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# Market Access, Trade and Enabling Policies Project (MATEP)

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## Annual Report #1

For the period: May 2005 - September 2006

October 2006

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7600 Wisconsin Avenue, Bethesda, MD Tel: 301-771-7600, Fax: 301-771-7777, [www.dai.com](http://www.dai.com)

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## **Annual Report #1**

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MATEP Project Office:  
Plot #3828 Parliament Road  
PostNet Box 246, Private Bag E10  
Lusaka, Zambia  
Tel: 291569, Email: [matep@dai.com](mailto:matep@dai.com)

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# Market Access, Trade and Enabling Policies Project (MATEP)

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*For the period: May 2005 - September 2006*

### INTRODUCTION

#### **Background:**

The MATEP project is a five year USAID economic growth project designed to increase Zambia's exports of agricultural and natural resource products and tourism services into regional and international markets. It is a results-oriented project that is intended to *make exports happen*. Local demand, beyond basic food needs, is limited and only by exporting will Zambia be able to raise the incomes of its rural population.

The export baseline is \$405 million, and over the course of the project MATEP will contribute to raising these exports to \$600 million. To do so, the project focuses on eight core value chains and on tourism. The value chains are horticulture/floriculture, coffee, livestock, cotton, honey, paprika/chili, maize/seed and cassava. Exports of these eight, plus tourism, offer the greatest potential for growth over the project horizon, as well as for impact on Zambia's economy and population, owing to interventions of the project. MATEP will also assist stakeholders in responding to opportunities in other value chains as they arise.

The project has five closely interlinked components to achieve its export objective: Trade and Enabling Policy, Market Access, Tourism, Finance and HIV/AIDS. The Trade and Enabling Policy component focuses on domestic policies and regulations that constrain Zambia's exports as well as on regional and international trade agreements under which export growth can expand. The Market Access component focuses on identifying foreign markets into which Zambia can sell and on working with exporters to successfully complete transactions in those markets. MATEP targets both regional markets and more distant markets in Europe, America and Asia for Zambia's exports. The Tourism component focuses on raising Zambia's profile as a premier, multi-faceted tourist destination in Africa, as a location for international conferences and on tourism training. With the Finance component, MATEP operates a \$2 million investment fund and uses its technical assistance resources to help small and medium scale export and tourism enterprises access formal sector credit. Finally, the HIV/AIDS component works to mainstream HIV/AIDS prevention activities into client business operations and, with its partners, designs and implements sustainable HIV/AIDS prevention programs.

MATEP is a consortium made up of five organizations led by Development Alternatives, Inc. of Bethesda, Maryland. Other consortium members include the International Executive Service Corps, Michigan State University, ECI*Africa*, a South African-based firm, and the Zambia Agribusiness Technical Assistance Centre (ZATAC), based in Zambia.

#### **Progress during Year One:**

MATEP has met or exceeded targets in all indicators of its Program Monitoring Plan (PMP). The principal indicator measuring exports, value of agriculture/natural resource/tourism based

exports, reached \$495 million compared to the target of \$425 million. Among MATEP's value chains, exports of horticulture/floriculture, cotton, and coffee were the most significant. In terms of markets, South Africa was the largest and fastest growing market for Zambian exports followed by the Democratic Republic of Congo (DRC). The value of export/tourism transactions by MATEP assisted firms reached \$40 million compared to the target of \$20 million and number of transactions by assisted firms reached 4,884 compared to the target of 1,000. In light of this strong project performance, MATEP has revised upwards a number of its indicator targets. Details of these and other PMP targets are provided in each of Annual Report component sections below and in the PMP table at the end of the report.

**Project startup:** MATEP experienced a smooth project startup in May/June 2005 leading up to a USAID-sponsored Stakeholder Consultation Workshop in late June which provided important input to MATEP's first workplan. In order to align the MATEP calendar with USAID's reporting schedule, MATEP's first year was extended to five quarters and this first Annual Report covers the period from project startup through September 2006. More detail on project activities can be found in the project's Monthly and Quarterly Reports.

**Trade and Enabling Policy:** During the year, MATEP's Trade and Enabling Policy Component made important contributions to Zambia's Private Sector Development (PSD) process. PSD is a joint government/private sector/donor initiative for addressing constraints to private sector growth. MATEP is a key member of several PSD Working Groups, serves as secretariat of the Trade Expansion Working Group and assisted Zambia's Customs Service with activities to address delays in border crossings. The component also helped initiate a new Memorandum of Understanding between Zambia and Angola to initiate formal trade between the countries and contributed to soon-to-be-signed bilateral agreements between Zambia and both the Democratic Republic of Congo (DRC) and Mozambique. MATEP works closely with the Ministry of Agriculture and Cooperatives (MACO) and the private sector conducting applied policy research into key value chains and in addressing weaknesses in the ministry's sanitary and phytosanitary (SPS) services, key for agricultural trade. During the year, MATEP together with the Bank of Zambia, the World Bank and the Swedish International Development Agency conducted a workshop on hedging. The workshop was designed, in part, to help Zambians understand instruments available to face extreme fluctuations in the country's currency.

**Market Access:** Under the Market Access Component, MATEP conducted trade missions to DRC and Angola and sponsored Zambian exporters on sales missions to Namibia, South Africa, the U.S., Botswana, Ethiopia and Uganda. The DRC missions have led to several significant export contracts already concluded and many more currently being pursued. The Namibia, South Africa, U.S., Ethiopia and Uganda missions also resulted in concrete export orders for Zambian exporters.

The Market Access Component is the part of MATEP with the broadest range of clients. A total of 40 clients have actively received marketing or export enhancement services during the year. Details of that assistance are described in the Market Access section below. Work with two firms stands out for special attention: Freshpikt, Limited and the Zambia Extracts, Oils and Colourants Company (ZEOCO) are both new processing companies that would not have successfully gotten underway without MATEP assistance. Freshpikt cans fruit and vegetable products and ZEOCO processes paprika into oleoresin and spices. Export earning of both companies will be considerable; but of even more importance may be the impact on domestic raw material supply chains, on employment and on rural incomes. "Success Stories" of MATEP's assistance to these two firms are included in this report.

MATEP added two new value chains, Seeds and Chili, to the original eight in response to opportunities discovered during the first year of project implementation. Zambia has clear

comparative advantage in seed production in the region and MATEP worked with two seed producers to land export contracts valued at over \$500,000. MATEP also supported a chili producer/processor in Zambia to both increase exports of chili mash to the U.S., as part of the Tabasco supply chain, and to introduce their own consumer chili products into U.S. markets. MATEP also added a new Environment subcomponent and began conducting environmental examinations of clients during the year. More detailed environmental assessment will be conducted on a quarterly basis.

**Tourism:** During the year, MATEP's Tourism Component conducted a number of training seminars for tourism establishments who are members of the Hotel and Caterers Association of Zambia (HCAZ). Five seminars were organized focusing on marketing, financial management and product development for senior staff of hotels and guest houses. The seminars were held in central locations throughout Zambia. MATEP also conducted an intensive course on practical steps for becoming full service tour operators for members of the Travel Agents Association of Zambia. The course included both classroom lectures and one-on-one sessions addressing firm-specific issues at each travel agent establishment. With the Tourism Council of Zambia, MATEP helped draft and finalize a new Strategic Development Plan and introduce a new focus on tackling the international market for Meetings, Incentive travel, Conferences and Events (MICE). MATEP also helped the Zambia National Tourist Board (ZNTB) efforts to promote Zambia tourism internationally by supporting local tour operators' participation in ZNTB's Road Shows in the U.S. and Canada.

**Finance:** From the Finance Component, MATEP successfully began lending to small and medium sized exporters during the year as part of efforts to promote access to credit in this sector. Close to \$1 million went to MATEP clients in short-term export financing through both the ZATAC Investment Fund (ZIF) and newly established MATEP/ZIF accounts. Another \$120,000 was provided through the newly established and innovative Medium-term Incubator Fund (MIF). With credit track records established through MATEP, such firms will become better clients for financial institutions in the future. MATEP also worked with USAID to establish new Development Credit Authority portfolio loan guarantee instruments for the sector and with the Export Board of Zambia and Loita Capital Partners to start a new Export Fund of Zambia.

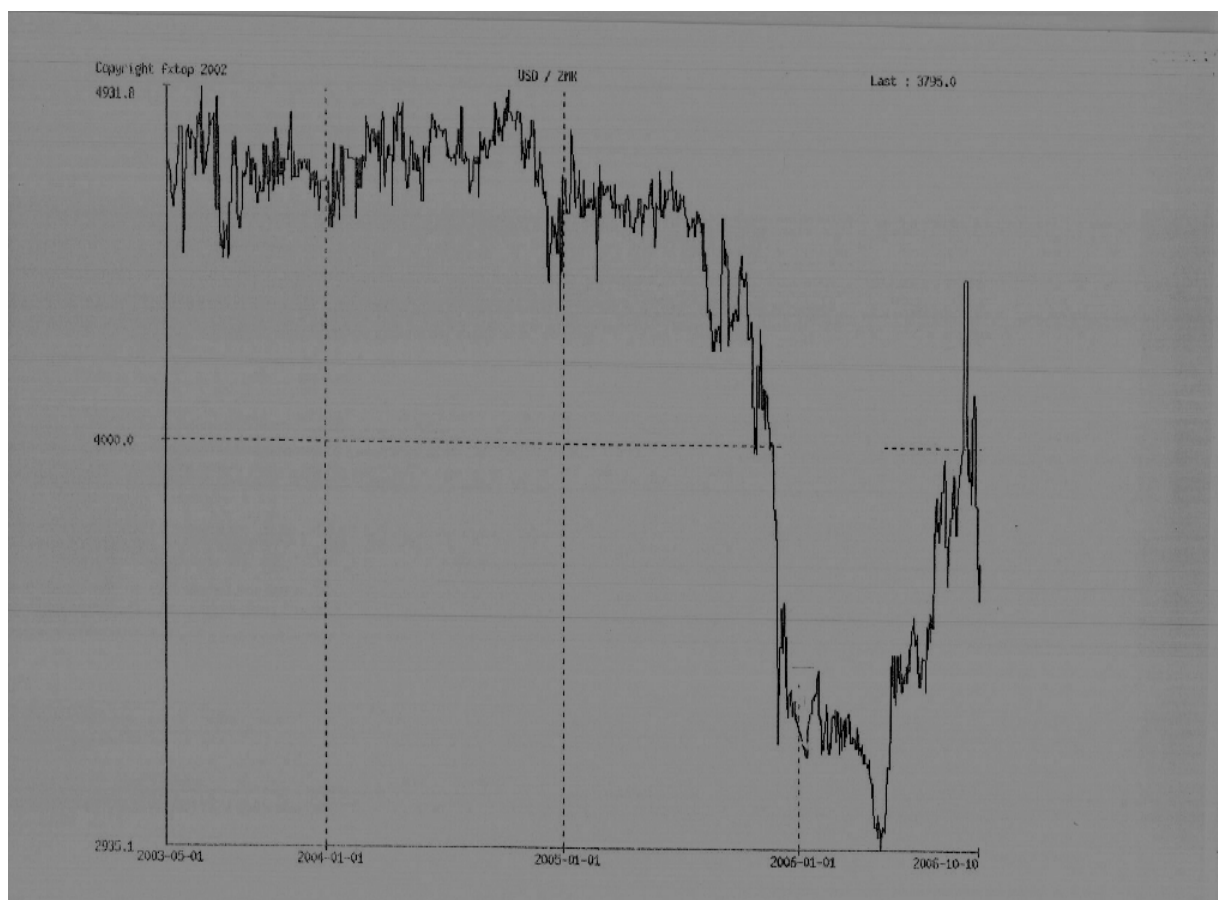
**HIV/AIDS:** With funds provided by the President's Emergency Program for AIDS Relief (PEPFAR), MATEP helped the Zambia Export Growers Association (ZEGA) develop the capacity to deliver HIV/AIDS prevention services to its member farms. The prevention services are designed to meet the business concerns of farm owners as well as the social needs of employees and were readily taken up at both levels. Over 30,000 individuals were recipients of the HIV/AIDS prevention messages in the ZEGA program along with several smaller programs conducted in the Market Access and Tourism components. A total of 132 individuals were trained for running the ZEGA HIV/AIDS prevention programs.

Zambia's exporting and tourism sectors were hit hard during the year by a rapid and unexpected currency appreciation which followed long period of exchange rate stability. The Zambia kwacha started the year 2005 at K4,702 to the U.S. dollar, a level it had maintained for the previous two years, and ended at K3,352, almost a 30% change (see chart below). Much of the gain happened quite suddenly during the second half of November. Contributing factors appear to be major financial inflows to Zambia invested both in government bonds and private equities, large write-offs of Zambia's foreign debt under the HIPC process, record high copper prices and significant new investments in mining. After reaching a trough of 2,965 to the dollar in May 2006, the kwacha started losing value as elections approached in late September. Post-election, the kwacha is appreciating rapidly again.

The strong kwacha is a threat because exporters and tourism operators have seen their revenue, being forex denominated, fall sharply, while their costs remain largely unchanged. Prices of some imported inputs moderated slightly, but gains were largely offset by higher fuel costs. Even after making deep cuts in production costs, many exporters are finding profitability of operations considerably below planned levels and those of previous years and as a result have scaled back activities. Exporters are now concerned about the effects of new minimum wage legislation in Zambia which may force production costs higher still. Note that the strong kwacha, though not the minimum wage, has impacted MATEP's budget too, which was developed based on the previous exchange rate. Project costs are now considerably higher, in dollar terms, after the appreciation and operating costs have had to be significantly cut.

This report is divided into sections for each of the MATEP components. After the Introduction are five sections on Trade and Enabling Policy, Market Access, Tourism, Finance and HIV/AIDS. Each section reviews progress achieved during the year based on activities listed in MATEP's Workplan. An Workplan Implementation Calendar for the upcoming year is presented for each component. Following these sections is a short section on MATEP Management and Administration. This is followed by two Success Stories: one for Freshpikt Limited, Zambia's only canning facility started with MATEP assistance and one for the Zambia Extracts, Oils and Colourants Company, a new paprika processing facility started with MATEP assistance. MATEP's Performance Monitoring Plan is presented in the final section and the methodology for collecting and reporting PMP indicator data is presented as an annex.

### Zambia Kwacha/US\$: May 2003-October 2006



## **TRADE AND ENABLING POLICY COMPONENT**

The Trade and Enabling Policy component focuses on domestic policies and regulations, bilateral agreements, and tariff and non tariff barriers that constrain Zambia's exports and growth. The component also focuses on policy-oriented research in four value chains namely; maize, fertilizer, horticulture and cotton. For implementing the component's activities, MATEP worked closely with a number of counterpart public and private sector institutions. A key counterpart for MATEP is Zambia's Private Sector Development (PSD) process, under which the Zambian government and the private sector have jointly developed a PSD action plan to address constraints to private sector led growth. Funding is provided by government and donors and overseeing implementation of the action plan is a PSD coordinating unit and a number of PSD committees.

During the year, MATEP worked closely with two of the PSD committees: the Trade Expansion Working Group (TEWG) and the Committee on Administrative Barriers. The TEWG is the most recently established of the PSD committees and MATEP offered to assist with secretariat services in order to help it get started. Much of the TEWG work so far has focused on organizing and monitoring a series of value chain analyses which are being conducted in Zambia. Work in the area of Administrative Barriers has focused mainly on assisting the customs service in the Zambia Revenue Authority organize and begin a cargo time release study at key border points.

MATEP also works closely with the Ministry of Agriculture and Cooperative Development (MACO). Major activities with MACO during the year included work with Plant Quarantine and Phytosanitary Service, the part of government which oversees sanitary and phytosanitary issues, and work on marketing issues, most recently with respect to the export ban on maize.

As regards expansion of regional trade MATEP provided input to drafting of bilateral agreements being pursued by Zambia with the Democratic Republic of Congo (DRC) and Mozambique as well as a Memorandum of Understanding (MOU) to initiate formal linkages between Moxico Province in Angola and Zambia's North Western Province. Also, non-tariff barriers affecting trade with neighboring countries were identified and communicated to government in order to pursue actions through Southern Africa Development Community (SADC) channels.

Working with the Bank of Zambia, MATEP co-organized and co-funded a workshop on hedging aimed at sensitizing the private and public sector on the use of hedging instruments. Currency hedging aspect of the workshop was particularly relevant in the face of severe exchange rate fluctuations during the year.

In the area of applied value chain research; two policy syntheses have been produced from research being conducted on maize, work is almost finished on modeling fertilizer use decisions in Zambia, research has been conducted and presented on domestic horticulture marketing and Cotton Act revisions have been drafted and approved by stakeholders.

In the coming year MATEP will continue working with PSD, relevant ministries and the private sector to address issues inhibiting trade, to facilitate trade expansion and to conduct additional applied research. In the area of administrative barriers however, much of the follow up of work begun by MATEP will be led by the new Millennium Challenge Corporation (MCC) Threshold project. MATEP will provide input where appropriate, but our focus will shift to other areas of the MATEP workplan.



Details on MATEP Trade and Enabling Policy component activities over the year are grouped into four subcomponents below: Collaboration on trade policy; Reducing administrative barriers and delays; Overcoming barriers to trade; and Applied value chain research.

