an excellent reputation among the public and private sector in Africa,

the United States and Europe as a center of excellence for information and support on exporting under the African Growth and Opportunity Act. In addition, the Hub advised the private sector on key policy considerations impacting their industries.

3. AGOA ACTIVITIES AND AGCI

Secretary of State Clinton at the 2009 AGOA Forum in Nairobi, Kenya outlining the challenges for market-led development in Africa

A majority of TCP efforts and financial resources focused on a market-led export promotion program with interventions described in the previous section. The program was designed to facilitate a significant increase in exports in the apparel and specialty food sectors; introduce new export products in international markets; provide exporters with the information, knowledge and technological transfer needed for them to respond to market demands; and enhance the way that Southern African firms operate within the context of global markets.

The USAID Trade Hub saw drastic increases in the number of business linkages and actual deals resulting from its activities throughout the period of 2004 - 2009. These results reflect the USAID Trade Hub's strategic emphasis on marketing assistance to regional exporters at major trade shows, such as MAGIC (apparel), the Fancy Food Show and the International Contemporary Furniture Fair. The USAID Trade Hub also supported the ongoing expansion of major regional market linkage events, such as the African Textile and Apparel B2B, and the use of the USAID Trade Hub as a sourcing information resource for buyers. All of these market linkage activities facilitated buyer-supplier relationships through the deal-making process.

As a result of new export deals facilitated by the Hub, a number of companies have invested in upgraded facilities, improved productivity, product development and compliance to industry standards. Interactions with the market encourage companies to adapt business practices, production methods, and products to reflect the demands of the global market. Furthermore, increased awareness of the market has brought companies together in an effort to work collectively in penetrating the market and addressing key sector issues. Therefore, the Hub's impact will be felt long after the end of the project.

A good example of the USAID Trade Hub's impact can be found in the South African specialty food sector in the Cape region, where a number of companies established a business association – the South Africa Fine Foods Association (SAFFA) – focused on developing and marketing products from this well known "foodie" location. This exciting development highlights a real industry recognition of joint marketing and export development activities by the USAID Trade Hub and the Western Cape specialty food producers.

3.1 TRADE SHOWS

Trade Shows provide an ideal environment for networking with business contacts critical to making deals, gaining a better understanding of market conditions and demands, and learning the steps required to enhance market-readiness and competitiveness.

CARANA Corporation staff accepting the "Best of Show" award at the MAGIC Show in Las Vegas, Nevada in 2008. This award helped raise the profile of Africa to buyers.

Many Southern African firms are hesitant to attend international trade shows due to the costs and risks of participation. In addition, Southern Africa has historically traded more with Europe, and the costs of trade with the United States are high due to transportation and shipping costs. As a result, Southern African firms are not frequently featured in U.S. tradeshows, which limits their potential growth and competitiveness.

The Africa Pavilion at the 2008 MAGIC apparel show in Las Vegas, Nevada created awareness for U.S. apparel buyers about the exciting potential to source from Africa.

The USAID Trade Hub utilized a significant amount of resources enabling market ready companies from Southern Africa to participate in premier industry events in the United States. Examples include Fancy Food Shows in Chicago and New York, Material World (apparel), MAGIC apparel, and International Contemporary Furniture Fair (ICFF). These shows have been a very effective way of generating new business, even if initial discussions can take as long as 6 months to become actual orders. The shows have also been an important mechanism to engage buyers that may be interested in sourcing from Africa.

CASE STUDY: NASFT Fancy Food Show– Introducing Africa Specialty Foods to the United States

The Fancy Food Show, recognized as the premier trade event for the specialty food industry and organized by the National Association for the Specialty Food Trade (NASFT), is the ideal venue to introduce African specialty food producers to U.S. buyers. The Southern African Trade Hub has collaborated with USAID's Africa Fast Track Trade (AFTT) Project and the USAID Trade Hubs in West and East Africa, to help more than twenty Southern African specialty food manufacturers obtain the market exposure needed to engage the U.S. specialty food industry. Nearly all of the companies that participated in Fancy Food Shows in Chicago (2006) and New York (2007, 2008 and 2009) report leaving with multiple business contacts resulting in viable business leads, which often result in new orders.

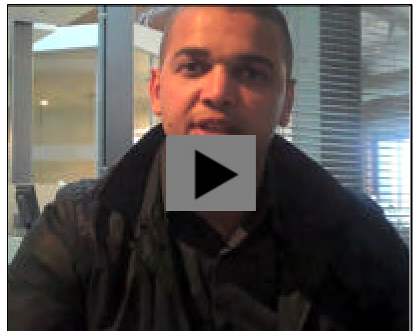
Examples of Southern African companies seeing direct benefits from Fancy Food Participation include:

<u>Cie Agricole de Labourdonnais - Mauritius</u>
After difficulties because of the 2009 recession, Labourdonnais secured a new importer in 2009 and will become part of Jim Thaller's Africa Set, which will provide exposure for this product throughout thousands of grocery stores in the United States.

<u>Elephant Pepper</u>
With the Trade Hub's assistance, this company with operations in Zambia, Swaziland and now Mozambique finalized $550,000 in sales for mash and sauces in 2009, and expects more than $1 million in 2010. Elephant Pepper has worked with the Trade Hub since 2005.

<u>Loaded Smoothie – South Africa</u>
This previously disadvantaged smoothie company was introduced to the U.S. market for the first time at the 2009 Fancy Food Show. After significant interest from the market and positive feedback, Loaded Smoothie has developed their marketing strategy for 2010, which includes introducing a blueberry smoothie on the U.S. market in 2010. The Trade Hub will help to facilitate this product introduction

> *"Working with… the USAID Southern Africa Global Competitiveness Hub has been nothing short of a complete pleasure. This team was extremely hands on, and responsive to every need that our company had during the preparation, and throughout, the NYC Fancy Foods Show 2009."*
>
> *- Nadia Blanchfield, Export Manager, Cotomili and Caripoul, Mauritius*



Mario Thompson of Loaded Smoothie discusses the Fancy Food Show

3.2 BUSINESS-TO-BUSINESS

Trade show participation is only one method which the USAID Trade Hub utilized to build sustainable linkages between Southern African industries and international markets. To complement trade show participation, the Southern Africa Trade Hub also sponsored more targeted and intensive Business-to-Business (B2B) networking events.

Business-to-Business networking events involved pre-arranged matchmaking between qualified buyers and producers. Event preparation started with a marketing push to prospective buyers and producers that the Hub estimated would benefit from participation. Firms that expressed interest were then screened to ensure that B2B meetings were effective for all involved. Networking events took place in Southern Africa, which screened out international buyers that were only casually interested – the USAID Trade Hub only invited buyers that could be matched effectively with corresponding producers. Producers were also screened based on their capacity to fill prospective orders from attending buyers. Meetings were then scheduled based on pre-arranged matches, and detailed company profiles were shared with meeting participants in advance.

The B2B events offered a more intensive, high-value experience for buyers and producers. In a very short period of time, buyers had the opportunity to learn what the African market could offer, knowing ahead of time that they would meet producers who could fulfill their general order specifications. Producers had a captive audience of buyers who were interested in their products, provided that they could meet price and specifications to the buyer's satisfaction. This resulted in highly productive and tailored meetings during the events. The marketing and pre-event match-making costs were shouldered by the USAID Trade Hub, reducing transaction costs for both buyers and sellers.

The Hub hosted and participated in five B2B apparel events. Over time, the project reduced its investment in the activity, sharing a greater amount of the costs with participating producers and buyers. In addition, other donors, such as the DFID-funded ComMark Trust project based in Maseru, Lesotho, collaborated with the Hub on the 2009 B2B event, and funded a portion of the costs. Participating companies saw the B2B as an important part of their marketing strategy.

> ***"This Business-to-Business event was a valuable experience, and I am doing business with new clients in Southern Africa… and making factory visits. I will most certainly attend in 2010."***
>
> ***-Glen Isserow, Ideal Fastner, Cape Town, South Africa***


Glen Isserow of Ideal Fastner discusses the value of B2B to his business

3.3 INFORMATION RESOURCE

In addition to providing consulting services to Southern African firms trying to break into international markets, the USAID Southern Africa Trade Hub also played an important role in consulting for international buyers and investors contemplating entry into the Southern African market. The USAID Trade Hub refers to this activity as direct buyer engagement.

As a regional program working directly with industry leaders in all of the countries within Southern Africa, the USAID Trade Hub had a unique perspective to offer international buyers and investors. Hub experts knew the strengths and weaknesses of firms and industries across Southern Africa, as well as the regulatory regimes that apply to those industries, and could help prospective buyers and investors to understand the constraints and opportunities in pursuing new deals in this part of the world.

Most direct buyer engagement activities supported by the USAID Trade Hub resulted from either buyers contacting the Hub, or through follow-up from trade shows or other networking events.

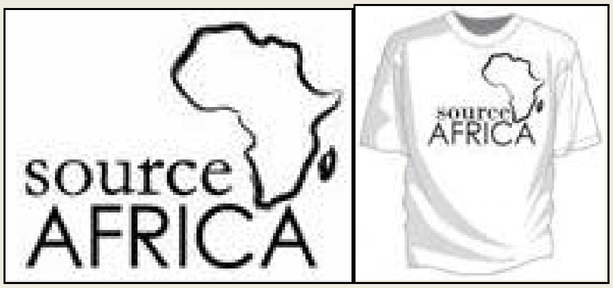
The USAID Trade Hub fielded requests for information associated with:

- Potential suppliers within Southern Africa;
- Investment opportunities in the region;
- Regulatory constraints or incentives to importing from Southern Africa; and
- Logistical challenges faced by exporters and regional supply chains.

These requests were followed up with detailed information on market conditions , and linkages with Hub clients in Southern Africa that had shared business goals.

Serious buyers and investors utilized the USAID Trade Hub's knowledge of regional trade capacity and the regulatory environment as a starting point for considering entry into the Southern African market. USAID Trade Hub support to buyers and investors in this process was valuable for two reasons:

- Reduced time and effort associated with evaluating the market and selecting regional business partners; and
- Increased level of trust and confidence in prospective partners and resulting new deals.



In 2008, The Southern Africa Trade Hub spearheaded an effort to brand Africa as an apparel sourcing location. The logo above was developed and used as the anchor "symbol" for marketing materials, T-shirt promotions and SOURCE Africa Pavilions at the MAGIC show in Las Vegas in February and August. SOURCE Africa is now a recognized 'brand' asked for at the MAGIC Show.

Too often, deals do not come to fruition simply because buyers and investors have too little information, do not trust the information that they do have, or face insurmountable costs in obtaining reliable information. The USAID Trade Hub helped to make these deals possible through its information resource activities over the life of the project.

CASE STUDY: Combined Activities Create Significant Results

Attributing the generation of new business to any one market linkage activity is difficult, given that Trade Hub activities are designed as part of a comprehensive strategy where activities are intended to reinforce each other, often having a multiplier effect.

For example, sourcing agency Dinhatex attended the Trade Hub's May 2007 B2B event, and expanded its network of manufacturers in the region. Dinhatex then attended the August 2007 MAGIC show and received multiple requests for sourcing products. Some of the new business went to companies introduced through the B2B event. Dinhatex has also used the Trade Hub's sourcing information resources to identify a growing number of capable manufacturers in the region, often resulting in significant business for regional manufacturers.

Dinhatex recently attended the MAGIC August 2009 show. Given its wider network of companies and contacts made at the last show, it was in a better position to respond to a wider range of sourcing requests faster, thus making it a more useful business partner for potential buyers and increasing the likelihood of walking away with deals.

3.4 Market Linkage Approach

3.4.1 Apparel



Investments and apparel exports from Southern Africa since the inception of AGOA have created more than 120,000 jobs in Southern Africa and hundreds of millions of dollars in new exports to the United States. Southern Africa's portion of the US$60 billion per year U.S. apparel trade, however, currently stands at less than 2 percent. Macro-level factors are affecting this trend, including exchange rate fluctuations, the expiration of quotas under the Agreement on Textiles and Apparel (ATC), transportation costs, and the lack of a viable fabric industry in Southern Africa. These, however, are not insurmountable obstacles and CARANA's efforts in this sector have shown that there are significant opportunities to increase orders from major international buyers.

Nelia Schutte and David Robinson of Keedo Clothing discuss the impact of the Hub on their business

3.4.2 Specialty Foods

The U.S. specialty food market is valued at US$70 billion per year and is growing rapidly. Despite the economic slowdown in the United States, product categories suitable for Southern African firms continue to grow. In conjunction with this growing market demand for high-value food products, there has been a demand for unique African products emerging from brokers, distributors and retailers in U.S. markets. CARANA capitalized on this demand-pull from the U.S. market by supporting export-ready processed and specialty food companies in

> ***"USAID through CARANA Corporation's program has been instrumental in presenting African Specialty Food products to U.S. buyers at the Fancy Food Shows through their "Taste of Africa" Pavilions. Through the Africa Pavilion and their targeted buyers breakfasts held each year, the trade is becoming more familiar with the range of products Africa has to offer the U.S. market"***
>
> ***– Ann Daw, President, NASFT***

Southern Africa to achieve new trade deals under AGOA.

As exports from Southern Africa gained momentum over time, exports in the specialty food sector increased. As exports increased, the volume of raw ingredients required for exports from the region increased as well. This market effect had a direct impact on farmers and their quality of life. For example, in Zambia, expanded production of chilis gave farmers more choices and food security, and allowed families the ability to send their children to school.

As U.S buyers recognized the quality and innovation of new African products, demand increased, providing an opportunity for scalability. For example, the chocolate producer Madecasse has a "bean-to-bar" policy, where all production and processing of chocolate occurs in Madagascar. Madecasse has a proactive interest in developing an African-based supply chain, which has enormous implications for food security and rural employment.

As demand for this delicious chocolate product increases through international exposure in trade shows and online, more vital jobs are created in Madagascar. These jobs are created in processing, packaging, and inputs for additional chocolate production. Madecasse has a unique model, with the entire chocolate value chain in Madagascar, creating the most economic benefit for producers.

> ***"I want thank the entire team at USAID and CARANA for making the (Africa) pavilion possible. As I probably mentioned, our chocolate is one of the only fine chocolates actually made in all of Africa – a paradox considering 80% of the worlds' cocoa comes from Africa. Making chocolate in Madagascar keeps the entire value chain in the country, which generates 4x more income than Fair Trade cocoa. This knowledge fuels our business. But operating in Madagascar also has challenges that more established brands with more capital and larger marketing budgets do not face. The Taste of Africa pavilion helped level the playing field for a critical couple of days."***
>
> ***- CEO Madecasse***

CASE STUDY: Public-Private Partnership with Talier Group's "Africa Set" Generated Sales, Sustainability and Customer Interest in Africa's Specialty Food Sector

In 2009, millions of American consumers in over 7,000 stores were able to select from a wide range of specialty food products made in Southern Africa and elsewhere on the continent. This is thanks to an "African Set" launched by the New Jersey-based Talier Trading Group, an international specialty food marketing company. Over 105 products from 21 companies from all over Africa were screened by the Talier Group and marketed as a package to major U.S. distributors and grocery stores.

The African Set provides retail buyers with a user-friendly way to respond to consumer's interest in African food products. The launch of the set in 2008 mainstreamed Africa's specialty food industry in the U.S. market and increased its penetration. As of September 2009, the Set is in nearly 7,000 stores. Sales from the African Set totaled $2.2 million in 2009 and are expected to reach $5 million in 2010. Currently Southern African companies represent approximately 60 percent of the products (and thus expected revenues) including brands like Ceres, Nando's, Elephant Pepper, So!Go!, Rooibos Jam, Mrs. Balls, So South African, and Verlaque Fine Foods. The list is expected to grow as the set gains momentum.

The Southern African Trade Hub has worked extensively with the Talier Group in a symbiotic relationship that ultimately resulted in Southern African companies penetrating the U.S. market. In some cases, the Trade Hub introduced Talier to products and companies it considered export-ready and appropriate with the Africa Set (at times in collaboration with the other Trade Hubs in East and West Africa). In other cases, the Talier Group provided the Trade Hub with guidance and opinions on the marketability of a given product in the U.S. market and its pricing, packaging and labeling. This relationship enabled the Trade Hub to provide quick responses to companies' requests for information that reflect current market conditions.

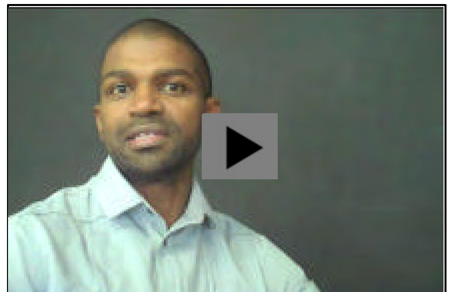
The Talier Group's interaction with Southern African companies is more than a mere business relationship. When engaging a potential candidate for its Africa set, the Talier Group spends a good amount of time providing advice on USDA-compliant labeling, meeting supermarket/distributors' packaging needs, enhancing marketability (e.g. improving labeling design, producing kosher/halaal products, etc), and pricing. This guidance represents a significant value to firms in Southern Africa.

Francois te Water Naude of So Gourmet

In 2008, the Trade Hub developed the "Taste of Africa" brand concept. Buyers recognize African products in the U.S. market through this brand featured at the Fancy Food Show Africa Pavilion. www.tasteafricanow.com

3.4.3 OTHER SECTORS

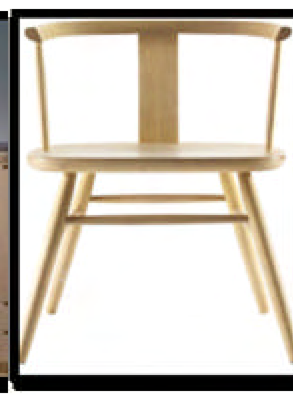
The USAID Trade Hub began working with Mabeo Furniture, a Botswana based contemporary furniture company in Gaborone, in 2006. Over the life of the project, the Hub assisted Mabeo target international markets, direct manufacturing operations for economies of scale in export markets, and succeed in gaining new orders to the United States from Botswana. Partnering with the Africa Fast Track Trade program, the USAID Trade Hub sponsored Peter Mabeo, Owner and Managing Director, to showcase his new collection at the 2007 International Contemporary Furniture Fair in New York. The Hub has sponsored Mabeo to attend the fair in 2008 and 2009.



Peter Mabeo discusses the Hub's assistance in market linkages for Mabeo Furniture

In 2008, the USAID Trade Hub assisted Mabeo in the launch of his products at the prestigious Design Within Reach furniture store. The Hub continues to support Mabeo with plans for a major investment and factory relocation in Gaborone in 2010. The USAID Trade Hub is assisting Mabeo with access to finance in Botswana, to achieve the new investment.

Balancing craft and local aesthetic with contemporary design, Mabeo's furniture has received recognition from *Newsweek*, the *New York Times*, *Elle Décor*, the *City Magazine* of New York, and the *Toronto Star.*



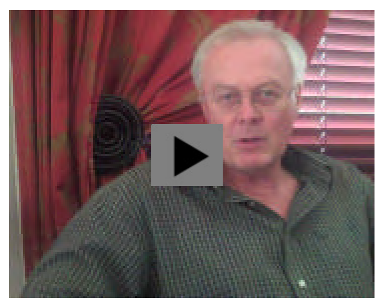
4. AGRICULTURE AND IEHA

South Africa represents the largest and highest value market for fresh horticultural produce in sub-Saharan Africa. The formal agricultural sector in South Africa generates a gross income of more than 50 billion rand (US$7 billion) per year. In addition, South Africa imports more than 5 billion rand of horticulture imports per year. There is growing recognition that South Africa represents a lucrative market for fresh produce from SADC countries and will be a key factor to increasing regional trade in fresh produce.

In order to unlock these opportunities for trade, SADC countries and private s ector associations will need continued capacity building assistance to work together to address factors impeding the fresh fruit and produce trade into the South Africa market. Recent developments such as the discovery of the prevalence of *invadens bactro cera* within SADC countries will remain significant barriers to trade in Southern Africa, and will require a concerted effort on the part of governments, donors, and the private sector to address and unlock trade potential in the region.

Agriculture plays an important role in Southern African economies, but its development potential with respect to rural economies is yet to be realized. Public, private and donor stakeholders within Southern Africa agree that economic growth initiatives should place a focus on expanding and diversifying the regional and international export of agricultural products in order to create new income generation opportunities for rural populations and improve food security within the region.

One of the key factors in the success of the USAID Trade Hub's program from 2007 -2009 was the Hub's collaboration with the USDA PASA contractors, Dermot Cassidy and Solomon Gebeyehu. In collaboration with the USAID Trade Hub's Agriculture Advisor, Johan Labuschagne, this team made significant progress on addressing market access issues impacting trade in Southern Africa.



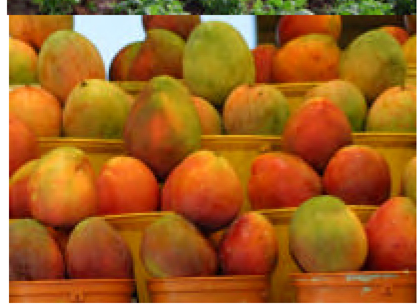
Dermot Cassidy, USDA contractor, discusses joint work on agriculture in the region

4.1 Regional Fresh Produce

While opportunities exist, a significant expansion in regional fresh produce imports has been limited by problems with market access requirements and a lack of awareness on the part of fresh produce buyers of what the rest of the region has to offer. SPS issues are one of the key constraints to realizing significant exports into the South African market.

From 2007 - 2008, the USAID Trade Hub regio nal agriculture initiative identified products with South African demand, Southern African supply capabilities, and limited market access (SPS) issues, fostering new market linkages between South African retailers and growers in Zambia and Mozambique. A significant level of effort in 2008 focused on encouraging major South African retailers to take a greater interest in sourcing from the region.

The USAID Trade Hub's activities helped improve the enabling environment for agriculture exports through collaborative efforts with the Departments of Agriculture from Botswana and Zambia to take the institutional and regulatory steps necessary to remove market access restrictions for high potential products (e.g. melons and honey) in the South African market. In select cases, USAID Trade Hub staff members spent time with producers to help them adopt modern production and post-harvest practices to increase productivity and better meet the standards of South African retailers.



The USAID Trade Hub identified demand for horticultural products among South African grocery stores and food distributors in 2007 and 2008. The Hub started with a market gap analysis to identify products where:

- South African production was not sufficient to meet domestic demand; or
- Differences in growing conditions provided opportunities for regional producers to take advantage of "shoulder" seasons within South Africa.

These opportunities arise when regional producers harvest a given product a few weeks before or a few weeks after South African growers harvest. This allows SADC growers to penetrate the market without competing head-to-head with South African growers.

Products identified were screened against potential SPS/market access issues in the South African market and designated as market access green, yellow, or red. "Market access green" products had no barriers, and relationship building could proceed immediately. "Market access yellow" products had barriers, but issues would be resolved in the medium term between the USAID Trade Hub and regional authorities. In these cases, potential suppliers were advised to plan for a possible market opening. "Market access red" products faced critical market access issues unlikely to be resolved in the near future.

Simultaneously, USAID Trade Hub staff intensively engaged major South African buyers, including Pick and Pay, Spar, Freshmark (Checkers), Rollex and others to raise their interest in expanding sourcing of fresh produce from Southern Africa.

As products were screened for market demand and market access, Hub staff began identifying commercial farmers and producer groups with the capabilities to take advantage of opportunities in the South African market. During this process, the USAID Trade Hub collaborated with USAID bilateral projects and missions, national and regional authorities, agricultural associations and key industry players to screen producers and facilitate field visits. After a critical mass of suppliers was identified, the USAID Trade Hub led buyer trips to facilitate face-to-face discussions likely to result in sustainable business relationships.

4.2 Agriculture and the Specialty Food Value Chain

While the scope of the USAID Trade Hub's IEHA efforts cover the SADC region, its Year 4 and 5 activities focused on Zambia and Mozambique, where strong potential in multiple products and the presence of USAID bilateral partners increased the likelihood of success. In 2009, the Hub was responsible for facilitating a significant new investment near Maputo, Moz ambique for the production of chilies, which will be used as inputs into the world-famous Tabasco product. These chilies will also be used in regional trade, as inputs into South African food products.

So Gourmet employees discuss the impact of their work

"I want to thank CARANA and U SAID for support throughout the past 4 years. Their market linkage activities have assisted Elephant Pepper to secure new exports to the United States, and they also assisted in work that helped Elephant Pepper secure new investment that will help smallholders in Mozambique. Our collaboration over the years has been a tremendous resource to my company."

-Michael Gravina, Managing Director, Elephant Pepper

CASE STUDY: Hot Seller that Helps Farmers and Elephants


Americans are now able to get a healthy dose of African heat while feeling good about what they are eating. Elephant Pepper, a chili product manufacturer with a Southern African footprint packing support for wildlife conservation and rural economic development into great tasting products, is rolling out a U.S. export program. Elephant Pepper reported more than $500,000 in sales for 2009, attributable to the U.S. market.

Its products were inspired by the conservation work of the Elephant Pepper Development Trust (EPDT), which works with rural farmers to grow chilies for elephant deterrent schemes –like chili-laced fences with cowbells or chili dung briquettes –to keep elephants from raiding their subsistence crops. Why chilies? While people may enjoy sprinkling food with chili, elephants are repelled by capsaicin, the substance in chilies that makes them hot. The Trust helps mitigate a wildlife-human conflict that often leaves elephants dead and the food security of communities threatened.

Elephant Pepper uses the same chilies hated by pachyderms for its sauces, so farmers growing chilies as an elephant deterrent can earn extra income as well. Over 300 rural farmers in the region benefit from the sales of its products. Putting its ethical business philosophy into action, it pays farmers above-market prices for chilies and living wages for farm workers, so every bottle not only tastes good, but is good for Africa as well.

A portion of sales are donated to EPDT and the World Conservation Society "Saving Elephants" program. WCS calls Elephant Pepper's work "an elegant and pragmatic solution that directly benefits both wildlife and the local people" and agreed to have its logo appear on the products.

The Trade Hub has been assisting Elephant Pepper in its U.S. marketing efforts since 2006, with support to take part in Fancy Food Shows and other market linkage assistance. The Trade Hub also assisted in the coordination of the Food Emporium "Taste of Africa" Promotion. In 2009, the Trade Hub assisted Elephant Pepper with a $1.35 million investment in its operations in Mozambique, expected to benefit more than 700 rural smallholders.

See www.elephantpepper.com or www.elephantpepper.org

4.3 Private Sector Associations

4.3.1 Botswana Cattle Producer Association

In 2008, the USAID Trade Hub supported the Botswana Cattle and Beef Sector through support to the Botswana Cattle Producers Association (BCPA). The Hub's support of this association helped to establish it as the primary organization responsible for capacity building in the cattle sector, and creating linkages for trade policy advocacy and technical assistance for cattle producers in Botswana.

In addition, the Hub helped to:

- Support a Gen eral Manager (GM) to assist in establishing the BCPA as an organization;
- Develop materials to educate producers concerning weaner production and promote the creation of district based cattle producer associations; and,
- Disseminate this information throug hout the country using an innovative website that will improve access to real time market information and to create backward and forward linkages in national and regional agriculture value chains to facilitate trade and to drive intra-regional market integration.

The Hub also worked with the BCPA to ensure that all National Commodity Associations (horticulture, small -stock, pigs, cattle, grain, dairy, wildlife, ostrich & poultry) will have their own template web pages to showcase their respective commodity sub-sectors and to share ideas on howto move their sub-sectors forward.

4.3.2 South African Fine Food Association

Over the life of the project, and as exports from South Africa in the specialty food sector increased to the United States under AGOA an d other parts of the world, the industry decided there was a need to form an industry association. In 2009, the South African Fine Food Association (SAFFA) formed to: advocate for policy impacting the industry in South Africa; assist with transportation and logistics issues; streamline marketing and promotional activities; provide industry information on trade shows and global specialty food events; and share capacity building information throughout the South African fine food industry.

The Hub was invo lved with SAFFA at its inception, and provided technical assistance to form its incorporation. SAFFA is a self supported organization based in Cape Town, South Africa. The formation of SAFFA is an example of the success of the Hub's work in the specialty food sector. As exports increased from the Cape in South Africa, the industry recognized the need for an organized industry association to further their interests in export markets, and share best practices in production.

4.3.3 SADC Honey Council

Since 2007, the USAID Trade Hub has worked on the honey value chain in Southern Africa. In 2008, Agriculture Advisor Johan Labuschagne trained beekeepers in Swaziland to use the Langstroth hive, providing rural farmers with new technology to produce honey in an efficient, sustainable way. The training resulted in rural farmers in Swaziland building more than 1000 new hives, and producing honey for 60% of the Swazi market.

Beehive keeper in Swaziland discusses the value of Hub training on the production of Langstroth Hives

As SADC countries grew their honey sectors, many bee health and cross border trade issues impacting regional trade arose, and it became evident that a regional forum to address these issues was necessary. In March 2008 the USAID Trade Hub, in collaboration with USDA PASA contractors, sponsored the regional meeting of the SADC Honey Council. This council was set up to address regional trade and SPS issues facing the industry in Southern Africa. Members are currently collaborating on a newsletter and further meetings to resolve trade and policy issues in Southern Africa.

5. LESSONS LEARNED AND RECOMMENDATIONS

While the USAID Southern Africa Trade Hub has successfully created a substantial amount of new trade, there are opportunities for additional activities that could build upon the work of the Hub to create further export-led economic growth in the Southern Africa region.

5.1 NEW MARKETS

The Hub has created substantial new exports under AGOA to the U.S. market, by linking producers with major international buyers, creating the opportunity for new relationships with global players in the apparel, specialty food, agriculture and furniture product segments. With additional resources, the Hub could focus on additional new markets where there is significant demand for Southern African firms, including Europe, the Middle East and Asia. New trade agreements, such as the European Partnership Agreements (EPA) have opened up new opportunities for trade with Southern Africa. Future projects could consider trade with Europe and the Middle East for specialty foods and apparel.

5.2 NEW SECTORS

The Hub is currently focusing on processed foods and apparel, and with limited funding can focus on few other sectors and companies. However, there are significant opportunities in the natural products, organic products, footwear and other sectors in Southern Africa that would significantly benefit from USAID Trade Hub market linkage services to grow exports.

5.3 SEMINARS AND TRAINING PROGRAMS

The USAID Trade Hub's primary focus is on Export Ready companies, or companies with the capacity to export in terms of funding, market readiness and commitment to investment and upgrades in their business models. Domestic competitive companies, or companies that need assistance making it the final steps of the way, receive training on product standards, market trends, pricing, and export logistics. With additional support for Domestic Competitive companies, many of these firms could move into a more direct engagement with international markets through trade shows, B2B events, and direct buyer engagement.

5.4 Branding Africa

There is significant need for additional resources to market African companies at Trade Shows and business networking events as a group. American buyers are unfamiliar with what Africa has to offer, and grouping multiple high-quality African products is an effective way to Brand Africa. An example of Branding Africa would be further support for Africa Pavilions at trade shows, or specific business or networking events that feature African products. This activity could be facilitated with the East and West Africa Trade Hubs.

5.5 U.S. - Based Market Facilitation

The Africa Fast Track Trade (AFTT) project, which was completed in 2007, played a significant role in working with the USAID Trade Hubs in Africa to: identify additional U.S. business opportunities; network with trade associations; follow up on trade leads; trade show management; follow up with investors; contact potential buyers, and facilitate equipment and technology supplier sourcing. There is significant need for resources to support a U.S. – based specialist, or team of specialists to back all of the USAID Trade Hubs for these services.

5.6 Productivity Enhancement

As African companies receive export orders, they must make critical decisions about investments, productivity enhancements and additional hires. In addition, they must consider logistics in supply chain management, including sourcing decisions. These critical business model changes assist with improved efficiency and lead-times, both critical factors in export growth. With additional funding, the USAID Trade Hub could assist these firms with critical productivity enhancement decisions through consulting services.

5.7 Financing

As exporting companies grow, there is a need for finance to upgrade equipment, facilities and overall production. These growing companies often lack the capacity and time to facilitate new investments, and are often part of the "missing middle" in SME finance. Further programs should include targeted funding to assist small companies to access finance for their operations.

5.8 Work on SPS Issues

One of the key limitations on this project in agriculture was the difficulty to trade in Southern Africa due to SPS issues. Regional trade in fresh fruits is hindered by the presence of the *bactrocera invadens* fruit fly, which is moving south and is currently in both Zambia and Mozambique, countries with potential to trade fruit in Southern Africa. Due to the serious concern about its own exports to the rest of the world, in 2009

South Afri ca denied import permits from Mozambique for fresh fruit, which caused serious problems for mangoes produced in Mozambique. In the future, South Africa will continue to ban fruit where *bactrocera invadens* is present. Any future project should consider th is serious problem for regional trade, and the lack of capacity for SADC countries to mitigate these pests due to financial and capacity constraints within their agriculture ministries.

6. ANNEXES

6.1 Final Project PMP
6.2 Brands
6.3 Media
6.4 Success Stories
6.5 Technical Reports

ANNEX I – PERFORMANCE MONITORING PLAN

Annex I – PMP

Element	#	Indicator	Baseline (Yrs 1 – 3)	Year 4*		Year 5		Life-of-Project	
				Target	*Achieved*	*Target*	*Achieved*	*Target*	*Achieved*
Trade and Investment Capacity	1	Number of firms receiving capacity building assistance to export	100	100	141	100	259	300	500
	2	Number of capacity-building service providers receiving USG assistance	1	5	7	5	7	11	15
	3	Dollar value of exports from Southern Africa as a result of USG assistance (AGOA and non-AGOA)	$8 million	$10 million	$19.2 million	$15 million	$19.4 million	$33 million	$46.3 million
	4	Number of buyer/seller linkages established in export markets as a result of USG assistance	250	500	885	300	852	1050	1987
	5	Dollar value of new investments made in export capacity as a result of USG assistance	0	$1 million	$295,000	$500,000	$1.35 million	$1.5 million	$1.65 million
Agricultural Sector Productivity	6	Number of agriculture-related firms benefiting directly from USG supported interventions	N/A	50	99	10	12	60	111
	7	Number of producers organizations, water users associations, trade and business associations, and community-based organizations (CBOs) receiving USG assistance	N/A	5	7	7	7	12	14
	8	Number of buyer/seller linkages established in the agricultural sector as a result of USG assistance	N/A	150	182	25	260	175	442
	9	Dollar value of new investments made in agricultural capacity as a result of USG assistance	N/A	$500,000	$295,000	$100,000	$1.67 million	$600,000	$1.97 million
	10	Number of farmers, processors, and others who have adopted new technologies or management practices as a result of USG assistance	N/A	N/A	15	20	720	20	735
Private Sector Productivity	11	Number of new members in private business associations as a result of USG assistance	N/A	20	30	20	24	40	54
	12	Number of public-private dialogue mechanisms utilized as a result of USG assistance	N/A	5	7	5	5	10	12

Trade and Investment Capacity

1. Number of firms receiving capacity building assistance to export

This is an OP indicator. Du ring 2009, a total of 137 firms received capacity building assistance to export. The target set was 100 firms, and this target was exceeded by 37 for FY 2009. Firms are listed below. The target for the life of the project was 300, and 500 was achieved.

Venue	# of Firms	Firms
Fancy Food Show	11	Cotomili & Caripoul – Mauritius Elephant Pepper – Zambia Eswatini Swazi Kitchen – Swaziland Labourdonnais – Mauritius Loaded Smoothie – South Africa Madecasse – Madagascar Poivre D'or – Mauritius Sanolio Oils and Nuts – South Africa Talier Trading – U.S. Wild Foods – Botswana Zambezi Organic Forest Honey – Zambia
MAGIC Las Vegas (February 2009)	11	Cool Ideas – Africa Wide (Based in South Africa) Corona Clothing – Mauritius Dallas Garments – Mauritius Dinhatex – Africa Wide (Based in South Africa) MIW SARL – Madagascar Palmar Group (Knits and Woven)– Mauritius Prosimex Industrial – Mauritius RT Knits – Mauritius Shibani Inwear – Mauritius Star Knitwear – Mauritius Tex-Ray – Swaziland
MAGIC Las Vegas (August 2009)	8	Aquarelle Clothing Ltd – Mauritius BH Industries Ltd – Mauritius Dinhatex – South Africa Firemount Textiles Ltd – Mauritius Karina International – Mauritius MIW Sarl – Madagascar Palmar International (knits) – Mauritius Palmar Limitee (wovens) – Mauritius RT Knits – Mauritius Star Knitwear – Mauritius Tamak – Mauritius Tropic Knits – Mauritius Uniforms Ltd – Mauritius
International Contemporary Furniture Fair	1	Mabeo Furniture
Business to Business Event	54	54 Buyers and Sellers Participating
Export and Logistics Support	8	African Cichlids Aqua – payment collection advice Alan Stokes – market linkages support Ontec Logistics – Business plan advice

		Rolfes Colour Pigments International – HTS number and tariff advice Seymour Englander – HTS and export advice for beaded handicraft items Soulicious Chocolate – retail pricing information Spice Mecca – marketing information Wild Foods – market linkages support
Assistance in Finance and Investment	--	Elephant Pepper – Feasibility Study advice Mabeo furniture – Advice on financing and support from Jeff Chen, TCP intern
Workshop on Exporting Food Products to the U.S. in Cape Town, South Africa	4	42 Participants
Buyers Breakfast at the Fancy Food Show 2009	40	154 Participants
TOTAL	**137**	

2 . Number of capacity-building service providers receiving USG assistance

This is an OP indicator. During 2009, a total 7 capacity -building service providers received USG assistance. The target set was 5 firms, and this target was exceeded by 2 fo r FY 2009. A list of the capacity -building service providers is listed below. The target for the life of the project was 11 and 15 were achieved.

Capacity-Building Service Provider	Type of Assistance
Botswana Cattle Producers Association	Assistance in policy advocacy and development of website for cattle producers with market and price information.
Botswana Exporters and Manufactures Association (BEMA)	Multiple workshops on market and logistics issues of exporting to the U.S. market; assistance on national export strategy for Botswana.
Lesotho Textile Exporters Association	Technical and marketing support for firms participating in the B2B event, guidance on policy impacting the private sector.
Enterprise Mauritius	Technical and marketing support for participation at the MAGIC Show.
Western Cape Export Association	Information and technical advice on how to assist Western Cape specialty food companies to access the U.S. market.
South African Fine Foods Association	Information and advice on formation, market information, and further export capacity assistance from the Trade Hub.
Southern African Honey Council	Initial meeting support, technical advice.

3. Dollar value of exports from Southern Africa as a result of USG assistance AGOA - $46.3 million

This is a custom indicator. For the life of the project, a total of $46.3 million was achieved in the textile and apparel, specialty food, and other product categories, exceeding the life of project target of $33 million by $13.3 million. This figure incl udes 2009 figures of $19 million of which $6 million are pipeline. Therefore shipped orders in 2009 are $13 million. The Trade Hub reports the value of confirmed (shipped) orders in export data to control for deals that are agreed upon at trade shows andB2B events, but not followed through.

The Trade Hub also tracks pipeline deals, or orders expected in the future, and then returns to client firms and tracks which orders have been shipped according to information provided by firms. The Trade Hub also instructs supported firms to only report deals that they consider to be attributable to Trade Hub assistance. This factor, combined with reluctance on the part of some firms to reveal the full extent of their business dealings, likely results in the under stating of the value of exports facilitated by the Hub.

Sector	Transaction Type	Pre-2008	Shipped 2008	Shipped 2009	Total
Apparel	Finished Garments, including textiles and trims to International and Regional Markets	$8 million	$16.9 million	$14.6[1]	**$39.5 million**
Specialty Food	Africa Set Exports (Talier Trading, Southern African companies)	-	$1.2 million	$2.2 million	**$3.4 million**
	Other specialty food exports	-	$646,000	$1.670 million	**$2.316 million**
	Total Specialty Food	**-**	***$1,846,000***	***$3.870 million***	***$5.716 million***
Other	Mabeo Furniture	-	**$500,000**	**$570,000**	**$1.07 million**
TOTAL		**$8 million**	**$19.246 million**	**$ 19 million**	**$46.3 million**

4. Number of buyer/seller linkages established in export markets as a result of USG assistance.

This is a custom indica tor. The opportunity for buyers and sellers to meet and interact is critical to facilitate export orders. The target for this indicator was 300. During 2009, a total of 852 buyer/seller linkages were established in export markets as a result of USG assistance.

1 *Includes 6 million pipeline to be shipped in 2009.*

Trade Shows	Buyer/Seller Linkages
MAGIC (February and August)	152
Fancy Food Show	255
Business to Business	440
Other	5
TOTAL	**852**

This figure includes the MAGIC Trade Show, B2B meetings, and Fancy Food Show. The target for 2009 was 300, and this target was exceeded by 552 for FY 2009. The target for the life of the project was 1050 and 1987 were achieved.

5. Dollar value of new investments made in export capacity as a result of USG assistance.

This is a custom indicator. The TCP has wo rked with companies who are investing in their capacity as a result of new exports (facilitated by the project). During 2009, a total of $1.35 million was invested in business operations. Two clients of the Trade Hub, Elephant Pepper (Mozambique) and Lab ourdonnais (Mauritius) accounted for this number. $1.2 million of this figure is the new investment for chili production in Mozambique. The target for 2009 was for $500,000. The TCP exceeded this target for FY 2009 by $850,000. The target for the life o f the project was $1.5 million and $1.65 million was achieved.

AGRICULTURAL SECTOR PRODUCTIVITY

6. Number of agriculture -related firms benefiting directly from USG supported interventions.

This is an OP indicator. Firms benefited from market informati on, technical assistance, and training activities. Firms are listed below. During 2009, a total of firms benefited from USG supported interventions. The target for 2009 was 10, and this target was exceeded by 2 for FY 2008. The target for the life of project was 60 and 11 were achieved.

Firm	Type of Assistance
Elephant Pepper	Facilitated investment via feasibility study
Wild Foods	Assisted with market linkage activities to the USA
Eswatini Swazi Kitchen	Assisted with honey production advice
Labourdonnais	Introduced to importers resulting in sales.
Poivre dÓr	Facilitated introduction to new importer
Loaded Smoothie	Provided marketing information in USA
Zambezi Organic Forest Honey	

Madecasse	Assisted to launch product in Washington area
Cotomili & Caripoul	Provided further information about FDA regulations
Sanolio Oils and Nuts	Provided information about U.S. importers.
Talier Trading	Linked with MATEP on food development
Alan Stokes	Linked with buyers and network at Fancy Food Show

7. Number of producer organizations, water users associations, trade and business associations, and community -based organizations (CBO's) receiving USG assistance

This is an OP indicator. Firms benefited from market information, technical assistance, and training activities. Firms are listed below. During 2009, 7 producer organizations, water users associations, trade and business associations, and CBO's received USG assistance. The target for 2009 was 7. The target for the life of the project was 12 and 14were achieved.

Firm	Type of Assistance
Southern Africa Honey Association	Assistance with setting up the first meeting and facilitating the organization of this association.
Eswatini Swazi Kitchen	Training on production for honey, including hive develop ment and efficiency. Result is 80 new hives utilized.
Zambian Honey Producers	Assistance to develop a honey and bee survey system to establish a country free from American Foul Brood (AFB) to replace the current irradiation protocol.
Southern Africa Fine Food Association	Assistance and advice regarding set up, roles and interaction with the Trade Hub
WESGRO	Collaboration on a workshop to assist Western Cape Exporters to understand the logistics of the U.S. market.
Botswana Cattle Producers Association	Assistance toward developing a website with price information for members.
LTEA	Assistance with advocacy on apparel and textile related advocacy issues.

8. Number of buyer/seller linkages established in the agricultural sector as a result of USG assistance.

This is a custom indicator. The opportunity for buyers and sellers to meet and interact is critical to facilitate export orders.

Trade Shows	Buyer/Seller Linkages
Fancy Food Show	255
Other	5
TOTAL	**260**

During 2009, a total of 260 buyer/seller linkages were established in the agricultural sector as a result of USG assistance. The target for 2009 was 25, and this target was exceeded by 235 for FY 09. The target for the life of the project was 175 and 442 were achieved.

9. Dollar value of new investments made in agricultural capacity as a result of USG assistance.

The TCP has worked with companies who are investing in their capacity as a result of new exports (facilitated by the project). During 2009, a total of $1.674 million was invested in business operations. Three clients of the Trade Hub, Elephant Pepper (Mozambique) and Labourdonnais (Mauritius) accounted for this number. $1.2 million of this figure is the new investment for chili production in Mozambique. $324,000 is attributable to the building of 1800 new Langstroth hives in Swaziland due to Johan Labuschagne's training program. The target for 2009 was for $100,000. The TCP exceeded this target for FY 2009 by $1,574,000. The target for the life of the project was $600,000 and $1.97 million was achieved.

10. Number of farmers, processors and others who have adopted new technologies or management practices as a result of USG assistance.

This is an OP indicator. This indicator has been added to capture the technical assistance activities provided by the TCP that have resulted in new technologies of management practices as a result of work in the agriculture sector. During 2009, a total of 720 farmers adopted new technologies as a result of USG assistance. Farmers in Swaziland adopted new equipment to produce honey for Eswatini Swazi Kitchen, as a result of training in November conducted by Johan Labuschagne. The target for 2009 was 20, and this target has been exceeded by 700. The target for the life of the project was 20 and 735were achieved.

PRIVATE SECTOR PRODUCTIVITY

11. Number of new members in private business associations as a result of USG assistance.

This is an OP indicator. During 2009, a total of 18 members joined the Southern Africa Honey Association. In addition, the South African Fine Foods Association was formed and the board consists of 6 new members with the likelihood of 30 new members proposed. It is expected that additional members will join SAFFA in FY 2010. The target for 2009 was 20, and the target was exceeded by 4. The life of project target was 40, and 54 were achieved.

12. Number of public-private dialogue mechanisms utilized as a result of USG assistance.

This is an OP indicator. During 2009, a total of 5 public-private dialogue mechanisms were utilized as a result of USG assistance. The target for 2009 was 5. The target for the life of the project was 10 and 12 were achieved.

Public-Private Dialogue Mechanism	
Southern Africa Honey Association	The TCP supported the first meeting of the So uthern Africa Honey Association, which is a regional group of honey producers.
AGOA Forum (Nairobi, Kenya)	The TCP supported the Specialty Food panel, by facilitating a presentation with the United States Trade Representative on exporting specialty food s under the African Growth and Opportunity Act (AGOA).
Specialty Food Exports to the United States	The TCP, in conjunction with the Corporate Council on Africa's SAIBL program, supported a workshop about exporting specialty foods to the United States in Cape Town, South Africa.
Buyers Breakfast	The TCP supported a seminar and discussion on the margins of the 2009 Fancy Food Show in New York City about exporting specialty foods to the United States.
AGOA Forum (Nairobi, Kenya)	Amanda Hilligas, former Dir ector of the Trade Competitiveness Project, made a presentation at the 2009 AGOA Forum on the apparel sector and policy issues facing the industry.

DATA COLLECTION AND VALIDATION

The Trade Competitiveness Project staff and CARANA home office staff have utilized direct interviews with assisted firms and organizations, consultant trip reports and data collection records, as well as on -site inspections to gather data in this report. Transaction -specific data emerging from participation in trade shows and other market linkages activities sponsored by the Hub is based on reporting by participating firms. Information on membership in business associations and utilization of public -private dialogue mechanisms is based on official records. Adoption of new tec hnologies and management practices by agricultural firms will are verified during site visits.

Data quality for all indicators is considered to be high, particularly for indicators verified through site visits. Data emerging from interviews with supporte d firms, such as export values and investments, is somewhat less reliable. The Trade Hub reports the value of confirmed (shipped) orders in export data to control for deals that are agreed upon at trade shows and B2B events. The Trade Hub also tracks pip eline deals, or orders expected in the future, and then returns to client firms and tracks which orders have been shipped according to information provided by firms. The Trade Hub also instructs supported firms to only report deals that they consider to be attributable to Trade Hub assistance. This factor, combined with reluctance on the part of some firms to reveal the full extent of their business dealings, likely results in the understating of the value of exports facilitated by the Hub.

ANNEX 2 – BRANDS

ANNEX 2 – BRANDS

The Trade Hub's brand development is being done on a sector-by-sector basis and features three stages:

1. **Brand and Visuals Design.** The Trade Hub, in collaboration with partners, including the West and East & Central Africa Trade Hubs, export promotion councils, IFC's Pangea African Market & Café and other public and private projects, has now created "African brands" in two sectors (see table below). Branding is more than a logo. The values behind these brands – a commitment to quality, authenticity and the positive social impact of buying Southern African products – are reinforced and multiplied through all aspects of the Trade Hub's work in each sector and together. The brands represent their respective industries as dynamic, achieving and optimistic. In addition to a website full of up-to-date and relevant information for each sector's target market, the Trade Hub develops a range support materials and take-aways that communicate the brands' key attributes: post cards, mass-emails, CD-ROMs, brochures, press-releases, advertising and other sector-specific materials, like product catalogs, hangtags and cookbooks.

Brand	Sector	Trade Shows	Website
Taste of Africa	Specialty Foods	Fancy Food Show	www.tasteafricanow.com
source AFRICA	Apparel	MAGIC	Coming soon

2. **Brand Recognition**. In order to produce real returns, a brand must be recognized by clients and others and this requires concerted, consistent and sustained promotion. Presence at trade shows has to be repeated in order to establish credibility in the marketplace, and similarly, marketing and publicity campaigns have to be diversified and regular. The Trade Hub maps out a marketing strategy for each sector to include multiple marketing channels (website, direct mail, advertising in industry publications, and special events like buyer receptions and breakfasts) that drive the brand into a

buyer's consciousness while providing relevant and informative content. It is important to sustain and update these marketing initiatives to reinforce the brand's stability and the companies' and the Trade Hub's professionalism.

3. **Brand Credibility**. The ultimate goal of a brand is to build credibility and confidence in the product and its source beyond simple recognition. The brand can then be used to promote the products directly to the consumer, as a certification label for a set of criteria, or as source identification. Apparel's Source Africa brand now effectively identifies African manufacturers as a *competitive* source at trade shows.

ANNEX 3 – MEDIA

Africa: Regional Trade Hubs Help Foster U.S.-Africa Trade

America.gov (Washington, DC), 14 July 2009

Charles W. Corey

The United States operates four regional trade and competiveness hubs in sub-Saharan Africa. They aim to assist, enhance and broaden the flow of trade between the United States and the region, both inside and outside the terms of the historic African Growth and Opportunity Act (AGOA).

The four trade hubs -- located in Ghana, Senegal, Botswana and Kenya -- provide information and technical expertise to enhance and expand bilateral trade between the United States and Africa.

Nathan Van Dusen, an economist with Carana Corporation, which is working under contract with the U.S. Agency for International Development (USAID) to help manage the West and Southern Africa trade hubs, spoke in an interview with America.gov. He described the key role trade hubs play in helping firms and government agencies take advantage of trade opportunities with the United States. He acknowledged that some 80 percent of U.S.-Africa trade under AGOA is in petroleum-based products and said the hubs are not concerned with petroleum trade but rather in expanding the nontraditional export sectors for U.S.-Africa trade.

The trade hubs, he said, are helping to expand textile and apparel trade -- particularly trade in surgical scrub suits for hospitals. Additionally, the U.S. apparel retailer GAP Inc. has been obtaining much of its product line from southern Africa, the CVS drug store chain has been getting work wear for its employees, and Wal-Mart has been purchasing T-shirts and other low-end apparel items from West and Southern Africa.

"So there are a lot of U.S. companies that are doing business in the region, and we are seeing increasing interest, particularly with political risk in parts of East Africa becoming a problem for some manufacturers and also due to some uncertainty on where the labor market is going to go with China," with the possibility of rising labor costs in China, Van Dusen said.

Van Dusen said his trade hubs sent African business representatives to a large specialty food and trade show food show in New York in June. "Specialty foods last year in the United States were an $80 billion industry, and prior to the trade hubs working in this sector, there really was no presence of genuine African themes and manufactured products in the U.S. specialty foods market. We are now seeing a growing presence."

The hubs are now working with a specialty business operation that places "sets" of theme foods (French, Spanish, German, etc.) in U.S. supermarkets. This business group launched an African "set," which first was picked up by the Food Emporium, a grocery chain in New York City, and now that same set is in more than 7,000 grocery stores nationwide. The set, he said, includes "a variety of products from West Africa, Southern Africa and East Africa. It is a lot of sauces, jams, spice mixes and some milled flours. This importer has really taken a new risk in trying to create a new product area for the U.S. marketplace for specialty foods and it seems to be taking off."

Additionally, Van Dusen said the trade hubs have also been active in expanding the handmade gifts and décor trade and product sector, which includes beaded jewelry, Rwandan gift baskets and traditional Malian Bogolan or mud cloth bags, which have been put in Hallmark Gift Stores nationwide in the United States. That came about, he said, after the Hallmark Company came to the trade hubs and asked for products that could be easily stocked.

While tariff preference programs like AGOA have some impact in getting American companies to invest in Africa, he cautioned that they are not sufficient in themselves to stimulate trade between the United States and Africa.

"When we talk to aspiring or current exporters in the region, and when we talk to buyers and investors in the U.S. about sourcing from Africa or putting manufacturing operations in Africa, they do ask about tariff preferences, but they also ask about investment incentives, education levels and transportation costs. So the trade hubs, in addition to helping companies take advantage of the tariff preferences, are working in these other areas," he said.

Other factors, such as transport costs, time to market, labor productivity and rule of law are also important, he said. "There are a lot of factors that go into making that decision for a company. Tariff preferences [like AGOA] matter, but that may be 10 to 20 percent of what goes into that decision, depending on the company and what their requirements are," Van Dusen said.

The trade hubs provide assistance in helping companies manage "onerous paper requirements" that go along with tariff preferences, he explained. "In order to get a product into the United States under AGOA, you have to go through certain steps," which include the certification of a product's country of origin and the accompaniment of the proper U.S. customs forms filled out with all of the right codes

BUSINESSDAY
NEWS WORTH KNOWING
Thursday, 17 April 2008

Posted to the web on: 15 April 2008

African rag trade aims to beat off cheap imports

Mathabo le Roux

Trade and Industry Editor

WHILE the woes of SA's clothing and textile industry look set to continue, an initiative to promote a regional response to the threat of cheap imports gives hope that the industry can pull itself up by its bootstraps.

The two-day African apparel business-to-business (B2B) event, to link up companies across the value chain across borders, is to be hosted for the fourth successive year at Leriba Lodge in Pretoria from May 20.

Supported and organised by the USAID-funded Global Competitiveness Hubs in east, central, southern and western Africa, the event's goal is to engender closer collaboration between players along the value chain and strengthen competitiveness in the region.

This is the sort of holistic regional approach trade experts moot as the only realistic option for African countries with small markets to gain a foothold in the international trade arena: to create economies of scale with a united, regional bloc that can trade with the rest of the world. And in achieving this, the image of a brand and the industry as a whole is expected to improve.

Dubbed "speed dating for manufacturers" by an organiser, the event's achievement since inception has been nothing short of astonishing, and businesses in the industry are clamouring to sign up.

From humble beginnings, it this year includes participants from Uganda, Cameroon, Botswana, Benin, SA, Ghana, Ethiopia, Kenya, Lesotho, Namibia, Madagascar, Malawi, Mauritius, Swaziland, Tanzania and Zambia. Contracts worth $5,3m in the region have been signed and $2,7m worth of business went to the US. And, importantly, long-term partnerships have been established.

"There have been some misgivings from certain buyers to source from China on quality concerns, so they are looking at alternatives such as Cambodia, Vietnam and Bangladesh. What we would like is for them to consider Africa as a viable alternative," says Brett Johnson, a trade and business manager with the Global Competitiveness Hub in Botswana.

"There remain many opportunities for retailers such as Woolworths and Mr Price to source from manufacturers in Africa, rather than Asia, and stimulate regional integration. And even on price the business case is compelling." The regional approach also makes sense as it can help cut delivery time, a critical element in this fiercely competitive industry.

The big failure of the industry in Africa, however, appears to be lack of market intelligence. Companies tend to operate in a vacuum, with little or no interaction between producers and potential suppliers. Many do not know the others exist. Johnson says: "There are opportunities for Lesotho to source fabric from Mauritius, or designs from Ghana and cut down lead times.

"But companies simply source from suppliers in the Far East, not realising that there are potential suppliers right on their doorstep that can complement their business."

The B2B event aims to address this lack of regional focus and create a vertically integrated value chain with companies in the region. Don't think of an ordinary B2B event where businesses arbitrarily meet in the vague hope of linkages. Think of a B2B on steroids.

The initiative of independent consultant Joop de Voest, the event is months in the making, involving the industry stalwart travelling the continent, finding suitable participants and matching them meticulously with one another, or in some instances with several others. So meetings are based on painstaking pre-event analysis of firms covering the entire value chain:spinning, weaving, knitting and trimming.

So successful has the event been that big retailers abroad have taken note. Six top retail buyers from the US — Top Shop is one — and SA will attend.

The event really offers valuable data base of top industry players in the region.

"The main winning point is that we are able to bring up to 70 companies together from around the region and do matchmaking in a very short space of time. Lots of business has taken place because businesses see us as a reliable source of information," says Johnson.

"All the News
That's Fit to Print"

The New York Times

Late Edition
New York: **Today**, hazy sun early, storms in afternoon, high 86. **Tonight**, showers, storms, low 68. **Tomorrow**, sunshine, seasonable, high 83. **Yesterday**, high 92, low 79. Details, Page D8.

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Dining In
WEDNESDAY, JULY 11, 2007
The New York Times

At a Showcase of Fancy Foods, the World Seems to Expand

By FLORENCE FABRICANT

PERI-PERI fires up the food of Malawi. The Malawians hope it can do the same here.

Nali-brand sauces made from peri-peri — bird's-eye chilies — are among the first products exported from the small nation near South Africa. This week they were offered in varying degrees of heat at a booth at the Fancy Food Show, one of 27 sub-Saharan displays at the exhibition.

Last year, there were seven displays from that region.

The geography of the show, a trade exhibition of specialized food products that ended a three-day run yesterday at the Jacob K. Javits Convention Center in Manhattan, has been changing significantly.

The show had products from 73 countries and territories this year, including some newcomers: Nicaragua, Costa Rica, Syria, Palestine, Russia, Benin, Rwanda, Uganda and Swaziland.

"A lot of new countries are participating in this year's show," said Ron Tanner, the vice president for communication and education of the National Association for the Specialty Food Trade, which runs the event. "And many of them, especially from Africa, are doing it with help from American agencies that work in international development. The interest in African products is a fairly new thing, and it's growing. Americans are into trying new flavors."

Ingrid Wright, program manager of Africa Fast Track Trade, which uses money from the United States Agency for International Development to help companies from countries including Malawi, Ethiopia and Kenya develop and market products, said exporting to the United States is more daunting than exporting to Europe. "Packaging, labeling and other rules are different," Ms. Wright said. "More hand-holding is needed."

Veronica Malama, who was working at the Malawi booth yesterday, agreed.

"New York is a big step for us," she said.

South Africa, which also comes under Ms. Wright's umbrella, seemed more than ready for prime time, with sophisticated products like Nomu's vanilla paste in a squeeze bottle, and Verlaque balsamic reductions flavored with pomegranate.

Countries from the former Soviet Union were also a growing presence.

Georgia, a former Soviet republic, was here for the first time. Agriculture represents 22 percent of its gross domestic product, but it has lost its biggest market, Russia, which imposed an embargo on Georgian food in 2006. With help from U.S.A.I.D., Georgian bottled water, hazelnuts and condiments were displayed at the show, along with brandies and wines.

The country has long been a major wine producer, and its wines, some made in joint ventures with Italian companies, and most using traditional red grapes like saperavi, were available for tasting. But they might prove to be a hard sell here.

Mr. Tanner said that countries in Central and South America have been coming to the show for a decade. This year many of them brought local products packaged to cater to American expectations.

Peru's booths included a light, herbaceous nut oil, sacha inchi, touted for its omega-3 content, and gluten-free amaranth biscuits from Cuzco Foods, as well as a collection of crisp skewer-thin breadsticks, Palitos, in 10 flavors.

Asian countries have also been an established presence. But China's booths, even those like Fuxin Native Produce, with apricot-pumpkin and bitter melon-spinach noodles on display, did not seem very popular. Recent news reports of contaminated Chinese products may have been a factor.

Imported food has been a major part of the show since its inception 53 years ago. In the early days, foods from France, England, Germany and Italy were dominant. American-made goat cheeses, olive oils and salsas did not exist until the 1980s. Imported products defined "gourmet."

In addition to the 900 or so international booths, there were many American importers of foreign products, like Cheeseworks and Atalanta, with enormous displays.

A major trend, even from established sources like England, France, Italy and Greece, were foods from small-scale regional producers. Calabria, a southern Italian region that is far less known for its cuisine than Tuscany, had nine booths.

This year, in the 2,400 booths, along with the usual, expected proliferation of flavors and gimmicks — like licorice drinking straws from Italy, Temmy's kosher cornflakes from Egypt, cute chocolate frogs from V Chocolates of Salt Lake City, and the chef David Burke's alabaster-like slabs of Himalayan salt — there was a new natural and organic foods pavilion with 650 products. Gluten-free, organic, natural and alternative proteins (like flax) were the buzzwords.

Ginger-flavored foods, pumpkin-seed items, salts, new spice combinations in their own grinders and honeys of all kinds were among the 550 new products at the show.

But sometimes old can be new and worthy of attention. Lush old-fashioned Cream-Nut Peanut Butter, from Koeze, a family-run company in Grand Rapids, Mich., was at the show for its second year. The company has been making the product since 1910.

Photographs by Hiroko Masuike for The New York Times

THE EARTH'S MENU At the Fancy Food Show, visitors sampled products from Peru, candy from Mauritius.

Local businessman eyes big US market

A young Motswana entrepreneur is working around the clock to curve a niche for his locally-produced goods in the lucrative US market. **MOABI PHIA** reports.

[redacted]

It is not an everyday occurrence that one gets raving reviews from established international news publications such as ***Newsweek, The New York Times, Elle Décor***, the ***City Magazine*** of New York, and ***The Toronto Star***. But that is what Peter Mabeo and his pioneering contemporary office furniture business - *Mogomotsi* Enterprises (Pty) Ltd - have done.

And it does not end there for the 36-year-old Mabeo. With the assistance of the USAID Trade Hub, Mabeo will next week be jetting off to New York for the annual International Contemporary Furniture Fair (ICFF)- where he expects to identify a reputable sales agent who will assist in marketing his business in the US.

"These are really exciting times. However, it is my intention to remain as focused as possible so as not to lose track of what I want to achieve," said Mabeo calmly.

Mabeo's US sojourn will be carried out under the auspices of the Africa Fast Track Trade Program - which is a US trade initiative aimed at assisting companies in AGOA - eligible countries develop business linkages with US partner firms. Signed in 2000, the African Growth and Opportunity Act (AGOA) creates a window for sub-Saharan countries to penetrate the US market by granting them duty-free access into the market.

And according to Mabeo, the Botswana Export Development and Investment Agency (BEDIA) has also promised to assist with freight costs for moving his exhibition products to the US.

But for Mabeo, things have not always been as free-flowing as they may currently seem to be.

Mabeo's business opportunities are opening up

It all began in 1993 after Mabeo earned a diploma in Design and Technology from American Trade Institute in Miami, Florida. In 1995, at the age of 24, Mabeo started his business in a one-room workshop in the Tlokweng residential area.

A few years later, he moved his workshop to the Phakalane Industrial area where he continued operation until he landed capital funding from the defunct Financial Assistance Policy in 2000.

"Eventually, I got a substantial loan from the Citizen Entrepreneurial Development Agency (CEDA) and I decided to scale up the operation to a factory level," said Mabeo.

According to Mabeo, he has designed and manufactured office furniture for the past 12 years - literally taking his enterprise from a one-man operation in Tlokweng to a thriving upmarket operation with an average turnover of above US$600 000 (P1.8 million) and a staff of 40.

"My real break into the international arena came in 2005 after I linked up with Patty Johnson - a Toronto-based designer whose interests include promoting collaboration between developed and developing countries in the area of design and craftsmanship," said Mabeo.

The two later forged a partnership with another designer from South America to form the North South Project which went on to exhibit in New York in 2006.

"The project's name simply implied the merging of business ideas and designs from the northern and southern hemispheres," said Mabeo. The company's product line, according to Mabeo, includes office furniture, modular components, storage components, coffee tables and boardroom furniture.

"We are trying to break away from the age-old stereotype that every design from Africa has to be in the domain of craft. We are therefore merging craft and contemporary designs to create high-value-low-volume hand crafted furniture," said Mabeo.

"We are in the market and we want to stay and continue to participate for years to come and showcase our crafts."

DESIGN WITHIN REACH

APRIL 08, 2008

A seat with global reach. With her North South Project, Canadian designer Patty Johnson is extending the positive effects of globalization to places that have yet to benefit. In the case of her Maun Windsor Chair, that place is Botswana, Africa.

To create the Maun, Johnson went to Peter Mabeo, the founder of a furniture factory in Gaborone, Botswana, with a design brief for a collection of high-quality wooden furniture that could be produced by hand. The result is a chair with Shaker-inspired lines that meld with the abstract quality of African wooden sculpture. The tight linear grain of the white oak further emphasizes the chair's form.

▸ See the Maun Windsor Chair

▸ See all Seating

Made in Botswana: The design and manufacture of the Maun brings long-term benefits to the local craftspeople and community.

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New business networking

The Southern Africa Global Competitiveness Hub sponsored a two-day Business to Business conference in Johannesburg which was aimed at bringing together suppliers, manufacturers and retailers throughout Africa and America **By Jennifer Searle**

With growing determination to compete in a global market, the South African clothing and textile industry is looking to do business abroad. Events such as the Business to Business African Apparel Suppliers and Buyers Meet organised by the Southern Africa Global Competitiveness Hub (SAGCH) that took place in Johannesburg in May is an initiative that boosts such trade. "One of our aims is to foster regional integration and trade in the apparel industry in Africa," said Amanda Hilligas of the SAGCH. This was the third Business to Business meet and this year 11 countries were represented, 50 companies were present and approximately

60 delegates attended. "We scheduled 331 meetings and expect deals worth several million US dollars to come from it. There have also been some real business contacts made," she said.

Gerald Solomon of SA Fine Worsted confirmed that it was a networking exercise. "I attended with an open mind and thought that I could meet potential business partners or I could just meet fellow people in the business. I don't think anyone attended with the idea that it was a platform to do deals then and there. This was an opportunity to get a feel for other companies and discuss their deadlines and costings because research is always the starting point of writing business," he said. Nazley Kay, resourcing technologist in the menswear department at Woolworths, said she thought it would be a chance to learn about more opportunities in Africa for Woolworths. However, in her opinion, many delegates attending expected to sign business almost immediately. "A lot of delegates do not understand what it takes to run a big manufacturing business. There are a range of checks to be made – from fabric quality and garment construction to factory standards – before we sign contracts," she said.

Prior to the event, all the invited delegates were presented with questionnaires that outlined necessary company details such as staff body, turnover, lead times and nature of the business. From this, Joop de Voest, MPCS and Textile & Apparel Value Chain Leader Southern Africa Trade Hub and West Africa Trade Hub, who was instrumental in the planning of this event based on his extensive experience in research and strategy in Africa's textile industry, was able to pair up possible business matches. The delegates arrived at the two-day meeting and were presented with a schedule of pre-confirmed meetings of 15 minutes each and a portfolio of the attending companies' credentials.

Kay and Solomon agreed that the event was well-organised and that time-frames were strictly adhered to. However, Kay said she felt that 15 minutes was too short. "According to our business' requirements there was not enough time to find out all the necessary details," she said and added that about three of her 24 meetings were poorly matched and that when she read their corporate profile she could confidently gauge that they would not be suitable for Woolworths. Solomon said he used the opportunity to find new business ventures that are probably not typical of his line of business. "With the shrinking local market, I, as a manufacturer, have to think outside the box and since I have the machinery I can look to bringing in new types of business such as weaving mosquito nets. So I looked through the companies' profiles and spoke to people who might not be an obvious choice for SA Fine Worsted," he said. For his core line of product, which is poly-wool and wool blends, Solomon said that Africa is a difficult market as there is a low demand for these high-quality fabrics. "It's important to educate the possible partners of the quality of fabrics and then educate the public of the difference between wool blends and cotton blends. Consumers walk into a store and just see a higher price tag; if they know the differences in quality, they will understand the price difference. If the consumer is educated and wants to buy a quality product, then these possible partners will be guaranteed sales and will be more interested in our product," he said.

Solomon said that for this reason, the meeting was an ideal opportunity to network. This was part of De Voest's motivation for organising such an event. "With the advent of a whole set of new trade agreements (SADC, Comesa, Cotonou & EBA, AGOA etc), I realised that many companies would not be in a position to take advantage of these agreements because they lacked market intelligence of who is who in the zoo, doing what and where." While initially businesses were reluctant to participate in the 2002 Business to Business event because they perceived any other company as their competitor, by 2006 they were enthusiastic and requested that retailers and sourcing houses participate.

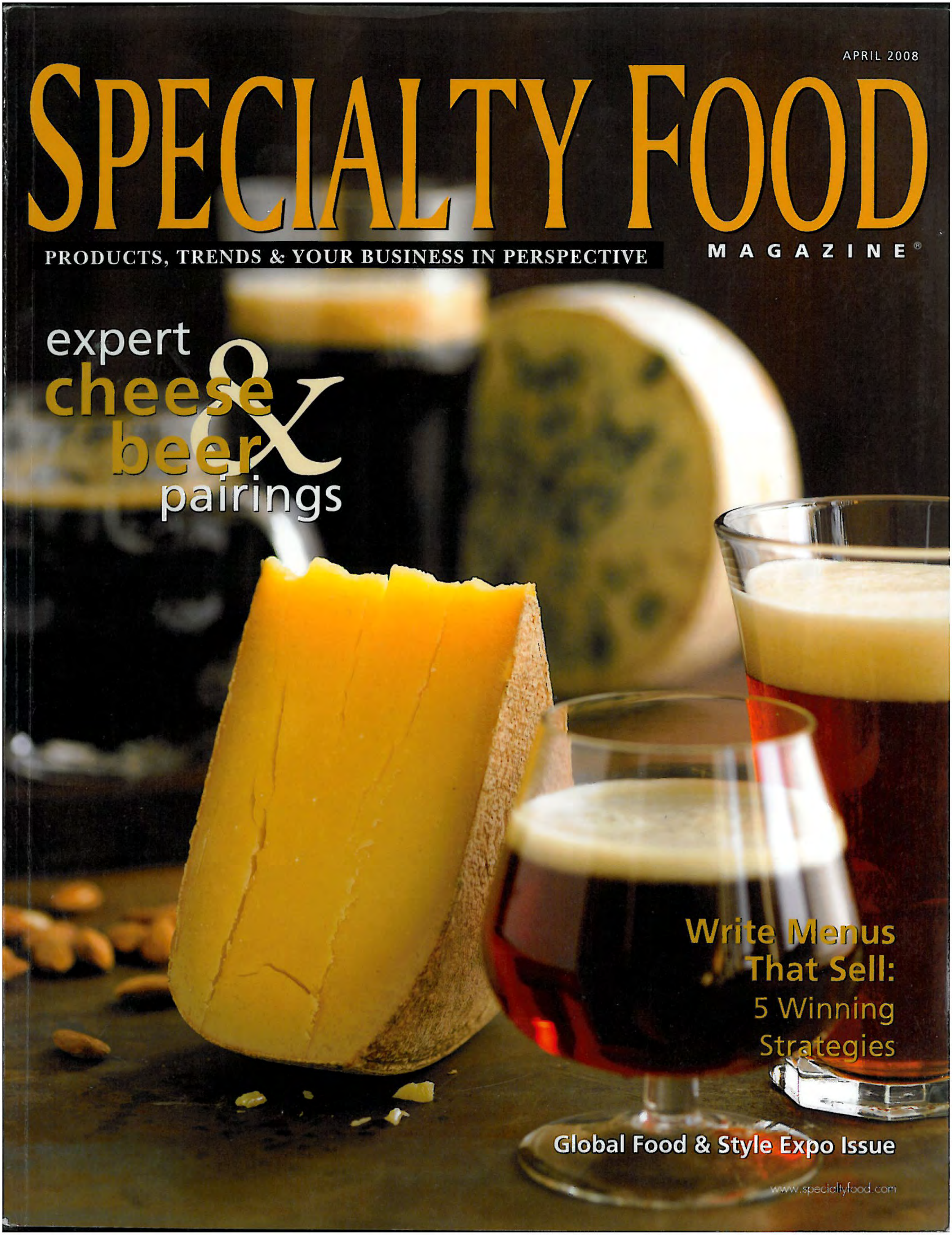
This year's meet was attended by American companies Butter Made in Africa and Simba Holdings who were looking for growth and opportunity in Africa. Ronald Brown of Simba Holdings, which does African AGOA duty-free outsourcing for US bulk apparel buyers, was impressed by the high level of skills coming from Africa. "Some of the manufacturers that I met have world-class levels of expertise and products. I believe that business will come from the meetings. I was able to follow up and visit the facilities of four to five different apparel factories that I met at the conference. We have priced one order with one factory and are committed to working with at least two of the factories we met at the conference," he said.

While Solomon agreed that there is a high level of skills in Africa, Kay said that there were certain gaps in the African supplier market. "There are no multi-skilled machinists and we already have local suppliers who can supply us with the level of expertise that Woolworths expects," she said, "and quite frankly I'm of the opinion that we should look after our country first." Woolworths had already started to look at African partners and she said that manufacturers in Ghana could offer them well-tailored trousers. However, Zambia and Lesotho did not seem to match Woolworths' quality and variety requirements but were rather stronger in turning over large-volume orders.

Hilligas explained that while the threat of China seems to be a hot topic at present, the possibility of doing business in Africa looks bright. "For the US there are certain issues that are of big concern when signing business deals; most particularly, the structure of compensation and the work conditions. Africa is not viewed as housing sweat shops, so companies are proud to do business there." She added that, to ensure there is no mistreatment, they do send teams to evaluate and check the factories that attend the conference.

Solomon, Kay and Brown confirmed that they thought it was a great initiative and would attend in future. "I could see the amount of passion and time that was dedicated to planning this event. I think that with the constructive criticism they are receiving in the feedback questionnaires, it can only get better," said Kay. "It can also save me time because if I am looking for new manufacturers I can e-mail the organisers and tell them what I am looking for and they can match me up with people according to the specifications. This could save me a trip as they can do the research for me," she added. Solomon said he thinks it is an avenue to find out what companies abroad are looking for. "The success of this event depends on how people push their contacts and possible business afterwards. I have followed up with companies via e-mail and am already getting responses from people interested in pursuing business deals," he said.

Going forward, Amanda Hilligas said that if they are able to secure further sponsorship, they would like to look at hosting the event twice a year to cater for all the delegates wishing to attend because it is increasingly expanding. But for now they are focusing on those that attended this event, "We keep track of their business deals and the success of the companies. We select firms to attend events such as Magic in Las Vegas and Material World in New York. This is not a once-off business event; we nurture companies," she said.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A World Stage for Emerging Economies

The specialty food market is an exceptional example of what a free-market economy can do at its best.

SMALL SOUTHERN AFRICAN COMPANY ESWATINI SWAZI KITCHEN IS NOW A THREE-YEAR VETERAN OF THE U.S. SPECIALTY FOOD MARKET IN THE ULTRA-COMPETITIVE JELLY, CHUTNEY AND MARMALADE CATEGORIES. Part of that success is certainly due to its compelling story. Eswatini was started in 1991 by a priest and nun to create jobs for disadvantaged rural women while also generating revenue to support Manzini Youth Care, a program that provides homes and educational opportunities to orphans in the Southern African country of Swaziland.

A mission like that must surely help open a few doors when attempting to export your products. Who wouldn't want to help orphans? But, without high-quality products to back up a noble objective, those doors will close quickly. When innovation and quality meet, small upstarts have few better audiences than the U.S. specialty food market.

Eswatini got its start in the market by exhibiting at the Fancy Food Shows as part of the Africa Pavilion, which is subsidized by USAID, the United States Agency for International Development, an organization that provides assistance to emerging businesses in developing economies. There are, of course, similar economic development programs around the world and many manufacturers have used them as stepping stones.

Look around a Fancy Food Show and you'll find more than half of all international pavilions come from developing economies. These booths are filled to bursting with products from countries that faced seemingly insurmountable challenges in securing a place on U.S. retail shelves. The products are made in areas that suffered every possible calamity from war to natural disasters to economic isolation, yet in each case the manufacturer has turned a hopeful eye to this marketplace.

The story is not so different on the domestic front. The majority of U.S. suppliers tell of facing obstacles in trying to get their products into the hands of the consumer. Many started out by working farmer's markets, county fairs and nearby retailers to establish a foothold. And this was long before there was a popular consumer movement to buy locally.

Many of the companies ultimately fail, but there are also many who make it because this market is one of the few places in the world where a tiny manufacturer has a chance. Specialty food consumers' expectation of uniqueness and demand for quality are so high that rural Southern African workers producing traditional condiments, or an ambitious entrepreneur with a family recipe delivering product out of the back of a station wagon, are far more the norm than industrial gorillas.

The low barriers to entry benefit small operators and maintain the spirit of innovation and competition. This market has its demons, but it's hard not to see it as an exceptional example of just what a free-market economy can do at its best.

And if it happens to be a ripe marketplace for people who could really use the help, so much the better. ■

By Matt Thomas
Publisher, *Specialty Food Magazine*
mthomas@nasft.org

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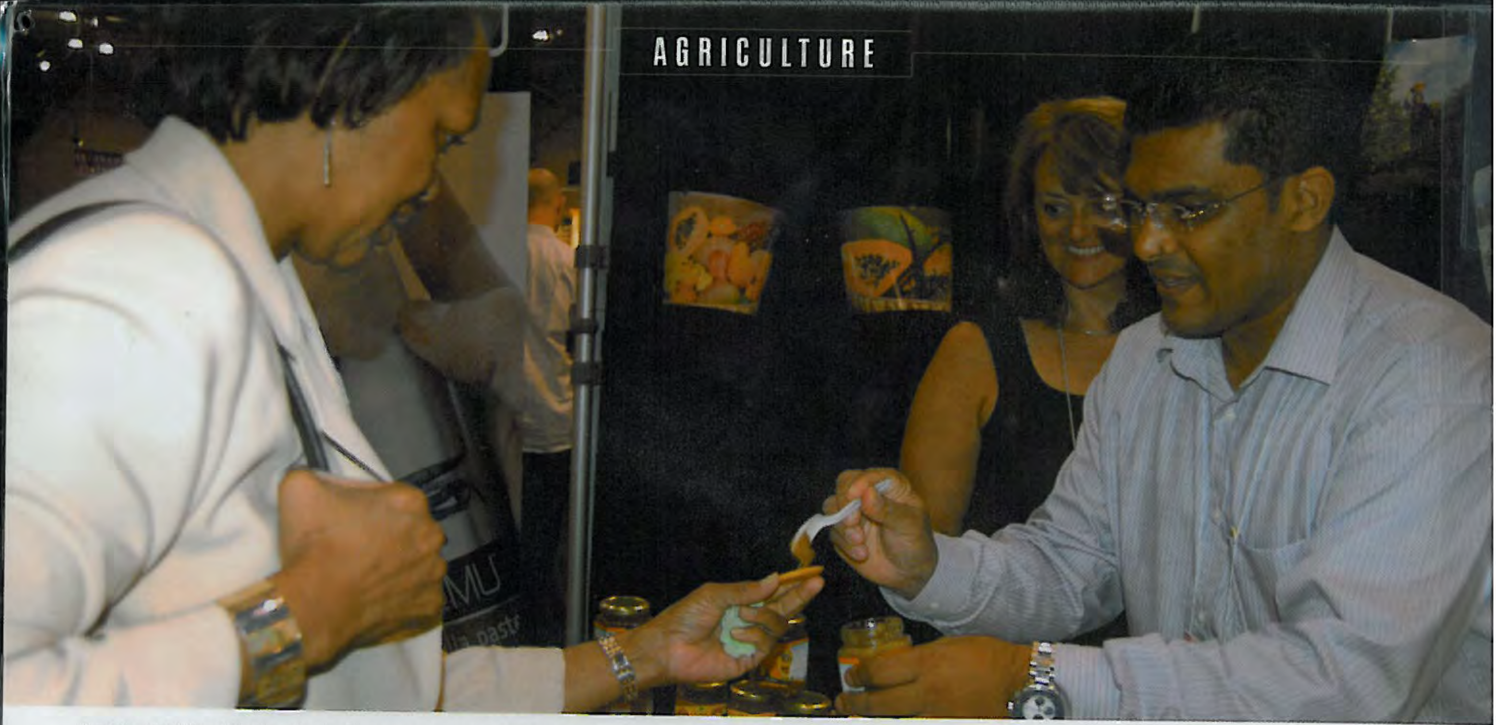
AFRICA: ENTERING THE DOOR TO OPPORTUNITIES



Assistant United States Trade Representative (USTR) Florizelle Liser tastes specialty foods at the Fancy Food show.

