

# TRF Briefing Paper No.1

## The SADC Trade Related Facility: Implementation Issues

### 1. INTRODUCTION

The Trade Related Facility (TRF) programme is established through a Contribution Agreement between the European Union (EU) and the Southern African Development Community (SADC), which was signed in July 2014. The major aim of the TRF is to strengthen the process of regional integration in SADC, enhance trade with the EU and strengthen the region's trade competitiveness globally. Funded under the 10<sup>th</sup> EDF, the TRF consists of two financing windows:

- the *STP Window* which seeks to ensure a higher level of compliance and implementation of commitments undertaken by SADC Member States under the Protocol on Trade; and
- the *EPA Window* which facilitates effective implementation and monitoring of the SADC-EU EPA with a view to enhance its potential benefits, particularly in terms of improved market access.

Indicative nominal allocations have been determined for eligible SADC Member States as follows:

Eligible SADC Member States	STP Window (EUR)	EPA Window (EUR)
Botswana	1 400 000	1 200 000
Lesotho	1 400 000	1 200 000
Malawi	1 400 000	
Mauritius	1 400 000	
Mozambique	1 400 000	1 200 000
Namibia	1 400 000	1 200 000
Swaziland	1 400 000	1 200 000
Tanzania	1 400 000	
Zambia	1 400 000	
Zimbabwe	1 400 000	
<b>TOTAL</b>	<b>14 000 000</b>	<b>6 000 000</b>

To benefit from the STP Window, a Member State must, among other criteria, have signed and ratified the SADC Protocol on Trade, at the time the programme was formulated, and for the EPA Window, a Member State must have signed the SADC –EU EPA.

It is important to note that the nominal allocations indicated above provide an indication of the maximum funds that a country can access. This may be reallocated following the mid-term reviews to be carried out in late 2016. The Steering Committee can also decide on a reallocation of funds between the two windows in case of under-utilisation of one window and over-utilisation of the other window, following the recommendations of the Mid-Term Evaluation referred to above.

New eligible Member States can also be considered for inclusion at the time of the mid-term review of the programme.

## **2. GOVERNANCE AND MANAGEMENT ARRANGEMENTS**

The main organs of the TRF are the Steering Committee; the Facility Support Unit based within the SADC Secretariat; and the TRF Focal Points in the Member States.

The Steering Committee (SC) is the most senior governance structure of the TRF, comprising of representatives from the Member States, SADC Secretariat and Non-State Actors (private sector and civil society). The SC provides oversight and strategic guidance to the TRF, reviews the overall effectiveness of the TRF; ensures transparency of all processes and considers and approves the scope of interventions that may be funded under TRF.

The Facility Support Unit (FSU) administers the TRF on a day-to-day basis and provides technical support to Member States in areas such as the development of applications, impact assessment studies, training, or on any other matter related to the TRF applications, funding, project implementation, evaluation and monitoring processes.

In the interest of effective interface and cooperation between the FSU and Member States, TRF Focal Points (TFPs) have been established in Member States to oversee activities such as the submission of project applications to the FSU, follow-up activities and address any queries raised by the FSU during implementation of projects and programmes. The TFP will liaise with and inform the private and non state actors about the TRF. It will also coordinate with the National Authorizing Officers at Member State level in order to ensure that the TRF activities are not duplicating those carried out under other SADC programmes.

## **3. ELIGIBLE AREAS FOR TRF FUNDING**

### **3.1 Main activities eligible for funding**

The STP Window deals with interventions that can enhance a higher level of compliance and implementation of Member States' commitments under the SADC Protocol on Trade. The main activities identified to achieve this result deal with the removal of non-tariff barriers (NTBs) to trade in goods and services<sup>1</sup>, including:

- (i) enhancing customs cooperation;
- (ii) technical barriers to trade (TBT);
- (iii) sanitary and phyto-sanitary (SPS) measures;
- (iv) rules of origin;
- (v) trade facilitation;
- (vi) industrial development;
- (vii) trade promotion and development; and

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<sup>1</sup> Non-tariff barriers (NTB) are an overarching intervention although not specifically listed.

- (viii) trade in services.

The EPA Window is concerned with interventions that can prepare SADC EPA States to effectively implement and monitor the EPA and benefit from it, particularly in terms of improved market access. In addition to supporting activities similar to those carried out under the STP Window, the EPA Window can fund the following additional areas:

- (i) trade defence instruments;
- (ii) trade related adjustment; and
- (iii) competition policy.

