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

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## Mid-term Report and Annual Report #2 (Annual Report for the period: October 2006 - September 2007)

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

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### INTRODUCTION

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

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

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

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

**Progress achieved:** This report is both an Annual Report for FY07 and a Mid-term Report for the MATEP project. Most of the detailed information provided is for FY07, though major achievements from the previous year are mentioned and changes in implementation approaches are highlighted as well. Information on MATEP's Performance Monitoring Plan (PMP) and the new Operational Plan (OP) are presented for both FY06 and FY07. MATEP has met or exceeded targets for indicators in both the PMP and OP. The principal indicator measuring exports - value of agriculture/natural resource/tourism based exports - reached \$582 million compared to the target of \$465 million.

Among MATEP's value chains, exports of paprika/chili, horticulture/floriculture, seeds and groundnuts were the most significant. In terms of markets, South Africa was the largest and fastest growing market for Zambian exports followed by the Democratic Republic of Congo (DRC). The value of export/tourism transactions by MATEP assisted firms reached \$58 million compared to the target of \$52 million. In light of this strong project performance, MATEP revised upwards a number of its original indicator targets. The number and value of assisted firm exports were raised along with number of BDS clients, and individuals trained. Details of these and other targets are provided in the PMP and OP tables at the end of the report.

**Market Access:** The objective of the Market Access Component is to increase local, regional and international market access for Zambian agricultural and natural resource products, with a focus on facilitating export deals for Zambian clients. To meet this objective, MATEP adopts a market demand driven approach in providing services to its clients. Services include price and other market information, market linkages, training, finance and value chain development. To date, MATEP conducted trade missions and/or supported client marketing missions to the Democratic Republic of Congo (DRC), Namibia, South Africa, Ethiopia, Uganda, Germany and the U.S. A total of 34 clients participated in MATEP regional trade missions in FY07 and MATEP provided Business Development Services to a total of 64 exporting firms in FY07. These firms exported products to a value of US\$54 million during the year.

MATEP also worked with clients and other stakeholders to improve the performance in specific value chains: honey, coffee, horticulture and floriculture, paprika and chili, maize and seeds, cotton, livestock products, cassava, wood, groundnuts and dry beans. Seeds, chili, wood, groundnuts and dry beans were not in MATEP's original work plan, but were added in 2006 (seeds, chili and wood) and 2007 (groundnuts and dry beans) in response to new export opportunities uncovered by MATEP. Within the value chains, MATEP activities resulted in improved quality, movement up the value chain by local producers and increased primary (mainly small holder farmers) and secondary (processing and trading) incomes. Training services included training in export procedures, international grades and standards as well as specific supply chain requirements that enabled clients to meet the market requirements of the supply chain they were participating in.

Work with three firms stands out for special attention: Zambia Seed Company, Elephant Pepper/African Spices Ltd, and Kabwe Tannery. All three have taken MATEP greatly expanded exports as a result of MATEP assistance. "Success Stories" describing MATEP's assistance and exporting experience of these firms are included in this report.

**Trade and Enabling Policy:** MATEP's Trade and Enabling Policy Component made important contributions to Zambia's Private Sector Development (PSD) process. PSD is a joint government/private sector/donor initiative for addressing constraints to private sector growth. MATEP is a key member of several PSD Working Groups, serves as secretariat of the Trade Expansion Working Group and assisted Zambia's Customs Service with activities to address delays in border crossing, including coordinating a major Cargo Time Release Study. The component also helped initiate a new Memorandum of Understanding between Zambia and Angola. With the Judiciary, MATEP helped to develop a proposal and budget for a pilot Small Claims Court and to obtain funding from PSD sources. MATEP also worked with the Ministry of Agriculture and Cooperatives (MACO) sanitary and phytosanitary (SPS) services to consolidate information on SPS requirements for exports to the Southern Africa region. A key aspect of this work has been coordinating a study on bee diseases in Zambia in order to ease honey exports to South Africa.

MATEP conducts detailed value chain research to better understand how the agricultural economy really works through the Food Security Research Project. Research focuses particularly on the maize, horticulture, cotton and fertilizer value chains. With maize, research revealed major shifts in crop production patterns away from maize and toward more diversified crop production. Along with this was a reduction in rural poverty rates. Work in horticulture marketing has led to creation of a

Horticulture Supply Chain Task force and an SMS-based price and supply information system soon to be launched. In cotton, MATEP/FSRP activities have helped in revising the Cotton Act. And in fertilizer, analysis of the Fertilizer Support Program has been used to inform policy makers, donors and stakeholders on how the program actually affects fertilizer use in the country. MATEP/FSRP is also conducting a major Urban Food Consumption Survey to develop a detailed understanding of the consumption and expenditure behavior of households in the main urban areas of Zambia.

**Tourism:** MATEP's overall objective for tourism is to increase the number of tourist arrivals, their length of their stay and investments in the sector resulting in increased tourism receipts. The project's activities focus on improving marketing and service delivery in the tourism sector. MATEP has helped government's Zambia National Tourist Board (ZNTB), and the private Tourism Council of Zambia (TCZ) and Hotel and Catering Association of Zambia (HCAZ) in developing new Strategic Plans. Growing from the TCZ plan, MATEP helped TCZ create a new "MICE" Desk for attacking the market for Meetings, Incentive travel, Conferences and Events. As part of this activity MATEP helped organized a Destination Lusaka Expo in September 2007. Training workshops have been organized for tourism establishments throughout Zambia. In response to requests by the establishments, training was conducted in: Hospitality Management, Marketing and Customer Service, Tour Operator Skills and Internet Marketing. A total of 164 individuals were trained in FY06 and 266 in FY07

**Finance:** From the Finance Component, MATEP successfully undertook lending to small and medium sized exporters during the year as part of efforts to promote access to credit in this sector. Close to \$1.9 million went to MATEP clients in short-term export financing through MATEP Investment Fund managed by ZATAC, Ltd. Another \$722,000 was provided through the Medium-term Incubator Fund (MIF), a component of the Investment Fund. With credit track records established through MATEP, such firms will become better clients for financial institutions in the future. MATEP also worked with USAID to establish new Development Credit Authority portfolio loan guarantee instruments for the sector and then worked with participating banks and individual MATEP clients to access funding through the DCA facility.

**HIV/AIDS:** With funds provided by the President's Emergency Program for AIDS Relief (PEPFAR), MATEP helped the Zambia Export Growers Association (ZEGA) and the Hotel and Caterers Association of Zambia develop the capacity to deliver HIV/AIDS prevention services to their members. The prevention services, designed to meet the business concerns of owners as well as the social needs of employees, were readily taken up at both levels. Over 47,000 individuals have been recipients of the HIV/AIDS prevention messages and a total of 461 individuals have been trained for running the HIV/AIDS prevention programs.

**Environmental Assessments:** MATEP conducts quarterly environmental assessments with its clients in order to ensure that environmental consequences of USAID-funded activities are identified and considered in the design and implementation of activities prior to final decision to proceed and in an event that the company is already in operation; to provide information and analysis of the overall effects on environment, human health and welfare and means and measures to mitigate and monitor these impacts. To date, environmental assessments were conducted with Majoru Investment Limited, Freshpikt Limited, Kabwe Tannery Limited, Kamano Seed Company Limited and Mushitu Safaris. The Environmental Report on Mushitu Safaris is attached as an annex.

**Exchange rates:** Zambia's exporting and tourism sectors were hit hard in a seven month period in late 2005 and 2006 by a rapid and unexpected currency appreciation which followed long period of exchange rate stability. The Zambia kwacha started the year 2005 at K4,702 to the U.S. dollar, a level it had maintained for the previous two years, and ended at K3,352, almost a 30% change (see chart below). Much of the gain happened quite suddenly during the second half of November. Contributing factors appear to be major financial inflows to Zambia invested both in government bonds and private equities, large write-offs of Zambia's foreign debt under the HIPC process, record

high copper prices and significant new investments in mining. After reaching a peak of 2,965 to the dollar in May 2006, the kwacha started losing value as elections approached in late September. In 2007, the kwacha has been gradually gaining in values again reaching K3,800 to the dollar at the end of US fiscal year

The strong kwacha severely hurts exporters and tourism operators who see their revenue, being forex denominated, fall sharply, while their costs remain largely unchanged. Prices of some imported inputs moderated slightly, but gains are largely offset by higher fuel and transportation costs. Note that the strong kwacha has impacts MATEP's budget too, which was developed based on the previous exchange rate. Project costs are now considerably higher, in dollar terms, with a strong kwacha and operating costs have had to be significantly cut.

### Zambia Kwacha/US\$: January 2005 – November 2007



This report is divided into sections for each of the MATEP components. After the Introduction are five sections on Market Access, Trade and Enabling Policy, Tourism, Finance and HIV/AIDS. Each section reviews progress achieved based on activities listed in MATEP's Workplan. A Workplan Implementation Calendar for the upcoming year is presented for each component. Following these sections are five MATEP Success Stories: Zambia Seed Company, Kabwe Tannery, Elephant Pepper/African Spices, Tourism Council of Zambia and Khal Amzai. In the final sections, MATEP's Performance Monitoring Plan (PMP) indicators and Operational Plan (OP) indicators are presented. Annexes to the report contain the methodology for collecting and reporting PMP indicator data and an Environmental Review of a MATEP client.

## MARKET ACCESS COMPONENT

The Market Access component focuses on making export deals happen. A two-pronged approach is used: focusing on market development and focusing on client services to exporters. In both instances, our support is market demand driven. Within the market development focus are subcomponents dealing with regional market development and value chain development. Within the client services focus are subcomponents dealing with buyer linkages and enterprise support.

**Market Development - Regional Market Development:** The Regional Market Development subcomponent tries to take advantage of Zambia's comparative advantage in supplying products to the Central and Southern Africa regions. This is a departure from market development activities of the past which focused principally on high value European markets. Unfortunately, high transport costs and difficult logistical links have always made, and will continue to make, accessing European markets extremely challenging for Zambia. The reverse true for regional markets.

Further, regional markets are fast becoming more lucrative markets in and of themselves. With fast growing urban populations throughout the region, urban food market growth has outstripped most other markets. A growing middle class in the region has also seen a more selective customer with increased disposable income. The Southern African region is therefore increasingly offering a more complex and higher value market for suppliers. MATEP has specifically targeted for development markets in South Africa, DRC, Namibia, Angola and Botswana. Market development activities in the region include market research, outward trade missions, buyer identification, trade show attendance and generic industry marketing.

**Market Development - Value Chain Development:** The Value Chain subcomponent focuses on products with the most potential for sustainable export growth from Zambia. This is determined by the size, reliability and projected growth of demand and the ability to put together a reliable, competent and competitive supply chain. MATEP started out with 8 value chains: coffee, maize, horticulture/floriculture, cassava, honey, paprika, cotton and livestock products. In response to new opportunities uncovered by MATEP, the project added four more value chains since project startup: seed, chili, groundnuts and dry beans. In pursuing these value chains, MATEP attempts to get a broad understanding of the markets for these products, the buyers purchasing the products in the region, supply standards and specifications along with an understanding of producers and production characteristics in Zambia.

Two new themes have emerged as MATEP pursues value chain development: efforts by MATEP to help Zambian companies "move up the value chain" and efforts to strengthen linkages to small holder farmers. For moving up the value chain; in horticulture MATEP helped a new fruit and vegetable canning factory get started; in paprika MATEP helped a new processor of oleoresin start up; and in coffee MATEP worked with the industry to improve quality and increase the production and export of "specialty" grade coffee. Across many value chains MATEP is helping exporters move up the value chain by entering retail sales and/or raising business margins.

A burgeoning urban food market in the region is increasing market opportunities for retail packaged food products. Zambian honey, maize, groundnuts, sugar beans, baby vegetables, flowers, cassava and many other products are of very high quality, but post harvest care, processing and packaging remain a significant challenge for moving into retail sales. Zambian organic honey for example is a world class product that you cannot find glass-bottled and labeled-locally on the shelf of a high end retail outlet. Yet the demand for such products in the region is enormous as revealed in MATEP's business-to-business meetings, exhibitions and other market linkage exercises.

For the theme of strengthening smallholder linkages, the newly added value chains of groundnuts and beans are crop grown exclusively by small holders in Zambia. Both crops have a long history of local



production, but tend to be grown with little linkage to export markets. By focusing on the full value chain – production, harvesting, aggregation, storage, sorting, grading, processing and transportation – MATEP is increasing earning opportunities to farmers growing these crops. For example, white dry beans for the canning industry has not seen much demand locally, but is the fastest growing processed food item in the region (growing at 14% in South Africa whilst most other processed foods are averaging around 4-6%). Demand for beans in the region can easily exceed 20,000mt in the near future. The groundnut and bean value chains can potentially provide an annual income of US\$ 10 million for small holder farmers and growing double or triple that figure over the next ten years based solely on markets MATEP has already identified. There is significant scope for in-country value addition and job creation, too.

**Client Services - Buyer Linkages:** The Client Services subcomponents focus on providing clients with business development services that results in exports. MATEP focuses mainly on helping clients secure long-term sustainable export relationships with buyers in the region. Client services are demand driven: either the client comes to MATEP with a specific requirement, or a market demand uncovered by MATEP leads us to contact possible suppliers leading to a MATEP/Client relationship. Business development services to clients include short-term technical assistance, market linkage support, screening buyers, standards improvement, packaging, financing and other services. Since project startup, a total of 64 clients received Market Access business development services. MATEP had 46 active Market Access clients during FY07

Under the Buyer Linkages subcomponent, MATEP focuses on helping clients identify buyers for their products and provides the initial supply and demand link up with attention to “right-matching.” The correct link is critical to the potential success of an initial business deal in order to lead to longer term sustainable relationships. MATEP closely gauges a potential client’s ability to service a market vis-à-vis volumes, quality, and consistency and business acumen. During the period, MATEP undertook buyer identification exercises to develop buyer databases for specific products, screened and/or contacted buyers on behalf of clients and identified and helped clients attend trade shows.

**Client Services - Enterprise Support:** The Enterprise Support sub-component focuses on services MATEP provides to clients beyond buyer linkages to enable them meet export requirements. One of the biggest concerns of an importer is the ability for the supplier to understand and meet their demands. On top of this, statutory and market grades and standards are constantly changing. MATEP plays a critical role as an intermediary between exporters and importers assuring the buyer that their needs will be met and working with Zambian suppliers to meet those demands. This level of enterprise support has proved indispensable in sealing buyer/seller deals in the groundnut, bean and honey value chains.

Of the 64 clients MATEP clients has worked with so far, several stand out for particular attention. These are Freshpikt, ZEOCo, Zamseed, Kabwe Tannery and African Spices. Freshpikt and ZEOCo were the subject of Success Story write-ups in MATEP’s first Annual Report. Success Stories are included in this report for Zamseed, Kabwe Tannery and African Spices.

## **MARKET DEVELOPMENT - REGIONAL TRADE**

MATEP’s regional market development activities are outlined below. Specific information on individual products or companies can be found in the subsequent value chain and client services sections.