Processed Food Products from Southern Africa: Keeping up with U.S. Demand

< By Amanda Hilligas >

Reaz Gunga knows the overwhelming potential of his unique gourmet food products in the U.S. market. He recently participated in the Fancy Food Show in New York City, the premier national gourmet food show in the United States, in July, 2007, as part of a United States Agency for International Development (USAID)-funded "Africa Pavilion" that brought together exotic food producing companies from across the African continent to exhibit, alongside thousands of the most reputable brands and gourmet products in the $36 billion U.S. specialty food industry. The Africa Pavilion featured 15 Southern Africa Trade Hub (SATH) funded companies.

The SATH Trade Competitiveness Project, managed by CARANA Corporation, sponsored part of the Africa Pavilion in order to promote new exports to the U.S. The Pavilion featured companies from Swaziland, Malawi, Mauritius and South Africa. Since the Fancy Food Show, participating companies have received tens of thousands of dollars in new orders, resulting in numerous first time shipments into the U.S.

Gunga's company, Labourdonnais, produces delicious natural fruit pastes and jams from the exotic Indian Ocean island of Mauritius. His booth at the Fancy Food Show generated so much interest that its products were featured in the New York Times and have produced sales to big-name U.S. gourmet food retailers. Sun Rich International, a Chicago-based gourmet food company, is working on a new trade deal to import products from Labourdonnais. Its representatives traveled to Mauritius in October 2007 to film a promotional documentary about processed food production that will appear on PBS and the Discovery Channel early next year.

Gunga worked closely with the Southern Africa Trade Hub in Gaborone, Botswana, as he prepared for the Fancy Food Show. The organization assisted him in meeting the marketing, packaging, and regulatory requirements needed to enter the U.S. market. Previously, Gunga considered the U.S. market too large for his small company, but the Trade Hub assisted him in segmenting the market and targeting appropriate buyers, including Sun Rich.

"The response in New York was overwhelming and has given our small company a significant boost. We could not have done it without support from the Trade Hub in Botswana," said Gunga.

The significant boost Gunga refers to is the new employment that will coincide with the recent costly factory upgrades that have been completed in order to meet international regulatory requirements and standards.

The Southern Africa Trade Hub

The Southern Africa Trade Hub works in the processed and specialty food sector, fostering market linkages and networking, assisting companies in meeting the regulatory and labeling requirements for the U.S. market, increasing investment in processed food companies, and facilitating new trade deals for Southern African companies.

The USAID-funded Trade Hub in Gaborone

is one of the four Trade Hubs in Africa that implements USAID's African Global Competitiveness Initiative (AGCI). The Trade Competitiveness Project at the Hub works specifically with African producers and African buyers to make African products more competitive and attractive in the global marketplace.

One of the core functions of the Hub's support program for processed food companies is to improve market knowledge and to increase the production potential of private sector enterprises. This is driven by the U.S. policy objectives of the African Growth and Opportunity Act (AGOA), a tariff preference program that allows the duty-free entry of goods into the U.S. market. Southern African producers enjoy a cost savings and a competitive edge because of tariff preferences under AGOA.

Gunga is not alone in his successful entry into the U.S. market. Several other agro-processing companies from Southern Africa fared well at the Fancy Food Show with targeted matchmaking and support.

ESWATINI KITCHEN

Swaziland-based Eswatini Kitchen produces a range of jams, marmalades, chutneys, sauces, and atchars naturally made with no preservatives, added colors, or flavors. New orders for Eswatini make a significant monetary contribution to the local producers and farmers, who are mainly women who rely on Eswatini as a source of income. Eswatini started as an income generating project to provide employment to disadvantaged rural women in Swaziland. With new orders in hand as a result of the Fancy Food Show, Eswatini claims that they are "changing lives through trade."

TALIER TRADING GROUP

The Trade Hub is also working with the Talier Trading Group, a U.S. company working on a selection of African products that will be displayed in an African section, in the international aisle of supermarkets across the U.S. By working with both producers in Southern Africa, and by establishing direct links with retailers, brokers, and buyers, the Trade Hub is acting as a significant facilitator of new trade and market information for Southern Africa in the specialty food sector.

Carana's corporate offices in Arlington, Virginia, play a significant role in the success of market linkages and corporate partnerships between investors in the U.S. and producers in [Southern] Africa.

According to David Schacht, Senior Manager of the Market Linkages team at Carana, "U.S. buyers are becoming familiar with the quality and range of African products - the Africa Pavilion in New York showcased the high-quality, innovative specialty food products coming out of Africa and is helping to change U.S. buyer perceptions."

The Carana team in the U.S. continues to support the USAID Trade Hubs in both Southern and West Africa in identifying potential buyers and investors, providing information on potential sources of African products, and linking these investors to Trade Hub services and the African manufacturers capable of supplying high-quality products to the U.S. market.

A GROWING U.S. MARKET FOR AFRICAN SPECIALTY FOOD PRODUCERS

The U.S. specialty food market is valued at more than $36 billion per year, and is growing rapidly. While taking the step to export to the U.S. is a big one for small and medium sized processed food companies operating in Southern Africa, producers can achieve success by capturing a segment of the specialty food niche markets that are continuously cropping up throughout the developing world.

Africa is becoming a surprise sourcing destination for brokers, importers, distributors, and retailers because the continent is presenting itself in new and sophisticated ways, such as producing specialties like spicy kosher sea salt, tuna medallions with lemon and balsamic oil splashes, and vanilla paste that may be used for baking. Discerning gourmet food consumers will continue to discover such products as unique rooibos jam flavors from South Africa, fiery hot chili sauce from Malawi, and specialty sugars from Mauritius.

While there are significant opportunities for trade between Southern Africa and the U.S. in processed foods, there are also challenges.

"Companies need to understand the market, select the right importer and distributor, and be prepared to spend money to be successful," says Brett Johnson, AGOA Trade and Business Manager at the Gaborone-based Trade Hub. Southern African companies face challenges in overcoming the distance to the U.S. market, lack of familiarity U.S. buyers have of African products, and the regulatory obstacles that continue to persist which, in turn, hamper trade with Southern Africa.

Despite the challenges, companies like Mauritius-based Labourdonnais prove that achieving exports into the multi-billion dollar U.S. gourmet food market is possible, when coupled with targeted marketing and networking initiatives. Gunga has recently returned to Mauritius to focus on his new line of exports to the U.S. and to manage his fruit operations that significantly contribute to the island's employment.

While making plans to export to the U.S. is a big commitment for any African producer, the Southern Africa Trade Hub continues to assist these dynamic companies in placing their products on the shelves of high-end supermarkets and, as a result, obtaining a reputation of quality throughout the U.S.

Amanda Hiligas is the Director, Trade Competitiveness Project, Southern Africa Trade Hub in Gaborone, Botswana. Amanda may be reached at ahilligas@satradehub.org or +(267) 3900884

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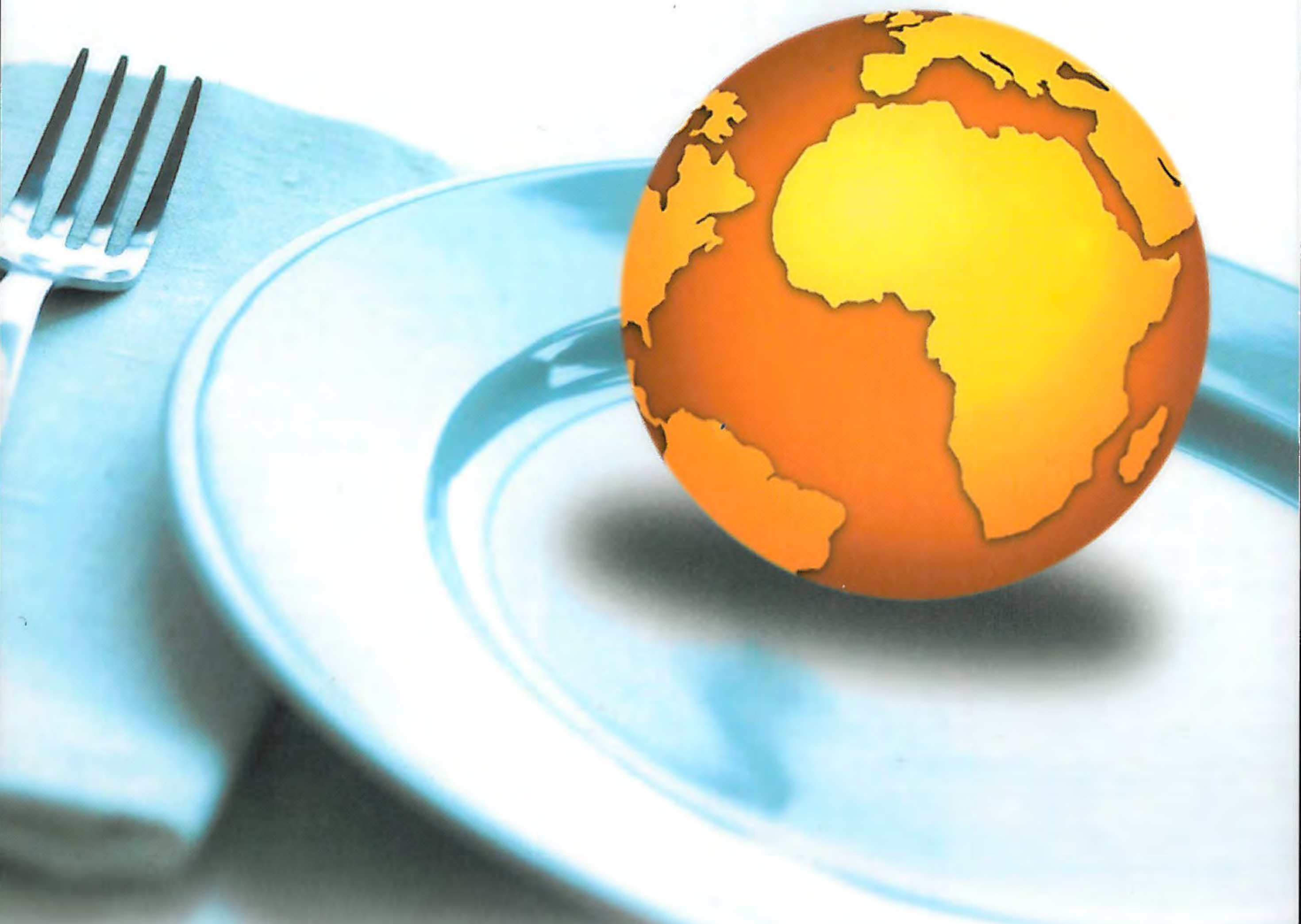

FARM TO FORK: AGRIBUSINESS OPPORTUNITIES ALONG THE ENTIRE VALUE-CHAIN

Swazi Kingdom Company Changes Lives through Agricultural Trade

<By Amanda Hilligas>

In Manzini, Swaziland, Elizabeth Mkhabela starts her day at Eswatini Swazi Kitchen, a unique women-run specialty food manufacturing company in the tiny mountain Kingdom of Swaziland, in southern Africa. She has a busy day ahead of her, in order to manage manufacturing operations, supervise the kitchen, and pack a shipment of Eswatini products destined for the United States. Mkhabela works as a Manager at Eswatini and has been with the company since 1998. She knows that the unique jams, marmalades, chutneys, and sauces will soon end up in the hands of discerning U.S. consumers, half-way around the world, and the profits from those sales will assist women and children in need in her Swazi community.

What originally started in 1991 as a project to employ women while generating funds to support Manzini Youth Care, a program to support orphans in the community, has turned into a serious player in international specialty food markets, including the United States. Eswatini Swazi Kitchen recently secured an exclusive importing arrangement with the U.S. company, Can DEW Sales, LLP. Can DEW Sales has distributed specialty foods since 2002, and operates an Internet retail site.

"We expect that gourmet food lovers in the U.S. will get great satisfaction from consuming these delicious products, and from knowing that they are making a real difference in the lives of Swazi women and children," says Denise Witowski, co-founder of Can DEW Sales.

Approximately 1,000 children are helped by revenue from Eswatini Swazi Kitchens, which also employs 32 women full-time and 20 women part-time, as well as over 500 basket weavers, 50 growers, and 20 disabled adults who carve spoons for gift baskets.

While Eswatini Swazi Kitchen's work in the communities of Swaziland is important, the secret of the company's success is in producing a consistently quality, delicious, and globally competitive product. Unique flavors such as their Peach-Ginger Jam, Marula Jam, and Swazi Fire Sauce draw customers from around the word, including Europe and Japan.

U.S. SPECIALTY FOOD MARKET - AN OPPORTUNITY FOR AFRICAN EXPORTERS

The U.S. specialty food market is valued at more than $36 billion per year, and is growing rapidly. Today's ultra-discerning consumers or "foodies" wish to continue to diversify their palate with new tastes and textures, providing food importers, distributors, and retailers an incentive to expend their network of international suppliers. Africa is one of the few emerging food markets yet to be mainstreamed in the U.S. market, providing an enormous opportunity for African companies to penetrate this growing market.

The characteristics of the specialty food market make it a good fit for Africa. The niche aspect of the market provides a premium that can absorb some of the higher production and transportation costs inherent in most African countries. Since most products have a shelf life exceeding six months, longer transportation time required is not a critical issue. The specialty food market also presents an opportunity to support upstream growth, as gourmet food companies expanding into the U.S. market require more raw inputs, thus providing opportunities for farmers throughout the region. Women farmers in Swaziland sell Eswatini chilies, limes, guavas, grapefruit, and marula fruit. As orders to Eswatini increase, Swazi farmers are able to sell more goods to the company increasing their profits, and providing livelihoods for their families.

TRADE HUB ASSISTS ESWATINI WITH U.S. EXPORTS

The USAID-funded Trade Hub in Gaborone, Botswana works in the specialty food sector, fostering market linkages, networking, and assistance to companies in meeting the regulatory and labeling requirements for the U.S. market. The Hub also works to increase investment in African processed food companies, and facilitate new trade deals in this sector.

The SATH Trade Competitiveness Project, managed by CARANA Corporation, works with southern African specialty food companies, and has facilitated market linkages and sponsored an Africa Pavilion at the Fancy Food Show since 2006. CARANA's corporate offices in Arlington, Virginia, play a key role in the success of market linkages and corporate partnerships between investors in the United States and producers in southern and western Africa.

Eswatini was exporting internationally in 2006, but very minimally to the United States. The potential for Eswatini Swazi Kitchen in the U.S. market was realized when Derryck Cox, advisor to the Trade Hub and specialty food trade veteran, visited the company in Swaziland in 2006. Cox quickly realized the potential of Eswatini's products, and together with staff at the USAID Trade Hub, began preparing Eswatini for the 2006 Fancy Food Show and for market requirements to enter the United States.

The company needed assistance with pricing, labeling, product selection, and marketing for the U.S. market. Eswatini also needed to select a U.S. importer to carry and promote the product. The Trade Hub acted as a critical market facilitation point, providing market intelligence and resources that would play a catalytic role in Eswatini's emergence into the U.S. specialty food market. Eswatini's presentation at the 2006 Fancy Food Show drew attention from a wide array of importers and distributors. However, the company took time to select the right importer for their product and prepare labeling and pricing that worked for the United States. Two years later, and after significant preparation, Eswatini has a U.S. importer and orders in hand destined for America.

In addition to assisting Eswatini on the marketing and export side, the Trade Hub is also assisting with agricultural sourcing and production. Recently, Johan Labuschagne, agricultural advisor at the Trade Hub worked with Eswatini on honey production methods for smallholder producers. Labuschagne's work will improve the income of beekeepers in the country, by achieving economies of scale in honey production. Eswatini launched their honey line in May 2008 and hopes, in time, to export to the U.S. market. Mr. Labuschagne also assists Eswatini with citrus sourcing in Southern Africa.

ESWATINI PARTICIPATES IN THE "TASTE OF AFRICA" PAVILION FROM JUNE 29 - JULY 1, 2008

The 2008 Fancy Food show in New York City will be the third show Elizabeth Mkhabela and Eswatini Swazi Kitchen have participated in, with support from the Trade Hub. Eswatini will participate in the Hub-sponsored "Taste of Africa" Pavilion with companies from South Africa, Mauritius, Malawi, Mozambique, and Zambia.

Mkhabela says, "I am proud of the product and the work it represents, and our stamp on the U.S. market has been placed, due to the technical assistance and advice offered by the Trade Hub - not to mention all of our hard work to get there."

Amanda Hilligas is Chief of Party of the CARANA-managed Trade Competitiveness Project at the Southern African Trade Hub based in Gaborone, Botswana. Amanda may be reached at ahilligas@satradehub.org or +(267) 3900884.

BUSINESSDAY

South Africa: Textile Industry Looks at Novel Ways to Thrive

Mathabo le Roux

29 April 2009

Johannesburg — *Not everyone in this sector accepts its woes as insurmountable.*

WHILE the woes of the clothing and textile industry are worsening, an apparel initiative to promote a regional response to global demands shows that not everyone in the industry has surrendered to the grim outlook.

A two-day African apparel business-to-business (B2B) event, linking firms across the value chain in Africa with buyers from Europe and the US, was hosted in Pretoria last week.

Supported and funded by the Global Competitiveness Hub divisions in Africa and the ComMark Trust, an agency of the UK's Development Fund for International Development, the goal is to foster closer ties between regional players in the value chain, which it is argued would help strengthen competitiveness in the region.

Already in its fifth year, the event's past success speaks volumes. Last year's B2B generated business deals worth more than $10m and the organisers expect that this year's event, which attracted the likes of UK retailer Top Shop, will generate more strategic linkages.

At the heart of the painstaking link-up is the imperative to cut down lead times. Many firms source their inputs from Asia, which puts them at a distinct disadvantage to deliver according to the aggressively tight time frames increasingly dictated by seasonal fashion changes.

The B2B meetings are based on the sourcing, outsourcing and sales requirements of participants and involve a painstaking pre-selection and match-up of firms.

The selection and screening of participants is facilitated by industry stalwart Joop de Voest. Months ahead of the event, De Voest travels across Africa to find suitable participants and match them with one another.

The B2B this year attracted 65 companies and 85 delegates including buyers, sourcing houses, retailers and manufacturers. Previously reticent South African retailers clamoured to be part of the event this year, with Mr Price, Pep Stores and Edcon in attendance.

"What the B2B brings is a wealth of information," says Kevin Ashton of Hanger Dynamics, a coat-hanger manufacturer with operations in SA, Mauritius and Kenya. Ashton first attended the B2B two years ago and the event prompted him to set up shop in Mauritius. He is about to invest in a new plant in Lesotho.

Opening shop in Lesotho -- likely at the expense of his established operations in Cape Town -- makes business sense. Operations close to the export-orientated manufacturers in Lesotho could open up lucrative business links.

With no corporate tax levied over five years, factory space costing a quarter of the rent being charged in SA, and wages a third of SA's, the Lesotho government has made it exceedingly attractive for potential investors to move plant there.

Ashton says it is all about being close to the customer. "Freighting out of China is a big exposure, and then there is enormous congestion at the Durban port. What we'll bring (to Lesotho manufacturers) is a door-to-door service which cuts out 25 days on the water and delays at the port, which sometimes stretch lead times to a month," he says.

Glen Isserow of Ideal Fastener, which supplies clothing accessories and has offices in Hong Kong, Johannesburg, Cape Town and Durban, says the B2B event is a "phenomenal" way to meet potential business partners in a cost-effective way. "I will sign business out of this without a doubt," he says.

While Ideal Fastener's operations are still largely South African-based, Isserow reiterates Ashton's sentiment, predicting that the strength of the industry is moving out of SA and into the rest of Africa.

"Because of the cost and low productivity (in SA), major retailers will increasingly look at garment factories in Africa, such as Kenya, Tanzania and Ethiopia. These industries have evolved. First-world countries do not see a stigma attached to African product anymore," he says.

The B2B approach takes its lead from the linkages that industry experts moot as the only realistic option for African countries with small markets to gain a foothold in the international trade arena. The idea is to create economies of scale with a united bloc that can trade with the rest of the world.

But it is also about price. Pep Stores buyer Stella Romanis says the retailer's first bite at the B2B cherry was a promising experience.

"We are keen to pursue some of the potential link-ups in Lesotho, Mauritius, Tanzania, Madagascar and Zimbabwe."

Apart from SA, Pep Stores sources only from Lesotho. But while these countries present opportunities, she insists price and service reliability will weigh heavily when the retailer decides about switching suppliers.

ANNEX 4 – SUCCESS STORIES

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1. 2009. “Source Africa Attracts Repeat Buyer Attention.”
2. 2009. “South African Company Positions for U.S. Market with USAID Trade Hub Assistance.”
3. 2009. “Taste of Africa Pavilion Creates New Deals.”
4. 2009. “New Investment in Mozambique Links Smallholders to U.S. Market.”
5. 2009. “B2B Event Promises Millions in Deals.”
6. 2009. “‘African Set’ Appears in U.S. Supermarkets.”
7. 2008. “Trade Hub Improves Food Security in Swaziland by Training Bee Industry”
8. 2008. “Sourcing for Sales in Southern Africa.”
9. 2008. “The Food Emporium Promotes ‘Taste of Africa.’”
10. 2008. “Hot Seller Helps African Farmers and Elephants.”
11. 2008. “‘African Set’ Appears in U.S. Supermarkets.”
12. 2008. “B2B Event Promises Millions in Deals.”
13. 2008. “African Kids Clothing Company Back in U.S. Market”
14. 2008. “SOURCE AFRICA Wins Award, New Business.”
15. 2007. “Botswana Entrepreneur Launches New Furniture Line.”
16. 2006. “Hippo Knitting.”
17. 2006. “Label Clothing (Pty.) Ltd.”
18. 2006. “Material World New York.”
19. 2006. “Fancy Food Show Chicago.”
20. 2005. “Technical Assistance for Mozambican Litchi Growers.”
21. 2005. “Pineapples and Mangos to Europe.”

USAID | SOUTHERN AFRICA
FROM THE AMERICAN PEOPLE

SUCCESS STORY

"SOURCE Africa" Attracts Repeat Buyer Attention

USAID's Trade Hubs showcase African textile and apparel industry at premier U.S. Trade Show

Photo: Southern Africa Trade Hub

RT Knits, a Mauritian supplier of certified Fair Trade knit products, discusses a potential deal with a major U.S. retailer.

The SOURCE Africa Pavilion is part of an ongoing effort to brand Africa as a desirable sourcing location for the apparel industry by enabling market linkages between African manufacturers and U.S. buyers.

The SOURCE Africa Pavilion at the August 2009 MAGIC Show in Las Vegas recently exposed leading African manufacturers to millions of dollars in potential business. This collaborative effort on the part of USAID's Southern Africa and West Africa Trade Hubs, the COMPETE Project, and Enterprise Mauritius aimed to raise the profile of Africa's textile and apparel industry at one of North America's premier fashion and apparel trade shows, attended by top American retailers that represent over US$150 billion in U.S. consumer apparel sales. Eighteen African firms participated, showcasing a cross-section of product capabilities available to buyers, from children's clothing to work-wear, protective gear, uniforms and medical scrubs, to a full range of casual clothing using conventional and organic cotton, synthetics, denim and the latest state-of-the-art finishes. SOURCE Africa Pavilion exhibitors came from Ethiopia, Rwanda, Kenya, Mauritius, Ghana, Madagascar, South Africa and Cameroon.

The SOURCE Africa effort included a series of promotional activities, including a t-shirt giveaway, on site matchmaking and collaboration with MAGIC's VIP business to business meetings. The show exceeded expectations – despite the global economic crisis, the Trade Hub and its exhibitors engaged a number of buyers interested in sourcing from, and investing in, Africa. Buyers were interested in product segments that achieve significant tariff savings compared to most Asian locations thanks to the African Growth and Opportunity Act (AGOA), and products made from organic cotton – an emerging segment within the regional apparel industry. Buyers were also keen to learn about the flexibility, quality, competitive pricing, falling lead times, labor standards and other benefits African companies are able to offer. A number of the buyers also showed an interest in the Trade Hub's upcoming Business to Business (B2B) event in South Africa.

While it is too soon to determine the actual business generated by participation in the show, all participants considered the event a useful investment of their time and money and a critical networking and market linkage venue. Serious business contacts were made with potential buyers, new and old contacts alike. Many of the buyer contacts cemented at this show were leads from companies' attendance at the February 2009 MAGIC Show, proving the value of repeat attendance.

Africa is seen as an emerging source location and a viable alternative for buyers wishing to diversify or shift production from Asia. After several years of participating in this trade show, perseverance is paying off – SOURCE Africa has become a serious brand name at MAGIC.

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FROM THE AMERICAN PEOPLE

SUCCESS STORY

South African company positions for U.S. market with USAID Trade Hub assistance

USAID's Southern Africa Trade Hub helps regional food companies find U.S. buyers and source raw materials for their products.

Photo: Loaded Smoothies

With support from the USAID Southern Africa Trade Hub, Loaded Smoothie introduced an innovative product at the 2009 Fancy Food Show in New York City, connecting the South African company to new buyers and distributors.

In 2009, the USAID Southern Africa Trade Hub identified an innovative South African company, Loaded Smoothie, with an exciting new gourmet food product suitable for U.S. consumers. The USAID Hub sponsored Loaded Smoothie to attended the June 2009 New York City Fancy Food Show to participate in the "Taste of Africa" pavilion to determine interest from U.S. buyers and distributors. Loaded used this business opportunity in New York to learn firsthand what some buyers in the U.S. specialty food market are looking for – organic specialty food products.

After attending the food show, Loaded adapted their product line to position themselves to capture a portion of this lucrative market. Currently, the company is developing an organic berry line of smoothies that will be released for distribution in the United States in 2010. Additionally, due to the New York food show, Loaded was able to link with Nando's to place their smoothies in Nando's new Peri-Deli in South Africa.

Loaded is the first 100% all natural non-dairy fruit smoothie containing a nutritious blend of fruit with no preservatives, stabilizers or colorants. The product has a shelf life of 9-12 months. Loaded is packed with vitamins and fiber, and is attractive to the U.S. market segment interested in healthy organic products.

In addition to producing a delicious product, the company's goal is to build sustainable futures for Southern Africa's poorest, through raw ingredient sourcing which supports rural farmers. Loaded donates 10% of all profits to local charities which funds rural development projects in areas where they source their fruit.

Loaded Smoothie will participate in the 2010 Fancy Food Show in New York City to launch their organic berry line.

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FROM THE AMERICAN PEOPLE

SUCCESS STORY
Taste of Africa Pavilion Creates New Deals

The Taste of Africa brand has helped promote specialty foods from Africa to the United States.

Photo: West Africa Trade Hub

A Taste of Africa exhibitor talks to a potential new buyer interested in African gourmet products

The Fancy Food Show enables U.S. buyers to meet with specialty food distributors from Africa, while allowing African food companies to develop new business partnerships resulting in exports to the United States.

The specialty food category is one of Southern Africa's most rapidly growing agricultural opportunities. The USAID Trade Hub has been working with specialty foods from Southern Africa since 2005, assisting exporters to access the lucrative $70 billion per year U.S. market. The New York Fancy Food Show is the largest nation-wide trade show held by the specialty food sector in the United States.

For the fourth year in a row, the USAID Trade Hub organized the "Taste of Africa" pavilion, providing a market linkage platform for African companies to access the largest specialty foods trade show in North America. More than 24,000 buyers attended the 2009 show. The 2009 "Taste of Africa" pavilion featured a huge African presence, including 11 companies from Southern Africa; a glossy cookbook of recipes from all the exhibitors; and a "Taste of Africa" breakfast attended by 150 people, including 40 buyers.

The pavilion featured innovative African gourmet food products, and the unique, 22-booth pavilion, modeled on West African architecture, custom-built in Ghana and positioned directly in front of one of the main entrances. In addition to featuring firms from Southern Africa, the pavilion showcased exhibitors from Benin, Burkina Faso, Cameroon, Cote d'Ivoire, Gabon, Ghana, Nigeria, and Ethiopia.

African producers have exhibited at previous Fancy Food Shows, assisted by USAID's West Africa Trade Hub and Southern Africa Trade Hub, but this year's pavilion was the largest, and drew rave reviews for its open, inviting layout and warm colors. It also represented a wider team effort, with the Trade Hubs co-sponsoring with several organizations, including VEGA Ethiopia, Technoserve, the Ghana Export Promotion Council, Association Africa Agro Export and Agence Sénégalaise de Promotion des Exportations.

At the Taste of Africa buyers' breakfast, Ann Daw, president of the National Association of Specialty Food Trade, complimented the Hubs and collaborating partners for featuring African companies in a unique and professional pavilion, attractive to buyers.

The Fancy Food show is a critical component in promoting the "Taste of Africa" brand that has been developed by the Southern Africa Trade Hub. Participating companies estimated that deals and contacts at the event may yield $6 million in new business for Southern African firms over the next year.

USAID | SOUTHERN AFRICA
FROM THE AMERICAN PEOPLE

SUCCESS STORY

New investment in Mozambique links smallholders to U.S. market

USAID's Southern Africa Trade Hub helps regional food companies find U.S. buyers and source raw materials for their products

Photo: Elephant Pepper

Elephant Pepper's Baobab Gold Chili sauce is a hot seller in the U.S. market. Its peppers help repel elephants, keeping them away from farmer's fields.

With a comprehensive package of Trade Hub market support, including trade shows and buyer linkages, Elephant Pepper is selling its products to major U.S. retailers–helping elephants and smallholder farmers to become food secure

Americans can now get a healthy dose of African heat while feeling good about what they are eating and supporting smallholder farmers in Mozambique. In 2009, the USAID Trade Hub assisted Elephant Pepper with securing a new $1.2 million investment to begin operations in Mozambique. Elephant Pepper, a chili product manufacturer in Southern Africa selling under its own brand and supplying to the U.S. Tabasco hot sauces product, supports wildlife conservation and rural economic development.

Elephant Pepper's Mozambique operation is similar to the business model used for its Zambian production: a core chili plantation with production and processing facilities, and a network of commercial and smallholder farmers. This model will assist Elephant Pepper to increase overall production for the U.S. Tabasco hot sauce product, and will result in new AGOA exports of chili mash from Mozambique. In addition, smallholders benefit from a guaranteed market and price, providing a clear incentive to invest in capabilities and achieving the highest yields possible.

In the first half of 2009, the company shipped orders of over 140,000 units of its Zambezi Red and Baobab Gold chili sauces and spice grinders to the United States under the African Growth and Opportunity Act (AGOA). Orders are expected to grow as marketing efforts, including participation in the 2009 Summer Fancy Food Show at the "Taste of Africa" pavilion.

Elephant Pepper products were inspired by the conservation work of the Elephant Pepper Development Trust (EPDT), which works with rural farmers to grow chilies for elephant deterrent schemes. EPDT promotes techniques such as chili-laced fences with cowbells or chili dung briquettes to keep elephants from raiding subsistence crops. Why chilies? While people may enjoy sprinkling food with chili, elephants are repelled by capsaicin, the substance in chilies that makes them hot. The Trust helps mitigate the human-wildlife conflict that threatens both elephants and the food security of communities.

USAID | SOUTHERN AFRICA
FROM THE AMERICAN PEOPLE

SUCCESS STORY
B2B Event Promises Millions in Deals

USAID's Southern Africa Trade Hub helps link buyers, apparel manufacturers and textile suppliers


Photo: Southern Africa Trade Hub

A Zambian manufacturer of woven apparel shakes hands with a regional buyer of finished garments.

The Trade Hub's African Textile and Apparel Business to Business Event enables U.S. and EU buyers to meet with garment manufacturers, while allowing African textile and apparel companies to develop linkages resulting in new deals and regional integration.

Regional integration and development of Africa's textile and apparel sector is inhibited by a lack of market awareness of African production capabilities on the continent. To help overcome this obstacle, the Southern Africa Trade Hub in collaboration with the DFID-funded ComMark Trust held the 5th Annual Africa Textile and Apparel Business to Business Event in Pretoria, South Africa, from April 21-22, 2009. Fifty nine companies were represented by 68 delegates, from 16 different African apparel producing countries.

The B2B Event involved over 360 pre-arranged 30-minute "speed dating" sessions between U.S. and EU buyers, South African retailers, regional manufacturers and regional fabric and trim suppliers. The meetings were arranged by buyer's needs and supplier capabilities, providing an efficient way for buyers, manufacturers and suppliers to have focused business discussions. Successful matchmaking happened on several levels. South African retailers and brands found African alternatives to their Asian garment suppliers. Southern African garment manufacturers found new buyers and were able to identify regional suppliers of the fabrics required for production, reducing lead times. U.S. and EU buyers made business linkages with many new African manufacturers.

Participating companies estimated that deals and contacts at the event may yield between $7-$11 million in new business over the next year. While significant deals with the U.S. and EU are expected, most of this new business will involve regional trade between South African retailers, regional garment manufacturers and fabric suppliers. Increased sourcing within Africa is a vital part of the Southern Africa Trade Hub's apparel export strategy, because it leads to greater capacity and economies of scale, a tighter supply chain and shorter lead times - all critical to achieving a greater share in global markets.

The B2B Event is a critical component of the Southern Africa Trade Hub's comprehensive "Source Africa" market linkage textile and apparel program. The program also includes support for Africa Pavilions at the MAGIC Apparel and Fashion Show in Las Vegas and a Sourcing Information Resource for buyers and garment manufacturers looking for supplier linkages.

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SUCCESS STORY

"African Set" Appears in U.S. Supermarkets

USAID's Southern Africa Trade Hub works with U.S. buyer to identify suppliers in the region

Photo: Talier Trading Group

The African Set includes a wide range of products from companies throughout Africa, which is now sold at major U.S. food retail stores and chains.

Talier Trading Group's African Set mainstreams African specialty food brands in U.S. supermarkets.

Since July 2007, millions of American consumers have been able to select from a wide range of specialty food products from Southern Africa and other corners of the African continent. The "African Set" includes 280 products from 24 companies, screened and chosen by the New Jersey-based Talier Trading Group, an international specialty food marketing company. The Set is marketed to major U.S. distributors and grocery stores.

The African Set provides retail buyers an easy way to respond to the U.S. consumer demand for African foods. Launched in 2007, the unique product grouping mainstreams Africa's specialty food industry in the U.S. market. By the end of 2009, Talier expects the African Set will be sold in over 7,000 stores, reaping an estimated $2.7 million in export revenues for African food companies. Talier expects sales in 2010 to exceed $5 million. So far, $ 2.2 million in orders have been placed among Southern African companies, which represent approximately 40 percent of the products (and thus expected revenues) including Southern African brands like Ceres, Nando's, Elephant Pepper, So!Go!, Rooibos Jam, Mrs. Balls, So South African, and Verlaque Fine Foods. The list is expected to grow as the set gains momentum.

The Southern African Trade Hub worked extensively with Talier Trading Group in a mutually beneficial relationship. The Southern Hub−along with other African Trade Hubs in East and West Africa− introduce Talier to export-ready products, while the Talier Group provides the Hub guidance on the marketability of a given product in the U.S. market. Talier also provides critical information on product pricing, packaging and labeling. This relationship enables the Hubs to provide quick responses to requests for information from food companies reflecting current market conditions.

Talier Trading Group has more than a mere business relationship with Southern African clients. When engaging a potential candidate for its African Set, it provides advice on pricing, USDA-compliant labeling and meeting supermarket and distributor packaging needs. Talier also provides advice on methods to enhance marketability (e.g. improving labeling design, producing kosher/halaal products). This guidance is provided free of cost by a company with an interest in making sure that its African Set sells− and it is critical to keeping Southern African specialty food companies competitive in the U.S. market.

USAID | SOUTHERN AFRICA
FROM THE AMERICAN PEOPLE

SUCCESS STORY

Trade Hub Improves Food Security in Swaziland by Training Bee Industry

With Hub training, Swazi bee farmers have built 1800 Langstroth hives to improve production and income in the honey sector.

A set of newly built Langstroth Hives in Swaziland, allowing more efficient beekeeping and honey harvests

After the Hub's training, Swazi beekeepers produced more than 60 tons of honey, supplying 90 percent of the Swazi honey market. Swazi beekeepers hope to gain access to the lucrative South African market as a next step.

Honey production in Swaziland is an important industry for rural farmers, providing more than 400 rural Swazis with much needed income. In 2008, the Trade Hub, in collaboration with the USAID funded SWEEP program, identified a need in Swaziland to change from old traditional beekeeping methods to a more sustainable, profitable, productive, modern method, using Langstroth hives. The Hub found that the old method used to extract honey did not result in economies of scale, and did not always comply with food safety standards. In addition, when hives are not managed properly, bee colonies run the risk of being destroyed when honey is harvested, impacting future production and income.

The Trade Hub's Agriculture Advisor, Johan Labuschagne, conducted training workshops in Swaziland, demonstrating the benefits of using the technology of the Langstroth hive. In conjunction with the SWEEP program, the Hub identified a group of 15 leading beekeepers who would reach out to their communities after the training workshop, demonstrating the effectiveness and affordability of producing Langstroth hives.

Mr. Labuschagne trained these leading beekeepers about the financial and management benefits of utilizing the Langstroth hive technology, including the benefits of additional production and income. In addition, the Hub's Agriculture Advisor demonstrated the affordability of building Langstroth hives by using local and affordable materials, readily available in Swazi communities.

The result of Mr. Labuschagne's training workshop has revolutionized honey production in Swaziland. Today there are more than 400 rural beekeepers producing approximately 60 tons of honey per year. Swazi beekeepers now produce 90 percent of honey on the Swazi market. In addition, the beekeepers have hive templates and continue to share the Langstroth hive technology within their communities. Since the training, Swazi beekeepers built 1800 new hives, resulting in $360,000 in new investment in this agricultural technology.

The Trade Hub's training in this area is a good example of how demonstrating modern and affordable agriculture technology to rural farmers makes a significant impact on competitive production, economies of scale, and food security. Swazi beekeepers will continue to build the Langstroth hive and produce honey in an efficient way for years to come.

USAID | SOUTHERN AFRICA
FROM THE AMERICAN PEOPLE

SUCCESS STORY
Sourcing for Sales in Southern Africa

USAID's Southern Africa Trade Hub works with regional sourcing agencies to develop markets for regional apparel manufacturers

Photo: Southern Africa Trade Hub

Dinhatex has participated twice at Africa Pavilions at MAGIC in Las Vegas, sponsored by the Southern Africa Trade Hub, leading to over $5 million in orders from U.S. buyers

With support from the Trade Hub's comprehensive market linkages program, Dinhatex is able to expand its buyer and supplier network, allowing it to be a more attractive sourcing partner to buyers, resulting in new deals sourced through Southern African manufacturers

Dinhatex Agencies is an example of how the right mix of marketing, capability and professionalism can result in big business for Southern African apparel manufacturers. Based in South Africa, Dinhatex is an apparel sourcing agency managing orders from U.S. and South African buyers on behalf of regional manufacturers. Dinhatex has benefited from the comprehensive package of market linkage services provided by the Southern Africa Trade Hub. This includes the African Textile and Apparel B2B Events, the "SOURCE Africa" Pavilion at the MAGIC Apparel Show, and the Trade Hub's sourcing information resource.

To date, Southern Africa Trade Hub activities have helped bring Dinhatex approximately $4.5 million in orders from U.S. buyers, with another $4.5 million in orders expected in the near future. Its American business has grown so much that that the company is considering opening an office in New York. Dinhatex is also managing an ongoing regional retail contract that has reaped $400,000 in exports in the first half of 2008. The company anticipates that potential business linked to Southern Africa Trade Hub activities could total $20 million in coming years.

The Southern Africa Trade Hub has found working with sourcing agencies like Dinhatex a cost-effective way to maximize the number of companies gaining exposure through USAID support. Sourcing agencies represent multiple companies and countries, and act as intermediaries that help buyers navigate the challenges of identifying new markets. Sourcing agencies assist buyers working within a new operating environment by troubleshooting issues in the sourcing process. Dinhatex represents an entire spectrum of production capacity throughout the region, allowing buyers to source a range of products from different suppliers with varying capacities and specialties. Given Dinhatex's experience with both buyers and manufacturers, they are in a position to provide a level of trust and comfort that make trade deals happen.

USAID | SOUTHERN AFRICA
FROM THE AMERICAN PEOPLE

SUCCESS STORY

The Food Emporium Promotes "Taste of Africa"

USAID's Southern Africa Trade Hub works with U.S. retailers to identify regional food suppliers

Photo: Talier Trading Group

On September 20, 2008, The Food Emporium launched its Africa Program with a star-studded event at its Bridge Market Store in New York, New York

The Food Emporium's Africa Program includes over 70 specialty foods, many of which are manufactured by Southern African companies with regionally sourced inputs.

An upscale chain of supermarkets in New York City unveiled their latest international program, "The Taste of Africa," on September 20, 2008. To celebrate the launch of African specialty foods program in all 18 of its stores, The Food Emporium hosted a special event at their flagship Bridge Market store in New York City. The Southern Africa Trade Hub assisted in planning the event, and a number of the Hub's clients were included in the promotion.

Over 70 African specialty foods are included in the program, which is now a standing fixture in each Food Emporium location. Many of the companies were from Southern Africa, including Nando's, Original Rooibos, Elephant Pepper, Berfin and Verlaque. Each of these companies have been working with Talier Trading Group, a U.S.-based company pioneering the African specialty foods category.

The launch event featured presentations by Hans Herr, President of The Food Emporium; Dr. Jeffrey Sachs, Director of the Earth Institute and founder of Millennium Villages; Jim Thaller, CEO of Talier Trading Group; Loki Osborn, CEO of Elephant Pepper, James Deutsch, Director of the Wildlife Conservation Society's Africa Program; and Fikile Magubane, Consul General of South Africa based in New York.

While the event focused primarily on African specialty foods, there was solid representation from other industries focused on African development, including tourism, NGOs and the media. "The African program is unlike any other specialty food initiative, and there is a strong need for continued consumer education about Africa," Thaller said, adding, "the American public doesn't know much about Africa, but they want to learn." Representatives from South African Tourism, South African Airways, Tanzania Tourism, Kenya Tourism, The Africa Channel, Millennium Promise, Wildlife Conservation Society and local African restaurants featured informative displays as part of the exclusive event. The Food Emporium event also featured trip giveaways, sponsored by South African Airways, and a wine tasting event, sponsored by the South African Consul General.

Over 200 people attended the event, and at least four times that number visited the store during the day-long event. Since then, sales have been strong, and the Food Emporium is already re-ordering products from Southern Africa.

USAID | SOUTHERN AFRICA
FROM THE AMERICAN PEOPLE

SUCCESS STORY

Hot Seller Helps African Farmers and Elephants

USAID's Southern Africa Trade Hub helps regional food companies find U.S. buyers and source raw materials for their products

Photo: Elephant Pepper

Elephant Pepper's Baobab Gold Chili sauce is a hot seller in the U.S. market. Its peppers help repel elephants, keeping them away from farmer's fields.

With a comprehensive package of Trade Hub market support, including trade shows and buyer linkages, Elephant Pepper is selling its products to major U.S. retailers−helping elephants and Southern African farmers

Americans can now get a healthy dose of African heat while feeling good about what they are eating. Elephant Pepper, a chili product manufacturer in Southern Africa, packs support for wildlife conservation and rural economic development into great-tasting products that are now available to the U.S. consumer. In the first half of 2008, the company shipped orders of over 140,000 units of its Zambezi Red and Baobab Gold chili sauces and spice grinders to the United States under the African Growth and Opportunity Act (AGOA). Orders are expected to grow as marketing efforts, including participation in the 2008 Summer Fancy Food Show and a major Food Emporium promotion focusing on Africa raise consumer and retailer interest.

Elephant Pepper products were inspired by the conservation work of the Elephant Pepper Development Trust (EPDT), which works with rural farmers to grow chilies for elephant deterrent schemes. EPDT promotes techniques such as chili-laced fences with cowbells or chili dung briquettes to keep elephants from raiding subsistence crops. Why chilies? While people may enjoy sprinkling food with chili, elephants are repelled by capsaicin, the substance in chilies that makes them hot. The Trust helps mitigate the human-wildlife conflict that threatens both elephants and the food security of communities.

Elephant Pepper uses the same chilies hated by elephants for its sauces, so farmers growing chilies as a deterrent can earn extra income as well. Over 300 rural farmers in the region benefit from the sales of Elephant Pepper products. Putting its ethical business philosophy into action, Elephant Pepper pays farmers above-market prices for chilies plus living wages for farm workers. Every bottle not only tastes good, but is good for African economic development as well.

A portion of sales are donated to EPDT and the World Conservation Society's (WCS) "Saving Elephants" program. WCS calls Elephant Pepper's work "an elegant and pragmatic solution that directly benefits both wildlife and the local people" and agreed to have its logo appear on the company's products.

USAID's Southern African Trade Hub has assisted Elephant Pepper with U.S. marketing efforts since 2007, including support to take part in Fancy Food Shows, the leading specialty foods trade show in the United States. The Trade Hub also assisted in the coordination of the Food Emporium's "Taste of Africa" promotion in September 2008, which will promote the sale of Elephant Pepper's products in the New York region.

USAID | SOUTHERN AFRICA
FROM THE AMERICAN PEOPLE

SUCCESS STORY

"African Set" Appears in U.S. Supermarkets

USAID's Southern Africa Trade Hub works with U.S. buyer to identify suppliers in the region

Photo: Talier Trading Group

The African Set includes a wide range of products from companies throughout Africa, which is now sold at major U.S. food retail stores and chains.

Talier Trading Group's African Set mainstreams African specialty food brands in U.S. supermarkets.

Since July 2007, millions of American consumers in over 2,000 stores have been able to select from a wide range of specialty food products from Southern Africa and other corners of the African continent. The "African Set" includes 280 products from 24 companies, screened and chosen by the New Jersey-based Talier Trading Group, an international specialty food marketing company. The Set is marketed to major U.S. distributors and grocery stores.

The African Set provides retail buyers an easy way to respond to the U.S. consumer demand for African foods. Launched in 2007, the unique product grouping mainstreams Africa's specialty food industry in the U.S. market. By the end of 2008, Talier expects the African Set will be sold in over 5,000 stores, reaping an estimated $2.7 million in export revenues for African food companies. So far, $1.2 million in orders have been placed among Southern African companies, which represent approximately 40 percent of the products (and thus expected revenues) including Southern African brands like Ceres, Nando's, Elephant Pepper, So!Go!, Rooibos Jam, Mrs. Balls, So South African, and Verlaque Fine Foods. The list is expected to grow as the set gains momentum.

The Southern African Trade Hub worked extensively with Talier Trading Group in a mutually beneficial relationship. The Southern Hub−along with other African Trade Hubs in East and West Africa− introduce Talier to export-ready products, while the Talier Group provides the Hub guidance on the marketability of a given product in the U.S. market. Talier also provides critical information on product pricing, packaging and labeling. This relationship enables the Hubs to provide quick responses to requests for information from food companies reflecting current market conditions.

Talier Trading Group has more than a mere business relationship with Southern African clients. When engaging a potential candidate for its African Set, it provides advice on pricing, USDA-compliant labeling and meeting supermarket and distributor packaging needs. Talier also provides advice on methods to enhance marketability (e.g. improving labeling design, producing kosher/halaal products). This guidance is provided free of cost by a company with an interest in making sure that its African Set sells− and it is critical to keeping Southern African specialty food companies competitive in the U.S. market.

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SUCCESS STORY
B2B Event Promises Millions in Deals

USAID's Southern Africa Trade Hub helps link buyers, apparel manufacturers and textile suppliers

Photo: Southern Africa Trade Hub

A Zambian manufacturer of woven apparel shakes hands with a regional buyer of finished garments.

The Trade Hub's African Textile and Apparel Business to Business Event enables U.S. and EU buyers to meet with garment manufacturers, while allowing African textile and apparel companies to develop linkages resulting in new deals and regional integration.

Regional integration and development of Africa's textile and apparel sector is inhibited by a lack of market awareness of African production capabilities on the continent. To help overcome this obstacle, the Southern Africa Trade Hub in collaboration with other Trade Hubs in East and West Africa held the 4th Annual Africa Textile and Apparel Business to Business Event in Pretoria, South Africa, from May 20-21, 2008. The conference brought together 80 representatives from over 60 companies in Africa, the United States and the European Union.

The B2B Event involved over 400 pre-arranged 30-minute "speed dating" sessions between U.S. and EU buyers, South African retailers, regional manufacturers and regional fabric and trim suppliers. The meetings were arranged by buyer's needs and supplier capabilities, providing an efficient way for buyers, manufacturers and suppliers to have focused business discussions. Successful matchmaking happened on several levels. South African retailers and brands found African alternatives to their Asian garment suppliers. Southern African garment manufacturers found new buyers and were able to identify regional suppliers of the fabrics required for production, reducing lead times. U.S. and EU buyers made business linkages with many new African manufacturers.

Participating companies estimated that deals and contacts at the event may yield between $10- $23 million in new business over the next year. While significant deals with the U.S. and EU are expected, most of this new business will involve regional trade between South African retailers, regional garment manufacturers and fabric suppliers. Increased sourcing within Africa is a vital part of the Southern Africa Trade Hub's apparel export strategy, because it leads to greater capacity and economies of scale, a tighter supply chain and shorter lead times - all critical to achieving a greater share in global markets.

The B2B Event is a critical component of the Southern Africa Trade Hub's comprehensive market linkage program for the textile and apparel sector. The program also includes support for Africa Pavilions at the MAGIC Apparel and Fashion Show in Las Vegas and a Sourcing Information Resource for buyers and garment manufacturers looking for supplier linkages.

SUCCESS STORY

African Kids Clothing Company Back in U.S. Market

USAID's Southern Africa Trade Hub helps companies comply with requirements for AGOA duty-free treatment

Photo: Keedo International

Keedo manufacturers designer clothing for children in South Africa, Europe and the United States.

Keedo benefited from a combination of market access and marketing support to renew exports to the U.S. market after a series of challenges stopped its shipments.

In July 2006, Keedo International, a leading manufacturer of designer children's clothing from South Africa, was in crisis. Export shipments to buyers in the United States were detained and returned to South Africa due to problems with customs documentation. Keedo halted its exports to the United States and the company came close to bankruptcy, placing approximately 200 jobs at risk. A year later, with assistance from the Southern Africa Trade Hub, Keedo cleared its first shipment to the United States. Keedo has since sent five containers to the United States, worth over $500,000.

Keedo's business model is development-oriented, with a significant portion of their manufacturing subcontracted to small and micro-enterprises in Cape Town's townships. This model provides income for women with limited job opportunities. The model also created unique challenges for the company when it came to complying with U.S. import documentation requirements on the African Growth and Opportunity Act (AGOA). Subcontractors in the townships added steps to the movement of fabric, which must be tracked and recorded by workers. Workers required capacity building to fill in the documentation. Improper documentation made it more difficult for U.S. Customs and Border Protection agents to ascertain the country of origin (critical for AGOA) and ensure that garments had actually been made by Keedo and not transshipped from another non-eligible location.

After a request from Keedo, the Southern Africa Trade Hub acted quickly to identify a law firm in Washington, D.C. specializing in documentation issues, and shared the cost of retaining its attorneys. Trade Hub staff and the lawyers traveled to Cape Town and worked with Keedo staff and their subcontractors in the townships to identify specific gaps in documentation and develop systems to meet documentation requirements. Keedo retained the firm to assist in the clearance process, and celebrated its first problem-free shipment in November 2007.

To support Keedo's re-entry into the United States, the Southern Africa Trade Hub supported the company's participation in the MAGIC KIDS Show in Las Vegas, Nevada in 2007 and 2008, leading to new orders for the company. With documentation issues resolved and marketing efforts expanding, Keedo hopes to grow exports to the United States to $4 million over the next five years.

SUCCESS STORY

SOURCE AFRICA Wins Award, New Business

Inter-Hub collaboration showcases African textile and apparel industry at premier U.S. Trade Show

Photo: Southern Africa Trade Hub

USAID's Global Competitiveness Hubs in East/Central, Southern and West Africa won 'Best of Show' for their SOURCE AFRICA Pavilion at the February 2008 Sourcing at MAGIC Show

With support from the USAID African Global Competitiveness Hubs, African apparel companies attending the Magic Show could see over US$10 million in potential deals, creating several new jobs in the sector.

Millions of dollars of potential business and a "Best of Show" award for the SOURCE AFRICA Pavilion at the February 2008 MAGIC Show in Las Vegas are just the preliminary outcomes of a collaborative effort on the part of the Southern, East/Central and West Africa Global Competitiveness Hubs (Trade Hubs) to raise the profile of Africa's textile and apparel industry at one of North America's premier fashion and apparel trade shows attended by top American retailers that represent over US$150 billion in U.S. consumer apparel sales. Fifteen African companies participated, representing a cross-section of product capabilities available to buyers, from children's clothing, to workwear, protective gear, uniforms and medical scrubs, to a full range of casual clothing using conventional and organic cotton, synthetics, denim and the latest state-of-the-art finishes. Cameroon, Ethiopia, Ghana, Lesotho, Madagascar, Mauritius, South Africa, Uganda and Zambia were represented.

The SOURCE AFRICA Pavilion received nearly constant traffic, as buyers spent time to learn more about what Africa can offer as an alternative sourcing location. Buyers were interested in product segments that achieve significant tariff savings compared to most Asian locations thanks to the African Growth and Opportunity Act (AGOA) and products made from organic cotton – an emerging segment within the regional apparel industry. Buyers were also keen to learn about the flexibility, quality, competitive pricing, falling lead times, labor standards and other benefits African companies are able to offer.

While it is too soon to determine that actual business generated by participation in the show, all participants considered the event a useful investment of their time and money and a critical networking and market linkage venue. Serious business contacts were made with potential buyers, new and old contacts alike. An exit poll of African companies attending the event suggests that potential business resulting from networking at the show could exceed US$15 million (assuming pricing and sample exchanges go well).

The Trade Hubs have already started planning for a repeat success at the MAGIC Show in August 2008.

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SUCCESS STORY

Botswana Entrepreneur Launches New Furniture Line

USAID's Southern Africa Global Competitiveness Hub helps Botswana designer gain access to the U.S. market

Photo: Southern Africa Trade Hub

Peter Mabeo showcases his latest collection of chairs, tables, and home accessories at the 2007 International Contemporary Furniture Fair in New York City.

With assistance from the USAID Trade Hub, Peter Mabeo Furniture is identifying the right distributor to promote its furniture line on the U.S. market and restructuring the company to export exclusively to North America.

The Southern Africa Global Competitiveness Hub (Trade Hub) has been working with Peter Mabeo Furniture, a Botswana-based contemporary furniture design and manufacturing company, to achieve new exports for its furniture line for the North American market. Partnering with the Africa Fast Track Trade program, the Trade Hub sponsored Peter Mabeo, Owner and Managing Director, to showcase his new collection at the 2007 International Contemporary Furniture Fair in New York.

The trip followed the award-winning launch of the Mabeo Collection for the North South Project – a collaborative effort between Peter Mabeo and Canadian designer Patty Johnson that received the Editors' Award for Craftsmanship at the 2006 International Contemporary Furniture Fair.

Since 1995, Mabeo's company has manufactured furniture for the corporate sector and the domestic retail market in the Southern African region. The North South project enabled the company to step into the international marketplace, offering a 10-piece line of high-end, hand crafted furniture products designed by Johnson and manufactured in Botswana. Balancing craft and local aesthetic with contemporary design, the collection received recognition from *Newsweek*, the *New York Times*, *Elle Décor*, the *City Magazine* of New York, and the *Toronto Star*.

The new designs and exposure at the 2007 International Contemporary Furniture Fair paid off. In April 2008, Peter Mabeo's furniture will appear in 10 showrooms of the prestigious Design Within Reach company throughout the United States. Design Within Reach will feature Peter Mabeo's products as part of their sustainability line. Featured showrooms include New York, Washington DC, San Francisco, Dallas, Chicago, Miami and Los Angeles. Being exempt from customs duty and import tax into the United States and sourcing raw material from an Indiana-based lumber supplier, Peter Mabeo Furniture is able to offer an attractive, quality product at a competitive price to the North American market. The Trade Hub's partnership with Peter Mabeo comes as part of the Hub's concerted effort to help promote the diversification of Botswana's exports beyond diamonds and apparel.

SUCCESS STORY

Hippo Knitting

Material World New York's African Pavilion creates sales for Southern African firms

Photo: Southern Africa Trade Hub

An increase in orders for basic items, such as these t-shirts, has resulted in increased employment opportunities at Hippo Knitting in Maseru, Lesotho.

USAID Southern Africa Trade Hub's support for the participation of Hippo Knitting in the Material World show in New York has resulted in increased employment for workers in Lesotho. Material World is one of the premier trade shows held annually in the United States bringing together buyers and producers in the apparel industry.

In late September 2006, the Southern Africa Trade Hub sponsored Maseru-based Hippo Knitting to participate in the Material World Trade Show in New York. Hippo Knitting capitalized on the opportunity to showcase and network and realized success. A New York retailer has placed an order for 2007 valuing $1.9 million, and three additional North American companies have visited Hippo Knitting facilities since the trade show.

This new business is a welcome upswing. Since the expiration of global apparel quotas under the Multi-Fiber Agreement (MFA) on January 1, 2005, African producers have struggled to maintain U.S. market share in garments. The United States Trade Representative reported that overall AGOA textile and apparel imports dropped quickly, by as much as12 percent, in 2005. This changing landscape is particularly significant for Lesotho, where in just five years AGOA preferences have spurred industry growth and rendered apparel and textile manufacturing the country's largest formal sector employer.

Hippo Knitting, a 2000 upstart employing nearly 800 workers, is among those affected. Since early 2005, the facility has been forced to reduce its production capacity by 45 percent. The $1.9 million order will help to mitigate, as the company will revive capacity by 10 percent to meet the demand, creating 160 jobs in the process. The Material World Trade Show played a key role in this renewal of confidence, providing the company with a face-to-face opportunity to prove its business savvy and product quality.

Grace Lin, representing Hippo Knitting management thanked the Hub, saying, "This trip has been quite amazing for our factory and Lesotho has done so well. We thank the USAID Trade Hub for their assistance; we would not have been able to do this without your support!"

SUCCESS STORY
Label Clothing (Pty.) Ltd.

Material World New York's African Pavilion creates sales for Southern African firms

Photo: Southern Africa Trade Hub

Taking advantage of duty-free import status to the United States Label Clothing's Bernice Rensburg displayed a variety of items at the show

Label Clothing (PYT) Ltd., a newly established clothing manufacturer based in Botswana had success at the Material World Show in New York. As a result of assistance and support provided by USAID Southern Africa Trade Hub, Label Clothing is expanding its workforce and firmly establishing this family run business in their newly established facilities in Botswana

The Southern Africa Trade Hub roster of companies sponsored to attend the Material World Trade Show in New York, September 26-28, 2006, included Botswana's Label Clothing.

Label Clothing is a new arrival to Botswana and, pending orders received via Material World contacts, will be a new entrant to the United States market. The facility, located in Selebi Phikwue, employs 490 workers and has concentrated to date on casual wear, specifically men's basics and safari clothing.

While in New York, Label Clothing's Bernice Rensberg met with Dr. Bill Releford, Chairman of Butta, the California-based company commanding the "Made in Africa" brand. Label's samples met Butta's quality test, and Butta has since placed an order valuing $519,000 for 350,000 units of men's shirts, tracksuits, boxers, and boxer briefs.

Material World New York also served as a catalyst to deepen Label's relationship with another South African partner. The two companies are negotiating to collaborate on orders for two large markets in South Africa: hospital scrubs and prison uniforms.

Since returning to Botswana, Rensburg has followed up with and sent samples to other promising American buyers who expressed interest in Label's product lines during private meetings in New York. An unnamed buyer took special interest in Bernice's personal account of her business' resolve in a hurdle-ridden environment. Bernice writes, "The buyer was very impressed with our range of products. After hours of talking when I gave him the whole history of Label Clothing from start-up, to the setting-up in Botswana, he decided that Label Clothing was definitely a company he wanted to do business with. He found it so amazing that an entire family could all work together for so long and admired our tenacity to persevere."

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SUCCESS STORY
Material World New York

African Pavilion creates sales for Southern African firms

Photo: Southern Africa Trade Hub

Over 4,000 buyers and 236 exhibitors attended the 2 day event held at the Jacob Javits Convention Center in New York City.

USAID Southern Africa Trade Hub, in coordination with the Trade Hub in both West and East Africa, supported the participation of African apparel manufactures at the 2006 Material World show in New York. A first time African Pavilion at this industry leading event represented an opportunity for producers from across sub-Saharan Africa to showcase the diverse products available on the continent.

Material World New York, taking place September 26-28, 2006 at the Jacob Javits Convention Center, drew apparel, home furnishings, and accessories representatives from 475 companies worldwide. International participation exceeded previous numbers, expanding from 40 exhibitors in 2005 to 236 in 2006. Over 4,000 buyers attended, representing more than 35 countries including Bangladesh, China, Korea, Thailand, Morocco, India, Pakistan, Japan, and Taiwan.

More than ten African countries featured their apparel products in the Africa Pavilion, organized by Trade Links, LLC. Dedicating an exhibition area exclusively to the African companies had the effect of marketing Africa as a collective destination for buyers. The exhibitors each retained their national, cultural, and corporate identities. The pavilion showcased product samples and descriptions of facilities and services in Botswana, Ethiopia, Lesotho, Kenya, Ghana, Cameroon, Senegal, Swaziland, Madagascar, and South Africa, among others.

The USAID Southern Africa Trade Hub sponsored five companies to attend Material World New York. The companies capitalized. Through a contact made on the exhibition floor, Lesotho's Hippo Knitting will supply a 2007 order valued at $1.9 million to a New York retailer, a move that will expand the Maseru company's production capacity by ten percent and require the hiring of 160 new employees. Label Clothing, out of Botswana, will supply an order valued at $519,000 to Butta's "Made in Africa," earning its first foray into the U.S. consumer market. Both companies are in follow-up communication with additional buyers. Inter-regional networking also bore results: Label Clothing is negotiating with a South African firm to coordinate on standing orders for South African hospital scrubs and prison uniforms.

Material World is an ideal and invaluable venue for African companies. The ability to showcase quality samples contradicts the negative stigma of too-expensive, low quality African manufactures. The opportunity to interact with buyers in person helped to lower communication barriers, and the relationships forged surmounted another negative perception: that sub-Saharan African infrastructure is unsuitable to the fast-paced international market.

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SUCCESS STORY
Fancy Food Show Chicago

Sauces, chutney, and tea represent some of the products displayed by participants sponsored by USAID Southern Africa Trade Hub

Photo: Southern Africa Trade Hub

Edward Khoromana, Managing Director of Nali Ltd., a Malawian sauce producer, displayed and provided samples at the Chicago Fancy Food Show.

The USAID Southern Africa Trade Hub sponsored six companies participation in the May 2006 Fancy Food Show held in Chicago. The companies represented a sampling of the specialty food products available from the Southern Africa region. Three companies report new exports as a result of their participation in this event.

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The Fancy Food Show, organized by the National Association for the Specialty Food Trade, Inc. (NASFT), attracts between 19,000 to 32,000 attendees representing the full diversity of the specialty foods market. Over a thousand exhibitors present a cumulative 100,000 specialty foods on the trade show floor. The venue is also designed to deliver meaningful one-on-one interaction and networking: NASFT estimates that 87 percent of Fancy Food attendees have decision-making authority within their respective companies.

Attendees often include supermarket buyers, specialty food retailers, chefs, restaurateurs and hoteliers, bakers, deli owners, gift store buyers, caterers, and candy store buyers. Additionally, seminars and workshops examine marketing challenges, industry trends, and niche opportunities.

In May 2006 the USAID Southern Africa Trade Hub sponsored six regional companies to attend the Spring Fancy Foods Show in Chicago: Eswatini Kitchen (Swaziland), Peppadew International (South Africa), Olyvenbosch Vineyards (South Africa), Nali (Malawi), Bou Joubert (South Africa), and African Spices (Zambia). Together, the group catered to the “strength in numbers” adage, raising the collective profile of southern Africa as a supply source for specialty foods. Individually, the trade show format provided some pivotal successes.

Three of the six companies sponsored by the USAID Trade Hub have since realized new exports to the U.S. specialty and gourmet food sector.

Southern African producers are well poised to capitalize on this market evolution. But the mandate of specialty food sales is more hands-on, more personal, than mass order sales. Small southern African companies who produce high quality products are already successful in local and regional markets; and many have beginners’ experience exporting to the U.S. or the EU. At interactive venues such as Fancy Foods they have the opportunity to share themselves to consumers increasingly shopping for flavor with conscience.

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PHOTO & CAPTION

Technical Assistance for Mozambican Litchi Growers

Photo: Southern Africa Trade Hub

The Southern Africa Trade Hub recently provided technical assistance to litchi growers in the Chimoio region of Manica Province in Mozambique.

In collaboration with a South Africa marketing firm, the Trade Hub arranged for a litchi expert to provide technical assistance to these farmers.

The assistance focused on improved grafting techniques (including air layering, pictured here) and post-harvest handling. The assignment also allowed the marketing firm an opportunity to investigate new sourcing arrangements for early season fruit. It is envisioned that with a minimum of follow-up training and reinforcement of skills learned, the farmers will be capable of propagating the types of seedlings needed to build the area's production base and attract more commercial marketing companies.

The targeting of emerging commercial farmers directly supports USAID/Mozambique's rural income growth strategy and is consistent with the Trade Hub's strategy of supporting bilateral Mission activities. This activity also is consistent with the Global Development Alliance principle of leveraging private sector involvement to achieve development objectives.

Training in improved propagation techniques for smallholder farmers in Manica Province, Mozambique is an important first step to cluster development and regional market expansion.

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SUCCESS STORY

Pineapples and Mangos to Europe

Collaboration between the Southern Africa and West Africa Trade Hubs results in two major export deals for pineapples and mangos in South Africa

Photo: Southern Africa Trade Hub

"The Hub's help in forwarding the IPR judgment and information on pest risk analysis were invaluable in opening these new channels."
Export Development Manager of the benefiting firm

In a first of its kind example of intra-Hub collaboration, the Southern Africa Trade Hub joined forces in April with the West Africa Trade Hub to secure a new market for MD2 pineapple and fresh mangos from Ghana and Senegal. Resulting sales to South Africa will be in the range of USD 1.1 and 1.4 million annually, thereby enabling a South African processor to preserve its share in an expanding multi-million dollar market for fresh cut fruits to Europe.

For the past several months, the Southern Africa Trade Hub has been working with a leading fresh cut fruit processor in South Africa to resolve a shortage of a certain pineapple variety and quality counterseasonal mangos needed to satisfy the specifications of a large UK retailer. To open new supply channels for these crops, the Southern Hub's competitiveness team began working with the West Africa Trade Hub to plan and support the client's trade mission to Ghana and Senegal, which identified a number of highly competitive suppliers in each country, as well as pest experts and plant quarantine authorities.

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

As a result of these efforts, the first shipment of mangos was sent from Senegal in June 2005 and MD2 pineapples will be shipped from Ghana in early September, thereby enabling the South African firm to preserve its share in a rapidly expanding export market for fresh cut fruit mixes in Europe worth several million dollars annually. Resulting value in regional pineapple exports alone is expected to be at least USD 800,000 annually (50mt per week) and mango sales are projected to range from USD 200,000 to 365,000 per year (5-10mt per week) for exports from May to November for at least the next three years.

Annex 5 – Technical Reports

ANNEX 5 – TECHNICAL REPORTS

1. Mar. 2008. "South African Market Access for Zambian Honey." Progress Report.
2. Feb. 2008. "Increasing Trade through Exports: Successful Market Linkages and Best Practices from the Southern Africa Trade Hub."
3. Apr. 2007. "Sanitary and Phyto-Sanitary Survey." Trip Report.
4. Apr. 2007. "Fresh Produce into South Africa: An Analysis of Supply Gaps."
5. Mar. 2006. "Facilitation and Promotion of Horticultural Exports in Mozambique– Action Plan on Removal of Non-Tariff Barriers." Combined Trip and Technical Report.
6. Mar. 2006. "RSA Export Parity Price Task Force Recommendations." Joint Working Group Report.
7. June 2006. "U.S. Apparel Retail, Distributor and Brand Survey."
8. Feb. 2006. "The Practitioner's Guide to Importing Fresh Produce into South African Markets."
9. Feb. 2006. "Guia dos Practicantes Para Importacao de Produtos Frescos Para Mercados da Africa do Sul."
10. June 2005. "Tourism Global Survey." Technical Report.
11. June 2005. "Assessment of the Swaziland Investment Promotion Agency." Technical Report.

SOUTH AFRICAN MARKET ACCESS FOR ZAMBIAN HONEY

PROGRESS REPORT

21 March 2008

Dermot Cassidy
MATEP
Johan Labuschagne
SATH

PQPS REVIEW – MARCH 2008

Introduction

This progress report summarizes activities at PQPS in resolving the issue of market access for unirradiated Zambian honey into the South African market. Due to the complex and varied activities at Plant Quarantine and Phytosanitary Service (PQPS) it was suggested that there be an informal accountability within the service for progress on the scorecard of major activities required of a National Plant Protection Organization[1]

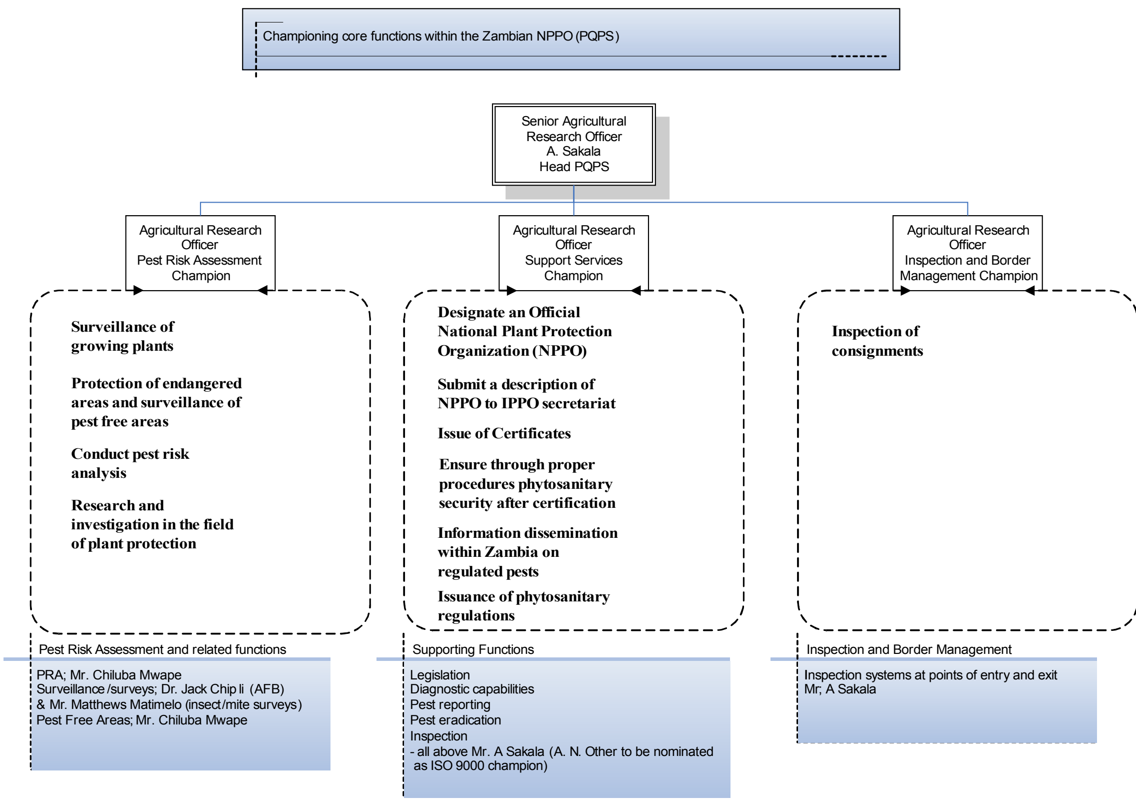

Fig. 1; "Championing" of activities at PQPS [2]

The overall structure of the delegation of tasks is shown in Figure 1 though it must be emphasized that some designated champions do not report directly to PQPS but work for other services within the Plant Protection and Quarantine Division (PPQD) of the Zambia Agricultural Research Institute (ZARI)

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[1] Agricultural Standards and Zambian Trade, Review of Zambia's Current System of Phytosanitary Management, June 2006. Draft Report, Prepared For the World Bank by Dermot Cassidy. The main scorecard was based on the text of the INTERNATIONAL PLANT PROTECTION CONVENTION. (New Revised Text approved by the FAO Conference at its 29th Session - November 1997). A second scorecard was based on the The Phytosanitary Capacity Evaluation (PCE) Tool with the headings and areas being reviewed based on relevant international standards for phytosanitary measures (ISPMs).

[2] Extracted from; Zambia: Agricultural Development Support Project, Supervision Mission, November 19 – 30, 2007, Progress Report on the ADSP funded activities at the Plant Quarantine and Phytosanitary Service at Zambia Agricultural Research Institute June 2006 to November 2007, Prepared by Dermot Cassidy December 2007

For the specific issue of market access for honey supporting component activities within PPQD were drawn up in a workplan which would set the program as follows;

1. A review of the scientific issues at stake
2. A review of the trade issues involved
3. A detailed workplan to set in motion a targeted set of activities to address the trade issues in a scientific way using business management tools.
4. Accountability by nominated persons for delivery of individual subcomponents of the workplan.

Table 1; Summary of components of workplan designating the delegation of tasks to be implemented by a number of individuals at PPQD[3]

PROCUREMENT OF SPECIALIZED EQUIPMENT AND CONSUMABLES; Dr J. Chipili	Procurement of Equipment/reagents (of which)
	Study MACO procurement system
	Get quotes from suppliers
	Determine 'single source' suppliers in agreement with ARC and MACO*
	Finalize orders
	Ensure storage equipment installed (especially for PCR reagents)
	Delivery of equipment and basic reagents
	Delivery of PCR reagents
	Installation of ancillary equipment
TRAINING; Dr. J. Chipili	Negotiation with ARC on microbiology training mission
	Training of Personnel by ARC in Zambia (Microbiology)
	Negotiation with DoA/NDA on field sampling methodology
	Training of Personnel on stratified sampling (curriculum approved by DoA/NDA)
ISO CERTIFICATION; PQPS Mr. A. Sakala, Pathology Laboratory Dr. J. Chipili.	Negotiation with Zambia Bureau of Standards
	Procurement agreement
	Gaps analysis
	Training and Assignments
	Internal Audit
	External audit
	Certification
SURVEYS; Mr.Matimelo, Matthews	Field Surveys of AFB
	Isolations/Identifications
	Report Writing
REGULATIONS, MoU's, LEGSLATION; Mr A. Sakala	Negotiate with RSA Government on text of import controls deemed sufficient
	Enact honey/bee import controls
	Develop 'AFB/Nosema awareness materials'
	Publish AFB/Nosema awareness materials
	Training of inspectorate and industry in awareness and statutory controls
	Implement border and internal controls including sending samples for micro at ZARI
* relates to agreement on PCR methods that will be acceptable to South Africa	

The honey market access work plan was finalized during the course of the World Bank Agricultural Development Support Program (ADSP) Supervision Mission at the end of November 2007 and a final version circulated in mid December 2007.[4]

[3] A full reproduction of the workplan is appended (Appendix 1)
[4] Work plan for the Zambian honey bee pests study 2008, Dermot Cassidy December 17 2007

With support from USAID (Market Access Trade and Enabling Policies – MATEP) a mission to review progress in the three months since the finalization of the workplan on the honey market access issue was undertaken in mid March of 2008 by Johan Labuschagne (USAID – SATH) and Dermot Cassidy (MATEP)

Progress report

Procurement of laboratory consumables for testing for AFB
A list of consumables and additional equipment required for the testing of American Foulbrood (AFB) in Zambia was prepared by Dr. J. Chipili and submitted to Mr. Sakala but there is no information on progress on this item. Dr. J. Chipili was still not familiar with the requirements of the Ministry of Agriculture and Cooperatives (MACO) procurement system and has not followed this up.

The procedure is that a procurement request is sent to the relevant Service Head (in this case Mr.Sakala) who then sends it to the procurement section of ZARI which then sends it to the ADSP procurement section of MACO for purchasing. However once the initial procedures are followed there is nothing preventing the subsequent direct communication between the end user (in this case Dr Chipili) and MACO/ADSP procurement to resolve any issues with the procurement process. However this has not happened and this component of the program has not been progressed..

Training
Provision was made for the in-country training of elected persons at PPQD to be trained in the laboratory procedures for AFB has not happened. There has been no response by Dr Theresa Goszczynska to e-mails from Dr. Chipili regarding possible AFB microbiology training in Zambia. This is perhaps just as well as there are no reagents and consumables available for the training as yet.

There has been no discussions as yet with the South African Department of Agriculture/National Department of Agriculture (DoA/NDA) on an acceptable field sampling methodology and therefore training of personnel on stratified sampling has not progressed. There has been no communication with the University of Zambia on setting up a curriculum approved by DoA/NDA). This issue is crucial in light of reviewers comments on the short communication written as an output of the AFB survey in 2007.[5]

ISO 9000 certification
There have been discussions between Mr.Sakala and Ms. Dingase Makumba of the Zambian Bureau of Standards (ZBS) regarding the development of a document management system at PQPS and subsequent auditing to ISO 9000 standard. The original quotation from ZBS was K68 million which included the services of a consultant to train and help with implementation. This has been negotiated down to K38 million by dispensing with the services of a consultant. While it is commendable that there has been robust negotiation on price it may be a false economy to dispense with input from specialist help – any document management system is difficult to learn from a manual and those inexperienced with the requirements of such systems often end up overloading themselves with unwieldy and unnecessary paperwork.

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[5] Survey of *Paenibacillus larvae* subsp. *larvae* spores in honey samples in Zambia, Nguz Kabwit , Jack Chipili, Chiluba Mwape, Mathews Matimelo and Arundel Sakala

REGULATIONS, MoU's, LEGISLATION
At present there has been no progress on the development of making honey a controlled product in Zambia.

In terms of the strict protocols involved in Zambian legislation the issuing of border management and import regulations, national surveillance programs and the monitoring of bees and honey in Zambia falls under the Department of Veterinary and Livestock Development (DVLD) of MACO. DVLD is the Zambian Organisation of Epizootics (OIE) contact point under which bees fall as part of the Terrestrial Animal Health Code (TAHC). In a discussion with Drs. Christine Chisimbele and Yona Sinkala the following points were made as the contribution /participation of DVLD.

- It is necessary for a Memorandum of Understanding to be drawn up between DVLD and PQPS recognizing that in the case of South Africa Plant Health within the DoA was the body responsible for controlling honey matters and that PQPS had a legitimate role in resolving the issue. However DVLD is the designated authority in Zambian law and as the country OIE contact point must be involved in the market access process. This MoU needs to be drafted and agreed Mr Sakala and Dr. Christine Chisimbele and posted through the relevant channels at MACO.
- Delivery of necessary Statutory Instruments (SI) should be the responsibility of DVLD with input from PQPS and South African Plant Health.
- Implementation of border controls and inspections should be agreed in terms of the MoU and SI regarding veterinary and/or plant health inspectors
- Agreement should be reached in the MoU on the issuing of phytosanitary/zoosanitary certificates for honey.
- Agreement between PQPS and DVLD on the sharing of resources e.g. the designation of a single national laboratory for all PCR analyses.
- Agreement on the devising and implementation of making honey a controlled product and the rolling out of a national AFB awareness program.

Comments by reviewers on AFB short communication
The short communication written by the AFB consultant was rejected for publication by The Apiculturist, mainly for the following reasons;

1. No control samples used by the ARC laboratory in Pretoria to demonstrate that they can detect AFB if present
2. Some criticism of the agar media used
3. Not enough field samples of honey were taken and sent through for analysis

Addressing reviewers comments will effectively require a research program on a scale equivalent to the honey workplan which would in effect generate enough data to justify a full length paper.

