RATES PROGRAM

Annual Progress Report FY 05
October 2004 to September 2005

October 15, 2005

This publication was produced for review by the United States Agency for International Development (USAID). It was prepared by Chemonics International Inc.

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Acronyms

ACTIF	African Cotton and Textile Industries Federation
AGM	Annual General Meeting
AGOA	African Growth and Opportunity Act
ASARECA	Association for Strengthening Agricultural Research in East and Central Africa
CFI	Computer Frontiers International
COMESA	Common Market for East and Southern Africa
CMS	Coffee Marketing Specialist
CQI	Coffee Quality Institute
CTMS	Cotton/Textile Marketing Specialist
DRC	Democratic Republic of Congo
EAC	East African Community
EAFCA	East African Fine Coffee Association
ECA Hub	East and Central Africa Global Competitiveness Hub
ECAPAPA	Eastern and Central Africa Program for Agricultural Policy Analysis
ESA	East and Southern Africa
ESADA	Eastern and Southern African Dairy Association
FARA	Fixed Amount Reimbursable Agreement
FEWS NET	Famine Early Warning System Network Project
FOODNET	Post Harvest and Marketing Research Network for Eastern and Central Africa Project
GDA	Global Development Alliance
GHA	Greater Horn of Africa
GPS	Global Positioning Systems
IBAR	Inter-African Bureau for Animal Resources
IEHA	Initiative to End Hunger in Africa
ICO	International Coffee Organization
IGO	Intergovernmental Organization
IMCS	Independent Management Consulting Services
IRC	International Relations Committee

IT	Information Technology
ITI	International Technology Investment Ltd.
KRA	Kenya Revenue Authority
LOL	Land O'Lakes
LTC	Livestock Trade Commission
M&E	Monitoring and Evaluation
NSB	National Standards Bureaus
NTB	Non Tariff Barrier
PIR	Project Intermediate Result
PLP	Pastoral Livelihood Program
PMP	Performance Monitoring Plan
RATES	Regional Agriculture Trade Expansion Support Program
RATIN	Regional Agricultural Trade Intelligence Network
REDSO	Regional Economic Development Services Office
PIVA	Partner Institutional Viability Assessment
RTO	Rates Trade Office
SCAA	Specialty Coffee Association of America
SO	Strategic Objective
SPS	Sanitary and Phytosanitary
TBD	To-Be-Determined
UHT	Ultra High Temperature
USAID	United States Agency for International Development
VCA	Value Chain Analysis
WTO	World Trade Organization
WWC	Worlds Wildest Coffee Conference and Exhibition
ZCGA	Zambia Coffee Growers Association

I. Introduction

The Regional Agricultural Trade Expansion Support (RATES) program has now completed three full years of operation. This progress report details the achievements and activities to date, and is structured in line with the project's results framework. It should be reviewed as part two of the overall RATES annual report that also includes the Performance Monitoring Report (PMP) report. Whereas the PMP focuses on key results as per PMP indicators, this progress report provides a more detailed narrative of program activities with a special emphasis on the 4th quarter. The RATES commodity list now includes maize, specialty coffee, cotton/textiles, and dairy. RATES has recently taken over the task of completing and operationalizing the Djibouti Regional Livestock Export Facility (DRLEF) formerly managed under AU-IBAR. The RATES program has just been changed to accommodate this new activity and preliminary progress is provided at the end of this report as a special Project-level Intermediate Result (PIR).

A. Overview of the RATES Program

The Regional Agricultural Trade Expansion Support (RATES) program is a five-year USAID/REDSO-funded program implemented by Chemonics International Inc., in collaboration with International Technology Investment Ltd. (ITI), Integrated Development Consultants (IDC), the Imani Development Group (Imani), Computer Frontiers Inc. (CFI), Independent Management Consulting Services (IMCS) and Land O'Lakes.

RATES overall goal is to increase the volume and value of agricultural trade within the East and Southern Africa region and between the region and the rest of the world. RATES is a commodity-focused activity and currently supports five commodity value chains including specialty coffee, maize, cotton and textiles, livestock, and dairy. Through policy advocacy, lobbying, public relations and marketing, RATES is expanding private sector contributions to regional trade initiatives in East and Southern Africa.

RATES is designed to assist REDSO and its partners to further the mission's Integrated Strategic Plan (ISP). Specifically, RATES falls under the mission's Strategic Objective (SO) 5—Enhanced African Capacity to Achieve Regional Food Security. The rationale behind this objective is that the Greater Horn of Africa (GHA) will become a food secure region only when Africans and their organizations have the capabilities needed to direct the process. This is based on a valid assumption that actions taken to strengthen institutions, improve the availability of technologies, increase cooperation and reduce policy and regulatory constraints will provide the foundation for reducing food insecurities in the region.

REDSO has identified four indicators to measure achievement of this result:

- Percentage increase of trade flows in commodities
- Number of policy changes adopted by regional inter-governmental organizations (IGOs)
- Number of formal partnerships to achieve food security objectives
- Increased public and private investments in the agricultural sector

Within this framework, RATES results will be measured in terms of significant increases in trade flows (35%) of selected commodities over the life of the project. These increases must, in turn, be sustainable in order to create the necessary agricultural growth that will lead to increases in rural incomes and corresponding decreases in regional food insecurity.

B. The RATES Results Framework

Project Goal

The project goal presented in the box to the right reflects the position of RATES within the SO 5 framework and guides strategic thinking with regard to project approach and identification of appropriate project intermediate results areas.

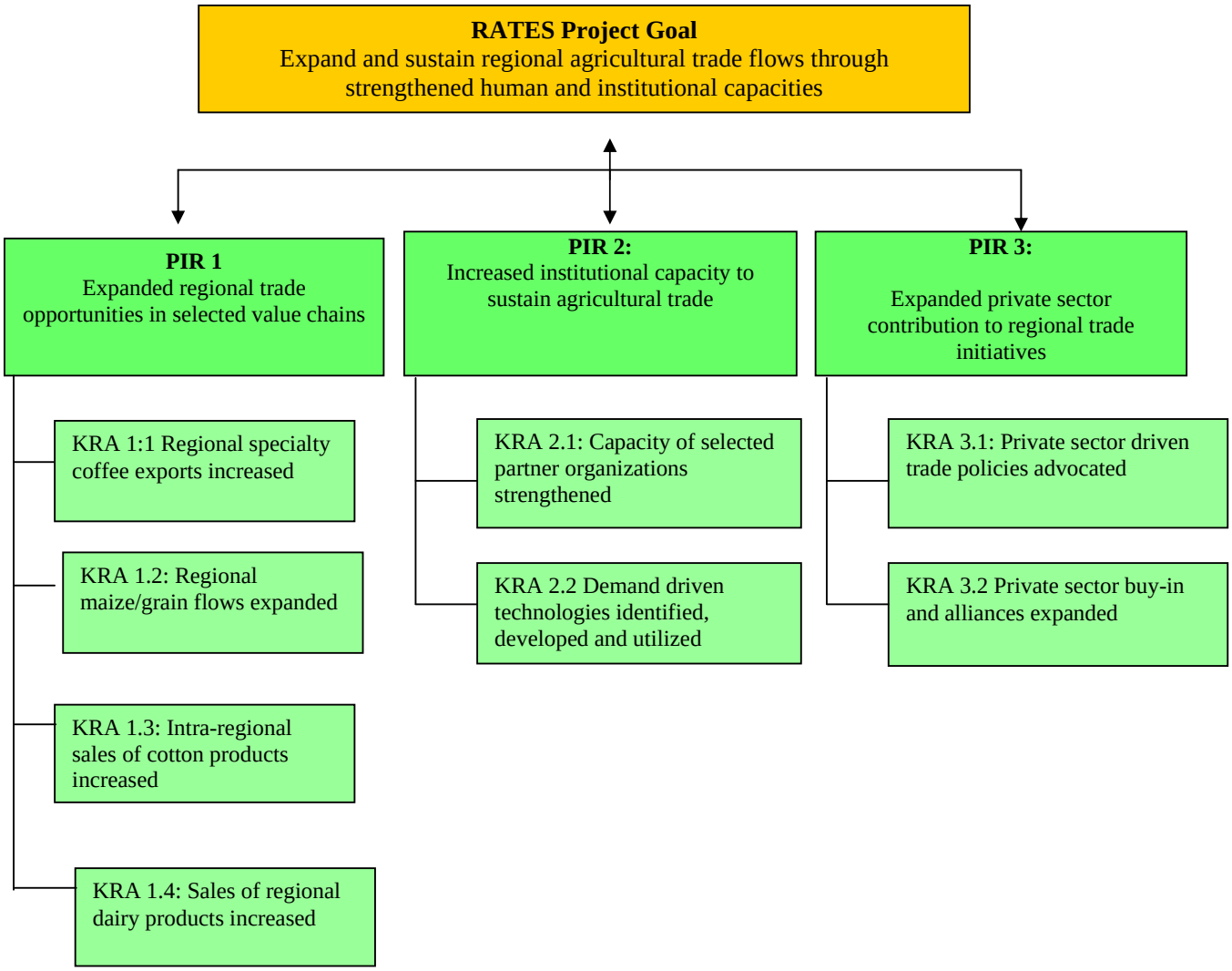
RATES Project Goal
Expand and sustain regional agricultural trade flows through strengthened human and institutional capacities

The Results Framework for RATES (Exhibit 1) is presented below. To achieve the RATES goal, RATES has identified three Project Intermediate Results (PIRs), each of which targets an area where RATES must achieve results in order to maximize contribution to SO 5 indicators. Each PIR is divided into key results areas (KRAs). KRAs provide the framework for identification and implementation of activities designed to achieve required results, govern the setting of benchmarks and targets, and drive decisions that the RATES Center makes with regard to technical priorities.

RATES Results Framework

The project goal, presented with the Results Framework below, reflects the position of RATES within the SO 5 framework and guides strategic thinking with regard to project approach and identification of appropriate project intermediate results areas. We have slightly modified the original results framework to better reflect the work on the ground, and to make it easier for reporting results.

Exhibit 1. RATES RESULTS FRAMEWORK

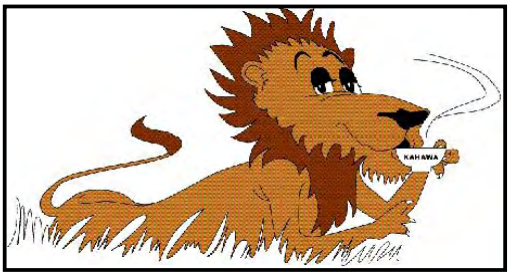


In the next section, we present a summary of progress achieved for the period October 1, 2004 to September 30, 2005.

II. Progress to Date

PIR 1: Expanded agricultural trade in selected value chains

KRA 1.1: Regional specialty coffee exports increased



Background. According to statistics released by USAID in January 2003, coffee is a $10 billion industry employing over 25 million people worldwide. The majority of coffee producers are smallholders living in remote rural areas who depend heavily on the cash income from their own harvest and temporary picking work for survival. USAID is committed to creating sustainable smallholder coffee systems and to working to improve local capacities to produce and market high quality coffee, thereby increasing the price farmers earn for their product. Within this context, RATES seeks to enhance the quality, competitiveness and profitability of African coffees in global markets and improve income for producers in the region.

The coffee industry is in crisis due to world wide over supply which has led to a dramatic reduction in prices. This downturn has had a negative effect on farmers' incomes and has resulted in a reduction in the supply from Africa. The specialty or fine coffee niche is the only segment of the coffee market that is increasing. The prices paid for superior quality coffee are actually on the rise while the rest of the market continues to fall. The ICO has just reported that exports of Arabica coffees in the first two months of coffee year 2003/04 totaled 12.2 million bags and had fallen by 17% compared to the same period last year. However, prices also continue to fall as the sector is still experiencing overproduction.

Strategy. RATES' strategy on increasing specialty coffee exports is to work through the Eastern African Fine Coffee Association, (EAFCA), a regionally-focused specialty coffee organization with chapters in ten coffee producing countries in the region including Tanzania, Kenya, Uganda, Ethiopia, Zambia, Rwanda, Burundi, Malawi, DRC and Zimbabwe. RATES is supporting EAFCA's ability to operate as an effective provider of technical and marketing services to its members. We are focusing on (country and regional) specialty coffee strategy development, quality improvement, information-sharing, marketing and promotion. The long-term objective is to support EAFCA's efforts to position itself as a leading authority on African fine and specialty coffees, and a key provider of technical services, and a major actor in regional and international coffee markets. We provide additional discussion on our organizational development program under the institutional capacity component (PIR 2). Progress on activities under KRA 1.1 is presented below:

Progress on key activities:

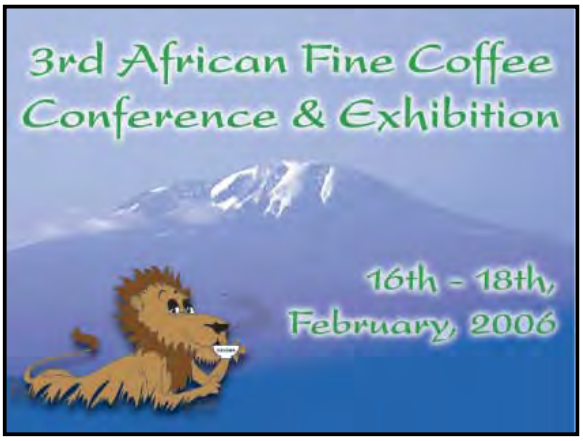
Activity 1. Support EAFCA's program for market expansion and promotion. RATES has worked closely with EAFCA to develop activities and events that promote the region's coffees and that also raise the profile and prestige of the organization. The fourth quarter continued at the normal frenetic pace, with focus on trainings combined with the first round of Taste of Harvest competitions throughout the region, planning for the various conferences, coffee clubs and a fact finding mission in conjunction with the Jane Goodall Institute to the Kanyovu cooperative in Kigoma, Tanzania. Some of the key events over the last few months:

☞ **Coffee and Tea Conference and Exhibition, Hamburg, Germany, Sept. 2005.** Europe is definitely the next frontier that EAFCA needs to focus on, as Europe is Africa's natural and biggest coffee trading block.

- EAFCA secretariat did a good job in trying to mobilize the membership to attend this conference, although responses were rather lackluster, due to understandable financial constraints. Attendees included one or more members from Kenya, Tanzania, Malawi, and Burundi. Ethiopia had its own booth, and hence did not participate in EAFCA's initiative.
- Samples of coffee were received from most countries. The notable exception was Rwanda. A few hiccups were had in getting the coffees to Hamburg in time.
- Booth setup was done by EAFCA staff with assistance from Chris Ransley of ESCO-Kenya, Phil Valentine of SOCFINAF, and other EAFCA members.
- Conference turnout was very good, and the EAFCA booth was well attended, with over 20 African representatives.