### **3.2 Possible TRF interventions to address implementation deficits**

TRF Interventions should be focused on addressing implementation challenges and deficits regarding the region's economic integration initiatives, in the context of the SADC Protocol on Trade and/ or enhancing potential benefits from the SADC-EPA, particularly in terms of improved market access through its effective implementation and monitoring.

With regard to the Protocol on Trade (STP), an Action Plan Matrix for the Consolidation of the SADC FTA was adopted by the Committee of Ministers responsible for trade (CMT) in 2010, to address outstanding implementation issues. SADC has also adopted a trade monitoring, reporting and evaluation (MRE) system, with a matrix of indicators for assessing Member States implementation of the STP. This matrix links directly to the commitments agreed to by Member States in the STP. The SADC Secretariat has also recently conducted a baseline assessment of the implementation status of the various commitments made by Member States under the Protocol on Trade.<sup>2</sup> Such information is therefore useful in the process of identifying possible TRF interventions towards effective implementation of trade commitments.

The SADC-EU Economic Partnership Agreement was signed by the EU and SADC EPA Group on the 15 July 2014.<sup>3</sup> As part of the negotiation process, the SADC EPA States have identified medium term assistance needs requirements for the effective implementation of the EPA.<sup>4</sup> These needs have informed the provisions on development cooperation contained in the SADC-EU EPA, and are also useful in the process of identifying possible TRF interventions under the EPA Window.

The following section provides a brief insight of the potential activities that can be funded under the TRF, the type of support (which will be further elaborated in the development of specific project proposals / programmes to be identified by eligible Member States) and potential partners and beneficiaries.

Considering that projects/ programmes to be supported under TRF should have a minimum threshold budget of Euro 250,000, it is important to note that a single project can be designed to encompass a number of activities under a specific area of intervention. For example, a Customs Reform Project can include a variety of potential activities such as accession and implementation of the WCO Revised Kyoto Convention, customs automation, implementation of integrated / coordinated border management, capacity building and training, etc.

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<sup>2</sup> See document SADC/TNF/48/ 2015/6, March 2015 Final Report

<sup>3</sup> Signatory SADC EPA States are Botswana, Lesotho, Mozambique, Namibia, South Africa and Swaziland. South Africa is not eligible for TRF support as it is supported under its Trade and Development Cooperation Agreement (TDCA) with the EU.

<sup>4</sup> The results are reflected in the document entitled, "*Description and Justification for Identified Medium Term Needs for EPA Implementation for Financing under the 10<sup>th</sup> EDF Regional Indicative Programme*". (SADC/RPTF/2007/9/3 (PART1) Rev.1)

### 3.1.1 Enhancing customs cooperation

Part three of the SADC Protocol on Trade relates to customs procedures and the documentation requirements for import and export trade in Member States, resulting into a number of customs-related obligations. These commitments largely relate to the need to implement customs reforms and modernisation programmes based on international best practice. Four pillars are particularly vital in this area – enhancing transparency, predictability, simplification and cooperation on customs documentation and procedures under Annex II and III of the STP in order to reduce the cost of trading across borders

In 2011, SADC conducted a Customs Audit to assess the status of implementation of the various regional and international customs conventions / instruments in Member States. This Audit highlighted key gaps in implementation and priority areas for intervention, particularly relating to transit, customs legislations, customs procedures and documentation, including computerisation and IT connectivity issues. Both the Customs Audit and the existing NTB mechanism indicate that most non-tariff barriers being reported on the on-line system fall largely under the *lengthy and costly customs processes*. This reflects poor implementation of the provisions of the STP and its Annexes as well as international instruments of the World Customs Organisation (WCO), particularly the revised Kyoto Convention.

Table 1 below provides some potential interventions in the area of customs cooperation that can be supported under the TRF.