- **South Africa:** South Africa is the most significant export market for Zambian agricultural products. In spite of already being a large market, it can be considerably bigger still and MATEP efforts have focused on identifying major new buyers in South Africa and on introducing more Zambian firms to exporting opportunities. Over the last year, one of the most significant

developments in opening new SA markets is the close relationship MATEP established with Tiger Brands Foods. Tiger Foods is the largest food processor in Africa and MATEP has encouraged Tiger to look to Zambia as a source of raw material supply for the future. An initial success in this relationship is the contract between Tiger Foods and Choice Nuts, Zambia for the export of 1,000mt of groundnuts. This volume could rise to 5,000mt in the near term and work involving other Zambian export products is continuing as well.

During the year MATEP also organized a “Zambia Stand” at the large Africa Big Seven Exhibition (AB7) in Johannesburg and facilitated participation of 10 Zambian companies at the stand. AB7 is one of the largest agribusiness events on the continent attracting many thousands of potential buyers. The Zambia Stand featured in a SABC documentary on the event. Sundried tomatoes, honey, groundnuts and fish from Zambia received the greatest interest at AB7 and as a result of participating in this show, MATEP clients received orders for 300mt of honey and 180mt of sundried tomatoes. The greatest benefit however will be from longer-term supply contracts and more of these are expected to follow. During an Agribusiness Conference which ran parallel with the exhibition, MATEP made a presentation on supply and partnership opportunities specifically for South African agribusinesses launching into central and eastern Africa. MATEP was the only non-South African based organization to make a presentation during the 2-day conference.

Much of the marketing development work MATEP pursues in South Africa pertains to specific value chains and/or specific firms. These efforts; including the leather, horticultural products and honey value chains, is discussed below. MATEP also works closely with the Southern African Global Competitiveness Hub (the Hub) and collaborated on a “Manual on Exporting to South Africa” earlier in the project.

- **Namibia:** MATEP organized three trade missions to Namibia as well as developed product specific market linkages. These efforts not only led to export sales – to a country not common as a destination for Zambian products - but more importantly is leading to long term supply contracts with Namibian agents for in over 15 Zambian products. With a population of only 1.2 million, the size of the Namibian market is small but the market can still become important to Zambian exporters. Namibia market access activities are focused on internal supply (mainly Windhoek) as well as supply into Southern Angola via Northern Namibia (mainly Oshakati and Oshikongo in the north). MATEP clients have exported sales of over US\$5,000 in textiles and handcraft products and are in discussion on export contracts of wood products valued at US\$150-200,000 annually. A total of twenty products including fish, canned foods, honey fresh fruit and vegetables, wood and textiles (blankets) have been prioritized according to market demand. MATEP is also facilitating discussions between 10 Zambian suppliers, three leading supermarkets and a large nationwide distributor in Namibia on supply contracts.

A total of 34 Zambian and Namibian firms have been involved in trade missions facilitated by MATEP including an Inward Buying Mission and Northern Namibia Market Research Mission in 2006 and a Namibia Buyer/Seller Mission, a Market Linkage Mission and the Ongwediva Annual Trade Fair in 2007.

- **Angola:** Angola continues to be attractive because of high demand for import products and some of the highest market prices in the region. However, poor infrastructure and the prevailing business culture make it a very challenging place to do business. Trade logistics into Angola have been one of the major challenges. Though Zambia shares a long border with Angola, poor roads make trading difficult and the roads become impassable during the rainy season. However, an all-weather road of international standard is available through Northern Namibia, which is easily accessible from Zambia. Airfreight is possible and with planning and coordination (especially suppliers pooling resources to charter air freight) it is a viable mode of transportation for high value exports. MATEP’s strategy has been to explore generic market development activities (through Northern Namibia and along the border between Northwestern Province, Zambia and

Moxico Province, Angola) and more generally to support specific client-based demand and supply opportunities.

MATEP undertook an initial market identification tour of Eastern Angola in 2005 and organized a mini exhibition of Zambian exporters for a high level delegation from Moxico Province of Angola in 2006. In 2007, MATEP provided support for two Zambian companies with export orders in Angola and followed up on the longstanding possibility of establishing a distributor for Zambian products in Luanda. The companies were awarded export contracts for maize meal, cassava meal and beef and MATEP provided technical assistance and financing to the companies pursuing these contracts. Other export products that MATEP is pursuing with Zambian suppliers include onions and potatoes which are in very high demand (with over 1,000mt being supplied from Cape Town) and fresh horticulture products supplied through a Luanda-based distributor.

- **Democratic Republic of Congo:** The DRC market, especially Katanga Province neighboring Zambia, is a large and growing market for Zambian products. DRC is Zambia's largest informal trading partner and formal exports are significant as well. MATEP work in DRC included market research, market linkages and trade mission support. In 2005, MATEP co-sponsored a Trade Fair in Lubumbashi in conjunction with the Export Board of Zambia. During the trade fair MATEP, was able to collect information on livestock, maize seed, and stock feeds, cotton yarn and garments which were then shared with exporting clients. MATEP also conducted extensive market research work through a Lubumbashi-based Zambian consultant. One area of considerable export potential is supply of seeds to DRC and MATEP helped one trade fair participant, Zamseed, do a product launch in Lubumbashi in 2006. As a result of MATEP support, Zamseed, exported over 270mt of seed worth US\$270,000 in FY07. This figure represents 90% of their export sales and 10% of their turnover for the year.

During MATEP's Trade Fair and trade fairs organized by the EDP II project too, MATEP has tried to break into supply of the mining sector in DRC. Mining in Congo is as important a part of that economy as it is in Zambia and there are between 40-50 mines in Katanga alone. Coupled with new government policies expanding mining employment and mandatory feeding of employees; this means a significant opportunity for supplying the mining industry. In realization of this, MATEP has organised a Katanga Mining Supply Expo in conjunction with ZDA and the Mining Supply and Contractors Association on the Zambia side and the Katanga Chamber of Commerce and the DRC Mining Association on the DRC side. The Mining Supply Expo is scheduled for November 2007.

- **Botswana:** Botswana is dominated by South African in the supply of both fresh and processed foods, however MATEP believes that there may be promising market niches that Zambian exporters could exploit, including supply of commodities. Low local production in Botswana, a growing public funded school feeding programme and a vibrant beef industry have amongst other factors driven demand for supply of commodities (particularly sugar beans, maize and molasses). MATEP has pursued leads received for the supply of up to 110,000mt of various commodities, mainly from traders. MATEP has focused on engaging the primary users of these products to determine the extent of this demand and provide direct linkages to Zambian suppliers. On supply of retail packaged goods, discussions with one of the largest supermarket chains in Botswana will provide significant market access Zambian products

## MARKET DEVELOPMENT - VALUE CHAINS

MATEP conducted the following specific activities in value chain development:

- **Groundnuts value chain:** Zambia is a historic producer of groundnuts and was once a leading exporter of raw groundnuts to Europe. Currently, annual production is 80-100,000mt and exports

in recent years have been negligible. The entire groundnut crop is smallholder grown. MATEP's groundnut value chain focus was developed in the course of discussions with Tiger Brands Foods, the largest food African processor based in South Africa. Tiger Brand Foods has a large and growing demand for groundnuts for production of their Black Cat peanut butter and was beginning to explore alternative sources of groundnut supply. However, Tiger Brands required a 100% assurance of delivery against contracted supply and required nuts delivered to meet high quality standards. After extensive searching and discussions with producer organizations and traders in Zambia, MATEP found no one in a position to meet Tiger's needs. Rather than let the opportunity pass, MATEP began a long process of value chain development with stakeholders in Zambia. The opportunity is large since the Tiger supply chain alone has the potential to grow to 20,000mt in the near future.

In addition to large volume exports of raw nuts to SA, the value chain also includes production of peanut butter (a local peanut butter processing plant has been commissioned with MATEP support), and exports of confectionery grade nuts to the European organic market, Botswana and Angola. During the last year, value chain development included:

- surveying areas of production,
- identifying and engaging prominent commodity traders,
- familiarization tours for Zambian suppliers to South Africa to visit Tiger Brands' Black Cat peanut butter processing facility and other facilities,
- inward fact finding and negotiation missions by Tiger Brands Foods,
- financing and financial leveraging,
- training to meet Tiger Brands grades and standards,
- market intelligence and
- marketing support.

An initial contract of 1,000mt was awarded to Choice Nuts, Zambia Limited for supply during 2007. MATEP support enabled Choice Nuts to purchase crop and purchase a high tech grading and sorting plant (for both groundnuts and dry beans). MATEP also organized a training session for groundnut handling and aflatoxin management in Chipata in June 2007 targeting buyers, traders and producers of groundnuts along with the quality control personnel of Choice Nuts. The training was conducted in collaboration with the Perishable Products Export Control Board, (PPECB), South Africa. A familiarization tour of Tiger Brands facilities in South Africa and the groundnut purchase and processing system was also conducted in March 2007.

Other support for the development of the groundnut value chain included presenting additional varieties of Zambian grown groundnuts to Tiger Brands for tests in the Tiger Brands processing facilities in South Africa. Finance covered the acquisition of groundnut grading, sorting and peanut butter processing equipment in addition to capital for groundnut procurement. The peanut butter processing equipment also allows for the mass roasting of groundnuts and application of various confectionary coatings. MATEP has also facilitated linkages between the processors of these groundnuts and a local packager that will allow this roasted/coated product to be retail marketed in the region.

- **Dry bean value chain:** Like groundnuts, Zambia has a long history of dry bean production and produces 20-25,000mt of dry beans annually. All of this production is by small holder farmers. The sector has never been organized into a reliable supply chain and the buyer / seller relationship is rather ad hoc. As with groundnuts, MATEP intervention focuses on tying this production into an international market and in so doing addressing the entire value chain. Product quality and bean variety are to key issues. On quality, sorting and grading are essential for both large export volumes and for retail sales and the groundnut equipment acquired with MATEP support also has the capacity to grade and sort dry beans. In addition to grading and sorting, MATEP worked with a new client installing a packaging plant for retail dry foods in Lusaka, too. Zambian suppliers now will be able to supply a retail packaged, bar coded product directly to distributors and

supermarkets in Botswana, Namibia, DRC and Angola. Further, because of the quality specifications of the product coming out of the grading facility, the quality bar in local supply will be raised.

On varieties, it is demand for small white beans for canning as baked beans that is growing rapidly in the region and these beans are not common in Zambia. Further, the varieties required by Tiger Brand Foods, OPS-KW1, Teebus and PAN 185, are not even released in Zambia. Based on projected regional demand, Zambia has the potential to build a US\$3 million industry in the near term, growing to US\$12 million in ten years. MATEP has worked with a number of partners to get this value chain moving in Zambia. With Tiger Foods, MATEP has secured commitments to purchase large volumes of Zambian produced beans. With Northern Seed in South Africa, MATEP has arranged a supply of bean seed and agronomic input for expanding production. With the Zambia Agricultural Research Institute, MATEP has arranged for bean seed trials for the new varieties. And with the Seed Control and Certification Institute, MATEP has facilitated clearance for these new bean varieties to enter Zambia. MATEP is next working with several smallholder groups and commercial farmers to conduct field trials and multiply the bean seed for more extensive production.

- **Coffee value chain:** The challenge in the coffee value chain is to establish Zambia as a significant producer and exporter of specialty coffees. Enhanced market access can only be achieved through improving the quality of Zambia's specialty coffee and MATEP support, in partnership with the Zambia Coffee Growers Association (ZCGA), focused on this issue. The ZCGA is the industry association for coffee growers and exporters, and all major exporters of coffee are members. MATEP worked with the Zambia Coffee Growers Association (ZCGA) and its members to promote coffee exports through improved coffee production and marketing. A key aspect of this is raising the share of Zambian coffee produced and exported as "specialty" coffee. Steps taken to improve production and marketing are:
  - Training stakeholders in wet processing, drying, and coffee moisture control.
  - Developing coffee quality and coffee cupping training modules.
  - Building post-training forward and backward linkages in the industry.
  - Promoting participation by stakeholders in select coffee shows.
  - Conducting of barista training to improve understanding of coffee preparation and promote local coffee consumption.

In spite of poor production figures due to weather this year, a sign of success for Zambia's improving coffee quality, Terranova Coffee was selected as an exclusive Starbucks "Black Apron" coffee. The award enables a unique marketing opportunity not only for the specific Terranova coffee brand but also for the Zambian coffee industry as a whole. MATEP facilitated a site visit to Terranova Farms for the U.S. Ambassador and the Zambian press. Other recent support included facilitating ZCGA conducted Coffee Field Days for management staff coffee farms focusing on coffee grading, dry and wet processing, coffee cupping and coffee roasting. The Association, with MATEP support, also conducts regular coffee cupping training, barista training and coffee roasting training at the ZCGA offices in Lusaka. Barista and roasting training were also conducted in Livingstone and Mazabuka; after each training Coffee Club events are held.

- **Horticulture/floriculture value chain:** Exporters who were badly affected by a strengthened Zambia kwacha in 2005 recovered as the kwacha weakened a bit in 2006/7 then stabilized. Fresh horticulture exporters were among the most negatively affected by the strong kwacha. Work with clients in this value chain, focused mostly on expanding market linkages in South Africa. During FY'07, MATEP actively engaged the industry to obtain client specific information on production capacity, plans and market interest. MATEP, in partnership with the SAGC Hub is organizing an inward buyer mission of leading horticulture buyers from SA which is planned for the 1<sup>st</sup> quarter of FY'08. Also in fresh horticulture, MATEP tried to link up small scale growers to South

African buyers in response to queries for baby vegetables. Some small scale growers are already supplying these markets through larger exporters, Borassus, York and Chalimbana. MATEP found that in the absence of a 'bulker' or aggregator small holder output, sales through the larger farms is the most efficient route of supply for now.

The re-commissioning of the Freshpikt canning factory was a significant development in the horticulture value chain. The factory which was built in the '80s was abandoned and vandalised until Freshpikt bought it. MATEP assistance was critical in getting the factory operational again. MATEP is also working with Zambian banana producers promoting exports to Namibia, Botswana and the DRC and with flower exporters for supply of ready made bouquets into supermarket chains in Namibia, Botswana and Angola. This will enable flower growers to participate higher along the value chain.

- **Honey value chain:** Zambia exports between 6-700mt of honey annually, but potentials are considerably larger. Honey exporters have focused principally on high value markets in Europe and the U.S. in the past. In addition to helping expand these markets, MATEP is helping Zambian producers expand rapidly into new regional markets too. Once constraint in the region is South Africa's requirement that honey be irradiated when imported. Irradiated honey is no longer organic, irradiation turns honey black and irradiation precludes retail packaging by Zambian producers. While trying to reverse this requirement, there are also market opportunities in South Africa and MATEP has helped a supplier clinch a deal for export of 300mt of bulk honey. Retail markets in Namibia and Botswana are significant too and MATEP is helping clients provide samples to retail outlets and coordinate export logistics to these markets. In addition to new markets, MATEP is working with suppliers in developing and marketing new high end retail honey, beeswax and propolis products.

