

SOUTHERN AFRICA TRADE HUB



First Quarter Report Financial Year 2012

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EXECUTIVE SUMMARY

On September 20, 2010 the United States Agency for Development (USAID) Southern Africa launched the Southern Africa Trade Hub (SATH) in Gaborone, Botswana. The overall goal of SATH is to **increase international competitiveness, intra-regional trade, and food security in the Southern African Development Community (SADC) region.**

This document presents SATH's first quarter report for fiscal year (FY) 2012.

IR 1.1: Enhanced Trade Liberalization

Our work directly supports full implementation of the SADC Protocol on Trade, the successful implementation of the Tripartite Free Trade Area and the increased capacity of Member States to engage in trade negotiations and implement trade agreements.

- In cooperation with Trademark Southern Africa (TMSA) and the SADC Secretariat, SATH participated in workshops in Angola to increase awareness of non-tariff barriers (NTBs) and encourage compliance in their elimination.
- SATH and the Southern African Customs Union (SACU) Secretariat have agreed to Terms of Reference for SATH to carry out a comprehensive review of the trade capacity building requirements of SACU Members States in the context of the US-SACU Trade, Investment and Development Cooperation Agreement (TIDCA), signed in 2008.
- SATH completed a technical report on trade and food security in the SADC region. This report was developed in response to actions taken by Southern African countries to ban staple food exports to drought-stricken East Africa. The report examines recent global and regional experience to draw lessons about the impacts of prevalent domestic trade policies on food security.
- At the request of the Ministry of Industry and Trade in Tanzania, SATH undertook a two-day workshop to facilitate consultations between the private sector and the government on the review of Tanzania's 2003 National Trade Policy. SATH also presented a two day training workshop on trade policy and trade data analysis to equip technical staff at Tanzania's Ministry of Trade and Industry with the capacity to analyze policy issues with hard data and enhance the country's policy choices.
- The Government of Lesotho launched the update of the Diagnostic Trade Integration Study (DTIS) in October and SATH consultants prepared a concept note and inception report, which were accepted by the National Steering Committee.

IR 1.2: Improved Trade Facilitation in Transit, Customs and Other Areas

SATH is pioneering regional corridor work and developing tools to assist SADC Member States in their efforts to reduce transport costs and streamline logistics through the improved performance of trade corridors and transit systems and streamlined customs procedures. SATH also aims to increase investment through improved policies and promotion and to stimulate greater trade in services.

- SATH undertook a border operations assessment (BOA) at Kasumbalesa border between Zambia and the Democratic Republic of the Congo (DRC), which is part of the Dar Corridor. The findings and recommendations of the Kasumbalesa BOA, together with the Nakonde BOA findings, were presented at stakeholder workshops in

Lusaka, Kasumbalesa and Nakonde. The workshops generated buy-in and commitment by Zambian stakeholders to implement the integrated border management (IBM). At both Kasumbalesa and Nakonde the workshops established joint border committees (JBCs) and adopted Action Plans.

- Following the establishment of the JBCs and development of action plans for JBCs at Mwanza and Songwe borders in Malawi in the last quarter, SATH facilitated JBC Meetings for Mwanza and Songwe borders to elaborate the JBC action plans into specific activities, allocate responsibilities and identify required resources for the implementation of the JBC action plans. Already, the JBCs were working as a team to implement actions that did not require resources. At Songwe, in particular, the JBC reported some positive results from their collaborative efforts.
- SATH, together with the Trans Kalahari Corridor (TKC) Secretariat, initiated and introduced new regional trade facilitation tools to be piloted along the TKC. During this quarter, the Heads of Customs of TKC countries approved the Policy Frameworks of the Risk Management and Authorized Economic Operator Policy and, with the assistance of SATH, developed and agreed on an implementation action plan.
- The SADC Customs Audit Report was finalized and presented to the SADC Secretariat, who then presented it to the SADC Committee of Ministers of Trade (CMT) for approval.
- SATH assisted the Swaziland Investment Promotion Agency (SIPA) to organize a National Stakeholder Conference to chart a way forward for a more effective implementation of the Swaziland Investor Roadmap to improve the investment climate in the country. The conference reconsidered the implementation matrix to include timelines for action.
- SATH finalized the impact assessment on the Tanzania Revenue Authority's (TRA) adjustment of its regulations on transit goods vehicles to introduce more competition in the domestic haulage of cargo. Tanzania's regulations prohibited heavy good vehicles licensed as transit goods vehicles from transporting goods domestically. However, there were problems with the availability of competitively priced transport for domestic goods. This regulation proved to be punitive on Tanzanian transit goods vehicles and negatively impacted the agricultural sector in particular. As such the TRA provided a letter of comfort to permit transit goods vehicles to move domestic cargo. The assessment evaluated the impact of this adjustment on the various stakeholders in Tanzania such as the agricultural sector, the manufacturing sector, the transport service providers and the TRA itself.
- SATH met with officials of the Ministry of Communications and Transport to prepare for the launch of regulatory impact assessment (RIA) activities and training in Namibia.