**Table 1: Enhanced custom cooperation**

Potential activities	Type of support	Potential partners
Harmonisation and streamlining of customs and border procedures according to agreed instruments and frameworks	Capacity building on implementation of harmonised border procedures  Workshops	Customs Authorities
Facilitation of accession to and implementation of the WCO Revised Kyoto Convention	Diagnostic studies Technical Assistance (TA) (legal) National workshops	Customs Authorities
Customs automation -Data exchange and interconnectivity -Modern technology for border processes	Benchmarking studies TA (legal and IT) Bilateral consultations Equipment/systems	Customs Authorities
Customs legislative reforms necessary to facilitate adoption of international best practices	TA (legal)	Customs Authorities
Training of customs officials and border agencies	Capacity building	Customs Authorities

### 3.1.2 Trade facilitation

Investing in trade facilitation provides a path for deepening regional integration. Under Article 5 of Annex III, Member States have undertaken to initiate trade facilitation programmes, and in particular, to ensure adequate coordination between trade and transport facilitation within SADC. A One-Stop Border (OSBP) model and the SADC Coordinated Border Management (CBM) Guidelines have been adopted. The SADC Regional Infrastructure Development Master Plan (RIDMP) adopted in 2012 also emphasizes the need for improved coordination between trade and transport facilitation.

The Ministerial Task Force on Regional Economic Integration decided in 2012 to address a number of “quick wins” related to enhancing border efficiencies and trade facilitation at selected borders as well as the development of a comprehensive trade facilitation programme for the region. The “quick wins” identified are:

- Harmonization of operating hours at all adjacent borders with different operating hours;
- A review of border hours of operation in order to cater for high traffic volumes and meet the requirements of trade at other border posts;
- A proactive implementation of the one-stop border post programmes;
- Facilitation of a pilot Coordinated Border Management (CBM) Programme in countries ready to adopt and implement this framework; and
- Addressing impediments to movement of goods across the region covering but not limited to accession to and implementation of the WCO Revised Kyoto Convention, data exchange and interconnectivity amongst customs administrations; implementation of the electronic certificate of origin in SADC; and improvements to infrastructure at major border posts.

The development of a SADC trade facilitation programme is in progress and its implementation at national and regional levels is likely to require effective support interventions. TRF resources can assist SADC Member States to initiate trade facilitation programmes, especially to implement agreed regional frameworks and instruments, such as coordinated border management and one-stop border posts. The simplification and harmonization measures in the WTO Agreement on Trade Facilitation (TFA) adopted in December 2013 can expedite the movement, release and clearance of import, export and transit goods. The TRF is, therefore, an important avenue to facilitate the phased adoption and implementation of the TFA and crowding in the required technical assistance and capacity building.

Table 2 below provides some potential interventions in the area of trade facilitation.

**Table 1: Trade facilitation**

Potential activities	Type of support	Potential partners
Operating hours at border posts -Harmonization -Extension Joint border committees	Bilateral consultations	Customs Authorities
One stop border posts	Bilateral consultations Technical Assistance (legal/procedures/IT)	Customs Authorities

Potential activities	Type of support	Potential partners
	IT equipment/systems Capacity building on one stop border management issues	
Coordinated/Integrated Border Management (CBM) Programmes	Technical Assistance (legal/operational) National consultations Capacity building on integrated border management issues	Customs Authorities & other border agencies
Impact assessment of non-tariff measures	TA studies Workshops	Ministry of Trade
Facilitation of the policy and regulatory reform required to eliminate existing policy and regulatory NTBs, and addressing transparency gaps in NTM regulation;	TA legal Capacity building on the application, administration and impact assessment of NTMs National consultations	Ministry of Trade Ministry of Justice
Strengthening National NTB focal points and National monitoring committees	Capacity building on the NTB reporting, monitoring and evaluation of NTBs Meetings Bilateral consultations	Ministry of Trade Private sector

### 3.1.3 Rules of Origin

Annex 1 to the SADC Protocol on Trade deals with the rules of origin, which spells out criteria on originating goods eligible for SADC preferential treatment. Rules of origin were one of the most controversial aspects of the STP negotiations and have also become a thorny issue in the implementation of the STP. The restrictive nature of the SADC rules of origin has been well documented in the Mid-Term Review of the STP conducted in 2004, which recommended some reforms. Subsequently some changes have been made but the reform of the SADC rules of origin remains an unfinished business, especially on the rules of origin for garments which requires a double stage transformation to qualify as originating goods as well as on some processed food items such as blended teas, coffee and mixtures of spices.

