ANNEX
of the Commission Decision on the
Action Fiche for SADC Trade Related Facility

1. IDENTIFICATION

<table>
<thead>
<tr>
<th>Title/Number</th>
<th>SOUTHERN AFRICA REGION - SADC Trade Related Facility CRIS number : RAA/FED/23240</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total cost</td>
<td>Total estimated cost: EUR 32 000 000</td>
</tr>
<tr>
<td></td>
<td>10th EDF contribution from the reserves: EUR 32 000 000</td>
</tr>
<tr>
<td>Aid method / Method of implementation</td>
<td>Project approach / Joint management with an international organisation (SADC Secretariat)</td>
</tr>
<tr>
<td>DAC-code</td>
<td>33120  Sector: Trade Facilitation</td>
</tr>
</tbody>
</table>

2. RATIONALE

2.1. Sector context

The Protocol on Trade (STP) is one of the two main pillars of the economic integration agenda of the Southern Africa Development Community (SADC)\(^1\). Since 2008, SADC has become a free trade area (FTA) with the exception of three Members States (i.e. Angola, Democratic Republic of Congo and the Seychelles). The FTA provides for the elimination of import tariffs and non-tariff barriers (NTBs) to trade among SADC Member States and aims for, among other things, the harmonization of customs procedures and technical standards, and the liberalization of trade in services. As the result of the launch of the FTA, significant progress has been achieved in dismantling tariffs.

However, trade flow data indicates that intra-regional trade has not kept pace with the growth of trade with the rest of the world\(^2\) owing to implementation challenges in other aspects of the Protocol. NTBs have been identified as one of the challenges. A mapping of the various NTBs reported by firms in the SADC countries in the affected sectors shows that these barriers impacted up to 1/5 of regional exports in 2008. On average the tariff equivalent cost of NTBs is estimated at 40%, which for most products is much higher than the Most Favoured Nation (MFN) tariff rate applied by most countries. NTBs are therefore key barriers to trade alongside Sanitary and Phytosanitary Standards (SPS) and those barriers pertaining to trade facilitation (e.g. inefficient border administration, transport and communication) and infrastructure deficiencies. In the face of the emergence of NTBs, several SADC Member States have either maintained, resorted to or even revived bilateral agreements, which in most cases entail a violation of the MFN principle of the SADC FTA\(^3\). At the same time though, these are indicative of the limitations of the SADC FTA.

Moreover, most of SADC Member States are faced with the challenge of opposing objectives and differing approaches and the duplication of efforts and inefficient use of resources. This situation is aggravated by the multiple and overlapping memberships of Regional Economic Communities (RECs) for most SADC Member States, with the exception of Mozambique. Countries with strong linkages with other RECs may find it difficult to build the necessary political will to fully commit to the SADC regional integration agenda.

---

\(^1\) SADC Member States are: Angola, Botswana, Democratic Republic of Congo, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Swaziland, United Republic of Tanzania, Zambia, Zimbabwe.

\(^2\) According to the World Bank (2008) intra-regional trade in SADC constitutes only about 12.2 % of total trade. Globally, SADC Member States are among the least competitive, achieving an average score of about 3.5 out of 5 in 2011 on the Global Competitive Index list (GCI) of the World Economic Forum. On the Logistical Performance List compiled by the World Bank in 2011, all SADC countries (except South Africa) obtained scores of less than 3 out of 5. In terms of the Ease of Doing Business, a survey conducted by the World Bank in 2011 showed that no SADC Member States was ranked in the top 20 in a list of 171 countries surveyed in the world that year. It takes an average of 35.1 days to export in SADC (at an average cost of EUR 1 500 /container, needing about 7.4 documents) and 42.4 days to import (at an average of EUR 1 850/container, needing about 8.8 documents).

\(^3\) The most recent case concerns the bilateral trade agreement between Botswana and Zimbabwe.
In an attempt to overcome those problems, the countries of Southern and Eastern Africa have decided to work towards a Tripartite FTA that will incorporate the members of COMESA\(^4\), the EAC\(^5\) and SADC. While this larger FTA may be established in the long-term and hence assist to address the current technical barriers to regional trade, it is nevertheless acknowledged that this scheme would not deny the need for harmonisation and standardisation between the SADC countries in areas including SPS and Technical Barriers to Trade (TBT).

Individual SADC countries have opted to negotiate their Economic Partnership Agreements (EPAs) with the European Union (EU) in configurations that split them into four groupings. Seven SADC Member States: those of the Southern African Customs Union (SACU), Angola and Mozambique, constitute the SADC EPA configuration and out of these Botswana, Lesotho, Mozambique and Swaziland have signed the interim EPA and are engaged to conclude the services agreement in 2014. The seven SADC EPA countries are negotiating towards a full EPA with the goods chapter expected to be concluded in the fiscal year 2013/2014. For these countries, issues stemming from inadequate capacity and/or apprehension and reservations on the EPA’s prospects have led to the negotiation process being protracted and therefore taking longer to complete than initially planned. The complication of the EPA process further exacerbates the complexity of the regional economic integration agenda in the SADC. With the prospects of the full EPA being signed in the near future, it is necessary that the SADC EPA Member States plan for and are prepared for the implementation of this major agreement and the related challenges.