## **COLLABORATION ON TRADE POLICY**

- **Trade Expansion Working Group of the PSD:** MATEP provided secretariat and technical support services to the PSD Trade Expansion Working Group (TEWG), assisting the group prepare a six months implementation plan and budget. MATEP offered to provide this role upon finding that TEWG did not have the resources needed to undertake the work itself. MATEP worked with TEWG to oversee two value chain analyses (VCAs) on cotton and livestock, with funding from the World Bank, and initiated the process of evaluating the studies. The VCAs will be used by Zambia to develop proposals as part of the WTO Aid for Trade program as well as identifying other interventions. In the coming year, MATEP will continue providing secretariat and technical services and will contribute to implementing the TEWG workplan. In particular, MATEP work with TEWG to undertake additional VCA studies and in preparing bankable project proposals.
- **Committee on Administrative Barriers:** Worked with the PSD Committee on Administrative Barriers, providing technical input for the six month work plan and budget for the committee. In the coming year, MATEP will continue providing technical input to activities of the Committee on Administrative Barriers and contribute to implementation of the committee's workplan.
- **Collaboration with MCC:** MATEP interacted with MCC consultants and personnel during inception of the MCC Threshold project, providing information on and advice for some of the issues to be addressed by MCC. MATEP input to MCC focused particularly on administrative barriers and land reforms. In the coming year, MATEP will work with the MCC project in identifying issues to be addressed as well as collaborate with MCC in implementing activities.
- **Hedging workshop:** MATEP worked with the Bank of Zambia and the World Bank to organise a hedging workshop for Zambia. The workshop, which was well attended by the private sector companies, financial institutions, government and co-operating partners, was organised to sensitize stakeholders on the existence and use of hedging instruments. Foreign exchange hedging was of particular interest after the 30% appreciation of Zambia's currency in the months preceding the workshop. The workshop was co-funded by MATEP and Swedish SIDA. A follow-up training session on hedging was conducted for MATEP staff who in turn informed MATEP clients on hedging instruments. Information on banks offering hedging instruments was also collected communicated to MATEP clients.
- **Grain marketing:** Consultative meetings were held with MSU's Food Security Research Project (FSRP) and the Agriculture Consultative Forum (ACF) on the Agriculture Marketing Act. The focus was on addressing agricultural policies, particularly grain marketing policies and the maize export ban imposed by the Zambian government at the beginning of the 2006 marketing season. MATEP, FSRP and ACF prepared an advisory note which was submitted to MACO. The advisory note emphasized negative impacts of the ban on maize prices, future production and exports. The advisory note may have contributed to the partial lifting of the maize export ban by the government, even though it only allowed exports through Food Reserve Agency (FRA).
- **Agriculture Marketing Act and Grain Marketing Strategy:** In addition to engaging government on the maize export ban, MATEP, ACF and FSRP also engaged MACO on the need for the government to come up with a long term grain marketing strategy, which if implemented could in the long term replace export bans and enable Zambia to benefit

from its strategic position in the region. To address this, MACO agreed to constitute a review committee to develop an Agriculture Marketing Act concept paper.

In the coming year, MATEP will work with the committee on the concept paper and support development of a new grain marketing strategy.

- **Trade in livestock and livestock products and livestock disease control:** MATEP engaged MACO on the need to introduce trade issues into an upcoming International Fund for Agriculture Development (IFAD) Livestock project. MATEP prepared a concept note for MACO on this focusing on zoning of disease free areas, cold chain facilities to minimize movement of live animals, and traceability systems which would not only facilitate disease control but would contribute to trade expansion. Though commercial farms tend to have disease control measures in place and are not affected by disease break outs, livestock products from these farms cannot be exported in the absence of zoning, traceability, etc. required for international trade. In the coming year MATEP will continue working with MACO on the project's implementation to ensure export issues are addressed.
- **ZBF advocacy:** MATEP worked with the Zambia Business Forum (ZBF), a private sector apex organization, providing advice on mechanisms for disseminating its research-based findings and on approaches for sourcing funding through the PSD process. ZBF was also provided information on the potential for developing business-to-business linkages (B2B) services to its private sector members. Many EU countries provide grant funding for B2B linkages which the private sector in Zambia has yet to take advantage of. In the coming year, MATEP will continue assisting ZBF; one topic currently under discussion is assisting with a ZBF study on Zambia's multiple membership in regional economic groupings.
- **Integrated Framework workshop:** MATEP collaborated with the Department of International Development (DFID) in organizing a sensitization workshop on the Integrated Framework (IF), which took place in April 2006. The workshop, which was attended by government officials, cooperating partners and other stakeholders, was aimed at sensitizing stakeholders on the operations of the IF, which is also another window for funding PSD programs.
- **PSD/ZIBAC meetings:** During the year MATEP participated in PSD coordination meetings, both with PSD donors and with the MCTI. MATEP participated in the Zambia International Business Advisory Council (ZIBAC) forum held in Livingstone in early September 2005 to discuss the PSD program. The ZIBAC forum had a high level of participation including the President of Zambia and leaders of business, government and donor agencies.
- **Collaboration with ZNFU:** Participated in a number of Zambia National Farmers Union meetings, including regularly scheduled commodity committee meetings. In particular MATEP participated in discussions on the impact of the kwacha appreciation on the agricultural sector. In the coming year MATEP will continue to attend ZNFU meetings.
- **Assistance to Kabompo Beekeepers Association:** MATEP provided assistance in preparing a proposal on capacity building assistance for the Kabompo Beekeepers Association. The proposal is aimed at building the capacity of the association to improve production and the quality of honey, which has proved a hindrance to export of honey by the association. The association will use the proposal to seek funding to implement the program.
- **Leather processing and export:** Worked with MACO to facilitate the processing and export of leather to RSA. Following the Zambia kwacha appreciation, tanneries stopped buying as many raw hides which led in turn to a glut on the local market and hardship on the part of many hide traders. Traders had bought up raw hides, as usual, but were left with no market for sales. MATEP participated in meetings between MACO, traders, government and tanneries to identify possible policy changes and the way forward.

## **REDUCING ADMINISTRATIVE BARRIERS AND DELAYS**

- **Cargo time release study (TRS):** MATEP worked with the Zambia Revenue Authority (ZRA) to prepare a formal request for conducting a TRS and organize a working group for conducting the study. A TRS is of critical importance in addressing bottlenecks causing delays and congestion at customs border points. Technical assistance for the TRS will come from the World Customs Organization (TCO) and the Southern Africa Trade Hub. TRS activities were launched in September 2006 at which time a schedule and draft questionnaire were developed. Customs ports at which the TRS will be conducted include Chirundu, Livingstone, Kazungula, Lusaka port, Lusaka international airport, Kapri Mposhi, Nakonde, Ndola and Kasumbalesa. In the coming year MATEP will work with ZRA to implement the TRS.
- **Congestion at Chirundu border post:** MATEP worked with ZRA and Export Board of Zambia (EBZ) to organize a meeting of top Zambian and Zimbabwean customs officials at the Chirundu border, Zambia's busiest border post. The meeting, which took place in June 2006, was used to get consensus on undertaking time release studies (TRS) in Zambia and Zimbabwe and stress to Zimbabwean officials the need for undertaking a TRS on their side of the border as well. The discussions fed into a COMESA meeting on establishing a single border post which MATEP also attended.
- **Operationalization of the Small Claims Court:** MATEP worked with the Judiciary to prepare a proposal to operationalize the Small Claims Court (SCC). The Zambian government has set up a committee to oversee implementation of the SCC, chaired by the Judiciary, but the committee has limited capacity. Currently small claims fall in a no-man's-land since they fall under a minimum scale to be handled by the Commercial Courts. The operationalization proposal identified specific resource and training needs required and will be used by the Judiciary to seek funding to implement pilot SCCs in Lusaka and Ndola. In the coming year, MATEP will work with the chairman of the Small Claims Court to secure funding for the pilot SCCs. Once funding is secured, MATEP will work with the chairman to plan and implement the pilot program.

## **OVERCOMING BARRIERS TO TRADE**

This section on Overcoming Barriers to Trade is divided into two parts. The first part focuses on Sanitary and Phytosanitary (SPS) issues which are often responsible for delays in the export and import of agriculture and livestock products. The second part focuses on international trade agreements Zambia has, or is developing, with its trading partners.

### **Sanitary and Phytosanitary Services**

- **SPS capacity building needs:** Consultative meetings were held with MACO (Plant Quarantine and Phytosanitary Services and the Veterinary Department) and the Ministry of Health Food Safety Department regarding strengthening Zambia's sanitary and phytosanitary services. The consultations revealed the need for capacity building in terms of training and provision of equipment. MATEP helped develop a prioritized list of Zambia's SPS short-term training needs in order to access training funds available through USAID's RAISE project. A prioritized list of equipment needs were also identified, particularly the need for High Power Liquid Chromatography (HPLC) and Gas Chromatography equipment. In the coming year, MATEP will follow up with the RAISE project and other donors to establish positions regarding provision of SPS training to the three SPS institutions.

- **SPS assessment:** MATEP helped to organize and participate in a joint World Bank-USAID/RAISE assessment mission for Zambia including. The objective of the assignment was to identify short-to-medium term SPS priorities and recommend investments, reforms or other steps to address these priorities. An Action matrix for addressing trade related SPS capacity weakness in Zambia was developed and in the coming year, MATEP will work with the Bank, RAISE and Zambia's SPS services to maintain a focus on implementation of the matrix.
- **SPS study tour to Kenya:** MATEP helped organize and participated in a RAISE funded study tour to Kenya in February 2006. The purpose of the study tour was to take a group of Zambian public and private officials to study how Kenyan SPS services and institutions are organized. The team was led by the Permanent Secretary from MACO and visited key Kenyan public and private organizations. One of the major lessons learnt from the study tour in Kenya was that the success of the Kenya SPS service was in part attributable to its autonomy in operations. The report recommended exploring the possibility of such autonomy for Zambia's SPS services as well. MATEP prepared a consolidated report which identified further technical assistance and reform needs in Zambia. In the coming year, MATEP will follow up with MACO, RAISE and the World Bank to implement some of the recommendations from the report including a review of procedures and instruments for obtaining SPS certificates.
- **SPS Committee:** MATEP engaged MACO to review the Terms of Reference, legal mandate and composition of the SPS Committee (SPS) at MACO in order to make it more responsive to private sector needs on SPS issues. A policy advisory body is needed, but currently the SPS Committee meets only to review individual import and export permits, not policy. In the coming year MATEP will work with MACO to consider proposal to change the mandate and TOR of the SPS committee and its composition.
- **Documentation of SPS information:** In the process of working with Zambia's three SPS institutions, MATEP found that systems for archiving SPS documentation and for providing information to the private sector were very weak. Procedures for issuing forms and processing applications for SPS certificates were also weak and reported by the private sector as a cause for high costs and delays. In the coming year MATEP will assist the three institutions to computerize SPS information, starting with PQPS. A web site will also be developed for dissemination of SPS information for Zambia and other countries.
- **Honey irradiation requirement by South Africa:** Exports of organic honey to South Africa are constrained by the South African requirement that honey imported into that country has to be irradiated, and that irradiation must take place at one of its three specific plants in S.A. MATEP provided to MCTI the documentation needed to initiate the process of seeking a waiver against these requirement.
- **Bee disease study:** In order to get the S.A. honey irradiation requirement eliminated permanently, MATEP is organizing a bee disease study to demonstrate that the disease against which irradiation is required, American Foulbrood, does not exist in Zambia. MATEP helped with preparation of a Scope of Work and proposal for the bee disease study and in the coming year will work with Zambian and South African authorities to undertake the study.

## International Trade Agreements

- **MOU between North Western Province, Zambia and Moxico Province, Angola:** Zambia and Angola have no bilateral agreement at the moment and even though Angola is member of both SADC and COMESA, the country is currently under derogation from implementing the tariff and non-tariff programs under the two regional organizations. As a result, formal trade between the two countries has been constrained. To begin formalization of trade between the countries, as an interim measure MATEP helped draft a Memorandum of Understanding between the Governor of Moxico Province, Angola and Minister of North Western Province, Zambia. Meetings were held in Solwezi and Lusaka to that effect and a reciprocal meeting is planned in Luena, Moxico Province for signing of the agreement. In the coming year, MATEP will continue working with the Ministry of Justice, the Ministry of Foreign Affairs, MCTI, North Western Province and Angolan authorities to have the MOU finalized and signed.
- **Angola non-tariff barriers:** MATEP identified a number of non-tariff barriers (NTBs) to trade being faced by Zambians going to do business in Angola, namely delays in issuance of visas, refusal of entry of right-hand vehicles and tariff issues (since Angola has not published its tariff schedule). MATEP submitted a report of these NTBs for MCTI to address in a SADC-wide meeting on NTBs that was scheduled during the year. In the event, the meeting did not take place but MATEP will update the report for the meeting when it is rescheduled this year. MATEP will also use the Angola Zambia Joint Commission meetings to table these issues.
- **Documentation of tariff and non-tariff information essential for trade:** MATEP, through the EBZ, made an effort to collect information on tariffs and non-tariff barriers obtaining in DRC and Angola. Availability of tariff and non tariff information is of critical importance in international trade as it enables exporters to establish if the product to be exported is competitive in that market and also to avoid surprises at the border. In the coming year, MATEP will help to disseminate this information to the private sector through an appropriate media.
- **Bilateral agreements:** MATEP provided input through EBZ to the draft bilateral agreements being pursued by Zambia with the Democratic Republic of Congo (DRC) and Mozambique and worked with MOFA and MCTI to have the bilateral agreement signed. The DRC agreement is of particular importance for Zambia's exports. Elections in both DRC and Zambia have slowed the process. In the coming year, MATEP will provide assistance to the Government of Zambia to field a mission to DRC for getting the DRC agreement signed.
- **WTO Ministerial negotiations:** MATEP co-financed the ZACCI Vice Chairman, Eugene Chanda, to participate in the WTO Ministerial Meeting held in Hong Kong in order to represent interests of Zambia's private sector. After the meeting, ZACCI prepared a report on the outcome of the negotiations which emphasized the need for Zambia to "address the supply side constraints ambitiously, expeditiously and specifically." The report also emphasises the "need to maintain close co-ordination between private sector, government and donors and improve on the effectiveness and efficiency of the partnerships." These findings are consistent with those that led to creation of the Trade Expansion Working Group under the PSD process.

- **Advisory services to Mazabuka Entrepreneurs Association:** MATEP provided advice to Mazabuka Entrepreneurs Association on how to deal with NTBs and how to prepare for trade shows in other countries in light of NTBs. This followed the barriers association members encountered (visa, duty payment and refusal of maize seed to enter Namibia in spite of having a valid Phytosanitary certificate) when the association went to attend trade shows in Namibia. It was clear that most of the problems were due to inadequate preparation and poor information prior to departure.

## **APPLIED VALUE CHAIN RESEARCH**

Agricultural and food security policy in Zambia revolves around the widely accepted goals of income growth, food security, and equity. But progress toward these goals can rarely be achieved without an understanding of how the agricultural economy really works, which requires up-to-date information, analysis, and subsequent dissemination and education. The role of the Michigan State University/Food Security Research Project (FSRP) role within the MATEP project is to conduct analysis on key policy issues and convert these analyses into improved policies through intensive collaboration with public and private sector stakeholders in the agricultural sector. The MATEP/FSRP work is based on the premise that improved empirical information about the behavior of farmers, consumers, and marketing agents can improve agricultural sector decision making, private sector performance and private/public sector partnerships in Zambia.

MATEP/FSRP activities revolve around four important agricultural value chains in Zambia: maize, fertilizer, cotton, and horticultural commodities. Activities initiated in Year 1 are described below for each value chain.

### **Maize**

In Year 1, MATEP/FSRP focused on developing a better understanding of smallholder production and marketing patterns and how these patterns have shifted over the past decade, in order to understand how maize (and broader sectoral) marketing and trade policies could be designed to better serve the needs of small farmers and consumers. Policy makers' views on how agricultural policies and programs are working, and how they should be modified, rely on available agricultural statistics and trends compiled by the country's national statistical agencies. In Zambia's case, policy makers' perceptions about how best to promote small farmer welfare are based on the Crop Forecast and Post Harvest Surveys. However, these surveys generally track a partial set of commodities (maize, sorghum/millet, oilseed crops, beans, and tobacco, and more recently cassava and sweet potato). Moreover, because of important shifts over time in cropping patterns and the lack of coverage of certain crops in earlier periods that are known to be important now, it is potentially misleading to examine trends in the total value of agricultural output from the 1970s to the present time based on the set of crops that were found to be most important in the 1970s.

Analysis of recently available data by MATEP/FSRP indicate that maize remains the dominant crop in production, accounting for about 30-40 percent of the value of total farm output in the smallholder sector. However, cassava production has grown rapidly in the past decade and the value of cassava production is now about 40-70 percent the value of maize production. There also appears to be a great rise in smallholder revenue from sale of fresh fruits and vegetables for the domestic market. Cotton has also risen tremendously. The combined value of cotton and tobacco sales exceeded the value of maize sales in 2003/04. The strong commercial performance of crops such as cotton, tobacco, fruits and vegetables is a hitherto unheralded phenomenon in Zambia yet the combined value of sales of these enterprises is at least three times as great as maize. The value of animal product sales are also very high, about half that of maize in 2000/01 but almost equivalent to maize in 2003/04.

The challenge for policy makers and other stakeholders is how to support these non-traditional agricultural enterprises of fruits, vegetables, non-food cash crops and livestock. These are very important vehicles for income growth for smallholder farmers. If a commercialization strategy is being pursued, then policy and interventions that promote production of one crop while discouraging other crops is not sustainable and creates vulnerability in the agricultural sector and in the economy as a whole.

Specific activities conducted during the year include:

- New analysis under the Zambia's Maize Value Chain Study and production of two policy synthesis papers:
  - Demonstrating how liberalization of the maize marketing system contributed to a 40% reduction in maize milling/retailing margins and a 25% reduction in real maize meal prices between 1994-2006; and
  - The Southern Africa region is trending toward structural maize deficits, which signifies that Zambia will be facing import parity prices for maize grain with increasing regularity.
- At the request of the Strategic Agricultural Knowledge Support System (SAKSS)- Southern Africa regional coordinator, MATEP/FSRP wrote a summary of trends in Zambia agriculture from 1980-2006. The draft report was presented at a meeting of the SAKSS/Initiate to End Hunger in Africa/Comprehensive African Agricultural Development Programme (CAADP) in Washington, D.C. in June 2006, and will be circulated at the SAKSS/CAADP meeting in Pretoria in October 2006. SAKSS is jointly publishing the report, which will soon be downloadable on its website.
- MATEP/FSRP together with the Zambia National Farmers Union (ZNFU) completed a study of how the appreciation of Zambia's kwacha is affecting Zambia's agricultural sector.
- Presented work on the maize value chain study at USAID Washington, DC, Ronald Reagan Building to about 40 USAID people in November 2005. The presentation focused on strategies for responding to the emerging food crisis in Zambia and options for promoting food security and productivity in the maize sector.