While many honey producers in Zambia want to export, few have been able to reach quantity and quality levels enabling access to international markets. Many have also been unwilling to collaborate in aggregating to reach a viable scale for exporting. However, MATEP has been working with several partners more recently who have demonstrated such willingness, providing guidance in business planning, training, processing, packaging and marketing. This new group will be exporting significant quantities of honey next year.

- **Paprika and Chili value chains:** Paprika production had been in decline for a number of years in Zambia. Margins for exporters of pod or powdered paprika had become so thin that they were unable to offer high enough prices to incentivise production at the field level. Confusion in domestic paprika marketing compounded these low incentives leading to many farmers switching to other crops. Lower production volumes together with low margins meant that paprika exporters were unable to cover costs and several buyers shut down in recent years. In light of this, MATEP's focus in paprika has been to help Zambia move up the value chain to exporting processed paprika products instead. With assistance from MATEP, Zambia Extracts, Oils and Colourants (ZEOCo) was able to rehabilitate an oleoresin extraction facility in Lusaka East and begin exports of high value oleoresin. Margins in oleoresin extraction are high enough that ZEOCo is able to offer higher paprika buying prices and paprika production in Zambia is now expanding again. Paprika based exports amounted to US\$950,000 in FY07, a figure which will climb rapidly now that the oleoresin extraction facility is fully operational. ZEOCo is also nearing completion of a spice plant that will allow further value addition in the value chain.

In addition to paprika, MATEP added chilies to the value chain and started working with African Spices, a company exporting chili mash to Tobasco in the U.S. and producing chili sauces marketed under the Elephant Pepper brand. Together with the Southern Africa Trade Hub, MATEP helped African Spices launch its chili products in the U.S. along with landing contracts with major U.S. distributors (see Success Stories).

- **Maize and Seed value chains:** MATEP's initial intention to promote maize exports was not possible due to government's ban on the export of maize from Zambia. In its place, MATEP focused on the seed value chain instead. MATEP provided market and buyer information from the region to most of the Zambian seed producers, working most closely with Zamseed, Kamano, Seedco and Pannar. In addition to providing information, MATEP helped Zamseed with a major launch of its products in DRC (see Success Stories) and helped Kamano Seed install new seed processing capacity in order to meet export orders from South Africa and Malawi. In FY07, MATEP clients exported a total of 4,858mt of various agro-seed valued at US\$4.6 million. Zamseed exports alone grew 900% during this period due to market access support from MATEP.

More recently with the partial lifting of the maize export ban, MATEP facilitated signing of a supply contract for the export of 240,000mt of maize to Namibia. MATEP also helped a Zambian exporter finalize a supply contract for an initial 10mt of maize meal into Angola with the prospect of increased monthly supply.

- **Cotton value chain:** MATEP's involvement included working with textile producers (blankets, bed linen and high-end handcrafted and soft home furnishings and African printed textiles for clothing. Exports of these products focused on DRC, Angola, Namibia and to a lesser extent, Botswana.
- **Livestock products value chain:** During the first year of the project, MATEP helped organizing a tour of Zambian leather suppliers by Daimler Chrysler of South Africa and Seaton Leather. This tour led to wet blue leather from a MATEP client now being exported to SA for covering seats of Mercedes Benz cars. MATEP has also successfully helped Kabwe Tannery to "get on its feet" after a period of decline. The tannery plays an important role in Zambia as a purchaser of hides from the small scale farming sector, but purchases had been falling in recent years. MATEP helped Kabwe Tannery to secure a supply contract with a major international buyer of wet blue leather and to date three containers of leather have been exported, each comprising 1,250 pieces of wet blues, with the buyer willing to continue purchasing from Kabwe in the future. Now fully operational, Kabwe Tannery is also tanning hides on a contract basis for external clients and has facilitated 11 more export transactions totaling 1,525mt of wet blues valued at US\$1,268,800 (see Success Stories).
- **Cassava value chain:** MATEP helped to make buyer/seller links for cassava chips and retail packaged cassava meal in Namibia, South Africa, DRC and Angola. One MATEP client received an order for 10mt of cassava meal with the prospect of additional monthly supply. Cassava biscuits also received considerable attention, and a distributor in Windhoek is interested in bulk packaged (5kg) cassava biscuits.

## CLIENT SERVICES - BUYER LINKAGES

The following describes buyer linkage activities with a number of MATEP clients.

- **Capital Fisheries Ltd:** Capital Fisheries is Zambia's largest fish wholesaler and distributor, selling 2,000mt of fish and seafood annually. Though large in Zambia, Capital Fisheries had made little headway at exporting before starting to work with MATEP. MATEP has facilitated Capital Fisheries export of canned buka fish, dry and frozen kapenta and whole gutted and filleted bream into Namibia, South Africa and Botswana. They received market linkage support from MATEP to show case product and identify buyers in the South Africa AB7 show and in Namibia during MATEP Namibia Buyer/Seller mission. Fresh chilled tilapia, an upmarket product is an area of exploration for Capital Fisheries that MATEP will support in this ongoing relationship.

- **Freshpikt Ltd:** Freshpikt is the only vegetable and fruit canning factory in Zambia and MATEP support was critical to getting them started. After purchasing the derelict Zambia Horticultural Company facility in Lusaka's industrial area, Freshpikt found themselves without sufficient resources to complete renovations and markets to begin operations. MATEP stepped in to provide support which led to Freshpikt successfully getting underway. MATEP and Freshpikt were then able to leverage an additional \$2 million in formal sector financing. An official company launch was held in February 2006 attended by the US Ambassador and the Zambian Minister of Agriculture and Cooperatives.

With MATEP's continuing assistance, Freshpikt has now signed major export orders for supply of canned goods throughout the region and is also supplying Zambia's domestic markets. Freshpikt currently has 18 product lines and has sold a total of 1,100,000 cans since inception. The company has positively impacted on Zambian agriculture as all raw material inputs of tomatoes, sweet corn, beans, pineapples, onions, etc, are sourced locally. MATEP continues to work closely with Freshpikt providing market linkages for their products in South Africa, Namibia, Botswana and the DRC. During their MATEP facilitated participation in the South Africa AB7 show, Freshpikt concluded a trial supply contract for 3 containers (90mt) of sun dried tomatoes to Germany that is likely to lead to a large scale continuing export order worth millions of dollars.

- **Zamseed:** Zamseed is a local company that first received support from MATEP to participate in a trade mission to the DRC in December 2005. In response to exhibited market demand for their product during this trade mission, MATEP supported Zamseed to undertake a major product launch in Lubumbashi, held in June 2006. About 20 commercial farmers, 15 NGO's, DRC Government, Zambia Consular officials and over 50 small scale farmers took part in the event. Arising from the launch, Zamseed has supplied various agro seeds totaling 270mt of seed (mainly maize, soya, groundnut and bean seed) worth approximately US\$300,000. Prior to MATEP support, Zamseed's exports into the DRC were nil. Zamseed expect to further expand their export sales in FY08 to US\$600,000. (See Success Story)
- **Forest Fruits:** Forest Fruits is a bee products company that is now exporting 350mt of organic honey and 15mt of beeswax into Europe and the U.S. annually. In addition to helping expand these markets, MATEP worked with Forest Fruits to access new markets in the Southern African region. For bulk sales, Forest Fruits clinched a 300mt bulk honey supply deal after attending the AB7 show in South Africa facilitated and co-sponsored by MATEP. MATEP services also included technical assistance to help Forest Fruits move up the value chain in selling higher value bee products. A major target for value added sales is South Africa where volumes demanded are high. In the meantime, MATEP is providing market linkages for Forest Fruits retail packaged sales in Namibia and Botswana.
- **PECO Ltd:** PECO Limited is a Zambian company dealing in the production and processing of cassava, maize and honey. PECO approached MATEP in FY '07 for support in exporting cassava and maize meal to Angola through Grupo Zambeze Lda. The supply contract was worth a projected US \$1.2 million, but PECO Ltd was constrained by language and a lack of knowledge or experience of the Angolan market. MATEP provided assistance of an intermediary based in Luanda who helped guide PECO through the negotiation process until the placement of the first order for 10mt each of cassava flour and maize meal. MATEP also facilitated PECO Ltd's travel to Luanda for final negotiations and worked with PECO to develop a trade finance proposal to enable them meet supply demands. A Namibian distributor has also indicated interest in procuring cassava meal biscuits from PECO Ltd which MATEP is helping PECO respond to. MATEP also facilitated PECO participation in a new honey supply chain which will link Zambian producers to new retail and bulk markets in the region.
- **Fallsay Timber:** Fallsay Timber is a wood products company based in Southern Province which MATEP is helping to export products to the region and also expand into "bio-coal"



production. Fallsway products include veneer sheets for plywood, flush and block board doors decking and flooring. Fallsway was one of the companies MATEP supported to participate in the Namibia buyer/seller mission during which they made business contacts worth a potential US\$150-200,000. Further Namibia export sales are likely to result from linkages MATEP facilitated between Fallsway and three of the largest wood product distributors in Namibia. MATEP anticipates that during the coming year it will provide support to Fallsway to attain South Africa Bureau of Standards (SABS) certification to increase access to markets in the region.

MATEP also provided Fallsway financing to expand into production of bio-coal briquettes both for domestic and export sales. Fallsway's operations generate large quantities of waste (sawdust, offcuts, etc.) which in the past were discarded. With the new briquette-making plant imported from India, Fallsway can generate considerable sales revenue from these wastes as well as reduce disposal costs. Use of briquettes at both the industrial and household levels will also reduce pressure on forests resources for charcoal and industrial fuel.

- **Kasholwasholwa Women's Group:** Kasholwasholwa is women's group that produces a basket unique to the Western Province of Zambia and Gwembe in the Southern Province. The 250 strong group recently had their skill and uniqueness acknowledged when the Santa Fe Folk Art Market accepted their application to exhibit and sell their product at the Folk market in June 2007. The show attracts close to 15,000 visitors worldwide and is a specifically designed to provide linkages between distributors and producers of handcraft products. MATEP provided the group with assistance to attend the Folk Art Market where they sold product worth US\$21,000 and made contact with three reputable potential long-term buyers. MATEP anticipates continued support to Kasholwasholwa in following up these market leads and developing long-term supply contracts.
- **Hipego:** Hipego, a handcraft and textile company received support from MATEP to attend the Ongwediva Annual Trade Fair during which sales of US\$3,500 were achieved. More importantly however, Hipego obtained orders from Out of Africa Art Gallery for recycled bottle top fashion accessories and wooden giraffes worth an initial US\$5,000.
- **African Spices Ltd.:** African Spices is a Zambian company producing chili mash both for export to the McIlenny Co (Tabasco sauce) and for production of their own Elephant Pepper chili products. African Spices both purchases chilies from smallholders and produces chilies itself. MATEP has part-sponsored African Spices to attend a number of marketing events toward introducing the Elephant Pepper chili products to U.S. markets. The first event was attendance at a Trade Hub organized "Exporting Specialty Food Products to the United States - Labeling Seminar" in South Africa in 2005 at which ASL got an insight into the requirements of the US specialty food market. MATEP then sponsored ASL attendance at the California Fancy Food Show in San Francisco with a view to identifying potential agents/distributors for assisting in sales and marketing their products in the U.S. MATEP also linked ASL with specific U.S. labeling companies and distributors. As part of this trip, ASL also met with McIlenny Co. to negotiate larger quotas for Tabasco sauce-bound chili mash.

MATEP then sponsored ASL to attend the Chicago Fancy Food Show in 2006 where they launched their line of chili products in the U.S. The Southern African Trade Hub assisted in coordinating displays of several participants from the region into an African Pavilion and MATEP worked with the Hub to offer pre-show guidance to ASL. Through this sponsorship, African Spices was able to meet a number of potential buyers of chili products from department stores and supermarkets and gave ASL a chance to establish visibility and develop seller-buyer relationships. Subsequently, with MATEP assistance again, African Spices attended the New York Fancy Food Show in 2007 where they were able to conclude negotiations with the Thaller Trading Group for sales and marketing representation for the Elephant Pepper brand in the U.S. This agreement ended a two year intensive search for a suitable representing agent that understood the challenges of exporting from Africa. Early success has been achieved with listing secured for delivery for

the upcoming Christmas season and listings in a number of super market chains expected to come on line in the first quarter of 2008.

- **Borassus:** Borassus is one of Zambia's top three baby vegetable exporting companies. In response to a supply enquiry facilitated by MATEP, Borassus farms have entered into a weekly supply contract for mange tout and sugar snaps to Wigwams of South Africa. The supply is distributed through their agent in Johannesburg. MATEP also facilitated meetings with Borassus and the SA Trade Hub for supply contracts with other SA buyers and a buyer in New York. As part of its buyer linkage assistance, MATEP is facilitating the visit to Zambian vegetable growers, of leading South African food distributors and retailers. MATEP also engaged Borassus regarding supply of onions to Northern Namibia for onward supply into Angola.
- **York Farm / Chalimbana:** Together with Borassus, these firms cater for the bulk of Zambian baby vegetable exports. Their market focus has traditionally been Europe, but South African and the region is fast gaining importance. Assistance to these firms included market information, market linkages and trade show information. All three suppliers have been closely involved in discussions on increased market access for fresh baby vegetables into the region. York Farm was further assisted with a linkage to Tiger Brands Vegetable Canning factory for the supply of non-retail grade vegetables including: fine beans, baby carrots, tomatoes and onions. However due to competition from similar grade produce supplied by local South African farmers, it is unlikely that this will result in a supply contract. MATEP is working to facilitate an inward buyer mission for major food retail outlets and distributors in the 1<sup>st</sup> quarter of 2008.

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

The following summarizes this type of enterprise support:

- **Choice Nuts:** Choice Nuts, Zambia, Limited is a company that formed as a result of potentials identified in the course of MATEP's value chain and buyer linkage work in groundnuts. To take advantage of export opportunities in groundnuts Zambia needed a champion in the supply chain for aggregating, sorting, grading and processing product for onward supply into South Africa. Choice Nuts is playing that role, something no one was willing nor able to do in the past. With assistance from MATEP; Choice Nuts secured a seasonal contract for supply of 1,000mt of raw chalimbana groundnuts to Tiger Brands of South Africa valued at US\$1 million. The supply agreement provides Choice Nuts with the prospect of supply up to 5,000mt annually and has the capacity to grow to US\$12 million annually over the next 10 years. In addition to the market and buyer linkage assistance, MATEP leveraged additional financing from ZATAC and Barclays for a total financial package of US\$700,000 to Choice Nuts.