The EAFCA Booth at the Hamburg event

☞ **WWC-3, Arusha Tanzania, February 2006.** This conference should prove to be even more successful than the last two WWC events that have already exceeded all expectations. Advance bookings for the hotels or the conference have already exceeded 30 companies and exhibitors, a full nine months ahead of the conference. The theme this year is: "Africa: the Future of Specialty Coffee". The focus of sessions ranges from sustainability, farmer successes, to quality and finance issues. Some progress to date includes:



Flyer to promote the WWC 3 Conference

The final draft of the conference program, together with the speakers, has been completed, with fewer sessions than in 2005. The program should be uploaded soon on the WWC website and include:

- Jane Goodall of the Jane Goodall Institute has accepted EAFCA's offer to present as Keynote Speaker. JGI has yet to commit to a booth as RATES funding has still to be transferred.
- Mary Williams, formerly of Starbucks, has similarly accepted to attend the conference, as both a keynote at one of the dinners and as a speaker.
- Gerry Baldwin, former CEO of Peets Coffee and Tea, is expected to follow suit.
- Based on inquiries received and interest expressed at the Hamburg event, European buyers should be showing up in large numbers. 10-15 Japanese buyers can also be expected to attend.
- Commitment to exceptional service by Ngurdoto Crater Lodge continues to be a major concern. Upgrades by the hotel, as contracted by EAFCA, have so far only been partially completed. A follow-up check by Ludovica Bellingeri in November will hopefully instill us with additional confidence. One of the ground level bars has been "commandeered" for the Taste of Harvest cupping competition and for handling all the coffee brewing activities.

Coffee Breakfast launches in Dar es Salaam on September 20th and in Moshi on September 22nd were successful, with 50+ and 86 attendees respectively. The Kilimanjaro Regional Commissioner was a guest of honor and committed the government's full

support. With new elections on the way, it remains to be seen whether the same officials will still be in office to fulfill the commitment.

☞ **National Cupping Competitions & Taste of Harvest 2006.** The Taste of Harvest (TOH) judging dates have been changed to the 15th and 16th of February, 2006. The purpose is to overlap the competition and the conference, in order to make TOH an integral part of the conference and increase exposure to local and international delegates, and to allow for any of the judges to participate in the Coffee Safari prior to the conference. Judging will commence in the afternoon of the 15th, and run through the 16th.

- Lindsey Bolger has agreed to act as head judge, while Mane Alves will assist with implementation, judging, as well as planning for a "more international" event in 2007. EAFCA has identified an international judging panel comprised of eight CQI volunteers. Mane will also address the AGM and speak on the importance and benefits to be achieved from concerted industry efforts and dedication to excellence in quality.
- Due to constraints in funding, planning, logistics, and implementation, Mane Alves' proposal for an auction in conjunction with the TOH will be implemented in 2007, rather than in 2006.
- Coffees from completed national competitions have either already been received or are in cool / vacuum packed storage awaiting shipment.
- TechnoServe has agreed in principal to receive and store coffees prior to the Taste of Harvest event.

Activity 2. Support EAFCA's program of member services to enhance product quality. RATES supports EAFCA's program of member services to enhance product quality. As part of activities projected within its strategic plan, EAFCA is devoting significant resources to the delivery of member-demanded services including workshops and training that focus on the improvement of coffee handling within the market chain.

Technical trainings. The RATES coffee specialist worked closely with EAFCA to coordinate a number of training events during the quarter, often with the support of the Coffee Corp, a GDA-supported program under the Coffee Quality Institute (CQI) of the SCAA. All of these trainings were conducted with assistance from and in collaboration with numerous national-level programs including bilateral projects, public sector institutions, private sector businesses and EAFCA chapter members. A summary of quarterly events is provided below:

- CQI and EAFCA co-sponsored a cupping training in Rwanda in collaboration with both the PEARL and ADAR projects. PEARL supplied the Butare facilities, and had ten trainees. ADAR sponsored eight private sector trainees, and EAFCA sponsored eight Burundi participants. Trainers for this event were Lindsey Bolger of Green Mtn Coffee, Twin Trading UK, Peter Giuliani of Counter Culture Coffee, Duane Sorenson of Stumptown Coffee and Ric Rhinehart of Groundwork Coffee.

- Successful cupping trainings in conjunction with national Taste of Harvest competitions were held in August / September in Burundi (31 / 5 women), Rwanda (16 / 3 women), and Malawi (25 / 1 woman). CQI volunteer trainers were Miguel Turcios of FEDECOCAUGA Cooperative, Guatemala, and Keita Matsumoto of Wataru Trading, Japan.

Trainees getting the word on cupping from CQI volunteers in Malawi

- Additional trainings cum competitions are slated for Zambia and Tanzania in October 2005, followed by similar activities in Uganda, Ethiopia and Kenya in January of 2006.

- Considering that Burundi has had little to no outside assistance or support, with the exception of World Bank activities, they were surprisingly efficient and cooperative. Additional transparency measures will have to be instituted next year, in order to make the competition more open. The level of interest amongst participants was tremendous, and follow-up trainings are definitely warranted.

- As an industry, Burundi will also need some work, but this will have to be done subsequent to World Bank efforts to streamline and privatize the whole coffee sector

The Burundi cupping training and Taste of Harvest

- The SALES project's (Frank O'Brien and Chuck May) support for the training and competition in collaboration with CAMAL (Laurence Lawrence of Makandi Tea and Coffee) was unsurpassed. All but one of the producing organizations was present, and interest in moving forward on quality and niche marketing of their coffees was also unparalleled. Richard Kimball of USAID/Malawi was both impressed and grateful for all the work and efforts by CQI trainers and EAFCA. Malawi's level of conscientiousness was impressive.

- It should be noted that the on-the-ground cooperation / organization of the event in Rwanda by OCIR was less than ideal and extremely disappointing. The RATES coffee specialist held meetings with Kenneth Kambona of REDSO and the new local AID agricultural rep, and outlined the potential ramifications resulting from a lack of any institution to take over the reigns from the two very successful projects, PEARL and ADAR, once they leave beginning November 2006 and March 2007. In order to safeguard AID investments, we discussed the possibilities of attaching technical assistance to OCIR to strengthen capacity and leadership with backing from the relevant ministries.

Activity 3. Improve EAFCA's capacity for program delivery and communication. RATES continues to work with EAFCA to improve their capacity for program delivery and communication. As much of this effort also falls under institutional capacity building, it is discussed in detail under KRA 2.1 to avoid repetition.

KRA 1.2: Regional maize flows expanded

Strategy. Maize is the major food crop in the region and a key component of national-level food security strategies. However, it is not uncommon for certain parts of the region to be hit by severe seasonal food shortages despite available maize stocks in nearby countries. The distance between the supply and demand of maize can be measured in terms of both kilometers from supply and in terms of the number of cross-border barriers inhibiting trade. The RATES maize program has the long-term goal of improving the flow of maize and

expanding the availability within the region. This will contribute to stabilizing the regional maize market and help in reducing the large swings in maize prices seen during periods of deficit. The RATES maize program follows a regional theme of "Maize without Borders" as a concept launched by RATES through the auspices of COMESA. This initiative promotes free cross border trade and regional harmonization of maize policies, and been adopted as a COMESA policy to increase inter-regional trade in grain.

Progress on key activities:

Activity 1. Increase commercial commodity trade through the RATES Trade Office. To address the challenges of managing "real time" market information and trade linkage sites, the RATES Trade Office (RTO) was opened in 2003 dedicated to the upkeep and management of both the **www.ratin.net** and **www.tradeafrica.biz** sites. This office serves as the RATES "call center" where trade inquiries are proactively pursued through the internet, email, telephone, SMS and radio. All site "hits" and trade inquiries are monitored and tracked for transactional viability and completion. The RTO maintains an extensive trade directory of private companies and public sector agencies connected to the maize, bean and pulse trade.

- ☞ **Tradeafrica.biz**. This trade linkage site continues to draw interest from the private sector with inquiries to buy maize closing at US $162.7 million for the year representing 845,290 metric tons of grain. This is about a 20% increase from 2004. Offers to sell closed at US $118 million representing 724,000 metric tons. The gradual decrease in offers to sell over the year – with a bit of an upturn in the last quarter- reflects both seasonality of harvests, and the poor growing conditions experienced in 2005. However, use of the site for offers to sell increased by 37% over last year. It is important to note that the **www.tradeafrica.biz** site is used for both domestic and regional transactions hence the totals far exceed the volume of formal regional trade for the year.

User Feedback on www.tradafrica.biz

The purchasing officer of Golden Harvest Mills, a large miller in Kenya reported the benefits of receiving trade information and posting offers to buy on **www.tradeafrica.biz:**

"*I have just learnt where to source my maize in the region (Tanzania and Uganda). This month we were running out of stock and for three days trucks delivering local maize had stopped coming to our mills but now I will contact the traders from Tanzania and Uganda listed on* ***www.tradeafrica.biz*****"** …..Moses Mutemi

Table 1. Volume and value of business postings for maize on tradeafrica.biz for FY 2005.

Inquiries to Buy Maize	2004 totals	Quarter 1 Oct 1–Dec 31	Quarter 2 Jan 1–Mar 30	Quarter 3 Apr 1–Jun 30	Quarter 4 Jul 1–Sep 30	Cumulative Total -2005
Volume in MT	732,870	154,220	289,910	194,960	**206,200**	**845,290**
Value in USD	143,168,987	28,441,680	57,214,290	37,830,300	**39,258,000**	**$162,744,270**
Average Price USD/MT	195	183	193	192	**192**	**190**

Offers to Sell Maize	2004 totals	Quarter 1 Oct 1–Dec 31	Quarter 2 Jan 1–Mar 30	Quarter 3 Apr 1–Jun 30	Quarter 4 Jul 1–Sep 31	Cumulative Total
Volume in MT	388,478	219,540	150,797	118,427	**235,000**	**723,767**
Value in USD	86,314,343	38,048,760	26,432,160	22,273,060	**31,354,300**	**$118,108,280**
Average Price USD/MT	222	196	192	191	**184**	**190**

Activity 2. Strengthen formation of the Regional Trade Network. As RATES moves into year four of the maize program, we continue to push the envelope on developing strategies for increasing grain trade within the region. The region has had some initial success in increasing inter-regional trade in that formal maize trade increased this year from $31,252,068 to $47,476,232 and government policy makers are beginning to change their attitudes towards the free movement of grain across their borders. The COMESA and EAC Heads of State have endorsed the "Maize without Borders" concept that aims to improve the smooth flow of maize from surplus to deficit areas. Here are some examples of how the trade worked this year:

- Zambia and Tanzania remained key maize trade players in 2004 with $15,929,552 and $14,959,948 in formal trade export value respectively.

- Most of Tanzania's trade flowed north as Kenya's main supplier ($6 million) and west to Burundi and Rwanda (combined total of $7 million).

- Uganda exported a significant amount of maize with a value of $ $6,403,000 (up from $4,359,000 last year), but shifted its focus from Kenya –its traditional trade partner – to Burundi and Rwanda. This may be related to WFP food aid shipments to those countries which are recorded as formal trade.

- Ethiopia has come on the scene this year for the first time as a net supplier (although still limited) of maize to the region and the Middle East. Trade valued at $1,662,000 is significantly higher than previous years' trade valued at $48,000 in 2003 and $318,000 in 2002.

- Malawi, although considered to be a perennial maize deficit country, followed Tanzania and Zambia as the third largest maize trading country at slightly over $7million. Following the concept of "Maize without Borders", Malawi traded freely with countries such as Zambia ($4.5 million) and Mozambique ($1.3 million) which are the same countries they procured maize from between harvests. As a prime example that trade bans are unnecessary, Zambia sold maize to Malawi valued at $6.6 million.

- There are several examples of maize import and export trade occurring between the same countries, supporting the RATES premise that free regional trade in maize is the best form of food security – every country has a different harvest season. Best examples are Kenya and Uganda which bought and sold maize with Tanzania and Malawi bought and sold with Zambia. The challenge for RATES is to convince the public sector and food security operations that free trade is part of the process to maintain and sustain increased trade in the region that allows maize to flow freely from areas of surplus to areas of deficit.

- Of significant importance is the comparison of informal (unrecorded) maize trade to recorded formal trade. Taking into consideration that informal trade is only partially monitored and values are conservatively estimated, total informal trade for 2004/05 exceeds $44 million – almost equal to the $47 million that is formally recorded by COMESA and reported here in this report. The informal trade between Uganda and Kenya is almost $14 million compared to recorded trade of $400,000.

Inter-regional grain trading has increased at various stages in the value chain. At the national level, a number of interesting initiatives are being explored including contract farming schemes, forward contracting, warehouse receipt systems, and commodity exchange systems. All these efforts are pre-requisites for establishing a more advanced system of regional trading. However, the pace of moving to a more liberalized environment has been somewhat slow and these "new" initiatives have not produced a formidable grain trading platform. This slow pace has been hindered somewhat by government interventions (i.e. government participation in the market place), lack of capacity among the private sector players to fill the vacuum left by government marketing boards, and lack of regionally focused distribution channels of grains from surplus to deficit areas. As a result, regional trading is still hampered by the dynamics of the past where market principles and practices were monopolized by the state.

The absence of a well organized regional food grain market constrains broad participation by genuine and reputable grain traders, slows adoption of productivity enhancing technologies at the farmer level, and generally leaves the grain value-chain exposed to price and quantity volatility risks. For the trade to move forward, market participation requires:

- Broad regional participation - sufficient buyers and sellers in the regional market so that a single player cannot hold others "ransom"
- Rules to trade – qualification of buyers or sellers and guidelines for orderly markets
- Transparency- offers and bids in the regional market are known to all potential buyers and sellers
- Regional market intelligence - offers and bids in one area or country are known in other areas or countries in real time, so that trading between countries is enabled

- Knowledge sharing - information on the underlying regional supply, including food aid imports, and demand fundamentals.

☞ **Regional Grain Trader Summit, Nairobi; October 12th and 13th, 2005.** RATES, in collaboration with COMESA and the EAC held the first Regional Grain Trade Summit to provide a forum for all key players in the regional grain industry to meet as a group (for the first time) to map out a regionally focused strategy for grain trade market development within COMESA. Participants included key policy makers, leading food aid policy makers and procurement staff, leaders of strategic grain reserves, private traders, producers, millers, bankers, and donors. The event attracted over 300 participants from 20 countries including COMESA, EAC and SADC as well as Europe and the United States.

RATES is addressing trade improvement issues head on through our "Maize without Borders" initiative and felt that the timing was right for the region to further develop strategies that encourage the development of a mature grain trading system. To do this, the region needed to develop consensus on the right way forward among the commercial players in the value chain. In this regard, the Regional Grain Trade Summit accomplished this objective. The theme - "Future of Grain Trade in East and Southern Africa" – formed the basis for all presentations and workshops. The four main topics that segregated the key Summit presentations and workshop discussions were:

- Public, Private and Donor Sector Investment/Intervention Options.
- Role of Food Aid and National Grain Reserves and their Impact on Trade.
- Competitiveness – Farm to Market Systems.
- Trade Finance: Collateral Management, Commodity Exchange, and Warehouse Receipts.
- Towards Enacting Effective Trade Policy for Improved Regional Trade.