In order to address the above mentioned issues related to the implementation of the SADC Trade Protocol and the EPAs, the Trade Related Facility (TRF) was formulated, and will have two windows:

**Window 1** resources target at supporting SADC economic integration initiatives for all SADC Member States within the context of their implementation of the SADC Trade Protocol and the SADC FTA.

**Window 2** resources target at supporting SADC Member States who have signed the interim EPA or the full EPA or have commenced a process leading to signature/implementation of the interim-EPA(i-EPA)/EPA. The support focuses on implementing their obligations and taking advantage of the market access to the EU provided under an i-EPA or full EPA.

All STP signatory countries\(^6\) would have access to the window 1 resources, while only i-EPA States (and eventually EPA States) would also have access to window 2 resources.

The TRF will contribute to the achievement of the objectives of the EU’s Agenda for Change by exploring an innovative way of channelling funds efficiently and by focusing on the development of the business environment, regional integration and intra-regional/inter-regional markets (within SADC and between SADC and the EU).

2.2. **Lessons learnt**

The TRF builds upon recent support from the European Development Fund (EDF) to SADC’s regional economic and integration agenda that includes projects in the areas of regional customs modernisation, support to the EPA negotiations, and assistance to Standardisation, Quality Assurance, Accreditation and Metrology (SQAM). Over the past several years, SADC’s capacity to absorb the resources has proved to be limited, as evidenced by the sizeable decommitments effected from funds availed under the 9th EDF SADC Regional Indicative Programme\(^7\). The move away from decentralised management towards joint management and budget support under the 10th EDF presents the opportunity to uplift the development policy dialogue between the EU and SADC. It further offers a critical occasion to

---

\(^4\) COMESA – Common Market for Eastern and Southern Africa  
\(^5\) EAC - East African Community  
\(^6\) Currently only Angola, Seychelles and Democratic Republic of Congo have not yet signed the STP but they have already submitted an offer or are preparing a submission.  
\(^7\) A total of approximately EUR 22 million was decommitted from the 9th EDF supported projects.
enhance SADC’s ownership of EDF funded programmes by ensuring coherence of projects and programmes with SADC’s development strategy.

The 2009 Court of Auditors report as well as the 10th EDF Mid Term Review have pointed out the lack of linkages between the national and the regional indicative programmes. By having targeted interventions at national level, the TRF addresses this issue and furthermore gives the opportunity to create complementarity between regional and national programmes.

Successful regional integration experiences show that tackling tariff barriers is not enough to enhance trade. Countries must aim to facilitate regional trade by addressing NTBs such as restrictive product standards or complex Rules of Origin. Addressing identified barriers would have a bigger and more immediate impact on regional trade than following up far-reaching and ambitious schemes such as establishing a common external tariff.

The weak link between the regional policy level and the actual implementation of directives at the national level is a serious constraint to the creation of a functioning economic region. Focusing the TRF on the implementation of regional programmes and EPA related commitments at the national level is in line with the findings and recommendations of the COMESA’s Regional Integration Support Mechanism (RISM) mid-term evaluation of November 2010 and its ensuing rider. The RISM is one of the few similar programmes designed to assist countries to implement regional trade agreements. It is recognised that the role of the SADC National Contact Point is critical in establishing workable national-level structures in each Member State and implementing programmes such as the TRF, which are designed to be Member State focused and driven.

2.3. Complementary actions

In line with it being the primary focal area of the 10th EDF, several EU funded projects either directly target the advancement of the regional integration agenda or do so indirectly through capacity development of the SADC Secretariat. The TRF is one of a package of three complementary programmes (the others being the Project Preparation and Development Facility (PPDF) and the Regional Economic Integration Support (REIS), both already adopted by the European Commission) intended to advance the SADC regional economic agenda. The TRF complements the PPDF, which acts as a leverage for major investments in the infrastructure of the region. Bridging the infrastructural gap is indeed crucial to improving competitiveness and facilitates trade in the SADC region.

The REIS programme under the 10th EDF is aimed at building regional level capacity (at the SADC Secretariat), supporting the negotiations of a full EPA, improving the regional SPS and SQAM control systems, and the regional trade in services provision at SADC Secretariat level, while the TRF is supporting actions at national level. The goals and activities of the REIS therefore imply a strong potential for synergy with the TRF.

The TRF will also complement the interventions of the National Indicative Programmes (NIPs) that are planned or are being implemented at SADC Member States level. For those countries which are member of more than one REC, a clear declaration will be required stating that similar application has not been made and submitted to other RECs having similar programmes as the TRF (e.g. ESA- IO RISM).

2.4. Donor coordination

Donor coordination for all SADC programmes takes place at four levels, namely: the SADC Consultative Conference, Joint Task Force, Core Group and Thematic Groups. These structures are now under review and streamlining of the coordination process is expected. All activities within the Trade, Industry, Finance and Investment (TIFI) Directorate in the SADC Secretariat are coordinated within their thematic group, for which the EU Delegation is currently acting as co-chair with the TIFI Director. The TRF will work in close relation with EU Member States such as Germany and the UK and the other

---

8 Eastern, Southern Africa and the Indian Ocean
International Co-operating Partners (ICPs) including USAID, the World Bank and the African Development Bank, who are supporting or have plans to support SADC’s regional economic integration and trade agenda. The country-based nature of the programme requires also coordination between ICPs in the beneficiary SADC countries, including proper involvement of the EU Delegations.