IR 1.3: Alignment of Regional Agricultural and Other Standards with International Standards

Working with the selected value chains, SATH identifies Sanitary and Phyto- Sanitary (SPS) constraints to growth along the value chain and target interventions to address these constraints.

- SATH assisted the SADC Directorate on Food, Agriculture and Natural Resources (FANR) to prepare an inception workshop for seed harmonization in Zambia. The

workshop was held from November 28 to 30, 2011, in Lusaka, Zambia, and was attended by two-thirds of the SADC Member States.

- SATH and the SADC Secretariat have agreed to establish an SPS advisory group. This is a team of experts and specialists that will be responsible for planning and reviewing all the work that is being done on SPS matters and feeding them into the SADC SPS Coordinating Committee for action. SATH will act as the secretariat for the forum until such a time that SADC Secretariat is ready to assume full responsibility.

IR 1.4: Strengthened Regional Capacity for Energy Sector Cooperation

SATH aims to improve and strengthen regional regulatory policy formulation and energy planning leading to effective institutions and security of supply of energy in the region.

- SATH completed the Clean Energy Capacity Needs Assessment based on field work in Botswana, Namibia and Mauritius to assess national renewable energy policy, planning and institutional capacities. This report will form the basis of SATH interventions as well as provide a basis for SATH/SADC cooperation on clean energy capacity building.
- SATH completed the Regional Energy Regulators Association of Southern Africa (RERA) publication on Electricity Tariffs & Selected Performance Indicators for the SADC Region 2010. Renewables were reflected for the first time in the publication.
- From October 16-21, 2011, SATH collaborated with RERA to carry out training of thirty regional regulatory practitioners, including twelve women.
- As part of continuing efforts to assist the building of renewable energy regulatory frameworks necessary for the development of renewable energy in the SADC region, SATH completed a manual on the role of energy regulators in promoting clean energy aimed specifically at the boards of directors of regulatory agencies. The manual incorporated guidelines for the formulation of clean energy strategies into overall energy policy and information derived from the regional clean energy assessments conducted throughout the region.

IR 2.1: New Trade Linkages Established and Greater Competitiveness in Staple Foods and Other Strategic Value Chains

SATH's regional value chain approach focuses on increasing the competitiveness of private sector industries and industry associations/chambers along regional value chains with the greatest potential to increase exports, create jobs and enhance food security.

- During the first quarter SATH carried out three in-depth analyses of the selected value chains. The Soy and Cotton/Textile/Apparel Value Chain Analyses were completed.
- SATH follow up in Nampula Province, Mozambique, indicates that there have been continued seed sales and trade engagement stemming from the SATH Buyer/Seller Mission in July 2011. Seed Co Zimbabwe sold an additional 50 Mt (around US\$50,000 value) of soybean seed to Rei Do Agro and has received enquiries for sunflower seed in response to the feedstock requirement stemming from the establishment of a new oil crushing plant in Meconte. SA Groundnut have made several follow up trips to Mozambique and have reached agreement with plantation owner, Madal, to do groundnut seed and production trials in Quilimane.

- SATH commissioned a database of all animal feed processors, wheat and maize mills and oil expellers in the region. Detailed information on 141 regional companies was compiled to be used as the foundation for future interaction with the industries. Applicable regional animal feed legislation was collected for further review. Grain SA and Agricultural Business Chamber (ABC) have both expressed their interest in utilizing the database to further their constituents' interests.
- SATH utilized the Corporate Council on Africa's (CCA) 8th biennial Summit to further SATH's interaction with American and African companies. The agribusiness track at the Summit drew heavily from SATH's priority sectors, emphasizing agricultural equipment sales and servicing, deepening intra-African trade and introducing innovative financing solutions.
- SATH issued the World Initiative for Soy in Human Health (WISHH) grant agreement and the two parties established a work plan. WISHH is part of the American Soy Association (ASA).
- SATH worked closely with Tiger Brands and SA Groundnut in South Africa to enhance their regional sourcing of groundnuts and introduce to them new sources of supply in Zambia, Malawi and Mozambique. Initial orders have been placed with a Zambian company. Tiger Brands is negotiating contract growing arrangements with two Mozambican companies identified by SATH.
- SATH was instrumental in organizing of the first Grain Indaba in Zimbabwe in November 2011 and identified regional role players for funding by USAID Zimbabwe. SATH's input focused on the how value chain participants should work together to create solutions to challenges.
- SATH awarded a US\$99,500 grant to PhytoTrade Africa through the Southern African Baobab initiative (SABi), to promote baobab pulp exports into the U.S.
- To support taking advantage of AGOA, in the first quarter:
 - SATH assisted New Caledon, a Lesotho organic peach puree company, to better understand AGOA, APHIS and Food & Drug Administration (FDA) requirements. It is now working on attaining FDA approval.
 - SATH linked Yusuf International, a U.S. firm met at the 2010 AGOA Forum in Lusaka, with dried fruit and dried fish suppliers from Southern Africa.
 - PACE International, another U.S. firm, was put in contact with dried fruit suppliers, cosmetic and jewellery suppliers from Southern Africa.
 - SATH assisted Trinity Foods, a South African fresh fruit exporter, to better understand AGOA and sanitary and phytosanitary (SPS) requirements in exporting fruits.