Field survey

In terms of the workplan the field surveys are to start in June after the laboratory and training for AFB diagnostics have been completed (see detailed GANTT chart in Appendix 1). However there has been no progress on developing the sampling methodology and accessing suitable software to be used for planning the survey and the subsequent statistical calculations. A curriculum was developed at the University of Zambia (UNZA) with assistance by the Zambia Threshold Project (ZTP) specifically for the type of surveys that PPQD need to undertake

Conclusions and recommendations.

Working agreements (PQPS, DVLD and the Honey Steering Committee)
An understanding has to be reached between PQPS and DVLD on their responsibilities and working arrangements in terms of the AFB Workplan. Overall direction and monitoring of the workplan should be supplied by the Zambian Honey Steering Committee (a public private partnership) with assistance from the World Bank and USAID. However it is suggested that an increased role for the Agribusiness Forum be formalized. A revised GANTT chart is included (see Appendix 3).

Working agreement (Zambia with South Africa)
The workplan needs to be discussed by the relevant Zambian authorities with the Plant Health Department of the South African DoA so as to ensure that there is agreement about the methodology of the workplan and its aim i.e. that by successfully implementing the workplan, market access to South Africa for unirradiated Zambian honey will be achieved.

Surveillance, import regulations and awareness
An ongoing surveillance program needs to be initiated by working agreements between PQPS and DVLD.

This includes;

- Gazetting the necessary Statutory Instruments on import controls
- Publication and distribution of basic pamphlets on AFB and Nosema
- Field training of Veterinary and Agricultural extension officers
- Ensuring that routine sampling methods are set up (of export consignments and retail stocks of honey to start with). This can be extended to formal field surveys from June onwards – in terms of the Workplan

AFB diagnostics
Due to delays in the procurement of AFB diagnostic equipment, laboratory consumables and training it is suggested that the workplan be altered as follows;

- Procurement of the VITA® AFB Diagnostic Kit so as to start testing more or less immediately.[6]
- Discussions with the Agricultural Research Council (ARC) pathology laboratory in Pretoria to test honey samples from the field survey planned

[6] The VITA® AFB Diagnostic Kit has been developed for Vita (Europe) Limited by the Pocket Diagnostics section at the Central Science Laboratory in York, UK. It is designed to provide a rapid on-site diagnosis of American Foulbrood infections in honeybee larvae. The kit is based on similar technology to that of the highly successful home pregnancy test kits and reacts specifically to antibodies associated with the pathogen *Paenibacillus larvae* var. *larvae* causing American Foulbrood in honeybees. The kits are rigorously tested for use in the field, by comparison with standard laboratory tests. Validation of this test kit has been performed at the National Bee Unit of the Central Science Laboratory, York and at other institutes internationally.

for June/July of 2008. Procurement agreement set up in advance with MACO

- Review of the ARC AFB testing manual in light of the comments by reviewers of the short communication written by Dr. Nguz *et al*.[7]
- Initiation of discussions between PPQD (of which PQPS is a sub component), DVLD and UNZA about the best place to site AFB laboratory testing in Zambia. This need not be urgent if it is agreed that in the meantime testing can be by a combination field testing using VITA® lateral flow devices backstopped by the ARC laboratory in Pretoria

ISO certification

It is recommended that a short presentation on ISO 9000 be made to the Permanent Secretary of MACO by ZBS. The presentation will show the following;

- The effect on working efficiencies of individuals and organizations adopting ISO9000 document management practices
- The nature of the PCE which is in effect an audit and how ISO 9000 is integral to the deliverables expected of an NPPO.

The use of a consultant/trainer be re-instated as part of the ISO 9000 rollout at PQPS. A specific target date needs to be agreed for the successful certification of PQPS.

[7] ARC laboratory manual entitled - Detection of *Paenibacillus larvae* subsp. *larvae* causing the American Foulbrood of honeybee in honey

Appendix 1; Honey market access activities planned for 2007-8

GANTT for American Foulbrood survey														
Month		Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Year		2007	2008											
PROCUREMENT	Procurement of Equipment/reagents (of which)	■	■	■	■	■								
	Study MACO procurement system	■												
	Get quotes from suppliers	■	■											
	Determine 'single source' suppliers in agreement with ARC and MACO*	■	■											
	Finalize orders			■										
	Ensure storage equipment installed (especially for PCR reagents)			■										
	Delivery of equipment and basic reagents			■	■									
	Delivery of PCR reagents					■								
	Installation of ancillary equipment					■								
TRAINING	Negotiation with ARC on microbiology training mission	■	■	■	■									
	Training of Personnel by ARC in Zambia (Microbiology)						■	■						
	Negotiation with DoA/NDA on field sampling methodology	■	■	■										
	Training of Personnel on stratified sampling (curriculum approved by DoA/NDA)			■										
ISO CERTIFICATION	Negotiation with Zambia Bureau of Standards	■	■	■										
	Procurement agreement			■										
	Gaps analysis				■	■								
	Training and Assignments						■	■	■					
	Internal Audit									■				
	External audit										■			
	Certification											■		
SURVEYS	Field Surveys of AFB							■	■					
	Isolations/Identifications									■	■			
	Report Writing											■		
REGULATIONS, MoU's, LEGSLATION	Negotiate with RSA Government on text of import controls deemed sufficient	■	■	■										
	Enact honey/bee import controls			■	■									
	Develop 'AFB/Nosema awareness materials'	■	■											
	Publish AFB/Nosema awareness materials			■										
	Training of inspectorate and industry in awareness and statutory controls					■								
	Implement border and internal controls including sending samples for micro at ZARI						■	■	■	■	■	■	■	■

* relates to agreement on PCR methods that will be acceptable to South Africa

Appendix 2; Meeting of the Zambian Honey Steering Committee 19 March 2008

In summary what was agreed at this meeting was;

- The Zambia Honey Council (Bill Kaleluka) supported by the Agribusiness Forum (Felix Chizhuka) would now be responsible for progressing the M&E activities of the Honey Steering Committee. The M&E would follow the revised workplan – effectively represented by this document.
- DVLD and PQPS would draft out a MoU to move forward the workplan.
- Johan Labuschagne would in the meantime work informally with the DoA to ensure that the main elements of the workplan are acceptable
- The Zambian Honey Council would interface with DVLD and PQPS to make sure that the MoU and field survey stays on track
- Dermot Cassidy to provide help in the surveillance and awareness program through the writing of draft TOR's and promotional materials for this activity.
- Progress on these issues will be reviewed at the next meeting of the Honey Steering Committee on the 9th of April.

Revised GANTT for American Foulbrood market access program

Month		Status	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
REGULATIONS, MoU's, LEGSLATION (Mr,Chiluba Mwape, and Dr. Yona Sinkala)	MoU negotiated between PQPS and DVLD	Required									
	Negotiate with RSA Government on text of import controls deemed sufficient	Required									
	Enact honey/bee import controls	Required									
	Develop 'AFB/Nosema awareness materials'	Required									
	Publish AFB/Nosema awareness materials	Required									
	Training of inspectorate and industry in awareness and statutory controls	Required									
	Implement border and internal controls including sending samples for micro at ZARI	Required									
SURVEYS (Matimelo, Matthews)	Field Surveys of AFB	Required									
	Isolations/Identifications	Required									
	Report Writing	Required									
PROCUREMENT (Dr. Jack Chipili)	Procurement of Equipment/reagents (of which)	Optional									
	Obtain Lateral Flow Devices	Required									
	Study MACO procurement system	Optional									
	Get quotes from suppliers	Optional									
	Determine 'single source' suppliers in agreement with ARC and MACO*	Optional									
	Finalize orders	Optional									
	Ensure storage equipment installed (especially for PCR reagents)	Optional									
	Delivery of equipment and basic reagents	Optional									
	Delivery of PCR reagents	Optional									
TRAINING (Dr. Jack Chipili)	Installation of ancillary equipment	Optional									
	Negotiation with ARC on microbiology training mission	Optional									
	Training of Personnel by ARC in Zambia (Microbiology)	Optional									
	Negotiation with DoA/NDA on field sampling methodology	Optional									
ISO CERTIFICATION (Mr. Arundel Sakala)	Training of Personnel on stratified sampling (curriculum approved by DoA/NDA)	Optional									
	Negotiation with Zambia Bureau of Standards	Optional									
	Procurement agreement	Optional									
	Gaps analysis	Optional									
	Training and Assignments	Optional									
	Internal Audit	Optional									
	External audit	Optional									
	Certification	Optional									

SOUTHERN AFRICA GLOBAL COMPETITIVENESS HUB

Increasing Trade Through Exports: Successful Market Linkages and Best Practices from the Southern Africa Trade Hub

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Acronyms

AFTT	Africa Fast Track Trade Project
AGCI	African Growth and Competitiveness Initiative
AGOA	African Growth and Opportunity Act
B2B	Business-to-Business
EPA	European Partnership Agreements
FDA	Food and Drug Administration
ICFF	International Contemporary Furniture Fair
MATEP	Market Access, Trade and Enabling Policies Program
NASFT	National Association for the Specialty Food Trade
SAIBL	South African International Business Linkages
SWEEP	Swaziland Enterprise and Entrepreneurship Project
TCP	Trade Competitiveness Project

I. Executive Summary

Since October 2004, the Southern Africa Trade Hub's Trade Competitiveness Project (TCP) has been working to promote exports from key sectors of the Southern African economy to global markets. The project has emphasized private sector and market-led approaches to achieving export competitiveness. Through direct consulting services to export ready and regionally or domestically competitive firms, the Southern Africa Trade Hub has supported the growth of sustainable linkages with global buyers and investors, positioning Southern African manufacturers to capitalize on global market opportunities. This analytical report surveys the progress made by the project toward increasing exports from the sectors on which it focuses.

The first section of the report, entitled *Market Linkage Results*, discusses summary outcomes from the project's work with regional apparel, specialty food and other light manufacturing industries. Having generated over $47 million in closed and pending deals through the end of 2008 with an $8 million program and two full-time staff members based in Gaborone, the Hub is putting African exporters on the map. These outcomes signal a positive response by international buyers to Southern African products and a platform for achieving more robust export-driven growth in the region. The Trade Hub's work has helped to prepare over 500 companies for export to the U.S. market, with 40 of those having attended leading trade shows in their industries through 2007.

Section III, entitled *Market Linkage Methodology*, walks through the core elements of the Trade Competitiveness Project's approach to stimulating exports through market linkages. The centerpiece of the Trade Hub's approach is effective participation in business networking events, including trade shows, which are open to most global industry players, and closed business-to-business events, which are organized by the Trade Hub and only open to regional manufacturers and international buyers or investors. These events have generated linkages between Southern Africa and global markets that are the drivers of market integration and export growth. The Trade Hub complements business networking support with direct assistance to regional firms in meeting global market requirements, as well as assistance to international buyers and investors seeking to identify qualified suppliers in Southern Africa. Each element is discussed in the context of how it contributes to the summary outcomes reviewed in section II.

Section IV analyzes in greater detail the *Transformative Effects of a Market Linkage Approach*. The discussion focuses on why market linkages represent more than just the sum, in dollars, of the deals that they generate. Recognizing that the long-term growth of Southern Africa's economy depends to a great extent on its ability to capture an increasing share of the global market in key sectors, the Trade Hub has employed a market linkage approach to stimulate competitiveness. The response of Southern African firms that interact with the global marketplace through business networking has been to focus on increasing productivity, investing in new capacity, and developing new or modified products that can compete with those offered by other emerging markets. These transformations within firms and within industries are what will continue to drive Southern Africa's integration into global markets long after donor-funded projects have closed.

The final section, entitled *Opportunities*, explores how the momentum that has been generated by the first 3 years of the Trade Competitiveness Project can be built upon. While much of the current momentum is sustainable, with the relationships between lead Southern African manufacturers and global buyers in the apparel and specialty foods sectors well established, there are numerous opportunities to deepen and broaden the push toward market integration.

Southern Africa can continue on the path of export-led growth if it is able to capture new markets in sectors where it is already strong and grow its competitiveness in sectors where it is emerging. For example, new markets in Europe, which is reforming its system of trade preferences in the region, and new sectors such natural products present tangible opportunities for increased export growth. As this report describes, the Southern Africa Trade Hub's Trade Competitiveness Project can accelerate the process of capitalizing on those opportunities.

II. Market Linkage Results

Background

The Trade Competitiveness Project (TCP) is responsible for implementing the African Growth and Competitiveness Initiative's (AGCI) second pillar: "Improving the Market Knowledge, Skills and Abilities for the Private Sector Enterprises to Trade". The TCP has used a sector and market-driven approach to achieve this objective.

AGCI supports the underlying objective of private sector led growth to eradicate poverty. To achieve growth rates necessary to eradicate poverty, Southern Africa must trade competitively in global markets. Although domestic markets within Southern Africa may be able to absorb goods produced locally, accelerated economic growth will require access to foreign markets with different consumer preferences, higher quality and packaging standards, greater purchasing power and varied seasonality of products.

Related initiatives such as the African Growth Opportunity Act (AGOA), which offers substantially favorable access to the U.S. market, have created an incentive for African states to strengthen the business environment for export industries and increase their international competitiveness. Taking advantage of the opportunities presented by AGOA preferences and capitalizing on market demand, the Southern Africa Global Competitiveness Hub has focused AGCI resources on facilitating trade between Africa and developed markets in the United States and Europe.

As one of its primary tasks, the Trade Hub provides market linkage support that:

1) Raises the credibility and positioning of Southern Africa as a sourcing location in the eyes of a wide spectrum of buyers;

2) Provides a venue for the region's producers and manufacturers establish market contacts and engage influential buyers and investors in key markets, particularly in the U.S. and South Africa; and

3) Helps "export ready" companies translate market contacts into deals.

As a result, the Trade Hub has become a recognized resource for both buyers and sellers and a proven facilitator of significant new business transactions.

Sector Coverage

In an effort to maximize the effectiveness of USAID assistance within its available staff and financial resources, the Trade Hub, with USAID, chose to focus on two

Southern Africa export sectors where Africa can compete, and further market penetration and export expansion were possible.

Apparel
The global apparel market is valued at $63 billion annually. For years, Africa has been ignored as a possible sourcing location in favor of production in Asia and Latin America. The passage of AGOA in 2000 provided eligible countries in Africa with duty and quota free status that resulted in tariff savings as high as 32 percent. These tariff preferences, along with production capabilities comparable with those found in Asia make Africa a plausible alternative sourcing location for brands and retailers in the United States. Many potential buyers are not aware of AGOA advantages or the full range products African companies can manufacture.

While Africa currently only represents less than 2 percent of the global apparel export market, even a small increase in its global share would have a large impact on economic growth and job creation. This situation presents an opportunity for the Trade Hub to facilitate the expansion of the industry through efforts that raise the profile of the region an apparel production location through trade shows and the provision of sourcing information to buyers.

The Trade Hub also recognizes the potential of encouraging regional supply chain integration in the apparel industry as a means to:

> 1) Leverage the South African market as a source of business for companies not yet ready for the U.S. market; and
>
> 2) Reduce dependence on Asian fabric and shorten lead times in an effort to make the region, as a whole, a more competitive alternative sourcing location.

The Trade Hub dedicates a significant amount of time and resources to fostering regional linkages between retailers and manufactures of finished garments, trims and textiles.

Specialty Food
The U.S. specialty food market is valued at US$36 billion per year and is increasing rapidly. While international products play a growing role in this market, Africa's products are yet to achieve the recognition and appeal enjoyed by products from emerging markets such as Thailand, Poland, Latin America or the Caribbean, let alone developed origins of fine food such as Italy or France.

Today's "foodies" wish to continue diversifying their palate with new tastes and textures, providing food importers, distributors and retailers an incentive to expand their network of international suppliers. Africa is one of the few emerging food markets yet to be mainstreamed in the U.S. market, providing an enormous opportunity for Southern African companies to penetrate the market now.

The characteristics of the specialty food market makes it a good fit for Africa. Primarily, the niche aspect of the market provides a premium that can absorb some of the higher production and transportation costs inherent in most African countries. Since most processed products have a shelf life exceeding six months, longer transport times are not a critical issue. The specialty food market also presents an opportunity to support upstream growth, as fancy food companies expanding into the U.S. market require more raw inputs, thus providing opportunities for farmers throughout the region.

For Africa to take advantage of this opportunity, buyers must become aware of the range and quality of products available, while African specialty food producers must make the investments necessary for U.S. regulatory compliance and achieve cost-effective access to the many channels through which products are sold and distributed. In most cases, this cannot be achieved without a critical market facilitation point, providing the Trade Hub an opportunity to play a catalytic role in emergence of the African specialty food industry.

In addition to processed foods and apparel, the Southern Africa Trade Hub has limited resources to send export-ready firms to international trade shows and business events outside of these sectors. Examples include Peter Mabeo Furniture, from Botswana and seafood companies from Mauritius.

Summary of Progress to Date

It generally takes time to cultivate market networks and earn credibility with market players, which is necessary to facilitate trade deals. By providing Africa with consistent and positive market exposure since the project's inception, the Trade Hub has helped create new business.

The Africa Pavilion at the 2008 MAGIC apparel show in Las Vegas Nevada created awareness for U.S. apparel buyers about the exciting potential to source from Africa.

Southern Africa's continued participation in international trade events - such as the Fancy Food Show and the MAGIC and Material World apparel shows - has helped place Southern Africa "on the map" for global buyers, raising its profile and credibility as a viable sourcing location. The Trade Hub's regional apparel Business-to-Business events are not only facilitating market linkages between regional buyers and sellers, but also strengthening regional integration. These events serve as a model to promote regional trade in other sectors and are achieving new export deals.

Increasing interaction between producers from Southern Africa and buyers abroad has successfully stimulated export growth in both the processed food and apparel sectors. In addition, the potential for regional trade in the apparel sector is significant.

The following table presents top line results from the Southern Africa Trade Hub's support to export firms through 2007. Actual transactions in 2007 and deals in the pipeline for 2008 are based on company and buyer reporting of signed or pending deals. Pipeline deals are defined as upcoming transactions expected by companies based upon order cycles and requirements from buyers.

The Trade Hub has generated more than $47 million in new and pending export deals, with two full-time staff based in Gaborone and technical assistance from industry experts based in South Africa and the United States.

Table 1. Trade Hub Key Results through February 2008

EXPORT DEALS	Facilitated more than *$47 million in new trade deals* (current and projected deals in the pipeline) between Southern African countries and the United States.
	Supported more than 40 companies to attend trade shows and trade events in the United States resulting in more than US *$42 million in new exports (includes pipeline deals)*.
	Sponsored May 2007 Business-to-Business apparel event, with estimated pending and closed deals amounting to US*$8 million in new trade through 2009*.
	U.S. specialty food buyers, including Whole Foods and the Food Emporium, finalizing deals with 8 Southern African specialty food producers.
	Facilitated new exports from Botswana furniture producer to a major U.S. buyer which will be launched in April 2008.
MARKET LINKAGES	Facilitated 2 investor and buyers trips to Southern Africa, resulting in new trade deals with 3 new companies.
	Cultivated 372 new business relationships with food companies in the United States and South Africa, including Sun Rich International, Bear Creek Fine Foods, Whole Foods, Dole, CERES, Shoprite, Totally Nuts, McNabs, Yukon, York Farms, NASFAM and McIlhenny.
TECHNICAL ASSISTANCE	Assisted more than 100 companies with requests for assistance on export logistics.
	Facilitated and responded to more than 1,000 requests for information on AGOA.
	Trained more than 500 firms and stakeholders on exporting to or product entry into the United States.
	Assisted more than 50 U.S. government stakeholders with trade and AGOA-related requests.
	Supported the formation of the Botswana Cattle Producers Association, which has become an important advocate for policy change.
	Provided analysis and recommendations on the implications of the expiration of quotas and the third country fabric provision under AGOA for apparel firms in the region.

FIGURE 1. EXPORT DEALS FACILITATED THROUGH 2007[1]

Sector	Transactions through 2007	2008 - 2009 Pipeline	TOTAL
Apparel	$15,000,000	$26,000,000	$41,000,000
Processed Foods	$850,000	$5,000,000	$5,850,000
Other	$18,000	$250,000	$268,000
Project Total	**$15,868,000**	**$31,250,000**	**$47,118,000**

The transactions and pipeline deals facilitated by the Southern Africa Trade Hub are reflective of a gradual integration of African suppliers into global supply chains, dating from the start of the Trade Competitiveness Project. Direct market linkages, which emerge from the business networking events and trade show exhibitions supported by the Trade Hub, are fueling the momentum of this integration.

The global market provides a clear opening for a significant expansion of African exports within targeted sectors. Whether it is a buyer's desire to diversify their global sourcing strategies, which is prevalent in the apparel industry, or a growing demand for new and innovative products, which is prevalent in the specialty food industry, international buyers are looking to Africa to source quality products for the global marketplace.

While tariff preferences granted to most African countries under AGOA may drive a large part of buyers' interest in Africa's industries, other success factors are increasingly attracting attention from buyers. In particular, buyers are recognizing that a growing number of African companies have the capacity to respond to the global market's demand and standards. African producers can assist buyers to respond to consumer preferences for ethically sourced products. Trade Hub market linkage[2] activities are designed to capitalize on the global demand for African goods to achieve higher levels of exports, private sector competitiveness and economic growth in Southern Africa.

Meeting global demand requires African firms to adopt business models that yield competitive pricing and product standards. Through market linkages, Southern African firms are increasing production to meet new orders and responding to market demands for increased efficiency, productivity and product

[1] The Southern Africa Trade Hub determines export deals facilitated through direct reporting by firms benefiting from Trade Hub assistance, including: trade show sponsorship, business-to-business matchmaking, direct facilitation of linkages with buyers, and market access support. Assisted firms make the determination as to whether to report a deal to the Trade Hub and whether to attribute that deal to Trade Hub assistance

[2] A market linkage is defined as connecting African producers of good or services with regional or international buyers through trade shows, business to business events, or direct buyer engagements. These connections may or may not result in a trade deal, but involve an interaction between a buyer, seller or market intermediary (e.g. importer, wholesaler, distributor).

innovation. These firms are learning buyer requirements, assessing competitor practices and evaluating their own potential through first-hand market interaction. Southern African firms are also building the financial strength and gaining access to networks of buyers and brokers that will allow them to grow and strengthen their businesses in the future.

While the Trade Hub may provide technical advice to firms on improving management practices and investing in productive technologies, much of the initiative for these changes come from the firms own response to what they have learned through interaction with global markets. While the Southern Africa Trade Hub's assistance to export-ready firms has yielded tangible and immediate results in the form of new exports from the region, the impact of this assistance goes beyond the raw export data to include a broader impact on economic growth in Southern Africa.

An employee at Shining Century in Lesotho holds her first job outside of the informal sector, supported by AGOA apparel exports. She uses part of her salary to build her skills, studying to be an accountant.

III. Market Linkage Methodology

The market linkage strategy employed by the Southern Africa Trade Hub is designed to respond to international market demands. While the Trade Hub has done some of the work in identifying sectors that are the most likely to succeed in international markets and improve livelihoods in Southern Africa, market forces drive the work of the Hub.

Market linkages activities sponsored by the Trade Hub include:

1. Trade Shows
2. Business-to-Business (B2B) Events
3. Direct Buyer Engagement

These three areas of activity are the focal points for all trade capacity building and private sector productivity technical assistance efforts.

Firms assisted by the Southern Africa Trade Hub can be described as either *export ready* or *domestic competitive*. Export ready firms understand international markets and have the capacity and funds to export. Domestic competitive firms have a sustained presence in their home markets and manufacture products that could be competitive in the global marketplace. Domestic competitive firms are not yet ready to export, but may have plans to do so in the near future. They receive technical assistance from the Trade Hub to build capacity and graduate to export competitiveness.

Export ready firms *self-select* and are supported by the Trade Hub on the basis of their capacity to cost-share participation in business networking events, and their own assessments of product viability in export markets. Buyer participation in business networking events is based on *expressed demand* for products that are *produced* by firms in the Hub's export-ready network of companies.

The critical role that the Trade Hub plays in catalyzing transactions between these market players is:

- Ensuring that both buyers and producers have complete and accurate market information;
- Reducing transaction costs through subsidized participation in networking events and marketing support; and
- Pre-selecting or designing networking events that will produce the most effective interactions between buyers and producers in common markets or market segments.

The Trade Hub's activities create space for transactions to occur that would not otherwise have taken place. Most importantly, the market interactions and deal-making processes are led almost exclusively by producers and buyers. Southern

African firms take ownership of assessing product viability, planning follow-up interactions, and arranging transaction logistics based on market potential.

The Trade Hub's facilitation role is critical, but limited, which means that most linkages with export ready firms will be self-sustaining after the point of initial interaction. No further subsidies are provided, and only limited technical assistance is required in select cases, while the transactions themselves produce the incentive and financial capacity to pursue future market linkages. Hub interventions are highly sustainable, with market players taking an increasingly active role in investing in their business potential.

1. Trade Shows

Trade Shows provide an ideal environment to not only make business contacts critical to making deals, but also to gain a better understanding of market conditions and demands and the respective steps required to enhance market-readiness and competitiveness.

Many firms in Southern Africa are hesitant to attend international trade shows due to the costs and risks of participation.

A Mauritian firm exhibits innovative tuna products at the 2007 Fancy Food Show, resulting in new export orders from U.S. buyers.

In addition, Southern Africa has for historical reasons traded more with Europe, and the costs of trade with the United States are high due to transportation and shipping costs. As a result, Southern African firms are not frequently featured in U.S. tradeshows, which limits their potential growth and competitiveness.

The Trade Hub has utilized a significant amount of resources enabling market ready companies from Southern Africa to participate in premier industry events in the United States. Examples include Fancy Food Shows in Chicago and New York, Material World (apparel), MAGIC apparel, and International Contemporary Furniture Fair (ICFF). These shows have been a very effective way of generating new business, even if it takes as long as 6 months for initial discussions to become actual orders. The shows have also been an important mechanism to engage buyers that may be interested in sourcing from Africa.

Assisting Firms to Engage in Trade Shows

Through workshops and direct engagement with firm managers, as well as market research, the Trade Hub helps to address perceptions of cost and risk. The Hub fills the critical information gap for many firms of what to expect from their engagement with the international market. This includes direct consulting on:

- How to select the appropriate trade show;
- How to prepare for an exhibition;

- How to meet the requirements of the target market (e.g. FDA labeling for the processed foods market, AGOA compliance for apparel duty preferences, and others);
- How to address logistics and regulatory hurdles; and
- How to take advantage of market trends.

All of these information points are critical for determining whether engaging with international markets is appropriate. By clarifying the process of participating in trade shows, the Trade Hub enables firms to make more accurate and informed decisions on whether it is in their interest to pursue an exhibition. By researching which trade shows will yield the most productive business linkages, the Trade Hub also diminishes the perceived risks and costs for Southern African firms.

<u>Selection of Companies</u>

Through workshops and direct engagement with producers, the Trade Hub also gains information about firm capacity that feeds into the selection of firms most appropriate for sponsorship to attend specific trade shows. By supporting firms that demonstrate the capacity to meet international market requirements (e.g. competitive pricing, sound logistics management, compliance with applicable regulations, marketing savvy, etc.), the Trade Hub is able to achieve a critical mass of qualified exhibitors at each show. This not only enhances the potential success of each show, but also ensures that buyers only see the best of what Southern Africa has too offer, thus reinforcing the Trade Hub's efforts to raise Africa's profile as a credible sourcing location.

In the apparel sector, the Trade Hub invites Southern African Sourcing agencies to trade shows. Sourcing agencies provide a cost-effective way to provide exposure and market linkages to multiple manufacturers across multiple African countries. Sourcing agencies can also play a market facilitation role that is critical for attracting new buyers into Africa, acting as intermediaries that assist buyers navigate the challenges of identifying new markets, working within a new operating environment and troubleshooting issues in the sourcing process. Sourcing agencies can represent an entire spectrum of production capacity throughout the region, allowing buyers to source a range of products from different suppliers with vary capacities and specialties.

<u>Sharing Risks</u>

When firms are armed with new market information and a sense of possibility regarding the appeal of their products in international markets, many export-ready firms are not in a position to assume the full financial risk of trade show participation. The costs of securing booth space; traveling to the United States or Europe; preparing product samples that are market-ready and putting together an effective display can be considerable relative to the annual turnover of Southern African firms. Through assistance with the organization and cost-sharing of exhibitions for Southern African firms, the Trade Hub shares these risks, encouraging broader participation.

CASE STUDY 1: NASFT Fancy Food Show – Introducing African Specialty Foods to the United States

The Fancy Food Shows, recognized as the premier trade event for the specialty food industry and organized by the National Association for the Specialty Food Trade (NASFT), provides buyers with a cost-effective means to become introduced to Africa's specialty food industry and see for themselves the quality and creativity provided by the region's food manufacturers. The Southern African Trade Hub has collaborated with USAID's Africa Fast Track Trade (AFTT) Project and the USAID Trade Hubs in West and East Africa, to help more than twelve dynamic Southern African specialty food manufacturers obtain the market exposure needed to engage the U.S. specialty food industry. Nearly all of the companies that participated in Fancy Food Shows in Chicago (2006) and New York (2007) report leaving with multiple business contacts resulting in viable business leads which often result in new orders.

Examples of Southern African companies experiencing direct benefits from Fancy Food Participation include:

<u>Original Rooibos Jam – South Africa</u>
Original Rooibos had never before exported its products to the United States. After the company's experience at the New York Fancy Food Show, where they generated anticipated orders of up to $250,000, they are planning to invest $350,000 in new equipment and facilities.

<u>Cie Agricole de Labourdonnais - Mauritius</u>
A jams and candies producer, Cie Agricole de Labourdonnais saw $400,000 in confirmed and pending sales as a result of its participation in the New York Fancy Food Show. As a result of the enthusiastic reception of their products, they have invested $50,000 in new production equipment.

<u>Tropical Cubes Co. - Mauritius</u>
A Mauritian sugar cubes manufacturer, Tropical Cubes generated $420,000 in confirmed and pending sales at the New York Fancy Food Show. Tropical Cubes has since invested in $150,000 in new equipment to support the growth of its business

<u>Eswatini Swazi Kitchen - Swaziland</u>
Before Hub intervention supporting Eswatini to the Fancy Food Shows, this company had $10,000 in sales to the United States. After participating in two Fancy Food Shows, Eswatini expects $150,000 in sales in 2008.

Trade Hub support for trade shows involves a collection of African exhibitors from across the continent in a common “African Pavilion” of booths, coordinated with the West Africa Trade Hub and the East and Central Africa Trade Hub whenever possible. This allows for a combined marketing effort that reduces the costs for each individual exhibitor. Marketing materials and promotions for “Africa brand” products are developed to draw buyers into the pavilion as a whole. This increases the potential return on investment for exhibitors who would otherwise be on their own in trying to stand out among what are often thousands of other exhibitors. For the new entrants, or exporters exhibiting for the first time, the Trade Hub also subsidizes a portion of the exhibition and travel costs.

The combined effect of improved market information and reduced risk increases the volume of Southern African participants in international trade shows. This has a further impact of gaining recognition for African suppliers within export markets. The repeated presence of an Africa pavilion and capable African producers at the same trade show lends credibility to those industries and firms. In the best case scenario, it entices international buyers and investors to establish long-term relationships with those industries, diversifying their sourcing and investment strategies to include Southern Africa.

The Africa Pavilion, including companies from East, West and Southern Africa won Best in Show at the February 2008 MAGIC apparel show in Las Vegas, contributing significantly to profiling Africa as a destination of choice for U.S. apparel buyers.

2. Business-to-Business Events

Trade show participation is only one method the Trade Hub utilizes to build sustainable linkages between Southern African industries and international markets. To complement trade show participation, the Southern Africa Trade Hub also sponsors more targeted and intensive Business-to-Business (B2B) networking events.

Summary 2007 Business to Business Event	
Participant Profile	
Total Participants	50 firms (60 delegates)
Southern Africa	37
West Africa	5
East Africa	6
United States	2
Textiles 13	
Apparel	24
Trims 4	
Retailers/ Sourcing Houses	9
Reported Deal Pipeline	
Within 6 months	US$1.9 – 2.0 million
Within 2 years	US$6.0 - 6.1 million
Total	**US$7.9 – 8.0 million** *65% regional / 35% US*

Business-to Business networking events involve pre-arranged matchmaking between qualified buyers and producers. Event preparation starts with a marketing push to prospective buyers and producers that the Trade Hub estimates would benefit from participation. Firms that express interest are then screened to ensure that B2B meetings are effective for all involved. Networking events take place in Southern Africa, which screens out international buyers that are only casually interested, and the Trade Hub only invites buyers that can be matched effectively with corresponding producers. Producers are also screened based on their capacity to fill prospective orders from attending buyers. Meetings are then scheduled based on pre-arranged matches and detailed company profiles are shared with meeting participants in advance.

Southern African apparel producers and U.S. buyers discussing orders at the 2007 Business-to-Business event in Johannesburg, South Africa.

The B2B events offer a more intensive high-value experience for buyers and producers. In a very short period of time, buyers have the opportunity to learn what the African market has to offer and they know ahead of time that they will meet producers who can fulfill their general order specifications. Producers have a captive audience of buyers that are interested in their products, provided that they can meet price and specifications to the buyer's satisfaction. This results in highly productive and tailored meetings during the event. The marketing and pre-event match-making costs are shouldered by the Trade Hub, reducing transaction costs for both buyers and sellers.

CASE STUDY 2: Gaining Momentum Through Complimentary Activities in Apparel Sector

Attributing the generation of new business to any one activity is difficult, given that Trade Hub activities are designed as part of a comprehensive strategy where activities are intended to reinforce each other, often having a multiplier effect.

For example, sourcing agency Dinhatex attended the Trade Hub's May 2007 B2B event, and expanded its network of manufacturers in the region. Dinhatex then attended the August 2007 MAGIC show and received multiple requests for sourcing products. Some of the new business went to companies introduced through the B2B event. Dinhatex has also used the Trade Hub's sourcing information resources to identify a growing number of capable manufacturers in the region, often resulting in significant business for regional manufacturers.

Dinhatex recently attended the MAGIC February 2008 show. Given its wider network of companies and contacts made at the last show, it was in a better position to respond to a wider range of sourcing requests faster, thus making it a more useful business partner for potential buyers, increasing the likelihood of walking away with deals. **Dinhatex estimates that potential business linked to Trade Hub activities is greater than $20 million.**

The B2B also offers international and regional buyers an opportunity to interact with firms further down the value chain. In the example of the apparel sector B2B sponsored by the Trade Hub, suppliers of fabrics and other intermediate goods are invited to network with regional apparel producers, as well as interested international buyers and investors. This offers regional and U.S. apparel firms the opportunity to strengthen their regional supply chains and develop fully integrated operations in Southern Africa.

With Southern African firms facing long lead times to source textiles and other intermediate goods from abroad, integrating their supply chains regionally is an important factor in increasing competitiveness.

The B2B is helping to develop regional markets along the value chain in order to promote higher levels of intra-regional trade in apparel.

3. Direct Buyer Engagement

In addition to providing consulting services to Southern African firms trying to break into international markets, the Southern Africa Trade Hub also plays an important role in consulting for international buyers and investors contemplating entry into the Southern African market. The Trade Hub refers to this activity as direct buyer engagement.

As a regional program working directly with industry leaders in all of the countries within Southern Africa, the Trade Hub has a unique perspective to offer international buyers and investors. Hub experts know the strengths and weaknesses of firms and industries across Southern Africa, as well as the regulatory regimes that apply to those industries, and can help prospective buyers and investors to understand the constraints and opportunities to pursuing new deals in this part of the world.

Most direct buyer engagement activities supported by the Trade Hub result from either buyers contacting the Hub or through follow-up from trade shows or other networking events.

The Trade Hub fields requests for information associated with:

- Potential suppliers within Southern Africa;
- Investment opportunities in the region;
- Regulatory constraints or incentives to importing from Southern Africa; and
- Logistics challenges facing exporters and regional supply chains.

These requests are followed up with detailed information on market conditions and linkages with Trade Hub clients in Southern Africa that have shared business goals.

Serious buyers and investors utilize the Trade Hub's knowledge of regional trade capacity and the regulatory environment as a starting point for considering entry into the Southern African market. Trade Hub support to buyers and investors in this process is valuable for two reasons:

- Reduced time and effort associated with evaluating the market and selecting regional business partners; and
- Increased level of trust and confidence in prospective partners and resulting new deals.

Direct buyer engagement does not involve a substantial marketing push on behalf of Southern African firms. Most of the Trade Hub's marketing push is focused on trade show and B2B events. Direct engagement with buyers and investors is focused more on bridging the information gap that exists for firms that have already expressed an interest in sourcing from or investing in Africa, and helping to ground that interest in the real advantages and disadvantages to conducting business in Africa.

Too often, deals do not come to fruition simply because buyers and investors have too little information, do not trust the information that they do have, or face insurmountable costs in obtaining reliable information. The Trade Hub helps to make these deals possible through its direct buyer engagement activities.

Case Study 3: Information Resource: High Returns in Intra-regional Apparel Deals

The Trade Hub's efforts to be a regional information resource for apparel sourcing has shown high returns generating significant levels new export relationships within Africa. A growing number of buyers for the North American market are approaching the Trade Hub for sourcing guidance. Regional buyers increasingly look to the Trade Hub to identify garment manufacturers in Africa, often diverting trade that would have otherwise involved Asian imports. Manufacturers use the Trade Hub to find appropriate textile/fabric and trim manufacturers.

Since 2006, the Trade Hub's sourcing information work has helped generate a pipeline of $12.8 million in exports deals expected to be transacted between 2007 and 2008, not including the $5.3 million regional pipeline generated through the 2007 B2B event. Most of the deals involve South African retailers and regional garment manufacturers.

Examples include*:

- Introduced a fabric manufacturer from the SADC region to a number of South African garment manufacturers. The resulting deals include $150,000 a month ($1.65 million annually) for the textile mill, and a regional alternative to Asian fabric for the South African companies.
- Linked a Mauritian textile mill and manufacturers in Botswana and Lesotho, resulting in approximately $150,000 per month in new business for the mill.
- Facilitated a deal where a South African brand/retailer/manufacturer outsourced $750,000 in ladies wear to a manufacturer in the SADC region.
- Helped a South African garment manufacturer identify a regional manufacturer to outsource the production of trousers for the South African market. Initial orders estimated at $ 10,000 – 15,000 per month and expected to double in 2008.
- In collaboration with West Africa Trade Hub, linked South African fabric mill with West African garment manufacturers, resulting in $10,000 per month in new business.
- Facilitated business linkages between a South African retailer and a Mauritian manufacturer of fabrics and garments. While negotiations are pending, successful outcome would involve multi-million dollar business deal.
- Helped a South African sourcing house identify companies from Mozambique, Malawi, Zambia or Tanzania able to produce 80,000 - 100,000 units per month and take advantage of special duty free access to the South African market. Negotiations are pending.

Multiple leads targeting the U.S. market, facilitated by the Trade Hub's sourcing information are currently in negotiation. Most involve South Africa and U.S. based sourcing house looking for the most appropriate and capable manufacturers. Pending deals include: An 800,000 unit order for a major restaurant chain; a multi-million dollar order for the production of multiple styles of jackets and other apparel; and an order for medical scrubs that could reach 40 – 50,000 units per month.

**Details of transacting parties left out for business confidentially.*

Case Study 4: Talier Group's "Africa Set" Generating Sales, and Customer Interest in Africa's Specialty Food Sector

Beginning mid-February 2008, millions of American consumers in over 2,000 stores will be able to select from a wide range of specialty food products made in Southern Africa, and elsewhere on the continent. This is thanks to an "African Set" launched by the New Jersey-based Talier Trading Group, an international specialty food marketing company. Over 105 products from 21 companies from all over Africa were screened by the Talier Group and marketed as a package to major U.S. distributors and grocery stores.

The African Set provides retail buyers with a user-friendly way to respond to consumer's interest in African food products. The launch of the set in 2008 promises to be a cost-effective way to mainstream Africa's specialty food industry in the U.S. market and increase its penetration. By the end of 2008, it is expected that the African Set will be sold in over 10,000 stores, reaping an estimated $6 - $8 million in new export revenues for African food companies. Currently Southern African companies represent approximately 60 percent of the products (and thus expected revenues) including brands like Ceres, Nando's, Elephant Pepper, So!Go!, Rooibos Jam, Mrs. Balls, So South African, and Verlaque Fine Foods. The list is expected to grow as the set gains momentum.

The Southern African Trade Hub has worked extensively with the Talier Group in a symbiotic relationship that ultimately results in Southern African companies penetrating the U.S. market. In some cases, the Trade Hub introduces Talier to products and companies it considers export-ready and appropriate with the Africa Set (at times in collaboration with the other Trade Hubs in East and West Africa). In other cases, the Talier Group provides the Trade Hub guidance and opinions on the marketability of a given product in the U.S. market and its pricing, packaging and labeling. This relationship has enabled the Trade Hub to provide quick responses to companies' requests for information that reflect current market conditions.

The Talier Group's interaction with Southern African companies is more than a mere business relationship. When engaging a potential candidate for its Africa set, it spends a good amount of time providing advice on USDA-compliant labeling, meeting supermarket/distributors' packaging needs, ways to enhance marketability (e.g. improving labeling design, producing kosher/halaal products, etc), and pricing. The guidance, provided by the Talier Group represents a significant value to firms in Southern Africa.

Leveraging Regional Presence

The regional footprint of the Trade Hub has greatly contributed to the level of success achieved in linking Southern African firms to global markets. Much of this has to do with scale: aggregation of export ready and domestic competitive firms in multiple small markets allows a regional project to achieve a critical mass of suppliers for business networking events.

The Trade Hub's regional presence allows coordination with other U.S. Government projects in Southern Africa. The Trade Hub works with bilateral capacity-building initiatives aimed at improving firm or sector-level competitiveness.[3] The Trade Hub adds value to these initiatives by serving as the critical bridge between emerging industries in Southern Africa and the global marketplace, accelerating the process of market integration.

In the discussion of the Trade Hub's trade show methodology, the importance of achieving a critical mass of exhibitors was identified as a key success factor. A regional presence allows Southern Africa to put its best foot forward as it wades into the highly competitive marketplace for exportable goods. Conveying a sense of competence, Southern African exhibitors are demonstrating to global buyers what the region can achieve and encouraging them to look more closely at sourcing opportunities.

This approach does not benefit only the top performers. There are two additional advantages of the Trade Hub's regional presence:

- The capacity to continually match buyers with regional producers; and
- The ability to strengthen regional supply chains.

The interest generated in Southern Africa at trade shows draws international buyers into a closer relationship with region. This increased demand makes several initiatives on the supply side possible, and the Trade Hub then leverages its regional presence to translate buyer interest into new deals at multiple levels.

The Trade Hub is uniquely positioned to provide more targeted networking opportunities to buyers who are willing to travel to the region. Taking the guesswork out of this process, the Trade Hub identifies the most qualified regional firms for the B2B events and direct buyer engagements discussed earlier.

In cases where one manufacturer cannot meet the full demand of a particular buyer, the Trade Hub can support aggregation of regional manufacturing capacity to ensure that the deal stays in Africa. Without a regional project that buyers can approach to identify viable opportunities and facilitate deals, the transaction costs and risks borne by both the buyer and the seller in these scenarios are substantially higher.

[3] The Trade Hub collaborates closely with the MATEP project in Zambia; SAIBL in South Africa; SWEEP in Swaziland; and bilateral USAID Missions on market linkages initiatives.

Leveraging Inter-Trade Hub Collaboration to Raise Southern Africa's Profile

In both the apparel and specialty food sectors, it is difficult for an individual company, country, or even region to "get noticed "at trade shows with hundreds, if not thousands of exhibitors. Without some way to raise the profile of its companies attending shows, participants are lost in the masses.

The Southern Africa Trade Hub has helped overcome this challenge through collaboration with the other Trade Hubs in Eastern/Central and Western Africa and other USAID projects such as the USAID Africa Fast Track Trade (AFTT) project. Collaboration focused on establishing African Pavilions at major Trade Shows, where as many as 30 African companies might exhibit together. The African Pavilion concept is then leveraged to develop marketing material and promotional events covering the entire continent.

This collaboration allows buyers to see what Africa as a whole has to offer. For individual companies, being part of a larger unit avails greater credibility, particularly as projects like the Trade Hub gain a reputation for representing capable market-ready companies, thus increasing the likelihood that a potential buyer may take them seriously.

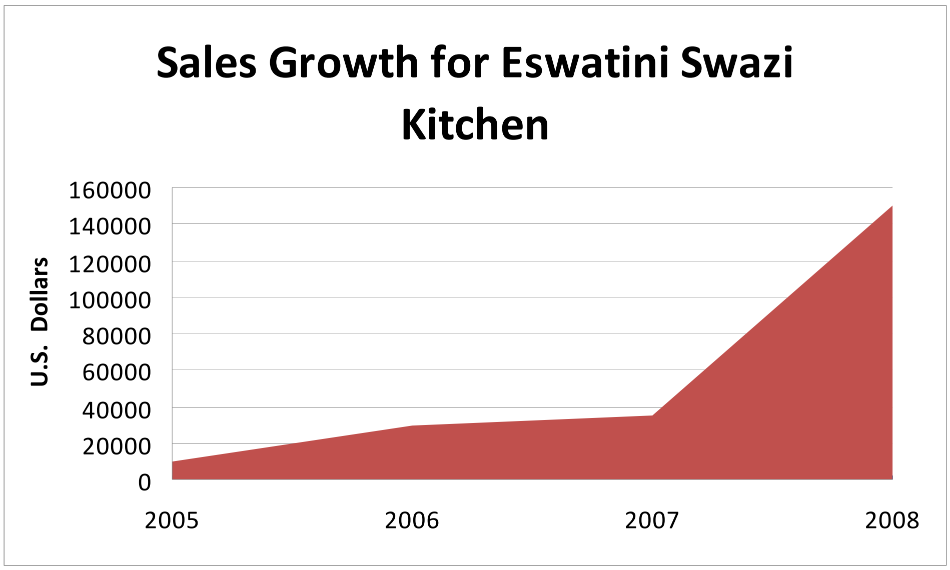
With the end of the AFTT project, the Trade Hubs are trying to take on some of the coordinating roles carrying out by AFTT in the past. The three Trade Hubs recently collaborated on a very successful Africa Pavilion at the February 2008 Magic show in Las Vegas, and are working together in an Apparel Business to Business Event in Johannesburg, South Africa. The Hubs are also collaborating on the 2008 Fancy Food Show in New York. In many respects, the Southern Africa Trade Hub is playing a leading role, ensuring that the staff time and financial resources are available to ensure success.

In cases where trade shows and networking events reveal supply constraints for export ready firms in filling new orders, the Trade Hub is also able to localize any resulting expansion in supply or outsourcing orders. The Trade Hub encourages and facilitates regional supply chain linkages, ensuring that intermediate goods, such as textiles for apparel or packaging for food products, are sourced in Southern Africa. Through B2B events and referrals, the Trade Hub links growing exporters with firms that have excess capacity to supply regional business partners.

In the sectors where the Trade Hub focuses its operations, it serves as the most reliable and up-to-date source of manufacturing capacity in the region. Over-capacity in one country can quickly be matched with under-capacity in another. With the small scale of domestic markets in Southern Africa, such efficiencies can only be exploited at the regional level. This also allows countries whose industries have not quite achieved export competitiveness to reap the benefits of expanding export industries in neighboring countries.

IV. Transformative Effects of a Market Linkage Approach

Through reorientation of their businesses toward export markets, firms supported by the Trade Hub are redesigning their businesses to be competitive in the global marketplace. These transformations are the product of market linkages and interactions that allow firm managers to experience the potentials and challenges offered by the global marketplace.



Trade Hub interventions have significantly increased sales of Eswatini Swazi Kitchen products from Swaziland.

In the processed food sector, ninety per cent of firms supported had no previous experience in exporting to the United States prior to participating in Trade Hub-sponsored market linkage support. Most, if not all, of those firms will be exporting their products in the coming year. Due to the order sizes required by international buyers, these companies must consider investments, upgrades and increased staffing to keep up with demand.

Peter Mabeo Furniture's booth attracted rave reviews at the International Contemporary Furniture Fair 2007 in New York City.

In the furniture sector, Peter Mabeo Furniture, based in Botswana, has reoriented its entire line of high-end furniture for export to the United States, with the advice of experts from the Trade Hub. Similar reorientations are occurring at the initiative of other company owners through a process of market interaction and self-assessment. These changes within firms are part of the reorientation of Southern African industry leaders toward export-led growth that the African Global Competitiveness Initiative (AGCI) aims to effect.

Depending on each firm's stage of development and the nature of buyer demand, transformations will vary, but nearly all of the firms that are attending Trade Hub-sponsored business networking events are responding to newly gained market information. In the short term, some of the transformative effects that are occurring include:

- Company restructuring to control costs;
- Investment in productivity-enhancing technologies;
- New product development;
- Improved supply-chain management; and
- Corporate strategy development.

Particularly in the areas of new product development and capital investments, the deals arising from business networking events are serving as a catalyst to these transformations. Deals come with expectations that have to be met, but they also open new doors to financing and enhanced financial stability, especially when they involve repeat orders. The dual impact of demand for a quality, timely product and the leverage to finance improvements is what makes deals the core driver of competitiveness.

Furthermore, buyers will frequently seek to diminish the risk of a deal falling through by providing embedded services. Transaction-based services tied to product quality, such as free consultations on labeling or product specifications are frequently built into deals by buyers. The cost to the buyer of providing technical assistance is often low, but the value to the manufacturer in improved competitiveness can be great.

In the medium to long-term, it is reasonable to expect more sophisticated transformations in Southern Africa that mimic industry transformations in the developed world. If the volume of export deals continues to grow and regional business networks continue to become more robust, vertical integration of supply chains, mergers and acquisitions, and greater leveraging of assets (through public share offerings, private equity deals, etc.) are all likely developments. This will further facilitate more aggressive capital improvements, technology investments and regional integration.

Some examples of these trends are emerging from the Trade Hub's sponsorship of an Africa Pavilion at the Chicago (2006) and New York (2007) Fancy Food Shows. Firms attending those shows have reported planned and realized investments in new equipment and facilities of over $600,000. They are also pouring their energies into less readily quantifiable, but equally critical improvements. At least one firm is exploring the introduction of a new line of organic products and others are investing in new product development. The full importance and success of these initiatives will only be quantifiable several years down the road, but they represent exactly the kind of behavioral shift that is needed for Southern African industries to achieve greater levels of competitiveness. These shifts would not have occurred without the market interaction that the Trade Hub has facilitated.

As firms sign deals with international buyers and invest in their businesses, they also serve as a model, stimulating a broader reorientation of Southern African industries toward international markets. Competitors at the domestic level are faced with the challenge of matching efficiency and productivity gains of firms that are growing through export deals. They must either reinforce their positions in domestic markets to maintain their competitive edge, or follow the leaders toward exports with the international market. While it is too early to quantify the modeling effects of new export deals, it is expected that new entrants from Southern Africa to global export markets will result in further growth in the scale and competitiveness of these industries.

The growth of these industries through export deals has an immediate impact at the sector level, but also has the capacity to catalyze growth and competitiveness on a larger scale, contributing in a substantial way to economic growth in Southern Africa. The firms supported by the Trade Hub form part (usually the top) of value chains that consist of raw materials suppliers, transport and logistics providers, printers, packagers, and other providers of intermediate goods and services. Export deals brokered by export firms increase demand for these intermediate goods and services, directly impacting growth in those sectors in Southern Africa.

Through the regional business-to-business networking and referral programs, these second-tier effects will achieve greater significance. If export growth continues, demand for intermediate goods must rise concurrently. Activities promoting regional integration allow Southern African suppliers of intermediate goods and services to keep pace with manufacturers of finished goods.

While it is difficult to quantify, the benefits of these transformative effects are far-reaching. Increased business transactions result in impacts farther down the value chain, including producers and farmers in the example of specialty food products. For example, Eswatini Swazi Kitchen now sources additional inputs from rural women farmers, and will support new jobs and technologies in the honey sector, when they introduce a new honey product in the United States in 2008. In the case of Eswatini, increased exports mean a sustainable transfer of know-how and linkages to small scale producers in Swaziland. Southern Africa is experiencing these far-reaching impacts on the value chain throughout Southern Africa in specialty foods and apparel, due to the interventions of the Trade Hub.

Case Study 5: Peter Mabeo Furniture: Shifting Business to the U.S. Market

Botswana is far from being known as a top-end producer of contemporary furniture design. The dynamic entrepreneurialism of Peter Mabeo of Peter Mabeo Furniture, and support from USAID is changing that perception one deal at a time. Starting from a one-man operation and expanding into a thriving up-market operation with 40 employees and over $ 600,000 in average turnover, Mabeo has designed and manufactured office furnished a domestic and regional clientele since 1995. While business was satisfactory, the potential market size for his products was limited. Future growth depended on executing an export marketing strategy focused on high-value-low-volume furniture design and production for discriminating markets in the United States.

In 2005, Mabeo linked with a Canadian designer to develop a 10 piece line of hand-crafted contemporary furniture produced in Botswana. Mabeo launched the line at the 2006 International Contemporary Furniture Fair (ICFF), receiving the Editors' Award for Craftsmanship and recognition from Newsweek, the New York Times, Elle Décor and Oprah's "O' Magazine. While the design community universally acclaimed quality of the design and craftsmanship and showed great interest in Mabeo's products, to orders resulted from the 2006 ICFF show. Nevertheless, Mabeo felt he 'was on his way' to the U.S. market.

Mabeo decided to establish his own brand, separate from that of his previous designer. While he could handle the design and quality aspects, he needed help on the export business side. In collaboration with the USAID Africa Fast Track Trade (AFTT) project, the Trade Hub provided Mabeo assistance to establish his brand, launch a website (www.petermabeofurniture.com), develop a pricing format for direct costumers and retail/wholesale buyers, establish an infrastructure to handle payments and credits for clients in the United States, and find a way to receive, warehouse, and transship orders as they came in, reducing the overall shipment time to a respective client.

Ready to do business in the United States, Mabeo returned to the 2007 ICFF show with his own designs. Once again, praise for the design and craftsmanship was universal. This time, Mabeo returned to Botswana with concrete leads and a new challenge: how to select the right buyer(s) compatible with his export strategy of steady organic growth. In November, Mabeo signed a deal with Design Within Reach, high-end designer furniture brand in the United States.

With strong interest from the U.S. market, Mabeo will convert his operations entirely into an export-driven effort, with products standardized to meet the demand of the U.S. market exclusively. He is looking for investors for a new or expanded plant and is reaching out to new and talented designers able to keep his designs ahead of the curve and further develop the credibility and reputation of the emerging contemporary furniture brand hailing from Botswana.

V. Opportunities and Recommendations

While the Southern African Trade Hub has created substantial new trade, there are opportunities for additional activities that would build upon the work of the Hub to create further export-led economic growth in the Southern Africa region.

New Markets. The Hub has created substantial new exports under AGOA to the U.S. market. With additional resources, the Hub could focus on additional new markets where there is significant demand for Southern African firms, including Europe, the Middle East and Asia. New trade agreements, such as the European Partnership Agreements (EPA) have opened up new opportunities for trade with Southern Africa.

New Sectors. The Hub is currently focusing on processed foods and apparel, and with limited funding can focus on few other sectors and companies. However, there are significant opportunities in the natural products, footwear and other sectors in Southern Africa that would significantly benefit from Trade Hub market linkage services to grow exports.

Seminars and Training Programs. The Trade Hub's primary focus is on Export Ready companies, or companies with the capacity to export in terms of funding, market readiness and commitment to investment and upgrades in their business models. Domestic Competitive companies, or companies that need assistance making it the final steps of the way, receive training on product standards, market trends, pricing, and export logistics. With additional support for Domestic Competitive companies, many of these firms could move into a more direct engagement with international markets through trade shows, B2B events, and direct buyer engagement.

Branding Africa. There is significant need for additional resources to market African companies at Trade Shows and business networking events as a group. American buyers are unfamiliar with what Africa has to offer, and grouping multiple high-quality African products is an effective way to Brand Africa. An example of Branding Africa would be further support for Africa Pavilions at trade shows, or specific business or networking events that feature African products. This activity could be facilitated with the East and West Africa Trade Hubs.

U.S.- Based Market Facilitation. The Africa Fast Track Trade (AFTT) project, which was completed in 2007, played a significant role in working with the Trade Hubs in Africa to: identify additional U.S. business opportunities; network with trade associations; follow up on trade leads; trade show management; follow up with investors; contact potential buyers, and facilitate equipment and technology supplier sourcing. There is significant need for resources to support a U.S. – based specialist, or team of specialists to back all of the Trade Hubs for these services.

Productivity Enhancement. As African companies receive export orders, they must make critical decisions about investments, productivity enhancements and additional hires. In addition, they must consider logistics in supply chain management, including sourcing decisions. These critical business model changes assist with improved efficiency and lead-times, both critical factors in export growth. With additional funding, the Trade Hub could assist these firms with critical productivity enhancement decisions through consulting services.

SOUTHERN AFRICA GLOBAL COMPETITIVENESS HUB

Trip Report:

Sanitary and Phyto-Sanitary Survey

Craig Carlson, Agribusiness Advisor
Rick Clark, SPS Consultant

February 25- March 21, 2007

Submitted by:
Abt Associates
CARANA Corporation

Submitted to:
USAID / Southern Africa,

Gaborone, Botswana

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USAID FROM THE AMERICAN PEOPLE | SOUTHERN AFRICA

1. PURPOSE

- Interview a sample of leading grower/shippers, traders, processors, procurement organizations, and food retailers to identify instances during the last three years in which cross border shipments of fresh or processed food (especially fruits or vegetables) have been prevented, detained, dumped or otherwise impeded

- Create a matrix of such situations that characterizes and explains them in terms of single or multiple apparent causes.

- Write up profiles for possible use during the mid-June conference tentatively entitled "Dealing More Effectively with SPS and other Standards in Southern Africa Regional Trade"

- Based on the typology developed, identify and suggest appropriate preventive or remedial actions that might be taken, and associate them with different sets of public or private sector actors

- Weave this research into the draft agenda for the SPS conference

2. LOGISTICS AND DATES

February 25 -26
Rick Clark: Travel to Washington D.C. (weather delays)

February 27
Rick Clark: Briefing at Abt Associates offices, then begin travel to Botswana

February 28
Rick Clark: Travel to Johannesburg

March 1
Rick Clark: Arrive Gaborone, Botswana
Met with Hub staff
Discussed sow and agenda

March 2
Rick Clark:
Hub office
Met with Lawrence Johnson
Met Amanda Hilligas

March 3
Off day

March 4
Rick Clark and Craig Carlson: Travel to Cape Town via Johannesburg

March 5
Rick Clark and Craig Carlson - meetings with:
Jaco van Tubbergh - Managing Director, FVC International (Fruit & Veg City)

Lindi Benic – Manager, Trade/Market Access Affairs, Deciduous Fruit Producer's Trust
Colette le Roux – Asst Manager Food Safety & Quality Assurance, Dole
Hannes Nieuwoudt – Business Manager, Commercial Market and Development, Dole
Also did a quick tour of the Cape Town Fruit and Vegetable Terminal Market

March 6

Rick Clark and Craig Carlson - meetings with:
Jan Venter – Director, FreshMark
Marc VanReusel – Regional Manager New Developments, FreshMark
Lee Smith – Director Procurement, FreshMark
Werner Lubbe – BC Logistics (an independent trucker for FVC International)

March 7

Rick Clark and Craig Carlson - meetings with:
Harold Harris – Golden Harvest
Theo – Golden Harvest
Tersia Marcos – MSc (Agric), Colors
Margo Kritzinger – Technical Manager, Colors
Stuart Symington – CEO, Fresh Produce Exporter's Forum – FPEF
Greg Pepper – General Manager, International Supply Chain, Woolworths
Shaun Titus -Import Manager: Foods, Woolworths
Mukhtar Allie – Export Manager: Foods, Woolworth's

Travel to Johannesburg

March 8

Rick Clark and Craig Carlson - meetings with:
Michael Anderson – General Manager, Pick'n Pay
Elzettte van Schalkwyk – General Manager, Score supermarkets
Solomon Gebeyehu, Manager for PRAs NDA

March 9

Rick Clark and Craig Carlson - meetings with:
Mario Ugarette – FreshMark Centurion Office
Jan Hendrik Venter – Manager Early Warnings, NDA Plant Health
Robbie Forbes – Transit

March 10

Rick Clark: Travel to Maputo, Mozambique
Stephen Wingert, consultant USAID/Mozambique

March 11

Rick Clark:
Jake Walter – Director, TechnoServe Inc. Mozambique

March 12

Rick Clark:
Serafina Mangana – Department Head, Plant Protection, Ministry of Agriculture
Hassane - Phytosanitary inspection service

Armando Marcos - Plant Quarantine
Antonia Vaz - Phytopathologist
Christine de Voest – Private Enterprise Officer, USAID
Elsa Mapilele – Rural Enterprise Advisor, USAID
Pine Opperman – Fresh Produce, Shop-Rite Mozambique (FreshMark)

March 13
Rick Clark:
Rogerio Ossemane – CEPAGRI
Pine Pienaar (telephone call) – ACDI-VOCA, Beira Corridor
Ashok Menon (telephone call) - Director - Trade and Investment Project (TIP)
Cavalho Neves - USAID consultant

March 14
Rick Clark: Travel - Maputo to Lusaka
Craig Carlson: Travel – Gaborone to Lusaka

March 15
Rick Clark and Craig Carlson - meetings with:
Mupelwa Sichilima – Trade and Policy Advisor, MATEP Project
Bourne Chooka – Business Development Advisor, MATEP
Bruce Mukanda – COMESA
Luke c. Mbewe – Chief Executive, Zambia Export Growers Association - ZEGA
Andrew Stock – FreshMark/Shop Rite

March 16
Rick Clark and Craig Carlson – meetings with:
Nick Tembo – general manager SPARS supermarket
Nigel Pollard – General Manager, York Farms Limited
Craig Carlson – meetings with:
Mr. A. Sakala, Manager, Plant Protection Department, Zambia

Rick Clark: Travel - Lusaka to Johannesburg
Dermitt Cassidy – consultant, Chemonics MCC Zambia

Craig Carlson: Travel - Lusaka to Johannesburg

March 17
Rick Clark and Craig Carlson: Travel – Johannesburg to Gaborone

March 18
Off day

March 19
Rick Clark and Craig Carlson – meetings with:
Visited Botswana/South African border crossing
Visited Gaborone office of Ministry of Agriculture

March 20
Rick Clark and Craig Carlson – meetings with:
Phillip van Niekerk – Regional Manager, ShopRite
Botswana Ministry of Trade
Julian Van Der Nat –Agribusiness Consultant, Tahal consulting

March 21
Rick Clark:
Hub office
Left for Washington DC

March 22
Rick Clark: Travel day

March 23
Rick Clark: Abt office

March 24
Rick Clark: Returned home

3. CROSS-CUTTING OBSERVATIONS AND THEMES

As far as we could tell from the interviews listed, SPS is not being used as an artificial barrier to trade within Southern Africa, with a few noted and well known exceptions that seems to be “politically motivated”. Border restrictions or other cross country problems appear to be based more on the precautionary principle common in most countries. In effect plant quarantine and customs officials seem to be saying “if we don’t know what it is – we won’t let it come in.” Others interpret this stance as a “sit back and do nothing” attitude, partly motivated by a desire to protect national industries. All countries visited claim they want to facilitate trade, yet they tend to protecting themselves not only scientifically but also politically and commercially. This need to protect themselves, yet the lack of scientific knowledge to do so, opens the doors for the politicians (e.g. Zambia and Botswana) to implement biased measures. The problems are enormous and there are not enough resources available to correct the whole system in one fell swoop. Therefore priorities for enhancing market access need to be established on a market based – commercial value system.

The physical crossing at borders and the documentation involved do not seem to unduly hinder trade, yet they could be improved as part of the overall upgrading of systems and/or structure. However, at-the-border issues should not be singled out for assistance *per se* because there are many more pressing matters.

Theme #1 – Need for Greater SPS Awareness

The principle problem encountered is that central governments have a huge trade work load in general, and tend to see SPS as a low priority. Not making SPS a priority, coupled with the long time required to do Pest Risk Assessments (especially in light of the lack of resources) leaves all countries in the region with less agricultural diversification than they would like to achieve and otherwise could achieve. There appears to be no sense of urgency at the central government level in terms of helping the local private food sector to import or to export. All import/exports-- whether "widgets" or watermelons receive the same attention.

At the same time there is a limited amount of capacity to deal with trade issues in general. Simply adhering to agreed-upon tariff implementation issues is perceived as a major challenge. The customs bureaucracy is not set up to deal with perishable crops as separate from any other import/exports. The process for opening up market access and then implementing new procedures needs to be more streamlined. Changes in personnel also greatly affect the process. All these factors have different effects on the import/export process yet the government at the higher levels, because of other pressing problems lump them all together.

Within the SPS arena—which covers three main areas (human, animal and plant health and life) more official emphasis is placed in the region on animal and plant issues rather than on food safety. Except, that is, for those shippers who need to implement EurepGAP to export to the EU. If Southern Africa is to enter the global market all three areas of SPS will require equal emphasis. With respect to plant products, pesticide residue levels, micro-bacteriological contamination, and misuse of additives are all hot issues in global agrifood trade.

More effort needs to be placed on having relevant central government agencies and actors become more aware of human health-related SPS issues – not just the Ministries of Agriculture. As an example, FDA, through the Joint Institute for Food Safety and Applied Nutrition –JIFSAN has been planning an awareness workshop for Central America that could be mirrored at some point in Southern Africa either at a bilateral or regional level. Possible thematic areas that could be included: (1) A general overview of government food safety regulations and market standards with emphasis on health issues relating to microorganisms, water quality, worker safety and hygiene, etc.; (2) Food safety from the view of the market; (3) Food safety from the producer/exporter view; (4) An introduction to food safety and Good Agricultural Practices; (5) How Good Agricultural Practice (GAP) standards can be used to provide for a safer food supply. Participants might include: Vice Ministers of Agriculture and the Ministry of Agriculture offices such as regulations and norms; animal health and plant safety, quarantine; and technical offices or extension services; Ministry of Health officials who have a direct relation with food safety as it applies to production, food supply and worker safety issues; Ministry of Environment; food safety administrators of local supermarkets chains; associations of producer and/or exporters of agricultural products; donor agencies; academia.

<u>Theme #2 – Resource Constraints</u>

All public sector agencies we visited complained of "lack of's" - funding, infrastructure, talent, knowledge, communication, support, NPPO structure, surveillance, data, early warning systems, personnel, experience, and on and on. At the base is probably lack of attention to or low priority of SPS issues as mentioned above, which in turn manifests itself in lower budgets for SPS, then everything spirals downward from there. However, as was pointed out various times the present system is too large to try to fix the whole thing at once. So priorities need to be set, and funding should be available for small projects. A list of more technical priorities could probably be generated at the regional level and then discussed either regionally or bilaterally. Suggestions made were:

1. Develop a crop list prioritized by phytosanitary risks: for example, known fruit fly

hosts like citrus at the top and lesser risk crops like carrots at the bottom. This list then has to be matched against market demand and effort placed to develop the less "risky" crop with the highest market demand. The lack of knowledge about pests within each country's borders (due again to a lack of resources) prompts and fuels the precautionary (conservative) approach to SPS measures.

2. Thought needs to be given to doing PRAs on a regional basis. Perhaps a solution is some kind of regional PRA Center that can draw on the available resources within the region to work on a regional prioritized PRA list. For example, USDA APHIS recently approved greenhouse (actually screened houses) tomatoes from all of Central America based on research in selected, but not all countries.
3. Based on market demand, implement production and post-harvest handling systems that mitigate potential pest infestations in the field, in packing sheds or in transit. Again the recent APHIS approval for screen-house tomatoes and bell peppers from Central America. Crops are grown in enclosed houses with barriers designed to control fruit fly infestations and monitor systems to verify controls.
4. Develop or begin the process of developing uniform agricultural standards for the region, along the lines of EurepGAP (there now exists a ChileGAP and a KenyaGAP, and SA Gap is gaining traction).
5. Develop or most closely mesh import and export standards for each country so that they are balanced and more harmonized.

Most of the other "lacks" are directly related to funding problems. One objective of the awareness workshop mentioned above would be to find more funding for very specific prioritized efforts. Someone needs to help the countries in their prioritization on a technical – urgency level related to potential trade, probably short term first, e.g. monitoring for the fruit fly *bactrocera invadens* on the northern Mozambique area. The new SPS contract being let by USDA with USAID support could help governments in the region to prioritize on a one-on-one basis, e.g. developing a crop pest list for melons from Botswana is more important setting up border surveillance for all fruit flies. Again, the important thing here is not to try to change the entire system or ask for unreachable quantities of funds, but rather to have outside technical assistance help on the prioritization. The priorities need to be based on real markets, so the previous market studies done by the Hub can form the basis for the initial priority crops.

Theme #3 – Need for SPS Training

A central theme surrounding both the awareness and "lack of" issues is the need for more training—but specific, prioritized training. As part of a workshop (or awareness sessions) a training plan should be developed based on market demand and trade potential. Along with the marketing study already done, an effort should be made to link South Africa importers with possible exporters and then deal with specific issues where training would assist in trade, e.g. a one day class in documentation for border crossing for new personnel; how to detect specific pests, etc.

Theme #4 – SPS-related Communications

A major reason for the awareness problem is the lack of technical based communication within; between; and outside the Southern African region – the countries do not network. Regional countries feel at a disadvantage relative to South Africa (perceived as "big brother") and therefore resent their point of view and communication is impacted as is regional cooperation. Tackling all aspects would be overwhelming however, so once again it is better to start on a small scale and work up.

There are a number of already operating web sites (USAID developed one for Spanish-speaking countries at www.msfinfo.com) that could be readily customized for Southern Africa needs. The web site should be user friendly and contain at a minimum all local, regional and international legislation pertaining to trade issues (specifically SPS), have production guides, have sections on Good Agricultural/Manufacturing /Business Practices; international standards; and possibly marketing links. It should also have an up-dated section on activities (not events) taking place within the region pertaining to SPS: PRA lists, import restrictions, surveillance problems, market prices, high/low demands, etc. This web site could be developed at maintained at the hub level until it can be passed on to a regional entity. It should also be linked to the International Phytosanitary Portal https://www.ippc.int/IPP/En/default.jsp, which was developed by FAO and is sponsored by the International Plant Protection Consortium (IPPC) as well as WTO.

Theme #5 - Exporting into South Africa

This is an area that needs to be dealt with first bilaterally (someone suggested doing a study to show the effects on South Africa markets if they allowed more product into their country, i.e. the Mexican/California avocado effect). The South African SPS structure and trading mechanisms, although not ideal, still are stronger than all other Southern African countries. This adversely affects trade – yet South Africa is trying to protect their private sector and their export trade to US and EU markets. This is a rather difficult area in which other countries feel that South Africa could loosen up their restrictions and work more with other countries - a hard sell. At the same time, some receivers, distributors and retailers within the RSA would like to have better access to specific imports that they feel are being hampered by their own government which places them in the awareness category above. There is however, a lack of effort on the part of private sector to get directly involved with regional governments - either financially or in lobbying. A *laissez faire* attitude - as long as things work more or less and they make a profit—seems to prevail. Somehow the private sector at all levels needs to be more involved in public sector SPS issues. National and regional producer, exporter and industry associations should be encouraged to play a stronger role in using SPS to facilitate rather than impede trade.

Theme #6 – Exportable and Export-quality Supply of Fruits and Vegetables

If Southern Africa countries other than RSA are to compete globally they need to improve all aspects of local fruit and vegetable production: varieties, good agricultural practices, food safety, chemical use, irrigation, transport, packaging, etc. They also need assistance in good business practices, organization and marketing. Quality, volume, and consistency of supply must all be improved. Regional agri-food exports, into RSA especially, will not prosper to any large extent with the more up scale or sophisticated consumers in the region until a product grown to international standards is marketed. However, since the Trade Hub has limited resources, the challenges of significantly increasing and upgrading exportable supply must generally by faced within each source country, by USAID, other donor or governmental agricultural development projects.

4. COUNTRY-SPECIFIC OBSERVATIONS:

Botswana:

As noted above, all Southern African countries have SPS resource or capacity problems: be it funding, lack of technical personnel, just not enough time to upgrade their SPS regimes and systems. Botswana is no exception.

With the exception of the import permit restrictions, Botswana seems to have no major problems with trade coming in by land (everyone wishes border crossings could be faster –but that's a common complaint everywhere). The main obstacle to uninhibited trade in agri-food products seems to be import restrictions applied arbitrarily to protect and promote local agricultural production, without apparent scientific basis. Ironically, the efforts of government officials to protect local production actually hurt consumers, by limiting product availability, quality and variety, which in turn means higher cost.

Yet this is definitely a bilateral issue, not easily resolved. Ideally the focus of the Botswana government would be on increasing local production, but not only looking at increasing area planted, but also yields, new varieties (heat tolerant broccoli for example) and introduction of Good Agricultural Practices. This would be a long term effort. However, in the meantime perhaps something can be done to have more detailed or more specific restrictions. Instead of just ""onions" have dry onions, sweet onions, spring onions, valued added, etc. This would allow product to come in from the outside, keep the shelves full and maybe provide incentive to local farmers. It is not clear what the solution is, but one cannot promote local trade by restricting competition, and in the end one hurts the consumer. The planned national fresh market would seem to be a good start but an effort has to be placed on bringing more farmers into the production system.

The potential for fresh produce exports from Botswana is limited at this time, yet there are specific windows for certain crops that warrant further development, both in terms of market access into RSA and in terms of agronomic and post-harvest practices. Ideally, the Trade Hub and other collaborators would pick very specific crops (tomatoes, colored bell peppers) and seasons to focus on then follow both a value chain approach to development and a "systems" approach to SPS issues, to mitigate, to some extent, RSA reluctance to accept fresh produce from Botswana. Pressure to engage in such efforts needs to come both from Botswana grower/shippers and from importers or other receivers in South Africa. Normally, this would be a bilateral effort, yet in the absence of a USAID country mission in Botswana, the Trade Hub can play a useful role.

Mozambique

Once a commodity has been granted access to the RSA market, Mozambique has no real regulatory problems at the border. Agricultural trade seems to flow smoothly, albeit slowly.

Yet again, Mozambique does have considerable resource and therefore capacity issues with respect to SPS measures. Resource constraints inhibit them from developing the crop/pest lists, PRAs, monitoring systems and surveillance that RSA would like to see. According to those interviewed Mozambique has potential with a wide variety of crops to the extent of supplanting those commonly grown in South Africa. Examples include bananas, plantains, papaya, mango, pineapple, citrus, litchis and a host of other tropical fruit and specialty vegetable crops. Yet funding for major agribusiness projects and funding for doing regulatory/mitigations is limited. USAID Mozambique appears to be considering one or more agribusiness or agricultural export projects, which might provide a useful injection of energy and resources into the commercial fruit and vegetable industry.

Zambia

Zambia also suffers from resource constraints, as enumerated above.

Border crossing procedures and documentation do not seem to be a problem, although again everyone wishes they were faster. The main SPS issue found in Zambia is the import permit. This is a bilateral issue and not easily resolved as it seems to be mostly political in its intent. It appears the World Bank, the MCC and other consulting organizations within the country are trying to resolve this impasse. Not sure what else can be done.

Zambia does have product (snow peas, snap peas, mini vegetables, and flowers) that belong on the global market, and supposedly has potential for other products as well– we heard mention of strawberries, for example. An effort should be made to increase trade in these areas – how to get more farmers involved, do necessary PRAs, introduce GAPs, involve importing countries in effort, etc. Again this is not country specific, but rather applies to all countries we visited.

South Africa

Presently with a few exceptions, the trade in Southern Africa is definitely out of South Africa and into the surrounding countries. South Africa businesspeople – supermarkets, truckers, clearing agents, etc. have all figured out how to conduct trade. Although border crossing could be faster, bureaucracies lessened, more documentation done electronically, etc. – the system works. Special exceptions are Zambia with its restrictive import permits and Botswana with its program to "promote" local farmers, and the port system in Angola, but even with these exceptions trade flows into the countries.

South Africa does however, face the same public sector problems as its neighbors: lack of funding; few qualified personnel, lack of SPS technical understanding, politics replacing technical SPS issues, over bearing bureaucracies, etc, etc. However, since they are mostly exporting they (through the private sector) are able to meet requirements of receiving countries. In the RSA case, the lack of capacity is mostly felt by those who wish to import into South Africa, so the local industry remains protected. Public sector officials and the industry are obviously more concerned with exporting to EU and US, so scare resources are allocated there.

Work has to be done to convince the South African produce industry (and public sector) that in the long run it behooves them to increase the importation of produce from other regions of Southern Africa – to have consistent volume throughout the year, better quality produce or newer varieties, etc. Resistance to imports is common around the world, but eventually it can be overcome once the trade realizes that 12-month supply actually lifts sales of the same product during the peak domestic season. For example, when California Avocado growers finally let in Mexican Avocados after a 90 year ban, the whole category grew tremendously. Such a scenario would occur in South Africa as well, since the country is surprisingly undersupplied for much of the year because of a legacy of protectionism and isolation.

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SOUTHERN AFRICA GLOBAL COMPETITIVENESS HUB

Fresh Produce into South Africa: An Analysis of Supply Gaps

Advisor:

Craig Carlson, Agribusiness Advisor
John Lamb, Abt Associates Inc

Submitted by:
Abt Associates
CARANA Corporation

Submitted to:
USAID/ Southern Africa

Gaborone, Botswana
April 2007

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USAID FROM THE AMERICAN PEOPLE | SOUTHERN AFRICA

1. OBJECTIVES

To facilitate and expedite assistance to other Southern African countries that aspire to export high-value products, the Trade Competitiveness Team at the Trade Hub decided in late 2006 that it was important to update our understanding of the opportunities in the South African market for fresh fruits and vegetables already produced or that could be produced elsewhere in the region.

The intent was to determine which gaps might represent supply and marketing opportunities for other source areas in the region. In the fresh produce industry, “gaps” may arise in South Africa for various reasons: **absolute inability to produce** during a certain window because of inappropriate agro-ecology or the absence of certain desirable varieties or types; **difficulty in producing product of acceptable quality or price**, usually because of climatic issues such as temperature or rainfall; **disinterest in supplying** the market for a particular item because of competition from other products during the same supply period; **or focus on export markets** (usually European) by large commercial growers that feel they can obtain higher prices or greater effective demand outside South Africa.

To explore these kinds of situations, several representatives of the Trade Hub arranged meetings with major food retailers, fresh produce distributors, and food companies to identify potentially interesting gaps in local supplies of fruit, vegetables and other agricultural products. This study mission took place in Pretoria, Johannesburg and Cape Town from January 29 to February 7, 2007. Craig Carlson, Agribusiness Advisor to the Trade Hub, was joined on this trip by John Lamb of the Abt Associates home office, and Mario Bacchiocchi, an independent marketing consultant.

2. BACKGROUND

Within the Southern Africa region, the Republic of South Africa (RSA) is by far the largest source country for agricultural products. However, since the Nineties, RSA has made several major changes in agricultural policy that continue to severely impact the structure, conduct and performance of the agricultural sector. One was liberalization of the agricultural sector, which involved redefining and reducing the role of the State, eliminating monopolistic marketing boards, and encouraging more competition. Another was to institute land reform in order to make more and better land available to emerging farmers. The latter was coupled with technical and financial support for black empowerment. The AgriBEE program was established to improve ownership and management control of agro-enterprises, build human capital for agriculture and agribusiness, encourage enterprise development through preferential procurement, and carry out complementary rural development initiatives.

The results of these policy changes and development programs seem to have been mixed. There are numerous anecdotal reports of transformed agricultural enterprises whose output and profitability have dropped. Some previously prominent enterprises have ceased to operate. Even though RSA agriculture is heavily crop-oriented, emerging farmers have tended to favor livestock, probably because of the traditional importance of cattle as a symbol and store of wealth. Despite efforts to train people at the community level in farming and agribusiness, it also seems to have been difficult for empowered groups and individuals to transition into agriculture as an economic activity, or to shift from employee status to shareholder or manager. Some communities have elected to outsource management of recently acquired enterprises to contractors, which has reportedly led to decline and de-capitalization. Multiple and overlapping land claims have been filed against most white-owned and controlled commercial farms, which has severely reduced the incentive to reinvest and lowered productivity.

