SADC TRADE RELATED FACILITY (TRF)

AN UPDATE
Update on Trade Related Facility Programme

1. Introduction

The Trade Related Facility (TRF) is established through a Contribution Agreement between the European Union (EU) and the Southern African Development Community (SADC), which was signed in July 2014 to the value of EUR 31.6 million. The programme is implemented through the Industrial Development and Trade (IDT) Directorate, supported by the Facility Support Unit (FSU) at the SADC Secretariat. It is set to end by 30 September 2019.

The objective is to improve the participation of SADC Member States in regional and international trade in order to contribute to sustainable development in the SADC region. Member States had to submit TRF project proposals which are designed in a manner that should enhance a higher level of compliance and implementation of commitments they have undertaken under the Protocol on Trade (STP) and/or facilitate effective implementation, monitoring and benefiting from the SADC-EU Economic Partnership Agreement (EPA). Eligible Member States are those that have signed and ratified the SADC Protocol on Trade (to benefit from the STP Window) and signed the SADC-EU EPA (to benefit from the EPA Window).

• **Key result 1 (STP Window):** Higher level of compliance and implementation of the STP commitments by the SADC Member States achieved.

• **Key result 2 (EPA Window):** SADC EPA States are better prepared to effectively implement and monitor the EPA and benefit from it, particularly in terms of improved market access.

Projects being supported by the TRF in order to achieve these results areas, primary focus on customs cooperation, technical barriers to trade (TBT), sanitary and phytosanitary (SPS) measures, rules of origin, trade facilitation, industrial development, trade promotion and development, and trade in services. In addition, there are specific areas that relate to the EPA Window, namely trade defence instruments, trade related adjustment and competition policy.

Initially, EUR 20 million was allocated to finance projects in Member States. The additional inclusion of Madagascar and Seychelles to benefit under programme has increased the TRF Fund to EUR 22.8 million, comprising of two financing windows – the STP Window (EUR 16.8 million) and the EPA Window (EUR 6 million). The STP Window eligible countries are Botswana, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Seychelles, Swaziland, Tanzania, Zambia and Zimbabwe and have been allocated EUR 1.4 million respectively. The EPA Window eligible countries are Botswana, Lesotho, Mozambique, Namibia and Swaziland and have been allocated an additional EUR 1.2 million each.
2. TRF Governance

The programme is governed by a Steering Committee, which is responsible to provide oversight and strategic guidance and to review the TRF overall effectiveness and ensure transparency of processes.

Membership to the Steering Committee comprises of three Member States based on a rotational schedule at particular intervals; three members of the SADC Secretariat; the Federation of Clearing and Forwarding Associations of Southern Africa (FCFASA); Association of SADC Chambers of Commerce and Industry (ASCCI); and the SADC Council of NGOs (SADC C-NGOs) representing the Non-State Actors in SADC. In addition to the EU Delegation in Botswana, the Deutsche Gesselschaft fur International Zusammenarbeit (GIZ) and the United States Agency for International Development (USAID) have been formally appointed as observers to the Steering Committee. The COMESA Secretariat also participates in the meetings of the Steering Committee as a mechanism to learn from its Regional Integration Support Mechanism (RISM).

3. Progress made so far

The programme has experienced some operational delays in the start of implementation. Implementation only started in January 2015, with the establishment of the Facility Support Unit (FSU). The first operational year largely focussed on consolidating the policies, strategies, guidelines and operational aspects of the programme.

A single rolling call for project applications by Member States was issued on 11 January 2016, with various dates for submission of applications staggered over a year and a final cut-off date set for 16 January 2017. The inclusion of Madagascar and Seychelles by February 2017 necessitated an additional cut-off date of 7 April 2017.

All Member States, with technical assistance of the short-term experts (STEs), have defined their own project interventions on the basis of the template provided under the TRF Operational Guidelines. A major challenge has been to ensure that project proposals were directly related to implementation of specific commitments under the Trade Protocol and/or EPA. The design of the interventions related to the STP Window has significantly relied on the 2015 Consolidated

Another related challenge is the fact that the EU SADC EPA was only signed and entered into force by October 2016, and this has also constrained effective design of TRF interventions towards implementation of the EPA.