## **Fertilizer**

MATEP/FSRP work on fertilizer during the year focused on informing and supporting the Ministry of Agriculture and Cooperative's Agricultural Inputs Development Plan. The research agenda has focused primarily on two issues:

- understanding where it is profitable (and where it is not) to apply fertilizer under different soil types, agro-ecological zones, and market conditions faced by small farmers in Zambia, and what factors could improve the profitable use of fertilizer; and
- understanding how government fertilizer subsidies distributed to small farmers under the Fertilizer Support Programme are affecting overall fertilizer use. So far, the extent to which government fertilizer subsidy programs affect private suppliers' sales of fertilizer is largely unknown and subject to considerable debate.

FSRP is close to finalizing its analysis on "Input Promotion Programs and Commercial Market Development: Modeling Fertilizer Use Decisions in a Two-Channel Marketing System." This paper develops an econometric method to measure the potential "crowding out" effect of government subsidy programs and paper is intended not only to inform government fertilizer policy in Zambia, but also to contribute to the emerging debate in Africa (e.g., issues being discussed at the Fertilizer Summit in Abuja) as to the role of government in promoting smallholder farm productivity.

Planning is underway for a MACO policy retreat in Chisamba, tentatively scheduled for early November 2006, followed by a separate broader public seminar for donors and other stakeholders in Lusaka. The objective of the Chisamba retreat will be to discuss agricultural policy issues and options with the new incoming senior staff at MACO, other relevant ministries, and the office of the President. The objective of the public donor/stakeholder meeting will be to brief donors and other interested groups on FSRP/MATEP research findings and their implications for future agricultural policy in Zambia.

## **Horticulture**

Given the relative lack of information on Zambia's horticultural system, our approach emphasizes applied analysis in Year One, development of a proposal for a Horticultural Supply Chain Development Program during the first half of Year Two, and a National Stakeholders' Workshop around the middle of Year Two to review, revise, and approve this plan and form a Horticultural Supply Chain Task Force. The remaining years of the program will focus on implementation, monitoring, and adjustment of the action plan in collaboration with the Task Force. During Year One:

- The main activity was research on domestic horticultural marketing channels from production through wholesalers/assemblers/distributors to traders/processors and urban consumers. This was based on a rapid appraisal conducted in Lusaka and Ndola and analysis of 2001 and 2004 supplemental survey household data. This work has been completed and the report has been posted on the FSRP website. Findings from this research were presented and discussed with horticultural sector stakeholders in August with a view to solicit debate on key issues in the sector that need resolving and to lay a basis for establishment of a Horticulture Supply Chain Task Force.
- During the research described above, it was discovered that provision of market information to market players in fresh fruits and vegetables was crucial to improve market performance and the Agricultural Market Information Centre (AMIC) of the Ministry of Agriculture and Cooperatives (MACO) did not cover this. Thus activities to standardize units for collection of first sellers, wholesale and retail prices was started and a 3 month trial pilot phase will soon be implemented. In addition, it was decided that historical prices of fresh fruits and vegetables maintained by Central Statistics Office (CSO) Prices Section be analyzed to identify trends in real prices over time and seasonal patterns within years.
- Another planned activity was the Urban Consumption Survey, which has been postponed and also expanded to two rounds. The first round will be January/February 2007, with the second round in July/August. Preparations for the survey are well underway, with the survey questionnaire nearing final form and the sample design also underway in collaboration with CSO.
- It was decided that Living Conditions Monitoring Survey (LCMS) data from the CSO be analyzed to understand historical urban/rural consumption patterns and complement findings from the above mentioned Urban Consumption Survey.

Key policy issues emanating from the horticulture work are:

- a) A very ***low proportion of farm households sells horticultural produce***. This pattern suggests that new demand points could enjoy substantial supply response if they linked effectively to the smallholder sector.
- b) ***Continued dominance of the small-scale traditional marketing system***. This system has shown itself to be highly adaptable, serving a broad range of consumers with prices much lower, and quality comparable to and sometimes superior to, supermarkets. Yet these markets suffer from ***serious structural problems*** due to a lack of public investment and little collaboration between public officials and traders in market management. The Urban Markets Development Program represents a major and impressive effort to improve wholesale and retail markets in the country,



but has run into problems as *legislative reform has stalled*, endangering the program. Mistrust persists between some trader representatives and public officials; with passage of the new Markets Act stalled, this may be a crucial opportunity to strengthen the partnering approach by formally reviewing the new proposed Act with stakeholders. Also, UMDP was not designed to address key issues of improved linkages between rural farmers and urban markets. These need to be addressed with improved market information and marketing extension, more actively linking farmers to market opportunities.

- c) Information on prices, quality standards, and purchase volumes from Freshpikt, a *major new source of demand* for horticultural produce in Zambia, should be integrated into any proposed horticultural marketing information system.
- d) *Zambia's horticultural sector operates in a regional market*, exporting and importing every year. Understanding and quantifying this trade will be the first step in ensuring that policies and programs are conducive to continued high rates of growth.
- e) *Shoprite/Freshmark (and perhaps Spar) are in the market to stay*. Where appropriate, programs to facilitate direct marketing by smallholders to these chains should be supported, but these programs should not distract from an overall focus on improving urban wholesale and retail markets and linking these more effectively to rural producers.

Upcoming work includes:

- Preparation of a Policy Synthesis report based on the findings of the above research,
- Conduct the Urban Consumption Survey,
- Continue analysis of LCMS data,
- Obtain historical prices of fresh fruits and vegetables from CSO for series analysis to study trends and seasonal patterns,
- Conduct a three month pilot phase of collection and dissemination of price and other market information for FFV.

## **Cotton**

Due to the importance of the pending Cotton Act, MATEP/FSRP activities in the cotton sector have been heavily oriented towards supporting a collaborative process of revising the Act. This process has been completed and at the present time the project and stakeholders are awaiting the election and seating of a new government, at which point proposed revisions to the Act will be presented to the new Minister of Agriculture. In the meantime, limited additional research will be taking place, focusing on updating sector performance and policy initiatives.

Our originally proposed action plan with respect to cotton was to address the sector's constraints focused on a nine month process of individual stakeholder consultation to identify proposed elements of a Cotton Supply Chain Development Program, capped by a national stakeholders' workshop to review, modify, and approve the proposed program and create a Cotton Supply Chain Development Task Force to monitor and adjust the program over the succeeding 51 months. In view of events on the ground, especially regarding the Cotton Act, this action plan was revised. The Cotton Act will have a major effect on the sector through the creation and funding of a Cotton Board.

In September 2005, MATEP reviewed the draft Act and raised major questions about key elements. After sharing and discussing these concerns with stakeholders, it was apparent that a broad consensus existed among researchers, ginners and farmers that the proposed Act required substantial modification. After the surprising signing of the Act by President Mwanawasa in December 2005, MATEP/FSRP engaged with stakeholders in a series of

meetings to review the Act line by line and agree on revisions. The set of proposed revisions was presented to a wider group of stakeholders in April, and approved. Since that time, MATEP/FSRP has co-funded, with stakeholders, editing of the proposed revisions by a parliamentary draftsman (a lawyer by profession); this editing is now complete.

In Year Two, the project will collect basic information on the behavior and performance of the cotton sector over the past three years, and will assess the status of key public policy initiatives and private sector programs. We will also draw on a continent-wide review of cotton sector development that MSU faculty are involved in to develop insights for Zambia regarding these issues.



## Value Chain Research Implementation Plan

| Activity  | Year 2 |      |      |      |      |      |      |     |      |      |      |       | Year 3 |   |   | Year 4 |   |   | Yr 5 |   |   |   |   |   |
|---|--------|------|------|------|------|------|------|-----|------|------|------|-------|--------|---|---|--------|---|---|------|---|---|---|---|---|
|   | Oct.   | Nov. | Dec. | Jan. | Feb. | Mar. | Apr. | May | Jun. | Jul. | Aug. | Sept. | 1      | 2 | 3 | 4      | 1 | 2 | 3    | 4 | 1 | 2 | 3 | 4 |
|   | 1      | 2    | 3    | 4    | 1    | 2    | 3    | 4   | 1    | 2    | 3    | 4     | 1      | 2 | 3 | 4      | 1 | 2 | 3    | 4 | 1 | 2 | 3 | 4 |
| <b>Maize</b>  |        |      |      |      |      |      |      |     |      |      |      |       |        |   |   |        |   |   |      |   |   |   |   |   |
| Impacts of Kwacha Appreciation on Zambian Agriculture                                 | —      |      |      |      |      |      |      |     |      |      |      |       |        |   |   |        |   |   |      |   |   |   |   |   |
| Review of Trends in Agricultural Production and Poverty in Zambia, 1990-2006, (SAKSS) | —      |      |      |      |      |      |      |     |      |      |      |       |        |   |   |        |   |   |      |   |   |   |   |   |
| Maize Value Chain Study: Improving food security and rural income growth              |        |      |      |      |      |      |      |     |      |      |      |       |        |   |   |        |   |   |      |   |   |   |   |   |
| Urban Maize Consumption Implications for food security policy                         |        |      |      |      |      |      |      |     |      |      |      |       |        |   |   |        |   |   |      |   |   |   |   |   |
| <b>Fertilizer and Inputs</b>  |        |      |      |      |      |      |      |     |      |      |      |       |        |   |   |        |   |   |      |   |   |   |   |   |
| AIMD Plan follow-on research  |        |      |      |      |      |      |      |     |      |      |      |       |        |   |   |        |   |   |      |   |   |   |   |   |
| Analysis of FSP impact on input markets and smallholder fertilizer use                |        |      |      |      |      |      |      |     |      |      |      |       |        |   |   |        |   |   |      |   |   |   |   |   |
| Analysis of fertilizer profitability: implications for government policies            |        |      |      |      |      |      |      |     |      |      |      |       |        |   |   |        |   |   |      |   |   |   |   |   |
| <b>Cotton</b>   |        |      |      |      |      |      |      |     |      |      |      |       |        |   |   |        |   |   |      |   |   |   |   |   |
| Stakeholder consultation  |        |      |      |      |      |      |      |     |      |      |      |       |        |   |   |        |   |   |      |   |   |   |   |   |
| Presentation of proposed revised Cotton Act to new Minister of Agriculture            |        | —    |      |      |      |      |      |     |      |      |      |       |        |   |   |        |   |   |      |   |   |   |   |   |
| Update of sector performance, policy and initiatives                                  |        | —    |      |      |      |      |      |     |      |      |      |       |        |   |   |        |   |   |      |   |   |   |   |   |
| Development of Cotton Supply Chain Development Workplan                               |        |      |      |      |      |      | —    |     |      |      |      |       |        |   |   |        |   |   |      |   |   |   |   |   |
| Workplan implementation   |        |      |      |      |      |      |      |     |      |      |      |       |        |   |   |        |   |   |      |   |   |   |   |   |
| <b>Horticulture</b>   |        |      |      |      |      |      |      |     |      |      |      |       |        |   |   |        |   |   |      |   |   |   |   |   |
| Policy Synthesis based on Research Report   |        | —    |      |      |      |      |      |     |      |      |      |       |        |   |   |        |   |   |      |   |   |   |   |   |
| Urban survey  |        |      |      |      |      |      |      |     |      |      |      |       |        |   |   |        |   |   |      |   |   |   |   |   |
| Phase 1 - data collection and entry   |        |      |      |      |      |      |      |     |      |      |      |       |        |   |   |        |   |   |      |   |   |   |   |   |
| Phase 2 - data collection and entry   |        |      |      |      |      |      |      |     |      |      |      |       |        |   |   |        |   |   |      |   |   |   |   |   |
| Analysis and Report   |        |      |      |      |      |      |      |     |      |      |      |       |        |   |   |        |   |   |      |   |   |   |   |   |
| Reports   |        |      |      |      |      |      |      |     |      |      |      |       |        |   |   |        |   |   |      |   |   |   |   |   |
| Task Force formation and meetings   |        |      |      |      |      |      |      |     |      |      |      |       |        |   |   |        |   |   |      |   |   |   |   |   |
| Market Information collection and dissemination                                       |        |      |      |      |      |      |      |     |      |      |      |       |        |   |   |        |   |   |      |   |   |   |   |   |
| Design  |        |      |      |      |      |      |      |     |      |      |      |       |        |   |   |        |   |   |      |   |   |   |   |   |
| Implementation  |        |      |      |      |      |      |      |     |      |      |      |       |        |   |   |        |   |   |      |   |   |   |   |   |
| Revision and move to more permanent system  |        |      |      |      |      |      |      |     |      |      |      |       |        |   |   |        |   |   |      |   |   |   |   |   |

## MARKET ACCESS COMPONENT

The MATEP project addresses Market Access from two directions; from a focus on market development and from a focus on client services to exporters. Within the market development focus are subcomponents on geographic market development and value chain development. Within the client services focus are subcomponents for buyer linkages and enterprise support. This description, and grouping of activities within the component, was revised from the original grouping for better clarity and ease of monitoring. Nevertheless, the actual activities contained in the original Market Access workplan have not changed.

A new subcomponent on Environment has been added, though. MATEP now reviews the environmental impact of clients' activities on an ongoing basis and once per quarter conducts a more detailed Environmental Assessment. The first assessment was conducted on a meat processing facility during the year. The next is scheduled soon for a fruit and vegetable canning factory in Lusaka. MATEP also added two new value chains focusing on chili and seeds. These are presented below as part of the Paprika/Chili and Maize/Seed value chains.

MATEP's strategy in the Market Access component has been to collect information widely in the exporting community and then focus in on opportunities and with partners where MATEP can make a difference. During the year, MATEP worked to varying degrees with over 80 exporting enterprises. To about half of this number, only general information or guidance was provided, while the other half received more substantial input from the project and are classified as MATEP "clients." Specific information on support provided to these clients and the results achieved from this support are presented in the following sections and in the Performance Monitoring Plan.

Exporters were severely affected during the year by appreciation of the Zambia kwacha as mentioned above. A number of exporters scaled back operations, revised business plans and rewrote strategies. Most tried to hold on with the hope that the situation would correct itself, which it did to a degree later in the year. In the end, exports from the sector grew, but not as much as they may have under stable currency situations.

### MARKET DEVELOPMENT - REGIONAL TRADE

Within the subcomponent of Geographic Market Development, MATEP focused this year on developing opportunities in regional markets where transport costs are lower, markets access is easier and shipping lead times are shorter than exports to Europe. Specific attention was given to markets in Democratic Republic of Congo (DRC), Angola, Namibia and South Africa. Neither the Namibian nor Angolan markets are currently significant for Zambia, but there is considerable export potential to each country. In contrast, South Africa and DRC are top destinations for Zambian products but there are still opportunities for expanding exports to both countries.

- **Democratic Republic of Congo:** MATEP co-sponsored a Trade Mission to Lubumbashi which was organized by the Ministry of Commerce, Trade and Industry (MCTI) and coordinated by the Export Board of Zambia (EBZ) in December 2005. During the mission MATEP, was able to collect information on export opportunities in livestock, maize seed, stock feed, cotton yarn and garment markets which was passed on to Zambian exporters.

On participant of the Trade Mission, Zamseed, saw considerable opportunities for immediate exports and requested MATEP assistance in organizing their own exhibition, which MATEP provided. The Zamseed exhibition was held in Lubumbashi in June 2006 and resulted in a number of export orders.

More recently, MATEP engaged a Lubumbashi-based trade consultant to conduct market research in Katanga and East and West Kasai Provinces aimed assessing market demand and collecting buyer information for a number of Zambian export products. The consultant also identified specific sales opportunities for eight MATEP's clients particularly interested in the Congo market. The market research findings were shared with clients and as an immediate result of this one client, namely Freshpikt, traveled to Lubumbashi to meet with the identified buyers to strike export deals.

- **Angola:** MATEP undertook a market identification tour of eastern Angola in November 2005. The Angola economy is big and post civil war requirements are immense, hence the need to promote two-way trade between the two countries. Further, Zambia and Angola are both members of the Southern African Development Community (SADC) and this will make it easier to promote trade. The objective for the market identification tour was to identify potential buyers of Zambian agricultural and natural resource products and get to know products in demand and the trade logistics necessary for exporting into eastern Angola (Moxico Province).

Zambian food products in high demand included cassava, groundnuts, wheat flour, eggs, salt, Maheu drink and canned foodstuffs. Demand for other products, like wood and other construction materials, is also strong. Findings of the mission were shared with the European Union's Export Development Program II (EDP II) program which used the report to help organize a sales mission to Luanda, Angola in April 2006.

As a follow-up to MATEP's market identification tour, MATEP provided input to Zambia-Angola bilateral meetings that took place in March 2006 in Solwezi between the governor of Moxico and minister of Northwestern Province. The meeting objective was to strengthen the bonds of friendship and trade cooperation between the two provinces and draft an MOU, to which MATEP contributed. Following the Solwezi meeting, the Moxico Governor and a large delegation of Angolan representatives traveled to Lusaka where MATEP organized a mini exhibition of Zambian exporters at Pamodzi Hotel. Companies exhibited seeds, furniture and other items of interest to the Angolan delegation and secured export orders as a result.