Nature has not helped. RSA has always had a semi-arid climate, subject to unpredictable weather. Yet recent studies suggest that average rainfall is decreasing over time, that temperatures are rising, and that desertification is increasing. The growth in national water usage threatens to outpace supply. Since South Africa lacks important arterial rivers or lakes, its agriculture requires extensive water conservation and control measures. Soil erosion and pollution from agricultural runoff are reportedly increasing.

Despite supply constraints attributable to agro-ecology and land reform, South Africa's agricultural exports have done well since liberalization, even when the currency was strongest. According to WTO figures, total agricultural export value rose from US$1.691 billion in 1990 to $2.366 billion in 2000, and then to $4.25 billion in 2005. Steady increases occurred between 2003 and 2005. The share of agricultural products in total merchandise exports rose from 7.9% in 2000 to 8.2% in 2005.

South Africa itself remains mostly self-sufficient in agri-food production. Figure 1 reveals that in 2005[1] import volume exceeded production only for two of ten major categories: oil crops (especially soybeans, palm kernel, and cottonseed oil), and spices (all except chili and sweet peppers). And only for one other category—pulses—did imports come close to production. In that category imports of dry peas and lentils far exceed domestic production. Yet RSA's agricultural imports have been rising: from US$1.219 billion in 1990 to $1.65 billion in 2000, then to $3.048 billion in 2005. Especially dramatic increases occurred between 2003 and 2005, partly in response to a strong Rand.

Figure 1: Food Balance Sheet for South Africa – 2005*

	Production quantity (1000 tones)	Import quantity (1000 tones)	Export quantity (1000 tones)	Feed and seed Quantity (1000 tones)	Other net uses quantity (1000 tones)	Food consumption Quantity (1000 tones)
Cereals	14,172	8,978	3026	4155	813	9155
-Wheat	1,804	1,395	334	62	203	2600
-Rice, paddy	3	1,163	81	0.10	-82	1167
-Barley	232	222	47	47	39	321
-Maize	11,749	214	2540	3808	630	4895

[1] 2005 is the latest year for which FAOSTAT provides data.

-Rye	1	3	1		-1	3
-Oats	37	54	0.13	56	-6	40
-Millet	12	6	1	7	-0.22	11
-Sorghum	313	3	5	164	33	114
-Cereals, nec	20	8	16	11	-5	6
Starchy roots	1,942	185	145	229	229	1524
-Cassava (fresh and dried)		104	0.22		103	0
-Potatoes	1,878	80	143	220	124	1471
-Sweet potatoes	64	0	1	8	3	53
-Yams						
-Starchy roots, nec		1	0.06	1	-1	1
Sugarcrops	21,265	741	12507	960	-2,360	10898
-Sugar beet		5	7	4	-9	3
-Sugar Cane and Sugar crops,nec	21,265	736	12500	955	-2,351	10895
Honey	2	1	0.04		1	2
-Natural honey	2	1	0.04		1	2
Pulses	95	88	8	17	-20	167
-Beans (incl. cow peas), dry	79	54	7	5	-19	139
-Broad beans, horse beans, dry		0.04	0		0.02	0.02
-Peas, dry	1	16	0.22	0.01	-4	21
-Chick peas		1	0.07		-0.02	1
-Lentils		5	0.08		0.20	5
-Pulses, nec	15	1	0.32	12	3	1
Nuts	12	14	19		-5	12
-Almonds		2	0.04		0.26	2
-Pistachios		0.21	0.04		0.05	0.13
-Cashew nuts		7	0.06		4	3
-Hazelnuts		2	0.02		1	1
-Walnuts		0.27	0.02		-0.39	1
-Chestnuts		0				
-Nuts, nec	12	3	18		-9	5
Oilcrops	1,040	3,226	160	75	1585	2448
-Soybeans	273	1,174	62	16	235	1133
-Groundnuts	72	9	31	9	-54	95
-Sunflower seed	645	87	53	4	-85	760
-Rapeseed and Mustard seed		3	0.06		2	2
-Cottonseed	39	180	3	45	94	77
-Coconuts (incl. copra)		40	1		11	29
-Sesame seed		1	0.03		-0.43	1
-Palm nuts-kernels (nut eqv.)		1,696	3		1375	318
-Olives		23	1		-11	33
-Linseed		11	1		10	
-Oilseeds, nec	13	2	5	0.07	9	0.02

Vegetables	2,488	128	36	58	362	2161
-Tomatoes	494	59	2		126	424
-Onions (inc. shallots)	426	0.45	9		71	346
-Garlic		1	0.16		-0.12	1
-Carrots and turnips	135	0.02	2		12	121
-Cauliflowers and broccoli	19	0.05	0.15		2	17
-Leeks, other alliaceous veg		0.02	0.65		-0.63	
-Cabbages and other brassicas	175	0.08	0.46	1	34	140
-Lettuce and chicory	33	0	0.26		4	29
-Cucumbers and gherkins	17	0.02	0.08		2	15
-Pumpkins, squash and gourds	379			57	40	282
-Peas, green	23	0.24	0.21		6	17
-Beans (inc. string b.), green	29	0.35	0.09		1	28
-Legum. veg., nec		0.04	0.34		-0.30	
-Artichokes			0.03		-0.03	
-Asparagus	2	0.09	0.21		-0.03	2
-Mushrooms and truffles	9	2	1		-0.61	11
-Chillies and peppers, green	1	0.04	0.24		-0.23	1
-Watermelons	70		0.38		8	62
-Other melons (incl. cantaloupes)	29		0.43		3	26
-Eggplants (aubergines)		0	0.07		-0.07	
-Spinach		0.03	0.02		0.00	0.00
-Vegetables, nec (inc. okra)	646	65	18		55	639
Fruits	5,445	133	4408		-1,567	27238
-Oranges	993	2	1229		-464	230
-Lemons and limes	234	1	158		28	50
-Grapefruit and pomelo	212	2	742		-528	
-Citrus fruit, nec	7	0.14	8		-2	1
-Bananas	321	6	2		36	291
-Plantains		0				
-Apples	779	50	372		126	330
-Pineapples	172	2	95		9	71
-Dates		1	0.22		-0.15	1
-Grapes	1,682	43	1302		-463	1157
-Figs	2	1	0.27		-0.26	2
-Avocados	60	1	81		-30	11
-Guavas, mangoes, mangosteens	91	1	12		10	70
-Tangerines, mandarins, clm.	113	1	75		2	36
-Papayas	19		0.05		4	15

-Pears and quinces	343	1	147		18	180
-Apricots	82	1	8		11	64
-Cherries (incl. sour cherries)	0.45	0.04	0.07		-0.22	1
-Peaches and nectarines	185	0.21	8		-4	181
-Plums and sloes	76	3	44		4	31
-Strawberries	12	0.11	0.23		-3	15
-Raspberries and other berries	1	0.05	0.26		-0.66	1
-Currants and gooseberries		0.06	0.01		0.04	0.01
-Cranberries, blueberries		0.01	0		0.01	0.00
-Kiwi fruit		1.17	0.08		0.45	0.64
-Fruit, nec (inc. persimm.)	60	15	395		-319	
Stimulants	11	92	13		33	57
-Coffee, green		48	5		20	24
-Cocoa beans		24	7		9	9
-Tea and Maté	11	20	2		5	25
Spices	10	19	7		5	19
-Pepper (Piper spp.)		3	1		1	1
-Chillies and peppers, dry	10	5	3		1	10
-Cloves		0.36	0		0.14	0.22
-Vanilla		0.01	0.01			
-Cinnamon (canella)		0.74	0.01		0.14	1
-Nutmeg, mace and cardamoms		0.30	0.01		0.05	0.25
-Anise, badian, fennel, corian.		5	0.02		1	4
-Ginger		1	0.05		0.04	1
-Spices, nec	0.34	5	3		2	1
Meat	1,979	294	17	1	140	2116
-Bovine meat	675	27	8		99	595
-Pig meat	140	20	1		-9	167
-Sheep and goat meat	159	21	1		-4	183
-Equine meat	2	0.10	0.13	1	-0.10	0.35
-Meat, nec (inc. camel, game)	20	0.09	3		1	15
-Chicken meat	979	199	3		58	1117
-Turkey meat	5	27	0.31		-5	37
-Duck,goose or guinea fowl meat	2	0.02	0.44		-0.36	1
-Rabbit meat			0		0	
Edible offals	131	21	0.38	0.04	38	114
Animal fats	26.78	91	3		84	31
Milk, whole, fresh	2,900	264	73	187	563	2341
Eggs	339	1	0.53	37	37	265
Fish	828	60	178	381		331
-Freshwater fish	3	3	1			5
-Demersal fish	174	12	113			73
-Large Pelagic fish	628	21	47	381		221

-Marine fish, other	9	1	0.28			10
-Crustaceans	3	7	3			7
-Molluscs (excl. cephalopods)	3	9	1			11
-Cephalopods	8	8	13			3
Aquatic products, other	35	1	1		34	

Source; FAOSTAT: *some numbers have been rounded

Despite its apparent self-sufficiency and relative independence from imports, RSA remains a very attractive market for agri-food products for many reasons. First, it is the largest market in Southern Africa in terms of consumption, thanks to absolute population (more than 45 million), per capita income (GNI equivalent to US$4,960 in 2005), and the size, wealth, and increasing sophistication of its middle and upper economic strata. Second, there is a clear trend toward increasing import volume due to domestic production levels. Third, RSA is unusually <u>undeveloped</u> among emerging markets in terms of year-round supply for perishable items. Fourth, supply-side constraints are getting tighter each year. Fifth, government policy clearly favors further liberalization and openness to regional trade. And sixth, opposition to imports by entrenched producers and their associations seems to be declining, even as interest in imports is rising among importers and their chain customers.

Given these circumstances, the Trade Hub team is convinced that RSA presents great promise as a market for agri-food products from elsewhere in the region. While the consumption and supply data suggest that some oilseed crops, pulses, and spices may also present opportunities for Trade Hub support for intra-regional sourcing, this information-gathering trip focused on fresh fruits and vegetables. The other opportunities will have to be further explored in subsequent visits.

3. OFFICIAL DATA ON THE FRUIT AND VEGETABLE SUBSECTOR IN RSA

A priori, the Trade Hub team has equal interest in both fruits and vegetables. In both segments of horticulture there exist crops and products that are (1) intrinsically high in value or else (2) rise in price during the off-season. Either condition can cover the high cost of transport into South Africa from neighboring countries. On the other hand, with the exception of melons and tomatoes, fruits do tend to have longer production cycles, which make them less attractive targets for a time-limited project unless significant sources already exist on the region.

As Figure 2 shows below, RSA fruit production has risen 28% over the last decade, while vegetable production has risen less, about 16%. Yet in the last several years, fruit production has actually fallen, while vegetable production has accelerated. Climatic variation, especially rainfall and temperature, partly explains the more recent trends. It also seems likely that the reported onslaught of land claims and reduction in areas harvested due to pending or actual changes of ownership and management have disproportionately affected orchard crop production, while stimulating increased areas for short cycle crops such as vegetables, which are easier to manage and require less capital investment.

Figure 2 RSA Fruit and Vegetable Production (1000 MT)

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Fruits	4,243	4,478	4,400	4,989	4,913	4,878	5,262	5,535	5,587	5,444
Vegetables	2,132	2,211	2,191	2,275	2,125	2,231	2,172	2,295	2,381	2,488

Source: FAOSTAT

The detailed data shows considerable variation in trends for area planted and production within these two main segments of horticulture. Between 2001 and 2005, the fastest growth in production apparently occurred with apples (38%), bananas (18%), green chilies and peppers (88%), grapes (27%), mangos (98%), onions and shallots (28%), plums (94%), strawberries (117%), and watermelons (29%). Although as plants mature some growth in production will occur naturally for tree crops (apples, mangos, bananas) and perennial vines (grapes), in the case of short cycle crops increases in production usually reflect strong price signals, which in turn reflect increases in total consumption. It follows that chili peppers, sweet peppers, strawberries, and watermelons appear to hold future promise.
On the other hand, the absence of growth in domestic production does not necessarily mean that a certain crop does not present a good opportunity. For example, even though “other melons” shows little growth, production problems such as white fly can retard growth even when consumption is rising and prices are good (which both appear to be true, according to industry insiders). The same definitely applies to papayas, which are reportedly undersupplied in RSA markets by a wide margin, largely because they are somewhat difficult to grow well, and tend to fall victim to viral disease.

Another statistical indicator of market potential is the import data. Figure 3 for fruit and nut imports shows some interesting variation from year to year. Some may constitute a trend. For example, table grape imports increased eighteen fold over the five-year period, which is very surprising for a country that produces so much grape volume of its own. Strawberry imports jumped 1100%, while pineapple imports grew 800%. Plums, prunes, mandarin-type oranges, and tropical fruit all rose about 500%. Shelled cashew nut imports nearly quadrupled between 2002 and 2005. Avocado, banana imports rose steadily and quickly between 2003 and 2005. Meanwhile imports of concentrate of apples, oranges, and tropical fruit all jumped, as did prepared peanuts. What does this all mean? Although each case is somewhat different, it appears that the increases generally reflect: (1) increasing liberalization; (2) a belated yet long anticipated movement toward 12-month supply of all fresh produce items; (3) more openness to sourcing in other countries; (4) a stronger RAND, especially in 2005 and (5) an emerging middle-income consumer base that is increasing demanding both better quality products and a border range of products.

Figure 3 South African Imports of Fresh and Processed Fruits and Nuts: 2001-2005 (US$ 1,000)

	2001	2002	2003	2004	2005
Apples	50.40	2.00	47.00	2.00	
Apricots	14.00	16.00	69.35	58.00	0.00
Avocados	205.00	83.00	469.00	1,401.00	2,065.00

Bananas	267.00	227.22	249.00	543.19	942.00
Berries, nec.	32.00	22.00	8.00	11.00	78.53
Cashew Nuts, shelled	3,088.00	2,355.00	3,515.00	7,639.00	8,820.00
Cashew Nuts, with shell	82.00	72.00	189.00	496.00	379.00
Cherries	22.00	4.00	13.00	42.00	167.00
Cranberries, blueberries	1.12	7.84	14.56	14.56	77.28
Dates	703.00	853.74	988.00	2,209.41	1,756.00
Figs	0.00	4.48	16.32	23.12	32.48
Figs, dried	223.00	193.96	318.00	247.00	389.00
grapes	84.00	564.00	916.00	1,068.00	1,592.00
Guavas, mangoes, mangosteens	116.48	144.48	967.68	257.60	172.48
Kiwi fruit	630.00	536.00	791.00	1,173.00	1,663.00
oranges	185.00	118.00	587.00	173.35	235.28
Other melons (inc. cantaloupes)	32.48	86.24	57.00	45.00	0.00
Papayas	17.92	1.12	20.16	15.68	0.00
Pineapples	26.00	29.52	44.00	86.00	214.00
Plums and sloes	59.33	49.00	31.00	327.00	396.00
Strawberries	19.00	14.00	90.00	190.00	217.00
Tangerines, mandarins, clem.	104.00	162.00	180.50	279.00	555.00
Tropical fruit, nec.	90.66	80.00	157.00	249.00	361.98
Watermelons	48.16	104.44	2.00	1.00	
Fruit Fresh, nec.	43.00	1.00	18.00	100.50	94.00
Prepared Groundnuts	233.00	188.48	311.00	1,028.00	1,355.00
Other fruit and parts of plants, otherwise prep.	6,661.08	6,267.00	8,029.11	11,383.48	12,735.48
Plums Dried (Prunes)	78.00	94.00	123.00	205.00	709.00
Fruit Tropical Dried, nes.	84.00	112.00	87.36	54.88	90.43
Pineapple, canned	1.00	40.00	749.00	30.00	562.00
Apple juice Concentrated	316.96	1,054.00	3,766.64	3,094.00	8,811.03
Apple juice, singe strength	1,099.00	815.00	173.00	0.00	178.00
Juice of Oranges	155.82	56.00	178.40	249.00	517.54
Juice of Pineapples	51.37	52.00	120.00	0.00	54.88
Orange juice, concentrated	43.68	16.80	67.20	243.04	341.60
Pineapple Juice, concentrated	36.96	6.00	87.00	277.70	64.31
Fruit Juice, nec.	1,310.00	1,666.00	2,880.00	4,153.00	4,059.00
Fruit, Nut, Peel, Sugar Prs.	161.26	13.00	124.00	94.60	89.59

Source: FAOSTAT

Figure 4 reveals similar trends for some of the vegetables. Between 2001 and 2005 the most spectacular growth was visible in the frozen potato category: from just $110,000 worth of imports to $6.713 million. However, cassava starch also experienced similar import growth, for reasons unknown. Dried chili pepper import value increased more than 600%, reaching about $5 million in 2005. The value of peeled tomato imports almost tripled, while tomato paste imports quadrupled. Fresh ginger and natural honey also experienced healthy growth. Generally speaking all processed presentations of vegetables seemed to do well also.

What are the underlying explanations with respect to vegetables? The jump in frozen imports probably reflects both increased demand for convenience at home and in restaurants, as well as supply push by freezing companies. Raw material imports such as tomato derivatives tend to rise dramatically when exchange rates shift in favor of imports. Chili pepper and ginger imports have probably risen because of demographic changes as well as the global shift in favor of more spicy and tasty food.

Figure 4 South African Imports of Fresh and Processed Vegetables, Potatoes, Pulses, and Spices: 2001-2005 (US$ 1,000)

	2001	2002	2003	2004	2005
Fresh Potatoes	2.22	196.00	208.00	1.50	7.00
Frozen Potatoes	110.00	57.00	324.00	2,948.00	6,713.00
Anise, badian, fennel, coriander	4,047.00	4,030.77	3,365.80	3,892.00	3,404.00
Artichokes	8.00	2.00	3.36	0.00	0.00
Asparagus	24.00	8.00	2.00	92.00	176.00
Beans, green	112.00	36.00	104.00	154.00	135.77
Cabbages and other brassicas	0.94	2.00	5.00	3.23	37.00
Cassava Starch	344.00	1,446.82	3,490.78	4,397.20	6,346.56
Cauliflowers and broccoli	8.00	32.00	12.00	30.00	50.04
Chick peas	568.02	541.46	451.00	627.00	656.10
Chilies and peppers, dry	718.00	1,736.00	4,394.00	5,257.00	4,674.00
Chilies and peppers, green	11.00	2.00	15.00	191.00	32.00
Cinnamon (canella)	564.00	515.95	551.00	531.00	604.00
Cloves	1,031.00	1,264.00	476.00	562.00	756.00
Cow peas, dry	13.44	14.56	15.68		
Cucumbers and gherkins	8.00	0.00	0.00	22.00	29.00
Eggplants (aubergines)	21.28	5.60	0.00		1.00
Ginger	381.00	391.00	596.00	1,490.24	1,109.00
Leeks, other alliaceous veg	1.00	0.00	1.00	2.00	1.00
Leguminous vegetables, nec	183.00	18.40	168.00	35.00	84.00
Lentils	1,501.33	1,529.33	1,782.82	1,798.00	2,197.00
Lettuce and chicory	4.00	29.12	2.00	1.00	1.00
Mushrooms and truffles	19.12	372.00	290.00	99.00	117.00
Natural Honey	566.00	404.00	1,238.00	2,433.00	1,187.00
Nutmeg, mace and cardamoms	1,411.00	1,254.00	1,557.00	1,311.00	1,468.00
Onions (inc. shallots), green	1.12	1.12	0.00	2.24	22.40
Onions, dry	7.00	0.51	31.61	68.00	179.09
Other vegetables, otherwise prepared, not frozen	5,815.00	3,852.36	8,695.00	11,386.00	11,525.00
Other vegetables, dry	3,538.39	3,477.65	4,739.95	5,324.06	6,512.00
Peas, dry	2,659.00	4,775.00	5,498.00	5,079.12	3,973.06
Peas, green	99.00	28.00	214.00	154.00	151.00

Pulses	137.00	233.84	353.37	692.36	744.00
Pumpkins, squash and gourds	0.00	7.84	0.00	2.24	
Spices, nec	3,080.00	2,808.00	4,100.06	4,479.27	4,836.80
Spinach	2.24	0.00	3.36	1.09	10.37
Sweet Corn Frozen	337.00	295.00	581.00	657.00	522.00
Sweet Corn Prep or Preserved	47.00	49.00	347.00	784.00	901.00
Sweet Potatoes	0.00	0.00	0.00	0.00	7.00
Tomatoes	1.00	23.52	23.57	23.00	13.00
Tomato Peeled	1,294.72	1,435.00	2,750.00	2,307.36	3,212.53
Tomato paste	1,084.00	652.00	5,363.00	6,195.00	4,068.59
Vegetables in Temporary Preservatives	44.00	62.00	122.00	178.00	527.00
Vegetables Prepared or Presented Frozen	58.64	14.28	34.00	65.00	95.25
Vegetable Products Fresh or Dried	2.00	92.00	75.14	103.46	34.00
Vegetables Frozen	3,366.07	2,036.85	5,516.15	5,681.75	4,893.00
Vegetables in Vinegar	501.00	428.00	695.00	948.00	1,206.00
Yams	3.36	4.32	5.52	6.72	7.92

Source: FAOSTAT

Although the official data shown above provides useful context, the only way to verify desktop interpretations or not, and then decide which opportunities the Trade Hub should pursue, was to go talk with the trade itself.

4. Market Opportunities

In discussions with major food retailers, fresh produce distributors, and food companies in South Africa, almost 30 specific fruit and vegetables were identified as having pronounced windows of undersupply, whether due to a shortfall in production within South Africa or an unsatisfied increase in demand.

Figure 5 details the specific products identified and the time they are most desired or required in the market. Those products where a specific required time period was stated during interviews are marked with an “S”. Other products whose need was stated, but no specific time period was provided, have been marked with an “M”. These will require further investigation.

In some cases “S” marked products appear to be required or desired year round by some buyers, while others seek more products only during specific months.

In the cases where no specific time period, i.e. those marked with an “M”, required times are based on general market knowledge and basic assumptions about the use of the product.

Figure 5: Identified Crops and Period of Opportunity

Crop	Period of Opportunity												
	Year round	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Asian Veg - unspecified	M												
Asparagus		S	S	S	S	S	S	S	S				
Baby Corn	S												
Baby Spinach	S												
Baby Squash	S												
Baby Veg - unspecified	S				S	S	S	S	S	S	S		
Bananas	M												
Berries - Unspecified	S												
Birds Eye Chili	S												
Broccoli		S	S	S	S								S
Cauliflower		S	S	S	S								S
English Cucumber	M												
Fine Beans						S	S	S	S				
Garlic	S												
Ginger	S												
Kiwi	S												
Limes	S												
Mango	M												
Melons					S	S	S	S	S	S	S		
Okra					M	M	M	M	M				
Papaya	S	S	S	S	S	S	S	S	S	S			S
Passion Fruit	M												
Plantains	M												
Potatoes	M												
Pomegranate	M												
Sesame Seeds	S												
Snow Peas					M	M	M	M	M				
Strawberries	S												
Sugar Snap					M	M	M	M	M				
Sweet Corn	M												
Sweet Peppers		S			S	S	S	S	S	S			S
Tomatoes					S	S	S	S	S				

While opportunities for all of the above crops seem to exist, there are other factors that the trade considers as part of their procurement decisions. These are namely:

- Food safety – The larger importers, exporters, wholesalers and chain store procurement organizations are increasingly expecting suppliers to follow Good Agricultural Practices (GAP), especially with respect to pesticide use. A new set of standards is emerging in South Africa, called SAGAP, but it remains voluntary.

For firms that are already exporting, or for the higher-end chain stores, there is a clear trend toward requiring EUREPGAP certification, but within South Africa it remains a de facto hurdle, while for the EU it is becoming an absolute pre-condition. While no buyer is currently buying only from certified producers, by the end of 2008 most companies will be requiring all suppliers to use GAP, and preferred suppliers to become EUREPGAP certified.

- Quality – The food trade at all levels requires products to be of commercial quality, as defined by the trade rather than any official grades or standards. Each fresh produce products has unique grades and standards, which cover size, shape, absence of filth/mold/decay, and organoleptic (sensory) attributes. These vary from one story buyer to the next. The larger buyers have specification sheets for each item.
- Consistency of Supply – Even when there is an absolute shortage of product during the winter months, the South African food trade is looking not for sporadic supply that lasts just a week or two, but rather a predictable supply. Add-ons in terms of incremental volume, as well as timing that either advances the domestic supply season or extends it, are preferred.
- Delivered Price – Obviously price is a function of many factors, but in procuring from any source, retailers must be able to set prices that are reasonably consistent with South Africa market conditions, which vary throughout the year, week to week, and sometimes day to day. Retailers express reluctance to source even locally grown produce when the price spikes out of line with their normal retail price. Because of the huge volumes, the Johannesburg Fresh Produce Market provides a daily price benchmark, but it is more volatile than program pricing provided by the supermarkets to their suppliers. Moreover, generally speaking the wholesale market prices reflect lower average quality and condition than what the supermarkets are seeking. Clearly the landed cost of imported produce must be competitive with domestic production when supply periods overlap, and cannot be wildly more expensive even when there is no domestic production, or else the supermarkets will simply not offer the product.
- Logistics – The biggest problem with procuring perishable products from regional sources remains freight in terms of both cost and transport time. The cost of freight may price certain importable products out of the South African market. Long transportation time, as a result of poor roads, long distances, routing, or border delays, creates issues with product quality and can result in heavy product loss.
- Handling and Processing – Facilities must exist to adequately prepare the products for export into South Africa. This can range from simple cleaning, sorting and grading, to more complicated activities such as cutting, drying and packaging for sale. Companies prefer products that are either ready for further processing or ready to placed on the shelves. Several companies in South Africa specialize in taking raw product and adding value through minimal processing and repacking for final sale at retail.

5. Admissibility

While unexploited opportunities certainly exist for domestic production as well, the focus of this report was for products going into South Africa from the region. Obviously the most basic trade question for imported product is whether or not a given fresh produce item is actually allowed into the South African market by the national plant protection organization, which is the National Department of Agriculture.

Typically RSA defines admissibility at the species level, although some entire families may not be permitted when there are quarantine action pests that attack a broad swath of hosts.

According to information from NDA, the admissibility into South Africa of the identified crops by country is as follows:

Crop	Botswana	Moz.	Malawi	Namibia	Zambia
Asparagus	√	√	√	√	√
Baby Corn (pre-packed)	√	√	√	√	√
Baby Spinach (pre-packed)	√	√	√	√	√
Baby Squash	**x**	√	**x**	√	√
Bananas	**x**	√	**x**	**x**	**x**
Birds Eye Chili	**x**	**x**	**x**	√	**x**
Broccoli	√	√	√	√	√
Cauliflower	√	√	√	√	√
English Cucumber	X	√	x	√	√
Fine Beans (pre-packed)	√	√	√	√	√
Garlic	√	√	√	√	√
Ginger	√	√	√	√	√
Kiwi	**x**	√	**x**	**x**	√
Limes	√	**x**	**x**	√	**x**
Mango	√	√	**x**	√	**x**
Melons	**x**	√	**x**	√	√
Okra	√	√	√	√	√
Papaya	**x**	√	**x**	**x**	**x**
Passion Fruit	**x**	**x**	**x**	**x**	**x**
Plantains	**x**	√	**x**	**x**	**x**
Potatoes	√	**x**	**x**	√	**x**
Pomegranate	**x**	**x**	**x**	**x**	**x**
Sesame Seeds	√	√	√	√	√
Snow Peas	√	√	√	√	√
Strawberries	**x**	**x**	**x**	**x**	**x**
Sugar Snap	√	√	√	√	√
Sweet Corn	√	√	√	√	√
Sweet Peppers	**x**	**x**	**x**	√	**x**
Tomatoes	√	x	x	√	x

√ = the commodity is cleared or can be imported from these countries
X = the commodity is not yet cleared or can not be imported from these countries

NOTE: Sesame seeds does not need import permit

All admissibility into South Africa is controlled through the import permit process, which is usually initiated by a South African importer, distributor or retailer. Even for those country/product combinations that have admissibility approval in principle, NDA's practice seems to be to evaluate the specific source area and even the specific supplier within a given area, to make sure that it is capable of exercising due diligence and following good practices in terms of reducing risks.

In those cases where there is no admissibility granted so far, a pest risk assessment (PRA) is required, using principles and protocols developed by the International Plant Protection Consortium (IPPC) and promulgated by regional plant protection organizations. NDA itself sometimes does the PRA, but is short of manpower, and is therefore willing to have it done by others, as long as actor is viewed as credible and as long as international protocols are followed.

A precondition to carrying out any PRA is the existence of an adequate "pest list", in other words a list of potential quarantine action pests known to be present or suspected to be present in the source area. Unfortunately, resource constraints in all of the Southern Africa countries make it difficult to generate such pest lists, even for a limited number of commercially interesting export commodities. Resolution of this constraint remains an unsolved problem that impedes trade in horticultural products throughout Southern Africa.

Conclusions

The purpose of this analysis was to identify supply gaps of fresh produce in South Africa in order to determine what opportunities exist to fill those gaps with production from other Southern African countries.

<u>Market Opportunity</u>

The statistical analysis and buyer interviews revealed that the South African market presents various interesting opportunities for fresh produce from the region. The opportunities are mainly driven by a movement toward 12-month supply of all fresh produce items; more openness to sourcing from other countries; and an emerging middle-income consumer base that requires higher product volumes and is demanding both better quality products and a border range of products. Buyers in South Africa are not able to source all of the product they require from local production due to climatic, structural and market conditions that affect the supply, price and varieties of product available.

South African producers are highly efficient and do not face high transportation costs to reach the market, which makes it hard for regional producers to compete on cost, quality or condition of arrival. Although eventually some regional producers may be able to compete directly with South African supplies based on cost or quality, in the short and medium-term the key to penetrating the South Africa market will be mostly to offer products that fill a seasonal gap. Therefore, regional growers will be more successful in supplying the market when buyers cannot source from local producers.

Yet even in those cases, regional suppliers must still satisfy additional market requirements. Having the right product at the right time and at the right price is not enough. As noted above, issues such as food safety, quality, consistency of supply, post harvest processing and logistics play a key role in the buying decision. Assuming that NDA's plant quarantine concerns are satisfied, the inability of most regional producers to meet the latter requirements has long been the most significant barrier to penetrating and holding a share of the South African market.

Doing Business with South Africa

Because of the less than ideal growing conditions that exist in South Africa, and either the downward supply trends in some products or the increasing demand for others, fresh produce buyers from within South Africa are extending their reach beyond the borders.

As some chains have expanded within the region, their procurement organizations have even physically located buyers elsewhere in the region where they have a presence. This has usually been to develop local sources of supply within those countries to overcome the high transportation costs. Many retailers state that they would prefer to buy from local sources, but they still face issues of poor quality, inconsistent supply and bad business practices.

In South Africa, many retailers have worked with the same growers for decades and would prefer to do business in that manner. South African companies prefer to develop personal relationships with their suppliers and develop them over the long-term. Most growers in the region have not yet understood this principle, and its absence has kept buyers from making larger and longer-term commitments to them. The trade has complained that growers will quickly abandon supply agreements when offered slighter higher prices elsewhere, rather then develop a long term relationship.

General Findings

- Regional producers need to work more effectively together, with their governmental authorities, and with relevant donor programs to enhance market access into South Africa. Capacity of the National Plant Protection Organizations to identify pests, create pest lists, conduct pest-risk assessments, and guarantee plant quarantine procedures that ensure continued access to market all need to be fortified through additional injections of resources. In light of limited resources, the agro export sector needs to prioritize potential export deals requiring pest risk work in consultation with their governments.

- Producers located in remote areas with slow and costly transport for perishable exports should concentrate instead on products that can tolerate adverse shipping conditions. Products that can or must undergo post-harvest processing, such as drying, should be considered. For the South African market, root crops such as ginger, garlic, and onions make the most sense from remote sources

- For regional producers that do not face serious transport constraints, the most promising short-term opportunities for the South African market appear to be specialty vegetables (baby squashes, colored peppers) and melons (watermelons, sweet melons).

- Strawberries could also be a great opportunity, yet currently they are not admissible from any country in the region (except maybe from Swaziland and Lesotho, which are treated differently due to their geographic location within South African territory).

- Certain tropical fruits present a good short-to-medium term (i.e. more than one-year) opportunity. Papayas—which mature 10-14 months after planting, depending on the climate—are particularly promising for the RSA marketplace.

- Tree crops, small fruits (red raspberries, blueberries), and MD2 pineapple all represent good medium to long-term opportunities, but usually the investment scale and time horizon place these investments out of reach for most growers.

- Producers that are interested in supplying South Africa need to understand how South African receivers wish to conduct business and be willing to stand by commitments they make

- Producers from the region also need to better understand and address market requirements (GAP, quality and condition standards, specifications for packaging and packing).

SOUTHERN AFRICA GLOBAL COMPETITIVENESS HUB

Combined Trip and Technical Report:

Facilitation and Promotion of Horticultural Exports In Mozambique
Action Plan on Removal of Non – Tariff Barriers

Advisors:
Ranga Munyaradzi: Nathan Associates, Senior Customs Advisor
John Keyser: Abt Associates, Director Trade Competitiveness
Evans Marowa: Nathan Associates, Transport Advisor
Jutta Drewes – ECI Africa, Agribusiness Specialist

Travel Dates: February 23 – 25, 2006

Submitted by:
CARANA Corporation
Nathan Associates

Submitted to:
Regional Center for Southern Africa,
U.S. Agency for International Development

Gaborone, Botswana

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1. PURPOSE

In September 2005, a USAID Trade Hub Team consisting of John Keyser, Director for Trade Competitiveness, Ranga Munyaradzi, Senior Customs Advisor, and Tshililo Ronald Ramabulana, Regional Market Specialist, visited Mozambique to identify leading non-tariff barriers to agricultural exports. The mission also sought to define the information requirements for a practical "how-to" exporter's manual designed to help potential exporters navigate South African agriculture import procedures more efficiently. The identified non-tariff barriers and draft Action Plan for their removal was prepared and submitted to relevant Mozambican stakeholders.

The purpose of this mission was to make a formal presentation to government and private sector stakeholders on the findings of the September mission, and for local participants to take ownership in working out practical programs for removal of the non-tariff barriers.

A workshop was organized at Hotel Avenida with simultaneous translation between Portuguese and English. More than 30 individuals participated in the workshop. The List of Participants is on Annex 4.

2. LOCATION AND DATES

Maputo, Mozambique

February 23, 2006

Travel day
In-brief meeting with Christine DeVoest and Tim Born at USAID Mission.

February 24, 2006

Workshop at Avenida Hotel. Presentation of identified non-tariff barriers, proposed Action Plan for their removal and "*The Practitioner's Guide to Importing Fresh Produce into South African Markets"*

February 25, 2006

Travel Day

3. ANNEXURES

Annex 1: Workshop Agenda
Annex 2: Non-Tariff Barriers Presentation
Annex 3: Final Action Plans for Removal of Non-Tariff barriers
Annex 4: List of Stakeholders and contacts
Annex 5: Opening Speech by Elsa Mapilele, USAID Maputo
Annex 6: Practitioner's Guide to Importing Fresh Produce into South African Markets

4. METHODOLOGY

The Ministry of Agriculture (Office for Promotion of Commercial Agriculture - GPSCA) took over ownership of the whole program and undertook to see to it that Mozambique seriously took action on these non-tariff barriers. In partnership with the Southern Africa Trade Hub, they arranged for a Workshop and invited all relevant stakeholders, including Government Departments, Private Sector organizations, Donors (including USAID Maputo) and members of the Mozambique Horticulture Task Force, which is dedicated to the promotion of horticulture in Mozambique.

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5. OBSERVATIONS

Meetings with USAID Bilateral Mission in Maputo

The first engagement was a courtesy call at the USAID offices on February 23, where we met Tim Born (Team Leader – Private Sector Enabling Environment), Christine de Voest (Rural Incomes Team Leader) and Nelson Nguilaze (Economist, Private Sector Enabling Environment) to clarify the purpose of our mission and proposals for the removal of identified non-tariff barriers.

Among other things, the Bilateral Mission advised the team on the importance of getting buy-in from the Mozambican Officials on the proposed NTB Action Plan. This was considered important in order to ensure local ownership and improve the chances of successful implementation.

Stakeholder Workshop at Hotel Avenida

The Workshop was opened by Arnaldo Ribeiro, Ministry of Agriculture GPSCA Director and Coordinator of the Horticulture Working Group, and Elsa Mapilele of Rural Incomes at the USAID Mission in Maputo.

In his speech, Arnaldo Ribeiro made reference to the work that the Ministry of Agriculture through the Office for Promotion of Commercial Agriculture (GPSCA) has been doing to increase competitiveness in the agricultural sector and gave examples of some characteristics of the fresh produce markets that because of its high perishability nature, requires special treatment, especially in the post harvesting stage.

Ms Elsa Mapilele, representing USAID in Mozambique, highlighted the role USAID has been playing in the promotion of Agriculture in Mozambique, the characteristics of the fresh produce markets and the importance of the subjects to be discussed. Her full speech is attached as Annex 5.

Dr. Barros dos Santos, the Director-General of Mozambique Customs Administration (Alfandegas de Mozambique), welcomed the initiative to host the workshop as an opportunity to discuss issues related to facilitation of international trade as a mechanism to better understand the existing constraints and discuss possible solutions. He assured the Workshop that Alfandegas de Mozambique was fully committed to the modernization of Customs Procedures and Documentation, and the removal of non-tariff barriers to trade. He cited the Customs modernization program they have been implementing since 1996 as mechanism to meet international requirements. He also pointed out to the existence of the "*Conselho Superior Technico Aduaneiro"* that includes several Ministries and organizations from the private sector which is tasked with discussing and finding joint solutions to the existing problems in the trade facilitation area.

Following these introductory remarks, the Hub Team made a Power Point presentation, summarizing the identified non-tariff barriers and possible solutions. The presentation also included a summary of the recently compiled new Trade Hub's Manual, "*Practitioner's Guide for Importing Fresh Produce into South African Markets".*

After the Hub Team presentations, two working groups were formed. The first working group discussed Customs and Transport issues; the second, discussed technical barriers to trade and need for improved market information. The complete agenda is given in Annex 1; the team's Power Point presentation is given in Annex 2.

- ***Recommendations for Removal of Non-Tariff Barriers.***

The main objective of each working group was for local stakeholders to take ownership for implementation of the Non-Tariff Barrier Action Plan. Each group was first asked to validate the Hub Team's findings and recommendations, identify additional constraints and then agree on a final Action Plan, specific responsibilities, next steps and deadlines for local action to remove them. The discussion of each group was summarized in matrix form and then discussed fully in the Plenary Session. The final agreed Action Plan is attached as Annex 3.

- ***Practitioner's Guide for Exporting Fresh Produce into South African Markets***

South Africa is a significant destination market for export produce in the Region, and taking it on, if a supplier of produce can be daunting and complicated. The success in exporting is determined by understanding the market's demands as well as the complexities of the exporting process. The *Practitioner's Guide* was prepared to assist potential suppliers in this.

The *Guide* contains an outline of the various international agreements, along with brief details of various international bodies involved in standard-setting; and also details the step-by-step process in exporting fresh horticultural products into South Africa. It gives details of potential markets in South Africa, procedures in getting import permits and the correct treatment of packaging material. It also discusses the various documents that should accompany any consignment exported to South Africa. The *Guide* is attached as Annex 6.

6. NEXT STEPS

- ***Removal of Non-Tariff Barriers.***

Mr. Roberto Albino, an Economist with the Ministry of Agriculture (GPSCA) and the Workshop Facilitator, tabled the necessary steps to be followed and way forward to ensure full implementation of the agreed Action Plan on removal of non-tariff barriers to agricultural exports. He said as the Ministry of Agriculture GPSCA has now taken over ownership of the Action Plan, they will proceed as follows:

- The Horticulture Working Group will contact the Public and Private Sector Working Groups to identify common intervention points since the non-tariff barriers to exports identified in Workshop are also incorporated in the CTA Matrix.
- Incorporate the Workshop recommendations as part of the Action Plan for the Horticulture Working Group.
- Institutionalize the Workshop recommendations, sending formal letters to the respective executive institutions, and meeting with Heads of each Department / Ministry responsible for implementing specific parts of the Action Plan. These meetings will ensure full understanding and commitment of each Department / Ministry, to agree on a realistic timetable, and to identify specific types of follow-up support that may be required from Donors.
- Dissemination of information to relevant stakeholders that were not able to attend the Workshop but are very important partners.
- Arrange Review Workshop after six months to check implementation progress and take remedial action as needed to ensure steady progress towards the ultimate goal of eliminating the non-tariff barriers.

- ***Practitioner's Guide for Importing Fresh Produce into South African Markets.***

To ensure maximum use by Mozambican exporters, the *Practitioner's Guide* should be translated to Portuguese under Bilateral Mission's Emprenda Program. Emprenda implementing partners should also consider organize a series of regional workshops (perhaps covering Nampula, Chimoio, Biera, and Maputo) in which the specific requirements for market entry to South Africa are discussed. The Trade Hub would attend the workshop to present the Guide, but the workshops should be organized as a bilateral initiative under Emprenda to ensure local ownership and maximum relevance to USAID/Mozambique Strategic Objectives.

In addition, the *Guide* currently does not elaborate on observed market gaps in South Africa, which could be met by producers in the region. Focused, intensive research should be conducted to establish the crops, cultivars and volumes, as well as the timing of this. This information should then be supplied to interested stakeholders in the Region.

ANNEX 1: Workshop Agenda

MOZAMBIQUE HORTICULTURE TASK FORCE MEETING ON NON-TARIFF BARRIERS

24th February 2006

Hotel Avenida, Maputo

Organized by

Mozambique Horticulture Task Force
And the

Southern Africa Trade Hub

Draft Meeting Agenda

Friday 24th February 2006		
Time	**Activity**	**Facilitators/ Presenter**
0800–0830	**Registration**	Trade Hub Team
0830–0845	Opening Remarks Opening Remarks Meeting objectives and expected outputs	Arnaldo Ribeiro – Horticulture Task Force Elsa Mapilele – USAID Arnaldo Ribeiro
0845 - 0930	Trade Hub Presentations ➢ Non-Tariff Barriers to Agricultural Exports ➢ Guide – How to export to South Africa	Trade Hub Team – *Ranga Munyaradzi* *John Keyser* *Evans Marowa* *Jutta Drewes*
0930 - 1000	Discussion Instructions for breakaway groups	Chairman
1000 - 1030	**TEA BREAK**	

1030-1230	Breakaway Working Groups • Customs / Dept. of Taxes • Agriculture • Transport	Alfandegas de Mozambique Ministry of Agriculture – GPSCA Ministry of Transport - ANE
1230-1400	**LUNCH BREAK**	
1400-1500	Plenary Session – Report back by Working Group: • Customs Action Plan • Agriculture Action Plan • Transport Action Plan	Chairman
1500-1530	• Summary of Agreed Strategies / Action Plans and Way Forward • Closure	Chairman and Rapporteur
1530 - 1545	**TEA and end of Workshop**	

ANNEX 2: Non-Tariff Barriers Presentation

SOUTHERN AFRICA GLOBAL COMPETITIVENESS HUB

ACTION PLAN
Removing Non-Tariff Barriers to Agricultural Exports in Mozambique

Maputo
February 24 2006

1

Today's Objectives

- Present initial findings on identified NTBs
- Expand and operationalise recommendations
- Develop next practical steps
- Obtain commitment of stakeholders

2

Agenda

- Opening Remarks
- Objectives
- Presentations
  - Removing NTBs
  - Importing into South Africa
- Breakaway Groups
  - Customs / Taxes
  - Agriculture
  - Transport
- Report back
- Summary of agreed strategies

3

Identified Non-Tariff Barriers (NTBs)

1. Export procedures, processes, and documentation
2. Customs duties and taxes on imported inputs to exports
3. Transport regulations and costs
4. SPS and other technical measures
5. Limited understanding of Market Demand

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Export procedures, processes, and documentation

5

Export Procedures, Processing and Documentation

CONSTRAINTS

- Administrative Process
- Cumbersome Export Customs Clearance Requirements
- Lack of Basic Infrastructure at Exiting Ports

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Export Procedures, Processing and Documentation

SOLUTIONS

- Establish special export process for all fresh products (Fast Track)
- Simplify requirement for proof of expected payment for exports
- Up-grade Customs computers to have Direct Trader Input
- Replace DU with regional SAD 500
- Establish 1-stop border post with South Africa and Swaziland
- Improve infrastructure at Ressano Garcia and remain open 24-7.

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Customs duties and taxes on imported inputs to exports

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Customs Duties and Taxes on Imported Inputs to Exports

CONSTRAINTS

- Duty and Taxes on Production Inputs
- Duty and Taxes on Capital Goods
- Fees Associated with Exports
- Delays in Refunding Input VAT on Exported Products
- Ineffective Duty Drawback Scheme

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Customs Duties and Taxes on Imported Inputs to Exports

SOLUTIONS

- Review and streamline Suspension, Remission and Drawback of Duty Regulations
- Review regulations on temporary importations (e.g. Packaging material)
- Simplify procedure on refund of VAT and other Taxes on goods exported
- Exempt registered horticultural concerns from duty and tax on capital goods such as machinery

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Transport Regulations and Costs

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SPS and other Technical Measures

CONSTRAINTS

- Absence of updated quarantine pest lists and capacity for pest risk assessment (PRA).
- Inadequate pest surveillance system and database on pest distribution.
- Poorly equipped laboratories.
- Outdated standards and legislation on SPS.
- Inadequate inspection facilities at entry/exit points.
- Lack of post-entry quarantine detection and treatment facilities.
- Shortage of trained phytosanitary inspectors.

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SPS and other Technical Measures

SOLUTIONS

- Review and update phytosanitary legislation
- Modernize pest database (for strategic crops)
- Improved funding for the pest surveillance program
- Invest in improved laboratory facilities and other SPS capabilities (soil, water, chemical residue tests)
- Promote commercial investment and partnerships
- Strengthen facilities at the major port of entry and exit
- Review and simplify procedures for issuance of Certificates of Origin

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Limited Understanding
of Market Demand

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Limited understanding of Market Demand

CONSTRAINTS

- Limited Understanding of RSA Administrative Requirements (often called "barriers")
- Limited Understanding of Seasonal Niches and Market Opportunities
- Quality Standards and Consumer Specifications

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Limited understanding of Market Demand

SOLUTIONS

- Observation tour for Mozambican stakeholders
- Build constituency for Mozambican Produce
  - Strategic cross-border investment
  - Develop long-term market opportunities
- Publish Practitioner's Guide to Importing Fresh Produce into South African Markets

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The Practitioner's Guide to Exporting Fresh Produce into South Africa

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The Practitioner's Guide to Exporting Fresh Produce into South Africa

- Why import into South Africa?
- Characteristics of the South African market
- Process of Importing
- Terms of delivery and documentation

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Why import into South Africa?

- Nature of South African economy
  - 1st and 2nd economy
  - Marginal Propensity to consume of fresh produce
  - Fresh produce are aspirational purchased goods
- Collaboration in the regional to provide first world export markets with year-round produce
- Higher returns than supplying the local market with potentially lower logistical costs than the traditional export markets

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Characteristics of the South African market

- Net exporter of a large variety of fresh deciduous, citrus and subtropical fruits.
- Small amount of fruits, such as kiwifruit, berries and melons, are imported.
- South Africa is mostly self-sufficient in the production of fresh vegetables. Relatively small amounts of vegetables are exported.
- Trade in vegetables occurs mostly through municipal markets located in large urban centers.
- Food retailers are all purchasing their produce through direct channels for traceability, food quality and safety
- Marketing of fresh produce mirrors the dual economic system - a sophisticated, developed economy exists alongside a developing economy.

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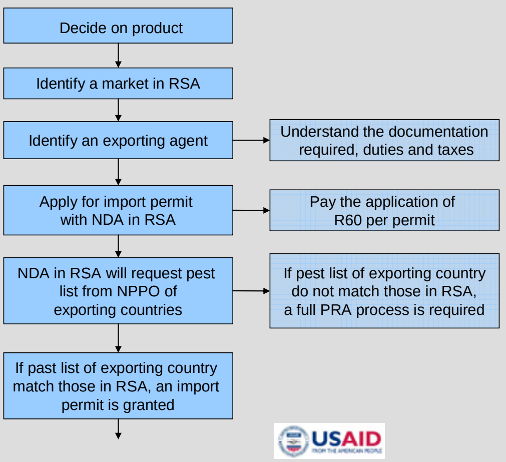
Process of exporting



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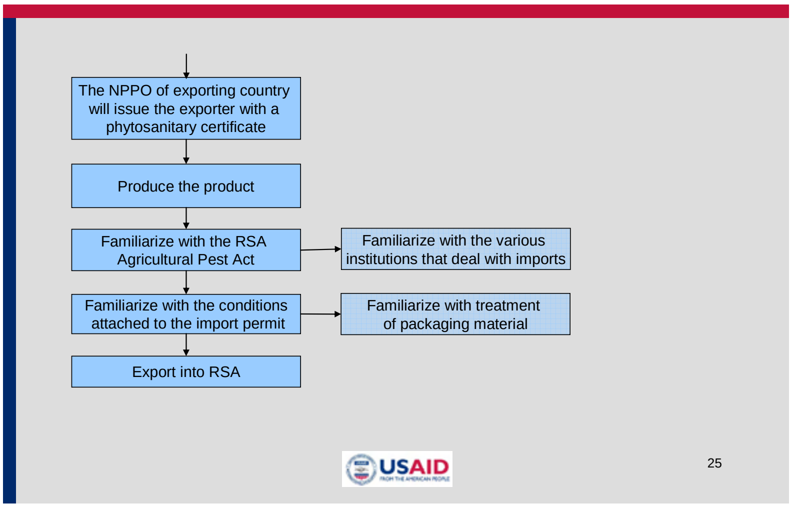
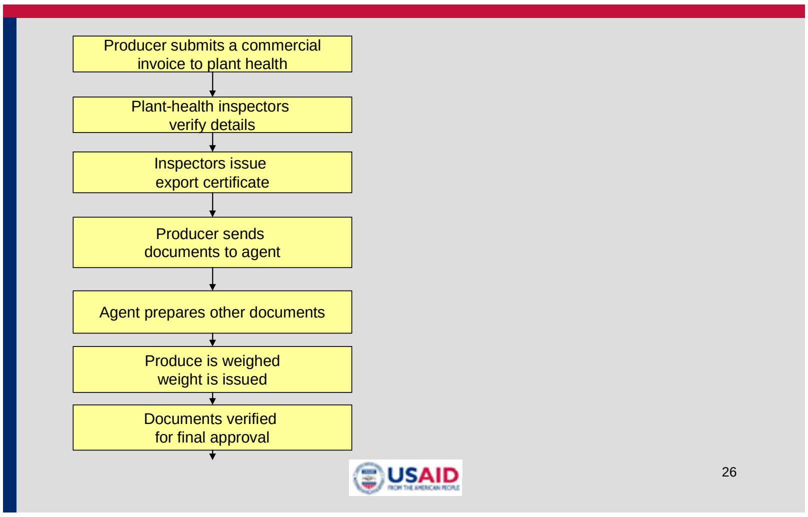
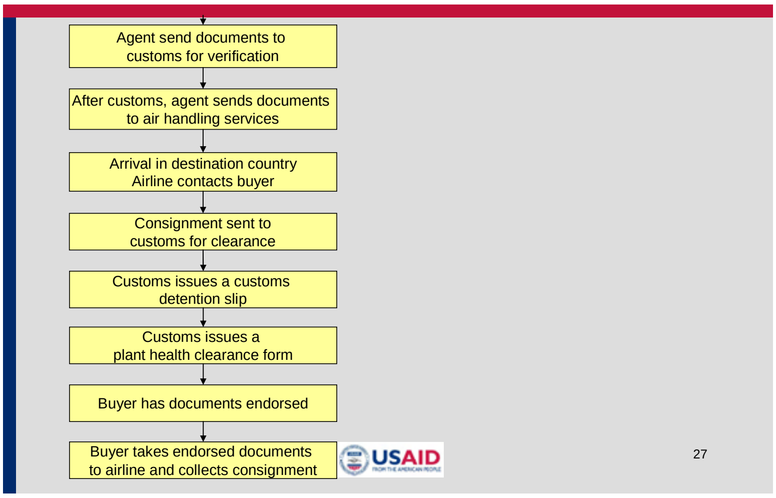
Process of exporting (contd.)



Terms of delivery and documentation



Terms of delivery and documentation (contd.)



Terms of delivery and documentation (contd.)

Production	Carriage	Arrival
Group E Ex Works	**Group F** **Main Carriage unpaid** FCA FAS FOB **Group C** **Main Carriage paid** CFR CIF CPT CIP	**Group D** DAF DES DEQ DDU DDP

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Terms of delivery and documentation (contd.)

Commercial	Packing List Invoices
Official / Customs	Import permit Phytosanitary certificate Customs Invoice Certificate of Origin
Insurance	Letter of Insurance Insurance certificate
Transport	Bill of Lading Vessel Manifest
Financial	Letter of credit Delivery Order

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ANNEX 3: Final Agreed Action Plans for Removal of Non-Tariff Barriers

Customs and Transport Barriers Action Plan

Barrier/ Constraint	Recommended Strategy	Local and/or External Agencies	Designation / Office	Duration/ Due When	Observations
1. Export Procedures, Processes and documentation	**1.1 Introduce simplified export declaration system similar to F178 Form used in RSA up to USD 10000.**	**Ministry of Finance/ Central Bank**	**Foreign Exchange Department in Bank of Mozambique**	**3 months**	**CTA to take up proposal to Bank of Mozambique**
	1.2 Establish special export clearance process for fresh products – Fast Track	**Customs**	**Alfandegas, Policy & Procedures Office**	**3 months**	**Eliminate duplicated inspection of vehicle**
	1.3 Abolish physical examination at border post	**Customs**	**Alfandegas, Policy & Procedures Office**	**3 months**	
	1.4 Replace DU with regional SAD 500 Customs Declaration	**Customs**	**Alfandegas, IT & Statistics**	**6 months**	**External funding required**
	1.5 Establish one-stop border post joint control with South Africa	**Customs**	**Alfandegas, Policy & Procedures Office**	**Detailed work plan to be developed**	**External Funding required to establish Dry Port**
	1.6 Improve infrastructure at Ressano Garcia and extend opening hours to 24	**Customs**	**Alfandegas, Policy & Procedures Office**	**12 months**	
	1.7 Improve Customs transparency and integrity	**Customs**	**Alfandegas, Management**	**6 months**	
	1.8 Up-grade Customs Computers to have Direct	**Customs**	**Alfandegas, IT & Statistics**	**6 months**	**External Funding required**

	Trader Input system				
2. Customs Duties and Taxes on imported inputs to exports	2.1 Simplify procedure on refund of VAT and other Taxes on goods exported 2.2 Exempt registered horticultural concerns from duty and tax on capital goods	Internal Taxes, Ministry of Finance Customs, Ministry of Finance	Internal Taxes, Director Alfandegas, Director-General	6 months 6 months	
3. Non-uniform vehicle overload control enforcement	3.1 Harmonize weighbridge specifications & weighing procedures	SADC Secretariat	Director Infrastructure & Services, ANE, MCT		
4. Non-harmonized road user charges	4.1 Regional harmonization of road user charges	SADC Secretariat	Director Infrastructure & Services, ANE, MCT		SADC project to be launched on 7 March 2006.

2. Agriculture Technical Barriers Action Plan

Barrier/ Constraint	Recommended Strategy	Local and/or External Agencies	Designation / Office	Duration/ Due When	Observations
5. Absence of updated quarantine pest list and capacity for pest risk assessment (PRA)	**5.1 Review and update phytosanitary legislation**	Ministry of Agriculture **Department for Plant Health** FAO **New SPS/Market Development Project** Other Stakeholders ● **Ministry of Health** ● **National Institute for Quality Assurance** ● **Ministry Industry and Commerce** South Africa **NDA Directorate for Plant Health**	Head of Department **(Serifina Mangana)** Various consultants	● **Start in April 2006** ● **Expected duration is 18 months**	● **What are the international standards (esp RSA)?** ● **What are the gaps?** ● **What needs to be done?**

6. Inadequate pest surveillance system and database on pest distribution	**6.1 Modernize Pest Database (for strategic products)** **6.2 Convince policymakers that pest list work is a real priority** **6.3 Mobilize resources for field work (domestic funding and/or public-private partnerships)**	Horticulture Task Force Ministry of Agriculture Department of Plant Health FAO USDA **(PRA training / capacity building)** Producers Regional production and marketing companies Museum of Natural History IIAM	Director of HTF Head of Department **(Serifina Mangana)**	• **Aim for result within 12 months for strategic crops**	• **What are the strategic products?** **Litchi** **Mango** **Banana** **Avocado** • **Which products are already admissible?** • **What are the most likely external markets?** **South Africa** **Other markets** • **How do products and markets vary by region?** **North** **Central** **South**

7. Need Common Guidelines for PRA and other SPS Research	**7.1 Develop common guidelines for PRAs**	Health Dept MIC/UNIDO UEM Agronomy Faculty	Head of Department **(Serifina Mangana) FAO Management (Ngazero)**	• **12 months**	**Timelines to be decided by FAO consultants**
8. Need Laboratory skills and capacity	**8.1 Review and modernize laboratory equipment, receive accreditation**	UNIDO MIC Dept of Health Plant Health Dept. INNOQ	Stephen Dealls **(UNIDO) to provide details**	• **3 years**	**International accreditation of laboratory**
9. Shortage of trained phytosanitary inspectors	**9.1 Train senior phytosanitary personnel**	UNIDO	Stephen Dealls **(UNIDO) to provide details**	• **12 months**	• **Ministries have been training individuals, but have problems of high staff turnover** • **Require interventions to retain staff**
10. Inadequate inspection facilities	**10.1 Strengthen facilities at entry and exit ports**	Ministry of Customs / Taxes		•	• **This will not be required if a Fast Track system is in place and functioning – no port/border point inspections will be required**
11. Pest surveillance programmes not compréhensive	**11.1 Re-organize the pest surveillance program through the establishment of a pest monitoring system**	FAO			• **Area for co-operation with the private sector**

12. Issuance of Certificates of Origin	**12.1 Review and simplify procedures for issuance of Certificates of Origin**	Chamber of Commerce	Ministry of Commerce	**6 months**	
13. Government exempting any exported produce	**13.1 Some Sub-sectors being subjected to export taxes**	Ministry of Finance	Customs / Taxes	**6 months**	
14. Lack of Market Information	**14.1 Study tour to South Africa and feedback to stakeholders from study tour** **14.2 Translate and publish Practitioner's Guide to Importing Fresh Produce into South African Markets**	HTF etc. ACIAIM IPEX INNOQ	Rogerio Ossemane	**3 months – after receipt of Portuguese manual**	**1 central workshop to be held, perhaps invite South African producers and marketing agents**

ANNEX 4: List of Stakeholders and contacts

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10	CHRISTINE DE VOEST	USAID	PREDIO JAT	[redacted]	croest@usaid.gov
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20	SAMUEL CHISSICO	CTA		[redacted]	
21	SUSANA RAIMUNDO	Alfandegas de Mozambique	Rua Timor Leste 95	[redacted]	sraimundo@alfandegas.gov.mz
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ANNEX 5: Opening Speech by Elsa Mapilele, USAID, Maputo

The USAID Mission in Mozambique, especially through its strategic objectives rural incomes growth sustained in target areas and labor intensive exports increased have been investing in the horticulture sub sector.

That strategy has been based in the promotion of those horticultural products with high potential for exports to the international markets and especially to the regional markets.

As such, the focus has been in promoting crops that Mozambique has Competitive Advantage in producing, because Mozambique products have early maturity when comparing with availability of the same products in the export markets and that Mozambique can have superior quality. For example, crops like litchi and Mango offer great opportunity for the country.

This strategy of the bilateral mission is also aligned with the strategy of USAID at the regional level, through the Trade Hub program promoted by RCSA that identifies export opportunities for the regional trade (SADC), International trade and trade with the U.S. (AGOA). This effort is also considered a priority within the Presidential Initiative to End Hunger in Africa (IEHA).
With the expected trade liberalization in the Southern Africa region for 2009, the challenge for Mozambique is to be positioned in such a way to be able to compete with the neighboring countries.

One of the Key constrain to exports are the non tariff barriers. According to the study Doing Business in 2006, the indicators for Mozambique are very discouraging for the private sector investment, especially for the start up businesses. If those barriers are not resolved the opportunities that the horticulture sub sector offers cannot be realized.

Our challenger here is to identify those priority actions and measures to reduce the non tariff barriers to horticulture export in Mozambique.
To finalize I would like to wish you all, a very productive working section.

Annex 6:

The Practitioner's Guide to
Importing Fresh Produce into South African Markets

February 2006
Version 1

Regional Center for Southern Africa,
U.S. Agency for International Development

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

Preface

The USAID Trade Hub seeks to accelerate economic growth by enhancing the competitiveness of Southern African (Zambia, Mozambique, Lesotho, Swaziland, South Africa, Namibia, Angola, Malawi and Tanzania) firms and products in domestic, regional and export markets. The Trade Hub functions by providing targeted assistance to selected value chains and clusters within several sectors to improve market linkages, innovate in product and process, comply with quality and other standards and thereby build sustainable competitiveness advantage within firms, industries and supply chains.

Through this manual, the USAID Trade Hub seeks to assist exporters in SADC countries to understand the procedures to follow when exporting into South Africa. The manual also provides information of relevant institutions in South Africa and their contact details and documentation required.

This is Version I of this manual, and any feedback, areas of shortcomings, contribution and comments are welcomed to improve its value to potential exporters in the Region.

While the USAID Trade Hub has made every effort to ensure that information in this manual is correct, it cannot accept responsibility for the success or failure of any business transactions undertaken with information from this publication.

Table of Contents

ACRONYMS AND ABBREVIATIONS

CODEX	Codex Alimentarius Commission
CFR	Cost and Freight
CIF	Cost, Insurance and Freight
CIP	Carriage and Insurance Paid
CPT	Carriage Paid To
DAF	Delivered at Frontier
DB	Debarking
DDU	Delivered Duty Paid
DDP	Delivered Duty Free
DES	Delivered Ex Ship
DEQ	Delivered Ex Quay
EU	European Union
FAO	Food and Agricultural Organization
FAS	Free Alongside Ship
FOB	Free On Board
FPM	Fresh Produce Markets
F&V	Fruit and Vegetables
GATT	General Agreement on Tariffs and Trade
HT	Heat Treatment
IPPC	International Plant Protection Convention
ISPM	International Standards for Phytosanitary measures
MB	Methyl Bromide
NDA	National Department of Agriculture
NPPO	National Plant Protection Organization
NTB	Non-Tariff Barriers
PCT	Perishable Cargo Triangle
PRA	Pest Risk Assessment
R	South African Rand (US$ 1 = R 6.2)
RPPO	Regional Plant Protection Organization
SADC	Southern African Development Community
SAMSA	South African Maritime Safety Authority
SME	Small and Medium-size Enterprise
SPS	Sanitary and Phytosanitary
TBT	Technical Barriers to Trade
TO	Task Order
VTS	Vessel Traffic Services
WHO	World Health Organization
WTO	World Trade Organization

1. INTRODUCTION

1.1 Background

The primary objective of this manual is to assist agribusinesses in all SADC countries to access remunerative export markets for horticultural produce in South Africa. The manual contributes to this objective by providing detailed information on regulatory framework and protocols in South Africa.

South Africa represents the largest and highest value market for fresh horticultural produce in sub-Saharan Africa. The formal agricultural sector in South Africa generates a gross farming income of more than R50 billion (US$ 8.1 billion) per annum. About R14 billion (26%) of this is generated from horticultural products. The top seven agricultural products exported from South Africa are oranges (793 561 tons), wine (268 498 680 liters), apples (282 674 tons), grapes (239 500 tons), pears (166 630 tons), grapefruit (162 374 tons) and lemons (133 804 tons). Furthermore, South Africa imports more than R5 billion worth of horticultural products per year.

There is growing recognition that South Africa could be a lucrative market for horticultural producers in the SADC region. There is a perception among SADC countries that South Africa uses sanitary and phytosanitary (SPS) measures for protectionist purposes. Some concerns are well founded, since the major difficulty in dealing with SPS measures is likely to lie in distinguishing those that are justified by a legitimate goal and have a scientific justification, from those that are applied to shield domestic producers from other-country agricultural exports. The obstacles to import into South Africa are, however, largely bureaucratic and involves complex issues, which are not always well understood.

Most SADC countries are not well placed to address this issue. They lack complete information on the number of SPS measures and other non-tariff barriers (NTB) that affect their export to South Africa, they are uncertain whether these measures are consistent or inconsistent with the World Trade Organization (WTO) SPS agreement, and they have no reliable estimate of the impact of such measures on their export.

Some of the countries in the SADC region are also unable to participate effectively in the international standards-setting process relating to SPS measures and therefore face difficulties when requested to meet requirements in the importing market such as South Africa. Some of the difficulties in conforming to standards set by the WTO emanate from lack of appropriate infrastructure and lack of scientific and technical expertise. Delays are most often caused by the relevant department in the exporting country not having sufficient information on pests and diseases in their country, and not responding adequately to requests for information from South Africa.

1.2 Strategic reasons to expand abroad

One thing should be clear from the start − exporting is not easy. In fact, it is more complicated, more risky and more expensive than operating in the domestic market. Most small and medium-size enterprises (SMEs) are manufacturers of products rather than traders. As such, trading is secondary and usually restricted to the familiar home market.

The responsibility for the use of invariably scarce resources resides with top management of the company. Therefore, the decision to use those resources should find a good balance between their yields and their costs. The main question to answer is whether the company is strong enough to succeed - or simply to survive in the battle with the competition abroad.

Each exporter should answer the following questions in preparation for export:

- What are the primary reasons for export?
- Which products are you planning to export?
- When are you planning to export?
- Does my product enjoy a seasonal, quality, or price advantage over South African domestic produce?
- Are you planning to export to a specific geographic market in South Africa?
- To which type of customer? Is your type of customers concentrated in specific areas?
- How will you organize your activities? Are you going to establish an office in South Africa? Are you going to use export agents? Are you going to use a distributor?
- How will you identify what your customer needs?

Many exporters have preceded you in attempting to do business in the South African market. Some of them had good reasons. Their motives were, for instance:

- To achieve higher sales, higher turnover, and more profit, or
- Striving to cooperate with trade partners in South Africa to stimulate the company's development, provide access to new technology and make the organization more efficient.

Others have motives of tactical nature, such as:

- The local market is saturated and does not allow for growth;
- Avoiding competition or,
- Following competitors into newly opened markets

Other have opportunistic reasons to export:

- To sell over-production;
- To exploit spare capacity; and
- To spread cost of production and/or the costs of product development over more units sold.

The manager should establish the reasons why his/her company should export to South Africa. The reasons should be sound enough to justify the high investment in exporting.

1.3 Characteristics of the South African Fresh Produce Marketing System

The fresh produce marketing system in South Africa is characterized by the following traits:

1. South Africa is a net exporter of a large variety of fresh deciduous, citrus and subtropical fruits. A relatively small amount of fruits, such as kiwifruit, berries and melons, are imported. The marketing of fresh fruit is therefore mostly orientated towards export out of South Africa.

2. South Africa is mostly self-sufficient in the production of fresh vegetables. Potatoes and tomatoes make up approximately 60 percent of total vegetable production, with potatoes contributing the largest share (approximately 45 percent). Relatively small amounts of vegetables are exported. The marketing of fresh vegetables therefore centers mostly on the South African domestic market. Trade in vegetables occurs mostly through municipal markets located in large urban centers. According to figures supplied by the Department of Agriculture, between 53 percent and 58 percent of vegetables are distributed through such fresh produce markets. These markets are accessible to the public, traders, wholesalers and retailers. Hawkers and informal traders purchase their produce at these markers, whereas food retailers are all purchasing their produce through direct channels – i.e. directly from producers or from agents. This direct marketing channel affords total traceability, food quality and safety, which retailers are beginning to insist upon from their suppliers.

3. Marketing of fresh produce mirrors the dual economic system of South Africa, where a sophisticated, developed economy exists alongside a developing economy. Both the production and distribution of fresh produce are characterized by this duality, with a small number of relatively large, established commercial producers on one hand, and a multitude of fragmented, small-scale producers on the other.

4. Various forms of legislation effect the marketing of fresh produce, for example, the Agricultural Produce Agents Act of 1992 and the municipal bylaw.

1.4 Task Order activities

The TO called for:

- Developing a practical manual that will help exporting firms from SADC countries identify opportunities and improve their knowledge of the process and issues about importing horticultural products into South Africa;
- Compiling a list of major importers of horticultural products in South Africa with information on the types of products and quality standards they require; and
- Compiling a list of logistics companies servicing the targeted countries in the region.

1.3 Manual Structure and Content

Chapter 2 contains an outline of the various international agreements, along with brief details of various international bodies involved in standard-setting. Chapter 3 details the step-by-step process in exporting fresh horticultural products into South Africa. The chapter gives details of potential markets in South Africa, procedures in getting import permits and the correct treatment of packaging material. In Chapter 4, the various documents that should accompany any consignment exported into South Africa are discussed. We also explain the process to be followed at the port of entry.

2. FOOD QUALITY AND SAFETY ISSUES IN EXPORT HORTICULTURE

To be successful on the highly competitive world market, the key objectives for any country exporting perishable products must be to provide quality products. However, products of good quality and taste are no longer enough to ensure success, as it is now necessary to provide assurances that the food products are safe and traceable to their origin.

The issues of human and animal health, as well as food safety, are high on the agenda of several developed countries, fuelled by recent cases of food poisoning, the spread of pests among animals, and environmental contamination. Developing countries appreciate that, in several cases, these concerns are genuine, but they fear that developed countries and other developing countries may use SPS measures for protectionist purposes.

Developing countries export approximately US$13 billion worth of fruits and vegetables (F&V) every year, accounting for close to 60% of global horticultural exports. While the F&V trade continues to expand, increasingly complex SPS standards (such as microbial levels) set by major markets represents a threat to existing exports and a barrier to new entrants. These increasingly stringent quality standards create a bias in favor of countries with a highly developed infrastructure and large, well-resourced suppliers.

These sanitary and phytosanitary measures can take many forms, such as requiring products to come from a disease-free area, inspection of products, specific treatment or processing of products, setting of allowable maximum levels of pesticide residues or permitted use of only certain additives in food, quarantine requirements and import bans. Sanitary (human and animal health) and phytosanitary (plant health) measures apply to domestically produced food or local animal and plant diseases, as well as to products coming from other countries, and may address the characteristics of the final product.

There is a wide variety of international organizations, with differing roles, working in the field of F&V standards. This chapter focuses on the most important, in particular:

- The WTO, which provides framework on SPS and technical barriers to trade (TBT);
- The National Plant Protection Organization (NPPO) which is an organization formed under International Plant Protection Convention (IPPC) guidelines responsible for the prevention of spread of pests of plants and plant products;

- The IPPC which is the international organization responsible for phytosanitary standards-setting and the harmonization of phytosanitary measures affecting trade; and
- The Codex Alimentarius Commission (Codex) a joint organization of the Food and Agricultural Organization (FAO) and the World Trade Organisation (WTO), which sets food standards, guidelines and related texts such as codes of practice under the Joint FAO/WHO Food Standards Programme.

2.1 WTO

The WTO came into being in 1995. It is a successor to the General Agreement on Tariffs and Trade (GATT) established in the wake of the Second World War. The overriding objective of the WTO is to help trade flow smoothly, freely, fairly and predictably. This is achieved by administering trade agreements, acting as a forum for trade negotiations, settling trade disputes, reviewing national trade policies, assisting developing countries in trade-policy issues through technical assistance and training programmes, and cooperating with other international organisations.

The WTO is responsible for managing and enforcing two agreements that have an impact on the production and trade of horticultural products, namely

- The SPS Agreement[1]; and
- The TBT Agreement.

2.2 IPPC

The IPPC is an international treaty, lodged at the FAO, relating to plant health, to which 132 governments (as of 30 December 2004) currently adhere, including South Africa and all other SADC countries.

The purpose of the IPPC is to secure common and effective action to prevent the spread and introduction of pests of plants and plant products, and to promote appropriate measures for their control. The convention provides a framework and a forum for international cooperation, harmonization and technical exchange between contracting parties dedicated to these goals. Its implementation involves the collaboration of NPPOs and Regional Plant Protection Organisations (RPPOs).

From its inception, the IPPC has played an important role in international trade of plant and plant products. Contracting parties strive to ensure that agricultural plant pests and diseases are not imported, established and spread in the destination country, thereby protecting both national and international agriculture, as well as the environment in general.

The IPPC is named by the SPS Agreement as the international organization responsible for phytosanitary standards-setting and the harmonization of phytosanitary measures

[1] See Appendix I for further details of the WTO SPS and TBT Agreements

affecting trade. To date, about 17 International Standards for Phytosanitary Measures (ISPMs) have been adopted.

The IPPC website (https://www.ippc.int/IPP/En/default.jsp) is a useful reference site and lists the contact points of all listed NPPOs globally.

2.3 NPPO

The National Department of Agriculture in South Africa established the NPPO under the guidelines of the IPPC. The purpose of the NPPO is to prevent the introduction and spread of pests of plants and plant products, and to promote measures for their control. The NPPO has the following main functions:

- The inspection of growing plants, of areas under cultivation, and of plants and plant products in storage or in transportation, particularly with the objective of reporting the existence, outbreak and spread of plant pests and of controlling those pests;
- The disinfestation or disinfection of consignments of plants and plant products moving in international traffic, and their containers (including packing material), storage places, or transportation facilities of all kinds employed;
- The issuance of phytosanitary certificates and country of origin certificates of consignments of plants and plant products; and
- Maintain lists of pests, the introduction of which is prohibited or restricted, because they affect plants and plant products of economic importance to the country.

In arranging import permits and concluding PRAs, the NPPOs of the importing and exporting countries liaise with each extensively. To the exporter, close communication with their country's NPPO will expedite the process of an import permit being issues, since the exporter can provide information and documentation to their NPPO when required.

2.4 Codex Alimentarius Commission (Codex)

Codex was established in 1962 by the Rome-based FAO and the Geneva-based WHO. It seeks to develop food safety standards, guidelines and related texts such as codes of practice under the joint FAO/WHO Food Standards Programme. The main purpose of this program is to protect the health of consumers, ensure fair practice in the food trade, promote the coordination of food standards work undertaken by international governmental and non-governmental organizations (NGOs), and publish agreed standards a Codex Alimentarius.

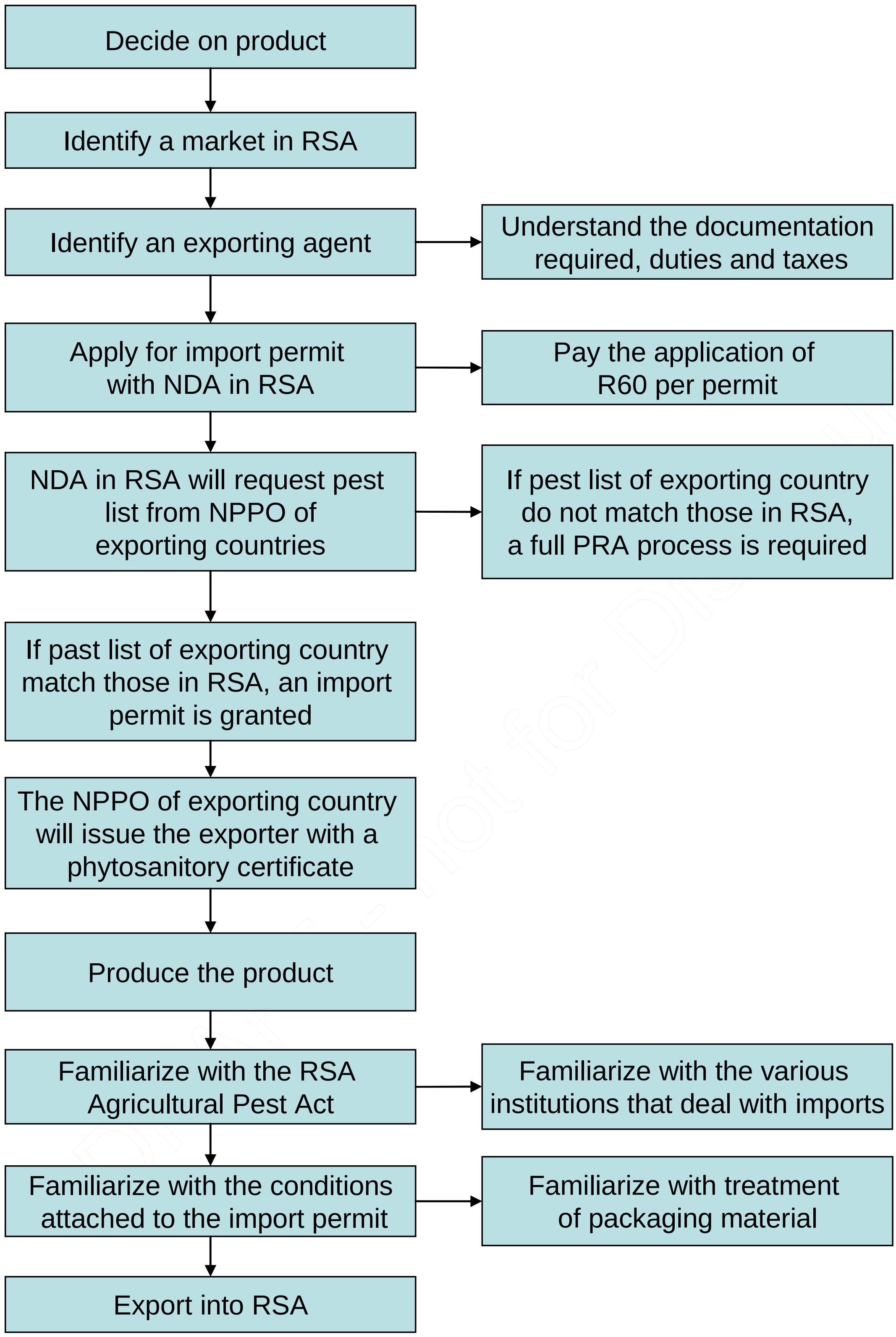
The Codex Alimentarius is the complete collection of standards, codes of practice, guidelines, and recommendations adopted by the commission to achieve its objectives. The standards, guidelines and recommendations established by the Codex on food additives, pesticides residues, contamination, methods of analysis and sampling, and codes and guidelines of hygienic practices are recognized by the SPS Agreement as the international reference for food safety requirements.

In South Africa, permitted pesticide residues are administered by Act 36/1947. The Department of Agriculture stopped publishing permitted resides since 2002, and lists available relate to chemicals registered before this date. Permitted minimum residue levels in South Africa are higher than those allowed by CODEX, but re-exporters of horticultural produce (out of South Africa) are required to comply with the regulations of the final destination. EU rules are regularly updated and the most current can be found at: http://www.pesticides.gov.uk/uploadedfiles/Web_Assets/PSD/MRL_Spreadsheet.xls

2.5 SPS procedure flow chart

The following chart traces the flow of product and all plant-health documentation required for the product to be exported into South Africa. In chapter 4 of the manual, we explain the process that is followed at the port of entry into South Africa, as well as the documentation required.

The flow chart traces the product from production, identifying a suitable market, identifying suitable export agents, application for an import permit, phytosanitary certification, through to treatment of wooden packaging material.


Decide on product
Identify a market in RSA
Identify an exporting agent
Understand the documentation required, duties and taxes
Apply for import permit with NDA in RSA
Pay the application of R60 per permit
NDA in RSA will request pest list from NPPO of exporting countries
If pest list of exporting country do not match those in RSA, a full PRA process is required
If past list of exporting country match those in RSA, an import permit is granted
The NPPO of exporting country will issue the exporter with a phytosanitory certificate
Produce the product
Familiarize with the RSA Agricultural Pest Act
Familiarize with the various institutions that deal with imports
Familiarize with the conditions attached to the import permit
Familiarize with treatment of packaging material
Export into RSA

3. PROCESS

Step 1: Decide on the what to produce

The fruit, flower and vegetable industry consists of a wide array of crops and products, each with very different supply conditions, marketing needs, and demands trends. While these products share common marketing channels and experiences, as well as somewhat similar trends and problems, the market uniqueness of individual fruits, vegetables and flowers should be kept in mind. In particular, fresh fruits and vegetables are marketed quite differently from the processed products. This marketing system has changed substantially in recent years. The major trends involved decentralization and direct marketing, geographic concentration and specialization of production, interregional competition, increased imports and exports, vertical integration of production and marketing, increased consumption by low-income consumers, urbanization and the availability of fresh produce through expanding informal channels.