3. **DESCRIPTION**

The SADC TRF will provide a financial incentive to SADC Member States to assist them to implement the commitments they made under the STP and EPA with the EU. This will enhance the process of regional integration and strengthen the region’s trade competitiveness globally. The TRF will be created through a Contribution Agreement between the EU and SADC. A Facility Support Unit (FSU) will be formed through a service contract following SADC procedures to manage the TRF activities. The support will be in the form of financial incentives paid after achievement of clearly identified milestones and be based on a plan with activities and detailed costs.

**Functioning of the TRF:**

**Request for applications:** The FSU will launch a request for applications twice per year (unless the Steering Committee decides differently).

**Proposal development:** SADC Member States may, in response to request for applications, submit request for funding to the TRF. Ideally requests for funding must be done in the context of a well-elaborated Country Implementation Plans (CIPs), but where these do not exist, the proposals can be aligned to the general trade strategy of the SADC Member State. The CIP is a technical document defining specific implementation deficits (ID) regarding the SADC Trade Protocol and EPAs, and a detailed description of the steps that will be undertaken to deal with the identified ID. In their detailed applications, the SADC Member State must outline the obstacles that it is facing to implement the commitments and identify strategies to overcome the challenges. SADC Member States will also highlight indicators (baseline and target), milestones, benchmarks and deliverables relevant to the window involved, so that it becomes possible to measure progress. The application will include a list of activities proposed addressing the implementation deficit(s) as well as a detailed budget of these proposed activities.

**Proposal evaluation:** The FSU will evaluate the applications submitted by the SADC Member States using a point system stipulated in a standard evaluation grid, focussing on issues like eligibility (of both the Member State and areas proposed under the relevant window), level of alignment of the proposal to the CIP or overall Trade Strategy of that Member State, clarity and practicability of the proposed objectives, outputs, indicators, milestones, benchmarks, budget etc.

**The evaluation meeting:** Two evaluation meetings will be held each year (i.e. after each request for applications). Six people (evaluation committee) will sit in the evaluation meeting. These will be the FSU manager, the two FSU senior officers (STP & EPA windows), the finance and administrative expert and the two officers based at the SADC secretariat. The project manager will chair the meeting, going over each evaluation issue and guided by the evaluation grid. Each member of the evaluation committee will give his/her points for each issue according to his/her assessment.

Non-Sate-Actors and relevant economic actors (e.g. Chambers of Commerce or Business Associations) can also apply for support by applications channelled through the respective governmental institutions. Projects/programmes submitted must have a minimum budget of EUR 250 000 except for the allocation for projects/programme formulation or capacity building activities, which could be less. The detailed budgets submitted will be independently validated.

---

9 A project application template will be used to guide the applications.

10 Member States aligning their proposals to the CIPs will have more points on the evaluation grid.
Steering committee meetings: The Steering Committee will meet twice per year to discuss and approve project proposals submitted by SADC Member States and to review progress and the work of the FSU.

After evaluating the applications, the FSU will compile an evaluation report with clear recommendations to the steering committee, which will be convened to review/endorse the recommendations. In fully justified cases the Steering Committee can also reject the FSU recommendations. The committee will transmit its decision concerning the EU Budget Support eligible countries' applications to the Geo-Director of the EU Commission for final approval.

Composition of the Steering Committee

The committee will be composed of SADC Member States, Non-state Actors (relevant economic actors and civil society), ex-officio and observer members. The ex-officio and observer members will not be allowed to vote.

Member States: three representatives of eligible SADC Member States at the director level from trade related ministries. They will sit on the Steering Committee on a rotational basis, whose rotation will be staggered to ensure that all members do not change at the same time in order to ensure continuity. Generally, each Member State will sit in the committee for 12 months but this period can be increased to a maximum of 14 months or reduced to a minimum of 10 months, depending on how best the continuity can be ensured.

SADC Secretariat: three representatives from SADC Secretariat, including a senior representative from the SADC TIFI Directorate, a senior representative from the SADC Directorate for Budget and Finance, a Senior Programme Officer representing the SADC Directorate of Policy, Planning and Resource Mobilization.

Non-State Actors: three representatives of regional Non State Actors of which two will be from the private sector and one from civil society. These will serve for 12 months, which is renewable. Regional Apex bodies like the SADC Council of Non-Governmental Organisations, the Association of SADC Chambers of Commerce & Industry and SADC Business Forum should take the lead in the selection of representatives to sit in the Steering Committee.

Ex-Officio Members: The FSU Project Manager will report on relevant TRF developments to the Steering Committee. The two Senior TRF Programme Officers based at SADC (one co-coordinating the STP and the other EPA activities) will act as the secretariat of the Steering Committee when requested to do so. They will compile minutes/reports and keep all the committee records.

Observer members: Other SADC Member States eligible for funding can also elect one representative to join the SC meetings as observers. A representative from the EU Delegation can join the committee meetings. Other ICPs, who contribute to the facility, can only join after obtaining approval by the permanent committee members.

Selection of the chairperson

The voting members of the Steering Committee will elect the chairperson.

Exemption from voting: Where there is a clear conflict of interest, a Steering Committee member concerned will be exempted from the voting process. For example, a Member State sitting in the committee will not be allowed to vote/evaluate applications submitted by the same Member State.