It is reported that some SADC rules of origin prevent smaller SADC economies to expand their production capacity and enhance their trade performance, particularly the development of efficient regional / global production networks and value chains. This may require Member States to assess impact of some sector / product specific rules on their trade and industrial development. There are also challenges related to implementation of rules of origin at national levels and the need to improve administrative systems through measures such as electronic certification and development of national registers of approved exporters.

The TRF can support Member States to effectively implement rules of origin as well as to assess and monitor the impact of these rules on trade and competitiveness as illustrated in Table 3 below.

**Table 3: Rules of origin**

Potential activities	Type of support	Potential partners
Impact assessment of some sector or product specific rules of origin on trade and industrial development	TA studies Workshops	Ministry of Trade/private sector
Effective systems for the implementation of rules of origin	TA (systems and databases) Capacity building on the application and enforcement of rules of origin, including cumulation procedures IT equipment	Ministry of Trade /Customs Authorities
SADC electronic certificate of origin -Regional legal framework -National implementation	TA (legal and IT) Equipment Capacity building on e-certificate of origin management	Customs Authorities/ private sector
Supporting the development of national register of approved exporters to facilitate a less costly administrative system for rules of origin and information exchange between/among customs administrations	TA (systems) Equipment Capacity building on development, implementation and management of a register of approved exporters	Ministries of Trade/Customs Authorities/private sector

### 3.1.4 Technical barriers to trade

Article 17 of the SADC Protocol on Trade obliges Member States to use relevant international standards as a basis for their standards-related measures. Member States should also accept each others technical regulations as equivalents, even if such regulations differ from their own, provided that they adequately fulfil their regulatory objectives. A TBT Annex to the STP seeks to facilitate the harmonization of standards and technical regulations and their concomitant conformity assessment regimes. However, recent on the implementation of the Annex suggests that technical regulation development and implementation remains ad hoc, fragmented and TBT Annex non-compliant. In particular, national policy, legislative and administrative processes are not adequate to facilitate full implementation of the TBT Annex.

Complementing work being undertaken under the REIS programme, TRF support can be directed at interventions aimed at domestication of the TBT Annex in national regulatory framework and supporting specific activities aimed at improving the standards and quality infrastructure within Member States.

Table 4 below lists possible areas of TBT interventions.

**Table 4: Technical barriers to trade**

Potential activities	Type of support	Potential partners
Regulatory impact assessment of technical regulations within Member States	TA studies Workshops	Ministry of Trade
Reforms of the technical regulatory regimes in Member States aimed at getting rid of all old technical regulations on statute books that are trade-restrictive	TA legal National consultations Capacity building	Ministry of Trade/Ministry of Justice/other agencies
Policy and institutional framework for effective implementation of TBT Annex and WTO TBT Agreement	TA (policy and institutional development) National consultations Capacity building in the administration of areas of SQAM and domestication of TBT Annex	Ministry of Trade/Ministry of Justice/other agencies

### 3.1.5 Sanitary and phyto-sanitary measures

Article 16 of the SADC Protocol on Trade commits Member States to base their sanitary and phytosanitary measures on international standards, guidelines and recommendations, and that they work towards mutual recognition of equivalence for specific SPS measures in accordance with WTO SPS Agreement.

The SPS Annex provides that, where appropriate, Member States should work towards harmonization of their respective mandatory requirements taking into account relevant international standards, guidelines or recommendations. Recent assessment on the implementation of the SPS Annex suggests that there are critical gaps in the implementation of a number of provisions on transparency of SPS related laws, regulations and procedures; equivalence and risk assessment and determination of acceptable levels of protection.

Table 5 below lists some possible SPS intervention areas for TRF funding.

**Table 5: Sanitary and phytosanitary measures**

Potential activities	Type of support	Potential partners
Regulatory impact assessment of SPS measures within Member States	TA studies Workshops	Ministry of Trade/Ministry of Agriculture/Ministry of Health/Ministry of Environment/Ministry of Justice/other agencies
Policy and institutional framework for effective implementation of SPS Annex and WTO SPS Agreement	TA (policy and institutional development) National consultations Capacity building on SPS issues and domestication of SPS Annex	Ministry of Trade/Ministry of Agriculture/Ministry of Health/Ministry of Environment/Ministry of Justice/other agencies
Technical capacity to implement and monitor SPS measures, including promoting	TA Equipment Workshops	Ministry of Agriculture/Ministry of Trade/ Ministry of Health/ Ministry of Environment/private sector/other agencies