- **Namibia:** In conjunction with the Namibian Chamber of Commerce and Industry (NCCI), MATEP hosted Namibia Trade Days in Lusaka and Livingstone. This will be followed by NCCI hosting Zambia Trade Days in Namibia. As a prelude to the Zambia Trade Days, MATEP conducted a market research study in Namibia in September 2006 and the results of this research will be used to target potential buyers of Zambian exports for the Trade Days. During the year, MATEP also supported Zambian participation in Namibian trade shows, specifically, members of Mazabuka Entrepreneurs Association were able to participate in the Windhoek and Katima Mulilo. The association won awards for their displays and were able to conclude a number of export transactions. MATEP also assisted established contacts between several Namibian importers and Zambia Sugar and clarified export quota issues for the export of sugar.
- **South Africa:** South Africa is an enormous regional market, currently the largest for Zambia's non traditional exports, with the potential for absorbing much more. During the year MATEP focused mainly on co-sponsoring Zambian companies to attend trade shows taking place in the country. MATEP also assisted with input - from the exporter's perspective - for a draft "Manual on Exporting to South Africa" being prepared by ECIAfrica for the Southern African Trade Hub.

In conjunction with EBZ, MATEP helped organize a tour of Zambian tanneries by

Daimler Chrysler of South Africa and Seaton Leather to explore export of Zambian leather to for the manufacture of car seats in South Africa. MATEP also provided information on cut flower buyers that was used by the EDP II project and EBZ in organizing a seller mission to South Africa.

## **MARKET DEVELOPMENT - VALUE CHAINS**

During the year under review, MATEP established good working relationships with, and actively supported a number of exporting companies, in its eight value chains. In December 2005, MATEP took a strategic look at the value chains in order to develop an action plan for the longer-term development aspects of each chain. Specifically, the exercise:

- Reviewed available value chain information at MATEP, including the strategies and implementation activities outlined in our Year One Workplan.
- Proposed revisions to strategies and activities in order to meet performance targets of the project.
- Developed a draft Action Plan for implementing the strategies and set targets for implementation.
- Identified likely technical assistance needs in the value chains.

Output from this exercise was incorporated into planning MATEP value chain activities over the course of the year. In addition to the planning exercise, MATEP also conducted the following activities in value chain development:

- **Coffee value chain:** MATEP worked with the Zambia Coffee Growers Association (ZCGA) and its members to promote coffee exports through improved coffee production and marketing. A key aspect of this is raising the share of Zambian coffee produced and exported as “specialty” coffee. For this, MATEP also works with the East African Fine Coffee Association (EAFCA) and the Coffee Quality Institute. Steps being taken to improve production and marketing are:
  - Training stakeholders in wet processing, drying, and coffee moisture control.
  - Developing coffee quality and coffee cupping training modules.
  - Building post-training forward and backward linkages in the industry.
  - Promoting participation by stakeholders in select coffee shows.
  - Conducting of barista training to improve understanding of coffee preparation and promote local coffee consumption.

During the year, MATEP first helped ZCGA develop an annual plan of activities and then provided support for the following activities:

- Conducting a “Taste of Harvest” cupping competition among Zambian coffees in January 2006 in order to select top coffees that would be entered in the regional competition for best coffees.
- ZCGA attendance at the “World’s Wildest Coffees” trade show held in Arusha, Tanzania in February 2006.
- Barista training workshops for staff from hotels, coffee shops and coffee estates in order to improve the quality of coffee preparation and presentation in Zambia. Workshops were held in Lusaka and the Copperbelt and included training in coffee selection, roasting, grinding, brewing, specialty beverages and presentation.

During the coming year, MATEP will continue supporting coffee cupping and training programs and promoting specialty coffee exports. A special focus will be on pre-export coffee handling and moisture control. Note that an earlier planned activity of developing “Q” auctions was postponed as premature and too expensive for Zambia at this time.

- **Horticulture/floriculture value chain:** Under this value chain, MATEP adopted a three way approach of working with associations, working with firms and promoting linkages within the value chain:
  - MATEP works with producer associations like the Zambia Export Growers Association (ZEGA) and the Agri-Business Forum (ABF) in promoting exports of fresh products in the region and beyond.
  - MATEP provides firm level assistance to companies/farms wishing to export and/or process products by providing market identification, financing, sanitary and phytosanitary (SPS) information, etc.
  - MATEP helps establish linkages between producers who have weak export skills and more established exporters or processors.

In addition to providing buyer linkages mentioned below, MATEP contributed in developing an export strategy and implementation plan for Zambia’s horticulture/floriculture and honey sectors coordinated by the Export Board of Zambia in conjunction with the International Trade Center. The focus of this work was on connecting producers, buyers and markets through value chain development and determining what needs to be done in the sector to improve competitiveness and profitability. MATEP also worked with the Partnership in Food Industry Development-Fruits and Vegetables (PFID-FV) project to send Zambian companies to the Produce Marketing Association (PMA) show, which is the premiere fresh produce show for the world. The show was held in Atlanta Georgia in November 2005.

Horticultural exporters were hit especially hard by the kwacha appreciation during the year due to the high share local inputs, especially labor, represents in their production costs. In the coming year, MATEP will focus on helping companies diversify their export markets regionally where they might still retain a stronger comparative advantage.

- **Honey value chain:** MATEP’s approach focuses on assisting honey exporters move up the value chain by identifying and addressing bottlenecks and constraints in marketing. A major constraint in the region is the South African government requirement that honey entering their market be irradiated in South Africa. This both adds significantly to costs and eliminates opportunities for selling organic honey in the country. MATEP is working with the Zambia Honey Council, local companies, regional and international honey buyers and the Zambian and South African government to conduct a bee disease study to establish that Zambia is free of the suspected diseases.

MATEP is also working with Zambian honey exporters to identify and penetrate new extra-regional markets. MATEP organized a meeting between a U.S. marketing expert and honey and essential oil exporters to discuss U.S. market opportunities. With the U.S. organic market growing at 5% annually, this represents an excellent growth opportunity for Zambian exports. However, only well organized companies operating at scale will be able to penetrate and sustain export contracts. Smaller companies, though very eager to be exporting directly, have been advised to focus on selling into the supply chain locally and/or aggregating activities to reach larger scales. For export of essential oils, the companies were advised to focus on the South African market as an initial export target.



- **Paprika and chili value chains:** MATEP's approach in the paprika value chain has been to assist existing exporters identify new markets and buyers, promote value adding processing and improve communication and relations within the sector. During the year, MATEP forged partnerships with key industry players such as Cheetah Zambia, Zambia Agricultural Producers Syndicate Limited (ZAMAG), Zambia Extracts Oils and Colorants (ZEOCO), the Capsicum Company and the Agribusiness in Sustainable Natural Africa Plant Products (ASNAPP) project. Details of work with individual clients are listed in the sections below. A major advance during the year was initiating the processing of paprika to oleoresin by ZEOCO, a step made possible only with MATEP's assistance. Demand for paprika input to the processing plant will boost production incentives and revive what has been a struggling sector in Zambia (see ZEOCO Success Story).

MATEP part-sponsored a Regional Workshop on High Value Horticultural Crops, Medicinal Plants and Essential Oils, in partnership with the PFID project, which included a sub-workshop specifically on paprika. At the workshop, a Paprika Committee was formed that was tasked to chart the way forward for the paprika industry in Zambia. Subsequent to this stakeholders began work on formation of a Paprika Association which in the end became a Paprika Advisory Group. During the coming year, MATEP will conduct an assessment of economic opportunities in the production and marketing of paprika to be made available to all stakeholders in the industry.

Appreciation of the Zambia kwacha hit the paprika industry hard during the year. Lower kwacha revenue from export sales resulted in unattractively low prices for paprika in local markets. This, in turn, suppressed planting decisions and paprika production. One company, The Capsicum Company, wound up its operations since they could not afford to pay the \$1.40 per kilogram price commercial farmers required in order to grow paprika on contract for them and without the commercial farm volumes, operations were no longer viable. The company also noted global over supply of paprika which lowered international prices by 20%.

MATEP added a new value chain, chili, which because it is part of the capsicum family with paprika is included with paprika here. Working with African Spices Limited/ Elephant Pepper Development Trust based in Livingstone, MATEP provided assistance both in introducing their line of chili products to U.S. markets and expanding exports of chili mash to McIlenny Co. in Louisiana to produce Tabasco sauce.

During the coming year, MATEP will continue working to promote the export and processing of paprika and chili, assist expansion of processing into spice production and increase exports of chili products to U.S. markets.

- **Maize and Seed value chains:** For most of the year under review, maize exports were prohibited by government due to low production levels from the previous year. The ban was maintained even when estimates for the current year harvest were for large surpluses. MATEP/FSRP, working together with the Agricultural Consultative Forum, prepared an advisory note on the issue and worked with government attempting to relax the ban. MATEP also collaborated with the Zambia National Farmers Union in lobbying government to the same objective. Near the end of the year, government did allow the Food Reserve Agency to export 100,000 tons and 25,000 tons of this quota was allocated to commercial farmers to export.

Since maize could not be exported, MATEP shifted its attention instead to export of maize *seed*, which was still permitted. Zambia has a comparative advantage in the region for seed production and during the year MATEP developed contacts with all the seed

producing companies. Expanding again, now to a focus on all seed exports, MATEP worked with seed companies to identify export opportunities in the region and export constraints. Specific promotion activities and buyer linkages were provided for markets in the DRC, Angola, South Africa and Malawi. These efforts will continue in the coming year and be expanded to other regional markets as well.

**Cotton value chain:** MATEP's approach involved working with stakeholders to expand trade by way of cotton and textile producers into regional and international markets. After examining the cotton value chain, MATEP focused on promoting exports of chitenge material, fabrics and yarns into northern Namibia, southern Angola, the DRC and South African markets respectively. The People's Republic of China still remained a good market for cotton lint as evidenced by cotton lint exports by Zambia-China Mulungushi Textiles into that market.

Also during the year, MATEP worked with a Zambian textile exporter to help re-capture markets previously sold into in the U.S. Further, once AGOA is amended by the U.S. Congress to make cotton yarn AGOA eligible as proposed during the AGOA Forum held in Washington DC in June 2006, yarn exports to the U.S. will complement that of garments. During the coming year, MATEP will continue with its approach of promoting exports of cotton and cotton related products.

**Livestock products value chain:** MATEP's approach to the livestock value chain focused on promoting beef and poultry to markets in DRC and Angola and leather products to South Africa. In beef and poultry, MATEP developed contacts with exporters to identify exportable products, quantities and prices and then linked exporters to buyers in destination markets. In leather, MATEP worked with the Export Board of Zambia organizing a tour of Zambian tanneries by Daimler Chrysler South Africa (DCSA) and Seaton Leather. Though only Zamleather met minimum quality and scale requirements for car seat manufacturing (and has begun exports to South Africa) all tanneries benefited from critiques on operations offered by DCSA and Seaton.

MATEP also contributed in resolving a leather sector crisis during the year. A glut of hides and skins developed in the market after the kwacha appreciation because tanneries were temporarily unable to buy hides from traders at the same volumes as beforehand. MATEP helped suggest ways forward at a roundtable meeting at the Ministry of Agriculture and Cooperatives with the tanneries and traders. MATEP then helped one tannery, Kabwe Tannery, intermediate by buying up surplus hides, tanning and selling to an importer in South Africa.

In coming year, MATEP will work on promoting more beef and poultry exports in the DRC and Angolan markets and expand efforts to other countries in the region as well.

**Cassava value chain:** MATEP efforts in this value chain focused on building in-country markets for processing cassava and regional markets for cassava export. However, due to erratic supply and unclear standards of cassava from smallholder producers, processing industries in Zambia showed reluctance to committing to utilizing cassava. The same supply problems constrained potential exports. In this regard, MATEP participated in formation of a task force aimed at accelerating cassava utilization. Following a study on Cassava Promotion in Zambia, the task force developed a road map and identified three areas for interventions:

- Trading standards for cassava
- Animal feeds industry and
- Human food and other industries

In exports of cassava, MATEP focused on markets in Angola which were identified during our market identification mission to Moxico Province. Promoting these exports have been delayed, however, pending conclusion of a Zambia-Angola (North Western Province-Moxico Province) MOU which will legalize cross-border trade.

During the coming year, MATEP will continue work promoting domestic cassava utilization (into the food, feed and industrial chains) and exports to Angola as well as exploring exports into the Great Lakes region.

## **CLIENT SERVICES - BUYER LINKAGES**

Within this subcomponent, MATEP focused on helping firms identify buyers for their products and link up to conclude export transactions. During the year, MATEP undertook buyer identification exercises to develop buyer databases for specific products, screened and/or contacted buyers on behalf of clients and identified and helped clients attend trade shows. Details on buyer linkage activities are provided in this section of the report.

- **Zamseed:** MATEP co-financed a Zamseed Ltd seed promotion event in Lubumbashi in June 2006 in conjunction with the Exporters and Importers Liaison Office of Lubumbashi. About 20 commercial farmers, 15 NGO's, DRC Government, Zambia Consular officials and over 50 small scale farmers took part in the event. Zamseed also participated in the December 2005 Trade Mission to DRC, part-financed by MATEP. The December event resulted in Zamseed exporting seven tons of soya bean seed to DRC and receiving orders for maize seed (87 mt), soya beans seed (55 mt) , bean seed (20 mt), groundnut seed (20 mt), and vegetable seed (0.5 mt). These orders are worth \$300,000. As a result of the June seed promotion event, Zamseed has so far exported 15 tons of open pollinated maize seed and 6 tons of beans seed worth \$100,000.
- **African Spices Ltd.:** MATEP part-sponsored African Spices of Livingstone to attend a number of marketing events toward introducing their chili products to U.S. markets. The first event MATEP funded was attendance at a Trade Hub organized "Exporting Specialty Food Products to the United States - Labeling Seminar" in South Africa in November 2005. At the seminar ASL got an insight into the requirements of the US specialty food market. MATEP then sponsored ASL attendance at the California Fancy Food Show in San Francisco with a view to identifying potential agents/distributors for assisting in sales and marketing their products in the U.S. MATEP also linked ASL with specific U.S. labeling companies and distributors. As part of this trip, MATEP funded an ASL visit to Louisiana to meet with McIlenny Co. to negotiate larger quotas for Tabasco sauce-bound chili mash which ASL was already selling to McIlenny and also a visit to a fulfillment agent for ASL website sales

MATEP then sponsored ASL's trip to the Chicago Fancy Food Show in May 2006 where they launched their line of chili products in the U.S. The Southern African Trade Hub assisted in coordinating displays of several participants from the region into an African Pavilion and MATEP worked with the Hub to offer pre-show guidance to ASL. Through this sponsorship, African Spices was able to meet a number of potential buyers of chili products from department stores and supermarkets and gave ASL a chance to establish visibility and develop seller-buyer relationships

- **Zambezi Hardwoods Ltd:** MATEP provided partial support for Zambezi Hardwoods Limited to attend the DECOREX Show in Johannesburg, South Africa in July, 2006. As a result of their participation, Zambezi Hardwoods were able to establish contacts with various clients who were interested in placing orders for their products. Other companies in South Africa showed interest in setting up joint ventures in production and marketing

activities. Further, MATEP linked Zambezi Hardwoods to Mainline Office Furniture Company of South Africa and the two have signed an MOU for marketing and distributing each company's products in their respective local markets.

- **Majoru Investments Ltd:** MATEP worked with Majoru Investments Limited, a Zambian meat processing company, to open new markets in Congo and Angola. Majoru is currently supplying five tons of processed beef every month to Anvil Copper Mining Company in DRC near Zambia's Lake Mweru. Majoru wanted MATEP's help to break into the Angolan market and diversify their DRC client base and is currently exploring a number of buyer contacts provided by MATEP. During the year MATEP brought buyers from both Angola and DRC to visit Majoru's abattoir and receive price quotes and samples.
- **Zamleather Limited:** As a result of MATEP assistance with the Daimler Chrysler South Africa and Seaton Leather visit to Zambian tanneries, Zamleather has now exported two containers of wet blue leather to Seaton Company of South Africa which further process the leather for use in auto seats by Daimler Chrysler. MATEP also discussed further support to Zamleather to expand production and export 23,000 hides in 2006 to various regional, European and Asian markets.
- **Zambia-China Mulungushi Textiles:** MATEP helped Zambia-China Mulungushi Textiles (ZCMT) get information on the garments import tariff obtaining in South Africa under the SADC Trade Protocol. The company wanted to know if the 10% import tariff was still applicable on imported garments in the country before they could proceed with their export order. MATEP confirmed the existence of the tariff, which is there to protect South African textiles from regional competition, and ZCMT began export sales.
- **Unity Garments:** MATEP part-sponsored Unity Garment to attend the Material World Show in New York in September 2006. This is being done in conjunction with the Trade Hub which is organizing an African Pavilion at the show. Unity Garments has supplied hospital scrub garments to the U.S. in the past and wants to again supply scrubs along with other products to U.S. markets. Participation in the show gave the company chance to meet with past and potential textiles and garments buyers and grow long-term seller-buyer relations.
- **Lubulima Agricultural and Commercial Cooperative Union (LACCU):** MATEP part funded LACCU to attend the BOCCIM Trade Fair (Botswana Confederation of Commerce, Industry and Manpower) in Francistown, Botswana in June 2006. As a result of their participation in the fair, LACCU obtained queries to export bambara nuts (300 mt), black eye beans (300 mt), cow peas (300 mt), and sugar beans (300mt) to Botswana Agricultural Marketing Board. LACCU is a cooperative of small scale female (255) and male (425) members working together to supply local processors and producing for export. LACCU is currently negotiating final prices before concluding the transaction.
- **Zambia Coffee Growers Association:** MATEP co-financed participation of Zambia Coffee Growers Association in the World's Wildest Coffee Conference held in Arusha, Tanzania in March 2006 as well as financed a local competition of Zambian coffees to select the best coffee for a regional "Taste of Harvest" competition. Participation both in the conference and in the competition gave the association, and Zambia coffee generally, needed visibility in the industry.
- **PFID-Fruits and Vegetables:** MATEP worked with the Partnership in Food Industry Development and Vegetables (PFID-Fruits and Vegetables) which is based at the Trade Hub in Gaborone, to send companies to the Produce Marketing Association (PMA) show in the U.S. The PMA show is the premiere fresh produce show in the world and was

- **Royal Ahold:** MATEP established a long-term relationship with Royal Ahold, a Dutch public listed company that operates subsidiaries and joint ventures throughout the world and is one of the biggest retail outlets in Europe and the U.S. MATEP sent product profiles for Zambian fruits, vegetables, fish, etc. with a view of promoting the retailing of the products in the U.S. and European Ahold outlets.
- **Rivonia Foods:** MATEP linked Rivonia Foods to Freshpikt for supply linkages of tomato paste. The company currently imports tomato paste from the Peoples Republic of China but gave indications that they could switch to Freshpikt if supply was consistent. A portion of this supply has already been switched to Freshpikt. MATEP also worked on helping the company improve on its packaging and branding of its products so that these can be promoted in regional markets.
- **Handicrafts Association of Zambia:** MATEP provided non-financial assistance to the Handicrafts Association of Zambia (HAZ) to enable them to participate in EXPO2005 in Atlanta, Georgia in September 2005. As a result of this assistance, HAZ entered into an agreement with Worldstock of Utah to promote exports of their handicrafts to the U.S. Worldstock is a department within Overstock.com that focuses on sourcing product from artisans around the globe. MATEP's role focused on providing market information relating to handicrafts, providing information on access to funding and linking HAZ to Aid to Artisans, an organization that offers capacity building programs to help HAZ enhance the quality of their products and eventually increase exports.