In addition to the Tiger Brands contract, MATEP has provided market linkages support for the purchase of. MATEP is also assisting Choice Nuts move up the value chain with groundnuts. This involves identifying buyers for confectionery grade groundnuts in South Africa and local processing into peanut butter. MATEP also helped Choice Nuts by organizing and co-sponsoring a training session for groundnut handling and aflatoxin management in Chipata in 2007. The training targeted buyers, traders and producers of groundnuts along with the quality control personnel of Choice Nuts and was conducted in partnership with the Perishable Products Export control Board, (PPECB) of South Africa and Tiger Brands Limited.

- **Scrollex Ltd:** Scrollex Ltd is a new Zambian company that was looking into establishing a new facility in Zambia to package and distribute dry foods within the region and to local supermarket chains. The company, however, needed an assured source of raw material supply before investing in Zambia. MATEP met with them, convinced them of the availability of reliable groundnuts and dry beans supply (as well as other dry products), linked them to suppliers of dry beans and

groundnuts and facilitated Scrollex participation in the AB7 Show in South Africa. As a result of MATEP's support, Scrollex expanded their investment plans and decided to procure an automated rather than a manual packaging plant in Zambia. The plant will be operational in November 2008. MATEP is also working with Scrollex to provide retail packaged dry foods into the Namibia and Botswana markets and Scrollex is the lead partner with MATEP working to distribute Zambian retail products through one of the largest supermarket chains in Botswana.

- **African Joy Ltd:** African Joy is female owned textile business that in 2007 won the Presidential Award for the Highest Female SME Exporter. The firm initially approached MATEP for support to establish a market presence in the region and establish export links. African Joy's focus had been on participating in trade shows and making sales from their hotel-based outlet in Lusaka. With MATEP finance and technical assistance, African Joy developed a business strategy to capture longer term supply contracts with boutiques and other buyers in the region. African Joy received support from MATEP to participate in sales missions to Angola, Namibia (Buyer/Seller Mission, Ongwediva Annual Trade Fair and the Windhoek Agricultural Show in FY07). MATEP is also helping them improve their market presence by developing a marketing brochure.
- **Zambia Extracts, Oil and Colorants (ZEOCo):** The paprika industry was in poor shape due to limited buyers, low prices, domestic markets in disarray and the failure of past industry support programs. The coming of ZEOCo on the scene provided the industry with an expanded buyer base and the opportunity for value added production. ZEOCo's plan was to begin operating a paprika oleoresin processing plant in Lusaka East and by processing paprika to oleoresin be able to enter a lucrative oils and colorants market. But after purchasing the plant, ZEOCo found themselves with insufficient resources and contacts to complete renovations and begin processing. As with Freshpikt, MATEP stepped in to provide support to purchase processing inputs and pod paprika as raw material enabling the plant to get underway. MATEP also helped in identifying markets for sale of oleoresin outputs. MATEP then played an active role in leveraging a \$2 million financial commitment for ZEOCo. Again, as with Freshpikt, ZEOCo's impact on Zambian agriculture will be transformational by providing a source of demand for paprika producers and creating incentives to revive the sector.

With MATEP's assistance along with other funding leveraged by MATEP, ZEOCo commenced oleoresin extraction and processing at their plant in Lusaka. The plant runs at 10 metric tones of paprika for a 24-hour shift with a 6% oleoresin out turn. A total of 812 metric tones of paprika were exported in FY07 out of which about 20% was exported to Spain as oleoresin product (ORP). The total value of their exports in FY07 was US\$950,000. Installation of a spice plant is nearing completion which is expected to process 6 metric tones of material per 24-hour shift. The value addition from the spice plant is expected to increase revenue for the company.

- **Mazabuka District Business Association BEE:** MATEP provided support to Mazabuka Entrepreneurs Association (DBA), in conjunction with the Zambia Chamber of Small and Medium Business Association (ZCSMBA), to host the 4<sup>th</sup> Business Enterprise Exhibition (BEE 2007) for micro, small and medium enterprises at Nakambala Sports Stadium in Mazabuka in May 2007. The BEE is a national event which brings together micro, small and medium enterprises and small scale farmers at one location to showcase innovations and talents through exhibiting and marketing of their products and services to the general public. The event is unique in that it is the only one of its kind that focuses solely on the small business and the small farmers. The BEE was a success in exchanging information among the delegates thereby creating networking processes and market linkages.
- **Zambia Coffee Growers Association:** ZCGA is the industry association for coffee growers and exporters and all major exporters of coffee are members. With support from MATEP, ZCGA provided training and cupping support to its members. MATEP has been providing assistance to the Zambia Coffee Growers' Association to conduct activities for its members for improving

coffee quality and increase the proportion of Zambian coffee sold at specialty coffee premiums. This proportion has grown from 5% to 35% of the main grades over recent years. ZCGA has a target of reaching 55% over the next two years and 70% to 85% within five years. MATEP assistance to date has focused on identifying factors that influence cup quality and training in the industry to implement steps at the production, processing and storage levels for improving cup quality.

One of the major problems the coffee industry faced over the years has been over-drying of coffee products (due in part to climatic conditions). Ideally, coffee should remain in parchment for up to 60 days rather than be processed quickly to green bean stage as is done in Zambia. Further, moisture levels of coffee should be kept within 12-14% rather than 8-10% which are common with Zambian coffee. Over-drying the coffee results in a loss of coffee quality along with reduced weight when the coffee is marketed. With MATEP support, ZCGA began a moisture control project so that growers can maintain higher coffee moisture levels during the dry period of mid August to December. Also during the year, Terranova Coffee, a ZCGA member, was selected as an exclusive Starbucks “Black Apron” coffee. The award provides a unique marketing opportunity not only for the specific coffee brand but also for the Zambian coffee industry.

- **Kamano Seeds:** MATEP continued providing assistance to Kamano Seed for their participation in trade missions in order to showcase for securing long term supply contracts. Specifically, MATEP provided partial funding to Kamano Seed Company to participate in Namibia Buyer/Seller Mission in Windhoek, Namibia. Kamano Seed also participated in displaying its products at the Africa Big Seven Show held in Johannesburg, South Africa. Arising from their participation at different trade missions and fairs, Kamano exported 443mt of various agro seed productions into the regional markets for a total value of about US\$1.4 million. MATEP also helped Kamano Seed install new seed processing capacity in order to meet export orders from South Africa and Malawi.
- **Cross Border Traders Association (CBTA):** The CBTA Copperbelt established a warehousing facility, offices and market information system at the Kasumbalesa border post with DRC. The border is Zambia’s busiest border with the DRC and DRC being Zambia’s largest informal trading partner, significant quantities of food are traded at this border post. This provides a unique opportunity for smaller exporters who would be unlikely to compete/export in more advanced or formalized environments. MATEP in partnership with the Small Holder Extension and Marketing Project (SHEMP), which provided the major funding, facilitated the establishment of the facilities at Kasumbalesa. MATEP helped with the constraints to operationalise the warehouse, provided furnishings and addressed security issues.

## Market Access Component: Implementation Plan

Activity	Year 3												Year 4			Yr 5						
	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sept.	1	2	3	4	1	2	3			
	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3			
<b>Regional Trade</b>																						
<b>South Africa</b>																						
Africa Big Seven show and follow up																						
<b>Namibia</b>																						
Ongwenda trade fair, market assessment and follow up																						
<b>DRC</b>																						
Lubumbashi fair, mining fair and follow up																						
<b>Angola</b>																						
Facilitate client exports and identify new market leads																						
<b>Market Development for Value Chains</b>																						
Provide buyer-seller services to companies																						
Collect market information and link to exporters																						
White bean field trials																						
<b>Buyer Identification</b>																						
Identify buyers and build database																						
Build buyer-seller relationships																						
Inward buyer missions																						
Identify shows/liaise with organizers/enlist participants																						
<b>Exporter Services</b>																						
Screen companies and enhance export readiness																						
Establish and commission Choice Nuts factory																						
Identify/address SPS/grades/standards in target markets																						
Undertake export training events																						
<b>Environmental Assessments</b>																						
Client environmental reviews																						

## TRADE AND ENABLING POLICY COMPONENT

The Trade and Enabling Policy component objective is to work at domestic, regional, and international levels to improve the enabling environment for exports in order to raise Zambia's international competitiveness and attract foreign investment. MATEP's strategy is to collaborate and or partner with the private sector, government institutions and other stakeholders to influence policy or implement activities in areas that are inhibiting Zambian competitiveness and export growth. The focus is on identifying, removing or reducing constraints to exports including policies, regulations and procedures, administrative and technical barriers prevailing at national and regional levels, as well as working on regional trade agreements under which export growth can be achieved. Project interventions are grouped into sub-component areas namely:

- Collaboration on Trade Policy
- Reducing Administrative Costs and Delays
- Overcoming Barriers to Trade
- Aid Development of the Small Claims Court (SCC) and
- Value Chain Activities.

In the subcomponent Collaboration on Trade Policy, forging partnerships with Zambian institutions is the most effective way of influencing change in policy. In this regard MATEP has worked throughout with the Private Sector Development (PSD) Program, a government and private sector initiative to address constraints to private sector led growth in the country. MATEP has worked principally through two PSD working groups, the Administrative Barriers Working Group (ABWG) the Trade Expansion Working Group (TEWG). MATEP played a pivotal role in getting the TEWG started by providing Secretariat services and technical support to the working group.

MATEP also worked very closely with Ministry of Agriculture and Cooperatives (MACO), Agriculture Consultative Forum (ACF), Grain Traders Association (GTA) and the Zambia National Farmers Union (ZNFU) on grain marketing issues, particularly maize, following the maize export restrictions imposed by government. This was in an effort to convince the authorities to develop a predictable grain marketing policy and to revise the Agriculture Marketing Act. MATEP/FSRP made an oral submission on grain marketing to the Parliamentary Committee on Land and Agriculture as another avenue for influencing policy change.

With regard to Reducing Administrative Costs and Delays, MATEP worked with the Zambia Revenue Authority (ZRA) to undertake a cargo time releases study (TRS) beginning in January 2007. MATEP initiated the TRS process and assisted with preparation of the scope of work, organization of the TRS Committee, preparation and revision of the budget and identification and engagement with funding sources. This resulted in the Millennium Challenge Corporation Threshold Project and the Southern Africa Trade Competitiveness Hub co-funding the study. MATEP then continued helping ZRA with planning, organizing working group meetings and also participated in undertaking the study. MATEP also worked with ZRA and the then Export Board of Zambia in organizing a meeting at the Chirundu border of Senior Zambian and Zimbabwean customs officials. The meeting focused on finding a solution to congestion at the border, Chirundu being Zambia's busiest and most congested border post. The discussions fed into COMESA meetings on establishment of a one stop crossing at Chirundu border which is now being spearheaded by COMESA and has reached an advanced stage.

In the subcomponent on Overcoming Barriers to Trade activities covered two broad areas, namely; sanitary and phytosanitary (SPS) issues and bilateral agreements. With regard to SPS issues, MATEP worked with the private sector and MACO Plant Quarantine and Phytosanitary Services (PQPS) to address the constraint to Zambia's export of organic honey to South Africa. South Africa requires that honey exported to that country be irradiated at one of its plants against American Foulbrood (AFB), a honey bee disease. MATEP worked with MACO in developing a scope of work and budget for a bee

disease study, approached various possible funding sources and helped providing justifications to possible funding organizations. This resulted in securing of funding from the World Bank through the Agriculture Development Support Project (ADSP). The study will take place in October 2007 and will not only establish the status of AFB in the country but other listed honey bee diseases from the World Organization for Animal Health (OIE). MATEP worked with MACO-PQPS to have SPS information computerized, which once completed will make it possible for the private sector access to SPS information, application forms and possibly have certificate issuance via the internet. MCA is providing financial support for the exercise.

Work on the subcomponent on Bilateral Agreements focused on a Memorandum of Understanding (MOU) between North Western Province in Zambia and Moxico Province in Angola. The MOU grew out of a liaison trip that MATEP conducted to Moxico Province in 2005 which found that the absence of any type of formal agreement between the governments of Zambia and Angola was impeding trade at the border. As an interim measure before a full bi-lateral agreement is worked out, MATEP has helped authorities on both sides of the border to develop an inter-provincial MOU. Initially, MATEP provided input into the draft MOU document and has tried to advance the approval process with various relevant government agencies (Ministry of Foreign Affairs, Ministry of Justice, Ministry of Commerce Trade and Industry and the TEWG. Though this has been a very slow and drawn out process, it is expected that the MOU will be signed in Luena, Moxico Province, before the end of 2007. MATEP is working with the Zambia Consular General office in Luena and the private sector in North Western Province to organize an exporter exhibit concurrent with the signing.

As regards the subcomponent on Aiding Development of the Small Claims Court, MATEP worked with the Chairman of the Small Claims Court Committee set up by the Judiciary to mobilize resources for establishment of a SCC. MATEP identified the PSD as the most likely source of SCC funding and has helped preparing an SCC proposal and budget for PSD. MATEP then liaised with the Chairman of the Administrative Barriers Working Group to have the proposal submitted through the group to PSD and assisted in responding to queries providing justifications for funding. Funding was secured in June 2007 and since then MATEP has worked with the Chairman of the SCC to develop implementation plans and to have funding released from PSD. Office space to house two pilot SCC has been secured in Ndola and Lusaka and preparation of documents to be used by the SCC and procurement of equipment has started. The two pilot SCCs are scheduled to start operating in November/December, 2007.

MATEP/FSRP conducts detailed value chain research in the maize, horticulture, cotton and fertilizer value chains. This work includes collecting up-to-date information on the rural economy, undertaking policy-focused analysis and subsequent outreach and education to actually effect policy change. With maize, research revealed major shifts in crop production patterns away from maize and toward more diversified crop production. Along with this was a reduction in rural poverty rates. Work in horticulture marketing has led to creation of a Horticulture Supply Chain Task force and an SMS-based price and supply information system soon to be launched. In cotton, MATEP/FSRP activities have helped in revising the Cotton Act. And in fertilizer, analysis of the Fertilizer Support Program has been used to inform policy makers, donors and stakeholders on how the program actually affects fertilizer use in the country.

MATEP/FSRP has completed the first of two rounds of a major Urban Food Consumption Survey. The survey is addressing four objectives: understanding consumption patterns across income levels; quantifying the importance of various retail channels; quantifying the importance of urban agriculture; and understanding the rural-urban flow of goods.

In its original Workplan, MATEP also intended to work in the areas of “lands” as well as on barriers to exporting to the US and Europe. During implementation, lands work has been pursued by the Millennium Challenge Threshold Project instead of MATEP and MATEP has chosen to focus on regional exports where it is more competitive instead of exports to the US and Europe.

During the coming year, MATEP will refocus its work in the Trade and Enabling Policy Component so that most of the component emphasis will be on value chain activities – horticulture, cotton, maize and fertilizer. The other subcomponents will be merged into the subcomponent of Overcoming Barriers to Trade.

## **COLLABORATION ON TRADE POLICY**

With regard to collaboration on trade policy MATEP successfully partnered with a number of institutions in order to influence policy change or implement activities to facilitate the desired change.