All project applications by Member States have been approved by the Steering Committee, which is a highest governance body for the programme. The Steering Committee has met on 19 May 2016, 11 August 2016; 7 – 8 November 2016; 27 February 2017, and 23 May 2017 respectively to consider and approve projects. Financing Agreements, detailing general and specific conditions for the utilisation of funds have been signed by Member States and the Executive Secretary of SADC by end July 2017. As such, the TRF has now entered a critical phase for implementation of projects in Member States.

All Member States have opted to use a project-based approach, such that implementation should be based on the relevant SADC Procurement and Financial Rules and Procedures. This has necessitated an assessment of the Member States’ capacity to use such procedures in order to determine appropriate implementation arrangements. The challenge is to ensure that there is adequate capacity at the level of the SADC Secretariat and Member States to manage the financial and procurement processes.
4. Allocation of the TRF Fund

All eligible Member States have developed and submitted their project applications, which utilized fully their indicative nominal allocations granted under the TRF Fund of EUR 22.8 million as follows:

<table>
<thead>
<tr>
<th>Eligible SADC Member States</th>
<th>Window 1 (EUR)</th>
<th>Window 2 (EUR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Botswana</td>
<td>1 400 000</td>
<td>1 200 000</td>
</tr>
<tr>
<td>Lesotho</td>
<td>1 400 000</td>
<td>1 200 000</td>
</tr>
<tr>
<td>Namibia</td>
<td>1 400 000</td>
<td>1 200 000</td>
</tr>
<tr>
<td>Madagascar</td>
<td>1 400 000</td>
<td>1 200 000</td>
</tr>
<tr>
<td>Malawi</td>
<td>1 400 000</td>
<td></td>
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<tr>
<td>Mauritius</td>
<td>1 400 000</td>
<td>1 200 000</td>
</tr>
<tr>
<td>Mozambique</td>
<td>1 400 000</td>
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<tr>
<td>Seychelles</td>
<td>1 400 000</td>
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<tr>
<td>Tanzania</td>
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<tr>
<td>Swaziland</td>
<td>1 400 000</td>
<td>1 200 000</td>
</tr>
<tr>
<td>Zambia</td>
<td>1 400 000</td>
<td>1 200 000</td>
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<tr>
<td>Zimbabwe</td>
<td>1 400 000</td>
<td>1 200 000</td>
</tr>
<tr>
<td>TOTAL</td>
<td>16 800 000</td>
<td>6 000 000</td>
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</tbody>
</table>
5. Distribution of TRF Fund per TRF Intervention Area

<table>
<thead>
<tr>
<th>Percentage</th>
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<tbody>
<tr>
<td>Competition Policy</td>
<td>5.13%</td>
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<tr>
<td>Trade Related Adjustment</td>
<td>0.86%</td>
</tr>
<tr>
<td>Trade Defence Instruments</td>
<td>5.75%</td>
</tr>
<tr>
<td>Trade in Services</td>
<td>1.88%</td>
</tr>
<tr>
<td>Trade Promotion and Development</td>
<td>9.16%</td>
</tr>
<tr>
<td>Industrial Development</td>
<td>21.43%</td>
</tr>
<tr>
<td>Trade Facilitation</td>
<td>9.67%</td>
</tr>
<tr>
<td>Rules of Origin</td>
<td>18.48%</td>
</tr>
<tr>
<td>Sanitary and Phytosanitary Measures</td>
<td>15.83%</td>
</tr>
<tr>
<td>Technical Barriers to Trade</td>
<td>7.36%</td>
</tr>
<tr>
<td>Customs</td>
<td>0.00%</td>
</tr>
</tbody>
</table>

Approved projects largely reflect SADC integration priorities, with most TRF interventions targeting industrial development and enhanced market integration through addressing non-tariff barriers induced by critical gaps in customs operations, trade facilitation, technical barriers to trade (TBT), sanitary and phyto-sanitary (SPS) measures and rules of origin. With respect to the implementation of the EPA, most TRF interventions seek to enhance policy and regulatory capacity in the areas of competition and trade defence mechanisms; as well as improved market access to the European Union (EU).