☞ **Business forums/meetings.** RATES continues to hold business forums and grain trade meetings with national stakeholders to promote the "Maize without Border" concept and encourage the public and private sectors to hold regular dialogue on key trade issues. RATES has also been invited to conduct presentations at several regional forums discussing trade issues. Below, we provide a summary of these meetings:

- **SADC/SGR Workshop**. Steve Njukia attended a SADC and EU sponsored Strategic Gram Reserve (SGR) meeting in Lilongwe on October 4th. Steve influenced the meeting significantly when he introduced the "maize without borders" concept that works as a virtual regional grain reserve if allowed to operate unfettered by governments.

- **NEPAD/IGAD Conference**. Steve presented a paper on regional marketing integration to participants at the NEPAD/IGAD Conference held at the Windsor Resort in Nairobi on November 23, 2004 to promote the concept of regional supply chains and their affect on competitiveness and food security.

Steve Njukia represents RATES at the SADC meeting in Lilongwe

- **EAC Customs Union Meetings**. RATES hosted three EAC grain trade meetings held in Dar es Salaam, Nairobi, and Kampala. At these meetings, an official from the EAC was invited to speak to the groups explaining the impact of the new EAC customs union agreement on grain trade among the three countries.

- **Kenya Food Security meetings (April/June**). The main objective of these meetings is to review (on a regular basis) the national food situation in Kenya. The Ministry of Agriculture presented an updated assessment of the Kenya crop situation including production, maize prices, and the National Cereals and Produce Board (NCPB) operations. Members discussed imports requirements, relief needs, and the food situation in neighboring countries that may affect the inflow or out flow of food products into or out of Kenya.

- **NCPB/Grain millers' round table meeting (May)**. The RATES trade office served as a key resource of local, regional and international market information. The objective of the roundtable was to evaluate the maize stock position vis-à-vis the milling and industrial requirements for the period between June and October, 2005 and providing specific recommendations for developing a common strategy of dealing with any shortages that may be experienced this year.

Participants at the Kenya EAC Grain Trade Meeting

- **Grain Trade meeting in Addis Ababa, Ethiopia (April).** RATES attended this workshop, again as key resource to the meeting. The participants discussed grain trade and food security issues in Ethiopia and specifically focused on maize, beans and pulses. WFP highlighted some of the problems experienced in procuring local maize for food aid. Stephen Njukia, RATES maize specialist, represented RATES at a workshop organized by the Ministry of Agriculture and Rural Development and the Ethiopia Strategy Support Program, a collaborative program of EDRI and IFPRI, on "Unleashing Markets for Agricultural Growth in Ethiopia: An Agenda for Action" on May 18-20, 2005, at the ILRI campus in Addis Ababa. Stephen was given an opportunity to inform participants about the work we are undertaking to help regional integration that will impact on agricultural products marketing in the future, based on removal of barriers to trade and an increase in region agricultural market information flow.

- **WFP Procurement workshop in Uganda (June 15).** Pam Chesire was invited to attend this WFP workshop held in Kampala on June 15 and included a number of WFP country representatives. The trip focused on creating awareness of TradeAfrica.biz and RATES services that could be utilized by WFP's regional procurement officers. The goal is to have WFP tenders being posted on site in a timely manner (as part of trade). The websites were received with a lot of enthusiasm and interest from individual country representatives. In addition, the upcoming grain trade summit was promoted via flyers to the thirty or so delegates.

- **Food Aid Round Table meeting (June 16).** RATES participated in the Food Aid Round Table forum held at the Food for Peace offices in Nairobi. In the presentation, RATES made the following recommendations: Food Aid agencies should consider themselves part of the trade; donors should work with bilateral and all national players; local food aid procurement should occur within region, not restricted to national borders; Food Aid agencies should participate in regional efforts to link trade sector; and Food Aid agencies' procurement systems should be designed to include smaller traders.

Some of the Ethiopia Grain Trade forum participants

- **Malawi Business Meeting**. The RTO organized a business meeting of thirteen traders and millers in Malawi on August 15, one of the first functions of the newly formed

Traders and Millers Association. Discussions centered on the GOM tender for 96,000 MT of maize with the members advocating revisions to the tender process to allow them to bid on smaller amounts.

- **Zambia Business Meeting**. Over 20 traders and millers attended a business meeting with Steve Njukia and Pam Chesire in Lusaka on August to discuss regional trading opportunities, especially the Malawi procurement tender. Zambia had an estimated maize shortfall of between 80 and 100,000 MT which is to be sourced from outside.

- **Rwanda Traders Meeting.** Pam Chesire met with 20 of Rwanda's traders and millers for the first time in Kigali on September 8th to demonstrate the RATIN and Tradeafrica websites. As a direct result of the meeting Rwanda traders soon posted over $10 million in offers to buy and inquiries to sell.

Activity 3. Oversee management of the Regional Agricultural Trade Intelligence Network (RATIN). The www.RATIN.net site is now fully under the RATES Trade Office (RTO), which will continue to work closely with FEWSNET on providing critical data input to the network. RATES has retained Bridgette Okumu, the RATIN database manager, who was initially funded by FEWSNET to carry on the cross border and data input responsibilities. RATIN has continued to be the leading source of agricultural market information locally, regionally and internationally. There are now over 1400 subscribers to the Monthly Newsletter and Weekly Price Review bulletin through the www.ratin.net website and the number is rising monthly.

- **Eastern Africa "Maize Availability" Balance Sheet.** The RTO has refined and updated the balance sheet in collaboration with a number of key industry players including the Ministries of Agriculture in all four operating countries (Kenya, Uganda, Tanzania and Rwanda), the Tegemeo Institute of Research and Development in Kenya, regional traders through their various trade associations, millers, national food reserve agencies, FEWSNET, and Ports and Cargo agencies. The regional maize balance sheet is now available on www.RATIN.net

- **Cross border trade data**. RATES is continuing with FEWSNET's cross border data collection activities and have signed new service contracts with the FEWSNET-supported price and border monitors. In June, Bridget Okumu traveled to the Isebania border to meet with Kenya revenue authority and to make contact with the new customs officer at the border who will provide data regarding monthly cross border trade on the official (commercial and non-commercial) flow of maize, beans and rice into Kenya from Tanzania.

- **Busia Training**. Constraints at the borders are often caused by the lack of harmonization of standards and regulations between trading states. RATES is working closely with COMESA and EAC to address these issues. RATES recently assisted the EAC Secretariat to develop and finalize a harmonized grain standard for the EAC and to publish a grain trade handbook as a roadmap for EAC grain traders. To follow up these

Training Feedback

"The training was relevant to me because it provided me with the information on quality standards. I can now determine the quality of maize before transporting it to my buyers in Nairobi and Mombasa"….. **John Wabwire, trader**.

efforts, RATES organized a training session on August 10, for over forty cross-border traders operating from various border posts along the Kenya/Uganda border to better understand the new standards and work with these smaller traders to encourage them to use formal channels of trade. RATES brought the Kenya Bureau of Standard (KEBS) and Uganda National Bureau of Standards (UNBS) together for the very first time to offer training to these traders. RATES also used the RATES Partners Fund to provide moisture meters to a number of cross-border traders associations to allow them to test grain to ensure they were procuring maize within the new standards.

- **RATIN web page.** The www.RATIN.net site has been revised to reflect the current RATIN program under RATES. Uganda, Kenya, Tanzania and Rwanda continue as the target countries with maize, beans and rice as the three targeted commodities. The site has been "re-tooled" for ease of use and to present a more credible format. Expansion of the RATIN network to additional countries will depend in part on a collaborative program still under discussion with COMESA (as their ADB funded project comes on board).

- **Market information systems.** RATES was invited to participate in a market information system training in Accra, Ghana organized and fully funded by IFDC's MISTOWA program. Stephen Njukia represented RATES and made a presentation to the group focusing on steps to develop a sustainable regional agricultural market information system based on RATES work on MIS. The training included hands on instruction on using available market information systems (RATES' www.tradeafrica.com site was highlighted). Participants were given assignments covering data collection, data dissemination, and use of available data in the internet to facilitate participation of a bid to supply WFP with maize in Mali, Ghana, and Mbeya, Tanzania. In an interesting turn of events, the MISTOWA program sponsored ten delegates from West Africa to participate in the Regional Grain Trade Summit.

From Malawi. RATES has been working with the Malawi USAID bilateral mission and local partners for the last two years to help organize private sector grain traders in Malawi. This year, Malawi cereals traders have formed a national association to promote a more cohesive and mature trading system. The association has recognized the need to work together to consolidate the volumes when importing or competing for tenders to supply to processors and government. RATES facilitated the first business meeting and linked the group to our www.RATIN net network.

***"We live in this country (*Malawi*), but we have never met many of the traders represented here today. We are grateful for the contacts RATES has given us today especially with the upcoming maize tender from the Malawi Food Reserve Agency"…*Grace Mhango**

KRA 1.3: Regional Cotton/Textile Trade Increased

Strategy. To meet our objectives in the cotton/textile sector, RATES is focusing on the regional textile industry as a main buyer of regionally (and mostly smallholder) produced lint, and as a seller of textile products to the apparel sector taking advantage, where applicable, of opportunities provided under AGOA. Operating under the premise that the resulting increase in regional demand for cotton will translate into improved market opportunities for smallholder farmers, RATES has been working with the industry to develop and strengthen regional markets. RATES is promoting and implementing programs for improved regional competitiveness that position the sector to work to best advantage in national, regional and export markets.

A key element in the 2005 program is the direct industry ownership of the program and RATES has been meeting with key cotton/textile companies to promote the concept of regional integration of the supply chain. To make this happen, RATES has been encouraging regional networking through the www.cottonafrica.com trade linkage site launched last year that provides trade linkage systems and trade information. RATES will work with national and regional organizations to gain support for the regional integration approach to cotton development. As with maize, RATES supports a private sector driven program to identify trade policy constraints for cotton that are vetted at the appropriate regional and national forums. This is presented in KRA 3.1.

RATES has been coordinating its cotton/textile and other programs closely with the ECA Global Competitive HUB, based in Nairobi, and the Southern HUB in Gabarone, especially on AGOA interaction. RATES and the Hub projects schedule periodic meetings to ensure a smooth working relationship and RATES is working closely with bilateral mission projects to ensure that RATES' regional focus on trade facilitations and policy harmonization compliments national-level efforts. RATES has a strong working relationship with all of the bilateral projects including APEP, SCOPE, SPEED, ACE, ZATEC, SALES and PESA.

Progress on key activities:

Activity 1. Promote and develop regional trade integration systems. To support the promotion efforts on regional integration, RATES designed a regional cotton industry trade linkage website for cotton/textiles, www.cottonafrica.com, linking suppliers and buyers region-wide. The focus is the supply of regionally produced lint to the textile sector, and fabrics to the apparel sector to meet the AGOA third country fabric conditionality which has now been extended to year 2007. The website also posts a comprehensive cotton trade directory listing all companies and products within the region, and serves as the sector voice in the region providing trade news, updates, and trade regulation/policy interventions. The site is managed by the RATES cotton office using a proactive call center approach. The team continues to improve features on the site and to expand the number of stakeholders using the site.

☞ **The Cottonafrica trade linkage site.** The expansion and widening of the scope of companies captured on the site continued this year the quarter. Some highlights:

- **www.cottonafrica.com** is now number one in both the Yahoo and Google search engines with 'cotton Africa' as the key search word. Just three months ago it was number 4 in respect to Yahoo and 35 in Google.
- ITC/UNCTAD requested cross-linking of their trade website with the cottonafrica.com website to increase coverage and increase hits on both sites.
- Advertising enquiries received from Global Reach Go Industry, Henry Butcher International, Michael Fox International, Karner & Co and Appelboom (represented in 16 countries) requesting advertisement rates and space in **www.cottonafrica.com** .

☞ **Trade volumes**. A total of US $ 170 million in offers to buy and sell were posted on the site during the year, up from $73 million in 2004 – an increase of 130%. The lion's share of this volume was attributed to offers to sell cotton/textile products, a direct result of RATES contact with the industry.

Table 2. Value of business postings on www.cottonafrica.com .

POSTINGS	Totals for 2003/04	Quarter 1 2004/05	Quarter 2 2004/05	Quarter 3 2005/06	Quarter 4 2005/06	TOTALS 2004/05
Enquiries to Buy (USD)	$23,767,000	$2, 881,000	$615,600	$8,058,200	2,432,576	$13,987,376
Offers to Sell (USD)	$49,156,000	$10,067,000	$64,736,277	$62,372,000	18,836,360	$156,011637
TOTALS (USD)	$72,923,000	$12,948,000	$65,351,877	$70,430,200	21,268,936	$169,999,014

Taking Care of Business on www.cottonafrica.com

"Through cottonafrica.com website, we as WOTOL have noted improved business arising from numerous contacts and enquiries on our machinery. We have so far registered sales arising from a wide network of customer base realized from your site"…. "All in all we recognize with gratitude the positive impact www.cottonafrica.com has had on our business and going by the enquiries we keep on receiving, we believe with your continued support we can revolutionize the Textile industry in Africa…" **Anfrew Faraja of WOTOL (World Textile Online):**

Trade analysis on the cotton/textile (fiber to fabric) trade data include:

- RATES measures cotton/textiles exports both in the intra and extra-regional categories. We also separate commodities by HS codes for lint (HS 5201 and 5203), yarn (HS 5205) and fabric (HS 5209/10/11/12).

- There has been a significant 87% increase in cotton/textile trade which can be attributed to an increase in lint production and trade that has helped to raise the total values in all producing countries.

- Over the past three years, there has been significant Mauritius textile investment in Madagascar. However, an AGOA rule change has provided Mauritius a LDC category which has resulted in an increase in textile exports from $29 million in 2003 to $36.4 million is 2004 (mostly yarn and fabric).

- Although not part of the RATES country sample, Madagascar (a COMESA member state) has seen a significant increase in textile exports of about 100% between 2002 (base year) and 2004.

- Tanzania is in the top three of exporting countries with its growth (from $45.6 million in 2003 to $78.6 million in 2004) based production growth and recent investment in its textile sector.

- In Zimbabwe, still the second largest cotton/textile exporter in COMESA at $140 million, lint production remains strong even in uncertain times, as this sector is a major foreign exchange earner**.**

- Interregional trade within COMESA for lint between 2003 and 2004 increased by 67% – an important statistic when the AGOA third country provision is considered – signifying that yarn and fabric manufacturing within the region is on the increase. On the down side, most of that yarn and fabric is exported outside the region as interregional trade is down by 8%.
- A good indication that the lint trade is somewhat independent of the regional cotton value chain is demonstrated by extra-regional export data for lint – 95.5% of lint leave the COMESA region.