Potential activities	Type of support	Potential partners
greater use of international standards and other matters concerning SPS		
SPS awareness creation to policy makers and private sector for enhanced understanding and implementation of SPS Annex.	Workshops	Ministry of Agriculture/ Ministry of Trade/ Ministry of Health; Private sector; other agencies
Setting up databases that capture all SPS measures	Data collection; classification of NTMs	Ministry of Agriculture/ Ministry of Trade/ Ministry of Health; Private sector; other agencies

### 3.1.6 Industrial development

Article 4(2) of the SADC Protocol on Trade provides that the process of tariff liberalization should be accompanied by an industrialization strategy to improve the competitiveness of Member States.

A *SADC Industrial Upgrading and Modernisation Programme (IUMP)*, which was adopted by Ministers of Trade and Industry in 2009, has identified nine (9) strategic sectors for upgrading and modernisation interventions, namely: agro-food processing; processing/beneficiation of minerals; chemicals and pharmaceuticals; textiles and garments; leather and leather products; forestry; fisheries, machinery and equipment; and services. SADC Member States were encouraged to use the IUMP as a basis to develop and implement their national upgrading and modernisation programmes.

A *SADC Industrial Development Policy Framework* was also adopted in 2012, which recognizes that industrial policy and development is primarily a national prerogative and that industrial policies will have to be country/ circumstance-specific. In addition, the framework calls for a regional strategy anchored on the promotion of value chains and production network linkages across borders.

In April 2015, an Extra-Ordinary Summit adopted a regional industrialisation strategy and roadmap; which may require policy and regulatory reforms at national levels so as to ensure regional coherence. TRF interventions can support implementation of such adopted regional frameworks and strategies at national levels.

Table 6 below provides some possible areas for TRF support.

**Table 6: Industrial development**

Potential activities	Type of support	Potential partners
Sector specific strategies in prioritized sectors	Sector studies National consultations	Government Ministries/ agencies
Promotion of industrial upgrading through innovation, technology	TA Benchmarking studies Capacity building for innovation,	Government agencies/ private sector

Potential activities	Type of support	Potential partners
transfers and research and development	technology transfer and research and development	
Improvements in the implementation of standards and compliance to technical regulations	TA National consultations Capacity building on standards and technical regulation issues	Government agencies/regulators/ private sector
Skills development programmes in specific sectors	In-service training courses/ attachments	Government agencies/private sector
Development and implementation of National Industrial Upgrading and Modernisation Programmes (IUMPs)	IUMP project design and implementation	Government agencies/ private sector

### 3.1.7 Trade promotion and development

Article 26 of the SADC Protocol on Trade commits SADC Member States to adopt comprehensive trade development measures aimed at promoting trade within the Community. Annex V states that trade development is an important tool in the regional integration process and that trade promotion measures can provide access to a wider regional and international market.

Supporting Member States to adopt comprehensive trade development measures aimed at promoting intra-SADC and international trade, including taking advantage of the improved market access due to trade agreements such as the EPAs, is necessary. This can be done through interventions aimed at promoting the participation of the business community in SADC trade fairs and exhibitions as well as trade missions.

Table 7 below list some possible activities that can be supported under the TRF.

**Table 7: Trade promotion and development**

Potential activities	Type of support	Potential partners
Development of national trade promotion strategies and programmes	TA Benchmarking studies Capacity building on trade promotion and development issues	Government Agencies/private sector
The collection and dissemination of market information; including the development of trade information systems	Market studies Workshops Buyer-seller meetings Equipment/systems Exporter databases	Government Agencies/private sector
Participation of the business community in SADC trade fairs, national fairs and exhibitions, specialized fairs and trade missions	SADC Regional Trade Fair Trade missions	Government Agencies/private sector

### 3.1.8 Trade in services

Article 23 of the SADC Protocol on Trade commits SADC Member States to “*adopt policies and implement measures in accordance with their obligations in terms of the WTO GATS, with a view to liberalizing their services sector within the Community*”. The SADC Protocol on Trade in Services adopted in August 2012, seeks to progressively liberalize intra-regional trade in services. The first round of SADC trade in service negotiations on schedules of commitments covering six (6) priority sectors, namely communication, construction, energy-related services, financial, tourism, and transport services is on-going but at slow pace. This is largely because capacity constraints across sector / line Ministries.