- **Private Sector Development process:** MATEP worked closely with the Private Sector Development (PSD) Program, a program developed jointly by the government and the private sector to address constraints to private sector led growth in the country. PSD is funded by government and donors and is administered by the Ministry of Commerce Trade and Industry. Specifically, MATEP worked with Administrative Barriers Working Group (ABWG) and the Trade Expansion Working Group (TEWG) providing technical advice to the two groups during the planning, implementation and monitoring of activities. MATEP played a pivotal roll in getting the TEWG stated providing Secretariat and technical support for conducting activities. MATEPS help in developing an Action Plan and budget helped TEQG secure funding from PSD.
- **Value Chain Analyses:** MATEP worked with members of the Trade Expansion Working Group and provided comments on the two draft value chain (VCAs) studies on livestock and cotton, which were undertaken for the Ministry of Commerce and Industry with support of the World Bank. MATEP managed the process of gathering and consolidating comments from stakeholders on the draft reports.
- **Collaboration on grain trading:** MATEP worked very closely with MACO, ACF, ZNFU and the Grain Traders Association of Zambia on grain trading issues particularly maize marketing, following the export restriction imposed by government. The work highlighted negative impacts export restriction policies have on farmers, traders and the stability of Zambia’s export trade in the region. GTAZ was particularly concerned that Zambia was losing out on current and future export orders and that stakeholder concerns are not being properly addressed by government. MATEP emphasized the need for MACO to develop a more consistent, productive and beneficial regional trade mechanism, especially for the grain trade. The need for public/private sector cooperation in developing the mechanism was emphasized.
- **Agricultural Marketing Act:** MATEP worked with the MACO in developing an Agriculture Marketing Act. In this respect, MATEP participated in revising the Agriculture Marketing Act concept note. The need for policy change on grain and export trade was highlighted, including on the fertilizer support program.
- **Non-compliance of SPS regulations with imports on Nakonde-Kasumbalesa Corridor:** At the request of MACO, MATEP and ACF worked with MACO to establish if traders were complying with transit and SPS measures. MATEP prepared a draft SOW and participated in the study which revealed shortcomings in SPS control measures for transit cargo and agriculture products shipped by rail. The team made recommendations to government on how to address the shortcomings.
- **Zambia Business Forum (ZBF):** MATEP provided technical assistance to ZBF in documenting business to business linkage information held in embassies and trade and development institutions. The database, when complete, will promote private sector trade and investment



between Zambian firms and those in other countries. The study is expected to be completed by end of October 2007 and ZBF will disseminate the information to its members and others.

- **Hedging workshop:** Working with the Bank of Zambia, MATEP co-organized and co-funded a workshop on hedging in January 2006 aimed at sensitizing the private and public sector on the use of hedging instruments to mitigate the impact of sudden gains by the local currency. This followed the sharp local currency appreciation of about 40% within a short. This destabilized businesses, especially those in export, resulting in some closing down. The meeting was well received by both the public and private sector.
- **Cross border traders warehousing:** With the SHEMP Project, MATEP helped the Cross Border Traders Association (CBTA) set up warehouses on the Kasumbulesa border between Zambia and DRC in order to facilitate exporting to DRC. MATEP support was principally for infrastructure, furnishings, communication and security. As a result of the support, CBTA is now able to stock agricultural commodities at the border for Congolese traders to come and purchase. MATEP also provided advice on how CBTA members can benefit from incentives government offers to exporters, particularly value added tax exemptions on exports. In the coming year, MATEP will assist CBTA and SHEMP set up a cellphone-based price information system for commodities commonly traded across the DRC border.
- **Integrated Framework workshop:** MATEP collaborated with the Department of International Development (DFID) in organizing a sensitization workshop on the Integrated Framework (IF), which took place in April 2006. The workshop, which was attended by government officials, cooperating partners and other stakeholders, was aimed at sensitizing stakeholders on the operations of the IF, which is also another window for funding trade related projects aimed at addressing constraints to trade and private sector growth in the country..

## **REDUCING ADMINISTRATIVE BARRIERS AND DELAYS**

- **Cargo time release study:** MATEP worked with the ZRA to secure funding from the trade Hub and MCA, which was needed to undertake a cargo time release study for Zambia. MATEP participated in undertaking the study in January, 2007. Thus while the two USAID agencies provided funding, MATEP was on the ground working with ZRA and the TRS committee constituted by ZRA, providing advice during planning, field work, data analysis and preparation of the report. The WCO and the Trade Hub experts also worked with the team. One of the outcomes of the TRS was the Action Plan, giving with issues to be addressed in order to reduce the time and the cost of delays at border post.
- **Reducing congestion at Chirundu Border Post:** MATEP also worked with ZRA and ZDA Export Promotion and Investment Division, then called Export Board of Zambia and organized a meeting in June 2006, which brought together Senior Zambian and Zimbabwean customs officials at the Chirundu border, Zambia's busiest and most congested border post in the country, in an effort to find a solution to the congestion at the border. The discussions fed into the COMESA meetings on establishment of the one stop-border concept at Chirundu border, which has reached an advanced stage.

## **OVERCOMING BARRIERS TO TRADE**

Work on overcoming barriers to trade was divided in two areas namely; SPS issues and Bilateral agreements. With regard to SPS issues, work focused on addressing restrictions on Zambian organic honey exports to South Africa and on support to SPS institutions in Zambia. Work in the area of bilateral trade agreements started with assistance for finalizing of bilateral agreements Zambia had

initiated with DRC, Angola and Mozambique. It also worked towards addressing non-tariff barriers the country faces in exporting to its neighboring countries. Later the focus was on developing an MOU between the North Western Province (NWP) of Zambia and Moxico Province (MP) in Angola.

### *SPS issues*

- **Restriction of exports of organic honey to RSA due to irradiation requirements:** With regard to SPS issues MATEP worked on addressing the restriction that honey exports to South Africa must be irradiated against American Foulbrood (AFB), a honey bee disease, and that the irradiation must occur at irradiation facilities located in South Africa. Irradiation not only negates the organic nature of Zambia's honey but it turns honey black and precludes retail packing of honey in Zambia. MATEP helped design and secure funding for a honey bee disease study in Zambia. The study is scheduled to start in October 2007.
- **World Bank SPS assessment:** MATEP helped to organize and participate in a joint World Bank-USAID/RAISE SPS assessment mission for Zambia. The assessment came up with an Action Matrix which the Zambian government should implement in order to address SPS issues in the country. The World Bank has since provided funding to SPS institutions, which includes the honey bee diseases discussed above.
- **SPS Study tour to Kenya:** MATEP worked with the SPS/RAISE project to organize and participate in an SPS study tour to Kenya in February 2006 including the Zambian private sector and government officials. The team was led by the Permanent Secretary from MACO and was well received by the SPS authorities and private sector in Kenya. The study exposed to officials how Kenya has proceeded in addressing SPS issues and how SPS institutions are organized autonomously from government in Kenya.
- **Documentation and computerization of SPS information:** MATEP working with MACO-PQPS to have SPS information computerized which would facilitate access to SPS information and application forms and will possibly lead to issuance of SPS certificates via the internet. Following on from this work, PQPS has received financial support from MCA to develop a website and a database. Once completed it will greatly reduce the burden the private sector faces in applying for and obtaining SPS permits. Further it will reduce the time it takes to get SPS certificate issues. MATEP also assisted PQPS to get connected to the internet.
- **Incorporation of trade related aspects in the control of Livestock diseases:** The Zambian government sourced funding from IFAD for control of livestock diseases - CBPP, FMD and ECF - in the country. MATEP's intervention included preparation of a concept note and discussions with MACO on the need to incorporate trade aspects in the program. These aspects include the slaughter and marketing of livestock through use of cold chain and the establishment of disease-free zones, including traceability issues, which would facilitate export of livestock and livestock products from Zambia.

### *Bilateral Trade agreements and non tariff barriers to trade*

- **Bilateral agreements between Zambia and its key trade regional neighbors:** MATEP's work in this area in the first year focused on working with MCTI and MOFA to finalize bilateral agreements which Zambia had initiated with Mozambique, Angola and particularly the DRC, a key target market for MATEP's market access component. MATEP provided input into draft bilateral agreements between Zambia and DRC as well as that with Mozambique. Work on the DRC bilateral agreement stalled, first due to elections in the two countries and then owing to a subsequent dispute between the countries. This is an important agreement with the high volume

of trade between the two countries and it is hoped negotiations on the agreement will be activated soon.

- **Memorandum of Understanding between NWP of Zambia and MP in Angola:** With Angola, not only is there no bilateral agreement but there are no interim agreements in place facilitating trade either. This inhibits trade occurring across the border and prevents this trade from growing. MATEP began discussions about an interim MOU with the provincial governments of Northh Western Province in Zambia and Moxico Province in Angola after an exploratory trip to the border in 2006. MATEP provided input into the draft MOU and has been pursuing relevant ministries involved on the Zambian side as well as liaising with the Angolan Embassy in Zambia. The MOU is now ready and awaiting signing. It is anticipated that the MOU will be signed in Luena, Angola before the end of 2007 which will open formal trade between Zambia and Angola through the two provinces.
- **WTO Ministerial meeting:** MATEP co-financed the Vice Chairman of the Zambian Chamber of Commerce and Industry (ZCCI), Eugene Chanda, to participate in the WTO Ministerial Meeting held in Hong Kong in order to represent interests of Zambia's private sector. After the meeting, ZCCI prepared a report on the outcome of the negotiations which emphasized the need for Zambia to "address the supply side constraints ambitiously, expeditiously and specifically", which is now being addressed through the integrated framework and Aid for Trade by the MCTI.
- **SADC region non-tariff barriers:** MATEP identified a number of non-tariff barriers (NTBs) to trade that Zambians face when trying to do business in the SADC region. These include delays in issuance of visas, undocumented tariffs, refusal of use of right hand vehicles and the honey irradiation requirement by South Africa. MATEP drafted a paper highlighting these NTBs as input to a SADC-wide non-tariff barriers study report. The paper was submitted through Zambia's Ministry of Commerce, Trade and Industry.

#### **AID ESTABLISHMENT OF THE SMALL CLAIMS COURT**

- MATEP worked with the Small Claims Court committee set up by the Judiciary to plan for establishing two pilot small claims courts in Zambia. MATEP identified a possible source of funding (the PSD) and then helped prepare proposals, budgets and implementation plans for the pilot courts. MATEP then worked with the PSD authorities responding to queries and providing justifications for funding. Funding was approved in June 2007 and since then MATEP has been working with the Chairman of the SCC to secure release of the funds and preparing for implementing the pilots. A visit to South African SCC adjudicators and training is scheduled for November 2007. Office space to house the two pilot SCCs has been secured in Ndola and Lusaka and procurement of equipment has started. The two pilot SCCs are scheduled to start operating in November/December, 2007.

#### **VALUE CHAIN RESEARCH**

Agricultural and food security policy in Zambia revolve around the widely accepted goals of income growth, food security, and equity considerations. But progress toward these goals can rarely be achieved without an understanding of how the agricultural economy really works, which requires up-to-date information, analysis, and subsequent dissemination and education. The role of the Michigan State University/Food Security Research Project (FSRP) within the MATEP Project is to conduct analysis and convert this analysis into local analytical capacity and improved policies. This is done through intensive collaboration with public and private sector stakeholders in the agricultural sector. FSRP/MATEP is based on the premise that improved empirical information about the behavior of

farmers, consumers, and marketing agents can improve agricultural sector decision making, private sector performance and private/public sector partnerships in Zambia.

FSRP/MATEP activities revolve around four important agricultural value chains in Zambia: maize, fertilizer, cotton, and horticultural commodities. Activities conducted in the period under review are described below for each value chain. However, in Year 2 all components participated in the first of two-rounds of data collection for the Urban Food Consumption Survey covering the urban centers of Lusaka, Kitwe, Kasama and Mansa. The primary objective of this survey is to develop a detailed understanding of the food and other consumption and expenditure behavior of households in main urban areas of Zambia. Key aspects of this behavior are consumer budget shares across different food groups and specific food items, and the market share of different types of retail outlets such as open air markets, street vendors, shops, supermarkets, and others. The survey will address four objectives and related sets of questions:

1. Understand urban consumption patterns and how these vary by income level and across key cities and regions of the country. Examples of key questions that will be addressed include:
  - a. **For food staples:** Has the overall share of maize in Zambian diets changed significantly over the past decade? If it has declined, what other staples have increased? What has happened to the share of cassava in diets? Among maize products, what is the share of maize grain, industrially refined maize meals, and hammer milled maize meals in consumption patterns? How do all these shares vary by income level of households? Answers to these questions are fundamental to designing staple food policies that will promote a more reliable supply of low-cost staples for urban consumers.
  - b. **For fresh produce:** What is the share of fresh produce in consumer budgets, and how does this vary by income level? What are the individual shares of the top 5-6 items? What are the total volumes purchased by urban consumers? Answer to these questions are fundamental to designing investment programs that improve marketing capacity in urban areas and better link these urban areas with key rural production zones.
  - c. Similar questions could be addressed for meat and dairy products.
2. Quantify the importance of various retail channels in satisfying the food purchases of urban consumers and qualitatively assess how the importance of different channels has changed over time. Examples of key questions that will be addressed include: What is the share of the “traditional” marketing sector (open air markets, street vendors, shops) for different food groups and income levels, and how does this compare to the “modern sector” (independent and chain supermarkets)? Answers to this question are fundamental to understanding the rate and direction of change in Zambia’s food system; such understanding is a pre-requisite to designing policies and investment programs to ensure smallholder access to dynamic markets and a steady supply of quality food at affordable prices to consumers.
3. Quantify the importance of urban agriculture in the four selected urban centers, both in aggregate, for different income levels of households, and for different food groups. Urban agriculture is especially potentially important for fresh produce, but could be also for staples in some urban areas. As in items 1 and 2 above, quantifying urban production and marketing of food is relevant to the design of policies and programs to improve the urban food marketing system and its links to rural areas.
4. Understand the rural-urban flow of goods and cash among extended households. Such information will provide insights into, for example, the proper design of emergency response activities for rural areas during droughts.

## ***Maize***

FSRP/MATEP in Year 1 focused on developing a better understanding of smallholder production and marketing patterns and how these patterns have shifted over the past decade. By better understanding these patterns, maize (and broader sectoral) marketing and trade policies could be designed to better serve the needs of small farmers and consumers. Our premise and goal is that policy makers will increasingly rely on available information and evidence about the agricultural sector and allow their views to be influenced by clearly articulated research evidence if it is made available to them through a collaborative process involving government analysts in the generation of the evidence. This is an on-going process, and one which required in Year 1 the development of closer working ties between FSRP/MATEP and new senior staff at the Ministry of Agriculture and Cooperatives (MACO).