Final approval of proposals to be financed: the Geo-Director will review/endorse or reject the Steering Committee's decision in relation with EU Budget Support eligible countries.
Progress monitoring/Disbursement of funds:

In the case of budget support, for every country, the FSU will monitor progress made in terms of achieving the agreed indicators, benchmarks, milestones and deliverables. Payment requests will be verified by the FSU and approved by the Steering Committee. The SADC Secretariat transmits the payment request file with the supporting documents to the competent Geo-Director of DG DEVCO of the European Commission via the EU Delegation. The SADC Secretariat will execute the budget support payments following the approval of the Geo-Director of the European Commission. Funds will be released in tranches and only after the agreed indicators and milestones have been reached.

In the case of project-based approach, the Steering Committee endorses the project proposal. Disbursements are as follows: the Member State will submit their narrative and financial reports (on the implementation of activities and budget consumption) for disbursement. The SADC FSU will monitor and verify the reports and launch the necessary audit. The FSU will then transmit the final reports with their recommendation to the Steering Committee for approval. Following the approval of the Steering Committee, the SADC Secretariat executes the disbursement to the concerned SADC Member States in accordance with the SADC financial rules and procedures.

Technical support to Member States: The FSU will provide technical support to SADC Member States in areas like development of applications, formulation of CIP, impact assessment studies, training, or any related areas that SADC Member States may find necessary. For instance, as part of the TRF project proposal development, there might be the need for a Member State to undertake baseline studies to assess and define the baseline indicators. The FSU technical staff will either directly provide the assistance (especially on general issues) or engage short term experts provided for in the service contract.

3.1. Objectives

Overall Objective: To improve the participation of SADC Member States in regional and international trade in order to contribute to sustainable development in the SADC region.

Specific Objective: To enhance the implementation of the STP and the SADC EPA to increase intra-regional and inter-regional trade flows of the concerned SADC Member States.

3.2. Expected results and main activities

3.2.1. Key results

The expected key results of the TRF are:

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

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

3.2.2. Main activities for key result 1

The main activities identified to achieve this result deal with the removal of NTBs for all goods (including agricultural) and services, including:

Enhancing customs cooperation: This is an important area considering that out of a total of 421 NTBs reported on-line by SADC Member States in the first eight months of 2012 (i.e. January to August), 92 of them (about 22%) are directly related to customs issues. Common problems reported are that the customs process in the region is lengthy and costly, the customs classification by some SADC Member States is arbitrary, some of the charges are unreasonable and cooperation among SADC Member States is inadequate.
Eligible activities for TRF support will include adoption/implementation of the custom tariff nomenclature, harmonisation and streamlining of customs and border procedures, use of modern technology to speed up customs and border processes, development/amendment of legislation etc.

**TBT and SPS:** These are major barriers to regional trade because most of the standards in the SADC Member States have national scope and because Technical Regulations differ in SADC Member States; they have not been harmonized and therefore it is lengthy and costly to demonstrate compliance to quality requirements, especially where retesting may be required. Eligible activities to be supported in this area include streamlining and harmonising the standards in line with international ones, harmonizing/aligning technical regulations, product and system certification and accreditation of certification bodies, inspection bodies, calibration and testing laboratories, strengthening the capacity to respond to emergencies, setting-up/strengthening of accurate and well-supported SPS/TBT complains and response strategies etc.

**Rules of Origin:** Although most SADC Member States have adopted the SADC Rules of Origin, application of the Rules of Origin is still problematic because they are regarded as restrictive by most SADC Member States, especially for wheat flour, textiles and clothing. As a result, SADC Member States prefer to use alternative Rules of Origin (e.g. COMESA), a development that undermines regional trade in SADC. Eligible activities to be supported under TRF include harmonization and simplification of Rules of Origin in line with the Tripartite agreements, strengthening of enquiry points, establishment/strengthening of national bar-code units, establishment/strengthening of electronic certification, creating/strengthening computer linkages and streamlining the issuance of Certificate of Origin, etc.

**Trade Facilitation:** This has been found to be weak in SADC, with inefficiencies arising from inadequate and poor state of transport infrastructure (roads, rail, airports, intermodal links etc.), poor quality of logistics, incoherent transit regulations, border delays and weak competition among service providers. Eligible activities to be supported in this area include soft aspects of improving the trade-related infrastructure (e.g. establishment/strengthening of One Stop Border Posts), enhancing the use of ICT, improving the ease of arranging competitively priced shipments, enhancing the competitive framework of the private sector, improving the capacity to track and trace consignments etc.

**Industrial Development:** A major challenge that SADC Member States are facing is to stimulate economic growth beyond the natural resource sectors through diversification and value addition. Furthermore, SADC producers find it difficult to meet international market/client requirements (recognized conformity with international standards). The TRF will support activities like industrial and trade needs assessment studies, formulation of prioritised sector development programmes, development of industrial policy, development and amendment of legislation and policy dialogue, etc.

**Trade Promotion and Development:** Trade promotion is crucial for regional trade because it allows private sector players and policy makers to interact with each other, thereby creating market opportunities. Activities that the TRF will support include a regional SADC Trade fair, development of trade strategies and support of promotion missions, etc.

**Trade in services:** Regional trade in SADC is so far more focused on trade in goods. Trade in services is lagging behind, although it provides wider scope to achieve regional development and poverty alleviation. The TRF will support activities such as the establishment of national enquiry points on services, compilation of services data, establishment/strengthening of regulatory framework on services and making reforms thereof, scheduling of requests and offers etc.