Activity 2. Develop the concept of a regional trade community/networking structure. RATES efforts are focused on getting direct industry ownership of the program. Through our national-level workshops, RATES has been meeting with key cotton/textile companies to promote the concept of regional integration of the supply chain. RATES made significant progress on the regional integration front following a very successful executive summit held in late April. Below is a summary of the results:

☞ **Regional Cotton and Textile Executive Summit (April 27th -28th, 2005, Nairobi, Kenya**). The major outcome of the inaugural regional cotton and textile summit was the unanimous agreement by industry executives to form a regional African cotton and textile industry body, an initiative that was fully endorsed by the COMESA and EAC representatives present at the meeting. It was agreed that an interim steering committee would be set up to immediately start building cooperation, interaction and linkages within the region and to start addressing the key issues that arose from the summit. This historic new initiative will have potentially far reaching effects and for the first time, the region now had the opportunity of becoming a unified and recognized voice in both regional and global trade affairs. The event, which attracted 150 delegates from 20 African countries, was organized in collaboration and in partnership with, the Common Market for Eastern and Southern Africa (COMESA), the East African Community (EAC), the International Cotton Advisory Committee (ICAC) and the East and Central Africa Competitiveness Hub. The summit content covered the 'fiber to fabric' value chain and an enabling environment was created that helped promote the regional trade community concept,

address key policy issues and post MFA challenges, the creation of international alliances and affiliations, and provided a forum for networking, linkages and information exchange.

Andrei Guitchounts of ICAC speaking at the opening session

Tony Carroll of Manchester Trading speaking during the investment session

Closing session: remarks by Andy Sisson, USAID REDSO Mission Director

Barry Fisher discussing trade issues with Stephen Landes of Manchester Trading

Some key issues that emerged from the Summit included:

- The post-ATC (MFA) impact and the need to explore other market/product options more vigorously
- The negative consequences of the expiry of the AGOA third-country fabric provision in September 2007, the need for the region to formulate a collective position and to ensure that textiles and apparel continue to be prominent on the AGOA Forum Agenda
- The high cost of capital and limited credit options, contributing to the lack of investment
- High transaction costs (e.g. utilities, inland transport, machine output)
- Regional policy constraints (tariffs / NTB)
- Cotton subsidies

☞ **Regional Cotton & Textile Industry Inaugural Steering Committee Meeting (June 14th, 2005, Johannesburg, South Africa).** This inaugural steering committee meeting was convened as a follow up to the Summit held in Nairobi in April 2005. Invited members were comprised of "officially recognized and appointed" representatives of National Associations or similar entities; twenty five delegates from fourteen countries within the region participated (Botswana, Egypt, Ethiopia, Kenya, Lesotho, Mauritius, Madagascar, Malawi, Uganda, South Africa, Swaziland, Tanzania, Zambia and Zimbabwe)**.** For the first time, the region's top industry executives covering the 'fiber to fabric to apparel' value chain agreed to work together in common purpose and agreed to form the "African Cotton and Textile Industries Federation" (ACTIF)**.** The fundamental guiding principles of ACTIF were established with a mission to "be a nationally, regionally, and internationally recognized trade body established by the cotton, textile & apparel sectors that provides effective regional representation at international forums and promotes improved competitiveness of the industry in the global market place." The body initially includes East and Southern Africa covering the COMESA, SADC and EAC "blocks". However the new entity was not designed to be restrictive geographically and would subscribe to an "Africa wide" view.

Some key features of ACTIF:

Members of the steering committee meeting in Johannesburg

- Stresses private sector "ownership"
- Strong allegiance of nationally based trade institutions which will form the constituency base
- Incorporates the theme of public/private partnership
- Maintains its focus on trade issues
- Is inclusive of all sectors in the value chain
- Encourages diverse international participation
- An Executive has been elected together with four action committees, these being:
- Global Trade Initiatives
- Investment & Finance
- Inter Regional Trade & Supply Chain
- Production, Ginning & Lint Trade

RATES will act as the interim secretariat and it will support ACTIF in its formative stages. As we do not expect this organization to maintain a "bricks and mortar" location, following the initial sub-committee strategy meetings, most business will be conducted virtually through e-mail and internet exchange. The Steering Committee also formed sub-committees that will address specific issue areas.

ACTIF Sub-committees: Who's who in African Textiles

Global Trade Initiatives Committee
Chair: Jas Bedi (Kenya)
Vice: Jack Kipling (South Africa)
Dr. Wagdy Hendy (Egypt)
John Hargreaves (Madagascar)
Lilowtee Rajmun (Mauritius)
Brian Brink (South Africa)

Investment & Finance Committee
Chair: P.Rajeswaran (Botswana)
Vice : Jennifer Chen (Lesotho)
KK Desai (Malawi)
Ramesh Patel (Zambia)
Bruce Dorward (Zimbabwe)

Production, Ginning & Lint Trade Committee
Chair: Okello Ocero (Uganda)
Vice: Rob Jarvis (Zimbabwe)
Dr. Dan Mwaisengela (Swaziland)
Hennie Bruwer (South Africa)
Koot Louw (South Africa)
Prem Kapoor (Tanzania)

Inter-Regional Trade & Supply Chain Committee
Chair: Kersley Ramdoss (Madagascar)
Vice: Danielle Wong (Mauritius)
Dr. Joe Kabissa (Tanzania)
Igsaan Salie (South Africa)
Esayas Asefa (Ethiopia)

☞ **ICAC meeting**. A strong relationship has developed between ICAC, a partner in the cotton summit activity, and RATES which was further enhanced by Barry's participation at the International Cotton Advisory Committee (ICAC) 63rd Plenary Meeting held in Mumbai, India from November 29th to December 3rd, 2004.

☞ **Trade Meetings**. RATES sponsored successful trade meetings in Mauritius, Madagascar, Tanzania and Kenya during the year to continue the promotion of national business meeting forums. A point worth noting is that after the Mwanza (Tanzania), meeting a group of cotton ginners posted 36,000 tones of cotton lint (worth US$ 43 Million) on **www.cottonafrica.com** website. This underscores the importance of holding national meetings as a way of promoting inter-regional trade.

Hon: Raphael N Mlolwa M.P, Chairman Tanzania Cotton lint, and Seed Board addressing participants at Dar es Salaam business forum

- **COMESA Business Summit and Council of Ministers (May 30th –June 2nd, 2005, Kigali, Rwanda)**. RATES attended both the business segment and the Council of Ministers. The event was used extremely constructively to promote the activities of the RATES program, the regional integration concept, the pending formation of the new regional cotton & textiles body and to generally interact and forge linkages with both regional and international organizations/individuals.

- **Corporate Council on Africa's U.S.-Africa Business Summit (June 20th -24th, 2005, Baltimore, USA).** As pre-summit preparations, the RATES cotton specialist, Barry Fisher, attended a meeting in Washington to discuss and confer with the US Association of Importers of Textiles & Apparel, and other textile and apparel experts to explore whether a consensus could be reached on ways to use future access to third-country fabric under AGOA, and to discuss measures that could be adopted to create incentives for textile mill investment and production in Africa. Barry participated in the workshop and panel entitled "The Challenge of AGOA in 2005 and Beyond: Value Added in Manufacturing" and gave a presentation on the regional integration dimension. The other panelists included the Hon. Minister Kituyi (Minister of Trade & Industry, Kenya), Erastus Mwencha (Secretary General, COMESA), Ambassador Molelekeng Rapolaki (Embassy of the Kingdom of Lesotho), Bill Jackson (Director for African Affairs, USTR), John Hargreaves (Vice President, GEFP Madagascar) and Michael Gale (President, Government Relations & International Trade Strategies).

  Both the panelists and the workshop participants were extremely interested in the RATES cotton/textile regional initiatives and in particular the formation and activities of ACTIF. The event was an excellent forum to establish contacts and to network with a wide cross-section of industry experts, both public and private sector. Contact was made with the AGOA advisor from the Southern Africa Global Competitiveness Hub and set the base for future collaboration. As usual, liaison continued with the ECA Hub who was present at the summit.

- **AGOA IV Forum Dakar, Senegal (July 2005).** Following the creation of the African Cotton & Textile Industries Federation (ACTIF) in June 2005, the office of the United States Trade Representative (USTR) and the Forum organizing committee invited Jas Bedi (Chairman of ACTIF) and Igsaan Salie (President of the South African Textile Federation and member of the ACTIF Inter-Regional Trade & Supply Chain committee) to attend and participate in the panel addressing the subject of "Strategies and Recommendations for Strengthening U.S. – Africa Trade Post-MFA".

ACTIF chairman Jas Bedi presenting a paper at the AGOA Forum in Dakar, Senegal

International Textile Manufacturers Federation (ITMF) Istanbul, Turkey (September 2005). Continuing with the aim of creating international alliances by the presence and representation of ACTIF at key international forums, the Chairman of ACTIF, Jas Bedi, and Barry Fisher participated in the 2005 conference of the ITMF held in Istanbul, Turkey. The ITMF membership includes textile interests across the globe and as such, attendance at the conference gave an invaluable opportunity to establish contacts and affiliations with the world's textile community. ITMF afforded ACTIF official recognition with an invitation of membership for ACTIF as a single trade block, offering significant discounted membership that provides the LDC members of ACTIF a member option for the first time. Up to now, the only "African" representations in ITMF were South Africa and Egypt.

- **International Cotton Advisory Committee (ICAC) 64th Plenary meeting (26 – 29 September 2005, Liverpool, UK)**. The Liverpool plenary attracted over 500 delegates from 45 countries, with nine international organizations participating. The meeting covered a large cross-section of very relevant topics which included production issues, the standardization of instrument testing of cotton, demand enhancement and the subject of 'African Cotton and the International Community'. Barry Fisher (RATES cotton/textile specialist) participated on the 'African Cotton and the International Community' panel and generated significant interest in, and the support of, the activities of ACTIF. A number of African countries, West African nations in particular, sought membership and involvement in ACTIF. A high profile (Africa and International) coverage of ACTIF was gained.

- **ACTIF Production, Ginning & Lint Trade committee (29 September 2005, Liverpool, UK)**. The sub-committee deliberated the issues and proposed activities for the ensuing year and an annual work plan was formulated and agreed. The main aspects to be addressed covered information supply, the improvement of competitiveness in production, GMO issues and "niche' market development.

KRA 1.4: Regional trade in dairy products increased

Strategy. The program for RATES activities in the dairy sector is focused on the development of extra/inter-regional export markets, initially targeting countries in the region with products that have regional demand. Target markets need to be identified through market demand assessments. Exportable "surplus" follows a production/ consumption definition but there is potential in many "deficit" countries to export limited volumes of milk product during seasonal "flush" periods, especially if the domestic market has limited demand.

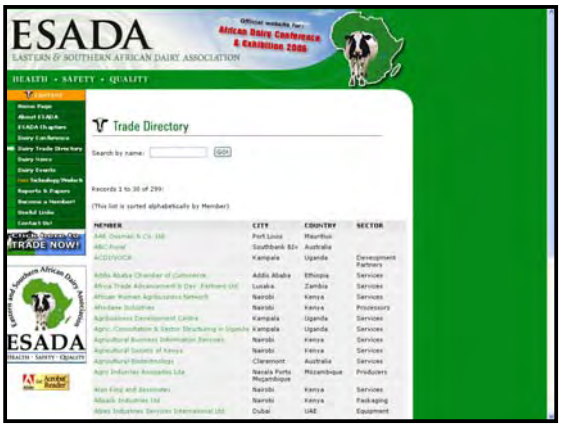
Key dairy sector issues have been raised with the completion of eight national dairy studies, conducted jointly by RATES and ECAPAPA that highlight the lack of milk supply throughout the region. There is no country in COMESA that is self sufficient in milk products and installed processing capacity has a regional average of only 30%. Domestic milk consumption is also very low, averaging about 36 liter/ person throughout the COMESA region (compared to the WHO recommended consumption of 200 liter/ person). One may be tempted to conclude that the region doesn't have an inter/extra "trade" problem since there is little to trade, but rather a domestic liquid milk production and consumption problem.

However, RATES has recognized that there is a need for free and transparent ebb and flow of milk products throughout the region based on seasonal supply highs and lows, along with a focus on value added processed goods (UHT, yogurt, cheese, and ice cream) that do have a regional market. This is a sound strategy to pursue, especially as it highlights impediments to trade that may inhibit increased production and consumption.

Background. RATES recently sponsored a Regional Dairy Summit in October 2004 that was well attended by executives of all the key dairy processors in 12 different COMESA countries. The RATES work plan for this year was based in part on the resolution they passed at the Summit to form a regional diary processors association now referred to as Eastern and Southern Africa Dairy Association or **ESADA.** Key issues that led to this unanimous decision included the lack of regional market information, limited knowledge on potential trade partners and their respective products, and the absence of a regional voice in the international dairy arena. The fact that annual imports *to* COMESA countries, valued at an average of $90 million, far exceed the $7 million in annual trade *between* COMESA countries has created an urgent sense of unity among the commercial stakeholders - that it is better to work together than apart. RATES is focused on the objective of increased inter regional capacity to compete with the extra regional COMESA import trade that represents 92% of the dairy market. This is our "window of opportunity" and it is significant.

Progress on key activities:

Activity 1. Develop systems for inter-regional market linkage systems. The RATES team is working with the ESADA staff, Board, and membership to implement a program of linking trade partners together. The website for ESADA and the next dairy conference in Kampala is now operational: **www.dairyafrica.com** .



☞ **Trade linkage website**. The trade linkage data-base components are also now completed and ESADA will work with the two web designers to merge the two components into one web. ESADA will hold an official launch once the system is fully functional.

Activity 2. Develop systems for improved market information. ESADA has stated collecting market information on dairy products that will be housed on the trade linkage site. The site program will be augmented by a bi-monthly trade newsletter or bulletin that will be disseminated through the website, email and hard copy mailings to association members. The trade directory will also be used to mass-mail news flashes, bulletins, etc. through the internet.

☞ **Dairy trade directories**. Two directories were started this quarter from bits and pieces that have been compiled over the past few months. The first is the complete ESADA membership directory that comprises all 50-60 members of National Associations. The second is an all encompassing trade directory of all dairy companies, agencies, projects, support companies, cooperatives, distributors, supermarket chains, international bodies and regulatory authorities in the region and overseas

☞ **Trade Analysis: 2004 COMESA trade data.** RATES monitors the intra and extra-regional trade for ten HS dairy commodities, from raw milk to yogurt. COMESA data indicates that there was $7.2 million in intra and extra regional trade in 2004. Although $7.2 million in regional dairy export trade may seem small compared to other commodities, the number becomes noteworthy when compared to $90 million in total annual extra-regional imports. It is this figure that RATES emphasizes as a regional trade opportunity; it indicates what the current market can bear in terms of trade, trade that the regional industry can target for future investment and intervention.