In Year 2, the focus has been on several new analyses:

- Examining whether government maize marketing operations and trade policy tools have stabilized or de-stabilized maize prices - we are undertaking this analysis in collaboration with MACO analysts.
- Documenting the southern Africa region's transition to structural maize deficit, the causes of this region-wide trend, and the likely impacts of deepening structural deficits on food prices.
- Documenting the impressive decline in real maize marketing and processing margins (the difference between the wholesale price of maize and the retail price of maize meal) since the reform of maize markets in the early 1990s.

### **Major accomplishments**

Through the Maize Value Chain Study, FSRP/MATEP and our MACO partners have documented several important trends in Zambian agriculture:

- Major shifts in crop production patterns from one where maize was the dominant crop in smallholder production and sales, to a much more diversified current pattern of production. Though maize remains the dominant crop in production, accounting for about 30-40 percent of the value of total farm output in the smallholder sector other staple crops such as cassava, fresh vegetables, crops and livestock production have increasingly become important to smallholders' food security and income generation in recent years.
- A reduction in rural poverty rates, which corresponds to major growth in smallholder production of crops other than maize.
- A shift in the region to structural food deficits, especially driven by events in Zimbabwe and a deliberate policy shift to reduce surplus maize production in South Africa. This situation affords many opportunities for Zambia if it improves its maize production and marketing efficiency through cost-reducing public goods investments.
- A dramatic reduction in maize marketing and processing costs, which has conferred major benefits to urban consumers and net maize purchasing smallholder farmers.

Using evidence from this and other research activities, FSRP/MATEP has been informing policy makers, donors and other sector stakeholders including parliamentarians through paper presentations, meetings, dialogue and other outreach activities on trends in Zambia in agriculture since 1980; achievements, challenges and opportunities for continued poverty alleviation and growth in Zambia's agricultural sector; maize and fertilizer marketing; agricultural marketing and finance system; maize trade policies to improve farmer incentives and food security; and tracking public expenditure to the agriculture sector.

### **Description of important activities and results**

FSRP/MATEP has been undertaking various analyses under the Zambia Maize Value Chain Study and has produced policy syntheses showing: (1) how the liberalization of maize marketing has contributed to a 40% reduction in maize milling/retailing margins and a 25% reduction in real maize meal prices between 1994-2006 – conferring major benefits to urban consumers; and (2) the southern Africa region is trending toward structural maize deficits, which signifies that Zambia will be facing import parity prices for maize grain with increasing regularity. Work on the maize value chain study also focused on:

- Understanding the financial implications of FRA maize operations in 2006, the effect of 2006 buying on price levels in the 2007 season, and how possibly 20% of FRA's maize purchases in 2006 were of maize produced in Mozambique, Tanzania, and Malawi.
- Comparing the magnitude of maize price instability in Zambia and other countries in Africa (Zambia's prices are the most unstable), and examining why maize price instability appears to be significantly higher than in all other countries for which price data is available.
- Analysis to understand the potential payoffs to bulking up of maize surpluses of small farmers to reduce traders' costs in serving remote smallholder areas. Initial evidence indicates that the marketing margin between remote rural areas and district centers is lower in the presence of larger production surpluses where economies of scale in marketing can be achieved. This has implications for the payoffs to investing in farmer marketing organizations.
- Understanding how maize trade policy has affected market price levels in Zambia through analysis of government and private sector import and export data since 1995.

Other empirical research work done by FSRP/MATEP to inform policy includes:

- FSRP/MATEP in conjunction with the Zambia National Farmers Union (ZNFU) completed a study and a policy brief published on how the kwacha appreciation is affecting Zambia's agricultural sector.
- At the request of the Strategic Agricultural Knowledge Support System (SAKSS)-Southern Africa regional coordinator, FSRP/MATEP has written a summary of trends in Zambia agriculture from 1980-2006. The draft report was presented at a recent meeting of the SAKSS/Initiative to End Hunger in Africa/Comprehensive African Agricultural Development Program (CAADP) in Washington, D.C., June 2006 and circulated at the SAKSS/CAADP meeting in Pretoria on October 2006. SAKSS jointly published the report which is downloadable on its own website.

FSRP/MATEP also conducted a number of outreach events:

- FSRP/MATEP made a presentation to a Donor Meeting on Achievements, Challenges, and Opportunities for Continued Poverty Alleviation and Growth in Zambia's Agricultural Sector, November 2006, Agricultural Consultative Forum, Lusaka
- MACO/FSRP/MATEP organized a Policy Dialogue on "Achievements, Challenges and Opportunities for Continued Poverty Alleviation and Growth in the Agricultural Sector in Zambia". November 2006. Fringilla Lodge, Lusaka.
- FSRP/MATEP participated in a World Bank/MACO/ACF maize policy experiment in Fringilla in March 2007. The experiment was designed to show participants how government unpredictability in the market adversely affected traders and indirectly, government's own objectives in the maize market. The policy experiment was played by about 25 people, including the Minister of Agriculture, Ben Kapita, PS Mundia, two Division Directors, Ministry of Finance staff, and 6-7 private sector maize traders and millers.
- FSRP/MATEP presented empirical findings on Zambia maize and fertilizer marketing to DFID and EU technical and policy interest groups, including MACO leaders (the PS and the Minister).

- FSRP/MATEP developed and presented written and oral testimony to the Parliamentary Committees on Agriculture and Lands on Agricultural Marketing and Finance Systems in Zambia in May 2007.
- FSRP/MATEP presented maize trade policy issues at the International Conference on Strengthen and Widening Markets and Overcoming Supply Side Constraints for African Agriculture, organized by the International Food and Trade Policy Council and the Partnership to Cut Hunger and Poverty in Africa. June 2007. Title of presentation: [Regional Trade in Food Staples: Using Trade Policy to Improve Farmer Incentives and Food Security](#).
- FSRP/MATEP participated in the Re-SAKSS Southern Africa regional meeting in Lusaka in May 2007 focusing on tracking public expenditures to agriculture. In the Zambia-specific analysis under Re-SAKSS, financial costs and losses resulting from maize importing, trading and stockholding operations were found to be an important component of public expenditures to agriculture, although their contribution to smallholder productivity is controversial.

During the remaining period of the project, FSRP/MATEP will continue working on the maize value chain study and related areas such as examination of effects of Zambia's maize marketing operations and trade policy tools in stabilizing prices. In addition, data from the Urban Food Consumption Survey will be analyzed in order to assess urban maize consumption implications for food security policy. Outreach activities for key policy findings will also be conducted.

### ***Fertilizer***

FSRP/MATEP work on fertilizer in Year 1 focused on informing and supporting MACO's Agricultural Inputs Marketing Development Plan (AIMDP). The research agenda focused primarily on two issues: (1) understanding where it is profitable (and where it is not profitable) to apply fertilizer under different soil types, agro-ecological zones, and market conditions faced by small farmers in Zambia, and what factors could improve the profitable use of fertilizer; and (2) understanding how government fertilizer subsidies distributed to small farmers under the Fertilizer Support Program (FSP) are affecting overall fertilizer use. In Year 2, this subcomponent dealt mostly with the issue of subsidy distribution by the state vs. development of a sustainable private sector distribution system within the context of the AIMDP.

### **Major accomplishments**

FSRP/MATEP conducted the analysis, "Input Promotion Programs and Commercial Market Development: Modeling Fertilizer Use Decisions in a Two-Channel Marketing System." This paper develops an econometric method to measure the potential "crowding out" effect of government subsidy programs. Results from this study as well as analysis on the cost-benefit of the FSP and fertilizer profitability in different parts of country have been used over the period under review to inform policy makers, donors, and other sector stakeholders. The fertilizer profitability analysis was in addition to informing Government fertilizer policy meant to contribute to the emerging debate in Africa (e.g., issues being discussed at the Fertilizer Summit in Abuja) as to the role of government in promoting smallholder farm productivity.

### **Detailed description of important activities and results**

- FSRP/MATEP conducted a major policy retreat with Government at Fringilla in late November 2006. Analysis and findings regarding the FSP and its contribution to Zambian agriculture were discussed by MACO and Ministry of Finance officials. Findings indicate that the social benefit-cost ratio varies from \$1.92 per \$1 investment in the FSP (in the most optimistic scenario assuming good rainfall, high maize prices, and the highest maize yield responses to fertilizer application as observed in household survey data) to roughly \$0.62 in the least optimistic scenario. The mean benefit cost ratio was \$1.02 per \$1 invested in FSP,

indicating that the return on FSP investment in fertilizer subsidies is quite low on average. FSRP/MATEP conducted an outreach event with MACO, the Ministry of Finance, and other stakeholders in March 2007 to discuss these findings with government.

- FSRP/MATEP analyzed profitability of fertilizer in different parts of Zambia, according to soil and rainfall type, seed type, and farmer management practices. The work is intended to provide a more accurate and geographically differentiated recommendation domain for fertilizer application, in contrast to the current practice of giving 200 kgs D Compound + 200 kgs UREA per hectare of maize, irrespective of location or price of fertilizer or maize.
- FSRP/MATEP made a presentation to Zambia PRBS Review Meeting by MACO/ACF/FSRP/MATEP Research/Outreach Team. Mulungushi International Conference Centre, Lusaka, Zambia, June 2007 on [Selected Comments on Zambia Budget Allocation in Agriculture & Maize and Fertilizer Marketing in Zambia](#).
- FSRP/MATEP participated in the Re-SAKSS Southern Africa regional meeting in Lusaka in May 2007 which was designed to track public expenditures to agriculture. Fertilizer subsidies were discussed in the Zambia-specific analysis during the meeting. FSRP/MATEP is leading a regional analysis of fertilizer promotion programs in Zambia, Malawi, and Kenya to provide insights in Zambia on how its program is measuring up (in terms of benefits and costs, effects on overall agricultural production, and on the development of the private fertilizer industry) compared to fertilizer promotion efforts in other countries in the region.
- FSRP/MATEP made a presentation to Farmer Organization Support Program (FOSUP). Lusaka, Zambia. June 2007 on [Agricultural Sector Budget Analysis](#).
- FSRP/MATEP made an outreach presentation to the Gates Foundation WorldAgInfo Project Design Team on [Under-appreciated Aspects of Smallholder Agriculture: Possible Implications for Information System Design](#) at the Agricultural Consultative Forum, Lusaka, Zambia in August 2007. One of the messages the Design Team carried away from Africa is about the importance of utilizing rural radio to reach out to smallholders.

During the next year FRSP/MATEP will continue analysis of fertilizer profitability bringing out implications for government policies in addition to analysis of the impact of the FSP on input markets and smallholder fertilizer use. Support to the AIMD plan including follow-up research will also be continued. Outreach events of key policy findings will be conducted.

### ***Horticulture***

Given the relative lack of information on Zambia's horticultural system, this component's approach emphasized starting with applied analysis and later developing a proposal for a Horticultural Supply Chain Development Program and a National Stakeholders' Workshop to review, revise, and approve the program and form a Horticultural Supply Chain Task Force. After the first year of applied research, research in Year 2 was expanded to conduct analysis of horticultural pricing dynamics and trade flows with a view to developing an SMS-based price and supply information system as lack of this information was recognized as one of the most constraining factors towards achieving efficient and effective horticultural markets. The rationale is to generate data for applied research while at the same time feed information for practical use into the horticultural supply chain.

### **Major accomplishments**

During the initial applied analysis in Year 1, FSRP/MATEP reviewed/analyzed domestic horticultural marketing channels from production through wholesalers/assemblers/distributors to traders/processors and urban consumers. Findings from this research were presented and discussed with horticultural



sector stakeholders with a view to solicit debate on key issues in the sector that need resolving and to lay a basis for establishment of a Horticulture Supply Chain Task Force. The magnitude and importance of the traditional marketing systems in the chain, although it is often disorganized and unsanitary, were highlighted and this calls for public-private sector investment in not only hard but soft market infrastructure.

Following this initial analysis, FSRP/MATEP started developing and is finalizing the design and implementation of an SMS-based price and supply information system in conjunction with the Zambia National Farmers Union (ZNFU). Data to feed into the system is being generated through the study of horticultural pricing dynamics and trade volumes. Current findings indicate that day on day average price changes for especially tomato and rape are large and highly variable and this is to a large extent driven by quantities entering the market. Price changes within days can also be very large. The implication for the market information system is that: (a) a system that could provide information to help stabilize the day-to-day flow of product to the market would result in much more stable prices, and would generate large benefits for farmers, traders, and consumers; (b) daily price and supply information will be substantially more useful than information limited to 2-3 days per week; (c) high intra-day variability suggests that disseminating information from early in the morning could be valuable; and (d) collecting and disseminating prices and volumes over the course of the morning could be very beneficial to market players. The system has been discussed with groups of first sellers at Soweto Market and implementation modalities are being discussed with the ZNFU.

#### **Detailed description of important activities and results**

- Research into the domestic marketing of fresh fruits and vegetables was the main activity under this component to date. Key policy issues emanating from the study are:
  - First, a very ***low proportion of farm households sell horticultural produce***. This pattern suggests that new demand points could enjoy substantial supply response if they linked effectively to the smallholder sector.
  - Second, results show ***continued dominance of the small-scale traditional marketing system***. This system has shown itself to be highly adaptable, serving a broad range of consumers with prices much lower, and quality comparable to and sometimes superior to, supermarkets. Yet these markets suffer from ***serious structural problems*** due to a lack of public investment and little collaboration between public officials and traders in market management. The Urban Markets Development Program represents ***a major and impressive effort to improve wholesale and retail markets*** in the country, but it is yet to be seen how this market development will take into account special requirements for horticultural wholesaling. Also, ***UMDP was not designed to address key issues of improved linkages between rural farmers and urban markets***. These need to be addressed with improved market information and marketing extension, more actively linking farmers to market opportunities. The new Market and Bus Stations Act has been passed by parliament. Its effect on horticultural marketing is yet to be known.
  - Third, as a ***major new source of demand*** for horticultural produce in Zambia, information on Freshpik prices, quality standards, and purchase volumes should be integrated into any proposed horticultural marketing information system.
  - Fourth, ***Zambia's horticultural sector operates in a regional market***, exporting and importing every year. Understanding and quantifying this trade will be the first step in ensuring that policies and programs are conducive to continued high rates of growth.
  - Finally, ***Shoprite/Freshmark and Spar are in the market to stay***. Where appropriate, programs to facilitate direct marketing by smallholders to these chains should be supported, but these programs should not distract from an overall focus on improving urban wholesale and retail markets and linking these more effectively to rural producers.