#### **CLIENT SERVICES - ENTERPRISE SUPPORT:**

A number of MATEP clients required a level of assistance beyond buyer linkages. In several cases the need was for financial assistance out of MATEP's Finance Component. Where needed, MATEP established a deeper relationship with its clients and provided a wider range of enterprise support services. The following summarizes this type of support:

- **Freshpikt:** MATEP provided financial assistance, market information, input supplier identification and credit leveraging aid to Freshpikt in efforts to open the only canning facility Zambia. After purchasing the derelict Zambia Horticultural Company facility in Lusaka's industrial area, Freshpikt found themselves without sufficient resources and contacts to complete renovations and begin operations. MATEP stepped in to provide support which led to Freshpikt successfully getting underway. MATEP and Freshpikt were then able to leverage MATEP's initial financial assistance into an additional \$2 million in formal sector financing.

An official company launch was held in February 2006 attended by the US Ambassador and the Zambian Minister of Agriculture and Cooperatives. Freshpikt has now signed major export orders for supply of canned goods throughout the region and is also supplying Zambia's domestic markets. The company's impact on Zambian agriculture, as a source of demand for raw material inputs of tomatoes, sweet corn, beans, pineapples, onions etc, will be transformational. A "Success Story" write up of Freshpikt is attached to this report.

- **Zambia Extracts, Oil and Colorants (ZEOCO):** The paprika industry was in poor shape due to limited buyers, low prices, domestic markets in disarray and the failure of past industry support programs. The coming of ZEOCO on the scene provided the industry with an expanded buyer base and the opportunity for value added production.

ZEOCO's plan was to begin operating a paprika oleoresin processing plant in Lusaka East and by processing paprika to oleoresin be able to enter a lucrative oils and colorants market. But after purchasing the plant, ZEOCO found themselves with insufficient resources and contacts to complete renovations and begin processing.

As with Freshpikt, MATEP stepped in to provide support to purchase processing inputs and pod paprika as raw material enabling the plant to get underway. MATEP also helped in identifying markets for sale of oleoresin outputs. MATEP then played an active role in leveraging a \$2 million financial commitment for ZEOCO. Again, as with Freshpikt, ZEOCO's impact on Zambian agriculture will be transformational by providing a source of demand for paprika producers and creating incentives to revive the sector (see Success Story)

- **Mazabuka Entrepreneurs Association:** Mazabuka Entrepreneurs Association (MEA) is one of the more dynamic of Zambia's District Business Associations and wanted to get involved in exporting in the region. MATEP provided part-sponsorship for association members to participate in two shows in Namibia; one in Katima Mulilo, in June 2005 when the MATEP project was in its first weeks, and one in Windhoek in October 2005. As a result of attending the shows, MEA members exported ground nuts (chalimbana), dry vegetables, chitenge material, crafts, seed maize, molasses, leather products and beans to Namibia with a total value of exports reaching \$60,000.

MATEP followed up on the association's interests and experiences by developing an export training course for association members in order to sharpening their export skills. Members had obtained a number of orders in Namibia, but lacked skills in pricing, payment terms, export logistics and understanding market requirements, etc. Training materials were developed and after a test run, training was conducted for association members in May 2006. The topics covered included; export planning, export market research, export procedures and documentation, trade protocols, sources of export finance, foreign exchange risks, commodity pricing, quality, terms of payments and HIV/AIDS awareness. A total of 38 members were trained. MATEP plans to roll out this training program to other District Business Associations with an interest in exporting (possibly Chililabombwe, Chingola and Mufulira on the Copperbelt, Nakonde in Northern Province, Chipata in Eastern Province, and Lyambai Agricultural Development Trust and Sesheke in Western Province).

- **B Cucs Farm:** MATEP worked with B Cucs Farm to assess their business plan, production conditions and market prospects and concluded that the company had a viable opportunity for exporting cucumbers to South Africa. In spite of this, B Cucs was unable to get a working capital loan from local banks and was not exporting. MATEP stepped in with financing and the company began production in two hectares of greenhouses and began exporting. During peak harvesting times, 10,000 to 15,000 cucumbers were picked on daily basis and two to three truck loads (30 tones each) of cucumbers were exported weekly to South Africa. The current plan is to increase production by another two hectares (representing two extra greenhouses).
- **Cheetah Zambia Ltd:** MATEP part sponsored Cheetah Zambia Limited to attend the American Spice Trade Association (ASTA) annual meeting held in Florida, USA, in May 2006. As a result of their participation, Cheetah Zambia gained insight into the current global paprika production and marketing trends, current and future market quality demands as well as supplier chains and value addition. This knowledge enhanced Cheetah's paprika exports through competitive quality products and pricing. MATEP also provided Cheetah two loans from its export financing facility to enable Cheetah to

- **Kamano Seeds:** MATEP provided partial funding to Kamano Seed Company to participate in the African Seed Traders Association Annual Congress in Entebbe, Uganda in March 2006 where they met potential seed buyers. As a result of participating in the show, Kamano Seeds got a orders for sun hemp seed from Capstone Seed South Africa (Pty) Ltd and groundnut seed to Malawi. Kamano Seeds also entered into discussions with companies from China, France, Italy, Zimbabwe, Uganda, Kenya and Cameroon for future seed supplies. MATEP also assisted the company link up with potential buyers in Angola and DRC. Supply contracts arising from the above are permitting Kamano to expand significantly their scale of operations. MATEP is providing support for this expansion with assistance from its newly created Medium-term Incubator Fund.
- **Global Export Bureau:** Evaluated and collected field information regarding an application by Global Export Bureau (GEB) for pre-export finance amounting to \$71,140 to export soya cake to the Welp Company of South Africa. After obtaining the order from South Africa, GEB failed to get pre-export finance from the local banks and MATEP stepped in with needed support. The order from South Africa was for supply of 360 tons of soya cake worth \$254,160. As a result of this support, the company began executing the export order to South Africa.
- **Nangaunoye Fashions:** This is a female owned company which has been struggling to export its products in the region and beyond. MATEP part funded the company to participate in the Rand Show that took place in Johannesburg in April 2006. As a result of their participation, Nangaunoye got an order for the supply of African prints to Fortune-D Africa of South Africa worth SAR71,500. Nangaunoye Fashions applied for a pre-export finance amounting to enable them to execute the order, which they did.
- **Kabwe Tannery Ltd:** MATEP part sponsored Kabwe Tannery to attend a leather workshop and show in Addis Ababa, Ethiopia. Participation in the event enabled Kabwe Tannery to meet suppliers of tannery chemicals and machinery and leather buyers like Gringo Leather of South Africa from whom they later obtained an export order for 5,000 pieces of wet blue leather which translates into USD 67,000 in export earnings. MATEP provided a small loan to enable the company execute the order and Gringo Leather supplied their preferred chemicals to Kabwe Tannery. A number of local suppliers agreed to supply raw hides to Kabwe Tannery on credit. Unfortunately, the leather shipment was downgraded by Gringos upon arrival at the buyer's premises in Durban meaning that Kabwe Tannery export receipts were lower than expected. MATEP is trying to help resolve the disagreement between the two firms.

## ENVIRONMENTAL ASSESMENTS

After receiving environmental training from USAID during the year, MATEP began including environmental examinations of clients' operations during its client visits. On a quarterly basis, MATEP will conduct a more detailed company environmental assessment of one exporting company.

During the year under review, a detailed environmental assessment was conducted for Majoru Investments Limited which is involved in the supply and processing of beef, pork and lamb products to domestic and regional markets. MATEP screened and checked environmental compliance on waste management, licensing, transport and disposal of waste and also water pollution control. It was established that the sewerage system is managed in such a way that the septic tanks are situated about 50 meters away from the abattoir and the main washing/

skinning room is on a slant making the effluent flow with gravitational influence. No blocked sewers or bad odor were seen or smelt in the abattoir and washing/skinning room respectively and the storage facilities for the final products were free of flies and other disease vectors. Water pollution was non-existent as the site is nowhere near any residential or commercial plot.

Personnel wore protective clothing suitable and recommended by council health authorities who carry out regular visits to the plant (at least twice a month) to check on environmental compliance as specified in the EPPCA of 1990. Mitigation and monitoring control measures at the plant are supervised by the Chief Executive Officer who is the owner of the company and he is assisted by the Plant Manager.

The preliminary site screening at Majoru Enterprises Limited showed that the company was integrating environmental concerns into their operations and is environmentally compliant. During next year MATEP will undertake a detailed environmental examination of Freshpikt Ltd. Freshpikt Ltd is a food processing company and a MATEP client which is situated in the industrial area of Lusaka.





## TOURISM COMPONENT

MATEP's Tourism Component's main objective is to increase the size and strength of the tourism sector by increasing numbers of tourist arrivals, lengths of their stays, and investments in the sector, all resulting in increased tourism receipts. In order to meet this objective, key constraints to growth have to be addressed. In addressing these constraints MATEP undertakes activities aimed at improving product and service delivery in the tourism sector. These activities include improving national marketing of tourism products and services, forging public/ private alliances, and improving tourism skills. MATEP also partners with other donor agencies in bringing about synergies in collective efforts to address tourism sector constraints. The project works closely with stakeholders in the public and private sector to make sure that impacts are sustainable.

During the year, MATEP provided technical assistance for the Hotel and Catering Association of Zambia (HCAZ) in the form of training courses in five locations in Zambia (Lusaka, Livingstone, Chipata, Ndola and Monze) for HCAZ members. This training was provided to 152 members of the association so that they could raise standards and improve offerings at hotels and catering businesses throughout Zambia.

The project conducted a two-week course for members of the Travel Agents Association of Zambia (TAAZ) to enable them to transition from being travel agents, a dying profession in the age of internet, to becoming tour operators who can package Zambia's assets and develop multiple revenue streams. In addition to five days of formal training, participants also received one-on-one consultations on how to overcome firm-specific challenges and to marketing their particular skills. Twenty-two participants drawn from 15 TAAZ member companies received training.

In supporting Zambia National Tourist Board's (ZNTB) international marketing efforts, MATEP provided support to local tour operators to participate in a ZNTB Road Show targeting the United States and Canada, as well as in producing marketing materials. As part of the networking process, MATEP participated in the INDABA Trade Show in Durban, South Africa

MATEP provided support to the Tourism Council of Zambia (TCZ) and its Destination Lusaka Committee to prepare for establishing a Meetings, Incentives, Conferences and Events (MICE) Desk at TCZ to market Lusaka as an international conference venue. MATEP also worked closely with TCZ in refining its Strategic Development Plan to streamline TCZ operations and make it more proactive in its approach. As a direct result of this, TCZ was able to obtain financing to the order of US\$35,000 from Private Sector Development (PSD) funds. The project also assisted TCZ to prepare a position paper on the appreciation of the kwacha after the currency had appreciated by over 30% in November 2005. The sudden and unexplained appreciation of the kwacha meant that forex earners, like tourism enterprises, generated less kwacha from their operations to meet their local costs. Since tourism is a labor intensive industry and since labor is a local cost, the strong kwacha rendered some enterprises unviable.

Unfortunately, MATEP's original Tourism Advisor suffered an extended illness during the later part of 2005 and had to be replaced. First, in January 2006 a short-term advisor was brought in to keep key activities going. A new long term advisor began work in late March. Unfortunately, implementation of tourism component activities were delayed during this period.

MATEP refocused activities in the Tourism Component during the year in order to make the project more responsive to the objective of increasing tourism revenues. The refocusing was

done in three stages with the assistance of local tourism experts, IESC home office staff, the MATEP COP and the Tourism Advisor. First, new activity areas of tour operator training and development of the meetings incentives, conferences, and events (MICE) markets were added in October 2005. Second, specific implementation steps were laid out in December 2005. More recently, the tourism activities were regrouped for clarity of presentation and monitoring. As now structured, the Tourism Component has five main subcomponents, each with a number of activities:

**Improve International Marketing**

- Branding Zambia
- Meetings, Incentives, Conferences and Events Markets
- Cultural, Community Based and Sustainable Tourism Promotion;

**Forge Collaborative Alliances**

- Public/ Private Dialogue
- Donor Harmonization and Collaboration

**Research and Policy Change**

- Identify Constraints to Growth
- Research

**Improve Tourism Skills**

- Skills Upgrading
- Institutional Refocusing

**HIV/AIDS Prevention**

Specific activities under each activity area are discussed in the following sections.

## **IMPROVE INTERNATIONAL MARKETING**

Despite having generous endowment of tourism attractions, such as the Victoria Falls, the national parks, wildlife and other sites, Zambia has not aggressively marketed these assets to world markets. This can be seen from the number of articles on Zambian tourism that come up when a Google search is done compared with other countries in the region: South Africa - 22,600,000, Kenya - 7,220,000, Zimbabwe - 6,580,000, Tanzania - 5,680,000, Zambia - 5,000,000. In order to increase Zambia's visibility in the international market, Branding Zambia activities of ZNTB will be supported, MATEP will help TCZ develop its MICE marketing; and MATEP will help in promotion of cultural, community and sustainable tourism.

### ***BRANDING ZAMBIA***

To market Zambia as a premier tourist destination, Zambia needs to "get out there" and sell itself. New and professionally produced marketing materials must be developed, too. Ideally, new marketing material would be designed with flexibility to be tailored to specific audiences as need be.

- **Zambia Road Shows:** MATEP provided support to two local tour operators to participate in a ZNTB Road Show targeting the United States and Canada with the objective of bringing buyers (international travel agents) together with sellers (Zambian tour operators) to meet and make deals in a conducive environment. The strategy for marketing Zambia is to increase Zambia's visibility and recognition in world markets, especially by attending specific well known tourism events. The Road Show visited six major cities with their product and marketing message

reaching an audience of over 370 travel agents. During remaining years of the project, MATEP will continue supporting the Zambia Road Shows

- **Indaba, South Africa:** MATEP attended the Indaba in Durban, South Africa, which is the continent's premier tourism trade show for inbound sales. It is held every year in South Africa and is an opportunity to evaluate Zambia's marketing and products against its competitors, identify best practices, and hold discussions with institutions and individuals on possible areas of collaboration.
- **Ladies Circle:** MATEP assisted the Ladies Circle, TCZ and ZNTB in preparation of their bid to Ladies Circle International to hold their 2009 annual conference here in Lusaka.
- **Technical assistance in marketing for ZNTB:** In response to a ZNTB request for marketing assistance, MATEP made preparations for a consultant to assist the ZNTB marketing division in creating a stronger brand and conduct better marketing for the country. A scope of work was developed and consultant recruiting, but ZNTB requested the TA be postponed from its original date in February 2006 for later in the year. This activity is now scheduled to occur in the upcoming quarter.
- **Destination Lusaka Marketing Video:** MATEP started preparations for a local consultant to produce a 10-minute professional quality video highlighting Zambia's tourist attractions and MICE facilities available in Lusaka. Destination Lusaka will use the video when marketing Zambia generally, and Lusaka and Livingstone in particular, to MICE Markets.

#### ***MEETINGS, INCENTIVES, CONFERENCES AND EVENTS (MICE) MARKETS***

The MICE activity area was added to MATEP's Tourism workplan as a new focus for MATEP and a potential major revenue earner for Zambia. The development of MICE markets could bring a steady flow of visitors to Lusaka and Livingstone from throughout the world with an estimated per visitor expenditure averaging \$2,000. In addition to direct revenue earnings on accommodation, entertainment, food and beverage and pre and post conference tours, the increased number of visitors would help promote Zambia as a tourist destination after returning home. Implementation of MICE activities would be through TCZ and their subgroup, Destination Lusaka.

In order to stimulate this business, MATEP will: Promote MICE activities by assisting with establishing a MICE Desk at TCZ; highlight the role of Lusaka as an interconnecting point with tourist destinations and as a conference venue; and target corporations and organizations with regional and international offices to encourage them holding their meetings and conferences in Lusaka;

- **TCZ Strategic Development Plan:** TCZ was in the process of rewriting its Strategic Development Plan at the same time MATEP began working with the organization on the MICE subject. TCZ asked for support with the Strategic Plan and MATEP helped refocus initial efforts so that the plan is based on concrete activities instead of general institutional capacity building. MICE activities, also, were explicitly incorporated into the plan. The draft report was adopted and TCZ was able to obtain US\$35,000 in funding from the Private Sector Development budget on the basis of the plan.
- **MICE Desk:** MATEP helped TCZ develop the plan for establishing a MICE Desk in the organization to be staffed by a MICE Desk Officer. In the coming year MATEP will provide technical assistance to get this activity started by improving packaging of Lusaka as a MICE destination and developing an action plan for marketing.