The abovementioned issues have an impact on the decision of what and when to produce. Producers in and outside South Africa have to understand the ever-changing market environment before embarking on producing a product destined for the South African market.

Step 2: Identify a Suitable Market in South Africa

The increasing diversity of products in the market place is good news for the customer and provides sellers with greater opportunities to establish a market niche for some horticultural products. This is especially true in South Africa, which has a rapidly growing middle-income group with money to spend on top- quality niche horticultural products. But to exploit this expanded range of market opportunities, the seller must thoroughly understand the complex and dynamic market environment. That understanding can only be acquired through constant contact with the market. Consequently, the producers who are separated from the market by a large geographic distance are at a disadvantage.

In Attachment I of the manual, we have provided details of major companies operating in the fruit and vegetable industry in South Africa. The attachment provides company names, contact details, email addresses and services. These companies are operating in the South African horticulture market and could assist the producers in SADC countries to establish market demand for products, and to develop and service that market.

In identifying a target market to export to, it is of critical importance to establish its food safety and accreditation requirements. All South African food retailers are moving towards insisting on EurepGap and/or Hazard Analysis Critical Control Point (HACCP) accreditation and utilize contracted auditors to perform on-farm inspections. In the case of organic production, each retailer also has specific labeling requirements which should be researched during the deliberation stage of whether and to whom to export. These requirements are specific to buyer, and some buyers can be satisfied without these requirements.

Step 3: Identify an Exporting Agent

In the present marketing context, the primary producer still has certain important responsibilities towards consumers. The producer is the person who carries the financial risk if the product does not comply with market requirements. The producer, although still the owner of the product, cannot fulfill all the functions from production to marketing. The producer will therefore appoint agents to fulfill certain tasks, and these agents will in turn appoint other agents to concentrate on other specialized functions. Some of the agents operating in the supply chain include the following:

- Transport and handling agents;
- Export agents;
- Shipping agents; and
- Marketing agents.

Step 4: Apply for an Import Permit

If the crop to be exported is grown in South Africa, then an import permit is required. In the case of crops not cultivated in South Africa, such as coconut, a Pest Risk Assessment is not required. This can be established by consulting the South African NPPO.

Before importing goods (plant and plant products) each importer should apply for an import permit (see Attachment II) with the NPPO of South Africa. Before the permit is issued, a decision on whether to conduct a Pest Risk Assessment (PRA) based on scientific data is made. The standard import permit application must be submitted at least 60 days prior to the date of arrival of the goods.

The following are the steps to follow when applying for an import permit:

i) Fill the particulars in the permit application forms. The form can be downloaded from the NDA website, **www.nda.agric.za**.

ii) Submit only one signed copy of the completed application form to the following addresses:

The National Department of Agriculture
Directorate Plant Health
Permit Office

Pretoria	or	Stellenbosch
Tel: 012 319 6102/6531/6396		Tel: 021 809 1617
Fax:012 319 6370		Fax: 021 887 5096
Email: JeremiahMA@nda.agric.za		Email: HaroonA@nda.agric.za

iii) The completed application form must be submitted at least 60 days before the date of importation

iv) The completed application form should be accompanied by proof of payment of R60 (bank deposit slip or cashier receipt).

The payment of the permit is to be made as follows:
Payment to the Department of Agriculture’s bank account
Bank: Standard Bank
Branch: Arcadia
Brach No: 010845
Account No: 011251735
Account Name: Import of Controlled Goods

OR

Payment in Cash: Department of Agriculture’s cashier
Pretoria:
Agricultural Place, 20 Beatrix Street, Arcadia, Pretoria
Block P: Room GF 15

Please note:

- No application will be processed without proof of payment;
- The exporter is responsible for local and foreign bank charges;
- Each import permit will be valid for one year;
- Provide appropriate technical information regarding the consignment goods to facilitate processing of the permit;
- Clearly specify the port of entry and mode of transport;
- If the port of entry is not a designated border post, request the NDA to have an inspector and provide correct date and time;
- The time it takes to issue a permit depends on the product being imported, the source country and the purpose for importing;
- State on the application form whether the permit will be collected or should be mailed to you; and
- If applying on behalf of someone, please ensure that you pay under that persons name or company’s name.

Step 5: Assist Exporting Country in Complying to Import Conditions

After receiving the import permit application, the NPPO in South Africa will develop a set of questions relating to issues such as phytosanitary requirements, packaging and transport of the plants These questions will be sent to the NPPO of the country intending to export into South Africa. After receiving answers from the NPPO of the country intending to export to South Africa, a decision to issue an import permit, mitigation procedures or to undertake a detailed PRA is made.

The decision to issue the import permit is made if there is no threat of introducing new pests that could harm the agricultural sector in South Africa. The decision to undertake a pest risk assessment is made if there is a possibility of introducing new pests. The PRA is a lengthy process that is undertaken to address the likelihood of a pest becoming established in South Africa, the economic consequence of the pest infestation in South

Africa, and to gather available information regarding pathways, probability of detection, and marketing/export consequences of infestation in South Africa.

In the case of a PRA being required, this process is lengthy, since it requires extensive communication and gathering of technical pest risk data between the exporting and importing countries' NPPOs. The timely submission of pest risk data to the South African NPPO form the exporting country's NPPO represents the biggest time delay in finalizing a PRA.

Step 6: Receive an Import Permit with a Set of Conditions

The exporter will receive an import permit with a list of conditions. The conditions will be identical to those that would have been previously sent to the NPPO of the exporting country. Some of the conditions will be phytosanitary, such as that the product should be free from certain viruses, fungi and insects, or will include mitigation procedures to be followed (such as…?). Other conditions might cover inspection procedures and country of origin.

Step 7: Receive a Phytosanitary Certificate

A phytosanitary certificate is a document that shows the origin of the shipment and confirms inspection in the source country by a member of the country NPPO (see attachment III).

The exporter will receive a phytosanitary certificate from the NPPO of the exporting country. This will be issued only if the NPPO is satisfied that the product will not transport pests into the South African environment and the exporter has met all the phytosanitary requirements issued by South Africa. The requirements would have been sent to the NPPO of the exporting country by South Africa as part of the questions prepared when processing the import permit. For the NPPO to ensure that the exporter meets all phytosanitary requirements from South Africa, they will have to undertake field inspections, sampling, laboratory analysis, treatments (under supervision or by registered persons) and final inspection before issuing a certificate.

After final inspection and certification, consignments must be exported within 14 days to ensure the phytosanitary security of the consignment with regards to composition, substitution and re-infestation.

Step 8: Understand Regulations Governing Wooden Packaging Material Entering South Africa

Wood packaging material made of unprocessed raw wood provides a pathway for the introduction and spread of pests such as the Asian Long-horn Beetle and Pine Wood Nematode. To protect trees and forests from the spread of such pests, a number of countries including South Africa and trading blocs have taken regulatory action to control the import of wood packaging.

Member countries, under the guidelines of the IPPC, adopted the International Standards for Phytosanitary Measure ‘Guidelines for regulating wood packaging material in the International Trade’ (ISPM15) in March 2002. The ISPM15 applies to all wooden packaging, including pallets (either new or repaired) and packing cases.

The following are compliance conditions for wood material entering South Africa:

i) The packing material from raw wood must bear the mark of country of origin.
ii) The packing material should have the international certification mark.
iii) The packing material should only be treated in one of the two methods:
  - Heat treatment (HT) in a kiln to a minimum core temperature of 56˚C for a minimum of 30 minutes.
  - Fumigation, using Methyl Bromide (MB)[2] at 21˚C or above and to the dosage rate of 48g/m^3.

Step 9: Familiarize with RSA Agric Pest Act (Act No. 36 of 1983)

The application and issuing of an import permit is done in accordance with the terms of the provisions of the Agricultural Pests Act, 1983 (act no. 36 of 1983). The Act provides measures by which agricultural pests maybe prevented and combated. The Act is provided as attachment IV of the manual. It is advisable that any exporter intending to export into South Africa understands the Act.

Step 10: Export into RSA: Inspection at the Port of Entry

At the point of entry to South Africa, inspections are carried out by the NPPO. They involve scrutiny of documentation and checks for identity and plant health, on a representative sample, or on all of the plant matter.

At the port of entry, the importer must clear all documents with the South African customs authority before goods are released. High-risk plant material imported into South Africa is placed under post-entry quarantine screening. This is done in accordance with conditions in the import permit or if the plant materials need to be verified for its phytosanitary conditions.

In cases where quarantine is required, the import permit will state the conditions on area and time for quarantine. It is the responsibility of the importer to contact the quarantine station and reserve space. All quarantine costs are covered by the agent importing into South Africa.

For additional information on quarantine, please contact:
The NDA
Sub-directorate Plant Health
National Phytosanitary Matters

[2] Under the Montreal Protocol on ozone-depleting substances, the deadline for totally phasing out methyl bromide for developing countries is 2015

4. TERMS OF DELIVERY (INCOTERMS 2000), DOCUMENTATION, PROCEDURE AND DUTIES AT PORT OF ENTRY

Exporting requires an enormous amount of thought and attention to detail, especially documentation. If documents are missing or wrongly filled out, the transaction could be void. Below is a list of documents used in export trading, indicating the step-by-step flow of export documents and necessary export incoterms (see below). Not all these documents and terms will be relevant for every export transaction.

Select exporting countries in Africa have a Currency Declaration Form issued by the Reserve Bank to ensure that the accompanying invoice is traceable to the foreign currency and that the money eventually flows to the country of origin. This is the case in South Africa, and this can be established for other SADC countires by consulting any commercial bank.

4.1 Step-by-step flow of documents in export of horticultural products.

In this section we provide details on the flow of documentation when exporting horticultural products by air.

Step 1: The producer submits a commercial invoice to plant-health inspectors for inspection of produce.
Step 2: The plant-health inspectors will vet prices, weights declared and issue an export certificate.
Step 3: The producer sends the documents to his/her agent (here the responsibility of the producer ends), the agent prepares other documents, for example, airway bill and customs entry forms.
Step 4: The produce is weighed at the airways handling services department and issued the weight.
Step 5: All documents are verified for final approval.
Step 6: Agent sends documents to customs officers for verification.
Step 7: From customs, the agent sends the documents to Air Freight Handling Ltd, which then passes the documents to the airline.
Step 8: When the consignment arrives at the airport of the destination country, the airline company uses the airway bill to contact the buyer. The airway bill should clearly specify if the product requires refrigeration.
Step 9: The consignment is sent to customs for clearance. Customs charges a duty on some agricultural products[3].
Step 10: Customs will detain the consignment to conduct tests if specific current phytosanitary risks may be perceived.
Step 11: Customs gives the client a customs detention slip and a plant health clearance (customs release) form.

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[3] Consult http://www.rapidttp.co.za/tariff/chpindx.html to establish what duties apply to specific agricultural products)

Step 12: The client then takes all the documents to the Perishable Cargo Triangle (PCT) for endorsement.

Step 13: The client then takes the customs release form and airways bill to the airline to collect consignment.

4.2 Special Trade Terms in Export Sales (Incoterms)

Incoterms are the terms of sale as agreed upon by the seller and buyer to facilitate the handing over of a consignment and to specify who is responsible for transportation costs up to a designated point. All incoterms are referred to by the recognized three-letter codes and mention the names and place of delivery. The Incotems are grouped into four categories:

- The first group (E) has only one trade term: Ex Works (EXW).
- The second, F-group, indicates the obligation of the seller to hand over the goods to a carrier free of risk and expenses to the buyer.
- The third, C-group, includes terms that indicate the seller's obligation to bear certain costs after main carriage, which is a critical point in the sales contract: the obligation to bear risks and costs change from one party to the other.
- The fourth, D-group, includes the terms that prescribe that the goods must have arrived at a specified destination.

Incoterms are critical to exporters since these are a critical tool for managing risk, and also represent a cost to the exporters which may impact the feasibility of export

4.2.1. Types of Incoterms

Group E
Departure

EXW - Ex Works: When goods are made available to the buyer at the seller's premises for collection with minimum obligation to the seller for transporting the goods to the buyer. At this point, the responsibility of risk is transferred to the buyer, who is obligated to clear the goods for export and pay all costs involved for transportation, including insurance if required.

Group F
Main carriage unpaid

FCA - Free Carrier: The seller arranges delivery of the goods cleared for export to the appointed carrier as nominated by the buyer and is responsible for the risk and costs up to the name(d?) point of handover.

FAS - Free Alongside Ship: The seller delivers the goods alongside the vessel at the named port of shipment as nominated by the buyer. The buyer will be responsible for all costs and risk from point onwards.

FOB - Free on Board: The seller is responsible for the clearing and delivering the goods for export on board the vessel to the nominated port of exit. Once the goods have passed over the slip's rail at the port of loading the risk is then transferred to the buyer.

Group C
Main carriage paid

CFR - Cost and Freight: The seller is responsible for the cost and freight charges for delivering the goods to the named port of destination and bears all risks up to this point.

CIF - Cost, Insurance and Freight: The seller is responsible for costs, insurance and freight charges for delivering the goods to the named port of destination and bears all the risks.

CPT - Carriage Paid To: The seller undertakes to deliver the goods to their appointed carrier to the named port of destination at the seller's expense. The responsibility of risk is then passed onto the first carrier until the named place of delivery and the cost of the goods are borne by the seller until they arrive at the named place to where carriage has been paid.

CIP - Carriage and Insurance Paid To: The seller undertakes to deliver the goods to their appointed carrier to the named port of destination, including insurance at the seller's expense. The responsibility of risk is then passed onto the first carrier until the named place of delivery and cost of the goods are borne by the seller until they arrive at the named place to where carriage has been paid.

Group D
Arrival

DAF - Delivered at Frontier: The seller clears and places the goods for export at the buyer's disposal, unloaded at the named place of destination and bears all risks for transportation up to this point.

DES - Delivered ex Ship: The seller delivers and places the goods at the buyer's disposal, not cleared for imports at the named place of destination and bears the risk until they arrive at the named place of destination.

DEQ - Delivered ex Quay: The seller delivers and places the goods at the buyer's disposal, not cleared for import on the quay side (wharf) at the named place of destination. At this point the responsibility of risk is on the buyer.

DDU - Delivered Duty Unpaid: The seller undertakes to deliver the goods to the buyer's premises unloaded at the place of final destination, and bears all costs excluding any applicable duty and taxes.

DDP - Delivered Duty Free: The seller undertakes to deliver the goods to the buyer's premises unloaded at the place of final destination, and bears all costs including any applicable duty and taxes.

4.2.2. Basic Export Documents

Below is a list of basic export documents. The documentation is either required by the importer to satisfy the country's trade control authorities, or to enable a documentary credit transaction to be implemented.

Many exporters find it more convenient to control the volumes and variety of paperwork and related matters by designing a file folder that has printed on the covers the entire control procedure covering documentation, payment, shipping instructions and so on. The checklist provides for road, air and sea freight.

Checklist of Export Documents

Document	Road Freight	Air Freight	Sea Freight
Invitation to quote	x	x	x
Quote	x	x	x
Pro forma invoice	x	x	x
Order confirmation/ acknowledgement	x	x	x
Bill of lading/ short-form bill of lading	x	x	x
Airway bill		x	
Insurance policy	x	x	x
Commercial invoice	x	x	x
Consular invoice	x	x	x
Certificate of origin	x	x	x
Packing list/ weight note		x	
Specification sheet	x	x	x
Import permit	x	x	x
Phytosanitary certificate	x	x	x
Customs invoice	x	x	x
Documentary credit of payment drafts	x	x	x
CCA1 form	x		
Bill of lading	x	x	x
Vessels manifest			x

4.2.3. Commercial documents

Packing List: An inventory document showing net quantity of goods, number of packages, weight and measurement of consignment.

Pro forma Invoice: This is a form of a quotation by the seller to a potential buyer. It is the same as the commercial invoice except for the word ’Pro forma Invoice.

Certified Invoice: A certified invoice may be an ordinary signed commercial invoice specifically certifying that the goods are in accordance with a specific contract or pro forma, that the goods are, or are not, of a specific country of origin and certifying any statement required by the buyer from the seller.

Commercial Invoice: The following details must appear on a commercial invoice:

- Names and addresses of buyer and seller and date;
- Complete description of goods;
- Unit prices where applicable and final price against shipping terms;
- Terms of settlement;
- Transport mark and number; and
- Weight and quantity of goods; and name of vessel if known and applicable.

4.2.4. Official documents

Import Permit: An import document issued by the NDA for the importation of certain commodities that must be submitted for customs clearance

Phytosanitary Certificate: A document that shows the origin of the shipment and confirms inspection in the source country by the member of the exporting country NPPO.

Customs Invoice: A commercial invoice issued by the seller to a buyer declaring such information as:

- shipper and consignee physical address;
- description of goods;
- quantity and value of consignment; and
- shipping/incoterms.

This is absent if the consignment is not for sale.

CCA1 Form: A formal customs document that must be completed for all products that are not documents non documents that are shipped within the SACU region.

Certificate of Origin: These constitute signed documents evidencing origin of the goods and are normally used by the importer’s country to determine the tariff rates. They should contain the description of goods and phytosanitary inspection signature.

4.2.5. Insurance documents

Letter of Insurance: This is usually issued by a broker to provide notice that insurance has been placed pending the production of a policy or a certificate.

Insurance Certificate: These are issued by insurance companies to embrace either open covers or floating policies.

4.2.6. Transport documents

Airway Bill: This is a non-negotiable airline document that covers the transportation of cargo from a designated point of origin to a named final destination, whether it is an international or domestic consignment. It states all details of cargo loaded onboard an aircraft.

Bill of Lading: This is a legal contract between the owner of the consignment and the shipping line or agent to transport consignments. It states all details of cargo loaded on to a vessel.

Vessel Manifest: A list drawn up of all consignment to be shipped and signed for by the captain of the vessel/ aircraft.

4.2.7. Financial and financing documents

Letter of Credit: These are particularly important. A letter-of-credit arrangement will be agreed upon in the contract of sale. The buyer instructs a bank in his own country to open a credit with a bank in the seller's country in favor of the seller, specifying the documents which the seller has to deliver to the bank for him to receive payment.

Delivery Order: This is an order on a warehouse instructing it to deliver goods to the bearer or a party named in the order. Banks issue such orders when goods stored in their name are to be delivered to a buyer or are to be reshipped and have to leave a warehouse.

Warehouse Receipt: This is a receipt for goods issued by a warehouse. It is not negotiable and no rights in the goods can be transferred under it. Delivery orders may be issued against the receipt for the goods which relate to it.

Promissory Notes: While not bills of exchange, these are largely subject to the same rules and are used for a somewhat similar purpose, namely the settlement of indebtedness. Instead of being drawn like a bill of exchange by the person expecting to be paid, they are made by the person who owes the money, in favour of the beneficiary.

Annexure I WTO Agreements on SPS and TBT

Sanitary and Phytosanitary Standards

This agreement concerns the application of sanitary and phytosanitary measures - in other words food safety and animal and plant health regulations. The agreement recognises that governments have the right to take sanitary and phytosanitary measures but that they should be applied only to the extent necessary to protect human, animal or plant life or health and should not arbitrarily or unjustifiably discriminate between Members where identical or similar conditions prevail.

Members are encouraged to base their measures on international standards, guidelines and recommendations where they exist. However, Members may maintain or introduce measures which result in higher standards if there is scientific justification or as a consequence of consistent risk decisions based on an appropriate risk assessment. The Agreement spells out procedures and criteria for the assessment of risk and the determination of appropriate levels of sanitary or phytosanitary protection.

It is expected that Members would accept the sanitary and phytosanitary measures of others as equivalent if the exporting country demonstrates to the importing country that its measures achieve the importing country's appropriate level of health protection. The agreement includes provisions on control, inspection and approval procedures.

Technical Barriers to Trade

This agreement seeks to ensure that technical negotiations and standards, as well as testing and certification procedures, do not create unnecessary obstacles to trade. It recognizes that countries have the right to establish protection, at levels they consider appropriate, for example for human, animal or plant life or health or the environment, and should not be prevented from taking measures necessary to ensure those levels of protection are met. The agreement therefore encourages countries to use international standards where these are appropriate, but it does not require them to change their levels of protection as a result of standardization.

It covers processing and production methods related to the characteristics of the product itself. The coverage of conformity assessment procedures is enlarged and the disciplines made more precise. Notification provisions applying to local government and non-governmental bodies are elaborated in more detail than in the Tokyo Round agreement. A Code of Good Practice for the Preparation, Adoption and Application of Standards by standardizing bodies, which is open to acceptance by private sector bodies as well as the public sector, is included as an annex to the agreement.

Annexure II Major South African Industry Players

Compny name	Contact Number	E-mail address	Produce Processor	Logistics & Control	Exporter	Forwarding & Clearing	Transport & Freight Handling
ACCESS FREIGHT INT'L	27 31 451 9200	info@accessgroup.co.za	YES	YES	YES	YES	YES
AFRIFRESH EXPERTERS CC	27 21 794 7360	anton@afrifresh.co.za			YES		
AFRUTA	27 44 877 0971	afruta@iafrica.com			YES		
AFTEX EXPORTERS	27 11 792 3544/47/51	export@aftex.co.za			YES	YES	YES
AGRI MANAGEMENT	27 21 982 3314	agriman@iafrica.com					
AGRILINK	27 11 390 2366-8	wouter@agrifruit.co.za			YES		
AH ENGELBRECHT SNR & SEUNS	27 27 216 1448	studiosur@interfree.it			YES		
ANALYTICAL SERVICES	27 12 804 6825/6	lab@ppecb.com					
ANLIN SHIPPING	27 21 911 1070	webmaster@anlin.co.za			YES		
ASHTON CANNING	27 23 615 1140	info@ashtoncanning.co.za	YES				
AV CONTAINERS	27 21 511 2569	wwc@global.co.za					
BELL SHIPPING	27 21 461 3604	sargeant@bellshipping.co.za			YES		
BENGUELA INTERNATIONAL	27 31 564 5343	info@benguela.co.za			YES		
BERGFLORA	27 21 934 6110-2	info@bergflora.co.za			YES		
BERRY & DONALDSON	27 21 462 4190	caronb@berrydon.co.za			YES		YES
BETKO VARS PRODUKTE	27 28 840 2313	betko@iafrica.com			YES		
BIOTRACE FRUIT EXPORTERS	27 12 252 2387	grant@frutex.co.za		YES	YES		
CAPE FIVE EXPORT SA	27 21 850 4640	infor@capefive.com			YES		
CAPE FRESH & FROZEN	27 21 855 1183				YES		
CAPE VINEYARDS	27 23 349 1585/ 1466	henriette@cape-vineyards.com			YES		
CAPESPAN	27 21 917 2600	info@capespan.co.za					
CAPSELLING SA	27 21 851 5303/5	alain@capselling.co.za			YES		
CARGO LOGISTICS DURBAN	27 31 563 3608	peter@cargologisticsdurban.co.za				YES	
CERES FRUIT JUICES	27 21 860 0000	exports@ceres.co.za	YES		YES		
CITRUS GROWER'S ASSOCIATION	27 31 765 2514	justchad@iafrica.com					
CITRUS SA	27 21 975 7220	ceo@citrussa.co.za					

CLASS A TRADING-7 SEAS	27 21 701 6770	tracey@sevenseasfruit.com			YES		
CLOVER CARGO INT'L	27 21 530 9800	cloverct@iafrica.com				YES	YES
COMMERCIAL GOLD STORAGE	27 21 418 3236	fdowling@comcold.co.za					
CTS CONTRASHIP	27 31 304 1963	nr@yebo.co.za			YES		
DECIDUOUS FRUIT	27 21 870 2913	retha@dfpt.co.za					
DELECTA FRUIT	27 21 930 1181	jonathan@delecta.co.za			YES		
DENMAR ESTATES	27 58 303 2149	sales@denbi.co.za	YES		YES		
DOCKS SHIPPING	27 21 530 5200	gavinw@docks.co.za			YES	YES	YES
DOLE SA	27 21 914 0600	dolecpt@za.dole.com			YES		
EGGBERT EGGS	27 11 845 2066	eggbert@saol.com			YES		
ETLIN	27 21 418 3850	leonor@cpt.etlin.co.za			YES		
EURO-AFRICA	27 11 483 3036	brad@popcorn.co.za			YES		
EYETHU FISHING	27 41 585 5683	heinrich@eyethufishing.co.za	YES		YES		
FIELD CREST INT'L	27 31 465 0703/8	info@fieldcrest.co.za			YES		
FOREST FERNS	27 42 280 3876	fferns@telkomsa.net			YES		
FRESH PRODUCE	27 21 674 3202	symo@iafrica.com					
FRESH PRODUCE TERMINALS	27 21 401 8700	ronnie_kingwill@fpt.co.za		YES		YES	
FRESHCO	27 21 531 8303	info@freshco.co.za			YES		
FRESHMARK	27 21 980 7000	freshmark@shoprite.co.za			YES		
FRESHWORLD	27 21 808 7100	kieviet@freshworld.co.za			YES		
FRUIT SA	27 21 674 4049	porchia@fruitsa.co.za					
FRUITAIR EXPORT CC	27 21 552 8240	fiford@fruitair.co.za			YES		
FRUITS UNLIMITED	27 21 872 0437	elrika@fruitsunltd.co.za			YES		
GERBER PACKAGING	27 11 652 0710	philipi@gerber.co.za		YES			
GIANTS CANNING	27 11 623 2929	giants@aqua.co.za	YES				
GOLDEN HARVEST	27 21 531 7213	pkotze@goldenharvest.co.za			YES		
GOLDEN LAY FARMS	27 11 790 4700	goldlay@global.co.za	YES		YES		
GOREEFERS LOGISTICS	27 21 914 2832	capetown@goreefers.com		YES			
GRANOR PASSI	27 15 298 6000	passi@mweb.co.za	YES				
GRAPES (SA TABLE GRAPES)	27 21 870 2954	info@grapesa.co.za					
GREEN MARKETING INT'L	27 21 874 1055	rory@gmint.co.za			YES		

GRINDROD PCA	27 21 934 6184	douge@rohlig.co.za				YES	YES
HELLMANN WORLDWIDE	27 31 240 7100	fmckenzi@za.hellmann.net		YES	YES	YES	YES
HM FRUIT PROCESSING	27 15 309 0046	alans@hansmerensky.co.za	YES		YES		
HPL SEA FREIGHT SA	27 21 425 0610	shameeg@hplsa.co.za		YES			YES
INDLOVU INT'L CC	27 21 794 8126	indloint@global.co.za			YES		
INTERTRADING LTD	27 11 771 6000	interltd@intertrading.co.za			YES		
IRVIN & JOHNSON LTD	27 21 402 9200	georgew@ij.co.za	YES		YES		
JHB FRESH PRODUCE	27 11 613 2049	choltzkampf@jfpm.co.za					
KAI SHANG AFRICA	27 11 622 5133	hakim@global.co.za			YES		
KAIRALI FLORA	27 11 268 0864	info@kairalisa.com			YES		
KALLOS EXPORTERS	27 21 425 4800	meyer@kallos.co.za			YES		
KAPPA SOLID BOARD	27 21 880 1092	sales@kappa-solidboard.co.za					
KARPUS TRADING	27 11 268 0864	info@kairalisa.com			YES		
KATOPE EXPORTS	27 15 307 8500	jaco@katope.co.za			YES		
KENT FARM DRIED FLOWERS	27 28 572 1611	kent@isat.co.za			YES		
KINGFLORA TRUST	27 42 287 0727	noking@iafrica.com			YES		
KOMATI FRUITS	27 11 455 2563	komati@global.co.za			YES		
LASER PERISHABLE DIVISION	27 11 974 9297	jacques@laserint.co.za		YES		YES	YES
LONA TRADING	27 21 410 6700	info@lona.co.za			YES		
MAERSK SEALAND	27 21 408 6000	cptordexpref@maersk.com					YES
MALACHITE COMMUNICATIONS	27 21 855 5512	info@malachite.co.za					
MARNIC ENTERPRISES	27 21 710 9000	trade@gaertner.co.za			YES		
MEIHUIZEN INT'L	27 21 419 9191	asl@meihuizen.co.za					YES
MELPACK	27 28 841 4380	melpack@melsetter.co.za					
MOL SA	27 21 402 8901	hnaiker@molrsa.infonet.com					YES
MONDIPAK	27 21 507 6700	www.mondipak.com					
MSC LOGISTICS	27 31 360 7811	lbateman@clog.co.za		YES			YES
NAPIER FLORA	27 28 423 3345	napier@netactive.co.za			YES		
NATIONAL DEPT OF AGRIC	27 12 319 7317	dcom@nda.agric.za					
NULAID	27 21 981 1151	prossouw@pnr.co.za			YES		
OCEAN PRINCE MARINE	27 21 511 7777	oceanprince@mweb.co.za			YES		

ODESSEY INT'L IMPORT & EXPORT	27 21 421 7160	odessey@odyint.co.za		YES	YES	YES	YES
ORANGE RIVER EXPORT	27 54 431 6100/6	orex@mweb.co.za			YES		
PALTRACK SYSTEMS	27 21 970 2777	andries_mouton@paltrack.co.za		YES			
PARAGON PRODUCE	27 11 421 2605	lingda@paragonproduce.co.za			YES		
PORT NOLLOTH FISHERIES	27 21 434 4002	sankfin@iafrica.com			YES		
PPECB	27 21 930 1134	ho@ppecb.com					
PREMIER FRUIT EXPORTS	27 31 767 3875	pfe@iafrica.com			YES		
PRIMA FRUIT	27 11 784 3030	prima@globa.co.za			YES		
PROPOTS	27 21 534 4420/9036	mwpropot@iafrica.com			YES		
QUALITRACK	27 21 872 4028	heidi@qualitrack.co.za		YES			
REDFERN	27 21 552 9680	sales@redfern.co.za		YES			
RFF FOODS	27 21 870 4000	phillipsr@rfffoods.com	YES		YES		
ROHLIG-GRINDROD	27 21 418 3218	colleenw@rohlig.co.za				YES	YES
ROOIBERG WINERY	27 23 626 1663	rooiberg@mweb.co.za	YES		YES		
SA FLOWER GROWERS' ASSOC	27 11 692 4237	info@saflower.co.za					
SA MANGO GROWERS ASSOC	27 15 307 3513/2775	samga@mango.co.za					
SA PROTEA PRODUER'S EXPORTER'S ASS	27 28 284 9745	sappex@hermanus.co.za					
SAFCOR PANALPINA	27 21 550 6500	marys@safcorpanalpina.co.za			YES		
SAFE	27 21 657 4000	anyasafruit@mweb.co.za			YES		
SAFMARINE	27 21 408 6911	safsclrefsal@za.safmarine.com					YES
SAFPRO	27 41 582 4706/7	safpro@iafrica.com			YES		
SAFT	27 21 937 3440	safthq@saft.co.za		YES		YES	YES
SAPO	27 21 887 6823	info@saplant.co.za					
SARDA	27 21 551 5077	sardanat@mweb.co.za					
SCHOEMAN BOERDERY	27 13 262 6600/3	lappies@moosriviet.co.za			YES		
SEA HAVEST CORPORATION	27 21 417 7900	info@seaharvest.co.za	YES		YES		
SENSITECH SA CC	27 21 852 5458	sebsitec@iafrica.com	YES	YES			YES
SKY TRADING	27 21 976 9777	sky-sa@mweb.co.za			YES		
SLANGHOEK CELLAR	27 23 344 3026	slanghoek@lando.co.za			YES		

SLICE OF AFRICA	27 82 781 3652	willem@sliceofafrica.co.za			YES		
SOUTHCAPE PRODUCE	27 44 874 5901	s164@pixie.co.za			YES		
SOUTHERN FRUIT GROWERS	27 21 852 4012	sales@southernfruit.co.za			YES		
SOVEREIGN FRUITS	27 21 552 7004	zenobia@sovfruit.co.za			YES		
SPECIAL FRUIT NV.	32 3 315 0773	mail@specialfruit.be			YES		
SPECIAL FRUIT NV.	27 21 853 2627	specialfruitsa@saonline.co.za			YES		
SPECIALISED INT'L FREIGHT	27 31 465 0203/4	sif@iafrica.com				YES	
SQUID PACKERS	27 41 585 3696	squidp@iafrica.com	YES		YES		
STD BANK INT'L DIVISION	27 11 636 1053/4391	ibc@scmb.co.za					
STELLENPAK	27 21 874 2225	koen@stellenpak.co.za					
SUMMERFIELD EXPORTS	27 11 475 7141	sumfield@global.co.za			YES		
SUMMERPRIDE FOODS	27 43 731 1770	russel@sumpride.co.za	YES		YES		
SUNPRIDE	27 21 794 0333	anton@afrifresh.co.za			YES		
SUNPRIX TABLE GRAPES	27 44 272 3905	ofglobe@mweb.co.za			YES		
SUNWORLD INT'L	27 21 870 2921	jjooste@sun-world.com					
SUPREME FRUITS	27 21 552 7032	fynn@supreme-fruits.co.za			YES		
SWEET AFRICA	27 21 914 9811	derick@sweetafrica.co.za			YES		
SWELLENFRUIT PACKING	27 28 512 3440/1	info@swellenfruit.com					
SYNGENTA	27 11 541 4024	johann.brits@syngenta.co.za					
THE COLD LINK NEWSPAPER	27 21 551 5076/7	jasac@iafrica.com					
THOKOMAN FOODS	27 12 811 0501/0402	thokomans@icon.co.za			YES		
TIGER BRANDS INT'L	27 21 970 4100	pietjoubert@tigerbrands.com	YES		YES		
TRISTAN EXPORT	27 21 448 4886	logistics@tristanexport.co.za			YES		
TROPICANA MARKETING IN'T;	27 21 535 0225	vinfo@tmiww.co.za			YES		YES
UNIFRUIT	27 28 840 2209	unifruit@africa.com					
VALLEY EXPORT FRUIT PACKERS	27 15 307 2431	mahuka@pixie.co.za	YES		YES		
VAN DER LANS CAPEFRESH	27 22 921 2445	stiaan@vdlcapefresh.com			YES		
WP FRESH DISTRIBUTORS	27 21 851 3788/9	info@wpfresh.co.za			YES		
XL INT'L	27 28 514 1455	derek@xlinter.co.za			YES		
ZEBRA FRESH FRUIT	27 22 913 2684	info@zebrafruit.co.za			YES		

Annexure III   Import Permit Application Form

IMPORT PERMIT APPLICATION FORM: AANSOEK OM 'N PERMIT VIR DIE INVOER VAN BEHEERDE GOEDERE INGEVOLGE DIE BEPALINGS VAN DIE WET OP LANDBOUPLAE, 1983 (WET No. 36 VAN 1983)

APPLICATION FOR A PERMIT FOR THE IMPORTATION OF CONTROLLED GOODS IN TERMS OF THE PROVISIONS OF THE AGRICULTURAL PESTS ACT, 1983 (ACT No. 36 OF 1983)

STANDARD APPLICATION/STANDAARD AANSOEK: Moet minstens 30 dae voor die datum van aankoms van die betrokke goedere in Suid-Afr ka ingedien word by:
Must be submitted at least 30 days prior to the date of arrival of the goods concerned in South Africa to:

ANDER AANSOEKE/OTHER APPLICATIONS: Aansoeker sal in kennis gestel word van hanterings prosedure/ Applicant will be notified of handling procedures.

DIREKTEUR: DIREKTORAAT: PLANTGESONDHEID EN GEHALTE, PRIVAATSAK X258, PRETORIA, 0001; OF

DIRECTOR: DIRECTORATE: PLANT HEALTH AND QUALITY, PRIVATE BAG X258, PRETORIA, 0001; OR

FAX: 27 12 319 6370 / E-MAIL JeremiahMA@nda.agric.za / TEL: 27 12 319 6102/6396

Hiermee doen ek, die ondergetekende, aansoek om 'n permit ingevolge artikel 3(1) van die Wet op Landbouplae, 1983 (Wet No. 36 van 1983), om die beheerde goedere waarvan besonderhede hieronder verskyn, in Suid-Afrika in te voer. Ek verklaar hierby dat die betrokke goedere nie geneties-gemanipuleerde organismes bevat nie.

I, the undersigned, hereby apply for a permit in terms of section 3(1) of the Agricultural Pests Act, 1983 (Act No 36 of 1983), to import the controlled goods of which the particulars appear hereunder, into South Africa.
I hereby declare that the goods concerned do not contain any genetically manipulated organisms.

* Beskrywing van beheerde goedere * Description of controlled goods	Naam van variëteit van plante (waar van toepassing) Name of variety of plants (where applicable)	Hoeveelheid (aantal of massa) Quantity (number or mass)	Volle naam en adres van leweransier in die buiteland Full name and address of foreign supplier	Plek van binnekoms Port of entry	Doel waarvoor ingevoer Purpose of which imported

Land van oorsprong/Country of origin ……………………………………………Naam van firma/applikant/Name of company/applicant …………………………………………………………………

Posadres van applikant/Postal Address of applicant ……

Kode/Code ……………………………….. Telefoon no./Telephone no. …………………………………………………… Faks no./Fax no. ……………………………………………………………

E-mail address/adres ……

………………………………………………………………………………… ………………………………………………………… ……………………………………………

HANDTEKENING VAN APPLIKANT/SIGNATURE OF APPLICANT **DRUKSKRIF: NAAM EN VAN VAN APPLIKANT/** PRINTED: NAME AND SURNAME OF APPLICANT **DATUM/DATE**

* In die geval van 'n plant (insluitend saad), patogeen, insek of uitheemse dier, moet sowel die wetenskaplike as die gewone naam vermeld word.

* In the case of a plant (including seed), pathogen, insect or exotic animal, the scientific as well as the common name thereof shall be specified.

SOUTHERN AFRICA GLOBAL COMPETITIVENESS HUB

JOINT WORKING GROUP RSA EXPORT PARITY PRICE TASK FORCE RECOMMENDATIONS

Compiled by
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Submitted by:
CARANA Corporation

Submitted to:
Regional Center for Southern Africa,
U.S. Agency for International Development

Gaborone, Botswana

March 2006

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USAID FROM THE AMERICAN PEOPLE

1. Point of Departure

The cattle/beef industry constitutes the most important agricultural sub-sector in Botswana. It could (and should) contribute significantly to the Gross Domestic Product (GDP) of Botswana, it provides a livelihood to a significant portion of the population (>60%), it has strong forward and backward linkages with the rest of the economy and is an earner of foreign exchange. It is hence vitally important that this sub-sector vibrant and healthy from a sustainability and profitability point of view. The fact is however that the contrary is currently true for the industry. One of the main reasons for this state of affairs is the current pricing system employed in the sub-sector that acts a disincentive for stakeholders to partake in the cattle/beef value chain. The current debate in the industry therefore focuses on finding a pricing system that would incentivise stakeholders to increase production of the right quality animals in a sustainable and profitable manner to the benefit of all stakeholders concerned. Obvious benefits include sustainable use of natural resources, increased profitability of producers and BMC, increased export earnings, maintenance and expansion of market share, sustaining and improving livelihoods of households involved in cattle farming, increase in economic growth and reduction in poverty.

Since Botswana is a net exporter of beef the logical point of departure to establish a pricing mechanism is export parity. The principle of export parity prices have been deliberated extensively throughout the industry. Seemingly contradicted views on the merits and workability of export parity prices were effectively addressed and subsequently an initiative from the Office of the Vice-President of the country instigated the terms of reference of this task team. External experts were sourced and in conjunction with expertise from within the country the task team managed to get consensus on the principles underlying export parity prices.

The rest of this document is structured as follows. Section 2 briefly provides insight into the potential benefits of implementing an export parity based pricing system. Section 3 provides a brief outline of issues that will be vital to address to ensure that the new pricing system results in the benefits discussed in Section 2. Section 4 highlights the agreed principles to establish export parity prices. In Section 5 these principles are employed to calculate export parity. In section 6 a summary is given of the interim pricing mechanism that was unanimously agreed.

2. Potential benefits of instituting an export parity pricing system

- Incentives to increase supply of the right quality animals and products.

  Two serious challenges facing any abattoir is the number of animals slaughtered (throughput) relative to the capacity of the abattoir and the quality of the animals slaughtered.

  Low throughput equates to higher cost per kilogram, i.e. the cost per kilogram is less when an abattoir slaughters at full capacity as apposed to slaughtering below capacity.

In terms of quality issues such as the weight of the animal and the condition of the animal is important. For example, the cost of processing a lean carcass is more than the cost of processing a uniform carcass. In addition, the right quality animal also translates into more saleable meat per carcass, thus higher returns per carcass.

A further benefit of incentives is that it acts as catalyst to stimulate change. In this regard higher supply of the right quality animals will lower the pressure on natural resources and stimulate change in production systems (i.e. increased weaner production).

In other words, it is imperative to provide incentives to producers so that they increase supply of the right quality animals. This will bring about economies of scale and increase efficiency – the net result is higher profits and increased sustainability of the industry.

- Fulfilling quota requirements.

  This is imperative since every kilogram not sold to fulfill the quota represents a considerable loss in returns.

- Increased returns throughout the supply chain given current and expected market changes.

  These returns would be captured by:
  - Producer who would receive returns on their investments that could be used to improve their livelihoods and to reinvest in the industry. It will also improve their purchasing power – given the fact that more than 60% derive a livelihood from this industry increased purchasing power could have significant positive effects on the economy of the country.
  - As mentioned, at processing level economies of scale will be reached, i.e. lower costs per kg processed, more saleable meat of the right quality and meeting quota requirements. The aforementioned equates to higher returns at processing level.

- Multiplier effects – backwards and forward

  In South Africa, for example, the GDP multiplier for agriculture is 1.51. This implies that an increase if one rand in the production by the agriculture sector, will result in an R 1.51 increase in the GDP of the country. The GDP multiplier for the livestock sector is 1.53, i.e. an increase if one rand in the production by the agriculture sector, will result in an R 1.53 increase in the GDP of the country. The direct effects[1] for the livestock industry are 0.60, the indirect effects[2]

[1] *Direct effect*: refers to effect occurring in the agriculture sector.
[2] *Indirect effect:* refers to those effects occurring in the different economic sectors (that link backward to agriculture due to the supply of intermediate inputs such as fertilizer and diesel).

accounts for 0.26 and the induced effects[3] are 0.67 – together the effects equates to 1.53. Cognizance should be taken that the above multipliers are very high relative to most other sectors in the South African economy.[4]

The aforementioned serves as example of the multiplier effects if the cattle/beef sub-sector in Botswana is positioned correctly.

- Macro: Employment, economy, fiscal contribution

  Revitalization of the cattle/beef sub-sector will have obvious benefits in providing job security and increasing the number of jobs. It will also translate into economic benefits as mentioned in the previous bullet. An added positive effect is it potential to increase its fiscal contribution.

- Increased intra-industry cooperation

  Vital for value chains in the globalized economic environment is the relationships within an industry. Without such relationships based on trust the industry would continuously find it difficult to make inroads in markets since the time and opportunity cost to solve problems will result in inefficiencies and hence reduce competitiveness.

3. Issues to be addressed in converting to weaner production

- The issue of sustainability.

  Any new system or change introduced into the cattle/beef sub-sector will have to account for sustainability over the long run. Sustainability is the measure of the extent to which a certain level of activity or output may be sustained over time without the depletion of resources. The notion of the "Triple Bottom Line" has gained favor over the last few years. It rests on the philosophy that profits are not the only measure of the success of an organization, but that this measure should rather include three elements, namely:

  - Economic
    - The ongoing financial viability of the organization
    - Risk Management to alleviate potential adverse effects of economic factors

  - Ecological
    - Ensuring that inputs and outcomes which put the environment at risk are minimized or removed

  - Social

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[3] *Induced effect:* refers to the chain reaction triggered by the salaries and profits (less retained earnings) that are ploughed back into the economy in the form of private consumption expenditure.

Mullins, D. (2004). Economic Multipliers – Chapter 13. In Groenewald, J.A. (Ed). *South African agricultural sector review – Evaluatio n of chan ges sin ce 1 994*. National Department of Agriculture, Pretoria.

- Ensuring that production processes and management practices are socially and morally acceptable
- Ensuring that the quality of life and human habitat are acceptable

Hence, sustainability represents an integrated outcome that can be measured and monitored over time. Therefore, by adding a sustainability goal will increase the need for improved management skills to operate effectively in an attempt to maintain and/or increase profitability.

- Impartiality of base price monitoring and transparency

To foster relationships in the industry it would be vitally important that transparency in price formation is obtained and that such mechanisms are impartially monitored. It is imperative that mechanisms in this regard are put in place urgently with a impartial service provider.

- Information dissemination and communication

The successful implementation of a new pricing system will largely depend on how information pertaining to prices and the system change itself is disseminated and communicated to stakeholders. In this regard a strategy should be formulated and should include road shows/information days comprising representatives of all stakeholders and an impartial representative, news releases, public relation activities, etc. The campaign should highlight issues such a what the changes entail, what the effects will be and the goals.

- Address all inefficiencies (institutional, market, production, legislation)

Stock needs to be taken of all inefficiencies existing at the institutional, market, production and legislative levels. Strategies should be formulated for each inefficiency which include, but are not limited to, the following issues:

- Realignment of processes and activities;
- Impact assessment of realignment;
- Assigning responsibilities and accountability with specific deadlines;
- Mobilize the necessary resources to be used to affect change;
- Put in place the necessary communication strategy to ensure transparency and eliminate uncertainties that usually comes with change; and
- Put in place a monitoring system.

- Promotion

Promoting the goals and envisaged outcome of the changes to be implemented will be vitally important. In addition, product promotion should be considered seriously in order to stimulate demand.

- Product development

New sophisticated value chain internationally requires continuous innovations as far as product development is concerned. For example, in the US 500 new beef products were developed in 2003 and 2004 to align the beef industry in the US with changing consumer behavior (domestically and internationally). Innovation will be vital to remain relevant and increase competitiveness. In addition communication to suppliers of the primary product will be important to align production with innovations. In Brazil, for example, gradual change in the composition of the herd in many areas was induced to better serve the needs of Brazil's markets.

4. Agreed principles for export parity price mechanism

Table 1 show a summary of agreed principles which were duly incorporated into the research and deliberations. These principles were agreed upon unanimously.

Table 1: RSA EPP principles

Reference Point of Export	Lobatse
Reference Product	Carcasses
Reference Export Market	Gauteng
Reference Export Market Value	Red Meat Abattoir Association (RMAA) in South Africa
Reference Export Freight	Least-cost solution for refrigerated transport of Reference Product from Reference Point of Export to Reference Export Market
Reference Insurance	Goods-in-transit insurance for Reference Product from Reference Point of Export to Reference Export Market
Reference Taxes & Levies	All applicable export and import taxes and levies

The reason for using carcass as the reference product is summarized below:

- It is international good practice to compare "apples" with "apples", and this principle is underpinned by Organization for Economic Cooperation and Development (OECD)
- Basically there are two options available if consideration is given basing prices on live weight.

  Firstly a discount for weight loss of the animal can be applied. The problem with this methodology is that (i) animals are fed to increase live weight, hence problems in fixing weight loss percentage, (ii) the distance traveled is not certain, i.e. logically animals moved to nearest abattoir and (iii) animals lose water and stomach contents that reduce live weight that also brings into question the weight loss percentage to be used. In addition, if one accounts for weight loss one should also take into account stress related factors. This brings about risks. These risks are difficult to quantify and someone must be liable for the risk.

  The second option to address the problems stated above is that price formation takes place at abattoir and is based on the actual carcass (CDM).

The option is preferred in South Africa and basically comes back to basing prices on carcasses rather than live weight.

- Transport cost is higher per kg of meat when calculated on the basis of transporting live animals, i.e. over recovery of transport cost.
- Due to the problems mentioned abattoir development in RSA close as possible to production areas

5. Modeling Export Parity Prices

The model subscribes to the agreed principles and constitutes the following dynamics:

5.1. A weighted average price across the different South African beef grades in terms of prices, numbers slaughtered and reported by RMAA in South Africa on a weekly base were used. Table 2 summarized same for a week.

Table 2: Weighted average prices from RMAA

Week 1	Units (number sold)	RMAA selling price (R/kg)	Value of production (Rand)	Total value of prod (Class 2 and 3) (Rand)	Total no. of animals slaughtered	Average price (R/kg)	Average price A/AB (R/kg)
A2	10242	16.00	163904				16.00
A3	2803	16.06	45004	208908	13045	16.01	
AB2	250	15.64	3911				
AB3	72	15.49	1115	5026	322	15.61	
B2	267	14.77	3942				
B3	49	15.04	737	4679	316	14.81	
C2	335	14.31	4795				
C3	100	14.19	1419	6214	435	14.29	

The average price of R16.00 is weighted on the basket of A/AB grades slaughtered in a specific week, meaning weekly price changes will be reflected. The same apply to the R14.81 and R14.29 as a weighted average price for the B and C grades, respectively.

These prices pertain to South Africa and need to be adjusted in order to provide an export parity base for Botswana. Cost such as transport, insurance and levies must be deducted from the prices calculated in Table 2. These adjustments are:

- Transport costs per kg dressed weight – R0.29/kg
- Insurance – R0.03/kg
- RSA import levy – R0.03/kg
- The rand/Pula exchange rate
- The Botswana export levy – Pula.025/kg as been calculated from the per animal levy to an amount per kg based on the averaged carcass weight.

Table 3 summarizes these adjustments.

Table 3: Basis realized export parity price

Class		**A2/A3(AB2/AB3)**	**B2/B3**	**C2/C3**
Price	R/kg	16.00	14.81	14.29
Minus: Transport cost	R/kg	0.29	0.29	0.29
Insurance	R/kg	0.03	0.03	0.03
RSA import levy	R/kg	0.03	0.03	0.03
Realized price	R/kg	**15.65**	**14.45**	**13.93**
Exchange rate	R/Pula	1.15	1.15	1.15
Realized price	Pula/kg	**13.60**	**12.56**	**12.11**
Minus: Bot. export levy	Pula/kg	0.025	0.025	0.025
Basis realized price	Pula/kg	**13.58**	**12.54**	**12.08**

In order to account for class differences within specific grades price differentials are used. In other words, prices of carcasses that do not conform to the market requirements are discounted. Table 4 shows the discounts between lean (class 0) and uniform (classes 1-4) carcasses, as well as between over fat (classes 5-6) and uniform (classes 1-4) carcasses. For example, in the case of Grade A lean carcasses will be discounted by 19% on the average weighted price calculated as in Table 3. The same principle applies to over fat carcasses, i.e. they will be discounted by 2%.

Table 4: Price differentials between different classes

Price differential (%)	**Grade A**	**Grade B**	**Grade C**
Between 0 and 1 - 4	0.19	0.18	0.17
Between 1 - 4 and 5 - 6	0.02	0.04	0.04

Cognizance should be taken of the fact that there are differences in the grading system of the RMAA and the Botswana beef industry. In order to address this a new grading system for Botswana is proposed (See Table 5). This entails that a new grade be introduced for Botswana, namely Prime. This grade conforms to the A/AB grades in South Africa. The current SS and S1 grades in Botswana are put equal to the B grade in South Africa, while the S2, S3 and S4 grades conform with the C grade in South Africa. The implication of this proposal is that regulations pertaining to the current grading system in Botswana will have to be changed and hence an interim arrangement will henceforth be introduced.

Table 5: Proposed new grading system

Classes	Botswana Grades	Permanent incisors	South Africa
Lean	Prime (FPT, N)	0-2	A0 (AB0)
Uniform	Prime (G, U)		A1 to A4 (AB1 to AB4)
Over fat	Prime (G, E.P)		A5 to A6 (AB5 to AB6)
Lean	SS/S1 (FPT, N)	3-6	B0
Uniform	SS/S1 (G, U)		B1 to B4
Over fat	SS/S1 (G, E.P)		B5 to B6
Lean	S4 (FPT, N)	6+	C0
Uniform	S2 (G, U)		C1 to C4
Over fat	S3 (G, E.P)		C5 to C6

Table 6 shows the application of the principles illustrated in Table 4 and 5.

Table 6: Basis prices for different grades and classes

Classes	Botswana Grades	Permanent incisors	South Africa	SA EPP (Pula/kg)
Lean	Prime (FPT, N)	0-2	A0 (AB0)	11.00
Uniform	Prime (G, U)		A1 to A4 (AB1 to AB4)	13.58
Over fat	Prime (G, E.P)		A5 to A6 (AB5 to AB6)	13.28
Lean	SS/S1 (FPT, N)	3-6	B0	10.28
Uniform	SS/S1 (G, U)		B1 to B4	12.54
Over fat	SS/S1 (G, E.P)		B5 to B6	12.00
Lean	S4 (FPT, N)	6+	C0	10.03
Uniform	S2 (G, U)		C1 to C4	12.08
Over fat	S3 (G, E.P)		C5 to C6	11.55

In order to further differentiate between the desired carcasses an additional component to the pricing system is introduced and corresponds to the pricing system used in Namibia. Too light carcasses have negative cost implications for abattoirs and are hence penalized. On the other hand heavier carcasses are rewarded. Table 7 shows these discounts and premiums.

Lets assume that the ideal carcass weight is between 175 and 200 kg, then there is no discount nor a premium for carcasses falling in this weight bracket (See circle in Table 7). There is however a premium per kg for increasing the weight of the carcass to the upper bound of the weight bracket; in this case it is 0.0101t/kg. If a carcass falls into the greater and equal to 100kg and less that 175kg weight bracket it will be discounted with Pula 2.61/kg, but an incentive is provided to increase the weight within this specific weight bracket to the upper bound. The base weight category can be changed from the one used if deemed necessary.

Table 7: Premiums and discounts for different weight categories

Weight category	<100	>=100 <150	>=150 <175	>=175 <200	>=200 <205	>=205 <210	>=210 <215	>=215 <220	>=220 <225	>=225 <230	>=230 <999
Premium/ Discount (Pula/kg)	-2.61	-2.61	-0.92	0.00	0.32	0.43	0.55	0.66	0.66	0.66	0.66
Premium/ kg (Pula)	0.0000	0.0337	0.0268	0.0101	0.0226	0.0226	0.0226	0.0000	0.0000	0.0000	0.0000

Table 8 provides an example on how the final price is calculated if one uses a base price of Pula 13.58.

Table 8: Price including premiums

Grade	Carcass weight	Basis price	Premium/discount per weight bracket	Premium within weight bracket	Price including premiums	Total value of carcass
Prime 0	174	13.58	-0.92	0.67	13.33	2319.37
Prime 0	175	13.58	0	0.0101	13.59	2378.29

* 24kg $\times$ 0.0268t/kg

Table 9 shows a matrix of prices calculated by incorporating the principles discussed above.

Table 9: Example of the price matrix (prices based on upper limit of weight bracket)

Classes	Botswana Grades	Permanent incisors	South Africa	SA EPP (Pula/kg)	SA EPP Premiums incl (Pula/kg)										
					<100	>=100 <150	>=150 <175	>=175 <200	>=200 <205	>=205 <210	>=210 <215	>=215 <220	>=220 <225	>=225 <230	>=230 <999
Lean	Prime (FPT, N)	0-2	A0 (AB0)	11.00	8.39	10.08	10.75	11.25	11.43	11.55	11.66	11.66	11.66	11.66	11.66
Uniform	Prime (G, U)		A1 to A4 (AB1 to AB4)	13.58	10.97	12.66	13.33	13.83	14.01	14.13	14.24	14.24	14.24	14 24	14 24
Over fat	Prime (G, E.P)		A5 to A6 (AB5 to AB6)	13.28	10.67	12.36	13.03	13.53	13.72	13.83	13.94	13.94	13.94	13 94	13 94
Lean	SS/S1 (FPT, N)	3-6	B0	10.28	7.67	9.36	10.03	10.53	10.72	10.83	10.94	10.94	10.94	10.94	10.94
Uniform	SS/S1 (G, U)		B1 to B4	12.54	9.93	11.62	12.29	12.79	12.97	13.09	13.20	13.20	13.20	13 20	13 20
Over fat	SS/S1 (G, E.P)		B5 to B6	12.00	9.39	11.08	11.75	12.25	12.44	12.55	12.66	12.66	12.66	12.66	12.66
Lean	S4 (FPT, N)	6+	C0	10.03	7.42	9.11	9.78	10.28	10.47	10.58	10.69	10.69	10.69	10.69	10.69
Uniform	S2 (G, U)		C1 to C4	12.08	9.48	11.16	11.83	12.34	12.52	12.63	12.75	12.75	12.75	12.75	12.75
Over fat	S3 (G, E.P)		C5 to C6	11.55	8.94	10.63	11.30	11.81	11.99	12.10	12.21	12.21	12.21	12 21	12 21

The envisaged outcome of the above pricing system provided due cognizance is given to the issues discussed in Section 3 includes, but are not limited to the following:

- Incentives to increase supply of the right quality of animals and products;
- Direct producers to supply higher quality animals with higher dressed weights;
- Re-direct current slaughter of too light animals towards feedlot finishing with sustainable prices for both feedlot owners and producers of these animals;
- Encourage production systems such as ox production and feedlot provision (weaners and long weaners) to optimize off take from extensive production systems;
- Enhance supply sustainability to fulfill quota requirements;
- Increased throughput of slaughter stock of the desired composition to optimize the utilization of committed resources;
- Differentiate amongst different weight categories to encourage the supply of heavier carcasses and discourage light animals – carcass composition rewards/penalties;
- Reward/penalize for fat content and cover.

6. Interim pricing mechanism

The interim RSA EPP structure which conforms to the current grading regulations uses the same principles to establish the base price as discussed in the previous section and is based on the current grading system. Refer to Table 10.

Table 10: Interim base prices

Classes	Botswana	Permanent incisors	SA EPP (Pula/kg)	Average across grades (Pula/kg)
Lean	SS (FPT, N)	0-4	11.00	
Uniform	SS (G, U)		13.58	12.62
Over fat	SS (G, E.P)		13.28	
Lean	S1 (FPT, N)	5-6	10.28	
Uniform	S1 (G, U)		12.54	11.61
Over fat	S1 (G, E.P)		12.00	
Lean	S4 (FPT, N)	7+	10.03	9.31
Uniform	S2 (G, U)		12.08	11.22
Over fat	S3 (G, E.P)		11.55	10.73

It was furthermore accepted that the interim prices will take into account the weights of animals to incentivise heavier carcasses. In this regards the same principle as applied with the new pricing system is used. Table 11 shows the pricing structure and Table 12 the premium/discount matrix.

Table 11: Interim pricing structure (prices based on upper limit of weight bracket)

Classes	Botswana Grades	Permanent incisors	SA EPP (Pula/kg)	Average across grades (Pula/kg)	SA EPP Premiums incl (Pula/kg)										
					<100	>=100 <150	>=150 <175	>=175 <200	>=200 <205	>=205 <210	>=210 <215	>=215 <220	>=220 <225	>=225 <230	>=230 <999
Lean	SS (FPT, N)	0-4	11.00												
Uniform	SS (G, U)		13.58	12.62	9.62	10.12	11.29	12.25	12.64	13.17	13.28	13.28	13.28	13.28	13.28
Over fat	SS (G, E.P)		13.28												
Lean	S1 (FPT, N)	5-6	10.28												
Uniform	S1 (G, U)		12.54	11.61	8.61	9.11	10.28	11.23	11.72	12.16	12.27	12.27	12.27	12.27	12.27
Over fat	S1 (G, E.P)		12.00												
Lean	S4 (FPT, N)	7+	10.03	9.31	6.31	6.81	7.98	8.94	9.43	9.86	9.98	9.98	9.98	9.98	9.98
Uniform	S2 (G, U)		12.08	11.22	8.22	8.72	9.89	10.85	11.34	11.77	11.88	11.88	11.88	11.88	11.88
Over fat	S3 (G, E.P)		11.55	10.73	7.73	8.23	9.40	10.35	10.84	11.28	11.39	11.39	11.39	11.39	11.39

Table 12: Premiums and discounts applicable to interim pricing mechanism

Weight category	<100	>=100 <150	>=150 <175	>=175 <200	>=200 <205	>=205 <210	>=210 <215	>=215 <220	>=220 <225	>=225 <230	>=230 <999
Premium/Discount (Pula/kg)	-3.00	-3.00	-2.00	-1.00	0.00	0.43	0.55	0.66	0.66	0.66	0.66
Premium/kg (Pula)	0.0000	0.0100	0.0268	0.0250	0.0226	0.0226	0.0226	0.0000	0.0000	0.0000	0.0000

SOUTHERN AFRICA GLOBAL COMPETITIVENESS HUB

US APPAREL RETAIL / DISTRIBUTOR / BRAND SURVEY

Submitted by:
CARANA Corporation

Submitted to:
Regional Center for Southern Africa,
U.S. Agency for International Development

Gaborone, Botswana

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USAID FROM THE AMERICAN PEOPLE | SOUTHERN AFRICA

Executive Summary

The perception, amongst the majority of SSA garment manufacturers, is that the US retail industry orders are too large to handle and/or that price points are too low for regional vendors to compete.

The Trade Competitive Project (TCP) undertook a survey amongst international sourcing houses in Southern Africa to determine:

- The key issues facing SSA vendors in supplying the US market
- The best mix of US apparel retailers/importers/brands to interview
- The key questions/issues to be addressed

Atlantic Research and Consulting in Boston was then tasked with conducting the interviews amongst targeted US apparel retailers/importers/brands.

The main findings were:

- Approximately half the respondents had not sourced from, nor looked at sourcing from SSA. Many do not know where to start.
- Time to market is becoming critically important. Lead times are shortening to an average of 10 to 12 weeks from sampling to shipping.
- Minimum order quantities were not of the double-digit thousand dozens pieces.
- 70% of respondents indicated they would like to be put in contact with SSA vendors that could potentially meet their order requirements.
- SSA vendors performances, compared to Eastern vendors, on the Critical Success Factors (CSF) were (see graphics in report):
    - Price: On Par with Eastern vendors
    - Delivery: Poor
    - Quality: Average
    - Social Responsibility: Close to Eastern Vendors

SSA vendors thus need to market their capabilities and create awareness much better than has been done to-date. The Africa Pavilion at Material World is a good start.

SSA vendors need to look at ways to shorten their lead times by way of vertical and/or regional integration and clustering. Vendors need to dispel the perception of SSA vendors “lacking the urgency to meet deadlines”.

The SSA textile industry needs to address the lack of variety, ranges and availability specifically of synthetic yarns and fabrics.

1. INTRODUCTION

Since the end of the Multi-Fiber Agreement, sourcing from the East, particularly China and India, has risen significantly. The increase was of such a magnitude that the EU and US subsequently imposed Safeguards on China.

Before the safeguards were put in place, even though SSA has been afforded duty-free status through AGOA, the region has seen a distinct bypassing of SSA vendors in favour of those in the East. This resulted in a number of factory closures, notably in Lesotho and Swaziland.

Whilst the East provides the US Retailer/Importer with a greater variety, range and quantity of fabrics and garments, SSA was dealt another blow by the strengthening of their currencies against the US dollar.

Despite these issues, there are nevertheless still companies in SSA that are exporting successfully to the US.

Although the safeguards imposed on China by the US and EU has seen sourcing move to other countries in the East, there has also been renewed interest in sourcing from Africa. In the first quarter of 2006, quota up-take by China has been slow.

The ability to capitalize on this opportunity by SSA vendors is lacking.

Industry inputs have revealed that, apart from the mainly Eastern owned large garment manufacturers in Kenya, Lesotho, Madagascar, Swaziland and to some extent Mauritius and South Africa, few vendors know the make-up of the US apparel sourcing industry.

The perception exists that all US orders are just too large to handle or that price points are too low for regional vendors to compete. Few vendors are aware that, apart from the very large players such as Wal-Mart etc, the US market, like in South Africa, is also made up of many stores similar in size.

There is thus a distinct lack of market intelligence available for the majority of Southern Africa garment vendors to identify what the US apparel retailers/importers needs are, whom to target and how to approach the US market to take advantage of AGOA.

The Trade Competitiveness Project (TCP) identified the need for a survey of US Apparel Retailers and Importers to identify their sourcing requirements. These requirements could then be super-imposed on a database of Southern African apparel manufacturers to identify companies that can match their needs and thus capitalize on the advantage AGOA offers.

Prior to commencing with the study in the US, a small pilot-research project was conducted amongst the remaining international sourcing houses in South Africa. This was to determine on a qualitative basis, what they saw as the key issues and to determine the best mix of apparel retailers, importers and brands to interview. The results were discussed with Steve Jesseph, an experienced veteran of the apparel and retail trade in the US.

The questionnaire and a list of some 65 to 70 retailers, characterized by type of activity (size – large/small, speciality, brands, urban etc), were drawn up as target market for the interviews.

A research house, Atlantic Research and Consulting in Boston, was identified as the company to carry out the telephonic interviews. At this point, the AAFA (American Apparel and Footwear Association) was also requested to assist by forwarding the questionnaire to their Sourcing Council members.

The response rate of only 13 companies (approximately 20%) was disappointing. The main reasons for the low level of response can be ascribed to the fact that, due to budgetary constraints, only telephone interviews were conducted. Secondly, many organizations have become so lean of late that the time for such surveys is simply not in their diaries. Thirdly, many companies do not see SSA as significant apparel supply chain area as speed to market, cost, vertical integration and design-through-distribution are high on the agenda. China/Asia and Central America/Caribbean (CAFTA) can more readily offer this.

Nevertheless, the companies that did take the time to respond provided clear indications of their needs and experiences.

Telling, however, is that half of the respondents had not sourced from, nor looked at sourcing from SSA. From these responses, it is clear that SSA has a lot of marketing to do.

Of concern is also “Time to Market”. SSA needs to shorten its lead-time. The region, with few exceptions, is however “vertically challenged”. There are too few vertically integrated (yarn to garment) mills.

There also appears to be a lack of regional integration and/or clustering taking place to overcome the time to market issue. The fact that many of the key decision makers, of garment factories in Africa, are based in the East does not help.

2. CURRENTLY SOURCING FROM SSA

Thirty percent of the companies interviewed are currently sourcing from SSA. The countries they are sourcing from are Kenya, Lesotho, Mauritius, South Africa and Swaziland. Only one of the companies in question is sourcing from more than one of these countries.

2.1. Importance of sourcing some merchandise from SSA.

In response to the question “*how important is it to your company that some of your merchandise is sourced from SSA*”, only one company deemed it to be very important, two felt it to be somewhat important and one company indicated that it was neither important nor unimportant.

The reasons given were:

- AGOA advantage of duty free treatment helps meet certain price points.

- AGOA offers lower costs and ensures all eggs are not in one basket
- Duty free is important, but preference for other duty free areas
- When it helps competitiveness

There are thus vendors in SSA that are able to help the US apparel retail trade be competitive. This is reinforced by the analysis of Critical Success Factors (see 2.5).

2.2. Categories of garments and countries sourced from SSA

In response to the question "*which countries do you s ource from and what categories of garments do you source*" this was as follows:

- *Kenya* – woven bottom-weights (Chinos)
- *Lesotho and Swaziland* – wovens (Shorts, Shirts and Jackets)
- *Mauritius* – wovens (Uniforms and Hospital-wear, knit garments/Polo's)
- *South Africa* – Knit garments (T-shirts and Crew-necks)

Judging from the experience one of the companies is having with its Kenyan chinos vendor, they will be looking for alternative sources.

2.3. Minimum Order Quantities (MOQ) per style and Lead Time

For the companies sourcing from SSA, the minimum order quantities per style ranged from as little as 1200 pieces per week to 1.5 million pieces per annum.

Lead-time, covering sampling, fabric-in, garment production and shipping, ranged from 10 to 13 weeks. This is set out in the table below.

Minimum Order Quantities per Style and Lead Time

Company & Garment Type	**Product**	**MOQ Per Style**	**Lead Time (Weeks)**				
			Sampling	**Fabric-in**	**Production**	**Shipping**	**Total**
A – Knits	T-shirts	1.5 million per year	1-2	1-2	4	4	10-12
	Crew-Necks	1.5 million per year	1-2	1-2	4	4	10-12
B – Wovens	Shirts	5000	2	4	3	3	12
	Jackets	5000	2	4	3	3	12
	Shorts	5000	2	4	3	3	12
C – Knits	Polo's	480/wk	1.5	4	2	4	11.5
- Wovens	Uniform (bottoms)	12000/wk	1.5	4	2	4	11.5
	Uniform (tops)	6000/wk	1.5	4	2	4	11.5
D - Wovens	Chinos	12000	Sampling to production - 8			5	13

It is interesting to note that Company "A" indicated that costs were lower than sourcing from Bangladesh and Vietnam, because of AGOA. Lead times were however 3 to 5 weeks longer.

More interestingly, however, is the fact that these knit garments are being sourced from South Africa, a country without the benefit of the third-country fabric provision. This was also at a time when the exchange rate was gyrating from a low of R 6.00 to a high of R 6.15 to the US dollar.

2.4. Degree of Satisfaction

The companies that are sourcing from SSA were asked, "*Whether they were satisfied, or not, with the results*" and the reason therefore.

As can be seen from the following table, the company sourcing chinos from Kenya is not too impressed.

SSA Sourcing Satisfaction		
Company	**Yes/No**	**Reason**
A – Knit Garments (ex-RSA)	Yes, very	"Quality is consistent and the pricing is very competitive"
B – Woven Garments (ex-Lesotho & Swaziland)	Yes	"Have gone through several factories during the years we have manufactured in Africa and have found good one and bad ones"
C – Knit and Woven Garments (ex-RSA, now Mauritius)	Yes and No	"Have just begun sourcing from Mauritius. South Africa's quality and availability were not acceptable.
D – Woven Garments (ex-Kenya)	No	"Poor qualities and late deliveries"

2.5. Critical Success Factors (CSF's)

The sourcing criteria used were based on the inputs from the survey with international sourcing houses based in South Africa and guidance from Steve Jesseph.

The companies were requested to rate the **importance** of key sourcing criteria, where 10 was critically important to them, 5 was of average importance and 1 was of no importance at all.

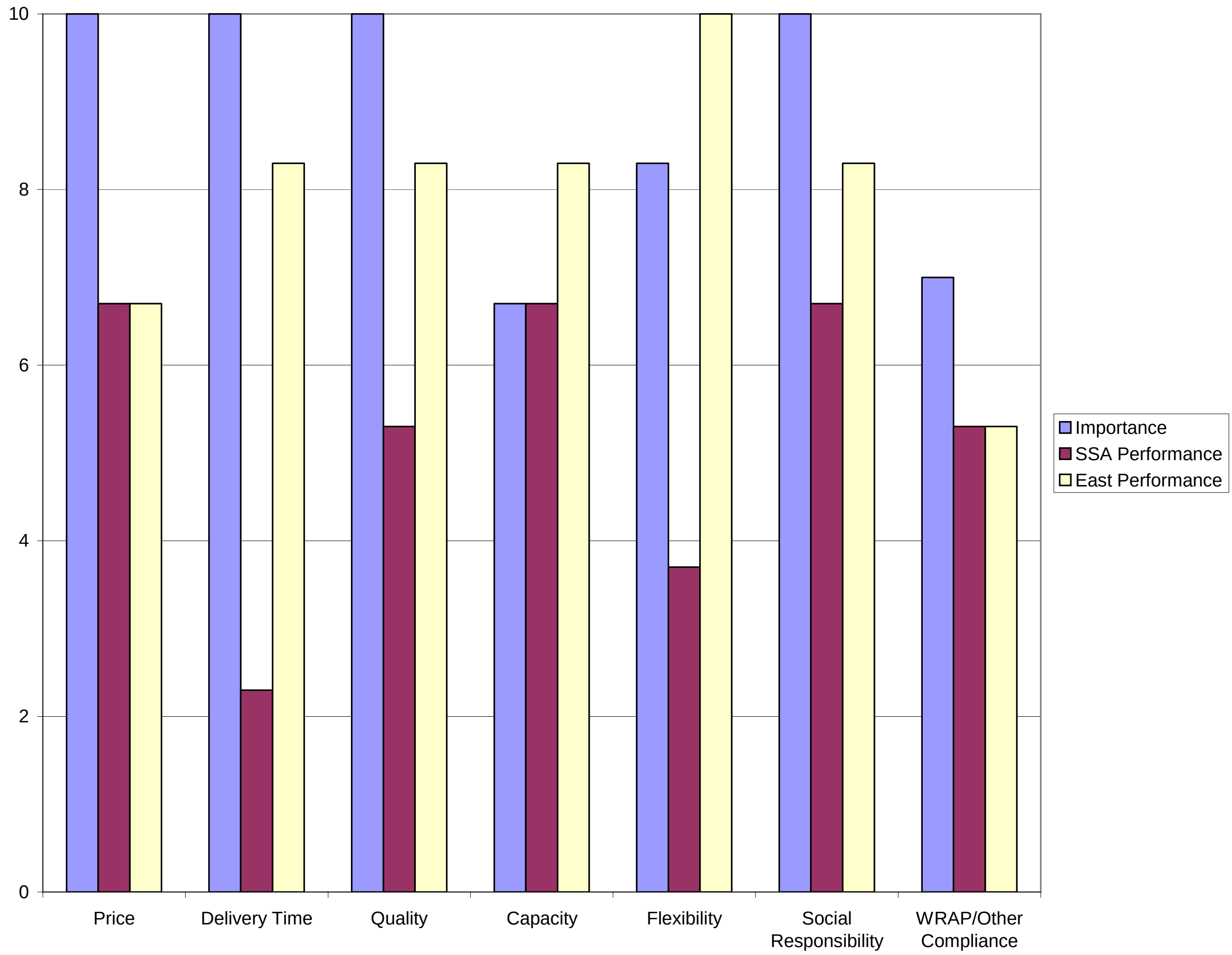
On the same criteria the companies were requested to rate the **performance** of vendors in SSA versus those in the East on the basis where 10 was excellent, 5 was average and 1 was very poor.

The main criteria on which SSA vendors were rated poorly compared to their Eastern counterparts were *Delivery Time* and *Flexibility*. *Quality* also needs to be improved.

Surprisingly, on the issue of *Price*, SSA was perceived to be competitive with the East.

The results have been set out in the table that follows.

CRITERIA IMPORTANCE VS VENDOR PERFORMANCE RATINGS



The poor performance by SSA vendors when it comes to the importance buyers attach to *Delivery Time and Flexibility* is worrying. The main reason is that SSA vendors, with few exceptions, need to import their fabrics from the East. This adds up to 4 weeks in lead-time.

The only way this could be remedied is for companies to forward/backward integrate or create strategic regional alliances/clusters. It would also need considerable additional investment in accredited textile mills, specifically in the field of synthetics. Airfreight of fabrics is not an option (too expensive).

Quality issues also need to be addressed by SSA vendors.

2.6. SSA vendor performance improvement

Based on the performance ratings, the companies were asked "*What could SSA vendors do to improve their performance to gain long-term contracts with your company, i.e. one year or more of set volumes*?"

The companies commented as follows:

- **Company A** – “SSA could work on lead time and flexibility. Flexibility of how quick they can make products and the options available”

- **Company B** – “It is very challenging to find African vendors who can really source out good fabrics and provide us with total packages”

- **Company C** – “They need to be able to use third-country fabrics. They need a lot of improvements at the ports. There are tremendous delays at the point of export and it appears there is a lack of real concern on getting shipments processed and shipped”

- **Company D –** “Improve quality and deliveries. They need to find a way to lower throughput times”

Apart from quality and the ability to offer total packages, all respondents appear to have in common the need for SSA vendors to improve lead times.

2.7. Best three sourcing countries

Companies were asked, “*In your opinion, what are the bes t three sourcing c ountries for your company*?”

Best Three Sourcing Countries			
Company	**Countries**		
A	Bangladesh	South Africa	Vietnam
B	China	Bangladesh	Vietnam
C	China	Egypt	Vietnam
D	Vietnam	China	India

As can be seen the African continent does feature, even though only in terms of Egypt and South Africa. The best sourcing countries, as can be expected, were in the East (China, Vietnam, Bangladesh and India).

2.8. SSA comparison

Based on their choice of the best three sourcing countries, respondents were asked, “*How does SSA compare to those top three countries”*?

- **Company A** – “South Africa can only produce basic products. They (SSA) can’t do beading or complicated items. They (SSA) are good for price”.

- **Company B** – “SSA is far behind these countries in the services they provide”.

- **Company C** – “They are behind in quality and delivery. They do not seem to express a sense of urgency to make things happen. The currencies in SSA need to be more stable”.

- **Company D** – “Off the chart, as in poor”.

2.9. Other comments

Only one company commented that they had several memorable bad experiences in East Africa and was not sure whether this will change with the unstable workforce in place.

3. NOT CURRENTLY SOURCING FROM SSA

Of the 9 companies not currently sourcing from SSA, only two sourced from SSA in the past. Another two companies had looked at sourcing from SSA but had not pursued it.

3.1. Stopped Sourcing

The two companies that had sourced but subsequently stopped doing so, gave the following reasons:

- **Company E** – "Had a textile mill in Mauritius. After it closed, the lead times in getting fabric from Asia to Africa became too long. SSA companies do not offer anything that we cannot get somewhere else faster. We are, however, looking at African cotton".

- **Company F** – "The quality of the product is inconsistent and the pricing of their products are now close to some of the lower cost countries in Asia even with the duty-free benefits".

3.2. SSA Re-evaluation

The companies concerned were asked, "*What would m ake you re -look at sourcing from SSA?*"

- **Company E** – "For now, SSA is very underdeveloped as far as fashion production. Their denim fabrics, for example, are very basic"

- **Company F** – "Better pricing and better quality"

3.3. SSA Consideration

Of the 7 remaining companies that had not sourced from SSA in the past, only two companies indicated that they had looked at SSA. The other 5 companies had not considered SSA as potential sourcing options.

The companies that indicated they had considered SSA were asked "*Why they had not pursued this avenue*" while the companies that had not considered SSA were asked "*Why not?"*

3.3.1. Had not pursued SSA further

Lead-time appears to be a key issue. However, perceptions also play a role.

- **Company E** – Looked at Mauritius, but “The lead time is too long. SSA companies have to import every thing, as there is very little fabric available in the region. Everything just took too long”.

- **Company F** – “Quality of product is inconsistent and prices, even with AGOA, are close to some of the lower cost Asian countries”.

- **Company G** – Considered Madagascar but “The lead times were too long. Have also heard that the workforce is unstable”.

- **Company H** – Considered SSA, but “There are human rights violations. Logistics were also not great in SSA. We like to make products where the raw materials come from and SSA does not have an industry around synthetic fabrics. Basically SSA is a race to the bottom of the barrel for labour costs”.

3.3.2. Had not looked at SSA

SSA has certainly not done a great job of marketing its textile and garment industries.

- **Company I** – “I am not familiar with SSA, textiles or products or vendors. I just don’t know enough about Africa and the visibility is not there. I have never been approached by vendors from SSA or even seen them in shows or markets”.

- **Company J** – “We have never thought of sourcing from SSA because we get our products in Asia and we are comfortable with that set-up. As far as we know there are no fabric sources in Africa and we do not know any vendors there”.

- **Company K** – “We are mostly in Asia and don’t know enough about Africa or African companies”.

- **Company L** – “SSA was never on our radar screen, in particular regarding brands. Amongst other, we buy brands, e.g. Calvin Klein, and would not know if the product is made in Africa”.

- **Company M** – “Have not really looked at Africa”.

4. OFFSHORE SOURCING AND SSA VENDOR INTEREST

In the table below, the 13 companies that provided sufficient information for analysis are set out. It details the products they are sourcing offshore, minimum order quantities per style, lead times, the countries they are sourcing from and whether they are interested in being supplied with profiles of SSA vendors that could potentially meet their needs.