6. Overview of TRF projects in the Member States

6.1 Key Results Area 1: Higher level of compliance and implementation of the SADC Trade Protocol's commitments is achieved

6.1.1 Botswana

Botswana has been awarded a project under the STP Window, amounting to EUR 1.4 million, focusing on the following key results areas:

- Strengthening customs enforcement, through the development of regulations to support implementation of the new Customs Act;
- Strengthening capacity for SPS management and control and the management of the Standards Import Inspection Regulations; and
- Development of an e-commerce policy and legal framework, a national e-commerce strategy to provide short, medium and long term guidance on enhancing e-commerce in Botswana, and requisite capacity building.
5.1.2 Lesotho

Lesotho has been awarded a project under the STP Window, amounting to EUR 1.4 million, focusing on the following key results areas:

- Elaboration of business development services strategy for horticulture SMEs; training and accreditation of horticulture business development services providers; and improved business environment for SMEs in the horticulture sector;
- Development of a coherent national trade policy document;
- Development and implementation of a coordinated border management system; and
- Improving customs operations.

6.1.3 Namibia

Namibia has been awarded a project under the STP Window, amounting to EUR 1.4 million, focusing on the following key results areas:

- Assessment of the implementation of the Industrial Upgrading and Modernisation Programme (IUMP) and identification of options for its institutional redesign and financing;
- Development and implementation of a targeted programme to enhance productivity and competitiveness of firms, including participation in regional value chains;
- Improvement of the capacity of the Ministry of Industrialization, Trade and SME Development to formulate and implement industrial policy and strategies;
- Development of a demand-driven approach to industrial development; and
- Implementation of business processes of key agencies involved in the National Single Window (NSW) system.

6.1.4 Malawi

Malawi has been awarded a project under the STP Window, amounting to EUR 1.4 million, focusing on the following key results areas:

- Upgrading and Modernization of the Oilseeds Product Cluster, covering interventions related to increased oilseed production and improved quality; conformity of oilseed products with international standards through pre-certification training for processors; preparation of food safety management plans and operational procedures for pre-certification audits; pro-competitive regulatory reform of the oilseed sub-sector; and export promotion;
- Effective implementation of the Rules of Origin in Malawi, through the design of an effective system for administering rules of origin and capacity building; and

- Undertaking a study on the impact of SADC rules of origin on Malawi’s economy, including on textile and clothing and wheat/wheat flour in order to inform a negotiating position and capacity for Malawi in the process of reforming the SADC rules of origin and in other trade negotiations such as the Tripartite FTA and Continental FTA contexts.

### 6.1.5 Mauritius

Mauritius has been awarded a project under the STP Window, amounting to EUR 1.4 million, focusing on the following key results areas:

- Improving customs and trade facilitation, through the development of a non-intrusive inspection technology system, including requisite capacity building;

- Improving the SPS environment, through the design and installation of a phytosanitary and sanitary information management system, including requisite capacity building in its implementation;

- Increasing technical capacity in metrology, through the establishment of a humidity metrology and upgrading of a temperature laboratory;

- Increasing productivity and competitiveness of enterprises, through an in-plant diagnosis of selected enterprises in the manufacturing sector, development and implementation of a targeted productivity improvement programme; and enhanced capacity of productivity champions and skills of the National Productivity and Competitiveness Council (NPCC) cadre;

- Building capacity for export readiness on the SADC market, through market intelligence analysis to increase exports of Mauritian products on the SADC market; and

- Building of an e-commerce platform in Mauritius.

### 6.1.6 Mozambique

Mozambique has been awarded a project under the STP Window, amounting to EUR 1.4 million, focusing on the following key results areas:

- Promotion of national and regional value chain linkages in the cotton-textile sector through the development of appropriate strategies and a targeted productivity and competitiveness enhancement programme;

- Promotion of national and regional value chain linkages in the forestry-wood sector through the development of appropriate strategies and a targeted productivity and competitiveness enhancement programme; and
• Upgrading of the industrial policy development and management skills of the National Industry Directorate, forestry agencies and private stakeholders.

6.1.7 Tanzania

Tanzania has been awarded a project under the STP Window, amounting to EUR 1.4 million, focusing on the following key results areas:

• Development of the national industrial policy and strategic framework, including its implementation strategy;

• Upgrading the Tanzania sunflower value chain; focusing on strengthening capacity in SPS and Standards and Quality Management system;

• Trade facilitation for sunflower products, focusing on effective administration of rules of origin; trade promotion and addressing non-tariff barriers (NTBs); and

• Enhancing trade in services, through preparation of regulatory impact assessments for priority services sectors (communications, finance, transport and tourism) and related capacity building.