- Despite the size of trade, there has been gradual improvement from the baseline year of 2001. Dairy trade has seen a 179% increase in dairy trade between 2001 and 2004

and again, looking at the opportunity available, and the momentum of the industry, we expect this figure to rise significantly every year.

- There have been several key factors that have affected dairy trade during 2004. The failed privatization of the Uganda Dairy Corporation, the interference of the process of GOU, and declining quality of management at UDC resulting in contract losses explains Uganda's drop in exports from $550,000 in 2003 to $164,000 in 2004.

- However, the investment made by the Zimbabwe Dairibord in Blantyre, Malawi led the Malawi export drive from almost nothing in 2001 to over $1.2 million in 2004, with almost all exports going to Zimbabwe. Zimbabwe, in turn, exported over $2 million in dairy products to Malawi which can be attributed to their Malawi investment. Ironically Malawi and Zimbabwe account for over 80% of total export trade among the seven target countries.

Activity 3. Build a regional trade community through the regional association. RATES is working with ESADA to provide core technical support on institutional design and formation. This is further explained under KRA 2.1. Core support will also be accessed to kick-start association programs that address inter/extra regional trade issues. The RATES dairy marketing specialist will coordinate the RATES dairy program with the regional association program and will provide full-time technical expertise to ESADA. Some significant results include:

☞ **Regional Dairy Summit, October 2004.** RATES sponsored a Regional Dairy Summit in October 2004 that was well attended by executives of all the key dairy processors in 12 different COMESA countries. The RATES work plan for 2005was based in part on the resolution they passed to form a regional diary processors association now referred to as Eastern and Southern Africa Dairy Association (ESADA). Key issues that led to this unanimous decision included the lack of regional market information, limited knowledge on potential trade partners and their respective products, and the absence of a regional voice in the international dairy arena. The fact that imports to COMESA countries valued at $684 million over a five year period far exceeded the $25 million over the same period has created an urgent sense of unity among the commercial stakeholders and encouraged the conclusion that it was better to work together than apart. RATES will focus on the objective of increased inter regional capacity to compete with the extra regional COMESA import trade that represents 92% of the dairy market. This is our "window of opportunity" and it is significant.

Regional Dairy Summit, October 2004

☞ **Resolving trade disputes**. A key role of the association is to serve as an "honest broker" to resolve trade disputes within the region using improved knowledge of trade regulations and trade imbalances that now affect the region. The new EAC customs union protocols, well known to the RATES policy team, will be monitored and capacity transferred to the regional members to enable them to effectively plan their marketing strategies within the changing regulatory environment. This activity is being coordinated through both COMESA and EAC.

- **Zambia- Kenya trade dispute.** This dispute involves the rejection of Kenyan UHT milk imported into Zambia. ESADA and RATES, through COMESA intervention, has taken the lead in resolving the dispute. Stakeholders prepared a scope of work (SOW) for an official government audit team from Zambia to come to Kenya to review Kenya's SPS and veterinary inspection systems. The team held an exit briefing with officials of the GOK before their departure on the 13th and expressed optimism on possible resumption of trade. The team will prepare their findings and submit their report within three weeks and hopefully a resumption of trade will take place.

- **Kenya – Tanzania Trade Dispute**. Moses Nyabila, the ESADA marketing specialist seconded from RATES, is currently working through the EAC Secretariat on trade issues between Kenya and Tanzania. The private sector is enthusiastically involved and special meetings will be scheduled early next year to kick-start the dialogue needed to resolve the issues.

- **Alpha Dairies Breaks into Kenya.** After attending the RATES presentations on the East Africa Customs Union protocol and its resultant opportunities for Uganda to break into the Kenya and Tanzania markets, Alpha Dairies of Uganda commenced export into Kenya and are in the final process of negotiation with Tandairies of Tanzania. Apart from affording Alpha Dairies

- the opportunity to exhibit their products and encouraging them to take advantage of tariff concessions under the EAC, RATES assisted Alpha to secure an import license into Kenya as well as provided them with technical assistance in areas of strategy, product costing and logistics. Alpha Dairies is currently exporting and marketing its Alpha brand of UHT milk and ghee into Kenya through their Kenyan sister company, Alpha Dairies Kenya.

- **Dairibord Malawi Granted License to Import into Malawi.** After almost two years of waiting, Dairibord Malawi has been finally granted an import permit to bring in 400,000 liters of UHT milk from Zimbabwe. In the words of Dairibord Malawi General Manager, Mr. Philip Msindo, *"this is evidence that the free trade campaigns of ESADA and RATES is bearing fruit"*. Mr. Msindo associated this unexpected change of heart by Malawi Ministry of Commerce and Trade to the unrelenting lobbying and education by the RATES and ESADA forums held in Nairobi and Lilongwe attended by Malawi officials. The Zimbabwe exports of UHT and sterilized milk into Malawi is expected to hit one million liters in the next one year.

- **Gouda Gold Lands an Export Deal to Kenya.** Gouda Gold of Kampala Uganda struck an export deal with Dairy World Ltd. of Kenya to distribute and market its brand of cheese in Kenya and hopefully, later Tanzania. The Gouda Gold brand of peppered and plain cheeses has been well received in Kenya and is gaining prominent shelf space in Kenya's premier supermarket chain, Nakumatt, where the product is said to be gaining popularity among up-market consumers. RATES assisted Gouda Gold and Dairy World Ltd by providing technical assistance on costing, pricing and logistics.

☞ **Highlights of ESADA activities**.

- **ESADA Joins International Dairy Federation.** ESADA Chairman, Mr John Anglin and IDF President Mr Jim Begg sign a memorandum of understanding that ushered in ESADA and its seven member countries as members of IDF. Announcing the admission of ESADA, Jim said "*ESADA membership has made IDF truly international*". IDF membership is expected to spur international interest in Africa leading to increased investment inflow and technology transfer.

- **More Countries apply to join ESADA:** Milk Producers Organization (MPOSA) of South Africa and Zimbabwe National Dairy Farmers Union have handed in their applications to join ESADA. This follows a meeting that ESADA officials had with the CEO's of MPO and ZNDFU in Pretoria in Sept 2005 during the just concluded All Africa Dairy Expo.

- **ESADA Represented on the Regionally and International Dairy Scene**. ESADA was represented at three key dairy events this year, using the events to promote the ESADA movement, advertise the ESADA ADC and to form important commercial linkages with key dairy stakeholders:

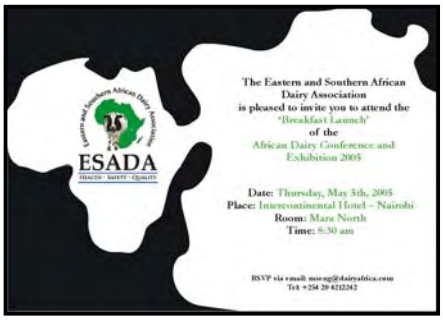
  - All Africa Dairy Expo; South Africa, 12th – 17th September 2005. The ESADA delegation was made up of Moses Nyabila (RATES), Mincy Seng (Project Director of ESADA), and Piet Theron (Managing Director of Parmalat, Zambia). Several key results occurred from the trip. First, the Milk Producers Association of SA (MPOSA) and National Dairy Farmers Union of Zimbabwe have applied to join ESADA. Second, ESADA can expect a 5-10 company delegation to attend the ADC in May, 2006, and third, key contacts were made with leading RSA companies.

  - **IDF World Dairy Summit**, Vancouver, Canada, 17th – 22nd Sept 2005. The ESADA delegation was made up of Fredrick Osore (ESADA ED) and John Anglin (ESADA Chairman). The membership MOU between ESADA and IDF was signed by Jim Begg of IDF and John Anglin to start the process of IDF membership with ESADA members. IDF agreed to attend the ADC in May and Christian Roberts, the current Director General of IDF, and Rusty Bishop, a key IDF member have confirmed their attendance.

  - **Eastern and Southern African School Milk Conference,** Kampala Uganda**,** 27th – 29th September 2005. ESADA was represented by Mincy Seng and John Anglin. ESADA/RATES contributed $2,000 to this FAO organized conference through the Partner Fund awarded to UDPA. ESADA participation was critical to cement relations with Uganda Dairy Development Authority, one of the organizing partners for the ESADA ADC in May.

Activity 4. Improve Product Competitiveness. The Nairobi Regional Dairy Summit held in November 2004 endorsed a program of product promotion through trade exhibitions. RATES is working closely with ESADA to participate in number of trade fairs at the international and regional level. ESADA held its first major marketing/ product promotion activity in Africa in Nairobi during the month of May 2005. The first Regional Dairy Conference and Exhibition was a significant first effort and looks to become a major event for the association.

☞ **First African Dairy Conference and Exhibition (ADC).** ESADA (with support from RATES) organized the first African Dairy Conference and Exhibition (ADC) held in Nairobi from May 23rd -25th, 2005, at the Safari Park Hotel. Over 180 delegates from more than 20 countries attended the inaugural event. ESADA envisions the ADC event to become the principal revenue earner for ESADA, and the success of the first event is very encouraging. Preliminary results indicate that ESADA was able to net approximately $35,000 from conference registration fees, exhibition booths, and direct industry sponsorships. Notable attendees at the event included Mr. Jim Begg, President of the International Dairy Federation, Mr. Philippe Jachnic, former President of the IDF, Mr. Erastus Mwencha, COMESA Secretary General, Hon. Joseph Munyao, Kenya's Minister for Livestock and Fisheries Development, and Mr. Tom Verdoorn, Vice President for Land O'Lakes, Inc.'s International Development Division.



The exhibition attracted over 20 exhibitors from India, Bulgaria, South Africa, The Netherlands, France, Zambia, Uganda, UAE and Kenya. Exhibitors included dairy processors, packaging materials and equipment suppliers, manufactures and distributors of food ingredients, and veterinary pharmaceuticals suppliers. The exhibition was officially opened by Hon Joseph Munyao, the Kenyan Minister for Livestock and Fisheries Development. In his key note address, Jim Begg of the IDF emphasized the role of the IDF in promoting the larger interest of the global dairy industry and the need for more African countries to become members. Most encouraging, he announced that the IDF had decided to amend its membership structure to allow regional associations' membership. This was in response to an earlier request made by ESADA.

The conference delegates were also treated to an array of exciting social events which included a welcome cocktail at the exclusive Hemingway's Lounge, an African cheese and wine tasting, a welcome dinner and live show at the Nyama Choma Ranch, tours of the Spin Knit Dairy Plant, Tetra Pak Factory and the Nairobi National Park. The event concluded with an awards dinner sponsored by ESADA. To confirm milk as the "Drink of Champions", the social events, including the welcome and the closing dinners, were graced by outstanding sports personalities in Kenya including Conjestina Achieng, the reigning Africa and World Women Boxing Middleweight Champion. Spin Knit Dairy and others offered to support Conjestina in her quest to capture the World Heavyweight Boxing Championship title currently held by Ms Leila Ali of the USA. These special events were sponsored by Safari Park Hotel, Combibloc SIG of UAE, Tetra Pak, Rwanda Investment and Export Promotion Authority (RIEPA) and ESADA.

In his closing address, the United States Ambassador to Kenya, Mr. William Bellamy, reiterated the need for dairy processors in the region to work together to overcome challenges of chain inefficiencies, low milk consumption and stiff competition from other beverages. He said the US government, through such programs as RATES and Land O'Lakes, will continue to partner with regional governments and the private sector to promote the growth and development of the dairy industry in Sub-Saharan Africa.

Exhibitors at the ADC conference

US Ambassador to Kenya, Mr. William Bellamy visiting the Exhibition

Activity 5. Strengthen national dairy trade associations. Results for this activity are presented under KRA 2.1, but it is an integral part of the trade expansion program. Most associations at the national level already receive bilateral mission support and other assistance. Land O' Lakes has been instrumental in the formation of most associations through bilateral mission support. RATES will augment the ongoing efforts to national associations with assistance that focuses on the main activity objective: increased intra/extra regional trade. In collaboration with LOL country projects, RATES will utilize core staff for programs related to marketing and promotion, policy advocacy, institutional development and strategic business planning. Short term technical assistance is also an option and access to grants under the Partner's Fund may be available under specified conditions.

☞ **Assistance to Uganda Dairy Processors Association (UDPA)**. RATES provided a $16,000 Partner Fund grant to UDPA to assist them to promote domestic consumption through a school milk program. The grant also supported the FAO Conference of School Milk that took place in September 2005.

PIR 2: Increased institutional capacity to sustain agricultural trade.

In this PIR, we address the challenge of building African capacity to address trade policy, trade promotion, and food security issues by assisting partners to develop programs to sustain their trade activities over time. RATES assists partners to incorporate initiatives to improve the availability and application of technology (whether agronomic or information and communications technologies), to create and operate market access networks, and to develop policy and regulatory frameworks to support effective advocacy. There are two KRAs in this PIR. PIR 2 is measured in terms of increases in the viability of partner institutions to sustain trade as measured by the PIVA scale.

KRA 2.1: Capacity of selected partner organizations strengthened

Strategy: RATES is supporting the ability of implementing partners to provide important trade support services on a sustainable basis. Work in this KRA during 2005 was targeted for regional associations such as EAFCA that REDSO has already initiated the PIVA process and other regional and national-level organizations including ESADA and ACTIF that were formed during 2005.

Progress on key activities:

Activity 1. Provide targeted support to EAFCA. This activity is cross-linked to the work under KRA 1.1 (Specialty Coffee Exports Increased). RATES is assisting EAFCA to provide market and technical development services that support and add value to the programs of its members, to promote aggressive regional and international market development, and to position EAFCA in the longer term to maximize opportunities for revenue generation and sustainable operations.

In addition to financial assistance under the Partners Fund, RATES is providing EAFCA a full time coffee marketing specialist, Chris von Zastrow, with over 20 years of coffee marketing experience in both the United States and Africa. The coffee marketing specialist is providing technical capability in developing and implementing marketing strategies that have been lacking at the Secretariat. RATES core staff also supports the EAFCA secretariat in institutional capacity building in conference planning, constitutional review, business planning, organizational models, and sustainability strategies. Thomas Carr, the RATES Technical Director, is in his second term as an ex-officio Director of the EAFCA Board and serves to guide them though the long-term process of institutional reform and long-term sustainability.

Technical assistance. RATES also contracted two short-term consultants during 2005 to work on program planning, membership strengthening, and Taste of Harvest activities.

- Melissa Marland was stationed in the Kampala Secretariat for eleven weeks from January 15th to March 30th, 2005 to work with Secretariat staff on membership systems, communication configuration, program planning, sponsorship strategies and fundraising options. She also worked with EAFCA staff with their first submission of their first non-USAID grant proposal under the EU Proinvest program.