Offshore Sourcing and SSA Vendor Interest					
Company	**Products**	**MOQ per Style**	**Lead Time**	**Countries**	**SSA Vendor Interest**
A	Woven bottoms, tops, coats/jackets T-shirts, crew necks	6000 – 10000 units/each 1.5 million units/yr/each	4 months	China, Taiwan, India, Indonesia, Guatemala, Honduras, Bangladesh, RSA	Yes
B	Nylon shirts and pants, Fleece shirts, jackets and pants	Not less than 5000 units/each	4 months	China, Bangladesh, Vietnam, Lesotho and Swaziland	Yes
C	Polo's & woven scrubs	1200 & 12000 units/week respectively	9 weeks – fabric at source	China, Egypt, Mauritius (RSA no longer)	Yes
D	Chinos	12000 units	13 weeks	Vietnam, China, India, Kenya	No
E	Jeans, chinos, cargos, shorts, trousers, jackets, shirts, tracksuits	1200 units per item	7 – 9 weeks	Mexico, Indonesia, India, Pakistan, China, Mongolia, Vietnam, Cambodia	Yes
F	Woven and knit shirts, sweaters, bottoms and outerwear	6000 units per item	4 months	Asia, Middle East, Central America/Caribbean	Yes
G	Jeans, chinos, cargos, trousers, jackets, shirts, bras, camisoles T-, Polo-, Golf shirts, sweats, tracksuits, pullovers	20000 to 1 million units per item 20000 to 1 million units each	60 days from fabric approval to shipping 45 days from fabric approval to shipping	China, Hong Kong, Vietnam, Cambodia, India, Philippines, Sri Lanka, Indonesia, Mexico	Yes
H	Snow/ski sports gear Sportswear	500 – 1200 per item	1st 6 months design & development, 2nd 6 months	Japan China, Canada, Mexico and now	Yes

			manufacturing and delivery	looking at CAFTA countries	
I	Bathrobes	20000 per item	6 months	China, India, Turkey, Brazil	Yes
J	Pants, skirts, dresses and suits	1200 units of each	3 – 4 months (2-3 by air)	Vietnam	No
K	All women’s apparel	N/a	N/a	Asia, Hong Kong, Indonesia	No
L	All apparel (Men’s, Women’s and kids)	1 to 80000	Try for 6 weeks	Italy, UK, France	No
M	Woven bottoms	1800 units	4 – 6 months	China, Vietnam, Indonesia, Egypt, Jordan, Bangladesh, Sri Lanka	Yes

Noteworthy is that 9 of the 13 companies interviewed would be interested in being put in contact with vendors that could potentially meet their requirements. This is being worked on.

Over and above the regional vendors in the database, vendors who genuinely believe they have the ability to supply US retailers/distributors/importers A, B, C, F, H, I, and M, should contact SAGCH.

Based on the poor performance of SSA in terms of lead-time and flexibility, companies E and G would be out of the regions’ league as potential customers.

The exception would be for some of the companies/vendors that are known to be working on yarn to garment lead-times of a month (or less in some cases), be they integrated or clustered.

If genuine clustering takes place, and companies (from yarn to garment) can trust each other with “greige” stocks, lead times can be improved considerably.

After that it will be the issues of quality, variety/ranges, availability and price.

Appendix A
Questionnaire for interviews

Good morning/afternoon,

I'm calling on behalf of a US Government-funded survey regarding apparel sourcing in Sub Sahara Africa (SSA). Since the end of Multi-Fiber Agreement, sourcing from the East, particularly China and India, has risen significantly. Even though the region has been afforded duty-free status through the Africa Growth Opportunities Act (AGOA), we've seen a dramatic increase in plant closings, layoffs and the loss of tens of thousands of jobs in the SSA region. Because the apparel sector represents a critical part of the region's economy, your views and opinions are very important as we try to determine how the region could become a competitive and attractive sourcing area for your company as well as other brands and retailers in the US.

Apparel vendors in countries such as Lesotho, Kenya, Madagascar, Mauritius, Swaziland and South Africa benefited considerably from AGOA. There are, however a large number of other vendors in these and other countries that have the capability to supply the US market with quality product under AGOA. However, many of the factory owners and managers aren't sure how to approach the US market. At the same time, we are finding that many buyers are not aware of the breadth of capability in the region.

To address the lack of market intelligence we would appreciate a few minutes of your time to answer 15 brief questions.

Your time is valuable. In return for your assistance, and FREE OF CHARGE, our SSA team will, through its extensive database on apparel vendors in the region, try and match up a number of regional vendors who could potentially meet your sourcing requirements: product categories, lead times, minimum order quantities, etc. We will then send you an outline of these companies and their contact details, again FREE OF CHARGE.

May we continue?

1. Are you currently sourcing from SSA? YES________ NO__________
(If NO, go to question 10)

1.1. How important is it to your company that some of your merchandise is sourced from Africa? (Probe)

____

1.2. Could you give us an indication of some of the countries in SSA you source from?

____

2. What types of garments categories?

Wovens				Knits			
Category	M	L	Ch	Category	M	L	CH
Jeans				Bras			
Chinos				Underpants			
Cargos				Camisoles			
Shorts				T-shirts			
Constructed Trousers				Polo's			
Jackets				Golf shirts			
Shirts				Sweats			
Tracksuits				Tracksuits			
Other -				Pullovers/Cardigans			
Other -				Other -			
Other -				Other -			

M=Men's, L=Ladies, CH=Children's

3. For the key products you currently source from SSA what are your MOQ's and Lead Times?

Product Category	MOQ (Per Style)	Lead Times (Weeks)			
		Sampling	Fabric "In"	Production	Shipping

MOQ= Minimum Order Quantities

4. Are you satisfied with the results?

YES – Reasons (probe)

NO – Reasons (probe)

---

5. How would you rate the Importance of your sourcing criteria compared to the performance by your vendors in SSA vs. the East?

Ratings – Importance: 10 = Critical, 5 = Average, 1 = Not important at all
- Performance: 10 = Excellent, 5 = Average, 1 = Very Poor

Criteria	From SSA			From the East	
	Importance To You	Vendor Performance		Importance To You	Vendor Performance
Price					
Delivery Time					
Quality					
Capacity					
Flexibility					
Social Responsibility					
WRAP/Other compliance					
Other -					

6. What could the SSA vendors do to improve their performance to gain long-term contracts with your company, i.e. one year or more of set volumes?

____

7. What are the best three sourcing countries for your company? (Probe)

________________ ________________ ________________

8. How does SSA compare to those top three countries? (Probe)

____

9. Any other comments regarding sourcing from SSA? (Probe)

____

GO TO QUESTION 14.

--------------**IF NOT SOURCING FROM SSA (NO to Question 1**)- -------------------------------

10. Have you done so in the past? YES ________ NO ___________

If NO – Go to Question 12.

If YES, Why did you stop? (Probe reason AND product categories e.g. End of Quotas - Jeans)

____

11. What would make you re-look at or re-evaluate sourcing from the SSA region?

____

12. Have you ever looked at sourcing opportunities from SSA? YES ____ NO _____

If YES, Why was this not pursued further? (Probe)

If NO, Why not? (Probe)

13. What key product categories are you currently sourcing offshore? (and country?)

14. What are your Minimum Order Quantities and Lead Times for some of these key products?

APPLICABLE TO ALL

15. As mentioned in our introduction, our SSA Team has an extensive database on apparel vendors in the region, in terms of capacities, products categories, raw materials used, sales etc.

Would you be interested in our SSA Team supplying you with a brief profile of SSA vendors that have the capability and/or potential of meeting your MOQ and Lead Time requirements?

Who should these be sent to?

THANK YOU for your time and cooperation.

SOUTHERN AFRICA GLOBAL COMPETITIVENESS HUB

The Practitioner's Guide to Importing Fresh Produce into South African Markets

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Version I

USAID/Southern Africa,

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USAID FROM THE AMERICAN PEOPLE | SOUTHERN AFRICA

Preface

The USAID Trade Hub seeks to accelerate economic growth by enhancing the competitiveness of Southern African (Zambia, Mozambique, Lesotho, Swaziland, South Africa, Namibia, Angola, Malawi and Tanzania) firms and products in domestic, regional and export markets. The Trade Hub functions by providing targeted assistance to selected value chains and clusters within several sectors to improve market linkages, innovate in product and process, comply with quality and other standards and thereby build sustainable competitiveness advantage within firms, industries and supply chains.

Through this manual, the USAID Trade Hub seeks to assist exporters in SADC countries to understand the procedures to follow when exporting into South Africa. The manual also provides information of relevant institutions in South Africa and their contact details and documentation required.

This is Version I of this manual, and any feedback, areas of shortcomings, contribution and comments are welcomed to improve its value to potential exporters in the Region.

While the USAID Trade Hub has made every effort to ensure that information in this manual is correct, it cannot accept responsibility for the success or failure of any business transactions undertaken with information from this publication.

Table of Contents

ACRONYMS AND ABBREVIATIONS

CODEX	Codex Alimentarius Commission
CFR	Cost and Freight
CIF	Cost, Insurance and Freight
CIP	Carriage and Insurance Paid
CPT	Carriage Paid To
DAF	Delivered at Frontier
DB	Debarking
DDU	Delivered Duty Paid
DDP	Delivered Duty Free
DES	Delivered Ex Ship
DEQ	Delivered Ex Quay
EU	European Union
FAO	Food and Agricultural Organization
FAS	Free Alongside Ship
FOB	Free On Board
FPM	Fresh Produce Markets
F&V	Fruit and Vegetables
GATT	General Agreement on Tariffs and Trade
HT	Heat Treatment
IPPC	International Plant Protection Convention
ISPM	International Standards for Phytosanitary measures
MB	Methyl Bromide
NDA	National Department of Agriculture
NPPO	National Plant Protection Organization
NTB	Non-Tariff Barriers
PCT	Perishable Cargo Triangle
PRA	Pest Risk Assessment
R	South African Rand (US$ 1 = R 6.2)
RPPO	Regional Plant Protection Organization
SADC	Southern African Development Community
SAMSA	South African Maritime Safety Authority
SME	Small and Medium-size Enterprise
SPS	Sanitary and Phytosanitary
TBT	Technical Barriers to Trade
TO	Task Order
VTS	Vessel Traffic Services
WHO	World Health Organization
WTO	World Trade Organization

1. INTRODUCTION

1.1 Background

The primary objective of this manual is to assist agribusinesses in all SADC countries to access remunerative export markets for horticultural produce in South Africa. The manual contributes to this objective by providing detailed information on regulatory framework and protocols in South Africa.

South Africa represents the largest and highest value market for fresh horticultural produce in sub-Saharan Africa. The formal agricultural sector in South Africa generates a gross farming income of more than R50 billion (US$ 8.1 billion) per annum. About R14 billion (26%) of this is generated from horticultural products. The top seven agricultural products exported from South Africa are oranges (793 561 tons), wine (268 498 680 liters), apples (282 674 tons), grapes (239 500 tons), pears (166 630 tons), grapefruit (162 374 tons) and lemons (133 804 tons). Furthermore, South Africa imports more than R5 billion worth of horticultural products per year.

There is growing recognition that South Africa could be a lucrative market for horticultural producers in the SADC region. There is a perception among SADC countries that South Africa uses sanitary and phytosanitary (SPS) measures for protectionist purposes. Some concerns are well founded, since the major difficulty in dealing with SPS measures is likely to lie in distinguishing those that are justified by a legitimate goal and have a scientific justification, from those that are applied to shield domestic producers from other-country agricultural exports. The obstacles to import into South Africa are, however, largely bureaucratic and involves complex issues, which are not always well understood.

Most SADC countries are not well placed to address this issue. They lack complete information on the number of SPS measures and other non-tariff barriers (NTB) that affect their export to South Africa, they are uncertain whether these measures are consistent or inconsistent with the World Trade Organization (WTO) SPS agreement, and they have no reliable estimate of the impact of such measures on their export.

Some of the countries in the SADC region are also unable to participate effectively in the international standards-setting process relating to SPS measures and therefore face difficulties when requested to meet requirements in the importing market such as South Africa. Some of the difficulties in conforming to standards set by the WTO emanate from lack of appropriate infrastructure and lack of scientific and technical expertise. Delays are most often caused by the relevant department in the exporting country not having sufficient information on pests and diseases in their country, and not responding adequately to requests for information from South Africa.

1.2 Strategic reasons to expand abroad

One thing should be clear from the start − exporting is not easy. In fact, it is more complicated, more risky and more expensive than operating in the domestic market. Most small and medium-size enterprises (SMEs) are manufacturers of products rather than traders. As such, trading is secondary and usually restricted to the familiar home market.

The responsibility for the use of invariably scarce resources resides with top management of the company. Therefore, the decision to use those resources should find a good balance between their yields and their costs. The main question to answer is whether the company is strong enough to succeed - or simply to survive in the battle with the competition abroad.

Each exporter should answer the following questions in preparation for export:

- What are the primary reasons for export?
- Which products are you planning to export?
- When are you planning to export?
- Does my product enjoy a seasonal, quality, or price advantage over South African domestic produce?
- Are you planning to export to a specific geographic market in South Africa?
- To which type of customer? Is your type of customers concentrated in specific areas?
- How will you organize your activities? Are you going to establish an office in South Africa? Are you going to use export agents? Are you going to use a distributor?
- How will you identify what your customer needs?

Many exporters have preceded you in attempting to do business in the South African market. Some of them had good reasons. Their motives were, for instance:

- To achieve higher sales, higher turnover, and more profit, or
- Striving to cooperate with trade partners in South Africa to stimulate the company's development, provide access to new technology and make the organization more efficient.

Others have motives of tactical nature, such as:

- The local market is saturated and does not allow for growth;
- Avoiding competition or,
- Following competitors into newly opened markets

Others have opportunistic reasons to export:

- To sell over-production;
- To exploit spare capacity; and

- To spread cost of production and/or the costs of product development over more units sold.

The manager should establish the reasons why his/her company should export to South Africa. The reasons should be sound enough to justify the high investment in exporting.

1.3 Characteristics of the South African Fresh Produce Marketing System

The fresh produce marketing system in South Africa is characterized by the following traits:

1. South Africa is a net exporter of a large variety of fresh deciduous, citrus and subtropical fruits. A relatively small amount of fruits, such as kiwifruit, berries and melons, are imported. The marketing of fresh fruit is therefore mostly orientated towards export out of South Africa.

2. South Africa is mostly self-sufficient in the production of fresh vegetables. Potatoes and tomatoes make up approximately 60 percent of total vegetable production, with potatoes contributing the largest share (approximately 45 percent). Relatively small amounts of vegetables are exported. The marketing of fresh vegetables therefore centers mostly on the South African domestic market. Trade in vegetables occurs mostly through municipal markets located in large urban centers. According to figures supplied by the Department of Agriculture, between 53 percent and 58 percent of vegetables are distributed through such fresh produce markets. These markets are accessible to the public, traders, wholesalers and retailers. Hawkers and informal traders purchase their produce at these markers, whereas food retailers are all purchasing their produce through direct channels – i.e. directly from producers or from agents. This direct marketing channel affords total traceability, food quality and safety, which retailers are beginning to insist upon from their suppliers.

3. Marketing of fresh produce mirrors the dual economic system of South Africa, where a sophisticated, developed economy exists alongside a developing economy. Both the production and distribution of fresh produce are characterized by this duality, with a small number of relatively large, established commercial producers on one hand, and a multitude of fragmented, small-scale producers on the other.

4. Various forms of legislation effect the marketing of fresh produce, for example, the Agricultural Produce Agents Act of 1992 and the municipal bylaw.

1.4 Task Order activities

The TO called for:

- Developing a practical manual that will help exporting firms from SADC countries identify opportunities and improve their knowledge of the process and issues about importing horticultural products into South Africa;
- Compiling a list of major importers of horticultural products in South Africa with information on the types of products and quality standards they require; and
- Compiling a list of logistics companies servicing the targeted countries in the region.

1.3 Manual Structure and Content

Chapter 2 contains an outline of the various international agreements, along with brief details of various international bodies involved in standard-setting. Chapter 3 details the step-by-step process in exporting fresh horticultural products into South Africa. The chapter gives details of potential markets in South Africa, procedures in getting import permits and the correct treatment of packaging material. In Chapter 4, the various documents that should accompany any consignment exported into South Africa are discussed. We also explain the process to be followed at the port of entry.

2. FOOD QUALITY AND SAFETY ISSUES IN EXPORT HORTICULTURE

To be successful on the highly competitive world market, the key objectives for any country exporting perishable products must be to provide quality products. However, products of good quality and taste are no longer enough to ensure success, as it is now necessary to provide assurances that the food products are safe and traceable to their origin.

The issues of human and animal health, as well as food safety, are high on the agenda of several developed countries, fuelled by recent cases of food poisoning, the spread of pests among animals, and environmental contamination. Developing countries appreciate that, in several cases, these concerns are genuine, but they fear that developed countries and other developing countries may use SPS measures for protectionist purposes.

Developing countries export approximately US$13 billion worth of fruits and vegetables (F&V) every year, accounting for close to 60% of global horticultural exports. While the F&V trade continues to expand, increasingly complex SPS standards (such as microbial levels) set by major markets represents a threat to existing exports and a barrier to new entrants. These increasingly stringent quality standards create a bias in favor of countries with a highly developed infrastructure and large, well-resourced suppliers.

These sanitary and phytosanitary measures can take many forms, such as requiring products to come from a disease-free area, inspection of products, specific treatment or processing of products, setting of allowable maximum levels of pesticide residues or permitted use of only certain additives in food, quarantine requirements and import bans. Sanitary (human and animal health) and phytosanitary (plant health) measures apply to domestically produced food or local animal and plant diseases, as well as to products coming from other countries, and may address the characteristics of the final product.

There is a wide variety of international organizations, with differing roles, working in the field of F&V standards. This chapter focuses on the most important, in particular:

- The WTO, which provides framework on SPS and technical barriers to trade (TBT);
- The National Plant Protection Organization (NPPO) which is an organization formed under International Plant Protection Convention (IPPC) guidelines responsible for the prevention of spread of pests of plants and plant products;
- The IPPC which is the international organization responsible for phytosanitary standards-setting and the harmonization of phytosanitary measures affecting trade; and
- The Codex Alimentarius Commission (Codex) a joint organization of the Food and Agricultural Organization (FAO) and the World Health Organisation (WHO), which sets food standards, guidelines and related texts such as codes of practice under the Joint FAO/WHO Food Standards Programme.

2.1 WTO

The WTO came into being in 1995. It is a successor to the General Agreement on Tariffs and Trade (GATT) established in the wake of the Second World War. The overriding objective of the WTO is to help trade flow smoothly, freely, fairly and predictably. This is achieved by administering trade agreements, acting as a forum for trade negotiations, settling trade disputes, reviewing national trade policies, assisting developing countries in trade-policy issues through technical assistance and training programmes, and cooperating with other international organisations.

The WTO is responsible for managing and enforcing two agreements that have an impact on the production and trade of horticultural products, namely

- The SPS Agreement[1]; and
- The TBT Agreement.

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[1] See Appendix I for further details of the WTO SPS and TBT Agreements

2.2 IPPC

The IPPC is an international treaty, lodged at the FAO, relating to plant health, to which 132 governments (as of 30 December 2004) currently adhere, including South Africa and all other SADC countries.

The purpose of the IPPC is to secure common and effective action to prevent the spread and introduction of pests of plants and plant products, and to promote appropriate measures for their control. The convention provides a framework and a forum for international cooperation, harmonization and technical exchange between contracting parties dedicated to these goals. Its implementation involves the collaboration of NPPOs and Regional Plant Protection Organisations (RPPOs).

From its inception, the IPPC has played an important role in international trade of plant and plant products. Contracting parties strive to ensure that agricultural plant pests and diseases are not imported, established and spread in the destination country, thereby protecting both national and international agriculture, as well as the environment in general.

The IPPC is named by the SPS Agreement as the international organization responsible for phytosanitary standards-setting and the harmonization of phytosanitary measures affecting trade. To date, about 17 International Standards for Phytosanitary Measures (ISPMs) have been adopted.

The IPPC website (https://www.ippc.int/IPP/En/default.jsp) is a useful reference site and lists the contact points of all listed NPPOs globally.

2.3 NPPO

The National Department of Agriculture in South Africa established the NPPO under the guidelines of the IPPC. The purpose of the NPPO is to prevent the introduction and spread of pests of plants and plant products, and to promote measures for their control. The NPPO has the following main functions:

- The inspection of growing plants, of areas under cultivation, and of plants and plant products in storage or in transportation, particularly with the objective of reporting the existence, outbreak and spread of plant pests and of controlling those pests;
- The disinfestation or disinfection of consignments of plants and plant products moving in international traffic, and their containers (including packing material), storage places, or transportation facilities of all kinds employed;
- The issuance of phytosanitary certificates and country of origin certificates of consignments of plants and plant products; and

- Maintain lists of pests, the introduction of which is prohibited or restricted, because they affect plants and plant products of economic importance to the country.

In arranging import permits and concluding PRAs, the NPPOs of the importing and exporting countries liaise with each extensively. To the exporter, close communication with their country's NPPO will expedite the process of an import permit being issues, since the exporter can provide information and documentation to their NPPO when required.

2.4 Codex Alimentarius Commission (Codex)

Codex was established in 1962 by the Rome-based FAO and the Geneva-based WHO. It seeks to develop food safety standards, guidelines and related texts such as codes of practice under the joint FAO/WHO Food Standards Programme. The main purpose of this program is to protect the health of consumers, ensure fair practice in the food trade, promote the coordination of food standards work undertaken by international governmental and non-governmental organizations (NGOs), and publish agreed standards a Codex Alimentarius.

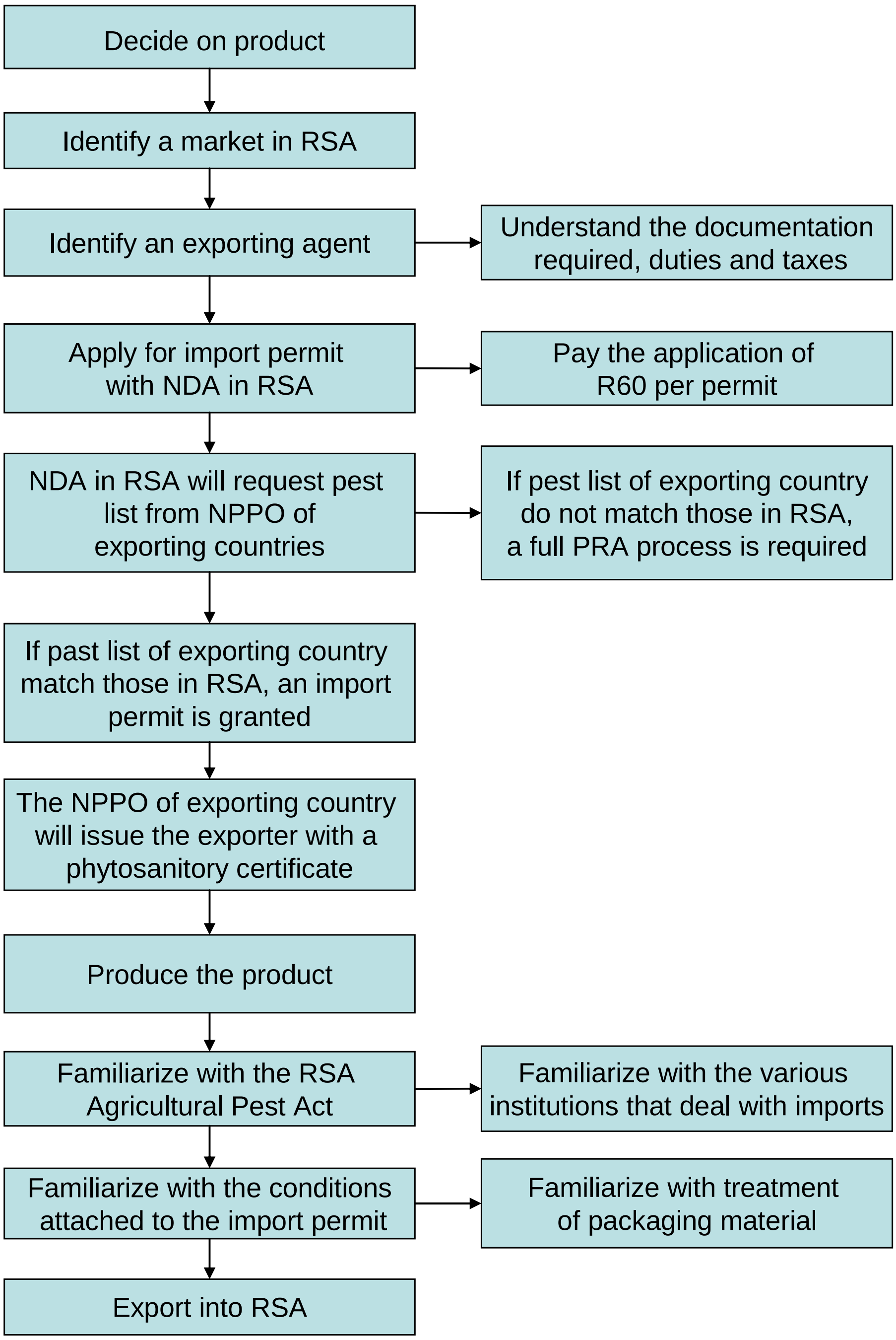
The Codex Alimentarius is the complete collection of standards, codes of practice, guidelines, and recommendations adopted by the commission to achieve its objectives. The standards, guidelines and recommendations established by the Codex on food additives, pesticides residues, contamination, methods of analysis and sampling, and codes and guidelines of hygienic practices are recognized by the SPS Agreement as the international reference for food safety requirements.

In South Africa, permitted pesticide residues are administered by Act 36/1947. The Department of Agriculture stopped publishing permitted resides since 2002, and lists available relate to chemicals registered before this date. Permitted minimum residue levels in South Africa are higher than those allowed by CODEX, but re-exporters of horticultural produce (out of South Africa) are required to comply with the regulations of the final destination. EU rules are regularly updated and the most current can be found at: http://www.pesticides.gov.uk/uploadedfiles/Web_Assets/PSD/MRL_Spreadsheet.xls

2.5 SPS procedure flow chart

The following chart traces the flow of product and all plant-health documentation required for the product to be exported into South Africa. In chapter 4 of the manual, we explain the process that is followed at the port of entry into South Africa, as well as the documentation required.

The flow chart traces the product from production, identifying a suitable market, identifying suitable export agents, application for an import permit, phytosanitary certification, through to treatment of wooden packaging material.



3. PROCESS

Step 1: Decide on the what to produce

The fruit, flower and vegetable industry consists of a wide array of crops and products, each with very different supply conditions, marketing needs, and demands trends. While these products share common marketing channels and experiences, as well as somewhat similar trends and problems, the market uniqueness of individual fruits, vegetables and flowers should be kept in mind. In particular, fresh fruits and vegetables are marketed quite differently from the processed products. This marketing system has changed substantially in recent years. The major trends involved decentralization and direct marketing, geographic concentration and specialization of production, interregional competition, increased imports and exports, vertical integration of production and marketing, increased consumption by low-income consumers, urbanization and the availability of fresh produce through expanding informal channels.

The abovementioned issues have an impact on the decision of what and when to produce. Producers in and outside South Africa have to understand the ever-changing market environment before embarking on producing a product destined for the South African market.

Step 2: Identify a Suitable Market in South Africa

The increasing diversity of products in the market place is good news for the customer and provides sellers with greater opportunities to establish a market niche for some horticultural products. This is especially true in South Africa, which has a rapidly growing middle-income group with money to spend on top- quality niche horticultural products. But to exploit this expanded range of market opportunities, the seller must thoroughly understand the complex and dynamic market environment. That understanding can only be acquired through constant contact with the market. Consequently, the producers who are separated from the market by a large geographic distance are at a disadvantage.

In Attachment I of the manual, we have provided details of major companies operating in the fruit and vegetable industry in South Africa. The attachment provides company names, contact details, email addresses and services. These companies are operating in the South African horticulture market and could assist the producers in SADC countries to establish market demand for products, and to develop and service that market.

In identifying a target market to export to, it is of critical importance to establish its food safety and accreditation requirements. All South African food retailers are moving towards insisting on EurepGap and/or Hazard Analysis

Critical Control Point (HACCP) accreditation and utilize contracted auditors to perform on-farm inspections. In the case of organic production, each retailer also has specific labeling requirements which should be researched during the deliberation stage of whether and to whom to export. These requirements are specific to buyer, and some buyers can be satisfied without these requirements.

Step 3: Identify an Exporting Agent

In the present marketing context, the primary producer still has certain important responsibilities towards consumers. The producer is the person who carries the financial risk if the product does not comply with market requirements. The producer, although still the owner of the product, cannot fulfill all the functions from production to marketing. The producer will therefore appoint agents to fulfill certain tasks, and these agents will in turn appoint other agents to concentrate on other specialized functions. Some of the agents operating in the supply chain include the following:

- Transport and handling agents;
- Export agents;
- Shipping agents; and
- Marketing agents.

Step 4: Apply for an Import Permit

If the crop to be exported is grown in South Africa, then an import permit is required. In the case of crops not cultivated in South Africa, such as coconut, a Pest Risk Assessment is not required. This can be established by consulting the South African NPPO.

Before importing goods (plant and plant products) each importer should apply for an import permit (see Attachment II) with the NPPO of South Africa. Before the permit is issued, a decision on whether to conduct a Pest Risk Assessment (PRA) based on scientific data is made. The standard import permit application must be submitted at least 60 days prior to the date of arrival of the goods.

The following are the steps to follow when applying for an import permit:

i) Fill the particulars in the permit application forms. The form can be downloaded from the NDA website, **www.nda.agric.za**.

ii) Submit only one signed copy of the completed application form to the following addresses:

The National Department of Agriculture
Directorate Plant Health
Permit Office

Pretoria	or	Stellenbosch
Tel: 012 319 6102/6531/6396		Tel: 021 809 1617
Fax:012 319 6370		Fax: 021 887 5096
Email: JeremiahMA@nda.agric.za		Email: HaroonA@nda.agric.za

iii) The completed application form must be submitted at least 60 days before the date of importation

iv) The completed application form should be accompanied by proof of payment of R60 (bank deposit slip or cashier receipt).

The payment of the permit is to be made as follows:
Payment to the Department of Agriculture's bank account
Bank: Standard Bank
Branch: Arcadia
Brach No: 010845
Account No: 011251735
Account Name: Import of Controlled Goods

OR

Payment in Cash: Department of Agriculture's cashier
Pretoria:
Agricultural Place, 20 Beatrix Street, Arcadia, Pretoria
Block P: Room GF 15

Please note:

- No application will be processed without proof of payment;
- The exporter is responsible for local and foreign bank charges;
- Each import permit will be valid for one year;
- Provide appropriate technical information regarding the consignment goods to facilitate processing of the permit;
- Clearly specify the port of entry and mode of transport;
- If the port of entry is not a designated border post, request the NDA to have an inspector and provide correct date and time;
- The time it takes to issue a permit depends on the product being imported, the source country and the purpose for importing;
- State on the application form whether the permit will be collected or should be mailed to you; and
- If applying on behalf of someone, please ensure that you pay under that persons name or company's name.

Step 5: Assist Exporting Country in Complying to Import Conditions

After receiving the import permit application, the NPPO in South Africa will develop a set of questions relating to issues such as phytosanitary requirements, packaging and transport of the plants These questions will be sent to the NPPO of the country intending to export into South Africa. After receiving answers from the NPPO of the country intending to export to South Africa, a decision to issue an import permit, mitigation procedures or to undertake a detailed PRA is made.

The decision to issue the import permit is made if there is no threat of introducing new pests that could harm the agricultural sector in South Africa. The decision to undertake a pest risk assessment is made if there is a possibility of introducing new pests. The PRA is a lengthy process that is undertaken to address the likelihood of a pest becoming established in South Africa, the economic consequence of the pest infestation in South Africa, and to gather available information regarding pathways, probability of detection, and marketing/export consequences of infestation in South Africa.

In the case of a PRA being required, this process is lengthy, since it requires extensive communication and gathering of technical pest risk data between the exporting and importing countries' NPPOs. The timely submission of pest risk data to the South African NPPO from the exporting country's NPPO represents the biggest time delay in finalizing a PRA.

Step 6: Receive an Import Permit with a Set of Conditions

The exporter will receive an import permit with a list of conditions. The conditions will be identical to those that would have been previously sent to the NPPO of the exporting country. Some of the conditions will be phytosanitary, such as that the product should be free from certain viruses, fungi and insects, or will include mitigation procedures to be followed. Other conditions might cover inspection procedures and country of origin.

Step 7: Receive a Phytosanitary Certificate

A phytosanitary certificate is a document that shows the origin of the shipment and confirms inspection in the source country by a member of the country NPPO (see attachment III).

The exporter will receive a phytosanitary certificate from the NPPO of the exporting country. This will be issued only if the NPPO is satisfied that the product will not transport pests into the South African environment and the exporter has met all the phytosanitary requirements issued by South Africa. The requirements would have been sent to the NPPO of the exporting country by South Africa as part of the questions prepared when processing the import permit. For the NPPO to ensure that the exporter meets all phytosanitary requirements from South Africa, they will have to undertake field inspections, sampling, laboratory analysis, treatments (under supervision or by registered persons) and final inspection before issuing a certificate.

After final inspection and certification, consignments must be exported within 14 days to ensure the phytosanitary security of the consignment with regards to composition, substitution and re-infestation.

Step 8: Understand Regulations Governing Wooden Packaging Material Entering South Africa

Wood packaging material made of unprocessed raw wood provides a pathway for the introduction and spread of pests such as the Asian Long-horn Beetle and Pine Wood Nematode. To protect trees and forests from the spread of such pests, a number of countries including South Africa and trading blocs have taken regulatory action to control the import of wood packaging.

Member countries, under the guidelines of the IPPC, adopted the International Standards for Phytosanitary Measure ‘Guidelines for regulating wood packaging material in the International Trade’ (ISPM15) in March 2002. The ISPM15 applies to all wooden packaging, including pallets (either new or repaired) and packing cases.

The following are compliance conditions for wood material entering South Africa:

i) The packing material from raw wood must bear the mark of country of origin.
ii) The packing material should have the international certification mark.
iii) The packing material should only be treated in one of the two methods:
- Heat treatment (HT) in a kiln to a minimum core temperature of 56˚C for a minimum of 30 minutes.
- Fumigation, using Methyl Bromide (MB)[2] at 21˚C or above and to the dosage rate of $48g/m^3$.

Step 9: Familiarize with RSA Agric Pest Act (Act No. 36 of 1983)

The application and issuing of an import permit is done in accordance with the terms of the provisions of the Agricultural Pests Act, 1983 (act no. 36 of 1983). The Act provides measures by which agricultural pests maybe prevented and combated. The Act is provided as attachment IV of the manual. It is advisable that any exporter intending to export into South Africa understands the Act.

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[2] Under the Montreal Protocol on ozone-depleting substances, the deadline for totally phasing out methyl bromide for developing countries is 2015

Step 10: Export into RSA: Inspection at the Port of Entry

At the point of entry to South Africa, inspections are carried out by the NPPO. They involve scrutiny of documentation and checks for identity and plant health, on a representative sample, or on all of the plant matter.

At the port of entry, the importer must clear all documents with the South African customs authority before goods are released. High-risk plant material imported into South Africa is placed under post-entry quarantine screening. This is done in accordance with conditions in the import permit or if the plant materials need to be verified for its phytosanitary conditions.

In cases where quarantine is required, the import permit will state the conditions on area and time for quarantine. It is the responsibility of the importer to contact the quarantine station and reserve space. All quarantine costs are covered by the agent importing into South Africa.

For additional information on quarantine, please contact:

The NDA
Sub-directorate Plant Health
National Phytosanitary Matters

4. TERMS OF DELIVERY (INCOTERMS 2000), DOCUMENTATION, PROCEDURE AND DUTIES AT PORT OF ENTRY

Exporting requires an enormous amount of thought and attention to detail, especially documentation. If documents are missing or wrongly filled out, the transaction could be void. Below is a list of documents used in export trading, indicating the step-by-step flow of export documents and necessary export Incoterms (see below). Not all these documents and terms will be relevant for every export transaction.

Select exporting countries in Africa have a Currency Declaration Form issued by the Reserve Bank to ensure that the accompanying invoice is traceable to the foreign currency and that the money eventually flows to the country of origin. This is the case in South Africa, and this can be established for other SADC countires by consulting any commercial bank.

4.1 Step-by-step flow of documents in export of horticultural products.

In this section we provide details on the flow of documentation when exporting horticultural products by air.

Step 1: The producer submits a commercial invoice to plant-health inspectors for inspection of produce.

Step 2: The plant-health inspectors will vet prices, weights declared and issue an export certificate.

Step 3: The producer sends the documents to his/her agent (here the responsibility of the producer ends), the agent prepares other documents, for example, airway bill and customs entry forms.

Step 4: The produce is weighed at the airways handling services department and issued the weight.

Step 5: All documents are verified for final approval.

Step 6: Agent sends documents to customs officers for verification.

Step 7: From customs, the agent sends the documents to Air Freight Handling Ltd, which then passes the documents to the airline.

Step 8: When the consignment arrives at the airport of the destination country, the airline company uses the airway bill to contact the buyer. The airway bill should clearly specify if the product requires refrigeration.

Step 9: The consignment is sent to customs for clearance. Customs charges a duty on some agricultural products[3].

Step 10: Customs will detain the consignment to conduct tests if specific current phytosanitary risks may be perceived.

Step 11: Customs gives the client a customs detention slip and a plant health clearance (customs release) form.

Step 12: The client then takes all the documents to the Perishable Cargo Triangle (PCT) for endorsement.

Step 13: The client then takes the customs release form and airways bill to the airline to collect consignment.

4.2 Special Trade Terms in Export Sales (Incoterms)

Incoterms are the terms of sale as agreed upon by the seller and buyer to facilitate the handing over of a consignment and to specify who is responsible for transportation costs up to a designated point. All Incoterms are referred to by the recognized three-letter codes and mention the names and place of delivery. The Incoterms are grouped into four categories:

- The first group (E) has only one trade term: Ex Works (EXW).
- The second, F-group, indicates the obligation of the seller to hand over the goods to a carrier free of risk and expenses to the buyer.
- The third, C-group, includes terms that indicate the seller's obligation to bear certain costs after main carriage, which is a critical point in the sales contract: the obligation to bear risks and costs change from one party to the other.
- The fourth, D-group, includes the terms that prescribe that the goods must have arrived at a specified destination.

Incoterms are critical to exporters since these are a critical tool for managing risk, and also represent a cost to the exporters which may impact the feasibility of export

[3] Consult http://www.rapidttp.co.za/tariff/chpindx.html to establish what duties apply to specific agricultural products)

4.2.1. Types of Incoterms

Group E
Departure

EXW - Ex Works: When goods are made available to the buyer at the seller's premises for collection with minimum obligation to the seller for transporting the goods to the buyer. At this point, the responsibility of risk is transferred to the buyer, who is obligated to clear the goods for export and pay all costs involved for transportation, including insurance if required.

Group F
Main carriage unpaid

FCA - Free Carrier: The seller arranges delivery of the goods cleared for export to the appointed carrier as nominated by the buyer and is responsible for the risk and costs up to the named point of handover.

FAS - Free Alongside Ship: The seller delivers the goods alongside the vessel at the named port of shipment as nominated by the buyer. The buyer will be responsible for all costs and risk from point onwards.

FOB - Free on Board: The seller is responsible for the clearing and delivering the goods for export on board the vessel to the nominated port of exit. Once the goods have passed over the slip's rail at the port of loading the risk is then transferred to the buyer.

Group C
Main carriage paid

CFR - Cost and Freight: The seller is responsible for the cost and freight charges for delivering the goods to the named port of destination and bears all risks up to this point.

CIF - Cost, Insurance and Freight: The seller is responsible for costs, insurance and freight charges for delivering the goods to the named port of destination and bears all the risks.

CPT - Carriage Paid To: The seller undertakes to deliver the goods to their appointed carrier to the named port of destination at the seller's expense. The responsibility of risk is then passed onto the first carrier until the named place of delivery and the cost of the goods are borne by the seller until they arrive at the named place to where carriage has been paid.

CIP - Carriage and Insurance Paid To: The seller undertakes to deliver the goods to their appointed carrier to the named port of destination, including insurance at the seller's expense. The responsibility of risk is then passed onto the first carrier until the named place of delivery and cost of the goods are borne by the seller until they arrive at the named place to where carriage has been paid.

Group D
Arrival

DAF - Delivered at Frontier: The seller clears and places the goods for export at the buyer’s disposal, unloaded at the named place of destination and bears all risks for transportation up to this point.

DES - Delivered ex Ship: The seller delivers and places the goods at the buyer’s disposal, not cleared for imports at the named place of destination and bears the risk until they arrive at the named place of destination.

DEQ - Delivered ex Quay: The seller delivers and places the goods at the buyer’s disposal, not cleared for import on the quay side (wharf) at the named place of destination. At this point the responsibility of risk is on the buyer.

DDU - Delivered Duty Unpaid: The seller undertakes to deliver the goods to the buyer’s premises unloaded at the place of final destination, and bears all costs excluding any applicable duty and taxes.

DDP - Delivered Duty Free: The seller undertakes to deliver the goods to the buyer’s premises unloaded at the place of final destination, and bears all costs including any applicable duty and taxes.

4.2.2. Basic Export Documents

Below is a list of basic export documents. The documentation is either required by the importer to satisfy the country’s trade control authorities, or to enable a documentary credit transaction to be implemented.

Many exporters find it more convenient to control the volumes and variety of paperwork and related matters by designing a file folder that has printed on the covers the entire control procedure covering documentation, payment, shipping instructions and so on. The checklist provides for road, air and sea freight.

Checklist of Export Documents

Document	Road Freight	Air Freight	Sea Freight
Invitation to quote	x	x	x
Quote	x	x	x
Pro forma invoice	x	x	x
Order confirmation/ acknowledgement	x	x	x

Bill of lading/ short-form bill of lading	x	x	x
Airway bill		x	
Insurance policy	x	x	x
Commercial invoice	x	x	x
Consular invoice	x	x	x
Certificate of origin	x	x	x
Packing list/ weight note		x	
Specification sheet	x	x	x
Import permit	x	x	x
Phytosanitary certificate	x	x	x
Customs invoice	x	x	x
Documentary credit of payment drafts	x	x	x
CCA1 form	x		
Vessels manifest			x

4.2.3. Commercial documents

Packing List: An inventory document showing net quantity of goods, number of packages, weight and measurement of consignment.

Pro forma Invoice: This is a form of a quotation by the seller to a potential buyer. It is the same as the commercial invoice except for the word “Pro forma Invoice”.

Certified Invoice: A certified invoice may be an ordinary signed commercial invoice specifically certifying that the goods are in accordance with a specific contract or pro forma, that the goods are, or are not, of a specific country of origin and certifying any statement required by the buyer from the seller.

Commercial Invoice: The following details must appear on a commercial invoice:

- Names and addresses of buyer and seller and date;
- Complete description of goods;
- Unit prices where applicable and final price against shipping terms;
- Terms of settlement;
- Transport mark and number; and
- Weight and quantity of goods; and name of vessel if known and applicable.

4.2.4. Official documents

Import Permit: An import document issued by the NDA for the importation of certain commodities that must be submitted for customs clearance

Phytosanitary Certificate: A document that shows the origin of the shipment and confirms inspection in the source country by the member of the exporting country NPPO.

Customs Invoice: A commercial invoice issued by the seller to a buyer declaring such information as:

- shipper and consignee physical address;
- description of goods;
- quantity and value of consignment; and
- shipping/Incoterms.

This is absent if the consignment is not for sale.

CCA1 Form: A formal customs document that must be completed for all products that are not documents that are shipped within the SACU region.

Certificate of Origin: These constitute signed documents evidencing origin of the goods and are normally used by the importer's country to determine the tariff rates. They should contain the description of goods and phytosanitary inspection signature.

4.2.5. Insurance documents

Letter of Insurance: This is usually issued by a broker to provide notice that insurance has been placed pending the production of a policy or a certificate.

Insurance Certificate: These are issued by insurance companies to embrace either open covers or floating policies.

4.2.6. Transport documents

Airway Bill: This is a non-negotiable airline document that covers the transportation of cargo from a designated point of origin to a named final destination, whether it is an international or domestic consignment. It states all details of cargo loaded onboard an aircraft.

Bill of Lading: This is a legal contract between the owner of the consignment and the shipping line or agent to transport consignments. It states all details of cargo loaded on to a vessel.

Vessel Manifest: A list drawn up of all consignment to be shipped and signed for by the captain of the vessel/ aircraft.

4.2.7. Financial and financing documents

Letter of Credit: These are particularly important. A letter-of-credit arrangement will be agreed upon in the contract of sale. The buyer instructs a bank in his own country to open a credit with a bank in the seller's country in favor of the seller, specifying the documents which the seller has to deliver to the bank for him to receive payment.

Delivery Order: This is an order on a warehouse instructing it to deliver goods to the bearer or a party named in the order. Banks issue such orders when goods stored in their name are to be delivered to a buyer or are to be reshipped and have to leave a warehouse.

Warehouse Receipt: This is a receipt for goods issued by a warehouse. It is not negotiable and no rights in the goods can be transferred under it. Delivery orders may be issued against the receipt for the goods which relate to it.

Promissory Notes: While not bills of exchange, these are largely subject to the same rules and are used for a somewhat similar purpose, namely the settlement of indebtedness. Instead of being drawn like a bill of exchange by the person expecting to be paid, they are made by the person who owes the money, in favor of the beneficiary.

Sanitary and Phytosanitary Standards

This agreement concerns the application of sanitary and phytosanitary measures - in other words food safety and animal and plant health regulations. The agreement recognises that governments have the right to take sanitary and phytosanitary measures but that they should be applied only to the extent necessary to protect human, animal or plant life or health and should not arbitrarily or unjustifiably discriminate between Members where identical or similar conditions prevail.

Members are encouraged to base their measures on international standards, guidelines and recommendations where they exist. However, Members may maintain or introduce measures which result in higher standards if there is scientific justification or as a consequence of consistent risk decisions based on an appropriate risk assessment. The Agreement spells out procedures and criteria for the assessment of risk and the determination of appropriate levels of sanitary or phytosanitary protection.

It is expected that Members would accept the sanitary and phytosanitary measures of others as equivalent if the exporting country demonstrates to the importing country that its measures achieve the importing country's appropriate level of health protection. The agreement includes provisions on control, inspection and approval procedures.

Technical Barriers to Trade

This agreement seeks to ensure that technical negotiations and standards, as well as testing and certification procedures, do not create unnecessary obstacles to trade. It recognizes that countries have the right to establish protection, at levels they consider appropriate, for example for human, animal or plant life or health or the environment, and should not be prevented from taking measures necessary to ensure those levels of protection are met. The agreement therefore encourages countries to use international standards where these are appropriate, but it does not require them to change their levels of protection as a result of standardization.

It covers processing and production methods related to the characteristics of the product itself. The coverage of conformity assessment procedures is enlarged and the disciplines made more precise. Notification provisions applying to local government and non-governmental bodies are elaborated in more detail than in the Tokyo Round agreement. A Code of Good Practice for the Preparation, Adoption and Application of Standards by standardizing bodies, which is open to acceptance by private sector bodies as well as the public sector, is included as an annex to the agreement.

Annexure II   Major South African Industry Players

Company name	Contact Number	E-mail address	Produce Processor	Logistics & Control	Exporter	Forwarding & Clearing	Transport & Freight Handling
ACCESS FREIGHT INTERNATIONAL	27 31 451 9200	info@accessgroup.co.za	YES	YES	YES	YES	YES
AFRIFRESH EXPERTERS CC	27 21 794 7360	anton@afrifresh.co.za			YES		
AFRUTA	27 44 877 0971	afruta@iafrica.com			YES		
AFTEX EXPORTERS	27 11 792 3544/47/51	export@aftex.co.za			YES	YES	YES
AGRI MANAGEMENT	27 21 982 3314	agriman@iafrica.com					
AGRILINK	27 11 390 2366-8	wouter@agrifruit.co.za			YES		
AH ENGELBRECHT SNR & SEUNS	27 27 216 1448	studiosur@interfree.it			YES		
ANALYTICAL SERVICES	27 12 804 6825/6	lab@ppecb.com					
ANLIN SHIPPING	27 21 911 1070	webmaster@anlin.co.za			YES		
ASHTON CANNING	27 23 615 1140	info@ashtoncanning.co.za	YES				
AV CONTAINERS	27 21 511 2569	wwc@global.co.za					
BELL SHIPPING	27 21 461 3604	sargeant@bellshipping.co.za			YES		
BENGUELA INTERNATIONAL	27 31 564 5343	info@benguela.co.za			YES		
BERGFLORA	27 21 934 6110-2	info@bergflora.co.za			YES		
BERRY & DONALDSON	27 21 462 4190	caronb@berrydon.co.za			YES		YES
BETKO VARS PRODUKTE	27 28 840 2313	betko@iafrica.com			YES		
BIOTRACE FRUIT EXPORTERS	27 12 252 2387	grant@frutex.co.za		YES	YES		
CAPE FIVE EXPORT SA	27 21 850 4640	infor@capefive.com			YES		
CAPE FRESH & FROZEN	27 21 855 1183				YES		
CAPE VINEYARDS	27 23 349 1585/ 1466	henriette@cape-vineyards.com			YES		
CAPESPAN	27 21 917 2600	info@capespan.co.za					
CAPSELLING SA	27 21 851 5303/5	alain@capselling.co.za			YES		
CARGO LOGISTICS DURBAN	27 31 563 3608	peter@cargologisticsdurban.co.za				YES	
CERES FRUIT JUICES	27 21 860 0000	exports@ceres.co.za	YES		YES		
CITRUS GROWER'S ASSOCIATION	27 31 765 2514	justchad@iafrica.com					
CITRUS SA	27 21 975 7220	ceo@citrussa.co.za					
CLASS A TRADING-7 SEAS	27 21 701 6770	tracey@sevenseasfruit.com			YES		
CLOVER CARGO INTERNATIONAL	27 21 530 9800	cloverct@iafrica.com				YES	YES
COMMERCIAL GOLD STORAGE	27 21 418 3236	fdowling@comcold.co.za					
CTS CONTRASHIP	27 31 304 1963	nr@yebo.co.za			YES		

Company name	Contact Number	E-mail address	Produce Processor	Logistics & Control	Exporter	Forwarding & Clearing	Transport & Freight Handling
DECIDUOUS FRUIT	27 21 870 2913	retha@dfpt.co.za					
DELECTA FRUIT	27 21 930 1181	jonathan@delecta.co.za			YES		
DENMAR ESTATES	27 58 303 2149	sales@denbi.co.za	YES		YES		
DOCKS SHIPPING	27 21 530 5200	gavinw@docks.co.za			YES	YES	YES
DOLE SA	27 21 914 0600	dolecpt@za.dole.com			YES		
EGGBERT EGGS	27 11 845 2066	eggbert@saol.com			YES		
ETLIN	27 21 418 3850	leonor@cpt.etlin.co.za			YES		
EURO-AFRICA	27 11 483 3036	brad@popcorn.co.za			YES		
EYETHU FISHING	27 41 585 5683	heinrich@eyethufishing.co.za	YES		YES		
FIELD CREST INTERNATIONAL	27 31 465 0703/8	info@fieldcrest.co.za			YES		
FOREST FERNS	27 42 280 3876	fferns@telkomsa.net			YES		
FRESH PRODUCE	27 21 674 3202	symo@iafrica.com					
FRESH PRODUCE TERMINALS	27 21 401 8700	ronnie_kingwill@fpt.co.za		YES		YES	
FRESHCO	27 21 531 8303	info@freshco.co.za			YES		
FRESHMARK	27 21 980 7000	freshmark@shoprite.co.za			YES		
FRESHWORLD	27 21 808 7100	kieviet@freshworld.co.za			YES		
FRUIT SA	27 21 674 4049	porchia@fruitsa.co.za					
FRUITAIR EXPORT CC	27 21 552 8240	fiford@fruitair.co.za			YES		
FRUITS UNLIMITED	27 21 872 0437	elrika@fruitsunltd.co.za			YES		
GERBER PACKAGING	27 11 652 0710	philipi@gerber.co.za		YES			
GIANTS CANNING	27 11 623 2929	giants@aqua.co.za	YES				
GOLDEN HARVEST	27 21 531 7213	pkotze@goldenharvest.co.za			YES		
GOLDEN LAY FARMS	27 11 790 4700	goldlay@global.co.za	YES		YES		
GOREEFERS LOGISTICS	27 21 914 2832	capetown@goreefers.com		YES			
GRANOR PASSI	27 15 298 6000	passi@mweb.co.za	YES				
GRAPES (SA TABLE GRAPES)	27 21 870 2954	info@grapesa.co.za					
GREEN MARKETING INTERNATIONAL	27 21 874 1055	rory@gmint.co.za			YES		
GRINDROD PCA	27 21 934 6184	douge@rohlig.co.za				YES	YES
HELLMANN WORLDWIDE	27 31 240 7100	fmckenzi@za.hellmann.net		YES	YES	YES	YES
HM FRUIT PROCESSING	27 15 309 0046	alans@hansmerensky.co.za	YES		YES		
HPL SEA FREIGHT SA	27 21 425 0610	shameeg@hplsa.co.za		YES			YES
INDLOVU INTERNATIONAL CC	27 21 794 8126	indloint@global.co.za			YES		
INTERTRADING LTD	27 11 771 6000	interltd@intertrading.co.za			YES		

Company name	Contact Number	E-mail address	Produce Processor	Logistics & Control	Exporter	Forwarding & Clearing	Transport & Freight Handling
IRVIN & JOHNSON LTD	27 21 402 9200	georgew@ij.co.za	YES		YES		
JHB FRESH PRODUCE	27 11 613 2049	choltzkampf@jfpm.co.za					
KAI SHANG AFRICA	27 11 622 5133	hakim@global.co.za			YES		
KAIRALI FLORA	27 11 268 0864	info@kairalisa.com			YES		
KALLOS EXPORTERS	27 21 425 4800	meyer@kallos.co.za			YES		
KAPPA SOLID BOARD	27 21 880 1092	sales@kappa-solidboard.co.za					
KARPUS TRADING	27 11 268 0864	info@kairalisa.com			YES		
KATOPE EXPORTS	27 15 307 8500	jaco@katope.co.za			YES		
KENT FARM DRIED FLOWERS	27 28 572 1611	kent@isat.co.za			YES		
KINGFLORA TRUST	27 42 287 0727	noking@iafrica.com			YES		
KOMATI FRUITS	27 11 455 2563	komati@global.co.za			YES		
LASER PERISHABLE DIVISION	27 11 974 9297	jacques@laserint.co.za		YES		YES	YES
LONA TRADING	27 21 410 6700	info@lona.co.za			YES		
MAERSK SEALAND	27 21 408 6000	cptordexpref@maersk.com					YES
MALACHITE COMMUNICATIONS	27 21 855 5512	info@malachite.co.za					
MARNIC ENTERPRISES	27 21 710 9000	trade@gaertner.co.za			YES		
MEIHUIZEN INTERNATIONAL	27 21 419 9191	asl@meihuizen.co.za					YES
MELPACK	27 28 841 4380	melpack@melsetter.co.za					
MOL SA	27 21 402 8901	hnaiker@molrsa.infonet.com					YES
MONDIPAK	27 21 507 6700	www.mondipak.com					
MSC LOGISTICS	27 31 360 7811	lbateman@clog.co.za		YES			YES
NAPIER FLORA	27 28 423 3345	napier@netactive.co.za			YES		
NATIONAL DEPT OF AGRICULTURE	27 12 319 7317	dcom@nda.agric.za					
NULAID	27 21 981 1151	prossouw@pnr.co.za			YES		
OCEAN PRINCE MARINE	27 21 511 7777	oceanprince@mweb.co.za			YES		
ODESSEY INT'L IMPORT & EXPORT	27 21 421 7160	odessey@odyint.co.za		YES	YES	YES	YES
ORANGE RIVER EXPORT	27 54 431 6100/6	orex@mweb.co.za			YES		
PALTRACK SYSTEMS	27 21 970 2777	andries_mouton@paltrack.co.za		YES			
PARAGON PRODUCE	27 11 421 2605	lingda@paragonproduce.co.za			YES		
PORT NOLLOTH FISHERIES	27 21 434 4002	sankfin@iafrica.com			YES		
PPECB	27 21 930 1134	ho@ppecb.com					
PREMIER FRUIT EXPORTS	27 31 767 3875	pfe@iafrica.com			YES		
PRIMA FRUIT	27 11 784 3030	prima@globa.co.za			YES		

Company name	Contact Number	E-mail address	Produce Processor	Logistics & Control	Exporter	Forwarding & Clearing	Transport & Freight Handling
PROPOTS	27 21 534 4420/9036	mwpropot@iafrica.com			YES		
QUALITRACK	27 21 872 4028	heidi@qualitrack.co.za		YES			
REDFERN	27 21 552 9680	sales@redfern.co.za		YES			
RFF FOODS	27 21 870 4000	phillipsr@rfffoods.com	YES		YES		
ROHLIG-GRINDROD	27 21 418 3218	colleenw@rohlig.co.za				YES	YES
ROOIBERG WINERY	27 23 626 1663	rooiberg@mweb.co.za	YES		YES		
SA FLOWER GROWERS' ASSOCIATION	27 11 692 4237	info@saflower.co.za					
SA MANGO GROWERS ASSOCIATION	27 15 307 3513/2775	samga@mango.co.za					
SA PROTEA PRODUER'S EXPORTER'S ASS	27 28 284 9745	sappex@hermanus.co.za					
SAFCOR PANALPINA	27 21 550 6500	marys@safcorpanalpina.co.za			YES		
SAFE	27 21 657 4000	anyasafruit@mweb.co.za			YES		
SAFMARINE	27 21 408 6911	safsclrefsal@za.safmarine.com					YES
SAFPRO	27 41 582 4706/7	safpro@iafrica.com			YES		
SAFT	27 21 937 3440	safthq@saft.co.za		YES		YES	YES
SAPO	27 21 887 6823	info@saplant.co.za					
SARDA	27 21 551 5077	sardanat@mweb.co.za					
SCHOEMAN BOERDERY	27 13 262 6600/3	lappies@moosriviet.co.za			YES		
SEA HAVEST CORPORATION	27 21 417 7900	info@seaharvest.co.za	YES		YES		
SENSITECH SA CC	27 21 852 5458	sebsitec@iafrica.com	YES	YES			YES
SKY TRADING	27 21 976 9777	sky-sa@mweb.co.za			YES		
SLANGHOEK CELLAR	27 23 344 3026	slanghoek@lando.co.za			YES		
SLICE OF AFRICA	27 82 781 3652	willem@sliceofafrica.co.za			YES		
SOUTHCAPE PRODUCE	27 44 874 5901	s164@pixie.co.za			YES		
SOUTHERN FRUIT GROWERS	27 21 852 4012	sales@southernfruit.co.za			YES		
SOVEREIGN FRUITS	27 21 552 7004	zenobia@sovfruit.co.za			YES		
SPECIAL FRUIT NV.	32 3 315 0773	mail@specialfruit.be			YES		
SPECIAL FRUIT NV.	27 21 853 2627	specialfruitsa@saonline.co.za			YES		
SPECIALISED INT'L FREIGHT	27 31 465 0203/4	sif@iafrica.com				YES	
SQUID PACKERS	27 41 585 3696	squidp@iafrica.com	YES		YES		
STD BANK INTERNATIONAL DIVISION	27 11 636 1053/4391	ibc@scmb.co.za					

Company name	Contact Number	E-mail address	Produce Processor	Logistics & Control	Exporter	Forwarding & Clearing	Transport & Freight Handling
STELLENPAK	27 21 874 2225	koen@stellenpak.co.za					
SUMMERFIELD EXPORTS	27 11 475 7141	sumfield@global.co.za			YES		
SUMMERPRIDE FOODS	27 43 731 1770	russel@sumpride.co.za	YES		YES		
SUNPRIDE	27 21 794 0333	anton@afrifresh.co.za			YES		
SUNPRIX TABLE GRAPES	27 44 272 3905	ofglobe@mweb.co.za			YES		
SUNWORLD INT'L	27 21 870 2921	jjooste@sun-world.com					
SUPREME FRUITS	27 21 552 7032	fynn@supreme-fruits.co.za			YES		
SWEET AFRICA	27 21 914 9811	derick@sweetafrica.co.za			YES		
SWELLENFRUIT PACKING	27 28 512 3440/1	info@swellenfruit.com					
SYNGENTA	27 11 541 4024	johann.brits@syngenta.co.za					
THE COLD LINK NEWSPAPER	27 21 551 5076/7	jasac@iafrica.com					
THOKOMAN FOODS	27 12 811 0501/0402	thokomans@icon.co.za			YES		
TIGER BRANDS INT'L	27 21 970 4100	pietjoubert@tigerbrands.com	YES		YES		
TRISTAN EXPORT	27 21 448 4886	logistics@tristanexport.co.za			YES		
TROPICANA MARKETING IN'T;	27 21 535 0225	vinfo@tmiww.co.za			YES		YES
UNIFRUIT	27 28 840 2209	unifruit@africa.com					
VALLEY EXPORT FRUIT PACKERS	27 15 307 2431	mahuka@pixie.co.za	YES		YES		
VAN DER LANS CAPEFRESH	27 22 921 2445	stiaan@vdlcapefresh.com			YES		
WP FRESH DISTRIBUTORS	27 21 851 3788/9	info@wpfresh.co.za			YES		
XL INT'L	27 28 514 1455	derek@xlinter.co.za			YES		
ZEBRA FRESH FRUIT	27 22 913 2684	info@zebrafruit.co.za			YES		

Annexure III   Import Permit Application Form

IMPORT PERMIT APPLICATION FORM: AANSOEK OM 'N PERMIT VIR DIE INVOER VAN BEHEERDE GOEDERE INGEVOLGE DIE BEPALINGS VAN DIE WET OP LANDBOUPLAE, 1983 (WET No. 36 VAN 1983)
APPLICATION FOR A PERMIT FOR THE IMPORTATION OF CONTROLLED GOODS IN TERMS OF THE PROVISIONS OF THE AGRICULTURAL PESTS ACT, 1983 (ACT No. 36 OF 1983)

STANDARD APPLICATION/STANDAARD AANSOEK: Moet minstens 30 dae voor die datum van aankoms van die betrokke goedere in Suid-Afr ka ingedien word by:
Must be submitted at least 30 days prior to the date of arrival of the goods concerned in South Africa to:

ANDER AANSOEKE/OTHER APPLICATIONS: Aansoeker sal in kennis gestel word van hanterings prosedure/ Applicant will be notified of handling procedures.

DIREKTEUR: DIREKTORAAT: PLANTGESONDHEID EN GEHALTE, PRIVAATSAK X258, PRETORIA, 0001; OF
DIRECTOR: DIRECTORATE: PLANT HEALTH AND QUALITY, PRIVATE BAG X258, PRETORIA, 0001; OR
FAX: 27 12 319 6370 / E-MAIL JeremiahMA@nda.agric.za / TEL: 27 12 319 6102/6396

Hiermee doen ek, die ondergetekende, aansoek om 'n permit ingevolge artikel 3(1) van die Wet op Landbouplae, 1983 (Wet No. 36 van 1983), om die beheerde goedere waarvan besonderhede hieronder verskyn, in Suid-Afrika in te voer. Ek verklaar hierby dat die betrokke goedere nie geneties-gemanipuleerde organismes bevat nie.

I, the undersigned, hereby apply for a permit in terms of section 3(1) of the Agricultural Pests Act, 1983 (Act No 36 of 1983), to import the controlled goods of which the particulars appear hereunder, into South Africa.
I hereby declare that the goods concerned do not contain any genetically manipulated organisms.

Beskrywing van beheerde goedere **description of controlled goods**	***Naam van variëteit van plante (waar van toepassing)*** **Name of variety of plants (where applicable)**	***Hoeveelheid (aantal of massa)*** **Quantity (number or mass)**	***Volle naam en adres van leweransier in die buiteland*** **Full name and address of foreign supplier**	***Plek van binnekoms*** **Port of entry**	***Doel waarvoor ingevoer*** **Purpose of which imported**

Land van oorsprong/Country of origin ……………………………………… Naam van firma/applikant/Name of company/applicant …………………………………………………………….

Posadres van applikant/Postal Address of applicant …….

Kode/Code ……………………………….. Telefoon no./Telephone no. …………………………………………………… Faks no./Fax no. ……………………………………………………….

E-mail address/adres ……

……………………………………………………………………………………..
HANDTEKENING VAN APPLIKANT/SIGNATURE OF APPLICANT

…………………………………………………………….
DRUKSKRIF: NAAM EN VAN VAN APPLIKANT/
PRINTED: NAME AND SURNAME OF APPLICANT

……………………………………………
DATUM/DATE

* In die geval van 'n plant (insluitend saad), patogeen, insek of uitheemse dier, moet sowel die wetenskaplike as die gewone naam vermeld word.
* In the case of a plant (including seed), pathogen, insect or exotic animal, the scientific as well as the common name thereof shall be specified.

SOUTHERN AFRICA GLOBAL COMPETITIVENESS HUB

GUIA DOS PRACTICANTES PARA IMPORTACAO DE PRODUTOS FRESCOS PARA MERCADOS DA AFRICA DO SUL

FEVEREIRO 2006
Versao I

USAID/África Aústral

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

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Prefácio

O USAID Trade Hub tem como objectivo a aceleração do crescimento económico realçando a competitividade das empresas e produtos da África aústral (Zâmbia, Mozambique, Lesotho, Suazilândia, África do Sul, Namíbia, Angola, Malawi e Tanzânia) em mercados domésticos, regionais e de exportação. O Trade Hub funçiona attravez de prestar assistência para canais de mais valia dentro de diversos sectores para amelhorar enlaces do mercado, inovação no produto e no processo, comprazer com a qualidade e os outros padrões e construindo dess modo uma vantagem de competitividade sustentável dentro das empresa, das indústrias e dos canais de fonte.

Através deste manual, a plataforma de comércio de USAID procura ajudar a exportadores em países de SADC a compreender os procedimentos a seguir para exportar para a África do Sul. O manual fornece também a informação de instituições relevantes na África do Sul e seus detalhes e documentação do contacto requeridos.

Esta é a versão I deste manual, e qualquer comentário, e contribuição serão bem-vindos para melhorar seu valor aos potenciais exportadores da região.

Se bem que USAID Trade Hub fez um esforço para se assegurar de que a informação neste manual esteja correcta, não pode aceitar a responsabilidade para o sucesso ou a falha em nenhumas transacções de negócio empreendidas com informação desta publicação.

Índice

ACRÓNIMOS E ABREVIATURAS

CODEX	Codex Alimentarius Commission (Comissão alimentar Codex)
CFR	Cost and Freight (Custo e frete)
CIF	Cost, Insurance and Freight (Custo, seguro e frete)
CIP	Carriage and Insurance Paid (Transporte e seguro pagos)
CPT	Carriage Paid To (Transporte pago para)
DAF	Delivered at Frontier (Entregue na fronteir)
DB	Debarking (Desembarcar)
DDU	Delivered Duty Paid (Entregue direitos pagos)
DDP	Delivered Duty Free (Entregue livre de direitos)
DÊS	Delivered Ex Ship (Entregue no navio)
DEQ	Delivered Ex Quay (Entregue no cais)
EU	European Union (União Europeia) - UE
FAO	Food and Agricultural Organization (Organização mundial alimentação)
FAS	Free Alongside Ship (Entregue ao longo do navio)
FOB	Free on Board (Livre a bordo)
FPM	Fresh Produce Markets (Mercado de produtos frescos)
F&V	Fruit and Vegetables (Frutos e vegetais)
GATT	General Agreement on Tariffs and Trade (Acordo geral em tarifas e em comércio)
HT	Heat Treatment (Tratamento térmico)
IPCC	International Plant Protection Convention (Convenção internacional da protecção de planta)
ISPM	International Standards for Phytosanitary measures (Padrões internacionais de medidas fitossanitárias)
MB	Methyl Bromide (Brometo Methyl)
NDA	National Department of Agriculture (Departamento nacional de agricultura)
NPPO	National Plant Protection Organization (Organização nacional da protecção de planta)
NTB	Non-Tariffs Barriers Barreiras não tarifarias
PCT	Perishable Cargo Triangle (Triângulo de cargas pereciveis)
PRA	Pest Risk Assesssment (Avaliação de risco da Peste)
R	Rand Sul Africano (US$ 1 = R 6.2)
RPPO	Regional Plant Protection Organization (Organização regional da protecção da planta)
SADC	Southern African Development Community (Comunidade de desenvolvimento dos países da África Aústral)
SAMSA	South African Maritime Safety (Autoridade segurança marítima da África do Sul
SME	Small and Medium-size Enterprise (Pequena e media empresa)
SPS	Sanitary and Phytosanitary (Sanitário e fitossanitário)
TBT	Technical Barriers to Trade (Barreiras técnicas ao comércio)
TO	Task Order (Ordem das actividades)
VTS	Vessel Traffic Services (Serviços do tráfego de navios)
WHO	World Health Organization (Organização Mundial de Saúde) - OMS
WTO	World Trade Organization (Organização Mundial do Comércio) - OMC

1. INTRODUÇÃO

1.1 Fundo

O objectivo primário deste manual é prestar assistência ao agro negocio em todos os países de SADC a alcançar mercados de exportação remunerativos para o produto hortícolas na África do Sul. O manual contribui para este objectivo fornecendo informação detalhada na estrutura reguladora e protocolar na África do Sul.

África do Sul representa maior mercado para produtos hortícolas frescos na África sub-Sahariana. O sector agrícola formal na África do Sul gera uma renda bruta de mais do que R50 bilhão (US$ 8.1 bilhões) por ano. Cerca de R14 bilhão (26%) disto é gerado dos produtos hortícolas. Os sete produtos agrícolas mais exportados de África do Sul são laranjas (793 561 toneladas), vinho (268 498 680 litros), maçãs (282 674 toneladas), uvas (239 500 toneladas), peras (166 630 toneladas),toranja(162 374 toneladas) e limões (133 804 toneladas). Além disso, África do Sul importa mais de R5 bilhão de produtos hortícolas por ano.

Está crescendo o reconhecimento que a África do Sul poderia ser um mercado lucrativo para produtores hortícolas da região da SADC. Há uma percepção entre países de SADC que África do Sul usa as medidas (SPS) sanitárias e fitossanitárias para finalidades proteccionistas. Algumas dessas preocupações tem fundamento, pois a principal dificuldade em lidar com medidas do SPS é a dificuldade em distinguir aquelas que são justificadas por um objectivo legitimo e por ter uma justificação científica, daquelas que são aplicadas para proteger os produtores domésticos do das exportações agrícolas do outros países. Os obstáculos em importar para África do Sul são, entretanto, pela maior parte burocráticos e envolvem questões complexas, que nem sempre são bem compreendidas.

A maioria de países de SADC não estão bem colocados no que concerne este ponto. A falta de informação completa no número das medidas do SPS e de outras barreiras não tarifarias (NTB) que afectam sua exportação para África do Sul, eles estão incertos se estas medidas são consistentes ou inconsistentes de acordo com SPS da organização de mundial comércio (WTO), e não têm nenhuma estimativa de confiança do impacto de tais medidas em sua exportação.

Alguns dos países na região de SADC são também incapazes de participar eficazmente no processo de ajuste internacional que relacionado com às medidas do SPS e consequentemente enfrentam dificuldades quando pedidos para encontrar-se com exigências do mercado de importação tal como África do Sul. Algumas das dificuldades em conformar-se aos padrões ajustaram-se pelo WTO emana da falta de infra-estruturas apropriadas e da falta da perícia científica e técnica. Atrasos são causados o mais frequentemente pelo departamento relevante do país que exporta pois não tem a informação suficiente no que concerne pestes e as doenças do seu país, e não respondendo adequadamente aos pedidos para a informação de África do Sul.

1.2 Razões estratégicas para expandir no exterior

Uma coisa deve estar clara de inicio, exportar não é fácil. De facto, é mais complicado, mais arriscado e mais cara do que operando-se no mercado doméstico. A maioria de pequenas e medias empresas (SMEs) são fabricantes dos produtos do que comerciantes. Como tal negociar torna-se secundário e geralmente restrito ao mercado domestico familiar.

A responsabilidade para o uso de escassos recursos reside numa gerência de topo da companhia. Consequentemente, a decisão para usar aqueles recursos deve encontrar um bom contrapeso entre seus rendimentos e seus custos. A pergunta principal a responder é se a companhia é forte o bastante para ter sucesso ou simplesmente sobreviver na batalha com a competição no exterior.

Cada exportador deve responder às seguintes perguntas na preparação para a exportação:

- Quais são as razões primarias para a exportação?
- Que produtos você planeia exportar?
- Quando è que você planeia exportar?
- Meu produto goza de vantagens sazonais, de qualidade, de bom preço em relação ao produto doméstico sul Africano?
- Você planeia exportar para um especifico mercado geográfico na África do Sul?
- Para que tipo de cliente? Seu tipo de clientes estão concentrados em áreas geográficas especificas?
- Como você organiza suas actividades? Você vai estabelecer um escritório em África do Sul? Você vai usar agentes de exportação? Você vai usar um distribuidor?
- Como você identifica as necessidades do cliente?

Muitos exportadores precederam-no em tentar fazer o negócio no mercado Sul Africano sul. Alguns deles tiveram boas razões. Seus motivos eram, por exemplo:

- Para conseguir vendas mais elevadas, retorno mais elevado, e maior lucro,
- Esforçar em cooperar com parceiros comerciais da África do Sul para estimular o desenvolvimento da companhia, fornecer o acesso à nova tecnologia e tornar a organização mais eficiente.

Outros têm motivos da natureza táctica, como:

- Mercado local esta saturado e não permite o crescimento;
- Evitar a competição ou,
- Seguir concorrentes em mercados recentemente abertos.

Outros têm razões oportunas para exportar:

- Para vender o excedente de produção;
- Para explorar a capacidade de reposição;
- Para espalhar o custo de produção e/ou os custos do desenvolvimento de produto sobre mais unidades vendidas.

O gerente deve estabelecer as razões porque a sua companhia deve exportar para África do Sul. As razões devem ser sadias o suficiente para justificar o investimento elevado em exportar.

1.3 Características do sistema de marketing do produto fresco Sul Africano

O sistema de marketing de produtos frescos na África do Sul é caracterizado pelos seguintes traços:

1. África do Sul é um exportador líquido de uma variedade grande de produtos frescos, de citrinos e de frutas subtropicais. Uma relativa pequena quantidade de frutas, tais como o kiwi, bagas e melões, é também importado. O marketing da fruta fresca consequentemente é orientado na maior parte para a exportação fora de África do Sul.

2. África do Sul é na maior parte auto suficiente na produção de vegetais frescos. As batatas e o tomate compõem aproximadamente 60 por cento da produção vegetal total, com as batatas a contribuírem em cerca de (aproximadamente 45 por cento). quantidades relativamente pequenas de vegetais são exportadas. O marketing de vegetais frescos centra-se mais no mercado doméstico Sul Africano. O comércio dos vegetais ocorre na maior parte através dos mercados municipais situados em grandes centros urbanos. De acordo com os dados fornecidos pelo departamento de agricultura, entre 53 % e 58% dos vegetais são distribuídos através de tais mercados de produto frescos. Estes mercados são acessíveis ao público, aos comerciantes, aos grossistas e aos retalhistas. Os vendedores ambulantes e os comerciantes informais compram seu produto nestes marcadores, enquanto que os grossistas compram seu produto através das canais directos - isto é directamente dos produtores ou dos agentes. Este canal de marketing directo permite o seguimento, a qualidade e segurança alimentar total, que os grossistas estão começando a insistir junto de seus fornecedores.

3. O mercado do produto fresco espelha a dualidade do sistema económico da África do Sul, onde por um lado existe uma economia sofisticada, desenvolvida, e por outro uma economia em vias de desenvolvimento. A produção e a distribuição do produto fresco são ambas caracterizadas por esta assimetria com um pequeno número de relativamente grandes produtores bem estabelecidos comercialmente dum lado comerciais, e uma variedade de produtores fragmentados, de pequena escala no outro lado.

4. Várias forma de legislação regulam o mercado do produto fresco, por exemplo, lei dos agentes do produto frescos de 1992 e do lei municipal.

1.4 Ordem de actividades:

Ordem de actividades feita para:

- Desenvolver um manual prático que ajude empresas dos países de SADC a identificar oportunidades e melhorar seu conhecimento do processo e dos passos a seguir na importação de produtos hortícolas na África do Sul;
- Compilar uma lista dos principais importadores de produtos hortícolas na África do Sul com informação dos tipos de produtos e padrões que de qualidade requerem;
- Compilar uma lista das companhias d logística que prestem serviços de manutenção aos países alvos da região.

1.5 Estrutura e conteúdo do manual

O capítulo 2 contem um esboço dos vários acordos internacionais, com breves detalhes dos vários organismos internacionais envolvidos na definição dos padrões. O capítulo 3 detalha passo a passo o processo em exportar produtos hortícolas frescos para África do Sul. O capítulo dá detalhes dos mercados potenciais na África do Sul, procedimentos em começar obter licenças de importação e o tratamento correcto do material de embalagem.

No capítulo 4, os vários documentos que devem acompanhar toda a mercadoria exportado em África do Sul são discutidos. Nós explicamos também o processo a ser seguido no porto da entrada.

2. QUALIDADE E SEGURANÇA ALIMENTAR NA HORTICULTURA DE EXPORTAÇÃO

Para ter êxido num mercado mundial altamente competitivo, os objectivos chaves para todo o país que exporta produtos perecíveis devem ser fornecer produtos de qualidade. Entretanto, os produtos de boa qualidade e gosto já não são suficientes para assegurar o sucesso, porque é agora necessário fornecer garantias que os produtos de alimento são seguros e seguir a sua origem.

Questões de saúde humana e animal, assim como a segurança alimentar, estão na ordem de dia nas agenda de diversos países desenvolvidos, abastecida por casos recentes do envenenamento alimentar, da propagação de pestes entre animais, e da contaminação ambiental. Os países em vias de desenvolvimento reconhecem que, em diversos casos, estes interesses são legítimos, mas temem que os países desenvolvidos e outros países em vias de desenvolvimento possam usar medidas do SPS para finalidades proteccionistas.

Os países em vias de desenvolvimento exportam aproximadamente US$13 bilhão das frutas e dos vegetais (F&V) cada ano, que faz perto de 60% de exportações hortícolas globais. Quando o comércio de F&V continuar a expandir, os padrões cada vez mais complexos do SPS (tais como níveis microbial) ajustados pelos mercados principais representam uma ameaça às exportações existentes e uma barreira aos novos actores.

Estes padrões de qualidade cada vez mais restritos criam uma polarização a favor dos países com infra-estruturas altamente desenvolvidas e fornecedores com recursos. Estas medidas sanitárias e fitossanitárias podem ter varias formas tais como requerer produtos que venham de uma área livre de doença da inspecção dos produtos, do tratamento ou processamento específico dos produtos, do ajuste de níveis máximos permissíveis de resíduos de pesticidas ou do uso de determinados aditivos alimentares permitidos pela lei, das exigências de quarentena e das proibições de importação. (As medidas sanitárias (saúde humana e animal) e fitossanitárias da saúde de planta) aplicam-se ao alimento produzido domesticamente e/ou às doenças locais do animal e da planta, assim como aos produtos que vêm de outros países, e podem-se dirigir as características do produto final.

Há uma variedade larga de organizações internacionais, com diferentes papéis, trabalhando no campo de padrões de F&V. Este capítulo focaliza no mais importante, no detalhe:

- O WTO, que fornece a estrutura no SPS e barreiras técnicas ao comércio (TBT);
- A organização nacional da protecção de planta (NPPO) que é uma organização formada a partir das linhas gerais internacionais da convenção da protecção de planta responsáveis pela prevenção da propagação de pestes das plantas e dos produtos da planta;
- O IPPC que é a organização internacional responsável pelo ajuste dos padrões fitossanitários e da harmonização das medidas fitossanitárias que dificultam o comércio;
- A comissão alimentar Codex (Codex) uma organização nascida da juncao da Organização Mundial de Alimentação (FAO) e da Organização Mundial da Saúde

(WHO), que ajusta padrões alimentares, linhas e textos relacionados tais como códigos de prática sob o programa dos padrões de alimento do FAO/WHO.

2.1 WTO

O WTO nasceu em 1995. É o sucessor do acordo geral nas tarifas e no comércio (GATT) estabelecidos na vigília da segunda guerra de mundo. O objectivo do WTO é facilitar, livremente, razoavelmente o fluxo de comércio. Isto é conseguido administrando os acordos de comércio, agindo como um fórum para as negociações de comércio, disputas de comércio estabelecendo-se, revendo políticas de comércio nacionais, ajudando os países em vias de desenvolvimento a rever a politica negocial através de auxílio técnico e programas de treino, e cooperando com outras organizações internacionais.

O WTO é responsável por controlar e reforçar dois acordos que têm um grande impacto na produção e o comércio de produtos hortícolas, que são:

- O acordo do SPS;
- O acordo de TBT.