- The first round of data collection for the Urban Food Consumption Survey has been done with the second round expected in February 2008. The data has been entered and verified and data cleaning has started. In addition to consumption data, price information was collected on selected food and non food items to establish variations in price levels across urban centers (Lusaka, Kitwe, Kasama and Mansa) and across outlet types and location within these centers. Analysis of the Central Statistics Office (CSO) Living Conditions Monitoring Survey (LCMS) has been on going and this will help inform and complement results from the Urban Food Consumption Survey data analysis.
- Continued study of horticultural pricing dynamics and trade flows in Lusaka: supervising the collection and processing of market volumes and price data from Soweto Market and some selected retail markets; and analyzed the collected data with a view to understand the markets and design a mobile phone horticultural market information system. Focus group discussions with some first sellers (30 participants) of tomato, rape and onion were held at Soweto Market in early June to familiarize them with the ZNFU SMS market information system and review the information we have been capturing from the markets and how it would be built into the horticultural market information system. The first sellers were greatly interested in having access to such an information system.
- Continued working on the report on wholesale-retail market linkages in Lusaka's horticultural markets based on data generated and processed from the snap-shot survey of retail traders in main markets around Lusaka conducted earlier in the year. The report when finalized will be shared with sector stakeholders including SHEMP, ZNFU, UMDP, Marketeer Cooperatives, MACO and the Ministry Local Government and Housing.

The remaining years of the program will focus on: conducting the second round of the Urban Food Consumption Survey, data analysis and report writing; implementing the pilot horticultural price information system and later moving to a more permanent system; and with the Horticultural Value Chain Development Task Force, development of a collaborative action plan, and implementation, monitoring, and adjustment of the plan in collaboration with the Task Force.

### ***Cotton***

Consistent with overall MATEP objectives and approach, the objective of cotton policy activities in the project is to strengthen the link of smallholder farmers to the upstream value chain with good potential for growth in volume and value of production. Our approach is first to build on previous research and policy dialogue by FSRP by engaging stakeholders in a broad-based consultation process that will lead to a sector development plan with buy-in from key stakeholders. Following initial consultation, a stakeholder workshop will be held to critically discuss proposed elements of a sector development plan and agree on a way forward. Following this process, FSRP/MATEP will conduct selected additional research as identified by stakeholders and as feasible within MATEP's budget.

### **Major accomplishments**

FSRP/MATEP can claim two major accomplishments in the cotton work. First, by remaining engaged on a practical policy level, the project has been able to continue contributing to forward momentum towards eventual enactment of the revised Cotton Act. A timely Policy Synthesis, "Urgent Need for Effective Public-Private Coordination in Zambia's Cotton Sector: Deliberations on the Cotton Act, PS#21," was especially helpful in highlighting for the Minister of Agriculture the importance of moving this revised Act towards enactment (the Permanent Secretary suggested that Zambia is at a critical juncture when strong multi-stakeholder management was urgently required). Second, the project helped lead a major review of cotton sector reform experience in nine countries of SSA, along with colleagues from each of those countries, Imperial College/UK, and World Bank. Placing Zambia in this multi-country context, with rigorous quantitative assessment of its performance relative to

other countries, is expected to have substantial influence on policy and programmatic initiatives in the country.

#### **Detailed description of important activities and results**

- Due to the importance of the Cotton Act, MATEP/FSRP activities in the cotton sector have been heavily oriented towards supporting a collaborative process of revision. The Act has been revised by consensus of various stakeholders. The revisions to the New Cotton Act have been finalized and submitted to the Minister of Agriculture and Cooperatives. The Minister has indicated that he will soon present the Act to Cabinet before having it tabled in Parliament for enactment.
- FSRP/MATEP presented at an informal meeting of the Cotton Working Group a new Cotton Policy Brief highlighting the success story and challenges of the sector and why the sector needs an effective and workable Cotton Act. Feed back from stakeholders was incorporated and the revised brief together with revisions to the Cotton Act was later presented to a formal meeting of the Working Group and the Minister of Agriculture and Cooperatives (Title of presentation: An Effective Public-Private Coordinator in Zambia's Cotton Sector: Deliberation on the Cotton Act) The Minister promised the Cotton Working Group he would push for the enactment of the revised Cotton Act.
- As part of the review of cotton sector reform experience in nine countries of SSA, FSRP/MATEP collected basic information on the behavior and performance of the cotton sector over the past three years and assessed the status of key public policy initiatives and private sector programs. Selected farmers were interviewed and data was used to generate crop budgets for different types of farmers which helped better understand the factors that assist some farmers to earn good returns from cotton on a regular basis, while others achieve limited or inconsistent profits. This information was used to update and enhance FSRP Working Paper #10, and will be published as a new FSRP Working Paper. The information also contributed to the cross-country synthesis report under this effort. An outreach event based on the Zambia and cross-country studies is being arranged in the last quarter of 2007.

Activities of FSRP/MATEP over the remainder of the project depend in part on the fate of the revised Cotton Act. In general, our focus will be on continued engagement with sector stakeholders, especially the Minister and Parliament, to encourage enactment. Specific activities are expected to include: outreach with sector stakeholders and use of insights from the country- and multi-country studies to work with stakeholders in identifying key applied research topics of value to the sector. Possible topics include: developing "co-regulatory" approaches for the sector, the economics of roller ginning and analysis of Dunavant's YIELD program.

<b>Trade and Enabling Policy Component: Implementation Plan</b>																												
<b>Activity</b>	<b>Year 3</b>												<b>Year 4</b>				<b>Yr 5</b>											
	<b>Oct.</b>	<b>Nov.</b>	<b>Dec.</b>	<b>Jan.</b>	<b>Feb.</b>	<b>Mar.</b>	<b>Apr.</b>	<b>May</b>	<b>Jun.</b>	<b>Jul.</b>	<b>Aug.</b>	<b>Sept.</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>1</b>	<b>2</b>	<b>3</b>									
	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4				
<b>Collaboration on trade policy</b>																												
Collaboration with Trade Expansion Working Group																												
Collaboration with the Committee on Administrative Barriers																												
Collaboration with the Zambia Business Forum																												
<b>Reducing administrative costs and delays</b>																												
Implementation of Cargo Time Release study Action Plan																												
Documentation of Business to Business information																												
Implementation small claims court pilot																												
<b>Overcoming barriers to trade</b>																												
<b>Sanitary and phytosanitary issues</b>																												
Documentation of SPS information																												
Waver on honey irradiation													*	*	*	*	*	*										
Bee disease study																												
<b>International trade agreements</b>																												
MOU Moxico and North Western Province																												
Private Sector Study on dual membership of Zambia in RECs																												



## TOURISM COMPONENT

MATEP's Tourism Component combines market access, policy, finance and HIV/AIDS activities structured around the needs of this important service sector. Despite its enormous range of tourist attractions - which includes 19 national parks, 34 game management areas, the largest waterfalls in the world, and 23 million hectares devoted to the conservation of a spectacular variety of animals - Zambia is one of the least developed tourism destinations on the continent. MATEP's approach to developing Zambian tourism is market driven, marketing Zambia's competitive advantages to the right markets and the right travelers with the right product. Working with the public sector (through the Ministry of Tourism, Environment, and Natural Resources and the Zambia National Tourism Board) and with the private sector (through the Tourism Council of Zambia and its member organizations), we are facilitating a coordinated strategy to brand Zambia and improve marketing, standards, new market development, human resource development, and policy formulation.

MATEP's overall objective for tourism is to increase the size and strength of the sector by increasing the number of tourist arrivals, their length of their stay and investments in the sector resulting in increased tourism receipts. The project's activities focus on improving marketing and service delivery in the tourism sector. This includes improving tourism skills and forging public/private alliances that will strengthen the sector as a whole. MATEP also works with other donors and donor funded tourism programs such as SNV, African Wildlife Foundation (AWF), and the World Bank on order to coordinate efforts and leverage the work of other programs.

As it stands now, MATEP's Tourism Component is comprised of five subcomponents: Improving International Marketing, Forging Collaborative Alliances, Client Services, Tourism Research and Improving Tourism Skills

**Improving International Marketing:** A major constraint to Zambian tourism growth is inadequate marketing and inaccessibility of information about Zambia in major tourist generating countries. This is particularly apparent when comparing Zambia's market penetration to its better-known regional competitors. While the Zambia National Tourist Board's (ZNTB) recent "Visit Zambia" campaign helped, the campaign was far smaller in scale than that of Zambia's regional competitors and more unfortunately, was conducted with little private sector participation.

In order to improve Zambian's tourism profile in the international market, MATEP works with ZNTB, with the private sector Tourism Council of Zambia (TCZ), as well as with tour operators and individual hotels/destinations to offer strategic marketing assistance. Assistance is grouped into three categories:

- *Branding Zambia:* MATEP works to promote the Zambian brand in the international tourism market by assisting Zambian stakeholders to develop a more effective brand and improved marketing strategies and materials. MATEP works with ZNTB on national branding, TCZ on destination marketing to specific markets and with tour operators and properties on marketing materials and methods.
- *MICE market development:* Zambia's attractions make it a good destination for Meetings, Incentive travel, Conferences and Events (MICE). To help Zambia capture more of this lucrative international business market, MATEP is working with TCZ and tourism establishments in Lusaka and Livingstone to develop a marketing strategy, activities and outreach materials. What previous MICE outreach there was from Zambia was fragmented and unstructured and had little effect.
- *Create market linkages:* The natural follow-up to branding and marketing is creation of market linkages between Zambian establishments and the international markets. MATEP helps provide access to international markets and assists in contacting potential buyers.

MATEP focuses particularly on tour operators and inbound wholesalers based in Europe and the U.S.

**Forging Collaborative Alliances:** In order for the tourism sector to grow, Zambia must address a number of impediments to growth. These impediments include Government policies that work against the sector and poor public infrastructure. In addition, marketing and tourism promotion efforts of the government and the private sector often have been uncoordinated, neglecting to benefit fully from each other's efforts. MATEP works with both the public and private sectors, as well as with the donor community, to promote increased collaboration with all stakeholders. The core activities are:

- *Public/Private Dialogue:* MATEP facilitates and provides technical assistance to the private sector in preparing for dialogue meetings with Government over a myriad of issues as they affect the sector.
- *Harmonization and Collaboration:* MATEP collaborates with other donors involved in the tourism sector to leverage each other's activities for greater overall impact.

**Client Services:** Client services include support to Business Service Organizations as well as firm-level assistance. With the business service organizations, MATEP offers support to increase both the sustainable strength of the organizations as well as service provision to their memberships. With individual tourism establishments, MATEP assistance addresses firm level constraints and also helps in accessing finance.

- *Support to associations:* MATEP provides technical support and capacity building assistance to the Tourism Council of Zambia (TCZ), the Hotel and Catering Association of Zambia (HCAZ), the Travel Agents Association of Zambia (TAAZ) and the Tour Operators Association of Zambia (TOAZ).
- *Support to enterprises:* MATEP assists tourism enterprises in improving their business practices with practical hands-on assistance. Firms are also assisted in accessing finance for their operations and trade show participation.

**Tourism Research:** MATEP provides technical inputs for research into tourism issues identified as key issues by both the public and private sectors. Issues may be policy issues, constraints to growth, improving tourism data in Zambia or operational issues for government or individual establishments.

**Improving Tourism Skills:** The Zambian Tourism Industry is desperately short of skilled human resources and existing workers' skills need to be brought up to international levels. Having recognized that the caliber of training offered in Zambia does not meet industry's expectations, MATEP provides training through member associations such as TCZ, HCAZ, TAAZ and TOAZ aimed at improving the skills set of the operatives. MATEP also provides institutional capacity building to the Hotel and Tourism Training Institute (HTTI) to give the HTTI lecturers up to date knowledge on international practice and trends. This, in turn, will in turn improve the caliber of graduates from the institute.

MATEP also worked with Technical Education, Vocational and Entrepreneurship Training Authority (TEVETA) to form a Sector Training Advisory Committee (TAC) to map out skills profiles for the industry and develop curricula. However, TEVETA was unable to continue this effort, possibly due to internal changes in the organization, and so MATEP shifted to leveraging its resources to improve the existing training at HTTI.

**Workplan Changes:** At the program's start, MATEP's Tourism Component was organized somewhat differently and comprised the following categories:

- Provincial/District Tourism Sensitization
- Cultural, Community based and Sustainable Tourism
- Developing Mongu/Barotseland as a Tourism Product

- Zambia Tourism Forum
- Tourism Industry Standards
- Hospitality Training and Workforce Development
- Research Related Activities
- Participation in International Tourism organizations

However, as the project proceeded with implementation, several of these items were refocused in order to suit evolving market conditions and reflect new information and stakeholders. To be more results oriented, Provincial/district tourism sensitization was replaced with assistance to private sector actors that had the potential to develop community-tourism links and/or improve provincial tourism assets. Similarly, Cultural, community-based and sustainable tourism was refocused on expanding the number of professional tour operators knowledgeable enough to develop profitable tour packages with local communities. Once tour operators are up to speed, MATEP will partner with organizations working on the community level to facilitate linkages between the two.

Developing Barotseland as a tourism product met two constraints: private investors, who were needed to develop new facilities, concluded that the severity of local divisions and investment insecurity precluded significant investment; and, the Barotse Royal Establishment concluded that fixing a date for the Kuomboka cultural event, which is necessary for promoting international and package tourism, was not culturally permissible. MATEP continues to work on Barotseland marketing, but as part of its assistance to tour operators.

Activities planned for the Zambia Tourism Forum (ZTF) have been targeted instead on the Tourism Council of Zambia (TCZ) and Zambia National Tourism Board. Creating a new consolidated ZTF, which had generated considerable interest in 2004 and 2005, was not a priority of tourism sector stakeholders once the MATEP project got started. Similarly, interest in developing private sector Tourism industry standards has become a government-led activity which MATEP is supporting with assistance to the Ministry of Tourism and TCZ.

## **IMPROVE INTERNATIONAL MARKETING**

### ***Branding Zambia***

- **ZNTB marketing strategy:** MATEP provided short-term technical assistance to ZNTB to improve and streamline ZNTB's Market Strategy and plans. The work included an assessment of existing branding and marketing campaigns of both government and the private sector vis a vis competitors and the actual product. The consultant recommended more aggressive marketing on the part of Zambia, better funding of ZNTB, ZNTB staff training emphasizing internet and presentational skills, domestic tourism marketing and more results-oriented trade show participation.

A new and refined ZNTB marketing strategy was developed and consultations were held with major stakeholders to assess private sector buy-in to the strategy. Training sessions in presentation skills were also conducted by the consultant for ZNTB staff in Lusaka and Livingstone.

- **Zambia Tourism Road Show:** In supporting ZNTB's international marketing efforts, MATEP provided support to local tour operators to participate in a ZNTB Road Show targeting the United States and Canada. MATEP also helped operators prepare appropriate marketing materials for this audience. The Road Show visited six major cities with their product and marketing message reaching an audience of over 370 travel agents.