- Kelly Peltier was contacted from February 14th to April 17th, 2005 to assist with the management of the Taste of Harvest program that concluded at the WWC in Livingston with awards of certificates to the first and second place winners. Kelly continued her contract in Seattle at the SCAA Conference where Taste of Harvest winning coffees were presented and highlighted.

☞ **Financial management.** RATES worked closely with the EAFCA Secretariat this quarter to develop a sound fiscal budget for FY 05, part of which is funded under the RATES Partner Fund. The new fiscal strategy for the 2004/05 program year requires EAFCA revenue to be first targeted for overhead expenses such as rent, administration and salaries, a key step in developing a program for long-term sustainability. About 50% of the administrative budget was funded through self-generated revenues in 2005 (compared to just 10% in 2003), leaving a larger portion to finance much-needed program activities.

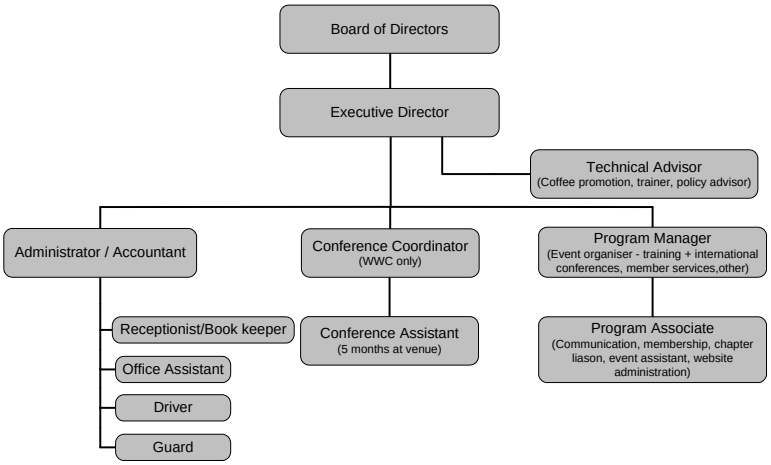
- The 2006 budget, prepared in September 2005 by the EAFCA Executive Director Robert Nsibirwa, indicates that EAFCA will cover 100% of their overhead expenses from internal revenues (membership subscription and event revenues) – despite the reduction in the RATES grant by 20%.

- EAFCA won its first non-USAID grant in 2005. RTFP, a DFID sponsored trade program based in Pretoria, awarded EAFCA a $176,000 grant to be used in 2006 to expand coffee sales in South Africa. An interesting aside to this activity is the reduction of overall USAID/RATES support to EAFCA has declined from 100% in 2002 to 30% in 2006.

Dr. Mwila of COMESA greets the President of Zambia at the COESA booth at WWC 2.

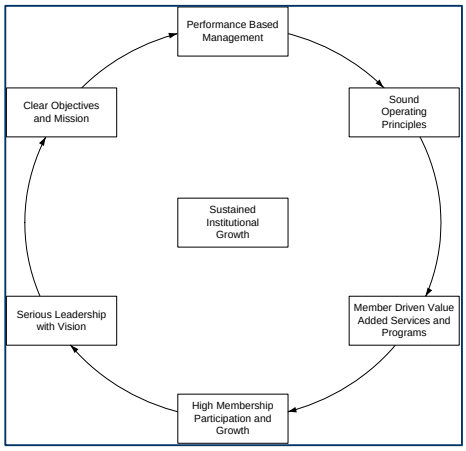
☞ **Conference planning and implementation**. RATES support to EAFCA for organizing regional coffee conferences such as the World's Wildest Coffee (WWC) Conference has the dual purpose of creating market opportunities as well as providing a significant revenue stream that addresses long term financial and institutional sustainability. Ludovica Bellingeri, the EAFCA Conference Coordinator, was contracted temporarily under RATES to provide EAFCA the capacity to deliver a conference product of

international quality. EAFCA made two significant decisions this year regarding staff. The first was to contract the Conference Coordinator directly (not through RATES) for the 2006 conference in Arusha; and the second was to hire Stella Mandi for the position of Program Director starting in March 2005, to assist with regional training programs, international events, and the WWC2.

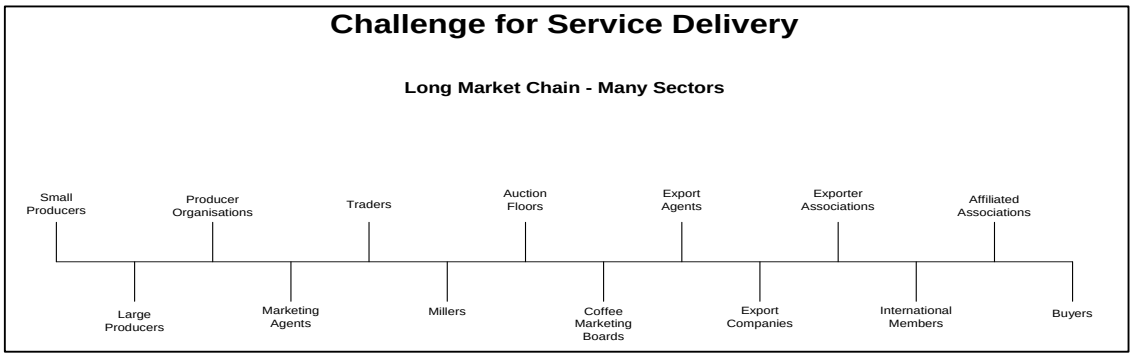


EAFCA Secretariat
Approved Organization Chart – Core Structure

☞ **Strategic planning.** RATES has been working with EAFCA throughout 2005 on the process of developing a long-term business strategy. Board members have been involved from the beginning to build awareness of long-term goals and they completed a SWOT analysis as part of the process to deliberate on those desired services currently not being provided by other existing agencies and programs. A major constraint to service delivery is the broad spectrum of members across the value-chain brought about from the open membership policy.



The November 2004 Board meeting focused on the more specific issue of long-term sustainability. A draft "road-map" of sustainability was presented to the BOD and specific issues of membership and income generation were discussed. It was clear that at the present rate of expenditure and growth, EAFCA will still require grant support to sustain operations after the completion of the RATES project. The level of support they will require will depend on how they plan and implement a long-term plan.



☞ **Structural Adjustments**: At the request of the EAFCA Executive Committee, RATES conducted a review and revision of the Articles of Association. The review was undertaken to incorporate necessary changes and adjustments that reflect desired structural and governance systems, a phase that was finally completed at the November 2004 EAFCA Board of Directors meeting. The final step was accomplished at the EAFCA Annual General Meeting where the members approved the new Articles.

A significant action regarding EAFCA's new governance system took place this year with the election of Chapter Representatives to the EAFCA Board following new guidelines as stated in the approved Articles of Association. The process was monitored by the Executive Director and the new system worked well. The EAFCA Board stepped down at the 2005 Conference at Victoria Falls and elected new officers for a two-year term. Leslie Omari from Tanzania is the new EAFCA Chair, with Bernard Kaunda (Malawi) as the Vice Chair and Fred Kawuma (Uganda) as the Treasurer.

Leslie Omari, the new Chairman of the Board of EAFCA, making a point at the AGM African Fine Coffees Conference, Zambia, February 2005

Activity 2. Provide targeted support to ESADA, the East and Southern African Dairy Association. Executives at the October 2004 Regional Dairy Summit passed a unanimous resolution to form a regional dairy processors' association and RATES is committing resources to assist in the structural development process and to initiate a program of services to their membership. Chairmen of all five existing national diary trade associations were present at the summit and formed a steering committee to work with RATES during the

formative stages. RATES is providing the services of the dairy marketing specialist, Moses Nyabila, to focus on specific trade and marketing activities (see KRA 1.5) and other core staff are providing essential support for conference planning, institutional framework, policy advocacy (see KRA 3.1), and strategic planning.

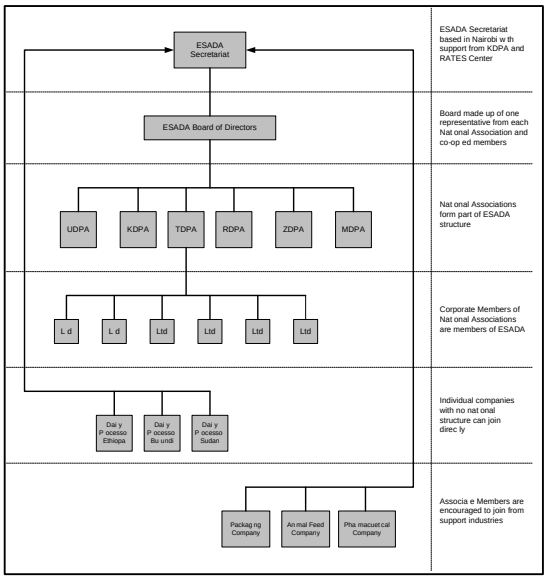
☞ **Deliberate and agree on the institutional framework of the association.** ESADA, with RATES support, has made significant progress in formalizing the regional association. A committee made up of industry leaders convened a series of ESADA steering committee meetings during the year that help set up the institutional framework for officially forming the association. At the African Dairy Conference and Exhibition held in May 2005 (just eight months after the Regional Summit), ESADA held its first Annual General Meeting (AGM) and elected its first Board of Directors. Mr. Mahul Shah, the Chairman of the ESADA Steering Committee, chaired the meeting, and handed over to John Anglin, the New Board Chairman. The Articles of Association and new Board of Directors were ratified at the AGM. ESADA submitted its registration documents soon after the vent.

THE ESADA BOARD OF DIRECTORS

John Anglin of Uganda, Chairman
Prudenzio Gaitara of Kenya Vice Chairman
Sandress Nyirenda of Zambia, Treasurer
Indra Thanacody of Mauritius, member
Elisha Mbogora of Tanzania, member
Innocent Rutamu of Rwanda, member
Philip Msindo of Malawi, member

☞ **Set up an interim secretariat.** A "lean and mean" approach has been adopted for the ESADA management design to keep expenses to a minimum and to pave the way for a more sustainable organization. The Kenya Dairy Processors' Association (KDPA) has provided the services of Fred Osore, their Executive Secretary, at 50% of his time to serve as the ESADA Executive Director. Moses Nyabila, the RATES Dairy Marketing Specialist, will dedicate his services full time to ESADA as their technical and marketing advisor. ESADA hired Ms. Mincy Seng to serve as program manager/coordinator. Mincy comes with a number of year's experience in conference planning and association

management experience and will be a great asset to the team. Fred Osore and the Chairman of KDPA have worked out and signed a Memorandum of Understanding with the Kenya Association of Manufacturers (KAM), to provide office space, accounting services, bank accounts and general services. The Secretariat is fully operational.



The ESADA Institutional Structure

☞ **ESADA.** ESADA applied to the RATES Partner Fund for operating funds to sustain them for the first year and the grant was approved for the sum of $74,676. Revenues derived

from subscriptions, sponsorships and the African Dairy Conference will cover most of the administrative overhead costs allowing grant funds to support the member service program. The search for non-USAID support from other donors is ongoing.

- **Plan and hold a regional dairy conference/exhibition**. This event served the multiple purpose of marketing and promotion of members' products, holding the association's first annual general meeting and raising much needed operating funds (See KRA 1.4 for details of the conference). To build capacity and to ensure a professional approach, RATES has also provided Ludovica Bellingeri as the "contracted" conference coordinator to build capacity of Mincy and the ESADA team. ESADA will contract the Conference Coordinator directly for the forthcoming African dairy Conference and Exhibition scheduled for Uganda in May of 2006.

☞ **Create a dairy trade directory.** The first of two types of directories, the ESADA membership directory, has been completed and comprises all 50 members of national associations. The second directory, the Dairy Trade Directory, is an all encompassing trade directory of all dairy companies, agencies, projects, support companies, cooperatives, distributors, supermarket chains, international bodies and regulatory authorities in the region and overseas. This directory is now operational and will be periodically updated.

Activity 3. Provide targeted support to national trade associations. Across most commodity chains in most targeted COMESA countries, RATES works at the national level with trade associations. Many sub-sectors, including maize milling, ginning, textiles, dairy processing and coffee, have organized themselves into associations or chapters to promote their industry, sell their products, lobby governments and advocate policy change. These associations form the national-level foundation for regional integration activities promoted by RATES.

However, many associations are newly formed and institutionally weak, and require assistance to formulate strategies and better serve their membership. It is recognized that many participate in bilateral mission programs through projects known to RATES (i.e. Land O'Lakes, SCOPE, PESA, SALES, GEM, APEP, etc.) and close collaboration and communication is required to ensure a smooth working relationship is maintained to achieve desired results.

☞ **Assistance to Uganda Dairy Processors Association (UDPA**. RATES provided a $16,000 Partner Fund grant to UDPA to assist them to promote domestic consumption through a school milk program. The grant also supported the FAO Conference of School Milk that took place in September 2005.

☞ **African Cotton and Textile Industry Federation (ACTIF).** ACTIF was formed through a resolution by COMESA/EAC/SADC trade leaders that took place at the Regional Executive Cotton and Textile Summit, Nairobi, April 2005. An inaugural steering committee meeting was convened in June 2005 in Johannesburg, South Africa as a follow up to the resolution and invited members were comprised of "officially recognized and appointed" representatives of National Associations or similar entities; twenty five delegates from fourteen countries within the region participated (Botswana,

Egypt, Ethiopia, Kenya, Lesotho, Mauritius, Madagascar, Malawi, Uganda, South Africa, Swaziland, Tanzania, Zambia and Zimbabwe)**.**

First meeting of the ACTIF Executive Meeting

For the first time, the region's top industry executives, covering the 'fiber to fabric to apparel' value chain, agreed to work together in common purpose and agreed to form the "African Cotton and Textile Industries Federation" (ACTIF)**.** The fundamental guiding principles of ACTIF were established with a mission to "be a nationally, regionally, and internationally recognized trade body established by the cotton, textile & apparel sectors that provides effective regional representation at international forums and promotes improved competitiveness of the industry in the global market place." The body initially includes East and Southern Africa covering the COMESA, SADC and EAC "blocks". However the new entity was not designed to be restrictive geographically and would subscribe to an "Africa wide" view.