#### ***CULTURAL, COMMUNITY-BASED AND SUSTAINABLE TOURISM PROMOTION***

Cultural tourism has the potential to be an important attraction as part of tourism packages and for both domestic and foreign tourists. Eco-tourism is also becoming an increasingly popular form of tourism. Zambia, with its wide diversity of ethnic groups, has several major cultural festivals drawing on a rich tapestry of varying traditions. For example, Mongu hosts the Kuomboka Ceremony, Eastern Province has the N'cwala Ceremony, and North Western Province has Likumbi Lya Mize. In order to bring benefits of tourism to the communities and to extend both the number of Zambia's attractions and average days in-country and/or return visits, MATEP is working with investors, local authorities, ZNTB and TCZ to develop cultural and community-based tourism.

- **Barotse Royal Establishment:** MATEP met twice with the Ngambela and the Kuta of the Barotse Royal Establishment (BRE) to discuss prospects for marketing the Kuomboka as a tourism product in November and December 2005. The Kuta proposed a workshop to bring all the relevant players to the table to establish a plan to develop the area. MATEP agreed to help facilitate and host this workshop which will be held during the coming year.
- **Mongu Investor Focus Group:** A meeting of potential investors in Western Province was held in Lusaka in February 2006 with the objective of identifying ways to support tourism in the region. Divisions surfaced over whether efforts should include the BRE and over the incentives participants expected for investing. As a follow up to the meeting, MATEP assisted one businessperson prepare a project concept paper complete with costings and architectural designs. In the coming year, MATEP will organize a meeting of Mongu-based businesspersons to assess interest in tourism investments.
- **Export Board of Zambia Workshop in Mongu:** MATEP participated in the Export Board of Zambia workshop in Mongu in November 2005 and made a presentation outlining the areas of activity and types of assistance available from the Tourism Component. Tourist-oriented establishments were visited to discuss possible areas of support.

## **FORGING ALLIANCES**

In talking with representatives from the public and private sectors during the early stage of project implementation, MATEP found a high degree of distrust and tensions between the sectors. Further, plans and investments were being made on both sides of this divide without being effectively coordinated. Donor initiatives, too, seemed uncoordinated. MATEP's efforts in this subcomponent are to improve both the Public/Private Dialogue and the Coordination among stakeholders.

### ***PUBLIC/PRIVATE DIALOGUE***

In the area of Public/Private Dialogue, MATEP will assist in establishing an ongoing schedule of Tourism Dialogue Breakfasts, in conducting a Stakeholders Conference and in promoting tourism investment.

- **Tourism Dialogue Breakfasts:** MATEP worked with TCZ and the Ministry of Tourism in planning for a series of informal breakfast dialogue meetings among key stakeholders in the sector, including the Minister of Tourism. These breakfasts will be held every quarter in order to keep abreast of the changing climate in the tourism industry to create an informal consultative platform.

The first breakfast meeting was planned for late 2005 but then postponed when MATEP's Tourism Advisor fell sick. A rescheduled breakfast in August 2006 was

cancelled when parliament was dissolved. The breakfast will be rescheduled now that a new cabinet is in place. The minister has agreed to discuss “burning issues” for stakeholders, such as the Hospitality Bill and Citizen’s Economic Empowerment Bill and MATEP and PROFIT will make presentations on their programs.

- **Stakeholder Conference:** MATEP will facilitate a stakeholder’s workshop, co-hosted by TCZ and the MTENR, to discuss and chart a way forward for the tourism sector. Participants will include Zambia Revenue Authority, Immigration, and transporters (taxi, mini bus, and luxury coach operators), as well as the larger tourism organizations, both public and private.
- **Zambia Development Agency:** Once it is operational, MATEP will also work with the new Zambia Development Agency to explore possible joint ventures with foreign investors in Tourism. MATEP will assist ZDA in compiling data on experiences in tourism investment in Zambia for use with new investors.

### ***DONOR COLLABORATION AND HARMONIZATION***

This activity area aims to improve coordination among donors and avoid overlapping activities. MATEP will harmonize its interventions with other donors’, government and institutions’ programs in the sector.

- **SNV/MATEP Collaboration:** MATEP discussed potential areas of collaboration with SNV, a Dutch NGO, so as to improve synergies between the two organizations. SNV works with ZNTB, TCZ, Livingstone Tourism Association (LTA), and HCAZ in capacity building and assistance in preparing financing and other requests to donors and other institutions. MATEP also works with these groups and has identified with SNV areas of collaboration.
- **World Bank Collaboration:** MATEP worked with the World Bank, also, to identify areas of collaboration and possible overlap with the Bank’s SEED project. Our respective input to the TCZ and ZNTB strategies and action plans benefited from this collaboration.
- **Joint Assistance Strategy for Zambia:** MATEP participated in the Tourism Group of the donor–government Joint Assistance Strategy for Zambia (JASZ) process on behalf of USAID. This process aims to streamline donor programs to efficiently and effectively utilize resources. MATEP will continue participating in the JASZ process in the upcoming year.
- **Football Association of Zambia (FAZ):** MATEP was asked to serve on the Publicity and Fair Play Committee of the Football Association of Zambia in preparation for the 2010 Football World Cup which will be held in South Africa. Zambia hopes to serve as an alternative training venue for climate adaptation and to capitalize on the numbers of fans that will be visiting South Africa. MATEP will continue working with FAZ in marketing Zambia for the World Cup.

### **POLICY AND RESEARCH**

MATEP’s Policy and Research activities are complimentary to the project’s main objective of increasing tourism receipts. Policies can constrain or enhance growth in the sector and many questions can only be answered with research.

## ***POLICY***

In MATEP's outreach and canvassing of tourism associations and businesses, two serious constraints to growth were identified: slow and costly tourism licensing and the absence of online credit card payments facilities.

- **Licensing:** The large number of licenses required for tourism businesses is a barrier to entry and renewals are a continuing costs of operation. Licensing problems limit legitimate businesses from attaining registration, frustrates existing tourist enterprises and raises their costs. They also lower standards in the sector as a number of enterprises choose to remain unlicensed and therefore illegal. MATEP will engage government to reduce the time and cost of obtaining licenses and permits as well as the number of licenses required.
- **Online Credit Card Payments:** The inability in Zambia of tourism operators to accept online credit card payments significantly restricts access to the international market. Operators attribute the problem to the lack of a local authorizing office for credit card payments. Others claim that Bank of Zambia regulations do not allow online credit card payments. MATEP will pursue the credit card payments issue, the reasons for the current constraint, legal ramifications, organizations involved in the policy and the infrastructure available for making online payments.

## ***RESEARCH***

- **TCZ research on kwacha appreciation:** MATEP assisted TCZ to prepare a position paper on the appreciation of the kwacha, which appreciated by over 30% in November 2005. Whereas the tourism sector earns largely foreign exchange, most of its costs are in local currency. The sudden and unexplained kwacha appreciation means that less revenue is available for paying local costs and some operations became unviable. MATEP helped TCZ prepare a position paper on the kwacha appreciation which was presented to Government at a meeting to look for a steps to mitigate effects.

## **IMPROVE TOURISM SKILLS**

One complaint that echoes repeatedly throughout the sector is the poor standards in most tourism establishments in terms of facilities and service. This subcomponent will attempt to improve facilities and service delivery through work with the industry owners, managers and institutions.

### ***SKILL UPGRADING***

- **Hospitality and Workforce Development:** MATEP provided technical assistance for the Hotel and Catering Association of Zambia (HCAZ) to conduct training courses for their members in five locations in Zambia (Lusaka, Livingstone, Chipata, Ndola and Monze). There were 152 participants who received training in Branding, Branding with a Local Tone, Sales and Marketing, Managing Finance, Taking Advantage of Local Products, New Trends in Global Hospitality, Strategy Formulation and Deployment, Blending Strategy in Process Management, Managing Hygiene and Preservation of Food Production, and HIV/ AIDS in the Workplace. Additional training, targeting a different level of staff, is planned for the coming year.
- **Tour Operator Training:** This activity was developed to address the absence in Zambia of full service tour operators who are able to do packaging, pricing and

promotion of Zambia as a choice tourist destination. MATEP provided a two-week course for members of the Travel Agents Association of Zambia (TAAZ) to enable them to transition from being travel agents, a dying profession in the age of internet, to becoming tour operators, who can package Zambia's assets and develop multiple revenue streams. In addition to 5 days of formal training, participants also received one-on-one consultations on how overcome their firm-specific challenges and to market their particular skills. Twenty-two participants from 15 companies received training. In the coming year, MATEP will provide training in financial management to TAAZ members and assist in website development and developing e-commerce.

### ***INSTITUTIONAL SUPPORT***

The lack of communication and coordination between the public and private sectors has created a real gap between what skills the industry needs and the skills being taught in public and private training institutions. In response to requests from both sectors, MATEP is helping to facilitate coordination between the Technical Education, Vocational and Entrepreneurship Training Authority (TEVETA), government and private industry.

- **Tourism Sector Advisory Committee:** MATEP is assisting TEVETA to coordinate formation of the Tourism Sector Advisory Committee (STAC) which brings together the private sector and training institutions to develop a curriculum responsive to industry needs. In the past, there has been a mismatch between industry needs and the training of graduates from both public and private training institutions. TEVETA, with MATEP, have begun preparations for holding "linkages workshops" between the service providers and the industry to address the perceived shortcomings in training. These activities will continue next year.

### **HIV/AIDS PREVENTION**

The tourism sector, which is so dependent on its human resources, is highly vulnerable to staff losses due to illness from AIDS. This is particularly true for the many small businesses in the tourism sector. MATEP has developed programs in HIV/AIDS Awareness and Prevention training for the tourism sector that will be rolled out through HCAZ to its membership.

- **HCAZ HIV/AIDS Prevention:** MATEP delivered HIV/AIDS prevention messages focusing on abstinence and being faithful to 154 participants of HCAZ training during the year. In the coming year, a broad program of training and message delivery will be organized for rollout to a wide range of HCAZ members.





## **FINANCE COMPONENT**

MATEP's objective with respect to finance is to work with exporting and tourism enterprises along with formal financial institutions in Zambia to introduce new modes of financing and new ways of working together thereby increasing the flow of credit to such enterprises. By the end of the project an additional \$20 million in financing will be available to the sector.

Specific objectives of the MATEP Finance Component in Year One were to design and commence short and medium term export lending operations for agribusiness and tourism enterprises. The Finance Component also sought to develop a strategy for leveraging Development Credit Authority (DCA) guarantee resources to expand lending to agribusiness and tourism enterprises. In this regard:

- MATEP successfully designed and began implementation with a short-term lending instrument, MATEP/ZIF, in collaboration with ZATAC Ltd and Finance Bank through the vehicle of the ZATAC Investment Fund (ZIF). Export lending commenced, benefiting the soy cake, leather, textiles, paprika spice and paprika oleoresin subsectors. A total \$479,617 was disbursed to the private sector in export support credit from the MATEP/ZIF account and a further \$468,889 was arranged by MATEP and ZATAC and lent through the ZIF account prior to the separate MATEP/ZIF account being finalized.
- In close consultation with a broad spectrum of key financial and capital market institutions, MATEP successfully designed and began implementation with a medium-term lending instrument. An incubator model was developed through which medium term loans, initiated by MATEP, will be discounted to commercial banks and other lending institutions after having established a track record as a performing MATEP loan. A total of \$120,000 was disbursed to the private sector through the Medium-term Incubator Fund (MIF).
- Through financial intermediation MATEP successfully leveraged in excess of an additional \$2.6 million for the horticulture and paprika export subsectors.
- In consultation with key financial sector players, agribusinesses and other public and private stakeholders, MATEP undertook an assessment of DCA opportunities and prepared draft documents for USAID to use in developing a new portfolio guarantee DCA program for medium scale agriculture and tourism enterprises.

MATEP had hoped to disburse loans from the project's Investment Fund at an accelerated rate in order to get loans out to exporters and start performing. However, with incremental funding obligations for the project trailing slightly behind the contract Illustrative Budget, it appears that this will not be possible.

### **SHORT-TERM LENDING**

Over the past two decades, Zambia's private sector, including agribusiness and tourism, have been characterized by a credit squeeze, brought about mainly by increased public sector domestic borrowing through almost risk-free high yielding government securities. Financing available to agribusiness and tourism, particularly to medium scale enterprises, was provided predominantly through overdrafts. Although liquidity in the banking sector has increased in recent years following a fall in returns on public securities, commercial banks remain highly risk averse and are understaffed for lending in these sectors. Even though bank loan portfolios have been increasing, access remains severely constrained by banking procedures, high interest rates and restrictive collateral requirements.

By innovatively offering short-term trade finance to export-oriented agribusinesses and tourism enterprises, the MATEP Investment Fund is helping to increase access to capital in the sectors. This is being achieved through investment capital available in the ZATAC Investment Fund (ZIF) for short-term lending to export and tourism enterprises. In this regard, the following progress was made during the year:

- A sub agreement for management of MATEP short-term lending was entered into between DAI and ZATAC Ltd.
- Operational procedures for lending to export and tourism enterprises were developed by MATEP in collaboration with ZATAC and Finance Bank. MATEP/ZIF was included as a discrete facility in the ZATAC Investment Fund operational manual.
- MATEP undertook export lending facility sensitization through its regular contacts with the private sector, taking advantage of stakeholder consultative meetings, trade shows, trade missions, etc. Publicizing the fund in mass media was not undertaken to avoid raising unduly high financing expectations from the private sector considering the limited volume of available funds (\$1 million).
- A tailored Management Information System was developed to ensure timely and accurate reporting on the performance of MATEP export lending in an agreed format. Monthly and quarterly financial reports were accordingly prepared by ZATAC and submitted to USAID and MATEP management in a timely manner.
- Export lending commenced during year, benefiting the soy cake, leather, textiles, paprika spice and paprika oleoresin subsectors. A total \$479,617 was disbursed from MATEP/ZIF to the private sector in export support credit in five loan agreements. MATEP and ZATAC provided an additional \$468,889 in export financing through the ZIF Fund in loan agreements prior to the separate MATEP/ZIF account being finalized.
- Loan terms for several clients have been extended by mutual agreement, mostly because business plans were changed after the kwacha appreciation. MATEP is working with clients as necessary to keep businesses on track in spite of difficult economic circumstances. One client, for example, has a delivery dispute concerning grading of their product upon delivery in South Africa that MATEP is trying to help resolve in order both to obtain payment for the client and also preserve future markets. Full repayment of these rescheduled loans is expected.
- The external valuation of ZIF receivables granted to ZATAC Ltd by USAID was completed during the year, paving the way for the annual ZIF audit to be undertaken during the first quarter of FY 2007.

## **MEDIUM-TERM LENDING**

In view of the highly risk averse commercial banking sector, medium and long-term financing to agribusinesses and tourism enterprises is relatively scarce in Zambia, although there has been a marked improvement in lending to large enterprises since the recent fall in returns on government securities. In order to increase the availability of medium-term financing to export-oriented agribusinesses and tourism enterprises, MATEP began offering medium-term financing through the Medium-term Incubator Fund (MIF). MIF was designed and launched following extensive consultations with the banking sector and other financial services providers. MIF seeks to achieve the following:

- Assist eligible agribusiness exporters and tourism enterprises to access medium term financing (up to 3 years),
- Initially assume the credit risk for promising clients that might not ordinarily obtain bank or institutional financing,

- Help the supported agribusiness exporters and tourism enterprises achieve a good track record of repayments,
- Discount performing loans of good standing to financial institutions,
- Recycle funds realized from discounting loans to additional agribusinesses exporters and tourism enterprises.

To this effect, the following progress was made during the year:

- MATEP developed a SOW and selected suitable consultants to help design the MATEP medium-term financing fund for export and tourism enterprises.
- The consultancy was undertaken and a report prepared that assessed options and recommended an Incubator approach as the most suitable model for implementing MATEP medium-term financing. Extensive consultations were conducted with private sector financial institutions and exporting enterprises in reviewing alternatives for structuring the fund.
- Following these consultations, the ZATAC Investment Fund was selected to be the institution through which to disburse and manage the Medium-term Incubator Fund.
- A sub agreement for management of MIF medium-term lending was entered into between DAI and ZATAC Ltd.
- Operational procedures for medium term lending to export and tourism enterprises were developed by MATEP in collaboration with ZATAC and MIF was included as a discrete facility in the ZATAC Investment Fund operational manual.
- Consultations were made with commercial banks and other financial institutions to develop modalities for discounting MIF loans and transferring MIF clients to banks under the MIF framework.
- MATEP undertook MIF export lending facility sensitization through its regular contacts with the private sector, taking advantage of stakeholder consultative meetings, trade shows, trade missions, etc. Publicity in the mass media was not undertaken to avoid raising unduly high financing expectations from the private sector considering the limited volume of available funds (\$1million).
- The Management Information System developed for short-term reporting was adopted for MIF reporting as well.
- Export lending commenced in the third quarter of 2006 benefiting the seed subsector. A total \$120,000 was disbursed in medium-term export support credit.
- The external valuation of ZIF receivables granted to ZATAC Ltd by USAID was completed during the year, paving the way for the annual ZIF/MIF audit to be undertaken during the first quarter of FY 2007.

## **DEVELOPMENT CREDIT AUTHORITY**

Another approach for addressing the high risk assessment of agricultural lending by commercial banks is to share a portion of the risk. MATEP provided assistance to USAID in developing a Development Credit Authority instrument to partially guarantee such loans. The DCA instrument developed is a portfolio loan guarantee under which 50% of the risk of loans issued to MSE export-oriented agribusinesses and tourism enterprises by can be guaranteed. During the year:

- In consultation with key financial sector players, agribusinesses and other key public and private stakeholders, MATEP undertook an assessment of DCA opportunities and prepared a draft action plan.
- Provided additional review of DCA proposals as they were in development.
- Participated in meetings with commercial banks for setting up the DCA instrument.