Looking beyond trade in goods, there are significant barriers to trade and investment in services in the region. This not only hampers trade and competitiveness in key services sectors, but also frustrates the development of value chains in the productive sector of the economy.

TRF interventions can support Member States to implement progressive liberalization of intra-regional trade in services as part of the commitments they have made. This will largely require domestic regulatory reforms. In addition, these interventions will also better prepare Member States to participate effectively in other trade in services negotiations such as those under the comprehensive EPA, Tripartite and Continental FTA negotiations.

Table 8 lists some possible activities for TRF funding.

**Table8: Trade in services**

Potential activities	Type of support	Potential partners
Regulatory impact assessments	TA Analytical Studies National consultations	Government Agencies/regulators
Establishment/strengthening of regulatory frameworks	TA (legal/sector specific) National consultations Capacity building on services regulatory issues	Government Agencies/regulators
Reviewing/strengthening regulatory capacity and institutions	Benchmarking studies Capacity building on regulatory impact assessment and regulatory design	Government Agencies/regulators
Scheduling of commitments	TA (legal/sector specific) National consultations	Government Agencies/regulators

### 3.1.9 Trade defence instruments *(for the SADC EPA Window only)*

In terms of the SADC EPA, the Parties have agreed, in respect of the application of anti-dumping or countervailing measures, to be governed by the relevant WTO Agreements and any disputes related to these measures can only be settled through WTO Dispute Settlement procedures. In addition to multilateral safeguard measures, there is also a provision on the application of bilateral safeguard measures of limited duration. Furthermore, disciplines on agricultural safeguard measures have been agreed upon for some EU imports listed in the Schedule of Products.

Among the SADC EPA States, only South Africa has established the legal and institutional framework for the application of trade remedies.

TRF resources can be directed at supporting SADC EPA States to establish their national trade remedy authorities; development of appropriate trade remedies legislation in line with the WTO requirements; and the necessary institutional capacities.

Table 9 lists possible activities and programmes that can be supported under the TRF.

**Table9: Trade defence instruments**

Potential activities	Type of support	Potential partners
The development and implementation of trade remedy legislation (in line with WTO requirements)	TA (legal) National consultations Capacity building on application of trade remedy legislation	Ministries of Trade / Justice
The establishment / strengthening of national trade remedy authorities	TA (legal / institutional) Benchmarking studies Capacity building on investigations, safeguard measures	Ministries of Trade / Justice

### **3.1.10 Trade Related Adjustment** *(for the SADC EPA Window only)*

The SADC-EU EPA recognizes that some adjustment support may be required by SADC EPA States to deal with possible tariff revenue losses associated with the removal of tariffs on imports from the EU.

Most of the SADC EPA countries remain highly dependent on trade taxes. In the SADC-EU EPA, the Parties agreed to cooperate on support to fiscal reforms as well as on support measures complementary to fiscal reforms for the mitigation of the net fiscal impact of the Agreement. Table 10 below lists some possible activities that might be considered in this area.

**Table 10: Trade related adjustment**

Potential activities	Type of support	Potential partners
Assessments of possible revenue losses / adjustment support measures	Impact studies	Ministry of Finance / revenue authorities
Enhancement of revenue generation and collection capabilities	TA (fiscal) Benchmarking studies Capacity building on implementation of revenue collection measures	Ministry of Finance / revenue authorities

### 3.1.11 Competition policy *(for the SADC EPA Window only)*

While the SADC-EU EPA does not make specific binding commitments on competition, the Parties have agreed to cooperate on competition matters, particularly on the development of competition policy and law. Competition authorities in the region are relatively new, and still lack enforcement capacity. Consequently, potential activities in this area may include those that are listed in Table 11 below.