6.1.8 Swaziland

Swaziland has been awarded a project under the STP Window, amounting to EUR 1.4 million, focusing on the following key results areas:

• Review of the national tourism policy and formulation of the National Tourism Bill; specifically, to provide clear delineation of roles amongst all stakeholders and benchmarking with regional and global tourism jurisdictions;

• Development of national value chain analysis and actionable strategies, including the Industrial Upgrading and Modernisation Programme (IUMP);

• Installation of the ASYPM system in SRA to improve functionality of customs;

• Professional accreditation and training of clearing and freight forwarders;

• Setting up of a National Trade Portal; and

• Development of an Export Readies Guide for SMMEs.

6.1.9 Zambia

Zambia has been awarded a project under the STP Window, amounting to EUR 1.4 million, focusing on the following key results areas:
• Capacity building to enhance quality and SPS assurances and upgrading of testing and calibration equipment in key prioritized sub-sectors (dairy, rice, pineapple and aquaculture, mining, etc);

• Undertaking regional value chain and market analysis studies for the key prioritized sub-sectors (dairy, rice, pineapple and aquaculture) and linking farmers in prioritized sub-sectors to markets in the region;

• Improving SPS environment through the development of a residue monitoring mechanism for aquaculture; establishment of an e-certification procedure and enhancing pest risk assessments at Zambia Agriculture Research Institute (ZARI); generating knowledge on the pest situation in key identified areas/sectors in Zambia; and enhancing risk assessments capacity at University of Zambia;

• Development and implementation of the electronic certificate of origin for customs by the Zambia Revenue Authority (ZRA);

• Enhancing capacity to manage the NTB system and roll out the NTB strategy being developed under the COMESA Regional Integration Support Mechanism (RISM); and

• Improving knowledge on the cost and opportunities of services trade liberalisation in the SADC.

6.1.10 Zimbabwe

Zimbabwe has been awarded a project under the STP Window, amounting to EUR 1.4 million, focusing on the following key results areas:

• Development of an effective Policy and Strategy to guide the establishment of a National Quality Infrastructure that is aligned with international best practices, including related capacity building;

• Establishment of a Supportive Legal and Regulatory Framework for implementing TBT and SPS requirements for cross-border trade;

• Development of a Technical Regulatory Framework Bill to harmonise the functions for Ministries, Departments and Agencies (MDAs) with mandates to regulate quality, standards and SPS;

• Formulation of a new Food Safety legislation developed to align food controls with modern practices based on risk analysis;

• Reviewing the Legal Metrology legislation to expand the scope of verifications for measuring instruments;

• Improving Coordination Mechanisms for Harmonising Operations of Quality and SPS Institutions and Participation in WTO Notification Processes;
• Supporting selected SMEs involved in the production of honey to achieve SAZ certification and enable them serve as pilots for demonstrating best practices; and

• Supporting selected Horticulture SMEs to implement GAP (and achieve certification for private standards).

6.1.11 Madagascar

Madagascar was awarded a project under the STP Window, amounting to EUR 1.4 million, focusing on the following key results areas:

• Trade facilitation and Customs Cooperation, covering the development and implementation of a rules of origin management system, including database on exporters; and related capacity building; improving the One-Stop-Shop for exporters through technical assistance towards its efficient operation and capacity building;

• Trade promotion and development, entailing the development and implementation of a national trade promotion strategy; stakeholder capacity development; market research to identify tourism opportunities in the SADC region, especially targeting South Africa; and undertaking trade promotion activities;

• Trade in services, covering strengthened capacity to participate in the liberalization of trade in services in the SADC region through the development of a national trade in services strategy, and capacity building;

• Trade remedies, entailing strengthening legal, institutional and technical capacity for the application of trade remedies;

• Technical barriers to trade (TBT) and quality assurance, entailing the review and validation of the National Quality Strategy, review of the technical and regulatory framework and related capacity building; upgrading capacity to assess quality assurance, focusing on agri-food exports, including upgrading of testing and analysis tools and equipment and related capacity building; and