3.2.3. **Main activities for key result 2**

This window may support activities similar to those carried out under the STP Window, such as NTBs, Rules of Origin, Trade Facilitation, SPS/TBT and Trade in Services. But it will also support additional (and exclusive) activities as follows:
Trade Defence Instruments: The major focus of the TRF will be to support SADC EPA Member States to establish their national trade remedy authorities and the drafting and implementation of trade remedies legislation in line with World Trade Organisation’s requirements (e.g. GATT 1994, and the Agreement on Countervailing Measures).

Tariffs: The major focus will be the rationalisation and simplification of SADC tariff structures, furthermore assessing the impact of tariff peaks on regional trade as well as identify modalities for the adoption of lower and more uniform external tariffs.

Trade related adjustment: In the light of the expectation that SADC EPA Member States might lose some revenues as a result of implementing some EPA commitments, the TRF will carry out an impact assessment of the revenue losses and the required resource and adjustment support measures to be implemented for fiscal reform. Further support will be given for studies to identify Balance of Payment adjustment costs in cases of import surges in excess of exports to EU.

Competition Policy: The TRF will focus on the development of competition policy in SADC Member States.

3.3. Risks and assumptions

<table>
<thead>
<tr>
<th>Risk</th>
<th>Risk Mitigation</th>
</tr>
</thead>
<tbody>
<tr>
<td>SADC Member States may feel that they do not own the process of the TRF.</td>
<td>In order to ensure ownership at the SADC Member States level, both the conceptual and operational designs of the TRF have been elaborated and discussed with the involvement of SADC Member States' senior officials as well as private sector and civil society representatives from the Member States. Two stakeholder workshops have been held so far, where SADC Member States’ buy-in has been sought and a third stakeholders' workshop is foreseen in Q1 2014. Furthermore, the TRF will keep close contact with SADC Member States through the National Focal Points, which will ensure that they are involved in the TRF process. This involvement creates a sense of ownership, which will motivate the SADC Member States to apply for the TRF facility. The SADC Member States will also participate in the Steering Committee as voting members on rotating basis.</td>
</tr>
<tr>
<td>SADC Secretariat may not have sufficient capacity to effectively manage the TRF.</td>
<td>A special unit, the FSU, will be created to manage the TRF activities. SADC Secretariat's capacity will be strengthened by provision of two additional programme officers, one for the area of STP and the other one for the area of EPA.</td>
</tr>
<tr>
<td>SADC Member States may not have the capacity to make successful applications.</td>
<td>In addition to the financial incentive, the TRF will also provide SADC Member States with technical assistance in the development of proposals and other related issues. The TRF will also develop an application template, which will guide the SADC Member States in their proposals. Members States will also be informed about the evaluation criteria (evaluation grid) before they make the proposals so that they know exactly what is required of them. TRF will furthermore include a stakeholder workshop aimed at briefing SADC Member States on the detailed application process.</td>
</tr>
<tr>
<td>Funds available may not be enough to motivate the SADC Member States to apply.</td>
<td>Other ICPs will be allowed to contribute to the TRF, thereby increasing the amount of funds available. If the TRF proves successful in its first implementing phase, additional 11th EDF funding might be allocated and more ICPs might join in.</td>
</tr>
<tr>
<td>The administrative costs for the facility may outweigh its benefits.</td>
<td>Setting the minimum threshold at EUR 250 000 per project will minimise the number of applications and reduce the administrative burden. It is considered essential to have a strong FSU to ensure the smooth implementation of the programme.</td>
</tr>
</tbody>
</table>
Communication between the TRF and SADC Member States may not be effective. Each Member State will be required to identify a TRF focal point, whose main task is to ensure that there is continuous communication between the TRF and the SADC Member States. The TRF FSU will further strengthen the communication by organising workshops, seminars and country visits.

Political interference at the level of the Steering Committee may influence the decisions on funding. SADC Member States represented in the Steering Committee will be excluded from approving or rejecting applications submitted by their own countries.

Stakeholders manage the scheme with light quality requirements, funding ad-hoc projects not linked to the CIP or Trade Strategy. Proposals will be assessed according to a predefined evaluation grid where the level of alignment to the CIP or Trade Strategy will be one of the key criteria. In the case of the budget support modality, the Geo-Director of DG DEVCO has the ultimate competence to review the proposals and either provide approval for or reject the funding.

### 3.4. Crosscutting Issues

In the view of the very nature of the TRF, environmental impact assessments and gender analysis were not deemed necessary during the programme formulation phase. However, these two issues will form part of the assessment of projects and programmes submitted to the TRF. In 2010, the SADC Gender Unit conducted workshops for ministries responsible for Finance, Economic Planning and Gender and Women’s Affairs. This initiative resulted in an increase in the technical ability and understanding to integrate gender into sectoral projects, programmes and processes at national level. Given the central role that women play in food and agricultural production in the SADC region, positive impacts should accrue to them as a result of increased trade resulting from SPS and TBT compliance and the trade facilitation measures.

### 3.5. Stakeholders

The SADC Secretariat and SADC Member States as implementing bodies will be the main stakeholders and the direct beneficiaries of the TRF. Several national institutions and organisations, notably the ministries in charge of trade, industry, agriculture, the SADC national contact points, relevant inter-ministerial committees on TBT, SPS, etc. will also have an important role in the implementation of activities which they should benefit from in terms of capacity strengthening. The enterprises and the private sector of the SADC region will be indirect beneficiaries of the TRF. This will result from enhanced investment, new trade opportunities and trade expansion arising from the acceleration of regional economic integration, an improved international trade regime and market access with the EU and a more conducive and predictable trading environment overall. The ultimate beneficiaries are the inhabitants of SADC Member States in terms of increased investments, jobs creation and welfare gains.