## **FINANCIAL LEVERAGING**

In order to expand credit availability and forge sustainable commercial relations between financial institutions and export-oriented agribusinesses and tourism enterprises, MATEP utilized its technical expertise and outreach in the financial sector to intermediate lending deals for clients. MATEP constructively leverages its relationship with each side to build trust, facilitate dialogue and develop options that lead to mutually beneficial financial transactions. In this regard, MATEP was able to leverage \$4 million of credit in FY 06 involving the following:

### **Planned Activities for FY07:**

In the coming year, MATEP's Finance Component will focus on:

- Continuing short-term lending operations to agribusiness and tourism enterprises by making credit available through the MATEP short-term lending facility with an emphasis on trade finance.
- Continuing medium-term lending operations to agribusiness and tourism enterprises by making credit available through the Medium-term Incubator Fund.
- Working closely with DCA participating banks and borrowing enterprises to facilitate lending in the agricultural and tourism sectors.
- Finalizing a credit leveraging strategy and continuing leveraging activities for lending to agribusinesses and tourism enterprises.



## HIV/AIDS COMPONENT

HIV/AIDS is a major threat to Zambia's continued export growth and MATEP in the past financial year has integrated HIV/AIDS prevention activities into a number of its activities. More specifically, funds obligated from the President's Emergency Program for AIDS Relief (PEPFAR) were utilized to conduct community outreach HIV/AIDS prevention programs that promote abstinence and/or being faithful. MATEP worked with the PEPFAR Global AIDS Coordinator to implement "ABC" PEPFAR guidelines and to link up with other PEPFAR-funded programs in order to leverage resources, have greater impact and aim at achieving the stipulated PEPFAR targets by September 2006. The targets for MATEP are: 30,000 individuals to be reached with community outreach HIV/AIDS prevention programs, 70 community outreach HIV/AIDS prevention programs, and 70 individuals trained to provide HIV/AIDS prevention programs.

The major part of the PEPFAR targets is being met through MATEP's Market Access Component in partnership with the Zambia Export Growers' Association (ZEGA) and the NRDC ZEGA Training Trust (NZTT). The activity is to assist ZEGA members in integrating HIV/AIDS prevention into the core of their businesses. By doing so, in addition to benefiting their workers, companies can maintain their productivity and competitiveness in international markets as well as demonstrate to buyers that they have responsible social programs for employees.

During the year under review, in collaboration with ZEGA, NZTT, the Southern Africa Trade Hub and ECIAfrica, MATEP developed a specific HIV/AIDS program to be implemented with horticultural and floriculture exporters. Over 30,000 individuals in ZEGA farms and surrounding communities were reached through these community outreach HIV/AIDS prevention programs, a total of 132 individuals were trained to deliver messages and over 60 specific programs were organized for delivery of prevention messages. Additional programs in HIV/AIDS Awareness and Prevention were organized with the Mazabuka Entrepreneurs Association and the Hotel and Catering Association of Zambia (HCAZ).

**ZEGA/NZTT HIV/AIDS Activities:** ZEGA was formed as a non profit making association to promote the interests of growers wishing to export horticulture and floriculture products. With a membership of about 20 farms, exports mostly to Europe and South Africa have a gross sales value of over US\$62 million annually. ZEGA's aims are chiefly: to provide an efficient and adequate air freight service to exporters, to co-ordinate the buying of inputs, to provide technical support services and training to members, to advise on sources of finance, to assist with information on marketing opportunities and to lobby Government and other bodies on behalf of grower-exporters. The sector directly employs about 12,000 workers.

The CEO of ZEGA identified the high prevalence of HIV/AIDS as a major constraint to farms and to the international competitiveness of Zambia's horticulture/floriculture export industry. This led to discussions with MATEP and the Southern Africa Trade Hub to develop HIV/AIDS prevention activities. ZEGA had integrated HIV/AIDS in its newly approved Code of Good Practice, a step in the right direction, but more was required. MATEP and the Trade Hub designed an intervention to strengthen the capacity of ZEGA and NZTT so that the association was able to deliver HIV/AIDS services to its membership. The central part of these services over the past year has been delivering HIV/AIDS prevention messages to workers on ZEGA farms. The activity is adapted from activities the Trade Hub HIV/AIDS Advisor has undertaken successfully with South African fruit and vegetable exporters.

The ZEGA activity was implemented in four phases: Phase I was mobilization and sensitization of ZEGA member farms as participants and contributors in HIV/AIDS prevention; Phase II was design and planning of specific programs that addressed needs of each ZEGA member; Phase III was training of individuals from each farm who would conduct the prevention programs and Phase IV was roll-out of the programs to farm workers themselves and the surrounding communities.

- **Mobilization and Coordination:** Even before mobilization, ZEGA and MATEP needed someone to coordinate the activity. For this, MATEP recruited an HIV/AIDS Coordinator who was seconded to ZEGA for the task. With assistance from the ZEGA CEO and the Trade Hub Advisor, the Coordinator conducted farm visits to explain the program to ZEGA members and plan program activities. To participate, ZEGA members needed to appoint focal persons on their farm for the program, identify a core of staff members suitable for training and make employees and facilities available on an ongoing basis for delivery of HIV/AIDS prevention messages. MATEP found considerable enthusiasm among many ZEGA members who were visited and a total of 13 farms participated in the program during the first year.
- **Program Design and Planning:** MATEP's HIV/AIDS Coordinator and the Trade Hub Advisor then took the previously developed general program and then designed specific programs and budgets for implementation in each of the participating farms. MATEP approached a number of local HIV/AIDS service providers to conduct the training that would be required, but found available training packages to be unsuitable for needs of the ZEGA program and providers uninterested and/or unwilling to adjust programs to fit the client's needs. In the end, MATEP worked with Biz-AIDS to develop an appropriate ZEGA training program, based on the PEPFAR Guidelines of A, B, and C (February 2006), focused on A/B awareness and designed to fit in with farm schedules and avoid disrupting production. Topics included defining HIV and AIDS, modes of HIV transmission, modes of protection against infection, progression of HIV infection, impact of HIV/AIDS on community, household etc., Voluntary Counseling and Testing (VCT), Positive Living and HIV Treatment. Working with The Health Communication Partnership (HCP), five HIV/AIDS Prevention leaflets were identified, translated into Nyanja and reprinted in English and Nyanja for distribution to program participants.
- **Training:** Training sessions were then held to train HIV/AIDS Prevention and Awareness Educators commencing early in May 2006. Most of these sessions were conducted at on-farm locations in the Lusaka and Chisamba areas with trainees from smaller farms brought in for training together in a group session in Lusaka. Each training session lasted two days with approximately 20 individuals attending. The number of trainees selected for each farm was based on the ratio of one Awareness Educator for each 120 farm workers. Surrounding communities were included for message delivery, too. The total number of individuals trained in all 13 farms totaled 132, 74 males and 58 females.
- **Program Rollout:** After training the HIV/AIDS Prevention and Awareness Educators, a rollout schedule of message delivery was prepared along with a schedule for monitoring delivery of HIV/AIDS prevention and awareness messages. The rollout commenced in July 2006 with continual monitoring and feedback as it progressed. The program on the 13 farms concluded at the end of September 2006.

**Mazabuka Entrepreneurs Association:** MATEP also delivered HIV/AIDS Awareness and Prevention messages in a program with the Mazabuka Entrepreneurs Association, one of the District Business Associations organized under the Zambia Chamber of Small and Medium-sized Business Associations.



The HIV/AIDS program was incorporated into an Export Training workshop that had been organized by MATEP's Market Access Component with the goal of training SMEs in planning and production for exporting in the SADC/COMESA region. There were 35 workshop participants, consisting of 16 females and 19 males. The HIV/AIDS program was delivered during the workshop by a MATEP staff member trained as part of the ZEGA activity described above.

**Hotel and Caterers Association of Zambia:** In the Tourism Component, MATEP worked with the Hotel and Catering Association of Zambia (HCAZ) to incorporate HIV/AIDS Prevention programs into business training workshops for owners and managers of small and mid-sized lodges and guesthouses. Five programs were conducted in central locations throughout Zambia to strengthen business and market practices of HCAZ members. A total of 150 individuals participated in the workshops and benefited from the HIV/AIDS program. Along with HIV/AIDS A/B prevention messages, MATEP's HIV/AIDS training emphasized the importance of integrating HIV/AIDS prevention as part of business decision-making by HCAZ members.

**Urban consumption survey:** MATEP will incorporate HIV/AIDS prevention programs as part of the large MSU/FSRP urban consumption survey to be conducted next year in Zambia. During this year, MATEP worked on design and planning for the upcoming program.

#### **Plans for the coming year**

**ZEGA:** In continuing efforts to sustain the HIV/AIDS activities with the ZEGA member farms, MATEP will assist in development and implementation of a ZEGA workplace policy on HIV/AIDS, followed by roll-out of training sessions and HIV/AIDS prevention messages for farm workers and surrounding communities on an additional 6 ZEGA member farms. These farms were ambivalent about participation during the original sensitization/mobilization for last year's ZEGA HIV/AIDS programs so were left out of the design. Since that time, each has approached MATEP requesting to be included in subsequent activities.

**HCAZ:** In the coming year, MATEP's will develop a broader set of HIV/AIDS prevention activities in the tourism sector in partnership with HCAZ. As with ZEGA, MATEP will develop a partnership with HCAZ focusing on building HCAZ capacity to provide HIV/AIDS services to its members. The activity will include sensitization/mobilization of HCAZ membership, training Prevention and Awareness Educators in the industry and rollout of prevention message delivery to workers in tourism establishments. MATEP will also assist the HCAZ develop a workplace HIV/AIDS policy.

**Urban consumption survey:** MATEP in collaboration with MSU will undertake the HIV/AIDS program developed as part of the urban consumption survey. The enumerators that will conduct the survey will receive training as HIV/AIDS Awareness and Prevention educators and then will be responsible for rollout of message delivery while conducting the survey.

**Ministry of Labor and Social Security:** In response to a request from the Ministry of Labor and Social Security, MATEP will develop a program with the ministry focusing on capacity building and training for the ministry's labor inspectors. MATEP will assist in developing a policy checklist which can be used by inspectors during their inspection exercise with companies and then train labor inspectors on HIV/AIDS policy issues and in HIV/AIDS Prevention and Awareness. MATEP will also conduct follow-up monitoring of the trained inspectors as well as follow-up with companies that have been identified as having weak HIV/AIDS policies.



## MATEP MANAGEMENT AND ADMINISTRATION

A summary of project management and administration activities over the year are covered under the headings of Coordination, Project Reporting, Performance Monitoring, Financial Reporting and Project startup and Staffing.

### Coordination:

- **USAID:** MATEP holds fortnightly meetings to review project activities with the CTO and SO5 team from USAID/Zambia in addition to being in frequent phone contact with USAID on specific issues between meetings. MATEP, together with the PROFIT project, also prepared a presentation on Economic Chain Linkages to the annual USAID Partners meeting in February 2006.
- **PROFIT:** MATEP holds quarterly meetings with the PROFIT project along with more frequent COP consultations in order to coordinate the two projects' workplan activities. MATEP seeks to link the small scale producers PROFIT is working with to export markets, where feasible, either through direct exports or sales to intermediary processors or traders.
- **Export Board of Zambia (EBZ):** MATEP works closely with EBZ as the project's key counterpart organization. EBZ officers attend MATEP's weekly Staff Meetings in order to coordinate our respective activities. MATEP and EBZ staff regularly consult one another for information and to plan interventions on policy issues or with exporting clients. MATEP has also been a main contributor to EBZ's series of exporter sensitization workshops held throughout the country. To date, workshops have been held in Kasama, Chipata and Solwezi. These workshops have been useful both for transmitting information to exporters and for identifying possible clients for the project.
- **Donor projects:** MATEP has worked closely with USAID's Southern Africa Trade Hub based in Botswana and the Nairobi based RATES project. In Zambia, MATEP coordinates activities with the EU funded Export Development II project and the World Bank SEED project.

### Reporting

- **Quarterly Reports:** MATEP submitted four Quarterly Reports during the year. This is one more than for a typical year because Year One was extended in order to match MATEP's calendar with the USAID reporting calendar. Included in the Quarterly Reports were rolling updates of MATEP's Workplan.
- **Monthly Reports:** MATEP submitted 10 Monthly Reports during the year, one for each month after startup, except months when Quarterly Reports were submitted.

### Performance Monitoring

- **PMP Indicators:** A Data Quality Assessment was conducted on MATEP's Performance Monitoring Plan (PMP) indicators by a USAID consultant in November 2005. This was followed by a SO5 Partners Stock-taking Retreat in March 2006 which examined the adequacy of indicators used by SO5 and its partners. MATEP and other SO5 partners revised their PMP indicators after the retreat to better feed into the missions reporting framework. Data for the MATEP PMP was reported in Quarterly Report #3 in March 2005 and was used in USAID's semi-annual portfolio review. A further review of MATEP indicators was conducted by an M&E specialist from REDSO just before preparing this report.

- **Indicator targets:** MATEP met or exceeded targets for all of its PMP indicators during the year. In light of this strong project performance, MATEP has revised upwards many of its indicator targets as shown in the PMP table below.
- **Data collection:** MATEP developed a data collection system for the project to provide appropriate data for the project PMP. The Data Methodology for MATEP's PMP is included as an Annex to this report.
- **Client survey:** MATEP also designed a client survey which serves as the required semi-annual census of assisted enterprises. The survey was implemented two times, once in March and again in September 2006.

### Financial Reporting

- **Expenditure reporting:** During the year DAI shifted over from a DELTEK to an Oracle based expenditure reporting system. The new Oracle system permits bi-weekly uploads of expenditure data directly from the field. Originally, MATEP was preparing weekly expenditure reports, used for internal monitoring, and then submitting monthly reports to DAI for manual inputting and invoicing. Under Oracle, this has been streamlined into a simple, direct and automatic biweekly system.
- **Accrual Reports:** DAI submits Accrual/Pipeline Reports to USAID quarterly in order to track expenditures against incremental funding obligations. Funds were worryingly tight in August 2006 before new FY funds became available. Obligated funds are adequate for now and another expected incremental funding next quarter will provide sufficient funds for operations until the middle of the next calendar year. It appears however that obligated funding will lag behind the MATEP contract Illustrative Budget which will make funds tight again next June/July/August. MATEP had hoped to accelerate disbursements of the project's Investment Fund in order to get loans out to exporters and start performing. It appears now that this will not be possible.

### Project startup, Personnel and Budget

- **Project Startup:** The MATEP project was signed in late April 2005 followed by the COP arrival in-country in mid May. Project staff, activities, offices, equipment and networks got up and running in May/June and became fully operational in July.
- **Personnel:** Two key personnel changes were necessary during the year. MATEP's proposed Trade and Policy Advisor, a retired Ambassador previously in Zambia's diplomatic corps, was appointed as the country's new Ambassador to Namibia. This occurred during the period between project award and startup. A replacement Trade and Policy Advisor was approved by USAID and started in August 2005. MATEP's Tourism Advisor was absent with an extended illness beginning toward the end of 2005. A substitute short-term advisor was brought on in January 2006 and a permanent replacement began in April.
- **Budget:** MATEP's budget was hit by Zambia currency appreciation just like our exporting clients. Since our budget is in US\$, and many operating costs in local kwacha, MATEP was forced to rework its budget and find cost savings in its operations. The Office Manager was laid off, costs were cut where possible and field activities were curtailed. With these changes and at current exchange rates, the MATEP budget is again in balance.

## **MATEP SUCCESS STORIES**

1. Freshpikt Zambia Limited
2. Zambia Extracts, Oils and Colourants Company



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## SUCCESS STORY

# Zambia's Only Canning Factory

MATEP helps factory get through start-up hurdles, begin buying farmers' crops and processing for domestic store shelves and for export.



Minister of Agriculture, U.S. Ambassador and *Freshpikt* Chairman at the *Freshpikt* Launch



*Freshpikt* production line



*Freshpikt* factory floor

A dormant factory begins canning fruits and vegetables for local and export markets with help from USAID's MATEP project. The quantity of raw materials demanded by *Freshpikt*'s supply chain is transforming Zambian agriculture, with smallholders slated to supply a large proportion of the demand.

The canning factory was built in the 80's, run inefficiently for several years, sold, stripped of machinery, then left abandoned and vandalized. Now, with new owners bringing experience and a focus on performance, and with MATEP support, Zambia is finally canning and selling its own fruits and vegetables.

An official *Freshpikt* launch was held in February 2006, after test runs of the facility were conducted in December 2005 and production of canned tomatoes and tomato paste began in January. Assistance from USAID's Market Access, Trade and Enabling Policies Project (MATEP) helped the factory get underway. With the beginning of Zambia's fruit and vegetable season in several months, the factory will begin full-scale operations turning out, in addition to tomatoes, canned beans, sweet corn, pineapples and guavas as well as producing mango, pineapple and guava juice concentrate. *Freshpikt* will also process cassava into a glucose sweetener for the breweries and soft drink industry.

These products will replace imported goods on Zambian store shelves and will be exported throughout the region and to Europe, where MATEP is again helping with marketing. Most important, though, is the effect *Freshpikt* is having on Zambian agriculture. Farmers, both small and large, are planting now for the *Freshpikt* supply chain. *Freshpikt* will buy 80 tons/day of tomatoes, 60 tons/day of pineapples and mangoes, 20 tons/day of sweet corn and 20,000 tons/year of cassava. These quantities are unprecedented for Zambia.

Factory employment is rising steadily, from 50 at the beginning of the year, to 150 now and growing to 500 by mid-year. At the farm level, tens of thousand of farmers will find employment and higher incomes growing for *Freshpikt*.