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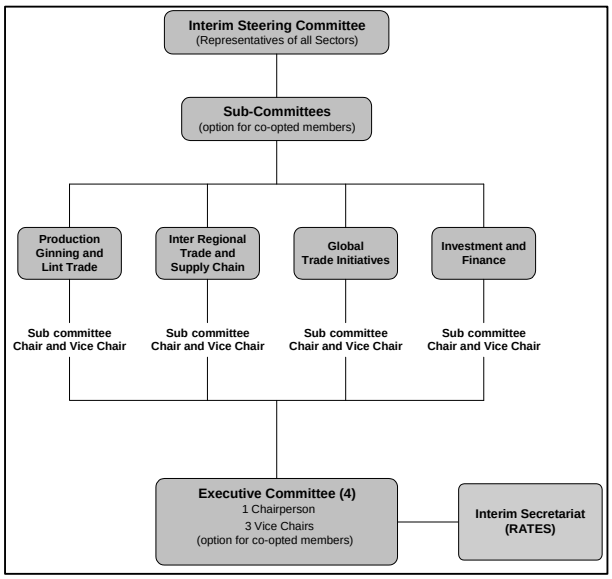
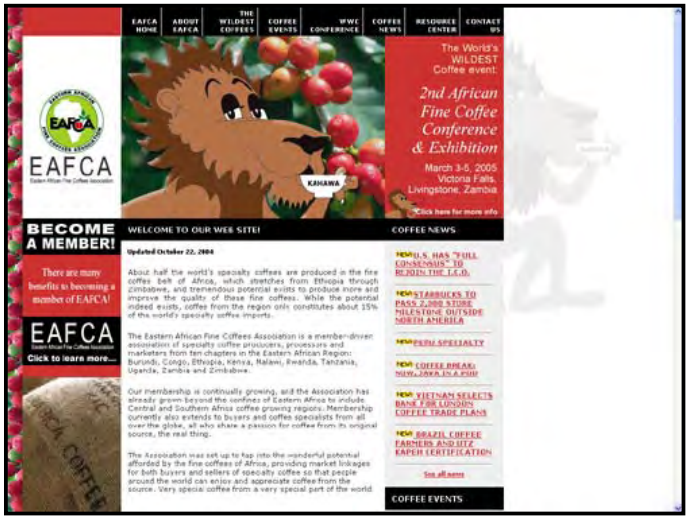


KRA 2.2: Demand-driven technologies identified, developed and utilized

Strategy: RATES' strategy is aimed at utilizing Information Technologies (IT) to expand the number of private sector beneficiaries having access to market and trade information. RATES is also forming linkages with technology and research networks relevant to the RATES-supported commodities. RATES is forming partnerships with on-going bilateral development projects that promote increased trade, and with selected private service providers who offer specialized technical expertise.

☞ **Innovative web sites**: A sample of innovative web page designs include:

- **Coffee.** RATES provided assistance to EAFCA to develop an interactive web site to publicize the WWC and to promote coffees from the region. The **www.worldswildestcoffee.com** site has attracted substantial attention, and has now been integrated into the **www.eafca.org** site. The site is appearing on the first pages in certain search engines such as Yahoo, Google, etc.



www.EAFCA.org web page is achieving rave reviews from international coffee circles

- **Maize.** One of the major impediments to trade highlighted by participants in both national-level and regional workshops was the lack of reliable market information. RATES worked closely with FEWSNET and FOODNET to create a regional trade intelligence network (RATIN) and the **www.ratin.net** web site. RATES now has total management responsibility for RATIN with significant input from FEWSNET. The key players in the regional network are the commercial traders and millers and they are the main audience for RATIN and the RATES Trade Office where "networking" is facilitated.

Screenshot of the www.ratin.net webpage

www.tradeafrica.biz. To compliment the RATIN focus on price and production information, RATES designed a trade-linkage site, **www.tradeafrica.biz** accessed through RATIN to facilitate active trade communication between suppliers and buyers throughout the region. Managing "real time" market information and trade linkage sites is challenging and RATES has created the RATES Trade Office staffed by a full-time Trade Office Facilitator dedicated to the upkeep and management of both the **www.ratin.org** and **www.tradeafrica.biz** . This office serves as the RATES "call center" where the facilitator pro-actively manages trade inquiries through the internet, email, telephone, SMS and radio. All site "hits" and trade inquiries are monitored and tracked.

Table 3. Web statistics for www.tradeafrica.biz for FY 05.

Classification	Quarter 1 Oct 1–Nov 31	Quarter 2 Dec 1–Mar 30	Quarter 3 Apr 1–Jun 30	Quarter 4 Jul1–Sep 30	Cumulative Total
Successful Requests	57,531	167,471	52,433	57,826	335,261
Average requests per day	1,932	5,877	1,749	1,929	11,487
Distinct files requested	1,578	2,934	2,159	2,405	9,076
Distinct Hosts Served	1,039	2,576	1,956	2,095	7,666

- **Cotton.** The cotton industry web page, **www.cottonafrica.com** continues its number one ranking in both the Yahoo and Google search engines with "cotton and Africa" as the key search words. Since its inception, **www.cottonafrica.com** has seen $243 million in offers to buy and sell posted on the site and during the past year, the value of postings has increased by 133%. The content and information captured in the cotton trade directory has been expanded, providing a wider base and scope of companies captured in the data base. The number of registered traders on the site now stands at 300 an increase of 200% over the past year.

Table 4. Web statistics for www.cottonafrica.com for FY 05.

Classification	Quarter 1 Oct-Dec 04	Quarter 2 Jan-Mar 05	Quarter 3 Apr-Jun 05	Quarter 4 Jul-Sept 05	TOTALS 2004/05
Successful Requests	61,166	160,412	223, 127	**160,518**	**605,223**
Average requests per day	688	1,881	2545	**1,839**	**1,734**
Distinct files requested	3,194	4,596	5454	**4,519**	**17,763**
Distinct hosts served	3,097	6,465	8356	**6,565**	**24,483**

PIR 3: Expanded private sector contribution to regional trade initiatives

Work under PIR 3 is cross-linked to activities under PIR 1 and PIR 2 and driven by results from analysis and consultative forums held with trade flow leaders and national institutions regulating trade in the region. Activities focus on trade facilitation and improving the agricultural trade policy and regulatory environment and on expanding private sector involvement through buy-ins and alliances. There are two KRAs under this component:

KRA 3.1: Private sector-driven agricultural trade policies advocated

Strategy. The strategy for this KRA is to work with the private sector to identify trade policy constraints and to initiate change through regional institutions such as COMESA, EAC and SADC. This stakeholder "cluster" approach in identifying constraints and formulating policies has already started paying dividends as evidenced by the number of policy issues that have been brought to COMESA and EAC decision making structures.
RATES is working closely with private sector trade flow leaders who are continually consulted in the process of identifying constraints to increased trade. RATES strategy is to increase the regional IGO's capacity to better serve the trading community in RATES-supported commodities. Some key results during the year include:

- Finally, after two rounds of negotiations (in July 2004 and April 2005), the EAC member states have agreed on a harmonized EAC regional maize standard. The process was driven by the private sector in the three countries through the support of RATES program.

- The RATES-supported regional dairy trade policy platform was formally presented and endorsed at the 16th meeting of the COMESA Trade and Customs Committee held in April 2005 and subsequently approved by the COMESA Council of Ministers meeting held in Kigali, Rwanda, in May 2005 paving the way for implementation. The dairy policy platform was also considered and approved at the COMESA Heads of States Summit.

- At the Kigali Summit, the COMESA Heads of State agreed to a launch date of December 2008 for the Customs Union. RATES is working with COMESA to ensure that aspects related to agricultural commodities and agricultural trade receive due attention in the technical analytical work and negotiations leading up to the Customs Union.

- At the COMESA meeting held in Kigali in May, 2005, The Council of Ministers approved a resolution to fast-track the COMESA Simplified Trade Regime for agricultural commodities including maize, rice, beans, cotton, and dairy products.

- RATES (in collaboration with USAID/REDSO) assisted COMESA in the preparation of the CAADP Action Plan for the Eastern and Central African (ECA) region for which COMESA is the coordinating Regional Economic Cooperation (REC) organization. The challenge is for COMESA to mobilize resources to implement this action plan. RATES also provided technical support to COMESA during the CAADP/NEPAD Conference held in Accra, Ghana in May 2005 to put together a comprehensive implementation plan for CAADP for the four regions of Africa. This was a high-level meeting attended by key policy makers and private sector players in the agricultural sector in Africa.

- After subjecting the EAC maize trader guide to thorough review and ownership by Member States, the EAC Secretariat formally approved to guide for publishing as one of the EAC documents and its application on training the traders on maize trade regulatory requirements in EAC. As the traders (Kenya and Uganda cross border traders) explained during a training session in Busia, the guide will be helpful in cutting down on unnecessary costs that had to be incurred as a result of non compliance with the requirements. It is expected to stimulate increased trade as more traders join the trade sector based on this information base.

KRA 3.2: Private sector buy-ins and alliances expanded

As mentioned earlier, RATES serves as the catalyst for market linkages and business alliances. With a far-reaching (COMESA-wide) regional mandate to improve the policy environment and to promote and increase market awareness of selected commodities, RATES staff cannot work directly at the farmer level or with individual companies on a sustained basis. RATES works directly with trade flow leaders such as regional associations that can have a greater outreach and impact. We try to tailor our interventions to benefit the value chain or industry as a whole. RATES must rely on national level partners such as USAID projects and other NGO-supported efforts to reach down to the farmer level. This linkage is critical to the success of our work. This partnership has worked well and has resulted in a number of sustainable partnerships between regional buyers and sellers.

☞ **Coffee.** The world specialty coffee industry is built upon strong relationships formed between buyers and sellers. Many specialty coffees are sold through small roasters and retailers and have a client base that want to know about the coffees that are bought and sold in these outlets. RATES has assisted EAFCA to form a very close working relationship with the US coffee industry through the SCAA's Coffee Quality Institute (CQI) and the Coffee Corps. In 2005, Coffee Corps provided over 20 volunteers who provided training in cleaning, roasting cupping, brewing and marketing coffees. Coffee Corps volunteers are generally drawn directly from the coffee industry and some of the top names in specialty coffee have signed up for volunteer assignments. Many of these Coffee Corps volunteers have continued to provide assistance and coaching after they return home and have established commercial linkages as a result of a Coffee Corps intervention. Some examples of key alliances during 2005:

- Peet's Coffees, one of the largest US specialty roasters, has formed an alliance with smallholder producer groups in Northern Tanzania with strong support from TechnoServe, an international NGO. TechnoServe has been a major catalyst in changing attitudes in Tanzania and opening the coffee market to a more liberalized system of direct marketing. Peet's senior vice president, Jim Reynolds, served as a RATES/CQI-supported Coffee Corps volunteer in 2003 in Tanzania and was first introduced to the producer groups at that time. Last year, Peet's purchased over US $2 million specialty coffee from these groups.

PEETS's Special African Blend

"The latest special blend we are making available to you is African Blend, the first blend made totally of coffees from Africa to be offered by Peet's in 18 years. Like all of our blends, African Blend combines the best qualities of a number of different beans to produce a compelling cup. This one gets its body by Uganda, its acidity by Tanzania, and its fragrance, flavor, and complexity by Kenya. Our buyers think that the lot from Kenya is the finest one that they have tasted this year

- Green Mountain Coffee from Vermont has formed a sustainable alliance with smallholder cooperatives in Rwanda through the excellent work of the PEARL project. Senior executive, Lindsay Bolger of Green Mountain, has served several times as a Coffee Corps volunteer trainer over the past three years. She first served as a judge at the first Worlds Wildest Coffee Conference and travelled directly from the conference to Rwanda to visit local producers with PEARL personnel. Rwanda cooperative coffees have gained worldwide recognition for their quality and the PEARL program for its work on the ground. This is a good example of how national programs can pick up on the interest created through RATES interventions and carry these efforts to fruitful and sustainable conclusions.

Lindsay Bolger of Green Mountain providing "pro bono" cupping training to a number of cooperatives in Rwanda

RATES/EAFCA have made a concerted effort to promote regional coffees to companies such as Starbucks that had significantly reduced their purchases of African coffees due to the uncertainties of this market. Starbucks executives have attended a number of RATES-supported marketing events and most recently traveled to Zambia to attend the WWC2 event. In Seattle, Starbucks met with EAFCA members including the Kenyan delegation to discuss possible interventions. Starbucks has recently announced that they will contribute up to US $600,000 to support conservation coffees efforts in Kenya. In addition, Starbucks recently awarded a Tanzanian grower the coveted "Black Apron" designation for his coffee that is sold exclusively through Starbucks. This award was presented at the WWC2 conference.

☞ **Maize.** RATES has intensified efforts to create alliances between private sector industry players and government policy makers at the national-level to help ensure sufficient supplies of grain in the region. One of the key factors leading to bad decisions concerning grain trade has been the lack of information and communication between these various players in the industry. RATES has conducted numerous business forums to improve public-private sector dialogue especially concerning the impact of the EAC customs union protocols. There are clear signs of increased cooperation among the private traders and public sector decision makers. There are now a number of private/public sector associations planning strategies and policy in the areas of maize trade, food security, and strategic grain reserves. Some examples include:

- In, Malawi, the USAID Malawi mission asked for RATES support to help organize a forum between public and private sector grain traders to determine steps to improve communication among the players and improve grain supplies. We hope that this will lead to a sustainable national grain alliance. One bone of contention was the tender process that excludes locally–based traders from competing to supply maize to the National Food Reserve Agency (NFRA). As a result of industry lobbying, Export Trading was awarded a tender of 25,000 metric tons valued at over US $4.5 million.

- As Malawi heads into a food security crisis this year, some interesting alliances are forming between the NFRA and private companies such as Seaboard. Seaboard has been granted the management contract for the NFRA and the World Bank and local banks are working with SAFEX to secure options to purchase grain through the SAFEX commodity exchange to create a virtual strategic reserve.

- In Rwanda, RATES organized a meeting of all key players in the grain industry, including donors to discuss ways of increasing their market share in the region. Since that meeting 4,000 metric tons of beans with a value of US $560,000 that have been recently sold to Kenyan buyers identified through **www.tradeafrica.biz**.

- In Kenya, RATES has supported efforts of the Kenya Stock Exchange to explore a functioning commodity exchange in Kenya perhaps tied to the SAFEX in South Africa. The first steps are identifying key storage facilities and grain suppliers. This effort includes forming an alliance between the Kenya Stock Exchange, local Banks, certifications companies such as Cotecna and SGS, the KMDP, a USAID-Kenya funded project, and the NCPB.

- In Kenya, RATES is helping the local grain industry to form an alliance with the government of Kenya to improve decisions regarding import and export bans on maize and other grains. This alliance is comprised of the Cereal Grains Association (CGA), the NCPB, Cereal Millers Association, donors, and other private firms. RATES has provided primary trade data and trade flow information and facilitated a number of meetings.

- In Zambia, RATES has been very involved in alliance building and imitated a number of business and grain trade forums that have included frank and constructive dialogue between the private sector and government policy makers. During the 2004 growing season, the government reversed its close door policy and allowed maize exports that exceeded US $15 million. The government is likely to backslide a bit on this policy as drought conditions have greatly affected yields in Zambia for the 2005 cropping season.

☞ **Cotton/Textiles**. RATES supported the efforts of key stakeholders and national trade associations representing the ginning, spinning, weaving and apparel sectors throughout the East and Southern African region (Cape to Cairo) to form the Africa Cotton and Textile Industry Federation (ACTIF). This cotton/textile alliance will have potentially far reaching effects as it can afford the region, for the first time, the opportunity of becoming a unified and recognized voice in both regional and global trade affairs affecting their cotton/textiles sector. No sooner was ACTIF formed in June 2005, that it became an immediate presence at key international forums, a fact that was recognized by global leaders in the cotton/textile fields.