Apart from the SADC Secretariat, SADC Member States, private sector representatives and civil society organisations were actively involved in the design of the Facility. Two stakeholders' workshops have been held on 26-27 September and 6-7 November 2012, where the participants have agreed on the design of the TRF, especially on the eligibility criteria for the two windows of the Facility, on the eligible actions for the two windows, on the institutional structure, the application process (including a preliminary evaluation grid) and on the budget of TRF.

### 4. IMPLEMENTATION ISSUES

#### 4.1. Method of implementation

Joint management through the signature of a contribution agreement with an international organisation, the SADC Secretariat, in accordance with Article 29 of the Regulation (EC) No
215/2008 on the financial regulation applicable to the 10th EDF. The international organisation complies with the criteria provided for in the applicable Financial Regulation.

The technical implementation and day-to-day management of the TRF will be entrusted to the FSU, which will be formed through a Service Contract between the SADC Secretariat and a service provider, procured using SADC’s own procedures.

The TRF complies with the requirements of the Aid Effectiveness agenda. The SADC Secretariat and SADC Member States will have full ownership of the programme, which will be implemented mostly at the national level and at the Secretariat’s Headquarters where the FSU will be based. The programme is aligned with the SADC strategies, policies and protocols, and the STP and the EPA agenda in particular. As a need-based and demand-driven intervention, the TRF will support the implementation of commitments signed-off by SADC Member States in the context of STP and the EPA.

The TRF may deliver support through budget support, which shall be the preferred delivery mechanism. In case a Member State is not eligible for EU budget support, project-based support shall be provided in accordance with relevant SADC financial rules and procedures.

(i) **Budget support**

Budget support is the preferred modality for TRF disbursements. All SADC Member States are free to apply for this modality, but only the countries which are eligible to EU budget support will be entitled to receive TRF funding through budget support. 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 EuropeAid Development and Cooperation Directorate-General (DG DEVCO) shall take the final decision for approving SADC countries submissions and instruct the delegation to make the subsequent disbursement, on the basis of the technical assessment files prepared and transmitted by SADC FSU through the EU Delegation to Botswana.

SADC Member States will be encouraged to consult the EU Delegation present in the country on their potential eligibility to budget support under TRF.

(ii) **Project-based support**

Where the country is not eligible for budget support, or where project support would be a simpler, preferable and more efficient disbursement mechanism, project-based support will be provided. In that case, country submissions are approved by the Steering Committee as it is spelled in the Operational Guidelines.

In these cases, project implementation will be conducted in accordance with relevant SADC Financial Rules and Regulations. The actions will be co-ordinated with the EU Delegation in the country concerned and will be implemented following SADC rules and procedures.

**Submission and assessment processes**

The FSU will launch a Request for Applications twice per year. The request will be launched on the SADC Website and communicated to all SADC Member States through their National Focal Points. A single request will be made to receive applications under both the STP and EPA windows. The Request for Applications will include:

- The SADC and EU Logos;
- Brief narrative explaining the purpose, objectives of the Request and eligibility for funding;
- SADC Member States and institutions that can apply (key eligibility criteria);
- TRF contact details for further information.
- Deadline by which interested SADC Member States should respond to the Request.
The Request for Applications will also indicate the TRF’s website where the application documents can be downloaded. It will also give contact details for the TRF project officers who, if contacted, will distribute the documents. The application package will include:

- A completed application form
- Country Implementation Plan with logical framework
- Any other supporting documents

The SADC Member States will respond by showing interest to apply. If a Member State feels that it can develop the application on its own, then it will immediately start doing so. If a Member State needs technical assistance in developing the application, it will request this from the FSU. The FSU will then engage short-term consultants to provide the technical assistance conceptualising and developing the application forms.

The FSU will carry out an administrative evaluation (eligibility check) of the application according to the criteria outlined above in this section. If the application passes the eligibility test, the FSU manager will distribute copies of the application to the FSU evaluators. Projects that fail the eligibility test will be rejected.

For submissions that have passed the eligibility test, a technical evaluation will be conducted by the evaluation committee members. In order to avoid conflict of interests, all short-term experts involved in the conceptualisation of the project or in the development of the applications will be exempted from the evaluation process of the application in question.

The Steering Committee will review/endorse or reject the recommendations of the FSU and will submit the evaluation reports and its decision concerning proposals for EU budget support eligible countries to the responsible Director of the European Commission for final approval. The Geo-Director will review/endorse or reject the Steering Committee's decision.

In case of project-based support, the submission and assessment procedure is the same as in case budget support, but the decision taken by the Steering Committee will prevail.

Within 14 working days after the application has been approved, the Member State will sign a financial agreement with SADC. The approved application will be an integral part of the agreement, which should clearly show the indicators, milestones, and other deliverables as well as the funds distribution schedule (tranches).

SADC Member States should start implementing the programme as soon as the financial agreement with SADC is signed.