2.2 IPPC

O IPPC é um tratado internacional, registado na FAO, relacionando-se com saúde da planta, a que 132 governos (até à data de 30 Dezembro 2004) aderiram incluindo África do Sul e todos países restantes de SADC.

A finalidade do IPPC é fixar uma acção comum e eficaz para impedir a propagação e a introdução de pestes das plantas e dos produtos da planta, e para promover medidas apropriadas para seu controle. A convenção fornece uma estrutura e um fórum para a cooperação internacional, a harmonização e a partilha técnica entre as partes dedicadas a esses objectivos. A execução envolve a colaboração de NPPOs e de organizações regionais da protecção de planta (RPPOs).

Desde a sua fundação, o IPPC teve um papel importante no comércio internacional da planta e dos produtos da planta. As partes em questão tentam assegurar-se de que as pestes agrícolas e as doenças da planta não sejam importadas, estabelecida e propagada no país de destino, protegendo desse modo a agricultura nacional e internacional, assim como o ambiente em geral.

O IPPC é indicado pelo SPS como a organização internacional responsável para o ajuste de padrões fitossanitários e para a harmonização das medidas fitossanitárias que dificultam o comércio. Aproximadamente 17 padrões internacionais para medidas fitossanitárias (ISPMs) foram adoptados.

O Web site de IPPC (https://www.ippc.int/IPP/En/default.jsp) é um local útil de referência e alista os pontos de contacto de todo os NPPOs globais

2.3 NPPO

O departamento nacional da agricultura na África do Sul estabeleceu o NPPO sob as linhas gerais do IPPC. A finalidade do NPPO é impedir a introdução e a propagação das pestes das plantas e dos produtos da planta, e promover medidas para seu controle. O NPPO tem como principais funções:

- A inspecção de plantas em crescimento em áreas sob cultivo, e das plantas e dos produtos das plantas no armazenamento e no transporte, particularmente com o objectivo de reportar a existência, a eclosão e a propagação de pestes da planta e de controlar aquelas pestes;
- A desinfecção das mercadorias compostas de plantas e de produtos da planta que movem-se no tráfego internacional, e seus recipientes (material de embalagem inclusos), os locais de armazenamento, e transporte de todos os tipos empregues;
- A emissão de certificados fitossanitários, de certificados da origem das mercadorias das plantas e dos produtos da planta;
- Listar as pestes, a introdução de que é proibida ou restringida, porque afectam plantas e produtos da planta de importância económica ao país.

Em arranjar licenças da importação e em concluir PRAs, os NPPOs dos países importadores e exportadores ligam se com cada um extensivamente. Ao exportador, uma comunicação do NPPO do seu país expedirá o processo de uma licença da importação desde que o exportador possa fornecer a informação e a documentação a seu NPPO quando requerido.

2.4 Commissao Alimentar do Codex (Codex)

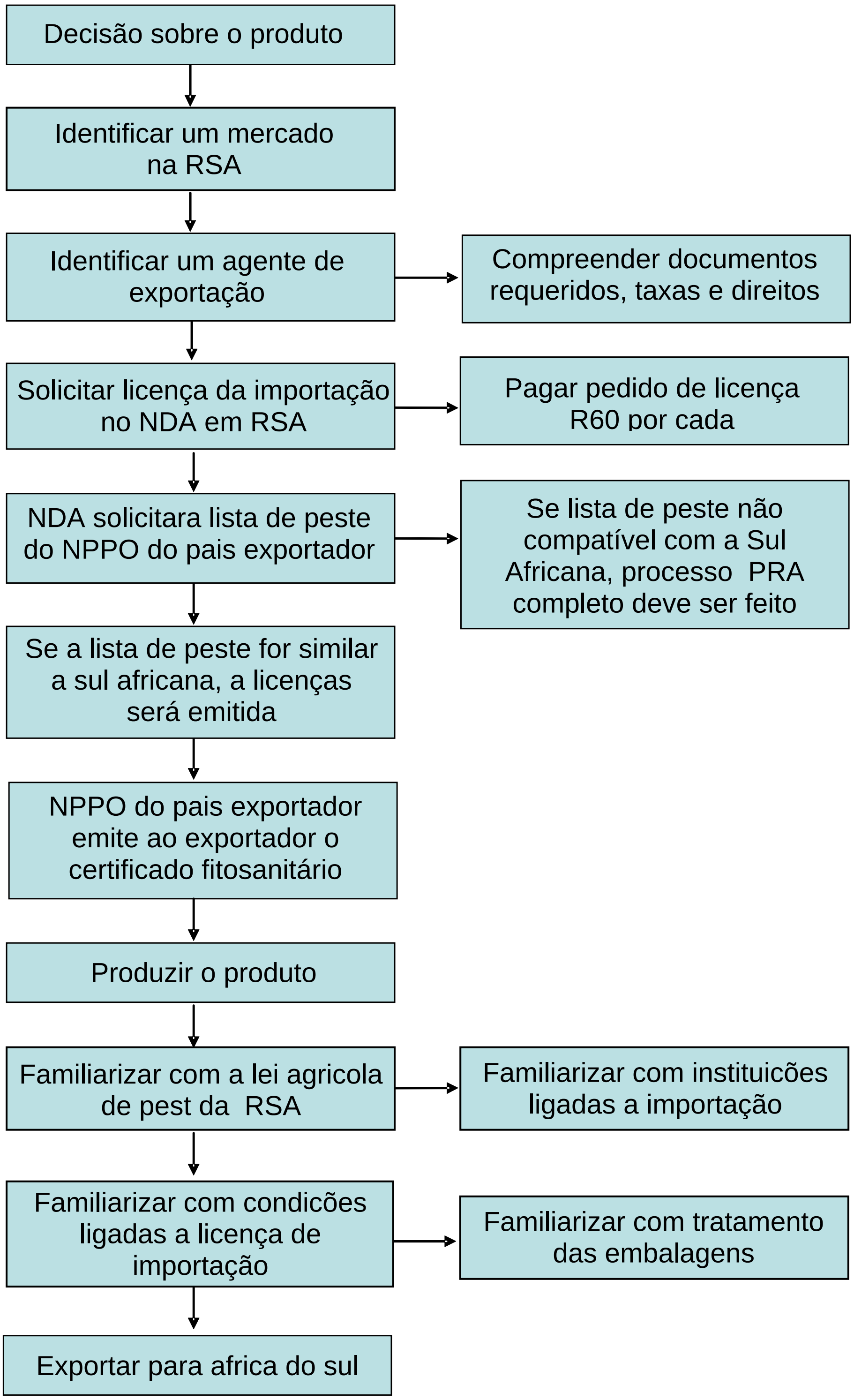
O Codex foi estabelecido em 1962 pela FAO que esta baseado em Roma e pelo WHO baseado em Genebra. Procura desenvolver padrões de segurança do alimento, linha gerais e textos relacionados tais como códigos de prática sob o programa dos padrões de alimento do FAO/WHO. A finalidade principal deste programa é proteger a saúde dos consumidores, assegurar a prática justa no comércio de alimento, promover a coordenação do trabalho dos padrões de alimento empreendido por organizações governamentais e não governamentais internacionais (NGOs), e publicar padrões concordados num Codex Alimentarius.

O Codex Alimentarius é a colecção completa dos padrões, dos códigos de prática, das linhas gerais, e das recomendações adoptadas pela comissão para conseguir seus objectivos. Os padrões, as linhas gerais e as recomendações estabelecidos pelo Codex em aditivos alimentares, resíduos dos pesticidas, a contaminação, os métodos de análise e amostragem, e os códigos e linhas gerais de práticas higiénicas são reconhecidos pelo acordo do SPS como a referência internacional para exigências de segurança do alimento na africa do Sul, os resíduos permitidos de pesticida são administrados pelo Lei 36/1947. O departamento de agricultura parou publicar desde 2002, e as listas disponíveis relacionam-se aos produtos químicos registados antes desta data. Os níveis mínimos permitidos dos resíduos na África do Sul são mais elevados do que aqueles permitidos por CODEX, mas os re-exportadores dos produtos hortícolas (fora de África do Sul) são convidados a submeterem-se aos regulamentos do destino final. As regras do EU são actualizadas regularmente e o mais actual pode ser encontrado em: http://www.pesticides.gov.uk/uploadedfiles/Web_Assets/PSD/MRL_Spreadsheet.xls.

2.5 Fluxogramma do procedimento do SPS

A seguinte segue o fluxo do produto e toda a documentação relevante desta área requerida para o produto ser exportado em África do Sul. No capítulo 4 do manual, nós explicamos o processo que é seguido no porto de entrada em África do Sul, assim como a documentação requerida.

A carta de fluxo segue o produto desde a produção, identificando um mercado apropriado, identificando os agentes de exportação apropriados, aplicação para obtenção de uma licença da importação, certificação fitossanitária, e tratamento do material de embalagem de madeira.



3. PROCESSO

Etapa 1: Decidir o que produzir

A indústria da fruta, da flor e do vegetal consiste numa larga disposição das colheitas e os produtos, cada um com diferentes fontes de aprovisionamento condicionam, o marketing necessitado, e tendências das demandas. Enquanto estes produtos compartilharem dos canais e de experiências comuns de marketing, assim como tendências e problemas um tanto similares, por mercado de frutas ser impar, os vegetais e flores devem ser mantidos em mente.

Em particular, frutas e vegetais frescos são introduzidos no mercado completamente sob forma de produtos processados. Este sistema de marketing mudou substancialmente em anos recentes. Tendências de descentralização e marketing directo, a concentração e produção geográfica especializada, a competição inter-regional, o aumento das importações e exportações, a integração vertical da produção e do marketing, o aumento do consumo por consumidores baixo rendimento, a urbanização e a disponibilidade do produto fresco com a expansão dos canais informais.

As questões acima mencionadas têm um impacto na decisão de e de quando produzir. Os produtores fora da África do Sul têm que compreender o ambiente sempre em mudança do mercado antes de começarem em produzir um produto destinado ao mercado sul africano

Etapa 2: Identificar um mercado apropriado na África do Sul

A crescente diversidade dos produtos no mercado é uma notícia boa para o cliente e fornece aos vendedores maiores oportunidades de estabelecer um nicho de mercado para alguns produtos hortícolas. Isto é especialmente verdadeiro na África do Sul, que tem uma classe media emergente com o dinheiro a gastar em produtos hortícolas de nicho de qualidade superior

Mas para explorar esta nicho do mercado, o vendedor deve compreender o ambiente complexo e dinâmico do mercado. Essa compreensão pode somente ser adquirida através do contacto constante com o mercado. Consequentemente, os produtores que estão separados do mercado por uma distância geográfica grande estão em desvantagem.

No anexo I do manual, nós fornecemos detalhes das principais empresas que operam na indústria da fruta e do vegetal em África do Sul. O anexo fornece nomes de companhia, detalhes do contacto, endereços do email e serviços. Estas companhias operam no mercado do hortícolas sul africano e poderiam ajudar os produtores em países de SADC a estabelecer a demanda do mercado para produtos, e a desenvolver e prestar serviços de manutenção a esse mercado. identificar um mercado alvo para exportar é de importância crítica para estabelecer suas exigências da segurança alimentar. Todos os grossistas alimentares do sul africanos estão-se movendo para insistir na certificação EurepGap e do ponto de controle da análise de perigo (HACCP) e utilizam revisores de contas contratados para executar inspecções na fazenda. No exemplo da produção orgânica, cada grossista tem também as exigências específicas de etiquetagem que deve ser analisado durante o estágio da deliberação para quem exportar. Estas exigências são específicas ao comprador, e alguns compradores podem ser satisfeitos sem estas exigências.

Etapa 3: Identificar um agente exportador

No contexto actual do marketing, o produtor primário tem ainda determinadas responsabilidades importantes para com consumidores. O produtor é a pessoa que carrega o risco financeiro se o produto não satisfaz com as exigências de mercado. O produtor, embora o proprietário do produto, não pode cumprir com todas as funções da produção ao marketing. O produtor apontará consequentemente agentes para cumprir determinadas tarefas, e estes agentes apontarão por sua vez outros agentes para outras funções especializadas. Alguns dos agentes que operam na corrente de fornecimento incluem o seguinte:

- Agentes de transporte e manuseamento;
- Agentes de exportação;
- Agentes de transporte e navegação; e
- Agentes de marketing

Etapa 4: Solicitar uma licença da importação

Se a colheita e para ser exportada para África do Sul, então uma licença da importação devera ser requerida. No exemplo das colheitas não cultivadas em África do Sul, tal como o coco, uma avaliação de risco da Peste não é requerida. Isto pode ser sabido consultando l NPPO sul africano.

Antes de importar bens (planta e produtos da planta) cada importador deve obter uma licença da importação (ver o anexo II) no NPPO da África do Sul. Antes da licença ser emitida, uma decisão sobre se deve-se conduzir uma avaliação de risco da Peste (PRA) baseada em dados científicos será tomada. A aplicação para obter a licença da importação deve ser submetida pelo menos 60 dias antes da data da chegada dos bens.

As etapas a seguir para obter uma licença da importação são:

i. Preencher os detalhes nos formulários de aplicação da licença. O formulário pode carregato do Web site de NDA, www.nda.agric.za

ii. Submeter somente uma cópia assinada do formulário de aplicação terminado aos seguintes endereços:

National Department of Agriculture,
Directorate Plant Health
Permit Office

Pretoria	ou	Stellenbosch
Telefone: 012 319 6102/6531/6396		de telefone: 021 809 1617
Fax: 012 319 6370		Fax: 021 887 509
Email: JeremiahMA@nda.agric.za		E-mail: HaroonA@nda.agric.za

iii. O formulário de aplicação terminado deve ser submetido pelo menos 60 dias antes da data da importação

iv. O formulário de aplicação terminado deve ser acompanhado pela prova do pagamento de R60 (talão de depósito do banco ou recibo do caixa).

O pagamento da licença deve ser feito como segue:
Pagamento ao departamento de agricultura
Banco: STANDARD BANK
Filial: Arcadia
No. DE AGENCIA: 010845
CONTA N: 011251735
NOME Da CONTA: Import of Controlled Goods

OU

Pagamento em dinheiro: Department of Agricultural's cashier
Pretoria:
Agricultural Place, 20 Beatrix Street, Arcadia, Pretoria
Block P: Room GF 15

NOTA:

- Nenhuma aplicação será processada sem prova do pagamento;
- O exportador é responsável para cargas do banco local e estrangeiro;
- Cada licença da importação será válida por um ano;
- Forneça informação técnica apropriada a respeito dos bens a consignação para facilitar o processamento da licença;
- Especifique claramente o porto da entrada e meio de transporte;
- Se o porto da entrada não for uma fronteira designada designado, requeira a NDA para ter um inspector e forneça a data e a hora correctas;
- O tempo necessário para emitir uma licença depende do produto que esta sendo importado, do país de fonte e da finalidade para importar;
- Especifique formulário de aplicação se a licença será colectada ou deve lhe ser enviada por correio;
- Se aplicando-se em nome de alguém, assegura-se de por favor que você pague sob nome daquela pessoas ou companhia.

Etapa 5: Assistência na compilação de pais es exportador

Após ter recebido a aplicação da licença da importação, o NPPO em África do Sul colocara uma série de questões relacionadas com exigências fitossanitárias, embalagem e o transporte das plantas ,estas perguntas serão enviadas ao NPPO do país que pretende exportar para África do Sul. Após ter recebido respostas do NPPO do país que pretende exportar para África do Sul, uma decisão para emitir uma licença da importação, procedimentos do mitigação ou para empreender um PRA detalhado é feita.

A decisão para emitir a licença da importação é feita se não houver nenhuma ameaça de introduzir novas pestes que poderiam prejudicar o sector agrícola na África do Sul. A decisão para empreender uma avaliação de risco do peste é feita se houver uma possibilidade de introduzir novas pestes. O PRA é um processo longo que e empreendido para se avaliar a probabilidade de uma peste ser introduzida na África do Sul, as consequências económicas de uma possível infestação, e recolher a informação disponível a respeito das vias de entrada, a probabilidade da detecção, e as consequências no marketing/exportação na África do Sul.

No exemplo de um PRA que está sendo requerido, este processo é longo, dado que requer uma comunicação e a recolha extensiva de dados técnicos do risco da peste entre os países exportadores e importadores NPPOs. A submissão oportuna de dados do risco da peste ao NPPO sul africano pelo NPPO do país exportando representa o maior tempo em finalizar um PRA.

Etapa 6: Receber uma licença da importação com certas condições a observar

O exportador receberá uma licença da importação com uma lista das condições a serem observadas. As condições serão idênticas àquelas que seriam emitidas previamente pelo NPPO do país exportador. Algumas das condições serão fitossanitárias, como aquela em que o produto deve estar livre de determinados vírus, fungos e insectos, ou incluirão os procedimentos do mitigação a serem seguidos. Outras circunstâncias podem cobrir procedimentos da inspecção no país de origem.

Etapa 7: Receber um certificado fitossanitário

Um certificado fitossanitário é um original que mostre a origem do shipment e confirme a inspecção no país de fonte por um membro do país NPPO (ver o anexo III).

O exportador receberá um certificado fitossanitário do NPPO do país exportador. Isto será emitido somente se o NPPO estiver satisfeito que o produto não transportará pestes no ambiente sul africano e o exportador cumprir com todas as exigências fitossanitárias exigidas pela África do Sul. As exigências seriam emitidas ao NPPO do país exportador por África do Sul como parte das perguntas preparadas ao processar a licença da importação. Para que o NPPO assegure-se de que o exportado cumpra com todas as exigências fitossanitárias da África do Sul, terão que empreender inspecções do campo, amostragem, análise do laboratório, tratamentos (sob a supervisão ou por pessoas registadas) e a inspecção final antes de emitir um certificado.

Após a inspecção final e a certificação, as mercadorias devem ser exportadas dentro de 14 dias para assegurar a segurança fitossanitária dos produtos tendo em consideração à composição, à substituição e a re-infeccao

Etapa 8: Compreender os regulamentos que governam o material de embalagem de madeira que entra em África do Sul

O material de embalagem feito de madeira crua não processada fornece uma via para a introdução e a propagação de pestes tais como o Nematode Asian e do Long-horn. Para proteger árvores e florestas da propagação de tais pestes, um número de países incluindo a África do Sul e o bloco negociador fizeram exame da acção que regula as embalagens de madeira.

Os países membros, sob as linhas gerais do IPPC, adoptaram os padrões internacionais para linhas gerais fitossanitárias para o material de embalagem no comércio internacional (ISPM15) em março 2002. O ISPM15 e orientador para todas embalagens de madeira, incluindo paletes (novo ou reparado).

As condições de conformidade das embalagens de madeira entrando para África do Sul são:

i. O material de embalagem da madeira crua deve ter a marca do país de origem

ii. O material de embalagem deve ter a marca de certificação internacional
iii. O material de embalagem deve somente ser tratado com dos dois métodos:
  - Tratamento térmico (HT) em um kiln a uma temperatura de núcleo mínima de 56˚C para um mínimo de 30 minutos.
  - Fumigacao usando o brometo Methyl (MB) em 21˚C ou acima e à taxa de dosagem de 48g/m3.

Etapa 9: Familiarizar com a Lei da Peste de RSA Agric (age o No. 36 de 1983)

A aplicação e a introdução de uma licença da importação deve ser feita de acordo com os termos das provisões que regem a Lei da Peste, 1983 (age o No. 36 de 1983).
A lei fornece as medidas por que as pestes possam ser prevenidas e combatidas.
A lei é fornecida como o anexo IV do manual. É aconselhável que todo o exportador que pretende exportar em África do Sul compreende a lei.

Etapa 10: Exportação para RSA: Inspecção no porto da entrada

No ponto da entrada a África do Sul, as inspecções são realizadas pelo NPPO. Envolvem o escrutínio detalhado da documentação e as verificações para a identidade e a saúde de planta, a partir de uma amostra representativa, ou em toda a matéria da planta.

No porto da entrada, o importador deve despachar todos os originais com as autoridade aduaneiras sul africanas antes dos bens serem liberados. O material vegetal de alto risco importado para África do Sul é colocado sob quarentena no ponto de entrada. Isto será feito de acordo com condições da licença da importação ou se os materiais vegetais necessitarem ser verificados as condições fitossanitárias.

Nos casos onde quarentena é necessária, a licença da importação indicará as condições para o local e hora para a quarentena. É da responsabilidade do importador contactar o departamento relevante para reserva de espaço. Todos os custos da quarentena são cobertos pelo agente importa para África do Sul.

Para a informação adicional sobre quarentena, contactar por favor:

The NDA
Sub-directorate Plant Health
National Phytosanitary Matters

4. TERMOS DE ENTREGA (INCOTERMS 2000), DOCUMENTAÇÃO, PROCEDIMENTOS E DEVERES NO PORTO DE ENTRADA

Exportar requer uma enorme atenção ao detalhe, especialmente documentação. Se faltarem documentos originais ou preenchidos de forma errada, a transacção poderia ser anulada. Abaixo está uma lista dos documentos originais usados na exportação, indicando os procedimentos passo a passo dos documentos originais da exportação ,Incoterms (ver abaixo). Nem todos estes originais e termos serão relevantes para cada transacção da exportação.

Os países seleccionados exportando em África têm um formulário da declaração da moeda corrente emitido pelo banco de reserva para assegurar-se de que a factura/ invoice possa ser convertida em relação à moeda corrente estrangeira e que o dinheiro chegue eventualmente ao país de origem. Este é o caso na África do Sul, e este pode ser estabelecido por outros países de SADC, devendo para isso consultar o bancos comerciais.

4.1 Fluxo passo a passo dos documentos originais na exportação de produtos hortícolas.

Nesta secção nós fornecemos detalhes do fluxo da documentação ao exportar produtos hortícolas via aérea

Etapa 1: O produtor submete um invoice/factura comercial aos inspectores do departamento de Saúde da planta (Plant-Health) para a inspecção do produto.

Etapa 2: Os inspectores do departamento saúde/agricultura olham os preços, verificam o peso declarado e emitem um certificado de exportação.

Etapa 3: O produtor emite os originais ao/seu agente (aqui a responsabilidade das do produtor acaba), o agente prepara outros documentos originais, por exemplo, conta da linha aérea e formulários de entrada das alfandegas.

Etapa 4: O produto é pesado no departamento de serviços da linha aérea e emitido o peso

Etapa 5: Todos os originais são verificados para a aprovação final.

Etapa 6: O agente envia documentos originais aos oficiais das alfandegas a verificação.

Etapa 7: as alfandegas emitem os originais do frete aéreo e envia então os originais à linha aérea.

Etapa 8: Quando a mercadoria chega no aeroporto do país de destino, a companhia da linha aérea usa a factura aérea do frete para contactar comprador. A factura aérea deve claramente especificar se a mercadoria requer refrigeração

Etapa 9: A mercadoria é enviada as alfandegas para despacho aduaneiro. As alfandega cobram direitos em alguns produtos agrícolas.

Etapa 10: As alfandegas reterão a mercadoria para conduzir testes se alguns riscos fitossanitários específicos puderem ser percebidos.

Etapa 11: As alfandegas dão ao cliente um talão/recibo de retenção das mercadorias e um formulário para despacho da direcção de agricultura/saúde de planta

Etapa 12: O cliente leva então de todos os originais ao triângulo perecível da carga (PCT) para o endosso.

Etapa 13: O cliente leva então todos documentos despachados e preenche nas alfandegas um formulário de libertação das mercadorias e factura da linha aérea e da para colectar a mercadoria.

4.2 Termos de comércio especiais em vendas de exportação (Incoterms)

Incoterms sao termos de venda concordado pelo vendedor e pelo comprador para facilitar o processo de entrega de uma mercadoria e para especificar quem é responsável pelos custos do transporte até um ponto designado. Todos os Incoterms são reconhecidos por três-letras e menciona os nomes e o lugar de entrega. O Incoterms estão agrupados em quatro categorias:

- O primeiro, grupo E tem somente um termo de comércio: Ex Works (Ex – trabalhos) EXW
- O segundo, grupo F, indica a obrigação do vendedor de entregar os bens a um portador livre de risco e de despesas ao comprador.
- O terceiro, grupo C, inclui os termos que indicam a obrigação do vendedor em acarretar com determinados custos após o transporte principal, que é um ponto crítico no contrato de vendas: a obrigação em acarretar riscos e os custos mudam de uma parte para outra.
- O quarto, grupo D, inclui os termos que prescrevem que os bens devem ter chegado em um destino especificado.

Incoterms são providenciais aos exportadores desde que estas são uma ferramenta para controlar o risco, e representam também um custo aos exportadores que podem ter impacto na viabilidade da exportação.

4.2.1. Tipos de Incoterms

Grupo E: Partida

EXW – Ex Works (Ex – trabalhos): Quando os bens forem feitos disponíveis ao comprador nas instalações do vendedor para a colecta com obrigação mínima do vendedor em transportar os bens ao comprador. Neste momento, a responsabilidade do risco é transferida ao comprador, que é obrigado a despachar os bens para a exportação e pagar todos os custos envolvidos pelo transporte, incluindo o seguro se requerido.

Grupo F: Transporte não-pago

FCA – Free Carrier (Portador livre): O vendedor faz a entrega dos bens despachados para a exportação ao portador o nomeado pelo comprador e é responsável pelo o risco e os custos até o ponto para o manuseamento

FAS – Free Alongside Ship (Livrar ao lado do navio): O vendedor entrega os bens ao lado da embarcação no porto de embarque nomeado pelo comprador. O comprador será responsável por todos os custos e riscos

FOB – Free on Board (Livre a bordo): O vendedor é responsável pelo despacho dos documentos e entrega dos bens para a exportação na placa de embarcação do porto saída escolhido. Uma vez que os bens passaram sobre o trilho do deslizamento no porto do carregamento o risco está transferido então ao comprador.

Grupo C: Transporte principal pago

CFR – Cost and Freight (Custo e frete): O vendedor é responsável pelas cargas do custo e de frete para entregar os bens no porto de destino designado e acarreta com todos os riscos até este ponto.

CIF – Cost, Insurance and Freight (Custo, seguro e frete): O vendedor é responsável pelos custos, seguro e transporte em entregar os bens no porto do destino designado e carrega todos os riscos.

CPT – Corriage Paid To (Transporte pago ao): O vendedor empreende entregar os bens a seu portador apontado para o porto do destino escolhido incluindo seguro pago por ele. A responsabilidade do risco é passada então ao primeiro portador até o lugar de entrega designado e o custo dos bens e da responsabilidade do vendedor até que cheguem ao lugar ate onde o frete foi pago.

CIP – Carriage and Insurance Paid To (Transporte e seguro pagos ao): O vendedor empreende em entregar os bens a seu portador apontado no porto do destino designado, incluindo o seguro na despesa do vendedor. A responsabilidade do risco é passada então no primeiro portador até ao lugar de entrega combinado e o custo dos bens são acarretados pelo vendedor até que cheguem no lugar ate onde o frete foi pago.

Grupo D: Chegada

DAF – Delivered at Frontier (Entregue na fronteira): o vendedor despacha e coloca os bens a exportar a disposição do comprado na fronteira e acarreta todos os riscos para o transporte até este ponto.

DES – Delivered ex Ship (Entregue no navio): O vendedor entrega e coloca os bens a disposição do comprador, no lugar de destino nomeado e carrega o risco até que cheguem no lugar de destino combinado.

DEQ –Delivered ex Quay (Entregue no cais): O vendedor entrega e coloca os bens sem despacho aduaneiro a disposição comprador, no cais do lugar de destino combinado. Neste momento a responsabilidade do risco está no comprador.

DDU – Delivered Duty Unpaid (Entregue direitos não-pago): O vendedor empreende em entregar os bens às premissas do comprador descarregados no lugar do destino final, e carrega todos os custos excluindo direitos taxas e impostos aplicáveis.

DDP – Delivered Duty Free (Entregue direitos pagos): O vendedor empreende entregar os bens às premissas do comprador descarregadas no lugar do destino final, e carrega todos os custos incluindo todo o dever e impostos aplicáveis.

4.2.2. Documentos básicos de exportação

Abaixo está uma lista de originais básicos da exportação. A documentação é requerida pelo importador para satisfazer às autoridades de comércio do controle do país, ou para permitir que uma transacção de crédito documentário seja executada. Muitos exportadores acham mais conveniente controlar os volumes e a variedade da tarefa administrativa e matérias relacionadas cobrindo todo processo administrativo, a documentação inteira de cobertura do procedimento do controle, pagamento, instruções de transporte e assim por diante. A lista de verificação serve para o frete terrestre, aéreo e maritimo.

Lista de documentos de exportação

Documento	Via terrestre	Via aerea	Via maritima
Pedido de cotação	x	x	x
Cotaçao	x	x	x
Factura Pro forma/ invoice	x	x	x
Confirmação de encomenda/ riconhecimento	x	x	x
Manifesto de embarcaçao/	x	x	x
Conta linha aerea		x	
Politica de seguros	x	x	x
FacturaCommercial/invoice	x	x	x
Factura Consular / invoice	x	x	x
Certificado de origem	x	x	x
Lista de embalagem/ nota de peso		x	
Folha de especificaçao	x	x	x
Licença de importaçao	x	x	x
Certificado fitosanitario	x	x	x
Factura alfandegaria	x	x	x
Letra de credito	x	x	x
CCA1 formulario	x		
Manisfesto de embarque			x

4.2.3. Documentos comerciais

Lista da embalagem: Um original do inventário que mostra a quantidade líquida dos bens, o número dos pacotes, o peso e a medida da mercadoria.

Invoice/factura pro forma: Este é um formulário de uma citação pelo vendedor a um comprador potencial. É o mesmo que o invoice/factura comercial à excepção da palavra "Invoice/factura pro forma".

Invoice certificado: Um invoice/factura certificado pode ser uma factura/invoice comercial ordinária assinada que certifica especificamente que os bens estão de acordo com um contrato específico ou pro forma, isso que os bens são, ou não são, de um país de origem específico e de certificar qualquer indicação requerida pelo comprador ao vendedor.

Factura comercial: Os seguintes detalhes devem aparecer em uma factura/invoice comercial:

- Nomes e endereços do comprador e do vendedor e a data;
- Descrição completa dos bens;
- Preços por unidade e preço final, termos do transporte (incoterms);
- Termos de liquidação
- Marca e número do transporte;
- Peso e quantidade dos bens; e nome da embarcação se sabido e aplicável.

4.2.4. Documentos oficiais

Licença da importação: Um original da importação emitido pelo NDA para a importação de determinados produtos que devem ser submetidos a despacho aduaneiro

Certificado fitossanitário: Um original que mostre a origem dos bens e confirme a inspecção no país origem pelo membro NPPO desse pais.

Invoice/factura alfandegaria: Um invoice/factura comercial emitida pelo vendedor a um comprador que declara informação como:

- endereço físico do remetente e do consignatário do;
- descrição dos bens;
- quantidade e valor da consignação;
- transporte/Incoterms.

Isto estará ausente se os bens não forem para a venda.

Formulário CCA1: documento formal das alfandegas que devem ser preenchidos para todos os produtos que não são os originários e que são enviados dentro da região de SACU.

Certificado de origem: Estes constituem os originais assinados que evidenciam a origem dos bens e são usados normalmente pelo país do importador para determinar as taxas da tarifa. Devem conter a descrição dos bens e da assinatura fitossanitária da inspecção.

4.2.5. Documentos do seguro

Letra do seguro: Isto é emitido geralmente por um corretor para fornecer a Informação que o seguro esteve colocado durante a produção ou de um certificado.

Certificado de seguro: Estes são emitidos por companhias de seguro para qualquer uma das partes em questão.

4.2.6. Documentos do transporte

Factura aérea: Este é um original não negociável da linha aérea que cubra o transporte da carga de um designado ponto de origem ate um destino final designado, se é uma carga internacional ou doméstica. Indica todos os detalhes da carga a bordo um avião.

Contrato de carga: Este é um contrato legal entre o proprietário da mercadoria e da linha de transporte ou o agente para transportar a mercadoria. Indica todos os detalhes da carga carregados sobre a embarcação.

Manifesto de embarcação: Uma lista redigida de toda mercadoria a ser enviado e assinado para pelo capitão do avião ou da embarcação.

4.2.7. Documentos financeiros e do financiamento

Letra de crédito: Estes são particularmente importantes. Um arranjo da letra de crédito será concordado no contrato de venda. O comprador instrui um banco em seu próprio país abrir um crédito com um banco no país do vendedor a favor do comprador, especificando os originais que o vendedor tem que entregar ao banco para que receba o pagamento.

Ordem de entrega: Esta é uma ordem onde armazém e instruído para entregar bens ao portador ou uma partido nomeada na ordem. cumpre tais ordens quando os bens armazenados em seu nome devem ser entregados a um comprador ou são ser re embarcados e têm que sair de um armazém.

Recibo de armazém: Este é um recibo para os bens emitidos por um armazém. Não é negociável e nenhuns direitos sobre os bens podem ser transferidos sob ele. As ordens de entrega podem ser emitidas contra o recibo dos bens.

Notas Promissórias: enquanto não moeda de troca, estas estão sujeitas as mesmas regras e são usadas para propósitos similares nomeadamente a ordenação dos pagamentos, em vez de moeda de troca elas são feitas pela pessoa que deve o dinheiro a favor do beneficiário. .

Anexo I Acordos WTO no SPS e no TBT

Padrões sanitários e fitossanitários

Este acordo concerne a aplicação de medidas sanitárias e fitossanitárias noutros regulamentos de segurança alimentar e da saúde do animal e de planta. O acordo reconhece que os governos têm o direito de fazer exames de medidas sanitárias e fitossanitárias mas que devem ser aplicados somente à extensão necessária para proteger o ser humano, animal ou vida ou saúde de planta e não deve arbitrariamente ou injustificadamente discriminar os membros onde as circunstâncias idênticas ou similares prevalecem.

Os membros são incentivados a basear suas medidas em padrões internacionais, em linhas gerais e em recomendações onde existem. Entretanto, os membros podem manter ou introduzir as medidas que resultam em padrões mais elevados se houver uma justificação científica ou em consequência das decisões consistentes do risco baseadas em numa avaliação de risco apropriada. O acordo soletra para fora procedimentos e critérios para a avaliação do risco e a determinação de níveis apropriados da protecção sanitária ou fitossanitária.

Espera-se que os membros aceitariam as medidas sanitárias e fitossanitária de outros países como o equivalente se o país exportando demonstrar ao país importando que suas medidas respeitam o nível apropriado de país importando da protecção de saúde. O acordo inclui provisões em procedimentos do controle, da inspecção e da aprovação.

Barreiras técnicas ao comércio

Este acordo procura assegurar-se de que as negociações e os padrões técnicos, assim como procedimentos de teste e de certificação, não criem obstáculos desnecessários para negociar. Reconhece que os países têm a direito de estabelecer a protecção, em níveis que consideram apropriado, por exemplo para a vida humana, do animal ou de planta ou a saúde ou o ambiente, e não deve ser impedido de fazer exame das medidas necessárias para assegurar que aqueles níveis da protecção são cumpridos. O acordo incentiva consequentemente países a usar os padrões internacionais onde estes são apropriados, mas não os incita a mudar seus níveis de protecção em consequência da estandardização. Cobre os métodos para processar e de produção relacionados às características do produto próprias. A cobertura de procedimentos da avaliação da conformidade é ampliada e as disciplinas feitas mais precisas. As provisões da notificação que aplicam-se ao governo local e as organizações não governamentais são elaborados mais detalhadamente do que no acordo do círculo de Tokyo. Um código da prática boa para a preparação, o adopção e a aplicação dos padrões standards, que está aberto à aceitação por organizações do sector privado assim como do sector público, é incluído como um anexo ao acordo.

Anexo II principais actores da industria sul africana

Nome da companhia	Contaco telefonico	E-mail	Produtor processador	Logistica e controlo	Exportador	Despachante aduaneiro	Transporte E manuseamento
ACCESS FREIGHT INTERNATIONAL	27 31 451 9200	info@accessgroup.co.za	SIM	SIM	SIM	SIM	SIM
AFRIFRESH EXPERTERS CC	27 21 794 7360	anton@afrifresh.co.za			SIM		
AFRUTA	27 44 877 0971	afruta@iafrica.com			SIM		
AFTEX EXPORTERS	27 11 792 3544/47/51	export@aftex.co.za			SIM	SIM	SIM
AGRI MANAGEMENT	27 21 982 3314	agriman@iafrica.com					
AGRILINK	27 11 390 2366-8	wouter@agrifruit.co.za			SIM		
AH ENGELBRECHT SNR & SEUNS	27 27 216 1448	studiosur@interfree.it			SIM		
ANALYTICAL SERVICES	27 12 804 6825/6	lab@ppecb.com					
ANLIN SHIPPING	27 21 911 1070	webmaster@anlin.co.za			SIM		
ASHTON CANNING	27 23 615 1140	info@ashtoncanning.co.za	SIM				
AV CONTAINERS	27 21 511 2569	wwc@global.co.za					
BELL SHIPPING	27 21 461 3604	sargeant@bellshipping.co.za			SIM		
BENGUELA INTERNATIONAL	27 31 564 5343	info@benguela.co.za			SIM		
BERGFLORA	27 21 934 6110-2	info@bergflora.co.za			SIM		
BERRY & DONALDSON	27 21 462 4190	caronb@berrydon.co.za			SIM		SIM
BETKO VARS PRODUKTE	27 28 840 2313	betko@iafrica.com			SIM		
BIOTRACE FRUIT EXPORTERS	27 12 252 2387	grant@frutex.co.za		SIM	SIM		
CAPE FIVE EXPORT SA	27 21 850 4640	infor@capefive.com			SIM		
CAPE FRESH & FROZEN	27 21 855 1183				SIM		
CAPE VINEYARDS	27 23 349 1585/ 1466	henriette@cape-vineyards.com			SIM		
CAPESPAN	27 21 917 2600	info@capespan.co.za					
CAPSELLING SA	27 21 851 5303/5	alain@capselling.co.za			SIM		
CARGO LOGISTICS DURBAN	27 31 563 3608	peter@cargologisticsdurban.co.za				SIM	
CERES FRUIT JUICES	27 21 860 0000	exports@ceres.co.za	SIM		SIM		
CITRUS GROWER'S ASSOCIATION	27 31 765 2514	justchad@iafrica.com					
CITRUS SA	27 21 975 7220	ceo@citrussa.co.za					
CLASS A TRADING-7 SEAS	27 21 701 6770	tracey@sevenseasfruit.com			SIM		
CLOVER CARGO INTERNATIONAL	27 21 530 9800	cloverct@iafrica.com				SIM	SIM
COMMERCIAL GOLD STORAGE	27 21 418 3236	fdowling@comcold.co.za					
CTS CONTRASHIP	27 31 304 1963	nr@yebo.co.za			SIM		

Nome da companhia	Contaco telefonico	E-mail	Produtor processador	Logistica e controlo	Exportador	Despachante aduaneiro	Transporte E manuseamento
DECIDUOUS FRUIT	27 21 870 2913	retha@dfpt.co.za					
DELECTA FRUIT	27 21 930 1181	jonathan@delecta.co.za			SIM		
DENMAR ESTATES	27 58 303 2149	sales@denbi.co.za	SIM		SIM		
DOCKS SHIPPING	27 21 530 5200	gavinw@docks.co.za			SIM	SIM	SIM
DOLE SA	27 21 914 0600	dolecpt@za.dole.com			SIM		
EGGBERT EGGS	27 11 845 2066	eggbert@saol.com			SIM		
ETLIN	27 21 418 3850	leonor@cpt.etlin.co.za			SIM		
EURO-AFRICA	27 11 483 3036	brad@popcorn.co.za			SIM		
EYETHU FISHING	27 41 585 5683	heinrich@eyethufishing.co.za	SIM		SIM		
FIELD CREST INTERNATIONAL	27 31 465 0703/8	info@fieldcrest.co.za			SIM		
FOREST FERNS	27 42 280 3876	fferns@telkomsa.net			SIM		
FRESH PRODUCE	27 21 674 3202	symo@iafrica.com					
FRESH PRODUCE TERMINALS	27 21 401 8700	ronnie_kingwill@fpt.co.za		SIM		SIM	
FRESHCO	27 21 531 8303	info@freshco.co.za			SIM		
FRESHMARK	27 21 980 7000	freshmark@shoprite.co.za			SIM		
FRESHWORLD	27 21 808 7100	kieviet@freshworld.co.za			SIM		
FRUIT SA	27 21 674 4049	porchia@fruitsa.co.za					
FRUITAIR EXPORT CC	27 21 552 8240	fiford@fruitair.co.za			SIM		
FRUITS UNLIMITED	27 21 872 0437	elrika@fruitsunltd.co.za			SIM		
GERBER PACKAGING	27 11 652 0710	philipi@gerber.co.za		SIM			
GIANTS CANNING	27 11 623 2929	giants@aqua.co.za	SIM				
GOLDEN HARVEST	27 21 531 7213	pkotze@goldenharvest.co.za			SIM		
GOLDEN LAY FARMS	27 11 790 4700	goldlay@global.co.za	SIM		SIM		
GOREEFERS LOGISTICS	27 21 914 2832	capetown@goreefers.com		SIM			
GRANOR PASSI	27 15 298 6000	passi@mweb.co.za	SIM				
GRAPES (SA TABLE GRAPES)	27 21 870 2954	info@grapesa.co.za					
GREEN MARKETING INTERNATIONAL	27 21 874 1055	rory@gmint.co.za			SIM		
GRINDROD PCA	27 21 934 6184	douge@rohlig.co.za				SIM	SIM
HELLMANN WORLDWIDE	27 31 240 7100	fmckenzi@za.hellmann.net		SIM	SIM	SIM	SIM
HM FRUIT PROCESSING	27 15 309 0046	alans@hansmerensky.co.za	SIM		SIM		
HPL SEA FREIGHT SA	27 21 425 0610	shameeg@hplsa.co.za		SIM			SIM
INDLOVU INTERNATIONAL CC	27 21 794 8126	indloint@global.co.za			SIM		
INTERTRADING LTD	27 11 771 6000	interltd@intertrading.co.za			SIM		

Nome da companhia	Contaco telefonico	E-mail	Produtor processador	Logistica e controlo	Exportador	Despachante aduaneiro	Transporte E manuseamento
IRVIN & JOHNSON LTD	27 21 402 9200	georgew@ij.co.za	SIM		SIM		
JHB FRESH PRODUCE	27 11 613 2049	choltzkampf@jfpm.co.za					
KAI SHANG AFRICA	27 11 622 5133	hakim@global.co.za			SIM		
KAIRALI FLORA	27 11 268 0864	info@kairalisa.com			SIM		
KALLOS EXPORTERS	27 21 425 4800	meyer@kallos.co.za			SIM		
KAPPA SOLID BOARD	27 21 880 1092	sales@kappa-solidboard.co.za					
KARPUS TRADING	27 11 268 0864	info@kairalisa.com			SIM		
KATOPE EXPORTS	27 15 307 8500	jaco@katope.co.za			SIM		
KENT FARM DRIED FLOWERS	27 28 572 1611	kent@isat.co.za			SIM		
KINGFLORA TRUST	27 42 287 0727	noking@iafrica.com			SIM		
KOMATI FRUITS	27 11 455 2563	komati@global.co.za			SIM		
LASER PERISHABLE DIVISION	27 11 974 9297	jacques@laserint.co.za		SIM		SIM	SIM
LONA TRADING	27 21 410 6700	info@lona.co.za			SIM		
MAERSK SEALAND	27 21 408 6000	cptordexpref@maersk.com					SIM
MALACHITE COMMUNICATIONS	27 21 855 5512	info@malachite.co.za					
MARNIC ENTERPRISES	27 21 710 9000	trade@gaertner.co.za			SIM		
MEIHUIZEN INTERNATIONAL	27 21 419 9191	asl@meihuizen.co.za					SIM
MELPACK	27 28 841 4380	melpack@melsetter.co.za					
MOL SA	27 21 402 8901	hnaiker@molrsa.infonet.com					SIM
MONDIPAK	27 21 507 6700	www.mondipak.com					
MSC LOGISTICS	27 31 360 7811	lbateman@clog.co.za		SIM			SIM
NAPIER FLORA	27 28 423 3345	napier@netactive.co.za			SIM		
NATIONAL DEPT OF AGRICULTURE	27 12 319 7317	dcom@nda.agric.za					
NULAID	27 21 981 1151	prossouw@pnr.co.za			SIM		
OCEAN PRINCE MARINE	27 21 511 7777	oceanprince@mweb.co.za			SIM		
ODESSEY INT'L IMPORT & EXPORT	27 21 421 7160	odessey@odyint.co.za		SIM	SIM	SIM	SIM
ORANGE RIVER EXPORT	27 54 431 6100/6	orex@mweb.co.za			SIM		
PALTRACK SYSTEMS	27 21 970 2777	andries_mouton@paltrack.co.za		SIM			
PARAGON PRODUCE	27 11 421 2605	lingda@paragonproduce.co.za			SIM		
PORT NOLLOTH FISHERIES	27 21 434 4002	sankfin@iafrica.com			SIM		
PPECB	27 21 930 1134	ho@ppecb.com					
PREMIER FRUIT EXPORTS	27 31 767 3875	pfe@iafrica.com			SIM		
PRIMA FRUIT	27 11 784 3030	prima@globa.co.za			SIM		

Nome da companhia	Contaco telefonico	E-mail	Produtor processador	Logistica e controlo	Exportador	Despachante aduaneiro	Transporte E manuseamento
PROPOTS	27 21 534 4420/9036	mwpropot@iafrica.com			SIM		
QUALITRACK	27 21 872 4028	heidi@qualitrack.co.za		SIM			
REDFERN	27 21 552 9680	sales@redfern.co.za		SIM			
RFF FOODS	27 21 870 4000	phillipsr@rfffoods.com	SIM		SIM		
ROHLIG-GRINDROD	27 21 418 3218	colleenw@rohlig.co.za				SIM	SIM
ROOIBERG WINERY	27 23 626 1663	rooiberg@mweb.co.za	SIM		SIM		
SA FLOWER GROWERS' ASSOCIATION	27 11 692 4237	info@saflower.co.za					
SA MANGO GROWERS ASSOCIATION	27 15 307 3513/2775	samga@mango.co.za					
SA PROTEA PRODUER'S EXPORTER'S ASS	27 28 284 9745	sappex@hermanus.co.za					
SAFCOR PANALPINA	27 21 550 6500	marys@safcorpanalpina.co.za			SIM		
SAFE	27 21 657 4000	anyasafruit@mweb.co.za			SIM		
SAFMARINE	27 21 408 6911	safsclrefsal@za.safmarine.com					SIM
SAFPRO	27 41 582 4706/7	safpro@iafrica.com			SIM		
SAFT	27 21 937 3440	safthq@saft.co.za		SIM		SIM	SIM
SAPO	27 21 887 6823	info@saplant.co.za					
SARDA	27 21 551 5077	sardanat@mweb.co.za					
SCHOEMAN BOERDERY	27 13 262 6600/3	lappies@moosriviet.co.za			SIM		
SEA HAVEST CORPORATION	27 21 417 7900	info@seaharvest.co.za	SIM		SIM		
SENSITECH SA CC	27 21 852 5458	sebsitec@iafrica.com	SIM	SIM			SIM
SKY TRADING	27 21 976 9777	sky-sa@mweb.co.za			SIM		
SLANGHOEK CELLAR	27 23 344 3026	slanghoek@lando.co.za			SIM		
SLICE OF AFRICA	27 82 781 3652	willem@sliceofafrica.co.za			SIM		
SOUTHCAPE PRODUCE	27 44 874 5901	s164@pixie.co.za			SIM		
SOUTHERN FRUIT GROWERS	27 21 852 4012	sales@southernfruit.co.za			SIM		
SOVEREIGN FRUITS	27 21 552 7004	zenobia@sovfruit.co.za			SIM		
SPECIAL FRUIT NV.	32 3 315 0773	mail@specialfruit.be			SIM		
SPECIAL FRUIT NV.	27 21 853 2627	specialfruitsa@saonline.co.za			SIM		
SPECIALISED INT'L FREIGHT	27 31 465 0203/4	sif@iafrica.com				SIM	
SQUID PACKERS	27 41 585 3696	squidp@iafrica.com	SIM		SIM		
STD BANK INTERNATIONAL DIVISION	27 11 636 1053/4391	ibc@scmb.co.za					

Nome da companhia	Contaco telefonico	E-mail	Produtor processador	Logistica e controlo	Exportador	Despachante aduaneiro	Transporte E manuseamento
STELLENPAK	27 21 874 2225	koen@stellenpak.co.za					
SUMMERFIELD EXPORTS	27 11 475 7141	sumfield@global.co.za			SIM		
SUMMERPRIDE FOODS	27 43 731 1770	russel@sumpride.co.za	SIM		SIM		
SUNPRIDE	27 21 794 0333	anton@afrifresh.co.za			SIM		
SUNPRIX TABLE GRAPES	27 44 272 3905	ofglobe@mweb.co.za			SIM		
SUNWORLD INT'L	27 21 870 2921	jjooste@sun-world.com					
SUPREME FRUITS	27 21 552 7032	fynn@supreme-fruits.co.za			SIM		
SWEET AFRICA	27 21 914 9811	derick@sweetafrica.co.za			SIM		
SWELLENFRUIT PACKING	27 28 512 3440/1	info@swellenfruit.com					
SYNGENTA	27 11 541 4024	johann.brits@syngenta.co.za					
THE COLD LINK NEWSPAPER	27 21 551 5076/7	jasac@iafrica.com					
THOKOMAN FOODS	27 12 811 0501/0402	thokomans@icon.co.za			SIM		
TIGER BRANDS INT'L	27 21 970 4100	pietjoubert@tigerbrands.com	SIM		SIM		
TRISTAN EXPORT	27 21 448 4886	logistics@tristanexport.co.za			SIM		
TROPICANA MARKETING IN'T;	27 21 535 0225	vinfo@tmiww.co.za			SIM		SIM
UNIFRUIT	27 28 840 2209	unifruit@africa.com					
VALLEY EXPORT FRUIT PACKERS	27 15 307 2431	mahuka@pixie.co.za	SIM		SIM		
VAN DER LANS CAPEFRESH	27 22 921 2445	stiaan@vdlcapefresh.com			SIM		
WP FRESH DISTRIBUTORS	27 21 851 3788/9	info@wpfresh.co.za			SIM		
XL INT'L	27 28 514 1455	derek@xlinter.co.za			SIM		
ZEBRA FRESH FRUIT	27 22 913 2684	info@zebrafruit.co.za			SIM		

Anexo III ***Formulario de pedido da licença de importação***

FORMULARIO PARA OBTENCAO DE LICENCA DE IMPORTACAO: AANSOEK OM 'N PERMIT VIR DIE INVOER VAN BEHEERDE GOEDERE INGEVOLGE DIE BEPALINGS VAN DIE WET OP LANDBOUPLAE, 1983 (WET No. 36 VAN 1983)
PEDIDO DE LICENCA PARA IMPORTACAO DE VEGETAIS NOS TERMOS DAS PROVISOES DA LEI AGRICOLA DE PESTES, 1983 (ACT No. 36 OF 1983)

PEDIDOS NORMAIS/STANDAARD AANSOEK: Moet minstens 30 dae voor die datum van aankoms van die betrokke goedere in Suid-Afr ka ingedien word by:
Tem que ser submetido pelo menos 30 dias antes data de chegada dos bens em questão na Africa do Sul para:
ANDER AANSOEKE/OUTRAS APLICACOES: Aansoeker sal in kennis gestel word van hanterings prosedure/ Candidato será notificado de procedimentos a observar.

DIREKTEUR: DIREKTORAAT: PLANTGESONDHEID EN GEHALTE, PRIVAATSAK X258, PRETORIA, 0001; OF
DIRECTOR: DIRECTORATE: PLANT HEALTH AND QUALITY, PRIVATE BAG X258, PRETORIA, 0001; OR
FAX: 27 12 319 6370 / E-MAIL JeremiahMA@nda.agric.za / TEL: 27 12 319 6102/6396

Hiermee doen ek, die ondergetekende, aansoek om 'n permit ingevolge artikel 3(1) van die Wet op Landbouplae, 1983 (Wet No. 36 van 1983), om die beheerde goedere waarvan besonderhede hieronder verskyn, in Suid-Afrika in te voer. Ek verklaar hierby dat die betrokke goedere nie geneties-gemanipuleerde organismes bevat nie.

Eu, abaixo assisado solicito a emmissao de uma licença nos termos da seção 3(1) da lei de pestes, 1983 (Act No 36 of 1983), para importação de bens mencionados em baixo para África do Sul.
Eu declaro que as mercadorias em questão nao contem nenhum agente genetico manipulado.

Beskrywing van beheerde goedere **descricao dos bens**	***Naam van variëteit van plante (waar van toepassing)*** **Nome e tipo da plante (Se aplicável)**	***Hoeveelheid (aantal of massa)*** **Quantidade (volume)**	***Volle naam en adres van leweransier in die buiteland*** **Nome e endereço complete do fornecedor**	***Plek van Binnekoms*** **Porto de entrada**	***Doel waarvoor Ingevoer*** **Fins da importacao**

Land van oorsprong/Pais de origem ……………………………………….Naam van firma/appl kant/Nome da companhia/Candidato …………………………………………………………….

Posadres van applikant/Endereço Postal de candidato ……….

Kode/Código ……………………………….. Telefoon no./Telefone no. ……………………………………………………. Faks no./Fax no. ………………………………………………………

E-mail address/adres ……

…………………………………………………………………………………. ……………………………………………………… ……………………………………

HANDTEKENING VAN APPLIKANT/ASSINATURA DE CANDIDATO **DRUKSKRIF: NAAM EN VAN VAN APPLIKANT/ IMPRIMIDO: NOME E SOBRENOME DE CANDIDATO** **DATUM/DATA**

* In die geval van 'n plant (insluitend saad), patogeen, insek of uitheemse dier, moet sowel die wetenskaplike as die gewone naam vermeld word.
* no caso de plantas (incluindo sementes), patogenicos, insectos ou animais exoticos, deve ser mencionado o nome cientifico e nome comum.

Technical Report:
Tourism Global Survey

By:
Alvin Rosenbaum
Value Chain Leader

Miguel Zweig
Interviewer

Submitted by:
CARANA Corporation

Submitted to:
Regional Center for Southern Africa,
U.S. Agency for International Development

Gaborone, Botswana

June 2005

USAID Contract No: AFP-I-801-03-000020-00,T.O. #801

Table of Contents

Introduction

The Tourism Products Initiative's Terms of Reference are focused on the need *to increase local content in the development and delivery of activity and hospitality components for international and intra-regional leisure travel in southern Africa*.

Methods used to determine potential and future demand for new tourism product components include historical trend analysis, content analysis, interviews, and the use of expert opinion.

In February and March 2005, more than 50 face-to-face interviews were conducted by the tourism value chain leader with government, trade, NGO, donor, and business leaders in southern Africa. At the same time, a number of guidebooks were also consulted to consider prime and secondary destinations in South Africa, Botswana, Zambia, Mozambique, and Namibia.

In March and April, 2005 and from a number of different sources, a listing of 200 tourism travel businesses was developed, including retail travel agents and Africa specialists, wholesalers, tour operators, and destination management companies from customer-generating regions, including Europe, North America, Asia, and Southern Africa. Of these, 75 were selected for in-depth telephone interviews, which were conducted in April and early May.

Objectives

The interviews and survey sought to answer these questions.

- Where are the emerging demand markets?
- What product needs are recognized but unmet?
- What is the primary southern Africa value proposition?
- Can communities achieve greater benefit from current tourism products?
- Is “culture” a tourism product that can be promoted in southern Africa?

Findings

Where are the emerging demand markets?

Europe will continue to be the leading generating market. The weakened dollar will keep North American sales flat. South America has not yet developed any significant specialists selling southern Africa, although West Africa will gain from new air service from Brazil. Asia will maintain a very small but steady market share.

What product needs are recognized, but unmet?

Authentic cultural experiences and community interactions are prized by travelers but are difficult to organize and deliver. The problems stated are lack of local community leadership, hostility towards white tourists, superior experiences in East Africa, and lack of a revenue model. Contrived cultural encounters are not needed.

What is the primary southern Africa value proposition?

Wildlife viewing will remain southern Africa's primary value proposition, with Botswana the market leader. Value chain leaders do not want this market expanded or "cheapened." This is the most profitable tourism segment of the region. Everything else, from cultural components, Cape Town sightseeing, Mozambique beaches, are secondary, but can be strengthened to provide product differentiation with some cost and pricing elasticity.

Can communities achieve greater benefit from current tourism products?

Yes. Authentic experiences include *organized* study, academic, volunteer, and educational experiences, that may include home stays, visits to schools and clinics, short-term volunteer projects.

High quality B&B and restaurants with authentic cuisine, handicraft merchandising, and village guiding are also in demand along travel corridors and near destinations.

Is “culture” a tourism product that can be promoted in southern Africa?

The demand market is focused on “authentic interactions with local people,” whatever the content. Some formal cultural attractions (ceremonial festivals, art, music, dance, and drama) may be viewed as contrived or inauthentic and, as such, have little appeal, but in many places where these practices are indigenous, they have great appeal. And the spontaneous experience that is “unique,” “surprising,” and “unexpected” is most valued and can be the highlight of a travel experience to southern Africa.

Additional issues to be addressed

The survey informed demand characteristics, but did not address supply to increase local participation in product development for international tourism. Below are several issues that need to be addressed:

1. Are there "hidden assets" for visitor experiences in southern Africa?
    - What are they?
    - Where are they?
    - Are they market-ready?
    - In this context, what does "market-ready" mean?

2. What do villages need to do to receive visitors?
    - Lodging and restaurants
    - B&Bs and home stays
    - Organized activities
    - Calendared activities
    - Open markets and market days
    - Unique cuisine
    - Crafts markets
    - Niche attractions
    - Ambassador program
    - Marketing assistance

3. What kinds of tourism activity generate community-based income and new jobs?
    - Food
    - Lodging
    - Shopping
    - Amusements and attractions
    - Guiding services
    - Transportation
    - Other visitor services

4. What kinds of technical assistance achieves tangible results?
    - Micro-loans
    - Business planning assistance
    - Skills training
    - Market research
    - Market access
    - Cooperatives
    - DMO facilitation

5. Is there a tourism market for urban entertainment?

What strategies are being employed by Gauteng/Joburg?
Can Cape Town successes in night life and entertainment be replicated elsewhere?

6. Where and by whom are new products being developed?
   DMO and other tourism promotion agencies
   Donor-funded initiatives
   Tour operators and destination management companies
   Community-based entrepreneurial efforts

7. Who are the market drivers in new product development?
   Press, media and web services
   DMO and other tourism promotion agencies
   Donor-funded initiatives
   Tour operators and destination management companies
   Community-based entrepreneurial efforts

8. How do costs and price effect new product development and deployment?
   How much cost elasticity is in up-market products?
   Are capacity and seasonality problems?
   Is there unmet demand for mid-market products?

9. Where are the emerging destinations?
10. Where are the stable destinations?
11. Where are the destinations in decline?
12. What are the best cultural assets in the region? Are they under-utilized?
13. What are the principal problems in new product development?

Conclusion

While respondents' answers varied by their position in the supply chain, their generating market, and in categories of response, there was general consensus in the areas of cultural and community tourism.

"Culture is authentic everyday life," remarked a Johannesburg tour operator. “Customers are interested in the ‘local way of life’ " said a London travel agent. “Need more hosting by non-whites,” responded a Chicago wholesaler. From Switzerland: "Culture in Southern Africa will not sell itself." Customers need to be educated.” The most resistant to new ideas in the European demand market was Italy; the most progressive, Great Britain.

This report and the completed 293 abstracts will be posted at satourismproducts.org.

Appendices: Telephone Interview Country Codes and Abstracts

Seventy-five in-depth telephone interviews conducted in April and May, 2005 resulted in 106 pages of notes with a total of more than 2100 responses. These notes were organized to highlight differences and similarities of responses by type of business of the respondent, generating market, and type of response.

The interviewees were guaranteed confidentiality. Each interview was coded by generating market country, and identified by type of business. 293 of the 2100 responses were abstracted, providing a fair interpretation of worldwide demand, problems and opportunities. 70 of these responses are attached herein, organized by category of response. A key to the generating market codes follows the responses.

Type of Business
Specialist Travel Agent
Wholesale Distributor
Tour Operator
Hotel/Lodging
Destination Management Company

Generating Market
Europe
Asia
North America
Southern Africa

Categories of Response
Market
Community
Culture
Price
South Africa

Telephone Interview Country Codes

NUMBER PER REGION	COUNTRY	NUMBER	INTERVIEWS
EUROPE	UK	12	UK-1 to UK-12
	SWITZERLAND	1	CH-1
	ITALY	5	IT-1 to IT-5
	AUSTRIA	3	AT-1 to AT-3
	BELGIUM	2	BE-1 to BE-2
	NETHERLANDS	1	NL-1
	SPAIN	3	ES-1
	GERMANY	4	D-1 to D-4
	TOTAL	31	
ASIA	HONG KONG	2	HK-1 to HK-2
	JAPAN	2	J-1 to J-2
	Australia	1	AU-1
	TOTAL	5	
NORTH AMERICA	USA	10	USA-1 to USA-10
	CANADA	3	CN-1 to CN-3
	MEXICO	0	
	TOTAL	13	
SOUTHERN AFRICA	SOUTH AFRICA	26	SA-1 to SA-26
TOTAL		75	

SOUTHERN AFRICA GLOBAL COMPETITIVENESS HUB

Technical Report

Assessment of the Swaziland Investment Promotion Agency

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Submitted by:

CARANA Corporation

Submitted to:

Regional Center for Southern Africa,
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A. EXECUTIVE SUMMARY

During the two week period from April 18 to April 30, 2005, a team of consultants from CARANA Corporation conducted an assessment of the Swaziland Investment Promotion Authority (SIPA). This assessment was designed in response to SIPA's request for a review of their overall operation, processes and vision, and to provide recommendations for a general improvement of the organization and its effectiveness in Swaziland based on "best practices" in investment promotion.

Specifically, the scope of work for this assignment called for an assessment of SIPA's overall strategy, its organizational structure, operations, marketing, budget, and effectiveness. The scope of work also called for specific training or technical assistance interventions which were to be implemented during the second week.

During the two weeks period, the consulting team interviewed SIPA's staff, met with private businessmen in Swaziland – including foreign investors, and tested SIPA's capabilities in foreign direct investment (FDI) promotion. However, because SIPA is also involved in providing investor aftercare services as well as services to the local population in the promotion of domestic investment and small and medium scale (SME) development, the consulting team also spend time analyzing these functions at SIPA.

This report is organized into four sections; this executive summary, a review of the challenges faced by SIPA, an assessment of SIPA (Strengths, Weaknesses, Opportunities and Threats), and recommendations. Five attachments are also included in the report. The first three provide additional details on the recommendations made in this report. The fourth attachment contains a list of questions made by SIPA officials after reviewing the draft report, and the responses to these questions by the consultants. The fifth attachment contains a copy of the scope of work which was given to the consultants in carrying out the assessment of SIPA.

<u>The Challenges Faced by SIPA</u>

A review of the investment climate and the operating environment in which SIPA operates concludes that SIPA is facing an enormous task in taking on the responsibility for promoting investment in the country. As discussed in section B of this report, the investment climate in Swaziland is less than ideal. Apparel investment which flowed into Swaziland to take advantage of the now defunct apparel quota system were willing to invest in Swaziland in spite of the poor investment climate, however with the dismantling of this system at the beginning of this year, SIPA's task has become much more difficult.

The operating environment within which SIPA operates also makes SIPA task more difficult. A broad mandate, which includes FDI promotion, investor facilitation, domestic investment promotion, and SME development is too broad. When viewed within the context of SIPA's limited budget, the broad mandate becomes almost an impossible mandate to fulfill. Complicating this situation is the fact that SIPA managers are often called on by other government officials to participate in activities nationally and abroad that consume resources, but don't necessarily contribute to SIPA's results.

An Assessment of SIPA
An assessment of SIPA (Strengths, Weaknesses, Opportunities and Threats) was carried out in order to determine the types of activities that SIPA should undertake in order to be more effective within the investment climate and operating environment presented in Section B of the Report. The SWOT analysis was based on interviews and on information gathered from SIPA staff as well as from businessmen in Swaziland working in different sectors, and is presented in Section C. This SWOT analysis led to the identification of the recommendations which are presented in Section D of the report.

Recommendations
Recommendations have been made in four principal areas; organizational structure and responsibilities, a targeted FDI promotional activity in South Africa, improved investor site visit procedures, and the need to create an investor data base of often requested information.

These recommendations are based on the assumption that in the short run at least, both the investment climate in Swaziland, and the operating environment in which SIPA operates in will not change. These recommendations can and should be implemented during the current year, and were designed keeping in mind SIPA's limited financial resources. These recommendations impact on the one area where SIPA can influence the investment process and impact FDI in Swaziland – improved service levels. By implementing these recommendations, and combining a more targeted approach to FDI with improved service levels at home, SIPA will be taking on a more proactive approach to investment promotion which should result in increased investment and employment in the Kingdom of Swaziland.

B. THE CHALLENGES FACED BY SIPA

1. The Investment Climate in Swaziland

Studies conducted by the World Bank and others have shown that a strong positive investment climate directly impacts on the success of any investment promotion program. Consequently, SIPA's ability to meet annual job creation targets is directly impacted by Swaziland's investment climate. To better understand and summarize Swaziland's investment climate, the consulting team analyzed ten factors that define what investors look for in an investme nt site. These are:

Factors Making Up the Investment Climate

Market Access	Labor Force	Real Estate	Taxes	Living Conditions
• Local, Regional, Global • Market access agreements	• Availability/Cost • Education • Language skills • Health • Skills/Training institutions/facilit ies	• Land, buildings, office space • Availability/Cost Ownership	• Low levels • Incentives Customs duty exemptions	• Housing • Climate • Social Amenities • Availability/Cost
Utilities	**Industry Linkages**	**Transport/Logistics Infrastructure**	**Business Conditions**	**Business Support & Promotion**
• Power/Water • IT • Waste Mgt • Availability, Cost and reliability	• Availability of raw materials, natural resources • Synergies and backward linkages	• Roads • Ocean Ports • Airports • Railways	• Political stability • Robust legal framework • Business-friendly regulations • Level playing field	• One stop service • Customer support pre and post sale

Swaziland has problems in almost all of the above. Examples of some of the major areas of concern are presented below:

Market Access: While the country is a mem ber of the key regional and global market access agreements, several businessmen mentioned that in some cases tariff and non - tariff barriers are used by neighboring countries to protect their domestic production (i.e. COMESA).

Labor Force: The HIV AIDS epidemic is a major concern. It affects worker productivity and increases training costs. Some businessmen also cited that given the rural / agricultural background of most new workforce participants, there was a lack of an industrial work ethic in the general workforce.

Taxes: While low income tax rates are advertised, they are rarely available to investors.

Utilities: Power and water costs are very high. Information and communications infrastructure is still weak.

Industry Linkages: Few inputs are readily available locally.

General Business Conditions: General poor or no country image. The legal framework (rule of law) is considered weak in Swaziland. Business regulations are cumbersome and many times are not clear (Investor Roadmap Study). Significant Emalangeni / Rand revaluations against major world currencies have also made it ever harder to remain competitive in export markets.

Given some of the weaknesses in the investment climate presented above, there is no doubt that SIPA faces a formidable task in carrying out its mandate to promote investment in the country. The constraints affecting investment flows in Swaziland have been clearly identified and are widely known. Reducing and/or eliminating these constraints should be the National Priority of the Government if it is serious about promoting investment.

The lack of a positive investment environment, however, is not an automatic prescription for failure. Strategies, such as the development of export and investment incentives and the development of targeted investment promotion programs, have been designed to work around a poor policy environment and have been used successfully in other countries. However the role of the investment promotion agency becomes more critical in a less than optimal investment climate given that the agency must increase the level and quality of the services it offers if it is going to try and make up for a negative investment climate.

2. SIPA's Operating Environment

A review of SIPA's operating environment was carried out to better understand the constraints with which SIPA operates and to measure its ability to make up for a less than optimal investment climate. SIPA's operating environment is defined as those administrative and operating factors that affect its ability to carry out its mandate effectively.

The operating environment that impacts on SIPA's ability to function efficiently is mixed. SIPA does appear to have a great deal of flexibility in how it manages its financial resources when compared to other investment promotion agencies. It can recruit and compensate its staff based on market rates, and appears to be have a great deal of leeway in how it develops and implements it promotional strategies.

However, just as the investment climate presents SIPA with a number of strategic challenges, the operating environment surrounding SIPA also presents a number of problems that impact its ability to be successful.

a. SIPA's mandate

Of major concern is SIPAs broad mandate, which includes foreign direct investment (FDI), domestic investment promotion, and SME development. Each one of these areas represents a major challenge on its own, however when all three areas are combined in one institutions, particularly one with limited financial resources as is

SIPA, then succeeding in the implementation of this broad mandate becomes next to impossible.

To understand why SIPA's mandate is too broad, it is important to understand the differences between FDI promotion activities, domestic investment promotion activities and SME development. While programs designed to promote each of these activities may have the same goals (i.e. job creation, new investment, export sales, etc.) they are very different from each other in the strategies and operating tactics that they use.

The differences among these types of programs begins with defining what the objective of the program is and who the beneficiary, or "client" is.

- In FDI promotion, the objective is to entice a foreign investor to invest in the host country. The client or beneficiary is usually an established foreign company that most probably has access to capital, technology and markets. In this case the beneficiary only requires information in order to make an informed investment decision on a country, and is looking for the investment site that will provide the best mix of factors to maximize profits.
- In domestic investment promotion, the objective is to develop local companies or entrepreneurs so that they increase their level of activity in the host country. The client is this case will most likely be a local investor with access to some, but probably not all of the factors necessary to be successful in his/her venture (appropriate technology, capital and markets) and therefore requires technical assistance in these areas.
- In SME development, the problems encountered in domestic investment promotion are compounded, given that in these cases a program is usually working with a much less unsophisticated client with little or no business training.

The difference in the objectives of each of the programs and in the needs of the beneficiary or client lead to very different types of activities.

- In FDI promotion, the focus of the program is on identifying potential investors (clients) and selling them on investment in the host country.
- In domestic investment promotion, the focus of the program becomes one of providing technical assistance and training to relatively sophisticated clients that may need help in a few areas.
- In SME development, the level of sophistication of the client still requires technical assistance and training, but at a much more basic level given that the scale of the investment will be much more moderate than in a domestic promotion activity.

The differences cited above make for very different strategies and activities which in turn lead to very different types of organizations. These differences clearly argue for different organizations to implement each of the three programs. Conversely, grouping all of these activities in one organization, particularly one with extremely limited financial resources as is SIPA, is a recipe for failure.

It is our recommendation that SIPA focus primarily on FDI promotion, limiting its activities in domestic investment promotion to promoting greater linkages between FDI in Swaziland and the local economy. SME development activities should be limited to providing basic information and referring inquiries to other institutions in the country that handle SME development.

This recommendation is not based on a determination that one type of promotional activity is more important than the other. Rather, this recommendation is based on the fact that limited financial resources make it imperative that SIPA focus activities if it is to be at all successful. The recommendation to focus on FDI promotion is based on SIPA's main target, which is job creation. Experiences of other countries that have demonstrated that under the right conditions, FDI promotion is the most efficient way to create new jobs and can be much more cost effective than developing domestic investment or SME development in general. Furthermore, while there are other institutions in Swaziland providing services to SMEs, and to a lesser degree, domestic investors, there is no other institution in Swaziland providing FDI services or that is better suited to provide these services.

b. Budget Limitations

SIPA's operating budget has been severely limited since the termination of the EU project that supported SIPA in its early years. For the fiscal year ending in 2004, SIPA's budget was only US $650,000 – a minimal amount with which to carry out any one of the areas defined in its mandate, let alone all three areas as described above. An analysis of the 2004 operating budget revealed that approximately 66% of the budget was necessary to cover salaries alone, and that approximately another 26% was necessary to cover overhead and administrative line items. This left less than 10% of the budget, approximately US $55,000, to cover travel and promotional costs.

For the current fiscal year (2005-2006), SIPA was provided with a budget of approximately US $850,000, a great improvement over the previous years funding level, but still far short of what would be required to implement programs in the areas included in SIPA's mandate. Even if SIPA could concentrate exclusively on FDI promotion, SIPA would require a budget of at least US $1,000,000 annually to begin to be effective - in addition to greater levels of technical assistance and training in order to improve its FDI promotional services.

c. Conflicting Government Initiatives

Another area which affects SIPA's effectiveness is the fact that SIPA's managers are occasionally called out to accompany representatives from Government ministries or other institutions to events or on trips that are not always central to SIPA's activities. The consulting team witnessed this several times during the two week period in Swaziland. These request burden an institution with limited staff and tend to take staff away from greater value added activities, forcing staff to take on more of a reactive mode.

C. ASSESSMENT OF SIPA

1. Can SIPA be effective even in light of the constraints it faces today?

The answer to the above question is "yes" – even facing the constraints that SIPA faces with regards to the investment climate and the operating environment. However, in order to determine the types of activities that SIPA should undertake to be more effective, the consulting team conducted a SWOT (Strengths, Weaknesses, Opportunities and Threats) analysis of SIPA. The SWOT analysis was based on interviews and on information gathered from SIPA staff as well as from businessmen in Swaziland working in different sectors.

a. SIPA's Strengths

- Name recognition: SIPA is an existing institution with a recognizable brand name in Swaziland.
- Mandate: There is a Government mandate that outlines SIPA´s responsibilities. While we believe that SIPA's mandate is too broad, the fact that SIPA's mandate in FDI promotion is clear is positive.
- Measurable Results: SIPA has achieved measurable results in the past (especially with Taiwanese companies in the apparel sector for entry into the US market under AGOA). However, these companies invested in Swaziland for a specific reason (i.e. apparel quota to the US), and it is unlikely that future FDI investment flows at those levels will be achieved in Swaziland without a much stronger, targeted FDI promotion program.
- Human Resources: SIPA's existing human resources are experienced and interested in contributing to Swaziland's development. As mentioned earlier in this report, SIPA's human resources are limited in number and spread out over a wide range of activities which will not
- Facilities and Equipment: SIPA has adequate physical facilities and equipment. While SIPA's physical facilities and equipment are adequate, SIPA will need to reinvest in this area fairly soon as much of the equipment is nearing the end of its useful life.

b. SIPA's Weaknesses

- Lack of an Effective Promotional Strategy: SIPA does not have an effective strategy for targeted, effective FDI promotion. SIPA lacks:
  - Country / sector research or a diversification strategy.
  - Access to company databases in target country / sectors.
  - Adequate promotion management systems and procedures.
  - Adequate promotional materials and investor information.
- Reactive: As a result of the above, SIPA has adopted a "Reactive" modus operandi rather than a Proactive approach.

Much of the above can be explained by the operating environment in which SIPA must work (lack of financial resources, broad mandate, etc.) which limit the extent to which SIPA could develop and operate a targeted FDI promotion program.

c. SIPA's Opportunities

- To become the most important contributor to Swaziland´s economic development.
- To secure international cooperation and assistance (EU, USAID, Government of Taiwan, etc.).

d. SIPA's Threats

- Mandate: The current mandate covering FDI, Domestic Investment and SME Development is too low.
- Funding: Continued low levels of funding threaten the effectiveness of the institution.
- Government Interference / Demands: These demands stretch SIPA's already limited human and financial resources.
- Surrender: Operating in a negative environment could lead SIPA personnel to surrender to investment and operating climate obstacles.
- Loss of Expertise: Know-how could be lost with personnel turnover.

All of the above contributes to insufficient results which could threaten SIPA´s very existence

This simple SWOT analysis undertaken by the consultants evidenced that SIPA is burdened by many factors that affect its ability to produce results. A broad mandate with limited resources and a perception of working with a "poor product" has made its operations more difficult, and threaten to demoralized personnel.

On the public front, however, government spokespersons which include SIPA managers as well, present overly optimistic public manifestation of expected results. The consultants believe that this could backfire and translate into a loss of credibility for SIPA, further affecting its public standing within the government and with local and foreign investors.

In spite of the problems faced by SIPA – a poor investment climate and constraints in the operating environment – if SIPA could improve its level of service and carry out some organizational changes, the consultants believe that SIPA could become more effective.

In the following section of this report, the consultants have made a number of recommendations which could be implemented by SIPA's management and which we believe would bring about positive results in the short run. These recommendations take into account SIPA's strengths, weaknesses, opportunities and threats, and specifically acknowledge that:

- It is doubtful that SIPA alone will be able to bring about major improvements in the investment climate in the short run;
- It is doubtful that SIPA will be able to shed its responsibility for domestic and SME promotion in the short or medium term and therefore will have to spread its limited budget among several major activities; and,

- It is not likely that SIPA will obtain significant additional funding from the Government in the foreseeable future.

D. RECOMMENDATIONS

1. Introduction

It is the Consultants' opinion that SIPA personnel could easily implement a number of programs and improvements in the short run to improve its services and results. These recommended changes are based on lessons learned around the world and will help make SIPA a more effective investment promotion mechanism for Swaziland.

We remain confident that SIPA can become an effective Investment Promotion Agency in a relatively short period of time and become the most important contributor to Swaziland's economic development. This new role should bolster its standing within Swaziland and should help it to secure additional international cooperation and assistance (EU, USAID, Government of Taiwan, etc.) as well.

To compensate for the country's less than ideal investment climate, a targeted FDI promotion strategy and a superior customer service and support system should be implemented in the short term, even within SIPA's budgetary constraints. SIPA will also have to consider a different approach to domestic investment promotion and to its responsibilities in the SME area. To achieve this change in focus, a simple plan of action for the short-term restructuring and enhancement of SIPA's functions, procedures and organizational structure has been presented in this section of the report.

The following plan outlines the major issues for consideration. In particular, it tries to identify what the core functions of the organization should and should not be and makes the case for organizational change while outlining the major principles and objectives to guide the strategy formulation and organizational restructuring process.

The development of a comprehensive medium-term development strategy for SIPA is not presented here, but careful consideration of the following issues should suffice for the institution to continue to deliver a top quality service while remaining active in its business climate monitoring role:

- Products and services (target sectors, countries and services) provided by SIPA should expand over time as increases in budget permit.
- SIPA should continue monitoring the investment climate and operating environment it functions in, and should continue to systematically provide feedback to the government on problem areas.
- SIPA should continue to asses its strengths, weaknesses and core competencies on an ongoing basis, including the continued assessment of the capabilities of existing competitors (countries).

2. Organizational Analysis and Recommendations

SIPA is currently organized into three operating units – An FDI promotion unit, a Facilitation unit, and a unit supporting SMEs which also carries out a backward linkages activity with established FDIs in the country – in addition to an Administrative / Finance unit. All of these report to the General Manager of SIPA who in turn reports to a Board of Directors of private and public sector individuals. Each of the unit directors has an executive officer and a secretary reporting to him, After reviewing SIPA's activities which are carried out within the context of its mandate, the consultants did not feel the need for a major reorganization wit hin SIPA, but did feel that the activities carried out within each of the three operating units should be redefined as discussed below.

a. The FDI Promotion Department

The FDI Promotion Department should focus on four main activities:

- A Targeted FDI prom otion activities abroad, for which a pilot program is defined in Section D.3 of this report;
- An investor services activities which will manage investor site visits to the Kingdom as defined in Section D.4 of this report;
- The development and maintenance of information and research function that will create and maintain a data base of information to meet the needs of potential investors as defined in Section D.5 of this report; and,
- A feedback function designed to provide the Ministry of Enterprise and Employment an other relevant government offices on potential problems and solutions, and ways in which the Kingdom can improve its success in attracting new investment (Improvement of KS as an investment site).

b. The Investor Facilitation Department

All services provided to a company once that company has made a decision to invest in Swaziland should be referred to as Aftercare services. Efficient aftercare services insure a company's satisfaction with the level of service it obtains from SIPA and the country. This hand-holding alleviates bureaucratic red tape problems and allows the country to identify bottlenecks and work towards correcting flaws in the system. Listening to and caring for existing investors is an important activity within any investment promotion effort, and is the primary function of the aftercare specialist.

The investor facilitation department should focus on aftercare services to ensure that the process for investors to establish operations in Swaziland goes smoothly. The activities in this department, also known as the "one stop investor services department" currently works with investors assist them in requesting visa and work permits, as well as some other investor requirement.