☞ **Dairy.** Following the success of EAFCA, RATES has worked closely with the regional dairy industry, especially the processing sector, to organize and form of a regional association that would provide a platform for promoting the industry and advocating regional harmonization of dairy standards. ESADA (with support from RATES) organized the first African Dairy Conference and Exhibition held in May 2005. ESADA was able to net approximately $35,000 from exhibition fees and direct industry support.

Corporate Sponsors for the ADC

$6,500 Sig Combi Blok
$2,500 Tetra Pak
$2,500 Rwanda Investment Promotion
$1,000 Bio Foods

PIR 4: Program Management, Monitoring and Evaluation

Program management is integral to every RATES component and activity. To achieve project goals, well-defined policies and procedures, transparent information-sharing mechanisms, and effective monitoring and reporting systems are necessary. During this year, RATES' field administrative staff and the Chemonics' home office project management unit continued to maintain the financial, operational and administrative procedures that conform to USAID and Chemonics regulations.

KRA 4.1: Management and coordination mechanisms established

Strategy. RATES' strategy is to continue to provide quality and timely service to both external and internal clients. RATES continues to maintain streamlined accounting, financial, contractual and administrative procedures which are coordinated by the RATES operations and grants manager.

Key activities this quarter:

Continue RATES management systems. RATES continues to be a well-staffed and highly functional team of employees. As of October 1st, 2005, the RATES program had 22 full-time employees which included 4 long-term employees through the RATES subcontracts (IDC, ITI, Land-of-Lakes and Computer Frontiers).

☞ **Partners' Fund.** This quarter, RATES was very pleased to be able to award 3 new FARAs (Fixed Amount Reimbursable Agreements), two of which were awarded to new recipient organizations.

- RATES awarded FARA RPF-004 in the amount of USD $119,992.00 to the Jane Goodall Institute/Tanzania for the implementation of the Gombe Coffee Promotion Project. The effective dates of this FARA are September 1, 2005 to August 31, 2007.

- RATES awarded $16,112.00 under FARA RPF-005 to the Uganda Dairy Processors Association for the implementation of the School Milk Promotion Project. The effective dates of this FARA are October 1, 2005 to November 30, 2005.

- RATES was pleased to be able to again respond to a request from its primary partner, the Eastern African Fine Coffees Association (EAFCA) for their third FARA. An award was made for FARA RPF 006 for the amount of USD $200,000 which covers October 1, 2005 to September 30, 2006. This new FARA will fund a number of EAFCA program and training activities but will not be used to fund any EAFCA operational expenses. RATES views this FARA as a significant step in moving EAFCA towards organizational sustainability.

- This quarter, RATES continued to work closely with its partner, the Eastern and Southern Africa Dairy Association (ESADA) focusing in particular on assisting them to move forward in organizing the next regional dairy conference which is planned for next April in Kampala, Uganda.

☞ **Sub-contracts awarded**. RATES continued to award a number of employment sub-contracts in order to implement technical scopes of work which fall within the RATES' mandate. During this quarter, RATES/Chemonics awarded the following sub-contracts:

- Conference coordinator, Ms Ludovica Bellingeri, whose contract was extended until October 31st, 2005, with additional LOE days, in order to serve as the coordinator for the Regional Grain Summit which was held October 12-13, 2005 in Nairobi.

- Interim Technical Management/Livestock Trade Advisor, Mr**.** Mohamed Abdiweli Sh. Ahmed was contracted from July 18th to October 31st, 2005 for the RATES activity, Djibouti Regional Livestock Export Facility (DRLEF), in Djibouti.

- Livestock Facility Assessment Team Member, Mr. Pietro Ronchietto, was hired by RATES also for the Djibouti Regional Livestock Export Facility on a short term assignment from July 30th – August 10th , 2005

- Interim Administrative Advisor, Ms. Ron Osman, was hired to support the administrative operations for the Djibouti Regional Livestock Export Facility on a short term assignment from July 18th – October 31st, 2005.

- Short term contracts were awarded to 4 consultants, including 2 under the IMANI sub-contract to Chemonics International, to serve as workshop facilitators of the RATES-organized Regional Grain Trade Summit, held in Nairobi, October 12-13, 2005.

In addition to the above sub-contractual employment agreement, RATES also awarded a number of Fixed Price Service Agreements. These agreements include:

- **Public Relations Solutions** was awarded a contract to provide extensive media coverage for the RATES-organized maize events. Media coverage included coverage in both regional and international media houses and included written, radio and television coverage.

- During this quarter, nine different FPSAs were awarded to various cross border monitors who were contracted to provide on-going data collection services to the RATES project. These sub-contractors agreed to collect daily prices of traded maize, beans and rice along with other related information such as overviews of trading in general by using procedures agreed upon by the contractor and RATES.

KRA 4.2: Program monitoring and reporting needs met

Strategy. The goal for this KRA is to implement a monitoring and evaluation (M&E) system to track RATES planned activities, delivery of expected outputs, and quantitative impacts. M&E data is obtained from three sources: RATES administrative and operation records; RATES implementing partners and external surveys.

Activity 1. Maintenance of the RATES M&E system. The RATES full-time M&E specialist left the project in April 2004 and her responsibilities were taken over by the Peter Kegode, RATES' local business association development specialist. Peter redesigned the M&E capture forms used by the commodity specialist to obtain information on a number of RATES indicators. He also input maintained the RATES databases for the PMP and for the IEHA indicator spreadsheets.

Activity 2. Gather M&E data and information on the program's progress and results. The RATES M&E specialist worked closely with COMESA to review trade data used for preparing the annual PMP report. RATES engaged a short-term database analyst to help collate the data and disaggregate by country and commodity. Commodity specialist provided key trade data to the M&E team and "ground-truthed" the COMESA data.

To establish baseline information on these indicators, RATES has worked closely with the REDSO team and regional partners to determine the best source of primary data to develop our baseline database. For establishing baselines, we had to weigh the ease of obtaining data, the validity of data collected within the region, and the financial constraints of the project's ability to collect primary data itself. We also agreed that data would be based solely on officially-recorded formal trade data, as the project's objective is to decrease barriers to formal trade, and in doing so, will ultimately result in decreased informal trade in the targeted commodities.

In establishing our commodity baselines, RATES conducted trend analyses for each of the project-supported commodities for the years 1997-2001 and determined that values for these commodities have been on a negative trend for the last five years (see Exhibit 1 for maize). Based on these data, RATES and REDSO agreed to utilize the calendar year 2001 as the baseline-year for determining achievement of project-level results. Based on the reporting cycles for our principal data providers, RATES will report results on a calendar year basis. The data presented in this report cover the period January 1-December 31, 2004.

For trade information on maize, dairy, and cotton, RATES utilized data from COMESA, and verified this information through RATES baseline studies and local sources of trade information, such as local customs authorities. This data was further supplemented by surveys and direct data collection from RATES partners and beneficiaries. Due to the unique nature of the specialty coffee, a number of data sources were used for this commodity. As most official coffee trade data are composite figures that combine different varieties and qualities of coffee, RATES worked with additional data sources such as the specialty Coffee Association of America (SCAA), the International Coffee Organization (ICO), and United States Department of Agriculture Foreign Agricultural Service (USDA/FAS) to determine the value of specialty coffee trade from each targeted country. The imprecise definition for what is considered "specialty coffee" also provided challenges for capturing data on this market

segment. We provide our methodology for determining our coffee baselines in section KRA 1.1.

For monitoring policy change, RATES has adopted the same methodology and terminology found in the REDSO PMP plan under SO 5. Under this methodology, targeted policy changes are tracked as they move through the various stages to adoption. RATES is working closely with both COMESA and EAC, and tracking the progress of trade polices as they move through the system.

For institutional capacity strengthening, RATES has worked closely with REDSO's organizational development specialist to develop indicators based on the partner institutional viability assessment index (PIVA). This index is a participatory, rapid assessment tool used to evaluate and monitor performance of six organizational systems including governance, operations and management, human resources development, financial management, service delivery, and external relations and advocacy.

Activity 3. Report RATES M&E results semi-annually to USAID in March and October. RATES provided a semi-annual report on the IEHA indicators in March 2005. The annual report to IEHA was submitted as part of the annual reporting process in October 2005.

Special PIR : Provide targeted support to the Djibouti Regional Livestock Export Facility

Strategy. Work on the RATES livestock component had been essentially dormant for the first three quarters of 2005 until August when USAID made the decision to add a CLIN to the project for the implementation of the Djibouti Regional Livestock Export Facility (DRLEF). Progress since that time has been relatively rapid, though substantially hindered by the unpaid debts which have resulted in the delay of equipment handovers and personnel problems created by the ineffective working mechanism of the previous LTC regime. The initial contract modification change order called for several specific tasks to be undertaken and virtually all of them have been done in the required time frame, as well as substantial progress made towards activities in the revised scope of work called for in the RFP including:

- Taking over the facility construction, initially using the original construction laborers hired by LTC, and subsequently hiring a construction supervisor and after an extensive bidding and negotiation process, hiring a general contractor to finish the "emergency" operational construction phase.

- Development of procurement lists for the DRLEF and ordering of most of urgent items required such as basic laboratory equipment, animals feeds, veterinary supplies/drugs for first 5000 animals. RATES team has done substantial work on the inventory of items for transfer but many items remain undelivered and inaccessible.

- Hiring and establishing the RATES livestock component technical assistance team of Steven Hirsch, Component Coordinator; Frank Harbers, Supervising Veterinarian; Abdiweli Mohamed, Livestock Trade Advisor ; Ron Osman, Administrative Advisor as well as fielding several office support staff from the DC office who have been instrumental in the financial, procurement and logistics of the start up operations and setting up the DRLEF RATES office in Djibouti.

- Several consultants have been fielded to advise and support the project in Djibouti. These have come from the RATES core staff, Kimberly Hickok Smith as business advisor and Steve Walls as chief of party. RATES short-term advisor, Richard Kelsey, was hired to assess the construction status and assist with the tender process as was Pier Ronchetto to assess the laboratories and consult on facility design.

- Working closely with the GORD and DCC, progress is being made on management and operations with the submission of a first draft of the DRLEF business plan, attending meetings and advising the "management entity" working group as well as substantial energy and efforts towards including all the stakeholders in the communication chain.

III. Problems Encountered/Remedial Actions Taken

The RATES program ran smoothly during FY 05 with just a few "hiccups" that has had created some challenges for the program. Some factors during the year that impacted our work included:

- **Incremental Funding.** RATES incremental funding level dipped to severely low levels prior to the receipt of FY 05 funds in early October. This was due to the late receipt of FY 05 funding to the mission that resulted in RATES being off-cycle on receiving new incremental funding. Fortunately, REDSO provided a small bridge funding modification to keep the program from running completely out of incremental funding. Following the arrival of their FY 05 funding, the mission provided RATES with a new tranche of incremental funding (U.S. $3.9 million) that should provide sufficient funding up to May or June 2006. The concern looming in everyone's minds is the status of the future (FY 06) funding and the timing of this new money. RATES and REDSO are monitoring this very closely. Any delay in receiving sufficient incremental funding has a potential to disrupt the smooth flow of the project.

- **Lack of CTO for RATES**. Due to a number of factors including the departure of Mulinge Mukumbu, the initial RATES CTO who left the mission in October 2005 and the transition of REDSO direct hire staff Eric Johnson and Diana Putman, RATES no longer has a CO-designated CTO. This creates a burden on the program and slows down the smooth operation of the technical program. There was some confusion among the RATES and REDSO staff on levels of authority. Until the CO designates a CTO, the CO herself is acting in this capacity. Fortunately for RATES, the first contracting officer assigned to the RATES project delegated many of the routine approvals such as travel approval to the CTO and allowed Chemonics to follow established company policies and procedures (that have already been USAID-approved and audited on an annual basis) to prevail in many other routine issues rather than having to continually seek CO approval for simple approval requests and CO concurrence. RATES is a regional program with coverage to over 21 countries. Requests for approval for a single consultant can require up to 4-5 approval actions including technical approval, travel approval, country clearance, and CO salary approval. RATES has a large staff with 3 satellite offices. Our staff travel frequently and administrative red tape could quickly overwhelm the system. To avoid overburdening an already extremely busy contracting office, we would suggest

that a CTO be named at the earliest convenience and simple ground rules be re-established that streamline the approval processes for the program.

- **The addition of the Djibouti Regional Livestock Export Facility Component (DRLEF).** The DRLEF was formerly tasked under a cooperative agreement with AU-IBAR and REDSO. Due to performance issues, AU-IBAR was unable to complete the facility on-time and within budget. Although a tremendous amount of funding has already been spent, the facility still lacks many of the critical infrastructures to operate. RATES was directed to take on the completion of the DRLEF through a series of unilateral Change Orders sent by the CO. The addition of this component to the RATES portfolio has taken an inordinate amount of management and administrative time during the last quarter. There are a myriad of issues surrounding this activity:

  - **Procurement process.** The procurement process for adding the DRLEF component to the RATES contract has been a very protracted process. The major bone of contention has centered on the budget and the amount of funding required to complete the facility. As indicated in the various Change Orders made to the RATES contract, RATES has been instructed to carry out an extremely ambitious scope of work that we (Chemonics International) felt was not possible within the maximum budget dictated by the CO. Basically, RATES has had to pick up the pieces of a category five disaster. As a result of further negotiation and clarifications, the SOW has been rewritten and expectations lowered to a more realistic level to reflect the amount of funding available for completing the DRLEF. RATES has always had a very collegial and close working relationship with the mission. We are committed to working with the mission in getting this facility up and running. We hope to continue to have the full cooperation and support in the future once the contract modification is signed and we can get on with the business in hand.

  - **Unpaid debts left by AU-IBAR.** The AU-IBAR team left Djibouti without paying a number of vendors including landlords, labor contractors and utility companies. The AU-IBAR inventory such as office equipment and household effects are being held as collateral by the unpaid vendors. This is severely impeding RATES ability to in set up a functional program office in Djibouti.

  - **Strikes and security concerns.** The component has been plagued by strikes and work disruptions at the DRLEF site due to unhappy construction laborers who were not paid by AU-IBAR. RATES is working with the USG mission in Djibouti and local police and government authorities to bring the situation under control. This has had and will continue to impact on our capability to meet the desired deadlines of getting the construction completed.

  - **Inaction of the GORD in a naming a management entity.** The GORD has yet to finalize the management entity to operate the DRLEF. Until this happens, there is no counterpart organization to work with. Although it was envisioned that the Djibouti Chamber of Commerce (DCC) was to be this entity, political infighting within the GORD has slowed the official process. RATES is working with the USAID office in Djibouti and with the US ambassador to help facilitate the process.