For budget support, SADC Member States will submit two types of progress reports to the FSU, namely implementation phase and half-yearly reports. The reports on the implementation phase will be submitted at every stage where funds release (tranches) are linked to the release of funds according to the application submitted. For example, one Member State would have front-loaded the release of funds. Such a Member State will provide a progress report within a short period (e.g. 3 months) after starting the programme. This report will show how it has achieved the promised indicators and milestones at that phase. The expected indicators in such a project are those that can be achieved relatively fast (such as amending legislation or carrying out a study). However, some SADC Member States, especially those with internal resources, can take longer (even more than 6 months) to provide the first phase report. In any case, the FSU will review the reports and trigger the release of funds if there is satisfactory reason to do so.

The second type of reports is half-yearly reports. SADC Member States will submit them to the FSU in order to keep it updated on technical and financial developments. The reports will also help the TRF to monitor developments so that it can rectify problems before it is too late.

If the FSU is not satisfied with any of the reports, it will request explanations from the SADC Member States, especially regarding why the deliverables could not be fully reached. The SADC Member
States will provide the explanation within 14 working days of receiving the request. The explanation must also show whether the Member State would be able to attain the indicators/deliverables if additional time is granted. If the reasons seem valid, the FSU will provide more implementation time to the Member State to achieve the deliverables in that phase. If the FSU is not satisfied with both the report and subsequent explanation, it will not release further funds.

In case of **project-based support**, SADC Member States will submit two types of progress reports to the FSU, namely implementation phase and half-yearly reports. The reports on the implementation phase (narrative and financial) will be submitted at every stage where funds release (tranches) are linked to the release of funds according to the application submitted. The FSU will review and verify the reports, and with their recommendations transmits them to the Steering Committee for approval. SADC Member States will submit half-yearly reports to the FSU in order to keep it updated on technical and financial developments.

**Disbursement process**

In case of **budget support**, Member States will submit their disbursement request file with the reports proving the milestones/indicators achieved. SADC FSU will monitor and verify the deliverables and SADC Secretariat transmits the disbursement request including its technical assessments to the EU Delegation to the Republic of Botswana and SADC. The EU Delegation subsequently transmits the documents to the Geo-Director of the European Commission for final endorsement of the submission and for funding and disbursement decision. SADC Secretariat will execute the budget support payments following the approval of the Geo-Director.

In case a country has applied to TRF under the budget support modality and is considered by the EU at the moment of disbursement as not being eligible to this modality, two additional months will be granted to the country concerned from the date when the information is communicated, to re-formulate its submission in accordance with the project-based support template.

In the case of a **project-based approach**, SADC Member States will submit their narrative and financial reports (on the implementation of activities and budget consumption) for disbursement. The SADC FSU will monitor and verify the reports and launch the necessary audit. FSU will then transmit the final reports with their recommendation to the Steering Committee for approval. Following such approval, the SADC Secretariat executes the disbursement to the concerned SADC Member States in accordance with the SADC financial rules and procedures.

**4.2. Procurement and award procedures**

All contracts implementing the action are awarded and implemented in accordance with the procedures and standard documents laid down and published by the SADC Secretariat.

Successful applications made by the SADC Member States to the TRF will be implemented through a legally binding agreement between the SADC Member States and the SADC Secretariat. These agreements will be based on the procedures and standard documents laid down and published by SADC Secretariat.
### 4.3. Budget and calendar

<table>
<thead>
<tr>
<th>Categories</th>
<th>EU contribution in EUR</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Contribution Agreement:</td>
<td>31 600 000</td>
</tr>
<tr>
<td>1.1 Management costs (Technical assistance)</td>
<td>6 800 000</td>
</tr>
<tr>
<td>1.2 SADC Staff</td>
<td>800 000</td>
</tr>
<tr>
<td>1.3 Operating costs</td>
<td>1 200 000</td>
</tr>
<tr>
<td>1.4 TR Fund</td>
<td>20 000 000</td>
</tr>
<tr>
<td>1.5 Communication &amp; Visibility</td>
<td>300 000</td>
</tr>
<tr>
<td>1.6 Administrative overheads (3.5%)</td>
<td>1 100 000</td>
</tr>
<tr>
<td>1.7 Contingencies (4.6%)</td>
<td>1 400 000</td>
</tr>
<tr>
<td>2. Audit, Evaluations</td>
<td>400 000</td>
</tr>
<tr>
<td>TOTAL</td>
<td>32 000 000</td>
</tr>
</tbody>
</table>

Indicative Nominal Allocations:

Indicative Nominal allocations (INA) have been determined for each SADC Member State, who might be eligible for the TRF. The nominal allocation will provide the indication of the maximum funds that a country can access. The INA may be reallocated following the two mid-term reviews carried out during the programme.

The indicative allocation between the windows is: (i) Window 1 (STP): EUR 14 000 000; (ii) Window 2 (EPA): EUR 6 000 000.