In the long run, however, the investor facilitation department should strive to expand the level of services offered to include most, if not all, of the different permits and registrations listed in the Investor Road Map study which was also just recently carried out in Swaziland. SIPA should strive to off er investors assistance in coordinating with other government agencies and support services such as the electricity utility and the telephone company.

As discussed while in Mbabane, there is no shortcut to establishing one stop services for investors. The concept of having all of the different government agencies place a representative in one location to serve investors is probably not feasible, not is it cost effective given the volume level of investment flowing into Swaziland. The recommended action for SIPA personnel is to establish a contact at each agency with which it wants to offer a facilitation service and define / document the requirements for the particular permit or process. This will allow SIPA to produce clear instructions to investors on what they must submit to SIPA in order for SIPA to facilitate each process and will insure that there is no delay in the approval process because of a missing document, etc. Each of these the permits / processes that SIPA facilitates should have a clear set of instructions that would form a part of the investor data base discussed in section D.4 of this report.

The unit's staff member assigned to the company must constantly monitor the state of the investment process and be prepared to assist the company overcome difficulties which it might encounter. Sometimes IPA's may assign the same Investment Officer who assisted with the site visits and selling process to take personal charge of the project to ensure its success. However, in SIPA's case, we are recommending that an individual within the Investor Facilitation department be responsible for this activity. This individual must be ready to assist the company in resolving issues related to the local and national bureaucracy and the provision of local resources without being intrusive in internal company issues.

These designated "account executives" (Aftercare officer) should be prepared to play a role coordinating with the Domestic Investment Department (see below), identifying the need for local service providers. The Domestic Investment Department would then be prepared to provide the investor full information on local service providers and make introductions.

It is important to create within the Investor Facilitation Department the ability to monitor Swaziland's competitive position vis-à-vis other countries with similar competitive advantages. The main source of information is the investors themselves - those investors that have chosen to invest in Swaziland, and those investors that have not chosen to invest in Swaziland.

In the process of providing these investors with follow-up support services, SIPA will find that these investors will provide information on the problems they are encountering. It is important to create an atmosphere of trust and dialog between SIPA and these investors in an effort to obtain as much information as possible about the real impressions of the country. This information will be quite useful in evaluating Swaziland's investment climate and will hopefully lead to improvements in the same.

Investors that have chosen to invest elsewhere are the other important sources of information. For example, if they did not invest in the Kingdom because of an infrastructure problem (real or perceived), then government officials may be able to work to correct the problem. If an investor did not invest in Swaziland because of misconceptions about the Kingdom, then an examination of the information sources they consulted could yield valuable information for the future. Thus, an Investment Officer and the aftercare specialist assigned to the company should be prepared to question in detail any investor who informs him that the investing decision has not gone in favor of Swaziland. This should be well documented in company files.

Additionally, if an important policy or operational issue is identified, the Investment Officer should document this in a memorandum to the Director of the Investor

Facilitation Services Unit. Upon analysis and discussion within the Department, the Director of the Department would forward the information to the General Manager and the Ministry of Enterprise and Employment for their analysis and review.

This type of feedback will permit SIPA to take a lead role in improving the policy environment and to refine the services it renders to future investors thus building the kingdom's reputation of paying close attention to investor needs.

c. The Domestic Investment Department

This department, currently referred to as the SMEs department, will also see a shift in focus – the most important one being a shift away from SME assistance (to the extent that SIPA can shift these responsibilities to other organizations and agencies in the country that are working with SMEs). Instead, the consultants are recommending that the director of this department focus on developing backward linkages with established investments in the country. This backward linkages function requires assisting existing investors in the country – particularly foreign direct investment – to identify and source goods and services locally that might otherwise be carried out by the investor directly or imported. It would also require finding a suitable source in the country to supply this demand. Examples of these backward linkages include food services for employees, waste management services, and maintenance services, but could also expand into the supply of packaging materials and other materials that are currently imported but which may be produced competitively locally. The backward linkages function would also provide assistance to the FDI Promotion department in finding suitable local joint venture partners in those cases where a foreign investor was looking for a local investor, partner or supplier.

The Director of the SME Division has successfully worked in the backward linkages area, and feels that with more time dedicated to this activity, more results could be achieved. In order to launch a systematic backward linkages program, however, this department will need to reduce the amount of time spent on orienting interested parties and potential SMEs on business opportunities and other general advice, which has proved to yield minimal results over time.

This department has already begun that process by having the executive officer in this department take on the responsibility for screening and providing general information to these types of clients. The consultants encourage this decision and also recommend that SIPA develop a small packet of materials for these clients to help orient them on what are the sorts of things they will need to think about and prepare if they are thinking of starting a small business.

Over the medium term, however, SIPA will need to work with the Ministry of Enterprise and Employment, with the Small Enterprise Development Company, and others, to better coordinate the responsibilities for the SME sector with the objective of eventually shedding its SME responsibilities.

SIPA FDI Promotion activities may also require the creation of joint venture or supply relationships with local investors, and this area would also be the responsibility of the Domestic Investment Department working in close coordination with the FDI Investment Department (the FDI Investment Department would still maintain the primary responsibility for coordinating with the foreign investor until the investment decision was made). There are many benefits involved with the promotion of joint venture or technology transfer relationships, and SIPA should work to encourage these. However, SIPA's inv estment promotion activities should focus exclusively on developing these through its investment promotion activities, working to match a foreign investor who desires this type of arrangement with a local partner, and not the other way around. SIPA should clearly separate all functions relating to assistance to local industries that do not interface with FDI. Additionally SIPA should not carry out activities designed to raise capital for local industry, or promote local trade interests abroad.

We antic ipate that some foreign investors may be keen to have Swazi joint venture partners participate in their projects; however, SIPA should be wary of any foreign investor who appears to be seeking a local partner strictly because of a need for capital. A more positive reason would be for the strategic benefits a local partner can provide, such as an existing infrastructure or a general advisor in operating from a Swazi base. In cases where the foreign investor requests an introduction to a potential local partner, SIPA should endeavor to help in locating a suitable partner. It is important to distinguish this situation from the one where SIPA is approached by a Swazi businessman seeking SIPA help in locating a new foreign JV partner overseas. Worthwhile though this may appear, it will inevitably involve a wasteful use of SIPA's resources. Such enquiries from Swazis should be logged into the SIPA JV partner database and no further action is required; SIPA promotional resources can be much better employed seeking foreign projects than foreign partners.

In order to have a roster of potential JV partners for suitable opportunities, SIPA should screen applications and maintain a data base of interested Swazis who pass SIPA's criteria. Some of this information a lready exists within the SME Unit. Typical criteria would be size, track record, and likely compatibility with a foreign partner. Probably the best way to sort this database is by size, industry and region. A complete profile should be kept of each Swazi prospect.

By helping to partner foreign companies with domestic investors, the program will combining the strengths of each (access to technology and markets on one hand with local knowledge and access on the other) which should improve the changes of success for each project.

3. Pilot Project for Targeted FDI Promotional

a. General vs. Targeted Investment Promotion

Experience indicates that when defining an investment promotion strategy countries frequently confuse general promotional efforts with a targete d promotional strategy. While general promotional efforts are important for country branding purposes, they are nonetheless insufficient for an effective attraction of foreign direct investment (FDI) into the country. For the purpose of clarity, we will define both terms before presenting a strategy for SIPA.

General Investment Promotion
General promotional efforts involve activities such as dissemination of general information, broad 'image building' advertising and the use of general promotional mater ials, Internet web sites, and investment opportunity profiles. Other typical general activities are investment exhibitions and seminars, missions and "shot gun" direct mail and telemarketing. (There may be some benefits to be gained from direct mailing and telemarketing when they are sector specific).

Targeted Investment Promotion Strategies
Targeted promotional strategies are focused and proactive and tend to involve direct selling efforts with potential investors who have been previously identified and researched. Targeted promotion activities include direct visits to investors that have been researched in advance in pre selected countries, as well as specialized presentations or seminars to selected audiences. In the long term, SIPA's investment promot ion strategy might even include promotional offices based in selected foreign countries with personnel that seek out and contact potential investors using a selection criteria developed for that purpose.

Targeted investment promotion activities have pro ven to be more effective than general promotion activities and logic follows that the more targeted the activities are the more effective the investment promotion program is. This has been shown to be true in a wide variety of countries in different stage s of development, sophistication and situations.

Unfortunately, most investment promotion programs tend to undertake only general investment promotion activities believing it sufficient to attract FDI. Well-managed programs have modified their original e fforts and adopted investment promotion strategies that include targeted activities (i.e.: sector research, company profiling and direct contact, etc) showing an increase in results above any increase in costs, thus improving the yield and efficiency of the program substantially.

Perhaps the best way of illustrating the concept of effective investment promotion is to compare it with the marketing strategies of successful companies, which usually include the following functions:

- Market Research, which is used to define the target consumer and the consumer's desires;
- Product Definition, design or improvement, which is based on market research;
- Marketing/Selling; which is a combination of different activities or methodologies designed to educate and interest the potential consumer in the product;
- Completing the Sale; which includes helping the client make the purchase decision, making the product available or assisting the consumer with acquiring the product; and,
- Feedback; additional market research on consum er satisfaction (or on why consumers do not accept the product), which leads to product improvement or redesign.

The process summarized above translates into the following when dealing with an investment promotion program:

- Definition and identification o f the potential investors;
- Understanding investors and their needs;
- Establishing contact with potential investors;
- Providing the investor with relevant information for the investment decision;
- 'Selling' to the investor - convincing the investor that Swazil and offers the best solution for him or her;
- Procuring potential investor site visits to the country;
- Helping the investor in implementing the investment; and,
- Listening to the investor that chooses to invest in the Kingdom, as well as those investors tha t chose not to come, to determine how to improve the investment climate and the program's services.

The FDI promotion strategy which is being recommended for SIPA is built upon the marketing concept described above. Marketing a country or a region is not very different from marketing a product in a competitive environment. Any effective investment promotion effort needs to recognize this and incorporate this into its overall strategy.

b. Identifying the Investor

There is great deal of confusion as to who (or what) "the investor" is? Who is this elusive entity being targeted? It is important to clarify and agree upon what is defined as an international investor.

Most of the time, the "investor" is an international company with an established market for its products, up-to-date manufacturing technology and adequate financing. Therefore, while we refer to our potential client as an "investor", for the most part the individuals we are seeking are representatives of companies empowered to take investment decisions. These potential investors are usually looking to enter new markets, access specific raw materials or labor skills or enjoy lower manufacturing and/or distribution costs, for example. Their main motivation in the long run is profit and increasing the returns for their shareholders.

For the most part these company representatives use an Investment Promotion Agency (IPA) as an efficient way to gather information on a country or region. What they want is reliable information so that they can make an educated decision on where to locate their investment. Rarely do investors rely on investment profiles to define their investment, and they will almost never carry out an investment in economic sector where they have little or no experience.

Knowing this, every investment promotion program should be careful to avoid:

- Individuals or promoters seeking to develop projects, but who are not established corporations;
- Investors that are seeking local financing for their project or that request assistance in se curing financing;

- Investors that request subsidies to finance their investment site visit; project analysis, feasibility studies, etc, and,
- Investors whose reputation and/or seriousness cannot be verified independently.

c. Advantage Offerings by Investment Promotion Agencies

All IPA´s throughout the world offer some kind of package of advantages that allow them to differentiate themselves when competing to attract FDI. Among these are Natural competitive advantages, Market Access, Legal and Regulatory, Financial and Service incentives. These are presented below in an ideal scenario for Swaziland (not all of these apply in Swaziland today).

Natural competitive advantages, which may include:
- Availability and cost of labor
- Language skills
- Proximity to ports and transportation hubs, such as Maputo or Durban
- Availability and cost of power, water and other utilities
- Micro-climates
- Natural resources such as timber, etc.

Market Access:
- AGOA: access to USA markets
- Lome Convention/Cotonou: access to EU markets
- COMESA: Eastern South Africa Common Market
- British Commonwealth: access to UK markets

Legal and Regulatory:
- Possibility of 100% foreign ownership of companies
- Possibility of 100% foreign ownership of land and buildings
- Simplified/streamlined customs procedures
- Liberalized migratory regulations
- Business-friendly legal and regulatory framework

Financial Incentives such as:
- Tax holiday: a full, partial or reduced exemption for a certain period of time.
- Tax credit for taxes the company would otherwise have to pay.
- Special tax deductions: allowing extra deductions for specified activities.
- Special tax rates: lower tax rates than normal.
- Grants or subsidies for:
  - Fixed assets: based on the percentage of total assets.
  - Employment: a monetary amount per person employed.
  - Training costs: a monetary amount towards agreed training costs.
  - R&D costs: a percentage of total, subject to a ceiling.
  - Rental (building) costs: preferential rates on government-owned buildings.
  - Recruiting costs: service provided by private or public employment agency to company's specifications.

Investor Services such as:

- One-Stop Information services
- Site Visit support
- After sale care

IPAs use a mixture of these incentives to entice prospective investors. However, it is important to note that tax in centives in particular are costly for the country and therefore are often not favored by Finance Ministries.

The advantage package that SIPA needs to offer potential investors will depend largely on the competitive situation SIPA finds itself in. If its chief competitors offer attractive incentives there will be strong pressure from investors on SIPA to offer a similar package. In this regard, SIPA needs to develop a better understanding of the incentives offered by other countries and IPA´s with which SIPA competes regionally.

d. Implementing a Targeted Investment Promotion Program at SIPA – South Africa

Rationale: Geographic proximity and relatively low cost of traveling and conducting promotional activities. South African business people know Swazila nd and there are already some important success stories of South African investment in Swaziland.

Target Sectors: Labor intensive manufacturing and natural resource based production and processing. Companies looking to avoid legal operating restrictions in South Africa, possibly looking to work in closer proximity to Durban and Richards Bay, exporting back to South Africa, to neighboring countries, Europe or elsewhere.

Company Data Base: A database of companies to target for a calling program could be put together from South African business association directories, Chambers of Commerce, Government listings, etc. Additional research on individual companies could be conducted through selected company web pages.

Methodology: The methodology would center on a "cold calling" campaign based from SIPA's offices in Mbabane with the sole purpose of securing an appointment to present Swaziland as a potential investment site. The presentations would be organized around 6 bi-monthly, 3 to 5 day trips to South Africa per year by the investment officer.

Upon return, to Mbabane, the investment officer will need to follow up on each of the investor contacts and provide specific information required or requested by investors to undertake a First Time Site Visit (FTSV) to Swaziland. This will require a proposal for a site visit itinerary for client review and comment (see Section D.4 on site visit procedures), and conducting the actual site visit. Follow up with each client carrying out a First Time Site Visit will need to be conducted, with possibly additional site visits, until the actual investment is committed.

Targets – Success Indicators to be Monitored:
Per sales trip to South Africa: Conduct 3 First Time Presentations (FTP) per day (minimum of 9 per trip), plus 3 visits to businessmen organizations with at least one

group presentation to one of the business organizations per trip to South Africa. Annual targets would be the above times 6 (trips).
First Time Site Visits: Each trip should generate at least two First Time Site Visits to Swaziland, or 12 per year under this program.
Investment – 2 new investments per year, creating 1,000 new jobs that would otherwise not have invested in Swaziland.

e. Implementing a Targeted Investment Promotion Program at SIPA – ROC Taiwan.

Rationale: Swaziland has a special relationship with Taiwan. Also, Taiwan has been known to cooperate with economic development programs with the small group of countries with whom they maintain diplomatic relations. Taiwanese companies are seeking market access options and low labor rates, and there currently are several successful Taiwanese ventures in the country.

This pilot program is contingent on Taiwanese funding of the targeting of companies in Taiwan, setting up the appointments f or the investment officer going to Taiwan to make presentations, are all related travel costs.

Target Sectors: Labor intensive manufacturing and component assembly for entry into regional and international markets.

Company Data Base: Negotiate with the Government of ROC Taiwan to assist in creating a company database and to assist in carrying out 2 investment missions per year.

Methodology: Conduct two investment missions per year. Each trip would include meetings with four different business associa tions making group presentations to two of them, and at twenty five First Time Presentations to potential investors.

As with the case of the South African pilot project, upon return to Mbabane, the investment officer will need to follow up on each of the investor contacts and provide specific information required or requested by investors to undertake a First Time Site Visit to Swaziland. This will require a proposal for a site visit itinerary for client review and comment, and conducting the actual site visit. Follow up with each client carrying out a First Time Site Visit will need to be conducted, with possibly additional site visits, until the actual investment is committed.

Targets – Success Indicators to be Monitored:
Per sales trip to Taiwan: Conduct 2 First Time Presentations (FTP) per day (minimum of twenty five per trip), plus 4 visits to businessmen organizations with at least two group presentation to one of the business organizations. Annual targets would be the above times 2 (trips).
First Time Site Visits: Each trip should generate at least six First Time Site Visits to Swaziland, or 12 per year under this program.
Investment – At least two new investments per year, creating 1,000 new jobs that would otherwise not have invested in Swazi land.

f. Additional Considerations for Targeted FDI Promotional Pilot Projects

The initial marketing focus of the program should be based on the comparative advantages that the Kingdom has to offer, and these would make up the immediate target sectors for SIPA in South Africa and Taiwan. Based on an initial assessment, Swaziland should have a natural competitive advantages for industries that present the following characteristics:

- Labor-intensive, relatively low-skilled manufacturing in sectors such as apparel, footwear, leather goods and component assembly.
- Natural-resource based industries, such as non-traditional agriculture, food processing and timber/pulp based industries.

In the long run, however, SIPA will need to receive funding in order to carry out a study to identify sectors and countries that it can realistically carry out a targeted FDI promotion program. Such a research activity could use the assistance of business associations, chambers and local government units in selected countries to assist in speedy identification of companies. Recently retired senior managers in selected sectors with a wide knowledge of companies and key individuals within the targeted industry may also be used as occasional consultants for the refinement of company lists in order to prioritize those which can be considered the most appropriate candidates for investing in the Kingdom.

Criteria for screening target companies and developing a list of companies to call on in each country would include:

- Size by sales and employment;
- Level of technology;
- Financial resources;
- Market strength;
- Growth potential;
- Research capabilities;
- Existing international operations strategy and strengths; and,
- Management leadership and vision.

4. Improved Site Visit Procedures

As the primary agents for turning investor interest in Swaziland into an actual investment, SIPA will need to establish a rigid system for setting up and managing First Time Site Visits and Follow-Up Site visits to Swaziland. The recommendation for improved site visit procedures is based on the "mock" site visit which SIPA personnel carried out for our consultants while in Swaziland.

A site visit (sometimes also called an "inward visit") is one of a series of steps that a potential investor will go through in the process of making a decision to invest in Swaziland. If an investor has received a presentation from the FDI Promotion Department and is interested in exploring the advantages that Swaziland has to offer, then the investor will want to visit the Kingdom on fact-finding visits prior to making a final decision. These visits are referred to as site visits. In the process of analyzing the country, an investor will typically make several site visits, each with a different objective. Many times each visit w ill be made by different people within the company.

The importance of each individual site visit, and the need for each site visit to be handled with great care by the staff member assigned to the site visit, cannot be over-emphasized. One mismanaged site visit can result in the loss of interest on the part of the investor, and may represent not only the loss of a potential opportunity for SIPA, but also the loss of interest on the part of other investors who come to hear of a problem experienced by a competitor.

An important part of the site visit is the capability of the Investment Officer handling the visit, and this also is something that can not be over-emphasized. The Investment Officer managing the site visit is not a tour guide – he/she is the primary contact for the investor in the country, and is responsible for constantly probing the investor for information on concerns, issues, or positive aspects as the investor sees it. In addition to possessing good language skills, the Investment Officer should also know his/her country's comparative and competitive advantages, should understand business, and should be prepared to provide information upon request – or to provide it at a later date if it can not be provided at the time. Some sector informa tion is also useful, particularly in more technical areas. The Investment Officer should receive training on handling site visits if possible and on how to conduct him/herself with the investor in order to maximize the selling effort. This type of traini ng can best be achieved by contracting with individuals that have actually done this type of work for other investment promotion agencies.

In Attachment I of this report we have provided detailed information on the site visit process, including a detailed description of what a site visit is, the steps involved in the site visit, and an example of a typical itinerary for a site visit to Swaziland that can be used as a model. This documentation also serves as an example of the type of documentation that SIP A should strive to develop for all of their activities.

5. Development of an Initial Investor Data Base

One of the primary needs of most investors is the need for reliable and timely information on investment the country, particularly that information which centers around costs of operating in the country. The creation of what is often referred to as an investor data base will facilitate the information gathering process for the investor by providing, in a timely and efficient manner, objective and high qua lity information. This is a basic function in any sales process.

Currently, the system at SIPA used to provide information to investors has not been systematized. SIPA should develop and maintain a detailed electronic data base which can regularly be up dated at minimum cost and eventually could also be made available through SIPA's web site.

Typically, investment promotion agencies need to provide five categories of information to investors. SIPA should seek to systematize data collection in these categories and design the appropriate formats for their presentation to investors:

- General political, economic, commercial, and legal data
- Physical and human infrastructure
- Data on costs of doing business in the Kingdom
- Procedures and processes for setting up operations in Swaziland
- Directory of services

Eventually, the FDI Promotion department should also create country comparative sector value models for companies looking to invest in Swaziland with the information available in the data base.

A suggestion for a list of preliminary documents to be developed for the SIPA Investor Information database is included as Attachment II. These suggested documents should answer most of the basic questions that investors may have when investigating Swaziland as a pos sible investment site, and should form the bank of documents of the initial data base. Preliminary efforts should be oriented towards the development of these documents as an important first step. It is our belief that these documents can be developed usi ng existing SIPA staff, and that they should take at most two to three months to develop.

Over time, the investor database should grow in size and content as a result of additional research undertaken for potential investors. Some investment promotion programs have developed investor databases containing several hundred documents. The maintenance of these databases, which mostly involves keeping the information contained in them current, becomes a major activity of the program.

To assist SIPA in understa nding what the investor data base should look like, and how the individual documents should be formatted and what they should contain, we are attaching the index for the investor data base from the investment promotion program in another country (Honduras) in Attachment III. We have also included in that Attachment an examples of relevant data base documents document. A more complete set of sample documents was left with SIPA by the consultants for their use. SIPA managers may also want to visit the Hung arian web site (http://www.itd.hu/itdh/nid/sitemap_en) which presents an outline of the Investor Data Base for that country. By clicking on any of the documents on that web page, SIPA managers will be able to see other examples of data base documents.

6. Procedures for Creating and Maintaining a Data Base at SIPA

a. Introduction

The procedures presented below discuss the steps that should be taken to maintain and expand a data base once the initial data base documents presented in Attachment II. The steps for creating the initial data base are the same, however the documents have already been identified, and the process begins with assigning the responsibility for developing the document to a SIPA staff member.

b. Maintenance and Expansion of the Data Base at SIPA

Every time an investor requests information that is not in the data base, the SIPA staff member that has been asked for the information should send a note to the Manager of the FDI Promotion department, identifying the possibility for a new document to be added to the data base. The Director will then assign responsibility for the creation of this document to someone within the department. or request assistance from the Director of another department if it is appropriate (i.e. the Director of the Facilitation Department if the document is related to a permit or registration). The person assigned the responsibility for developing the document will be given a mutually agreed upon time limit.

c. Development of the Document

Documents should be brief and informative, given that the purpose of the document is to provide the client with basic information on a particular subject. If the investor wishes more detailed information on, for example, labor rights in Swaziland, the client will have to talk directly with a lawyer or other informed source. Prior to developing the data base document, the individual assigned the task should research the subject carefully and prepare a draft using a pre-determined format to be used for all of the data base documents (specific font and size, layout, etc.) The document should contain the name of the individual that developed the document, the date that it was prepared, and the next maintenance review date, all in a coded form (see Attachment II for an example).

The document itself should be straightforward and should provide the investor with the information they need in a concise manner. For example, a document on labor laws should not repeat the law, it should interpret the major components of the law in basic English which will allow the investor to understand the law quickly. If the investor wishes more in depth information on the law, then SIPA can make an appointment with a lawyer for the investor to discuss the law in greater depth.

d. Review of the Document

The review process has two steps: a language review (the review should be carried out by a native English speaker with excellent writing skills) and an Accuracy review (a second individual in the same unit, frequently assisted by outside experts). The document will then be sent to the Director FDI Promotion Department who will then approve it for final inclusion into the data base. All staff members should be kept informed of new documents being included in the Data Base.

e. Maintenance of the Data Base

All documents in the database should be subject to periodic review, the frequency being dependent on the nature of the information itself. Every three months program personnel should review the Data Base index and identify the documents that require a review or an update. These documents will then be assigned to individuals SIPA for their update. If, as part of the review process the document is altered, the process described above must be followed.

7. Media for Information for Investors Database

While the information may be stored and managed electronically (CD or even on SIPA's Web Site, all documents must also be formatted for printing for use by SIPA staff when required. When in printed form we refer to the information as "data sheets". These are separate sheets, (in common format, all with the SIPA logo and contact information as header/footer). Each sheet (sometimes it maybe necessary to have more than one sheet per topic) contains data on one specific topic. The benefit of having a sheet by sheet approach is that information "packs" for the investor can be customized to fit the sector/interest of the inquiry and, when data changes only individual sheets need to be changed. The traditional option of putting all the data in book or booklet form inevitably renders the book(let) out-of-date almost as soon as it is published. Many Investment Promotion Agencies avoid virtually any unnecessary printing costs by "desk top publishing" datasheets on an as-needed basis.

For the SIPA web-site, the same information should be available in a user friendly fashion. Keeping the data easy-to-understand and easy-to-access is more important than having numerous links and embellishments on the web site. Essentially, the initial web site should display the same information as the data sheets; as SIPA matures as an organization, a more ambitious web site may be established. Examples of investment promotion web sites that are used to distribute investor database information are:

http://www.hondurasinfo.hn/eng/main/home.asp (Honduras)
http://www.cinde.or.cr (Costa Rica)

Both of these are excellent examples in terms of layout, information provided and access to a database of relevant facts and figures. Additional web sites that SIPA officials might wish to explore in designing a web site would be:

http://www.itd.hu (Hungary)
http://dubaitourism.co.ae (Dubai)
http://www.jordaninvestment.com (Jordan)

The Hungarian web site acts as a data base. By visiting the Site Map for that site (http://www.itd.hu/itdh/nid/sitemap_en) an investor can see the information available and research the company prior to a site visit.

SITE VISIT PROCEDURES

This Attachment provides greater detail on the site visit procedures which SIPA should consider implementing. It divides the site visit process into seven distinct steps which are presented below:

1. Defining the Site Visit

The first and most important step in any site visit is to define with the investor what he/she hopes to achieve on the site visit. The objective may be as broad as "to gain a first-hand understanding of what the country has to offer and to visit several local manufacturers" (common on a first time site visit), or it may be as specific as "Final site selection: the company wishes to see at least five different properties with the following characteristics (specific description), and wishes to begin the process of forming a local company".

The responsibility for defining the objective of the site visit rests with the SIPA staff member in the Investor Services Unit in charge of the site visit, and the objective should be communicated clearly to the potential investor prior to the visit. Once the objective of the site visit has been clearly defined with the potential investor, the staff member can begin the process of defining the actual site visit with the investor or company representative. Each specific activity within a site visit should support the overall objective of the site visit.

2. Communications Between SIPA and the Investor

The FDI Promotion Department will assign a staff member for each site visit who will be responsible for defining and managing the site visit. All communications with the investor must be in writing (via FAX or e-mail), although the staff member may wish to follow-up a written communication with a phone call in specific cases. In requesting information from an investor prior to a site visit, the SIPA staff member organizing the site visit should request the following information (if it is not already in the company file created by the FDI Promotion Department as a result of a presentation, or previous communications:

- Company name/subsidiary of, etc.
- A contact for the investor back home (for emergency/medical reasons).
- Individual(s) traveling and title(s).
- Product(s) to be manufactured, contracted, or explored.
- Planned travel dates (and flights, if available).
- Objective(s) of the site visit.
- Specific information that company representative can provide regarding the site visit (or specific requests).

In addition to the previous list, the SIPA staff member should also research the company using local resource materials, data base information, as well as all relevant financial information from sources such as Dun and Bradstreet or the Internet (i.e., the company's own web site).

It is the local Investment Officer, the manager of the site visit, who in many cases is in a position to "close the deal". While the final positive decision regarding a decision on an investment is usually made in the company's home office, a negative decision can occur while on a site visit. The perceptions developed, and the information collected on the country by individuals on a site visit, are the most important factors that are used in making the decision to do business in the country. Therefore, it is important to stress the importance of making sure that the SIPA staff member managing a site visit has as much information as possible on a potential investor and is adequately trained in this area.

A site visit is part of the overall selling process, and the more that the whole organization knows (especially the Investment Officer in charge of the site visit) about the particular company and the individuals on the site visit, the better the chances of converting a site visit into a business opportunity for Swaziland.

3. Preparation of the Preliminary Site Visit

To avoid confusion, it is recommended that a schedule be maintained within SIPA's FDI Promotion Department of all site visits on a calendar along with the name of the staff member that will be in charge of each site visit. Upon notice of a site visit, the calendar should be updated, and all changes and additions should always be posted immediately to anticipate and better plan for busy periods.

After updating the calendar, the staff member in charge of the site visit needs to begin structuring the visit based on the information that has been provided. This involves choosing relevant local companies and other visits, and then confirming them with the companies or organizations to be visited so that a preliminary site visit schedule can be sent to the investor for review. The site visit should also schedule a "briefing" at the beginning of the visit and "debriefing" at the end of the visit with program management as well as a social visit (dinner or lunch) with the manager and key SIPA. Additional information that should be in the preliminary site visit schedule should include the following:

- Name of staff member in charge of site visit and who will meet the investor upon arrival to the country (this person should not change during the site visit);
- Telephone/FAX/e-mail numbers (SIPA and home/cel number of local staff member);
- Date of arrival and travel arrangements;
- Date of departure and travel arrangements;
- Name of Investor Company;
- Name(s) and Title(s) of individuals traveling;
- Hotel(s) where they hold reservations; and,
- Actual site visit schedule (itinerary), including company visits, and other meetings (including briefings/debriefings).

When the preliminary itinerary is finished it should be dated and clearly marked "preliminary", and then should be sent to the investor for discussion or comments. All parties should understand that even though the site visit is marked "preliminary", it is in effect almost the final document at this time.

When scheduling a site visit, the SIPA staff member in charge of the site visit must keep in mind that time is the most valuable asset for serious investors. While investors may complain of long days and may request time off in a schedule, for the most part, they will want to achieve the most out of the site visit, even if it means long hours. At the same time the staff member must schedule enough time for each meeting, and to get from one meeting to the next.

It is also important for the FDI Division to develop a series of "standard" site visits (one per key sector). These can be used in promotional events when explaining to a investor the types of services that SIPA can carry out for them if they visit Swaziland to explore a business opportunity.

4. Discussion of the Preliminary Site Visit with the Investor and Preparation of Final Site Visit

Once the investor has had a chance to react to the preliminary site visit schedule that has been sent, a final site visit schedule can be prepared. The final site visit schedule should be reviewed by the investment division manager, marked final, and dated. It should be sent to the investor with a copy to SIPA's General Manager so that he is aware of the site visit.

5. Preparation for the Actual Site Visit

Several days before the actual site visit the SIPA staff member in charge of the site visit must:

- Confirm hotel reservations on behalf of the investor (again on the same day of the arrival).
- Confirm that the visitor has a valid visa.
- Confirm use of a vehicle for the site visit, either SIPA's, the staff member's, or rented car (if the staff member's car, it must meet SIPA's standards).
- Confirm and re-confirm all Swaziland visits with the individual in the company/organization to be visited.
- Confirm with the investor travel dates and airline information.
- Confirm with SIPA's management the briefing and debriefing meetings.
- Request funds from SIPA for the site visit if needed.

A standard control sheet with the above could be developed and attached to the staff member's copy of the site visit so that these "small details" which can ruin an otherwise successful site visit are always attended to.

6. The Site Visit

The first visit with the investor in country should be a briefing with the SIPA management in order to discuss the site visit, the investor's objectives, and to make any last minute changes, if necessary. If changes are made to the site visit, a new schedule must be made and marked "FINAL -REVISED" and dated. This visit with the investor also gives management a chance to see how "real" the potential investor is.

The site visit must be managed on a timely basis. The staff member must keep the visits on time and the overall site visit organized. Most importantly, the staff member must try to build a relationship with the investor, making the investor feel at ease in Swaziland. At the same time, the staff member must anticipate the investor's needs. During the site visit, the staff member must be aware of what the investor is feeling, what he likes and dislikes about Swaziland, his views on other competing locations etc. It is this type of information that will be useful to the program in order to eventually "close the deal".

During the site visit, it is often valuable for management to schedule an informal session for the investor with government officials, if possible. This can be a lunch, dinner, or even coffee after hours. During this time the investor is apt to be more relaxed, and many times it is possible to gather additional information about the investor or the company that might not normally be revealed. While it may be impossible for management and government officials to see every serious investor that visits Swaziland, it is a valuable tool, and should certainly be used with key site visits.

The last visit that the investor has in country before departing should also be a debriefing with SIPA's management. Prior to this debriefing, it is important that the staff member provide the manager with initial information on the visit to help the manager prepare for the debriefing. During the debriefing the manager should also seek to find out what the investor liked and disliked about the country in general and the site visit specifically. The manager should also try to get a feeling as to how effective the local staff member was in handling the site visit.

Site visits can go badly, and it is important that when the staff member handling the site visit feels there is a problem that SIPA's management be notified at once. The General Manager can then intervene if necessary to correct the problem, but most of all, to demonstrate concern at all levels and a commitment on the part of the program to work with the investor. Reasons why site visits go bad are varied, but the most common complaint (and there should be very few complaints at all) is that the site visit is not providing the investor with the information needed by the company or it is not meeting the objectives of the investor.

At the end of the site visit, the staff member in charge of the site visit must prepare a report within 48 hours. The report should provide SIPA's management with additional information on the site visit and any information that the potential investor has requested that could not be provided while the potential investor was in country. This report should contain relevant information on the visit, although it should be brief (not to exceed two pages). It is important to communicate relevant facts which will be used by the SIPA's staff to follow-up with the potential investor, but it need not describe all of the details of the site visit itself. The General Manager should also add any additional comments to the report based on the briefing and debriefing with the investor. SIPA's management should also work with staff to develop a standard format for this report.

7. Follow-up

In the site visit report there should be a recommendation on how to follow -up with the investor. When management reviews the report, specific on-going instructions should be detailed so that there will be continuous follow-up until a decision on investing in Swaziland is made. There can never be enough follow -up.

8. Additional Comments

All site visits are a learning experience for SIPA, and will provide both positive and negative experiences. It is important that these "lessons learned" be discussed with the rest of the staff in the Investor Services division. As part of the follow -up that is made on all site visits, SIPA's management should hold meetings with staff to discuss these experiences so that the FDI Promotion Department and SIPA as a whole can gain from the experiences of the individual staff members.

9. Sample Site Visit Schedule (Itinerary) For A First Time Visit

A sample site visit for the XYZ Corporation (fictional company) is provided in this section as an example.

a. Background

XYZ Corp. is a international company engaged in manufacturing of various household items. It is interested in establishing an assembly / manufacturing operation and regional marketing office to serve regional and export markets. The President of XYZ Corporation has directed two of the company's Senior Vice Presidents, John Smith and Jim Jones to visit Swaziland, South Africa and Mozambique in order to evaluate the benefits of each as a location for the company's regional operations.

XYZ Corp. has advised SIPA in April that the visit would take place on May 4th and 5th.. The visitors will arrive Manzini from Johannesburg connecting from Paris) on May 3rd at 2:00 PM and need to depart Manzini the Morning of the 6th of May..

b. Pre-visit Planning

The SIPA staff member in charge of the site visit will act as the facilitator assigned to the company. By reviewing correspondence and communicating directly with the investors, the SIPA staff member will develop a "project outline" to the extent that it is possible (i.e. a brief synopsis of the company's needs (building type and size required, employment numbers and skills, materials, power and water, transportation, products involved, raw materials, total investment envisaged etc.).

The following is a sample of the possible site visit schedule (itinerary) which will be arranged for XYZ Corp. by SIPA.

c. Sample Itinerary for XYZ Corporation

Site Visit to the Kingdom of Swaziland
Prepared for Mr. Jones and Mr. Smith of the XYZ Corporation

Attachment I
Site Visit Procedure

May 3 to May 6, 2005

Site Visit Objective: To provide the XYZ Corporation with an initial understanding of doing business in Swaziland. This includes showing XYZ's representatives examples of other foreign investment operations in Swaziland, presenting different building alternatives, and providing key information on doing business in Swaziland.

The SIPA Officer in charge of the Site Visit is (Name)
Home Phone Number: XXXXX
Cel Phone Number: XXXXX

May 3

2:00 PM	Visitors arriving to Manzini International Airport on South African Airways flight 233. Visitors will be met at the airport by the SIPA investment officer (name). 3:00 PM transfer to the Swazi Sun Hotel and Spa. Visitors will be left there to rest for the rest of the day..

May 4

8.00 AM	The SIPA investment officer will join Mr. Smith and Mr. Jones for breakfast at the Swazi Sun
9.00 AM	Leave hotel and depart for SIPA.
9.30 AM	Presentation meeting with SIPA Management and Staff on investment in Swaziland and services offered by SIPA. 10.00 a.m.
11:00 AM	SIPA investment officer accompanies visitors to view and tour the Manzini Industrial Park.
1.00 PM	Group has working lunch in Manzini (name of restaurant) with Mr. ABC (expatriate manager of a foreign owned manufacturing company which has been in Swaziland for 5 years)
2.30 PM	Visit to the Swazi Textile Company, a South African owned manufacturing facility with Mr. Johnson, General Manager for the facility.
4:00 PM	Visit to the AMEXCO Manufacturing facility, a German owned manufacturing facility in the apparel industry with Mr. Wolf, General Manager for the facility in Swaziland.
6:00 PM	The group is returned to the Swazi Sun Hotel.

May 5

9.00 AM	Pick up at th e Swazi Sun Hotel by the SIPA investment officer
10:00 AM	Visit to the industrial park at (second location). Meeting with Mr. Nice, manager for the industrial park to review building availability and costs.

11.00 AM	Meeting with Mr. DEF, expatriate manager of the Joint Corporation, a joint venture between a South African food processing company and a local Swazi partner.
1:00 PM	Lunch on the road to Mbabane – Zebra Restaurant
2.00 PM.	Meeting with Mr. X, Foreign Operations Manager of Standard Bank in Swaziland to discuss money transfer issues and foreign exchange restrictions.
2.30 PM	Meeting with Chartered Accountants (name of company and name of person they will be meeting with) to discuss taxation issues in Swaziland.
4.30 PM	Wrap up (debriefing) meeting at SIPA's office.
5.30 PM	SIPA investment officer will transport the visitors to the Swazi Sun Hotel after the briefing.

May 6

7:00 AM	SIPA investment officer will pick up the visitors at the Swazi Sun Hotel for departure to the Manzini International Airport.
9:00 AM	Departure from Manzini International Airport on South African Airways flight number 235 to Johannesburg. .

d. Post Visit Follow-up

- The SIPA investment officer will need to write Mr. Smith confirming information requested that is still outstanding and outlining possible next steps.
- The SIPA investment officer writes a brief visit report detailing key events and issues; he/she will add a list of action items and responsibilities. The report is copied to all relevant SIPA managers.
- SIPA's management determines a follow up strategy.

INITIAL DATA BASE DOCUMENTS

Government and Political Information

- Political overview
- Historical overview of foreign investment
- Foreign investors currently doing business
- Basic economic indicators
- Description of SIPA and services provided to investors
- Requirements for travel to and in the Kingdom.

Labor

- Labor laws
- Rights and obligations of labor and of the company
- Fringe benefits and other indirect labor costs
- Cost of labor for different levels and skill s
- Labor unions
- Labor indicators: productivity, education, special skills

Key Sectors (Sectors to be defined with SIPA)

- Profile of the "downstream" sugar sector
- Opportunities in the agribusiness sector
- Opportunities in infrastructure development – power and water
- Profile of the tourism sector
- Profile of the timber sector
- Profile of the manufacturing sector
- Profile of the mining and exploration sector
- Opportunities for technical education and associated services

Infrastructure

- Electricity: availability and costs
- Communications: availability and costs (voice and data)
- Building/construction costs, sites and services (industrial parks)
- Availability of existing buildings and sites
- Listing of key reliable construction companies
- Other utilities: availability and cost

SAMPLE DATA BASE OUTLINE AND DOCUMENTS - HONDURAS

DATABASE OUTLINE - HONDURAS

I. Economic

A. Economic Indicators

1. National Product and Expenditure	I_A_1
2. Money & Banking Statistics	I_A_2
3. Balance of the Honduran Central Bank	I_A_3
4. International Transactions	I_A_4
5. Regional Distribution of Exports	I_A_5
6. Regional Distribution of Imports	I_A_6

B. Policy

1. System of Public Auction of Dollars	I_B_1
a. Decree No. 59-94	I_B_1_A
2. The Privatization Process in Honduras	I_B_2
3. Debt/Equity Conversion Law	I_B_3

II. Political Structure

A. Political Structure Description	II_A
B. The Executive Branch	II_B
C. The Legislative Branch	II_C
D. The Judiciary System	II_D

III. Human Resources

A. Demographics

1. Social Structure	III_A_1
2. Indexes	III_A_2
3. Populations	III_A_3
4. Immigration	III_A_4
5. Tourism	III_A_5

B. Economically Active Population

1. Department of Francisco Morazán	III_B_1
2. Department of Cortés	III_B_2
3. Tegucigalpa D.C.	III_B_3
4. San Pedro Sula	III_B_4
5. Choloma	III_B_5
6. Puerto Cortés	III_B_6
7. Villanueva	III_B_7
8. La Lima	III_B_8
9. La Ceiba	III_B_9
10. Choluteca	III_B_10
11. Comayagua	III_B_11
12. El Progreso	III_B_12
13. Tela	III_B_13
14. Danlí	III_B_14
15. Santa Rosa de Copán	III_B_15
16. Juticalpa	III_B_16
17. Santa Bárbara	III_B_17
18. Siguatepeque	III_B_18

C. Educational System

1. Elementary	III_C_1
2. High Schools	III_C_2
3. Technical Schools	III_C_3
4. Universities	III_C_4
5. Bilingual Schools	III_C_5

IV. <u>Infrastructure</u>

A. Transportation

1. Road Transportation Costs	IV_A_1
2. Commercial Airlines in Honduras	IV_A_2
a. Air Connections to U.S. from **Tegucigalpa**	IV_A_2_A
b. Air Connections to U.S. from **San Pedro Sula.**	IV_A_2_B
c. Air Cargo Itinerary to and from major U.S. Cities and **Tegucigalpa**	IV_A_2_C
d. Air Cargo Itinerary to and from major U.S. Cities and **San Pedro Sula**	IV_A_2_D
e. Air Cargo Specific commodity Rates: **Fine Air**	IV_A_2_E
f. Air Cargo Specific commodity Rates: **American Airlines**	IV_A_2_F
g. Air Cargo Specific commodity Rates: **Taca**	IV_A_2_G
h. Air Cargo General Rates to other cities: **Taca**	IV_A_2_H
i. Air Cargo Specific commodity Rates: **Continental**	IV_A_2_I

X. Non-profit Organizations, Chambers and Associations

A. Foundation for Investment & Development of Exports (FIDE) X_A

1. Commercial Information Center	X_A_1
B. The Honduran American Chamber of Commerce (AMCHAM)	X_B
C. Human Resources Development Center (CADERH)	X_C
D. National Institute for Professional Formation (INFOP)	X_D
E. National Industrial Association (ANDI)	X_E
F. Industrial Information Center (IIC)	X_F
G. Honduran Garment Manufacturer's Association	X_G
H. Pymes 60	X_H
I. Eurocentro Honduras	X_I
J. Honduras-Korea Technical Training Center	X_J

XI. Honduras Tourism Attractions

A. Honduras Tourism Attractions

1. The Maya Ruins of Copan	XI.A.1
2. Tela Bay ecotourism project	XI.A.2
3. Tela	XI.A.3
4. Trujillo	XI.A.4
5. Bay Island	XI.A.5
6. Lake Yojoa	XI.A.6
7. Omoa	XI.A.7
8. La Ceiba	XI.A.8
9. Comayagua	XI.A.9
10. Tegucigalpa	XI.A.10
11. San Pedro Sula	XI.A.11

DESCRIPTION AND HISTORY OF THE POLITICAL STRUCTURE AS A SYSTEM

On September 15, 1821, Honduras obtained its independence from Spain and declared itself as a "Free, Sovereign and Independent" Republic.

The official language is Spanish and certain dialects are spoken by Misquitos, Payas, and Sumo tribes disseminated throughout the Eastern part of the country. English, Chinese and Arabic are also spoken by the immigrants who have settled in Honduras.

For over a century, the church has been separated from the State. Even though Roman Catholicism is the most predominant religion, other ones can be found such as: Protestant, Methodist, Baptist, Anglican, Jehovah Witnesses and Presbyterian.

Honduras is a democratic nation, headed by a popularly -elected President every four years.

Government is divided into three branches:

- **Legislative (Represented by the Congress, Delegates being elected by the citizens in each voting district).**
- **Executive (Represented by the President and his thirteen Cabinet members).**
- **Judicial (Represented by the Supreme Co urt, whose members are appointed by the Congress).**

Each one independent from the other but complemented for a coherent and efficient performance.

The country is divided into eighteen Departments, each one headed by a Governor, who is appointed by the Pre sident and his Cabinet. Regional and Municipal elections are held at the same time as the presidential elections.

The Constitution of the Republic has 379 articles which regulate the actions of nationals and foreigners. The constitution comprises and regulates all existent laws in Honduras.

SOURCE: Constitution of the Republic
DATE: MAY-14-99
UPDATE: FEB-02-00
REFNCE: II.A.
AUTHOR: AMM

COMMERCIAL AIRLINES OPERATING IN HONDURAS

Central American Airlines

- **TACA GROUP (TACA, LACSA, AVIATECA, NICA AIRLINES)**
- **COPA**
- **ISLEÑA**

Local Airlines

- **ISLEÑA**
- **CARIBBEAN AIR**
- **SOSA**

European Airlines

- **IBERIA**

United States Airlines

- **CONTINENTAL AIRLINE**
- **AMERICAN AIRLINE**

SOURCE:	**AVIATOUR (TRAVEL AGENCY)**
DATE:	**MAY-14-99**
UPDATE:	**FEB-01-00**
REFNCE:	**IV.A.2.**
AUTHOR:	**AMM**

AIR CONNECTIONS TO MAJOR U.S. CITIES FROM TEGUCIGALPA

SERVICE TO / FROM	COMPANY	ROUND TICKET PRICE/PERSON (APPROX.)	FREQUENCY
	AMERICAN	$ 500.00	DAILY
MIAMI	* TACA GROUP	$ 500.00	DAILY
NEW ORLEANS	TACA GROUP	$ 525.00	TUE-THUR-SAT-SUN
HOUSTON	TACA GROUP	$ 525.00	DAILY
	CONTINENTAL	$ 525.00	DAILY
LOS ANGELES	TACA GROUP	$ 660.00	DAILY
NEW YORK CITY	TACA GROUP	$ 675.00	MON-WED-FRI-SUN
	TACA GROUP	$ 645.00	DAILY

TELEPHONE NUMBERS:

	Reservations	Airport
American Airlines	232-1414	233-9712
Taca Group	231-1156	234-1651
Continental Airlines	220-0999	233-7676

NOTES: ALL SCHEDULES & RATES ARE SUBJECT TO CHANGE. PRICES MAY VARY IF TICKETS ARE PURCHASED IN U.S.A. THE CURRENT EXCHANGE RATE AT THE AIRLINES IS LPS. 14.24 TO ONE US DOLLAR. DOES NOT INCLUDE THE 10% TAXES, NEITHER THE AIRPORT TAXES U$ 25.00.

SOURCE : AVIATOUR (TRAVEL AGENCY)
DATE : MAY-14-99
UPDATE : FEB-01-00
REFNCE : IV.A.2.a.
AUTHOR : AMM

AIR CARGO ITINERARY TO AND FROM MAJOR U.S. CITIES AND TEGUCIGALPA

FROM/TO	COMPANY	FREQUENCY
TEG/MIAMI	AMERICAN	DAILY
	TACA	DAILY
	CHALLENGE	TUE-THUR-SAT
TEG/HOUSTON	TACA	DAILY
	CONTINENT.	DAILY
*TEG/LOS ANGELES	TACA	DAILY

* ONE STOP IN EL SALVADOR

TELEPHONE NUMBERS:

American Airlines	233-96-80/ 233-96-85
Taca Airlines	234-16-75/ 233-97-97
Continental Airlines	233-78-89/ 233-78-12
Challenge Cargo	668-11-19/ 668-12-13

SOURCE : AIRLINES & FIDE RESEARCH
DATE : MAY-14-99
UPDATE : FEB-01-00
REFNCE : IV.A.2.c
AUTHOR : AMM

**AIR CARGO ITINERARY TO AND FROM
MAJOR U.S. CITIES AND SAN PEDRO SULA**

FROM / TO	COMPANY	FREQUENCY
SPS/MIAMI	FINE AIR	TUE-THUR-FRI-SAT
	AMERICAN	DAILY
	CHALLENGE	MON-TUE-WED-THUR-FRI-SAT
	TACA	DAILY
SPS/NEW ORLEANS	LACSA	TUE-THUR-SAT-SUN
SPS/HOUSTON	*TACA	DAILY
	CONTINENT.	DAILY
SPS/NEW YORK	LACSA	MON-WED-FRI-SUN
SPS/LOS ANGELES	*TACA	DAILY

* ONE STOP IN SALVADOR

TELEPHONE NUMBERS

American Airlines	668-32-49/ 668-32-51
Taca Airlines	668-17-69/ 668-33-40
Continental Airlines	668-32-12/ 668-32-14
Fine Air	668-30-51/ 668-18-55
Lacsa Airlines	668-17-69/ 668-33-36
Challenge Air Cargo	668-12-13/ 668-11-19

SOURCE : AIRLINES & FIDE RESEARCH
DATE : MAY-14-99
UPDATE : FEB-01-00
REFNCE : IV.A.2.d
AUTHOR : AMM

AIR CARGO
GENERAL RATES TO OTHER CITIES
DOLLARS PER KILOGRAM
AIRLINE: TACA
PHONE # 668-1769/ 668-3336

FROM HONDURAS TO	MINIMUM CHARGE	UNDER 45 KG	46 - 99 KG	100 - 299 KG	300 - 499 KG	OVER 500 KG
LOS ANGELES	55.00	3.16	3.16	2.71	2.26	2.03
NEW YORK	55.00	2.86	2.19	2.19	2.00	1.75
HOUSTON	55.00	2.19	1.89	1.89	1.59	1.19
NEW ORLEANS	55.00	2.25	1.83	1.83	1.53	1.13
SAN FRANCISCO	55.00	3.60	3.60	3.15	2.70	2.47
WASHINGTON	55.00	2.13	2.13	1.73	1.56	1.47

SOURCE: CARINTER & AIRLINE RESEARCH
DATE : MAY-14-99
UPDATE: FEB-01-00
REFNCE: IV.A.2.H
AUTHOR: AMM

E-MAIL/INTERNET

The transfer of personal information as well as data information, is one of the biggest todays' needs to compete in an every day more demanding world. Among the ways to do that, we have satellites as well as computerized networks, being this last one the most representative.

To satisfy this demand, Honduras has joined to the many countries to be in agreemen t with the competitiveness. As a result, now many local and foreign companies established in Honduras can have access to the many resources in a faster way and saving time and money.

Among the advantages of using these programs are:

- E-mail services
- Country information
- To order directly products in promotions

The Foundation for Investment and Development of Exports, FIDE, has the following addresses:

Tegucigalpa's office:
fide@hondutel.hn
pre@fidehonduras.hn
vpr@fidehonduras.hn
ddi@fidehonduras.hn

San Pedro Sula's office:
fidesps@hondutel.hn
ddp@fidehonduras.hn
dpe@fidehonduras.hn

Miami's office:
dghonduras@aol.com

LIST OF INTERNET ACCESS PROVIDERS

San Pedro Sula

- **GLOBALNET**
  Telephone: (504) 566-1784
  Fax: (504) 566-0455
  www.globalnet.hn

- **INTERTEL**
  Telephone: (504) 566-1740
  Fax: (504) 566-1760
  www.intertel.hn

- **MAYANET**
  Telephone: (504) 566-2540
  Tel/Fax: (504) 566-0070
  www.mayanet.hn

- **NETSYS**
  Telephone: (504) 566-1055
  Fax: : (504) 566-3183
  www.netsys.hn

Tegucigalpa

- **GBM**
  Telephone: (504) 232-2319
  Fax: (504) 232-4580
  www.gbm.hn

- **SIGA**
  Telephone: (504) 236-9470
  Fax: (504) 236-9471
  www.hondudata.hn

- **SIGMANET**
  Telephone: (504) 221-4877
  Fax: (504) 221-4866
  www.sigmanet.hn

- **HONDUTEL**
  Telephone: (504) 232-0757
  Fax: (504) 232-3665
  www.hondutel.hn

- **CENTROMATIC**
  Telephone: (504) 232-1190
  Fax: (504) 232-6555
  www.datum@datum.hn

SOURCE: FIDE Research
DATE: MAY-14-99
UPDATE: FEB-01-00
REFNCE: IV_B_3
AUTHOR: KJO

WATER SUPPLY IN HONDURAS

Water supply and sewer systems in Honduras are administrated by S.A.N.A.A., an autonomous division of the Executive Branch. Only the city of San Pedro Sula has its own autonomous institution, DIMA, administering the city's water supply and sewer system.

In those cases where there currently is a water supply network in the vicinity, the institution having jurisdiction over the location will encourage a user to connect to the established system, unless the industry's demand can not be satisfied.

In places where there is no installed water systems, a well may be drilled. Legislation for the drilling and use of private wells is very flexible, with few requirements necessary. Water consumption is controlled by limiting the diameter of the influx pipe in the well.

In general, the cost of drilling a well in Honduras is :

- **For domestic use:**
  Lps. 300.00 per linear/foot with a 6 inch diameter pipe
- **For industrial use:**
  Lps. 600.00 per linear/foot with a 12 inch diameter pipe
- **Drilling Permit/license : 7% of the well value**
- **Supervision : 7% of the well value**
  (does not include pumps and accessories)

The charge for well consumption is Lps. 0.32/M3.

In the Industrial Parks, water for regular office and plant use is usually included in the rent charge. Only when a factory demands large industrial quantities for washing or dyeing, it will have to pay for water consumption. This will have to be negotiated with the management of the Park.

Water Rates for San Pedro Sula
D.I.M.A.
(In Lempiras)

CATEGORY	BASIC CONSUMPTION M3	BASIC VALUE	CONSUMPTION RANGES IN M3 21-30	31-40	41-50	51-80	>80
DOMESTIC	20	29.00	1.75	2.20	2.50	2.90	3.25
COMMERCIAL	20	45.00	2.50	2.90	3.25	3.65	4.30
DRIVE-INS	20	45.00	2.50	2.90	3.25	3.65	4.30
INDUSTRIAL	50	182.00	3.65	3.65	3.65	3.65	4.30
PUBLIC	50	82.00	-	-	-	2.19	2.81
BOTTLING COMPANIES & SOFT DRINKS-BEERS	50	800.00	16.80	17.60	18.40	19.20	20.00
CAR-WASHES 8.00	>1	8.00					

Drainage service : 40% of the amount charged for potable water.

ELECTRICITY RATES

CENTRAL INTERCONNECTED SYSTEM RATES

Effective March 1997
Country's installed capacity: 674 MW

RATE "A"

Applicable to:
Residential/Domestic use only.

Note: This rate applies to commercial use only when combined with residential/domestic use. However, commercial consumption must not exceed residential/domestic consumption.

Monthly Charges:
Minimum charge..............................Lps. 6.90 mo.
Meter charge................................Lps. 0.50/mo.
Total.................................... Lps. 7.40/ per month

Consumption charge for March 1997:

LESS THAN 500 kilowatts

	kWh	LEMPIRAS
Price for the first	20 (minimum charge)	6.9000
Price per kWh for the next	80	0.6979
Price per kWh for the next	200	1.0173
Price per kWh for the next	200	1.1829

For example

Kilowatt/hour	Cost per kWh	Total	Accumulated
0 to 20 KwH	Lps. 6.90	Lps. 6.90	Lps. 6.90/mo.
21 to 100 "	0.6979	55.83	62.73/kWh
101 to 300 "	1.0173	203.46	266.19 "
301 to 500 "	1.1829	236.58	502.77 "

Plus Lps.0.50/Month (meter charge)

MORE THAN 500 kilowatts:

	kWh	LEMPIRAS
Price for the first	20 (Minimum charge)	7.0800
Price per kWh for the next	80	0.7161
Price per kWh for the next	200	1.0438
Price per kWh for the next	200	1.2137
Price per kWh for the next	500	1.3352

For example

Kilowatt/hour	Cost per kWh	Total	Accumulated
01 to 20 "	7.0800	7.0800	7.0800 "
21 to 100 "	0.7161	57.288	64.368 "
101 to 300 "	1.0438	208.76	273.128 "
301 to 500 "	1.2137	242.74	515.868 "
Above 500	1.3352	______	_______

Plus Lps 0.50/month (meter charge)

RATE B2 (201) (202)

Applicable to:
All other types of use.

Consumption charge for March 1997

SINGLE PHASE

Minimum charge(up to 20 kwH).................Lps. 28.4026/mo.
Meter charge.................................Lps. 0.50 /mo.

Total.......................................Lps. 28.4026/per month

Consumption charge:
20 kwh or less..............................Lps. 28.9026/mo.
Above 20 kwh................................Lps. 1.4201/kwH

THREE PHASE (202)

```
Minimum Charge(up to 100 kwH)................Lps.142.0130/mo.
Meter charge.................................Lps.  1.00  /mo.
                                                -----------
Total........................................Lps.142.013/month


Consumption charge:
100 kwh or less..............................Lps.143.0130/mo.
Above 100 KwH................................Lps.  1.4201/KwH
```

RATE C3: INDUSTRIAL BULK RATE 1

Applicable to:
Customers that have subscribed and signed contracts for one year or more, and with a demand no less than 250 kilowatts.

Consumption charge for March 1997

```
Demand charge ...............................Lps.116.1721/kw
Consumption charge ..........................Lps.  0.8297/KwH
```

Demand Charge: This rate is charged as follows: A separate meter is installed in each factory to measure the KWs consumed every 15 minutes, during the peak electricity hours. The highest consumption during any of these 15 minute periods is charged accordingly (it is never charged in an accumulative manner).

RATE D5: INDUSTRIAL BULK RATE 2

Applicable to:
Customers that have subscribed and signed contracts for one year or more, and with a demand no less than 2,500 kilowatts.

Consumption charge for March 1997

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Demand charge..............................Lps.  86.2593/kwH
Consumption charge.........................Lps.  0.7938/KwH
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1) The National Electric Company on behalf of the Municipality of the city of San Pedro Sula will also charge the consumers of electricity the following rates for concept of public lighting service.

Consumption charge for March 1997

SINGLE PHASE

```
Minimum charge ( 20 kwH or less).............Lps. 29.1321/mo.
Meter charge.................................Lps.  0.50  /mo.
                                                 -----------
Total........................................Lps. 29.6321/mo.

Consumption Charge:
20 kwh or less...............................Lps. 29.1321/mo.
Above 20 kwH.................................Lps.  1.4666/mo.
```

THREE PHASE

```
Minimum Charge ( 100 kwH or less)............Lps.145.6603 /mo.
Meter Charge.................................Lps.  1.00  /mo.
                                                 -----------
Total........................................Lps.145.6603/mo.


Consumption Charge:
100 kwH or less..............................Lps.146.6603/mo.
Above 100 kwH................................Lps.  1.4566/mo.
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2) U.S. $ 1.00 = 14.3165 Lps.

The above rates are subject to adjustments by the Central Government according to fluctuations in energy prices, and the exchange rate of the lempira against the U. S. dollar.

SOURCE: La Gaceta (Official Newspaper)
DATE: MAY-14-99
UPDATE: FEB-01-00
REFNCE: IV.D.1
AUTHOR: KJO

COMMENTS ON THE DRAFT REPORT SUBMITTED BY CARANA CORPORATION AND RESPONSES

In May of 2005, CARANA Corporation received comments from SIPA on the draft report submitted earlier in the month. These comments are listed in their entirety below, and a response is provided under each question in a different font (Times New Roman). In some cases, the comments fall outside of the scope of work for this assessment and as a result perhaps they are not answered as completely as SIPA would prefer, however, we have done our best to provide as much additional information and the necessary clarifications as is possible.

Many of the questions / clarifications refer to the need for and availability of, additional technical assistance and resources to assist SIPA. As we have stated in our response to question number 12 in the section below, there is no doubt that SIPA could benefit from additional technical assistance and resources, be it in the form of several short term consultancies, or though a long term advisor, much as SIPA had in the past when it initiated operations. However, this also is a difficult question, since as consultants we do not know what levels of funding might be available for SIPA from different international funding sources, nor what their inclination would be to provide technical assistance and/or resources to an investment promotion activity in Swaziland. However, the consultants believe that additional technical assistance to SIPA will result in limited impact unless the Government also demonstrates a real commitment to investment promotion. This point is developed to a greater degree in our response to question #3 and #4) below.

ASSESSMENT OF THE SWAZILAND INVESTMENT PROMOTION AUTHORITY PREPARED BY CARANA CORPORATION, MAY 2005

1. It must be noted that the Draft Report is well-written and covers areas of concern to the Institution. The recommendations made are useful and certainly beg implementation in order to improve the operation of this Organisation. Infact, SIPA has already started working on some of these recommendations which are not difficult to implement.

No response is required. We are quite pleased that the report has been received so well and that SIPA is already implementing several of the recommendations.

2. It is further noted that the mandate of SIPA may be too broad, given the fact that the Institution was never intended to increase its human resources significantly in order to provide focused special service in each of the three key activities. But the reality is that this mandate is not about to change perhaps in the next three years. SIPA has to work with this mandate and show successes in all three key focus areas. Perhaps the recommendations must include suggestions on how to create some degree of success in all of them.

The consultants agree that the mandate is not about to change in the short or medium term and took this into consideration when making the recommendations presented in this report. The consultants feel that the recommendations made will maximize the results that SIPA will be able to achieve given its broad mandate and limited resources.

The principal area where the consultants are recommending that SIPA carry out the minimum level of activities is in the area of general SME development, however, even here, the consultants have recommended a course of action which we believe will allow it to comply with its mandate in this area, albeit minimally, allowing it to focus precious human and financial resources in areas with greater potential.

3. The Report recognizes a less than ideal Investment Climate in Swaziland (pages 3 & 4), yet there appear to be no specific recommendations on what needs to be done in each area. No specific recommendations are being suggested for Government on the Image of the country; on addressing market access, taxes and labour force. Whilst HIV and AIDS are now a fact of life and efforts have been put in place to combat it, how can this country be marketed in the light of this pandemic. What can other stakeholders do to address or try to improve the poor Investment Climate in the courtry?

The request is certainly legitimate, however, in our opinion falls beyond the scope of work for this consultancy. However, we would like to offer the following comments.

In the ten areas (factors) that make up the investment climate that are presented in the body of the report, Swaziland has problems in almost all of them. At the same time, almost all of them also fall outside of SIPA's control or area of influence. This means that if Swaziland intends to improve its investment climate, the decision to do so – and the mandate and resources for this – would have to come from a higher level within the government.

The building of a better business climate is a task that begins with a strong commitment and understanding at the highest levels of Government that investment promotion is an essential and cost effective economic development tool. In Swaziland, this commitment ultimately needs to come from the King, but there also needs to be a commitment from the Prime Minister and key political and private sector leaders in the country. Without the commitment and support for a strong investment promotion activity in Swaziland from the highest levels of Government – of which one of its components would be an initiative to improve the investment climate – the country might still be able to make some improvements to the investment climate, but not at the level required to contribute significantly to greater success in investment promotion.

The investor roadmap study, the transportation and logistics study, and the SIPA Assessment all highlight areas that negatively impact Swaziland's investment climate. These are valuable tools in defining the deficiencies in the investment climate and provide a checklist for improvement. In the short run, however, we have suggested that SIPA focus on the areas it can influence, and that is the level of service that it can offer investors as is specified in our report (improved investor services, improved investor promotion, and improved investor facilitation services). SIPA's managers should also use whatever influence they have to "sound the alarm" within the government as to the need to improve the investment climate if Swaziland is serious about economic development.

4. Budget Limitations of SIPA are recognized in the Report and a case is perhaps made for Government, as the sole funder of SIPA, to reconsider these. But it is not significantly shown how much can SIPA achieve with such a limited budget. If SIPA is to carry out the three key activities of promotion, facilitation and aftercare, and across FDI, domestic Investors and the SME sector what sort of success rate can realistically be expected in these areas? Given the fact that this is not likely to change soon, what sort of financial injection is required from Government for each of FDI, domestic Investment and SME sector? Is there any scope of additional Technical Assistance (TA)? If so, what form should this TA take and to what extent?

This comment / question has three parts which are addressed below.

<u>What can SIPA achieve with its limited budget?</u> We interpret this question to be what sorts of employment targets are reasonable for SIPA. We believe that SIPA can improve its level of service and improve the effectiveness of its efforts. However, it is our opinion that the job creation target set for SIPA of 10,000 jobs per year is unrealistic given all of the constraints faced by SIPA and which are detailed in our report. A more rational target would be 3,000 jobs per year [1], assuming that SIPA implements the recommendations in our report, and that some improvements in the business climate can be achieved over time. Higher levels of job creation will not be possible without a greater commitment from the Government of Swaziland as discussed in the previous question.

<u>What sort of financial injection would be required?</u> This is a difficult question given that the lack of financial resources is just one of many interdependent variables that affect the success of an investment promotion strategy. Certainly, SIPA could use an increase in budget – at least double the amount over current funding levels [2], but this alone will not guarantee additional results. As discussed in point number 3 above, government commitment and understanding of investment promotion at the highest

[1] Defined as jobs that would otherwise not have come to Swaziland without the targeting and facilitation services offered by SIPA.

[2] The fact that in the fiscal year ending 2004, less than 10% of SIPA's budget was available for actual promotion work highlights the budgetary problems that SIPA faces. Even with the increase in budget provided for in the current fiscal year, SIPA will only have funding for a few additional activities, but certainly not at a level that will allow it to operate a fully functional program in each of its mandate areas.

levels is perhaps the most important factor, a necessary condition if the any additional funds are going to achieve additional results.

Is there any scope of additional Technical Assistance (TA)? We believe that additional technical assistance will be required in a number of areas – mostly focusing on better promotion techniques for FDI promotion. These could include assistance in implementing some of the recommendations in the report if required and other forms of support directly provided to SIPA . However, we also believe that technical assistance should also be provided to other branches of Government if in fact a real commitment to investment promotion were made at the highest levels. This form of technical assistance would be more strategic i n nature, and would focus on making the necessary improvements in the country to be truly effective in investment promotion (need for an FDI promotion mandate, greater coordination among branches of government to improve the investment climate and support for SIPA and the FDI promotion activity in general).

5. The Report highlights SIPA's weaknesses in an Effective Promotional Strategy (P.8)and further asserts that the institution has consequently adopted a reactive approach rather than a proactive approach. Whilst the weaknesses are recognized, nowhere in the Report is there a recommendation for TA to SIPA in order to enable the Institution to become effective in these areas. The "product" marketed by SIPA needs further development, and there is no doubt in our minds that we need to market diversified investment opportunities. But it must be recognized that limited resources, both human and financial, has made it difficult to develop an attractive "product" which would be presented to investors. The areas highlighted herein, in our views, are those that we can certainly benefit from given some form of Technical Assistance.

We agree with this statement. There is no doubt that many of SIPA's activities are limited by the lack of human and financial resource s and that its current strategy is affected by this. However, we would also like to stress that the recommendations made in our report were made taking into account SIPA's current budget, staffing and know-how. We believe that all of the recommendations can be implemented by SIPA with little, if any, additional support. However, to successfully implement these recommendations will require a shifting in how staff members use their time.

At the same time, we recognize that in order for SIPA to evolve and increase its levels of success, a number of conditions need to be met as discussed above – strong government commitment to investment promotion at the highest levels, greater funding for SIPA, better coordination within the government to improve the succes s of the investment promotion activity. Added to this will be the need for additional assistance to SIPA to further develop staff and hone its strategies

On the services side, there is a lot that needs to be done to create the necessary databases in tar get country as well as on our own country information for dissemination to potential Investors. These needs are well elaborated on in the latter part of the Report. The Honduras Model, though well beyond our reach at the moment, is an exciting starting point where we would select certain types of information and computerize it for ease of retrieval and updating. Certainly there is a case here for additional resources and/or technical assistance to put these things together.

The investor database – at least the initial documents which were identified in the report – can be put together by SIPA's existing staff. We witnessed SIPA's resourcefulness in gathering and presenting data to the consulting team on demand. These are the same skills that are required to put together the initial database documents that SIPA will be able to use in its investment promotion activities.

However, refining this database, or developing the country comparative sector value models discussed later in this section, will most probably require additional technical assistance.

SIPA has not become totally Reactive in its operations. There is proactiveness in investment promotions, both locally and overseas, and in aftercare. Perhaps what should be said is that this mode of operation has been limited as a result of inadequate resources and not the lack of desire or ability to do so.

We believe that there is an issue of definition. By proactive, we mean a targeted investment promotion activity as discussed in the report in the pilot program suggested for South Africa. SIPA does not currently carry out this type of targeted activity, rather, it attends to investors that come to SIPA, or to investors that they meet on promotional trips with other members of government.

Perhaps another way of looking at this issue is to look at the activities carried out by investment promotion agencies around the world. These activities can be grouped into two major categories – general (what we refer to as reactive) and targeted (proactive) - and several sub-categories as illustrated below (these are presented in order from the more general to the more targeted).

- General Promotion - Information Dissemination; Advertising; Public Relations
  - Promotional materials
  - Investment profiles

- General Promotion - Promotion Events
  - Investment missions
  - Participation in trade shows
  - Establishment of national information office

- Targeted Promotion - Direct Selling (to specific, targeted companies)
  - Cold calling
  - Presentations
  - Targeted seminars

- Foreign offices - representation in the marketplace

- Targeted Promotion - Grants and Subsidies (granted directly to companies and negotiated individually)
  - Project financing
  - Subsidies and other incentives (low rent or free buildings, training for employees, tax incentives, operati ng or start -up subsidies, etc.).

In the discussion of reactive vs. proactive, the consultants are stressing that the more proactive the program, the more effective it is likely to be. We recognize that SIPA does carry out some proactive activities, but f or the most part – in large part due to the constraints it faces – SIPA operates more reactively than proactively.

6. The recommendations on Targeted FDI promotion, development and maintenance of information and a research function to create and maintain a d atabase to meet the needs of investors is well accepted. It is a challenge that we wish to implement. However, the report does not relate these activities to available resources. Early in the Report (Executive Summary) the Report acknowledges both the limited financial resources and the extremely overstretched human resources of SIPA. But with regard to these services, the resources needed to perform these functions are not mentioned. For the targeted promotion into South Africa, for example, it is m entioned that the country and Investor research, and the compilation of data on Swaziland, shall require approximately three months of one staff time (P.24). How can this be afforded from a staff that is already overstretched as it is? Is there a potential for short-term TA in this regard?

The decision on whether or not additional technical assistance is available for some of these activities will be decided by the international donors, and we are not able to comment on this. However, as stated before, the consultants believe that the recommendations can be implemented by SIPA without additional support, but rather that the implementation of these recommendations will require a shifting in how staff members use their time. For example, the South Africa pilot project should be able to be implemented by the Director of the FDI Promotion Department through a better allocation of his time once his assistant is hired and is on board at SIPA. As mentioned in our response to questions # 5, the investor databas e should be able to be developed with limited managerial supervision by the secretarial staff.

7. Targeted FDI Promotion. The Report makes a recommendation on this activity to be focused on South Africa (costs and time advantages) and perhaps Taiwan. No me ntion is made on whether these could be carried out in the United States, United Kingdom and the European Union. As it is, the main foreign Investors in Swaziland are from Asia and South Africa. Whilst Swaziland certainly needs to diversify the investment sectors, the country is desirous of diversifying its investor markets (source of investments). The USA is one such a

country given the fact that the Southern African Customs Union (SACU) of which Swaziland is a Member, is presently negotiating a Free Trade Area with the USA. Investors from USA would be able to take advantage of cost factors in operating from Swaziland and of the free trade arrangements. Is there scope for seeking investors from these other markets?

While we agree with the statement that it is important to diversify sources of investment, SIPA does not currently have the budget to carry out activities in the United States, the United Kingdom and/or the European Union. With its limited resource, SIPA should focus on proactively promoting in those countries that have already yielded success (and that know Swaziland).

8. Page 15, second paragraph from the top. Ministry of **Enterprise** and Employment.

The change has been made.

9. Package advantages offered by all IPAs (Page 18). Whilst this is good as a reference point for SIPA to use in evaluating its own package offer, the Report could show what is on offer in Swaziland and how best this can be improved in order to increase the competitiveness of Swaziland in attracting FDI.

The "package" is made up of Swaziland's competitive advantages, of which low cost abundant labor is the principal component at this time. Improving its "package" means working on improving the investment climate (see our response to question #3), and on exploring those additional options that Swaziland might be able to offer to improve its competitive position (training grants, improved factory shells, etc.). Improving the "package" is a medium to long term initiative, and will require the active participation and support of government leaders.

10. Page 21 – Additional considerations for FDI. Perhaps with regard to the two investment areas based on natural competitive advantages, could be added selected biotechnology development given the country's vast and varied natural flora.

We agree that biotechnology development is an interesting area to explore. However, we also believe that before Swaziland can be successful in an area such as biotechnology development, it must first become an established and well recognized site for international investment in more traditional, less technology intensive industries. Just as it took a twenty year effort for Costa Rica to shift from apparel manufacturing to chip manufacturing with the establishment of the Intel plant a few years ago, Swaziland will have to work through that evolution as well.

The development of a biotechnology "package" will also take a level of resources and coordination within the government which is not currently available.

11. Page 23. Second paragraph from the bottom. How could these country comparative sector value models be created? What will be needed to develop them?

A country comparative model in its most simple form is the general country information (i.e. general information as in the type which we have recommended be developed in the initial investor database) crossed with specific sector information. For example, if SIPA were to try and develop a country comparative model for cut flower vs. South Africa to be used in targeting South African growers, SIPA would have to develop specific information that affects cut flower production in both countries and present them in a side by side format that shows Swaziland's advantages:

- Cost and availability of suitable land in Swaziland vs. South Africa,
- Rainfall, hours sunlight, climatic conditions in Swaziland vs. South Africa,
- Logistical costs (transportation) between Swaziland vs. South Africa,
- Cost of farm labor Swaziland vs. South Africa,
- Cost of farm inputs (fertilizers, insecticides, etc.) Swaziland vs. South Africa,
- (Others would be added depending on their importance as a cost factor in the production of cut flowers).

A country comparative model is a selling tool that should, if the sectors are correctly selected, show that Swaziland is a better investment location (for flower production) than say, South Africa (or another country being targeted). In more sophisticated investment promotion programs, customer value models are put together for each investor before they arrive in country.

We recognize that SIPA does not currently have the resources to develop these country comparative models. It requires data collection in other countries as well, something that SIPA could not carry out at this time. As an alternative, SIPA could prepare a country value models which are just Swaziland – Sector specific. For example, in preparing to target the cut flower industry, SIPA could develop the database documents on each of the above, and incorporate them into one package of information for cut flowers. The same could be done for any sector, but it requires an understanding of that sector, and the cost factors that affect profitability in that sector. Again, we recognize that the development of these country sector models will require additional resources beyond what SIPA currently has available to it.

12. Perhaps, finally, the Report could cover a Technical Assistance Model for SIPA to address the many areas of concern raised in the Report

There is no doubt that SIPA could benefit from additional technical assistance, be it in the form of several short term consultancies, or though a long term advisor, much as SIPA had in the past when it initiated operations. However, this also is a difficult question, since we do not know what levels of funding might be available for SIPA from different international funding sources. However, the consultants believe that additional technical assistance to SIPA will result in limited impact unless the Government also demonstrates a real commitment to investment promotion (see our response to question #3 and #4). If, on the other hand, the Government of Swaziland were to demonstrate a real commitment to investment promotion, we are sure that additional technical assistance resources would be made available to support and improve SIPA's activities. Designing a comprehensive investment promotion strategy for Swaziland, which would include a technical assistance and resource needs analysis, would require a different type of study than the Assessment which was carried out by CARANA Corporation in April of 2005.

Attachment V
Scope of Work

SCOPE OF WORK

Short-term consultancy – Swaziland Investment Promotion Agency; Institutional Assessment and Technical Assistance

1. Purpose and objectives

The consultants will carry out an assessment of the Swaziland Investment Promotion Agency (SIPA) over a two week period and make specific short, medium and long term recommendations to improve its effectiveness.

2. Background

The technical assistance for SIPA is designed in response to their request for a review of their overall operation, processes, vision. It is designed to make recommendations for a general improvement of the organization and its effectiveness in Swaziland, given the end of financial and other support from the EU as well as a new era in the textile industry, previously their biggest export and foreign direct investment success. This assignment will look at applying investment promotion "best practices" to the organization. This is something USAID has worked successfully on in many places --Costa Rica, El Salvador, Jordan, etc to name a few --and there is a huge body of knowledge out there. This technical assistance will collaborate with other products such as the investment code, investor road map etc.

3. Scope of work

The scope of work is divided into two parts. The initial work will focus on an assessment of SIPA's overall strategy, its organizational structure, operations, marketing, budget, and effectiveness (results analysis). During the second part of the assessment, the consultants will present its preliminary findings to SIPA's management, and develop specific training or technical assistance interventions which will be implemented during the second week of the assignment.

The initial assessment of SIPA will include an analysis of the following:

- SIPA's overall strategy and its effectiveness in implementing this strategy. This analysis will include a review of SIPA's results over the past three years, and the cost effectiveness of its operations;
- SIPA's operating budget and financial resources;
- SIPA's organizational structure, staffing patterns, and human resources;
- SIPA's procedures for managing investor exploratory visits to the country; and,
- SIPA's marketing and promotions activities.

Based on this initial assessment, which the consultant intend to carry out during the first week of the consulting assignment, the consultants will present their findings to SIPA's management and jointly determine the focus of the consultants' training and technical assistance activities to be carried out during the second week of the consulting assignment.

4. Deliverables:

The main deliverables will be: (1) a comprehensive report covering all aspects of the assessment and an analysis of the activities carried out during the second week of the assignment, and (2) a trip report, inclusive of activity and contact details.

5. Reporting

The three consultants working on this assignment are Michelle Coffey, Rodrigo Zapata, and Carlos Torres. Both Michelle Coffey and Rodrigo Zapata will report to Carlos Torres. Mr. Torres will report to Joyjit Deb Roy, TCC's home office project manager at CARANA.

6. Preparation Requested of SIPA

In order to make this consultancy as effective as possible, SIPA's management is asked to make available to the consultants one week prior to the anticipated start up of this project (currently scheduled for Monday April 18th) the following documents and analyses:

- A copy of SIPA's most recent strategic plan;

- A presentation of SIPA's operating budget (actual) for the last three years, and for the current year of operations;

- A list of investment made in Swaziland for which SIPA can claim credit over the last three years. This list should include the name of the company, type of operation or industry, location, a local contact, estimated investment amount, number of jobs created, and a brief description of SIPA's role in facilitating or attracting this investment.

- An organizational chart;

- A description of any technical assistance and or training that SIPA has received over the last two year.

As part of the consultants' work, SIPA is also being requested to simulate an investor visit for one of the consultants during the first two days of the consultancy. As part of this simulation, Ms. Coffey will play the role of a representative from a potential investor in the apparel industry. SIPA should prepare for, and carry out an investor site visit for Ms. Coffey as if she were a real investor who will be in country for only two days. Prior to the start up of this assignment, we will provide SIPA with Ms. Coffey's contact information so that SIPA may prepare for the investor site visit as they would normally[3].

[3] Note: In order to make this simulation as effective as possible, SIPA should prepare for and carry out the visit as

Prepared March 11, 2005

it would any other investor visit who is on an exploratory visit to Swaziland.