MATEP's input to *Freshpikt* came at a crucial time. After their initial investment, the new owners found doors to further financing closed to them at the crucial time for finishing refurbishment and purchasing crops for processing. MATEP's assistance got the plant up and running. At this point, Zambia State Insurance Company came in with additional financing. Now, crops are rolling in the gates, productions lines are humming, *Freshpikt* products are soon to be local store shelves and exported in the region.





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## SUCCESS STORY

# Adding Value – Paprika Processing

Zambia begins high value processing of paprika with assistance from MATEP for factory rehabilitation and purchasing of paprika from producers for factory input.



Paprika awaiting processing



Deseeding and pelletizing



Oleoresin extraction

With help from USAID's MATEP project, Zambia started oleoresin extraction from paprika for export as a natural colourant. Paprika purchases from the factory will revitalize paprika production in the country.

MATEP assisted startup of Zambia's only factory for processing paprika into high value oleoresin, a product exported worldwide as a natural colorant. The factory was originally set up a decade ago, but failed and remained dormant for many years. The new owners are farmers with an interest in growing paprika, but who saw no prospects in paprika because of low prices and the structure of local marketing. They did see an opportunity if they could integrate the value chain from production to export and sell into the lucrative oleoresin market. Unfortunately the new company, Zambia Extracts, Oils and Colourants, Co. (ZEOCO), was unable to find support needed to get started.

MATEP stepped in to finance plant refurbishment and the purchase of paprika for processing. MATEP also identified international oleoresin buyers. Then, once the factory was up and running, MATEP worked with ZEOCO to approach financial institutions and successfully leveraged an additional \$2 million. These additional funds will finance expanding to full capacity.

So far, results at the factory are promising. Oleoresin has exceeded quality estimates by a wide margin and will attract price premiums as high as 25%. With value addition to oleoresin, ZEOCO is able to offer growers prices 50% higher than previous farm gate prices. A total of 1,500 tons of paprika will be bought this year (through March 2007), rising to 2,000 tons in 2008 and moving up to plant capacity of over 3,000 tons. That means that ZEOCO alone can purchase over six times Zambia's current national production of paprika.

From this year's crop about 15%, 200 tons, is sourced from smallholder farmers. Outgrower schemes are being set up to raise this to 700-800 tons next year, and grow further after that. Prices offered to growers are based strictly on quality of paprika delivered and all deliveries are laboratory tested on-site.

Oleoresin export from this year's crop will be worth \$3.5 million. ZEOCO is also setting up a spice factory using by-products from oleoresin extraction. Spice exports should exceed \$500,000 this year and will grow both as volumes increase and as Zambia-branded spice products are developed. At capacity, ZEOCO will generate over \$10 million in export earnings for Zambia; exports earnings, as well as paprika production and higher farm incomes, that would not have happened without MATEP assistance.

## MATEP PMP INDICATORS

### October 2005-September 2006

| INDICATOR                               |  | TARGET and ACTUAL |        |       |       |       |       |
|---|--|-------------------|--------|-------|-------|-------|-------|
|   |  | FY06              | FY07   | FY08  | FY09  | FY10  |       |
| <b>Trade/Exports-related Indicators</b> |  |                   |        |       |       |       |       |
| 1.                                      | Value of ANR-based exports, including tourism receipts, \$M                    | Target            | 425    | 465   | 518   | 550   | 600   |
|   |  | Actual            | 494    |       |       |       |       |
|   | 1.1 Value of ANR-based exports, \$M  | Target            | 275    | 305   | 348   | 370   | 410   |
|   |  | Actual            | 323    |       |       |       |       |
|   | 1.2 Value of estimated tourism receipts, \$M                                   | Target            | 150    | 160   | 170   | 180   | 190   |
|   |  | Actual            | 171    |       |       |       |       |
| 2.                                      | Number of export/tourism transactions completed as reported by assisted firms  | Target*           | 1,000  | 6,800 | 8,200 | 9,100 | 9,800 |
|   |  | Actual            | 4,884  |       |       |       |       |
|   | 2.1 Number of export transactions reported by assisted firms                   | Target*           | 750    | 3,800 | 4,200 | 4,600 | 4,800 |
|   |  | Actual            | 3,498  |       |       |       |       |
|   | 2.2 Number of tourism transactions reported by assisted firms                  | Target*           | 250    | 3,000 | 4,000 | 4,500 | 5,000 |
|   |  | Actual            | 1,386  |       |       |       |       |
| 3.                                      | Value of export/tourism transactions reported by assisted firms, \$M           | Target*           | 20     | 51.5  | 62    | 77.5  | 93    |
|   |  | Actual            | 40     |       |       |       |       |
|   | 3.1 Value of export transactions reported by assisted firms, \$M               | Target*           | 19     | 50    | 60    | 75    | 90    |
|   |  | Actual            | 39     |       |       |       |       |
|   | 3.2 Value of tourism transactions reported by assisted firms, \$M              | Target*           | 1.0    | 1.5   | 2.0   | 2.5   | 3.0   |
|   |  | Actual            | 0.8    |       |       |       |       |
| 4.                                      | Value and volume of exports of targeted commodities reported by assisted firms |                   |        |       |       |       |       |
|   | 4.1 Paprika/Chili  | Value, \$'000     | 485    |       |       |       |       |
|   |  | Volume, tons      | 450    |       |       |       |       |
|   | 4.2 Horticulture   | Value, \$'000     | 20,105 |       |       |       |       |
|   |  | Volume, tons      | 4,292  |       |       |       |       |
|   | 4.3 Coffee   | Value, \$'000     | 12,900 |       |       |       |       |
|   |  | Volume, tons      | 6,000  |       |       |       |       |
|   | 4.4 Honey  | Value, \$'000     | 510    |       |       |       |       |
|   |  | Volume, tons      | 300    |       |       |       |       |
|   | 4.5 Seed   | Value, \$'000     | 1,524  |       |       |       |       |



|    |  |               |       |  |  |  |  |
|----|--|---------------|-------|--|--|--|--|
|    |  | Volume, tons  | 1,459 |  |  |  |  |
|    | 4.6 Livestock products   | Value, \$'000 | 2,422 |  |  |  |  |
|    |  | Volume, tons  | 1,086 |  |  |  |  |
|    | 4.7 Cotton/textiles  | Value, \$'000 | 25    |  |  |  |  |
|    |  | Volume, tons  | 0.5   |  |  |  |  |
|    | 4.8 Maize  | Value, \$'000 | 0     |  |  |  |  |
|    |  | Volume, tons  | 0     |  |  |  |  |
| 5. | Value and volume of intra-regional exports of targeted commodities reported by assisted firms      |               |       |  |  |  |  |
|    | 5.1 Paprika/Chili  | Value, \$'000 | 325   |  |  |  |  |
|    |  | Volume        | 250   |  |  |  |  |
|    | 5.2 Horticulture   | Value, \$'000 | 5,680 |  |  |  |  |
|    |  | Volume        | 1,187 |  |  |  |  |
|    | 5.3 Coffee   | Value, \$'000 | 4,515 |  |  |  |  |
|    |  | Volume        | 2,100 |  |  |  |  |
|    | 5.4 Honey  | Value, \$'000 | 0     |  |  |  |  |
|    |  | Volume        | 0     |  |  |  |  |
|    | 5.5 Seed   | Value, \$'000 | 1,524 |  |  |  |  |
|    |  | Volume        | 1,459 |  |  |  |  |
|    | 5.6 Livestock products   | Value, \$'000 | 1,644 |  |  |  |  |
|    |  | Volume        | 993   |  |  |  |  |
|    | 5.7 Cotton/textiles  | Value, \$'000 | 23    |  |  |  |  |
|    |  | Volume        | 0.45  |  |  |  |  |
|    | 5.8 Maize  | Value, \$'000 | 0     |  |  |  |  |
|    |  | Volume        | 0     |  |  |  |  |
| 6. | Value and volume of purchases from smallholders of targeted commodities reported by assisted firms |               |       |  |  |  |  |
|    | 6.1 Paprika/Chili  | Value, \$'000 | 176   |  |  |  |  |
|    |  | Volume        | 114   |  |  |  |  |
|    | 6.2 Horticulture   | Value, \$'000 | 166   |  |  |  |  |
|    |  | Volume        | 546   |  |  |  |  |
|    | 6.3 Coffee   | Value, \$'000 | 16    |  |  |  |  |
|    |  | Volume        | 8     |  |  |  |  |
|    | 6.4 Honey  | Value, \$'000 | 200   |  |  |  |  |

|  |  |               |         |        |        |        |        |       |
|--|--|---------------|---------|--------|--------|--------|--------|-------|
|  |  | Volume        | 400     |        |        |        |        |       |
|  | 6.5 Seed   | Value, \$'000 | 450     |        |        |        |        |       |
|  |  | Volume        | 1,564   |        |        |        |        |       |
|  | 6.6 Livestock products   | Value, \$'000 | 428     |        |        |        |        |       |
|  |  | Volume        | 965     |        |        |        |        |       |
|  | 6.7 Cotton/textiles  | Value, \$'000 | 0       |        |        |        |        |       |
|  |  | Volume        | 0       |        |        |        |        |       |
| <b>Finance-related Indicators</b>          |  |               |         |        |        |        |        |       |
| 7.   | Value of finance/capital accessed reported by assisted firms, \$M, cumulative                            |               | Target  | 2      | 5      | 10     | 15     | 20    |
|  |  |               | Actual  | 5.4    |        |        |        |       |
| 8.   | Number of MATEP Investment Fund loans, cumulative, disaggregated by gender                               | Total         | Target  | 15     | 25     | 45     | 60     | 70    |
|  |  |               | Actual  | 14     |        |        |        |       |
|  |  | Female        | Target  | 5      | 8      | 15     | 20     | 23    |
|  |  |               | Actual  | 3      |        |        |        |       |
| 9.   | Percentage of the number of loans currently on schedule for repayment, disaggregated by gender           | Total         | Target  | 80%    | 80%    | 80%    | 80%    | 80%   |
|  |  |               | Actual  | 71%    |        |        |        |       |
|  |  | Female        | Actual  | 67%    |        |        |        |       |
|  |  |               |         |        |        |        |        |       |
| 10.  | Value of MATEP loans, disaggregated by gender, \$'000, cumulative  | Total         | Target  | 1,200  | 2,000  | 3,000  | 3,500  | 4,000 |
|  |  |               | Actual  | 1,053  |        |        |        |       |
|  |  | Female        | Target  | 300    | 600    | 900    | 1,100  | 1,200 |
|  |  |               | Actual  | 211    |        |        |        |       |
| 11.  | Percentage of the value of the lending portfolio currently on schedule for repayment                     | Total         | Target  | 90%    | 90%    | 90%    | 90%    | 90%   |
|  |  |               | Actual  | 89%    |        |        |        |       |
|  |  | Female        | Actual  | 90%    |        |        |        |       |
|  |  |               |         |        |        |        |        |       |
| <b>BDS and HIV/AIDS-related Indicators</b> |  |               |         |        |        |        |        |       |
| 12.  | Number of clients/entrepreneurs receiving BDS  |               | Target* | 25     | 55     | 65     | 65     | 65    |
|  |  |               | Actual  | 48     |        |        |        |       |
| 13.  | Number of people reached with HIV/AIDS A & B outreach programs   |               | Target* | 30,000 | 20,000 | 15,000 | 15,000 | 5,000 |
|  |  |               | Actual  | 30,154 |        |        |        |       |
| 14.  | Number of people trained for delivery of HIV/AIDS prevention programs                                    |               | Target* | 70     | 50     | 35     | 35     | 12    |
|  |  |               | Actual  | 132    |        |        |        |       |
| <b>Policy related indicators</b>           |  |               |         |        |        |        |        |       |
| 15.  | Policy progress milestones – ( <i>To be developed with USAID</i> )                                       |               |         |        |        |        |        |       |
| <b>Training related indicators</b>         |  |               |         |        |        |        |        |       |
| 16.  | Number of people completing training seminars (in export skills, policy reform, tourism, HIV/AIDS, etc.) | Total         | Target* | 50     | 400    | 400    | 400    | 400   |
|  |  |               | Actual  | 364    |        |        |        |       |
|  |  | Female        | Target* | 20     | 160    | 160    | 160    | 160   |
|  |  |               | Actual  | 183    |        |        |        |       |

\* Revised target

# ANNEX 1

## MATEP Performance Monitoring Plan Data Collection Methodology

1. Value of ANR-based exports, including tourism receipts  
Sum of export and tourism data from 1.1 and 1.2.
  - 1.1 Value of ANR-based exports, \$M  
Source: Export Review published by Export Board of Zambia  
Description: Value of exports in 10 sectors: Agricultural products, Processed and refined foods, floricultural products, Textiles, Horticultural products, Gemstones, Animal products, Garments, Leather products, Handicrafts and curios.  
Time frame: Annual data, July through June (third quarter data not available in time for reporting)
  - 1.2 Value of estimated tourism receipts, \$M  
Source: Ministry of Tourism, Planning Division, Mr. Chabala  
Description: Annual tourism revenues estimated by the Ministry of Tourism  
Time frame: Annual data, July through June – taken from estimates from previous and current years.  
Note: MATEP is working with the Ministry of Tourism to develop alternative estimates that will be based on tourism arrival and departure data and coefficients of spending per day for various categories of tourist.

Data for Indicators #2 – #7 are based on a MATEP Client Survey conducted twice each year. Survey forms are sent to MATEP clients reported data is first reviewed by MATEP staff for accuracy and consistency. Responses from 10% of clients, selected randomly, are subjected to follow up verification during each survey.

2. Number of export/tourism transactions completed reported by assisted firms  
Sum of export and tourism data from 2.1 and 2.2.
  - 2.1 Number of ANR-based export transactions reported by assisted firms  
Source: MATEP Client Survey  
Description: Reported number of ANR-based export transactions by MATEP clients  
Time frame: Survey conducted in September and March
  - 2.2 Number of tourism transactions reported by assisted firms  
Source: MATEP Client Survey  
Description: Reported number of tourism transactions by MATEP clients  
Time frame: Survey conducted in September and March
3. Value of export/tourism transactions reported by assisted firms  
Sum of export and tourism data from 3.1 and 3.2.
  - 3.1 Value of ANR-based export transactions reported by assisted firms, \$M  
Source: MATEP Client Survey  
Description: Reported value of ANR-based export transactions by MATEP clients  
Time frame: Survey conducted in September and March
  - 3.2 Reported value of tourism transactions reported by assisted firms, \$M  
Source: MATEP Client Survey  
Description: Reported number of tourism transactions by MATEP clients

Time frame: Survey conducted in September and March

4. Value and volume of exports of targeted commodities reported by assisted firms  
Source: MATEP Client Survey  
Description: Subcategories of Indicators #2 and #3, reported value and volumes of targeted commodities by MATEP clients  
Time frame: Survey conducted in September and March
5. Value and volume of intra-regional exports of targeted commodities reported by assisted firms  
Source: MATEP Client Survey  
Description: Subcategories of #2 and #3, reported value and volumes of commodities to Eastern and Southern Africa by MATEP clients  
Time frame: Survey conducted in September and March
6. Value and volume of purchases from smallholders of targeted commodities reported by assisted firms  
Source: MATEP Client Survey  
Description: Reported purchases from smallholders by MATEP clients  
Time frame: Survey conducted in September and March
7. Value of finance/capital accessed reported by assisted firms, cumulative (borrowers perspective)  
Source: MATEP Client Survey and MATEP Investment Fund Report prepared by ZATAC  
Description: Cumulative sum of MATEP Investment Fund financing plus non-MATEP financing received reported by MATEP clients  
Time frame: Client Survey conducted in September and March, MATEP Investment Fund Report prepared Quarterly
8. Number of MATEP Investment Fund loans, cumulative, disaggregated by gender (lenders perspective)  
Source: MATEP Investment Fund Report prepared by ZATAC and MATEP Client Survey  
Description: Cumulative number of loans issued from the MATEP Investment Fund. Gender disaggregation calculated based percentage of female principals reported in MATEP Client Survey  
Time frame: Quarterly
9. Percentage of the number of loans currently on schedule for repayment, disaggregated by gender  
Source: MATEP Investment Fund Report prepared by ZATAC and MATEP Client Survey  
Description: Percentage of number of currently outstanding loans on schedule. Gender disaggregation calculated based percentage of female principals reported in MATEP Client Survey  
Time frame: Quarterly
10. Value of loans by USAID assisted institutions, disaggregated by gender (lenders perspective)  
Source: MATEP Investment Fund Report prepared by ZATAC and MATEP Client Survey

Description: Cumulative value of loans issued from the MATEP Investment Fund. Gender disaggregation calculated based percentage of female principals reported in MATEP Client Survey  
Time frame: Quarterly

11. Percentage of the value of loans currently on schedule for repayment, disaggregated by gender  
Source: MATEP Investment Fund Report prepared by ZATAC and MATEP Client Survey  
Description: Percentage of value of currently outstanding loans on schedule. Gender disaggregation calculated based percentage of female principals reported in MATEP Client Survey  
Time frame: Quarterly
12. Number of clients receiving BDS  
Source: MATEP client list  
Description: Number of MATEP clients receiving services from the Market Assess, Tourism, Finance or Policy Components of the project. Does not include formal training assistance.  
Time frame: Quarterly
13. Number of people reached with HIV/AIDS A/B outreach programs  
Source: MATEP HIV/AIDS Report  
Description: Number of people reached with A/B messages  
Time frame: Quarterly
14. Number of people training for delivery of HIV/AIDS prevention programs  
Source: MATEP HIV/AIDS Report  
Description: Number of people trained for delivery of HIV/AIDS prevention programs  
Time frame: Quarterly
15. Policy progress milestones – in development with USAID
16. Number of people completing training in formal training programs  
Source: MATEP Training Report  
Description: Number of people completing formal training. Formal training consists of a scheduled training program with a training agenda presented in a seminar or workshop setting based on previously prepared training materials and with participants receiving a certificate of completion.  
Time frame: Quarterly