<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>Malawi</td>
<td>1 400 000</td>
<td></td>
</tr>
<tr>
<td>Mauritius</td>
<td>1 400 000</td>
<td></td>
</tr>
<tr>
<td>Mozambique</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>Swaziland</td>
<td>1 400 000</td>
<td>1 200 000</td>
</tr>
<tr>
<td>Tanzania</td>
<td>1 400 000</td>
<td></td>
</tr>
<tr>
<td>Zambia</td>
<td>1 400 000</td>
<td></td>
</tr>
<tr>
<td>Zimbabwe</td>
<td>1 400 000</td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td>14 000 000</td>
<td>6 000 000</td>
</tr>
</tbody>
</table>

11 The current allocations between the two windows are tentative, due to the uncertainties of the ongoing EPA negotiations. Currently the countries negotiating a full SADC EPA are: Botswana, Lesotho, Mozambique, Namibia and Swaziland. Other countries could be included under window 2 provided they join these negotiations. Furthermore the Steering Committee can 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(s).
The deadline for the signature of the Contribution Agreement with SADC will be at the latest on 31 December of the year after the financing decision is adopted. The operational duration of the Contribution Agreement will be maximum 60 months. The first operational year of the TRF will be focused on consolidating the policies, strategies, guidelines and operational aspects of the Facility. Furthermore, there are activities related to awareness raising, visibility and capacity building in SADC Member States (e.g. training of focal points). Further to the first call for proposals and the assessment of the applications submitted, any amendments deemed necessary to the principle of the TRF would be considered by the Steering Committee. The Steering Committee deliberations will be informed by the outcome and recommendations of the first mid-term evaluation.

The present budget has been estimated as sufficient to operationalise the Facility. However, during the formulation phase an overall financial need of EUR 80 million was estimated for the SADC region for the first five years. The service contract will run for 5 years to ensure continuity.

4.4. Performance monitoring

The TRF will be the first Facility of this kind within SADC and is as such an innovative pilot intervention. Since implementation of the TRF will essentially take place at the national level, all relevant in-country data sources and available country based international sources (e.g. World Bank, UNCTAD, etc.) will be used to update the baseline scenario at SADC level. An indicative list of milestone indicators will be prepared by the FSU and provided to guide the preparation of the proposals. Proposals submitted by SADC Member States for TRF support will include a dedicated logical framework, including milestone indicators with baselines, targets and timelines (intermediary and final), to facilitate performance tracking at national level. SADC Member States will report on the performance of the TRF in line with the SMART indicators defined in the logical framework for all results.

The Monitoring and Evaluation expert to be mobilised under the TRF’s service contract will have the primary responsibility of ensuring that adequate monitoring and evaluation mechanisms are in place at both the country and regional level and that essential programme components are integrated in the proposals submitted. The Monitoring and Evaluation expert of the TRF will collaborate with the Monitoring and Evaluation officer in the TIFI Directorate. When the TRF becomes fully operational, the FSU will review and update the activities and indicators of the Facility to take on board important developments that may have taken place since the design of the Facility.

The TRF manager/coordinator will produce bi-annual technical reports for the members of the Steering Committee and the EU. Furthermore, according to the General Conditions of the Contribution Agreement, an annual narrative and financial report (i.e. Progress report) will be provided by the Secretariat. More frequent operational meetings will be held between the FSU and the SADC Secretariat/EU Delegation.

The TRF programme will try to establish strong synergies with the NIPs, and therefore involve the EU Delegations in SADC Member States. The EU Delegation in charge (Botswana and SADC) will share the biannual technical reports prepared by the TRF FSU manager/coordinator. Furthermore, the minutes of the Steering Committee meetings will be sent to the respective EU Delegations. Upon request, the EU Delegation in charge will also share the applications and evaluations of a given proposal with EU Delegations at national level. The EU Delegation (Botswana/SADC) will encourage the national level EU Delegations to coordinate with the ICPs in their respective countries, leading to a coordinated series of actions both at regional and national level.

4.5. Evaluation and audit

The audit of the expenditure made for the action and the tasks of internal control will be carried out by SADC in accordance with its own rules and procedures. A financial provision has been made outside the Contribution Agreement budget in case specific additional external audits are deemed necessary.
Contracts for evaluation of the TRF programme will be concluded by the EU. Two mid-term reviews (MTR) are planned. The first one will take place either after five applications for support have been approved by the Steering Committee and the first disbursement of fund has been effected, or one and a half years following the start-up of the facility. This first review will provide the opportunity for the TRF to take into account developments in respect of the implementation of the regional integration agenda, the EPA process and the regional and national context. If necessary, the first mid-term evaluation may also lead to amendments to areas of interventions, eligibility criteria and the operational features of the TRF. Moreover, possible reallocations between the two windows can be recommended by the MTRs (and approved by the Steering Committee). The second MTR is foreseen to take place two years after the first one and, among other tasks, will assess the sustainability of the TRF. This second review will advise the key TRF stakeholders as to whether a follow-up phase is desirable or an exit strategy is recommended. A final evaluation has also been provided for in the budget outside the Contribution Agreement.

The budget for audit and evaluations will be distributed as follows:

<table>
<thead>
<tr>
<th>Audits</th>
<th>EUR 100 000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Evaluations</td>
<td>EUR 300 000</td>
</tr>
<tr>
<td>TOTAL</td>
<td>EUR 400 000</td>
</tr>
</tbody>
</table>

4.6. Communication and visibility

The TRF FSU manager/coordinator will be tasked with the development and implementation of a consistent and appropriate communication and visibility plan, such that visibility forms part of all the activities undertaken and/or supported by the Facility. Procured equipment will bear EU labelling. These measures will comply with the rules laid down and published by the Commission on the visibility of external operations. SADC and SADC Member States shall take all appropriate measures to publicise EU funded activities. Information given to the press, the beneficiaries of the action, all related publicity material, official notices, reports and publications shall acknowledge the fact that implementation was carried out with funding from the EU. Provisions for ensuring the visibility of the programme have been made in the budget and activities undertaken in this regard will be informed by the EU visibility guidelines.