**Table 11: Competition policy**

Potential activities	Type of support	Potential partners
Formulation and implementation of national competition and consumer protection laws and policies	TA (legal) National consultations	Ministry of Trade / competition authorities
Establishing and operationalising competition authorities	TA (legal / operational) Capacity building on competition policy and law	Ministry of Finance / revenue authorities
Strengthening enforcement	TA Capacity building on enforcement of competition legislation	Ministry of Finance / revenue authorities
Strengthening technical and analytical skills	TA Capacity building	Ministry of Finance / revenue authorities

## 4. DEVELOPMENT OF TRF APPLICATIONS

A critical immediate task of the TRF Focal Points (TFPs) is to be able to submit project applications to the FSU. In view of the delay encountered in resolving technical issues related to the formal issuance of the first Call for Applications, it is important that TFPs commence the process of developing project proposals that can be submitted when a formal Call is launched. This will shorten the project development and approval process such that Member States can implement TRF funded projects and programmes by end of the year. This section seeks to highlight key issues involved in the preparation of the project development process.

### 4.1 TRF Funding Mechanisms

Support under TRF is to be channelled through two modalities, i.e., untargeted financial support for Member States eligible for EU budget support; and project support for those ineligible for budget support or where project support is the most preferred modality.

#### (i) Budget support

Currently, there are five (5) Member States that are eligible for EU budget support, namely Botswana, Mozambique, Mauritius, Namibia and Zambia. Budget support does not require them to develop detailed project proposals but to submit a relevant Trade Strategy or an implementation plan/ actions, including a dedicated logical framework, with milestone indicators (baseline and targets), timelines (intermediary and final) to facilitate performance

tracking at national level. They will implement the actions using their own financial and procurement procedures.

For this modality, taking into account the assessment by the EU Delegation to the Republic of Botswana and SADC, the competent Director of the Commission's European Aid Development and Cooperation Director-General (DG DEVCO) in Brussels shall take the final decision for approving submissions and will instruct the Delegation to make the subsequent disbursement on the basis of the technical assessment files prepared and transmitted by SADC through the EU Delegation to Botswana.

## (ii) **Project-based support**

Countries not eligible for EU budget support, or where project support would be simpler, preferable and more efficient disbursement mechanism, project support will be provided. TRF submissions will be in the form of detailed project proposals. In this case, countries will implement their projects in accordance with relevant SADC Financial Rules and Regulations and procurement will also follow relevant SADC procedures.

For this modality, country submissions are approved by the TRF Steering Committee, and in accordance with the TRF Operational Guidelines.

## **4.2 Development of country submissions**

4.2.1 Member States are expected to submit applications for TRF funding. The submission package will comprise of a **Completed Application Form** accompanied by the following documents (templates are available for guidance):

- (i) A **Country Implementation Plan or Trade Strategy** demonstrating how the application will support the objectives of regional economic integration, the SADC Protocol on Trade and / or the SADC EU Economic Partnership Agreement<sup>5</sup>;
- (ii) A proposal for a **Performance Assessment Framework (PAF)**, that includes a baseline and target, milestones, benchmarks and deliverables relevant to the window involved as well as Sources of Verification (SoV) to allow measurement of progress against implementation;
- (iii) A proposal for a **Payment Schedule**, based on the progress indicators and targets proposed in the PAF; and
- (iv) A **Project Document** for countries eligible to receive project-based support.

4.2.2 The following technical issues should be considered in the design of project proposals:

- (i) Projects/programmes submitted must have a minimum budget of Euro 250,000.

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<sup>5</sup> However, where this do not exist, the proposal can be aligned to the general trade strategy of the Member States, highlighting short – to medium-term strategic vision of the country with regard to SADC regional economic integration and priority areas of interventions to improve the country's capacity to benefit from trade expansion and integration into the regional and global trading system. Other supporting documents, including any baseline study, can also accompany the application form.

- (ii) Projects and programmes must be coherent with SADC's integration strategy, the Member State's national development plans and/or policies with clear linkages to the implementation of regional trade programmes and/or the EPA.
- (iii) Projects/programmes must be aimed at mitigating or overcoming adjustment challenges linked to the implementation of the SADC Protocol on Trade and/or the EPA in the Member State concerned.
- (iv) Projects/programmes must be consistent with the strategies and objectives of the TRF and fit the areas of support of the TRF.
- (v) Projects / programmes must be within a coherent strategic framework of addressing the country's regional/extra-territorial trade commitments, with objectives, key results and indicators clearly linked to the implementation of identified gaps.

### **4.3 What the Facility Support Unit can do?**

Upon request, the FSU can provide technical support to Members States on the conceptualization of projects and development of applications by engaging short-term experts (STEs) to work with Member States and any other requirements such as the conduct of baselines studies and related assessments.