• Industrial development, entailing the review of the Industrial Upgrading and Modernisation Programme, and development and implementation of interventions aimed at improving the competitiveness and productivity of selected exporting enterprises, also taking into account the promotion of regional value chains.
6.1.12 Seychelles

Seychelles was awarded a project under the STP Window, amounting to EUR 1.4 million, focusing on the following key results areas:

- Trade facilitation, covering customs related issues, improved functionality of the ASYCUDA World system for valuation, risk assessment and cargo tracking and automation of the Excise Tax system especially for domestic producers of excisable products as well as capacity building;

- Strengthening sanitary and phytosanitary measures and technical barriers to trade to ensure protection of plant, environment, animal and human life, in terms of capacity building, improving regulations and procurement of equipment; and

- Development of a national legal framework and capacity building for trade remedies, in particular with respect to investigations.

6.2 Key Results Area 2: SADC EPA States are better prepared to effectively implement and monitor the EPA and benefit from it particularly in terms of improved market access

6.2.1 Botswana

Botswana has been awarded a project under the EPA Window, amounting to EUR 1.2 million, focusing on the following key results areas:

- Strengthening the capacity of the Botswana Trade Commission, focusing on ensuring an efficient trade remedy authority and building capacity in the application of trade remedies;

- Strengthening the capacity of the Competition Authority, focusing on improving its analytical and investigative functions; and

- Strengthening capacity for SPS management and control and the management of the Standards Import Inspection Regulations (SIIR), focusing on improvements to the SPS policy and regulatory environment; and capacity for the management of the Standards Import Inspection Regulations.

6.2.2 Lesotho

Lesotho has been awarded a project under the EPA Window, amounting to EUR 1.2 million, focusing on the following key results areas:

- Designing of Trade Tariff Quota Management Mechanism under EPA;
- Enhancing rules of origin management;
6.2.3 Namibia

Namibia has been awarded a project under the EPA Window, amounting to EUR 1.2 million, focusing on the following key results areas:

- Enhancement of the ASYCUDA World System to interface with the National Single Window (NSW) system;
- Improvement of the capacity for effective implementation of rules of origin;
- Improving the SPS environment and related standards, with specific focus on enhanced compliance of competent authority on animal and plant health as well as fisheries;
- Enhancing private sector awareness of the opportunities from the SADC-EU EPA;
- Strengthening capacity in competition policy and law, focusing on improving institutional and regulatory capacity of the Namibia Competition Commission; and enhanced stakeholder compliance with Competition Policy and Law; and
- Development of the capacity to participate in trade in services liberalization under the SADC Protocol on Trade in Services and the SADC-EU EPA

6.2.4 Mozambique

Mozambique has been awarded a project under the EPA Window, amounting to EUR 1.2 million, focusing on the following key results areas:

- Improved capacity for effective administration of rules of origin, through the development and implementation of an online system and e-certificate rules of origin and requisite capacity building;
- Development of trade-related adjustment strategies arising from implementation of the SADC-EU EPA;
- TBT/ Quality infrastructure development, focusing on the review of the national quality policy and its implementation, capacity in metrology, development of a technical regulatory framework, and strengthening of the TBT national enquiry point;
- Improving the SPS environment, by developing appropriate veterinary and plant health strategies and strengthening the SPS national enquiry point;
- Building capacity for conformity assessment, focusing on the provision of credible testing, inspection and certification services;
• Enhancing private sector capacity in quality and standards implementation, through awareness building campaigns and supporting SMEs to meet regional and international standards; and

• Development of a legal and institutional framework on trade remedies, particularly safeguards and requisite capacity building.

6.2.5 Swaziland

Swaziland has been awarded a project under the EPA Window, amounting to EUR 1.2 million, focusing on the following key results areas:

• Establishment of the International Trade Administration/ National Trade Remedy Unit; entailing attachment of a long-term expert to build its capacity, review its draft bill, and incorporate functions related to enforcement of competition policy and law;

• Development of an EPA Implementation Strategy, with a view to maximise benefits from the EU market;

• Strengthening quality infrastructure for SPS and TBT; and

• Improvement of the capacity of SMMEs to implement national, regional and international standards.
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