IR 2.2: Enhanced Private Sector Capacity to Comply with Regional and International Market Standards, Including Agricultural Standards

SATH seeks to develop the region's capacity to adhere to standards and reduce commodity losses through association with Business Service Providers (BSPs) and apex organizations.

- Twin Trade completed the first draft of their aflatoxin value chain analysis. SATH provided detailed input into the draft and also supported Twin's attendance at the

University of Georgia's Peanut Collaborative Research Support Program (PCRSP), in December 2011, in order to incorporate current advances in aflatoxin mitigation techniques in the value chain report.

- With STTA assistance from SATH, the South African Grain Laboratory (SAGL) has completed the first draft of their assessment of aflatoxin testing capabilities in laboratories in Zambia and Malawi with a view to providing ISO/IEC 17025 capability training. Initial findings on laboratory infrastructure and capability are not encouraging. SATH provided detailed comments on the draft report, which focused primarily on technical capability of laboratories, and did not look at the commercial aspects of aflatoxin testing.

IR 2.3: Increased Use and Availability of Financial Products and Services for Trade and Investment

- SATH worked with Export Credit Insurance Corporation of South Africa (ECIC) to improve liquidity in the region (through credit lines to regional banks) and to increase trade instruments. SATH and ECIC agreed to develop and implement the following products:
 - New credit insurance product for public sector buyers
 - New working capital product for agricultural machinery and equipment
 - New credit insurance product to facilitate credit for agricultural inputs in the region
 - New product to facilitate credit lines to banks in the region
 - Pricing for Small and Medium Enterprises (SME) products (with the view to lower the pricing for SME transactions)
- The Africa Trade Insurance (ATI) fulfills the role of an Export Credit Agency (ECA) in SATH focus countries such as Zambia and Malawi that do not have a dedicated ECA. During a visit to Nairobi, SATH engaged ATI on their product offerings and ATI requested SATH assistance to enhance their product range through a revamp of their whole turnover credit insurance product and to introduce surety bonds (bid bonds, performance bonds).
- SATH completed the first draft of the Agricultural Private Equity Scoping Study. The initial findings were presented at the formation of the African Finance Stakeholder Working Group (AFSWG) meetings in Nairobi, Kenya. Several participants, including the USAID Competitiveness and Trade Expansion Program (COMPETE), expressed a keen interest to obtain the final report of this SATH study, especially since donor funds for agriculture are limited and alternative sources and ways to mobilize those sources are important.

IR 2.4: Increased Use and Availability of Trade-Related ICT Products

SATH works to develop interactive business information and service portals for the textile/garment and commodity (staple foods and legumes) industries.

- SATH finalized a draft technical report on Regional Price and Market Information services. The report analyzes the various providers of market price information services to value chain stakeholders in Malawi, Zambia and South Africa to suggest

cost-effective, sustainable means of expanding access to better, more timely information.

Other Activities

- SATH continued to update its website and social media channels, adding daily news clips as well as multimedia content such as video clips and photo albums.
 - PhytoTrade Africa submitted an unsolicited proposal to support baobab trade and exports to the US. The grant was approved and the agreement for US\$99,950 will be awarded next quarter.
 - The World Initiative for Soy in Human Health (WISHH) submitted an unsolicited proposal to support SATH interventions in the soybean value chain throughout Southern Africa. The grant for US\$100,000 was awarded in December 2011.
- The Dar es Salaam Corridor Committee (DCC) was awarded a no-cost extension this quarter to finalize terms of reference (TORs) for a World Bank grant. Although implementation has been slow, the preliminary report indicates the TORs were completed and accepted by the World Bank.
- SATH carried out a short survey to establish a baseline for transit time of goods across Kasumbalesa border in Zambia as part of SATH's Integrated Border Management program.
- SATH completed an internal annual SATH indicator review. Gaps identified, including awkward overlaps of information tracked by some indicators, will be addressed in the revised monitoring and evaluation (M&E) Plan for year two.