### *Development of MICE Markets*

- **TCZ MICE Desk:** MATEP facilitated establishment of a MICE Desk at the TCZ Secretariat and assisted in the recruitment and selection of a suitable candidate for the position of Marketing Executive/MICE Desk Officer. MATEP then provided technical assistance in establishing the systems and operating procedures for the MICE Desk, preparing a MICE Workplan and training the TCZ/MICE personnel. MATEP also assisted TCZ in development and publication of a brochure on MICE market-appropriate facilities in Lusaka.
- **Destination marketing workshop:** MATEP with TCZ conducted a 2-day destination marketing with an expert in destination marketing provided by MATEP. A total of 46 participants from a number of Lusaka-based tourism operators attended the workshop. Follow up on workshop recommendations will be coordinated by the TCZ MICE Desk.
- **TCZ/ Destination Lusaka Expo:** MATEP provided assistance to TCZ and Destination Lusaka in holding a Destination Lusaka Expo at Arcades Shopping Mall from 26 – 27 September 2007. A total of 30 exhibitors participated in the Expo to showcase their tourism products. Following the Expo was a gala dinner with the Minister of Tourism Environment and Natural Resources as the guest of honor.
- **Destination Lusaka video:** MATEP provided technical assistance to Destination Lusaka to produce a 10 minute video presentation on Zambia's tourist attractions and specifically what Lusaka has to offer in terms of conference facilities. This video will be used by Destination Lusaka/ MICE Desk in their marketing efforts and was utilized to promote Zambia at World Travel Mart 2006.
- **Ladies Circle bid:** MATEP assisted the Ladies Circle, TCZ and ZNTB in preparation of their bid to Ladies Circle International to hold their 2009 annual conference here in Lusaka.

### *Create Market Linkages*

- **Trade fair participation:** MATEP attended the Tourism INDABA in Durban, South Africa in order to develop contacts with international tour operators and individuals whose skills and contacts may be useful in Zambia. Linkages were initiated with South African training institutions and companies with valuable regional expertise who will be drawn on to assist Zambia.
- **Tour operator marketing evaluation:** MATEP engaged a tourism-marketing consultant to evaluate marketing materials of members of the Travel Agents Association of Zambia (TAAZ). The consultant reviewed members' brochures and websites in terms of quality and content and made detailed recommendations for improving each firm's materials. Recommendations were also provided for TAAZ as a group to become more effective in reaching international clients.
- **Access to international tourism operators:** MATEP initiated discussions with Enrica Sacca of SACCA Tours to include Zambia on the routing of SACCA organized tours in Africa. It was agreed that SACCA Tours will work with MATEP in identifying suitable partners in Zambia once she is ready to move forward.

## FORGE COLLABORATIVE ALLIANCES

### *Public-Private Dialogue*

- **Ministerial meetings:** MATEP helped facilitate three meetings between the Minister of Tourism, Environment and Natural Resources and various private sector groups. This was in response to a perceived gap in communications between government and the private sector and the need for better dialogue.
  - Livingstone Tourism Association (LTA): MATEP facilitated the preparation for and hosting of the first public/private dialogue meeting in Livingstone between the Minister and the private sector (LTA). The meeting discussed constraints the private sector faces and government's plans for the sector, including the upcoming Tourism and Hospitality Bill.
  - Safari Hunting Outfitter Association of Zambia (SHOAZ): MATEP worked with TCZ to facilitate a meeting between the Minister, SHOAZ members and Community Resource Board Chairpersons at Mulungushi International Conference Centre to address misunderstandings and tensions in the sector.
  - TCZ: MATEP facilitated a tourism dialogue meeting between TCZ Executive Committee, representing the private sector and the Minister of Tourism. At the meeting, the minister gave his update on the upcoming Tourism and Hospitality Bill and the private sector expressed concerns over several contained in the Bill.
- **Zambia Revenue Authority (ZRA) and tourism enterprises:** MATEP worked closely with TCZ and the ZRA Commissioner of Domestic Taxes discuss ZRA enforcement of Statutory Instrument 109 of 1996 which "zero-rates" the sale of inclusive tours. Unlike with other zero-rated sectors, suppliers providing services into the tour (accommodation, etc.) are not zero-rated and tour operators would be paying VAT on purchases from such suppliers. Though this was a cash neutral matter for ZRA (no loss or gain in terms of VAT earning), tour operators would face large cash-flow problems as they would have to pre-finance the VAT payments to their suppliers and claim later against output VAT. MATEP will help TCZ lobby Government through the Budget Process to include the local suppliers in the VAT zero rating as it has done with other similar exporting sectors.
- **Ban on government workshops at hospitality establishments:** MATEP assisted HCAZ in assessing the effects of a new Government circular banning the holding of meetings and workshops at private hospitality institutions. MATEP helped in developing and administering a questionnaire on anticipated losses to HCAZ members, analyze questionnaire responses and present the results to government.
- **Tourism and Hospitality Bill:** MATEP worked with the TCZ, HCAZ and TAAZ in analyzing the proposed Tourism and Hospitality Bill and preparing written responses in readiness for presentation to the Parliamentary Committee on Agriculture and Natural Resources. The proposed Bill had several contentious issues which were felt to be a hindrance to the growth of the tourism sector. These included the centralization of power in the office of the Ministry's Director of Tourism, requirements for inn keepers to register with the select body on registrations, training requirements for inn keepers and Tourism Ministry permission required for any extensions and renovations.

### *Harmonization and Collaboration*

- **African Wildlife Foundation:** MATEP discussed possible collaborative efforts with African Wildlife Foundation (AWF)'s community tourism projects in Zambia. MATEP will include AWF operatives and community-based tourism enterprises management in its training

programs to improve their management abilities. MATEP will also work with TAAZ to explore tour operator links to this community.

- **Morning Star Hotels and Resorts:** MATEP has been discussing collaborative efforts with Morning Star Hotels and Resorts, a newly established Hotel Management and Marketing company in Zambia. Morning Star seeks to improve standards in the tourism sector through Total Quality Management (TQM). The cost of the training was high considering that most of the tourism enterprises are SMEs.
- **Afrihost (Z) Ltd:** MATEP held discussions with Afrihost (Z) Ltd, a customer-care training company. MATEP agreed to try to publicize Afrihost's quality improvement training activities. However, as much as their training product and approach seem strong, Again, the cost of the training was high except for the largest of the tourism enterprises in Zambia.

## CLIENT SERVICES

### *Support to Associations*

- **PSD Tourism Coordination:** MATEP was actively involved with TCZ in coordinating tourism sector's Private Sector Development (PSD) activities. This included attending the meetings of the PSD Tourism Steering Committee, negotiating with consultants and contractors to undertake tourism PSD activities and following up on the execution of those activities. Activities included:
  - **Catalogue TCZ Association Members** - Creating a database of TCZ members and non-members.
  - **Production of TCZ Brochure** - Update the TCZ brochure in terms of content and data supervising the brochure publication.
  - **TCZ Newsletter** - Prepare content for the TCZ Newsletter, "Tourism Explorer" which was officially launched on 26 March 2007.
- **TCZ Strategic Plan:** MATEP helped ZCZ refine and refocus its Strategic Development Plan in order to overcome an impasse: members felt TCZ failed to offer value for membership dues and it was not highly regarded by stakeholders. Yet TCZ lacked capacity to do much about it. MATEP technical assistance helped develop an output-oriented Strategic Plan focused on addressing constraints faced by TCZ members. The resultant Strategic Development Plan focused on TCZ narrowing its activities and making them more relevant to members' aspirations. Also, the secretariat was strengthened in order to deal with sector-wide policy issues. Now, not only are TCZ members more satisfied with the organization, but the Plan was instrumental in mobilizing funding from several donors (see Success Stories).
- **TCZ Secretariat support:** MATEP provides ongoing support to the TCZ Secretariat and Executive Committee. MATEP assisted in the recruitment of a Marketing Executive (who would also manage the MICE Desk) and an Executive Assistant/Policy Analyst. MATEP also helped with a review the TCZ constitution and clarify the vague clauses.
- **HCAZ Strategic Plan:** HCAZ requested MATEP to assist in defining its strategic focus, prepare a roadmap for increasing its membership base and improve service delivery to its members. MATEP worked with the HCAZ National Executive Committee (NEC) to develop a draft strategic plan which is now under review. MATEP will continue working with HCAZ to finalize the strategic plan.

- **ZNTB Strategic Development Plan:** ZNTB requested that MATEP support a Strategic Tourism Development Plan to be developed with assistance of Fuller, Frost and Associates of South Africa. MATEP helped focus the scope of work for a plan that will be implementable and results oriented and helped mobilize funding from other possible sources.

#### *Support to Enterprises*

- **Chimwemwe Lodge Financial Assistance:** MATEP provided financial assistance to Chimwemwe Lodge to the order of K329 million to enable the project promoters complete the construction of the lodge and acquire soft and hard furnishings and equipment. The Lodge is located in Petauke, Eastern Province.
- **Mushitu Safaris Financial Assistance:** MATEP provided financial assistance to Mushitu Safaris to the order of US\$80,000 to enable them complete construction of their lodge in the Kafue National Park and acquire transport and equipment for the lodge.
- **Juls Guest House:** MATEP provided technical assistance to Juls Guest House in the development of a reservation and guest tracking spreadsheet to replace the old manual guest tracking system. This enhanced Juls' efficiency as it cut down on record keeping and occupancy rate tracking.
- **Chaminuka Nature Reserve:** MATEP provided assistance to Chaminuka Nature Reserve in marketing and quality assessment. In marketing, recommendations were provided on improving Chaminuka's web site and identifying and contacting travel agents in the US that sell to the top end tourist market. A quality assessment of facilities was also conducted with recommendations provided to better target the high-end market.
- **Tongabezi:** A MATEP tourism expert met with Tongabezi to discuss training requirements and will attempt to leverage appropriate training resources through contacts with other projects and programs.

#### **TOURISM RESEARCH**

- **Online Credit Card Payments:** TAAZ members in Zambia have problems processing online credit card payments which constrains their ticketing services. MATEP met with the Bank of Zambia to obtain information on rules and regulations pertaining to online payments and is now working with the Bankers Association of Zambia to resolve the problem.
- **Research on kwacha appreciation:** MATEP assisted TCZ prepare a position paper on the appreciation of the kwacha which was presented to Government at a meeting to look for steps to mitigate effects. Whereas the tourism sector earns largely foreign exchange, most of its costs are in local currency. The sudden 40% kwacha appreciation meant that less revenue was available for paying local costs and some operations became unviable. MATEP helped TCZ prepare a paper on the kwacha appreciation,
- **Market Survey:** There is little accurate data on the tourism industry in Zambia aside from entry figures. Little is known about who the customers are, how they travel, what they do and what would most please them. This makes it difficult for the industry to target marketing or focus improvements. MATEP is conducting a market survey, in coordination with ZNTB, TCZ and tourism establishments, to learn visitors' perception of the Zambian product and the level of satisfaction with its service delivery. A follow up survey is planned for the off peak season (December–March) too.

- **Tourism grading system:** As part of its effort to encourage tourism standard development, MATEP worked with ZNTB and TCZ on the subject of a tourism grading system. MATEP reviewed the study tour report on Kenyan and South African Tourism Grading Systems conducted by a Government/Private sector team and MATEP will provide technical assistance to evaluate a plan being prepared by the Ministry of Tourism.
- **E-Tourism Study:** MATEP conducted a study on the current status of web site design and marketing in Zambia's tourism sector. Material was examined from 38 establishments. This will be followed by a survey on current strategies for and attitudes toward investing in internet marketing and results will be used by MATEP along with HCAZ, TCZ and TAAZ to plan future inventions to improve Zambian presence online.

## IMPROVE TOURISM SKILLS

- **Hospitality Management:** MATEP provided training to a number of HCAZ member establishments in hospitality management. Training was conducted in Ndola, Lusaka, Chipata, Monze and Livingstone. HCAZ and the trainer worked together in selecting topics in most demand by the tourism establishments. Topics included: New Trends in Global Hospitality; Strategy Formulation and Deployment; Blending Strategy in Process Management, Branding; Sales & Marketing; Sustaining Hospitality Businesses; and Managing Finances. A total of 152 participants attended the training.
- **Marketing and Customer Service:** Another training series was conducted with HCAZ members focusing marketing and customer service. The training covered the following topics, again selected by HCAZ members: New Trends in Management; Strategic Planning; Global Marketing; Managing Finances; Legal and Safety Aspects; Effective Communication; Event Management Techniques; and Relationship Marketing. The training was conducted in Kitwe, Lusaka, and Kabwe and 113 participants were trained.

In addition to the main training events, mini seminars were held to give short follow on presentations to staff at a number of establishments. Four large hotel establishments in Lusaka received training in Modern Management Techniques, Revenue Management, Food and Beverage Sales Promotion and Marketing Strategies, and Creativity and Production planning. There were 73 participants in the mini seminars. Another 16 smaller establishments in Lusaka, Kitwe and Ndola received training in standards, customer service issues, pricing and costing.

- **TAAZ training:** MATEP provided a two-week course for members of the Travel Agents Association of Zambia (TAAZ) to enable them to transition from being travel agents, a dying profession in the age of internet, to becoming tour operators, who can package Zambia's assets and develop multiple revenue streams. This followed announcements by airlines that they would discontinue offering ticketing commissions to Zambian travel agents. In 5 days of training, participants received both group presentations as well as one-on-one consultations on how overcome firm-specific challenges. Twenty-two participants from 15 companies received training. Subjects covered included: Terms and disciplines within the tour operator business; Coordinating and promoting a travel programme; marketing tools and marketing plan; and Specialist areas of tour operations. As a result of the training, some travel agents started designing tour packages and made plans to market these packages at fairs such as INDABA and WTM.
- **HTTI TA:** The Hotel and Tourism Training Institute (HTTI) is the principal tourism-training institute in Zambia. However, the tourism industry feels the graduates' skills do not match

those needed by the industry. In order to address workforce standards, MATEP leverages the training requested by and provided to the private sector by also providing training to upgrade skills of HTTI lecturers. Training has been conducted for 62 HTTI lecturers and 200 students on topics of: Effective communication; New trends in management; Strategic planning; Global marketing; Managing finances; Legal and safety aspects; Event management techniques; and Internet marketing training.

- **Internet marketing training:** MATEP conducted Internet Marketing Training for 30 participants from HCAZ, Livingstone Lodges and Guest Houses Association (LILOGHA), and TAAZ establishments. In addition to the classroom training, one-on-one training sessions were conducted with the participants at their places of business. The one-on-one sessions were particularly well-received by all the participating businesses. The course content was as follows: Getting online – the theory and skills to take business to the internet; Getting noticed – marketing principles applied to the online setting; and Going from good to great – taking the next steps for Zambia. Web pages were set up where none existed, including new web sites for Wasawange Lodge and HCAZ. Those with websites were assisted in increasing their websites’ “visibility” in search engines and improving the websites function as internet marketing tools (many of which were found to be dysfunctional) mostly by updating their graphics and keywords and metafiles.



## FINANCE COMPONENT

MATEP's objective with respect to finance is to work with the formal sector and exporting enterprises in Zambia to introduce new modes of financing and new ways of working together in order to increase the flow of financing to exporting and tourism enterprises. The Finance Component of MATEP has three principal activities:

- (i) **Short-term export finance:** Disbursement, on a revolving fund basis, of \$1 million for the provision of short-term export credit – implemented through the ZATAC Investment Fund (ZIF). Under his facility, export-oriented and tourism companies receive short-term loans of up to one year to support their trade finance and other working capital requirements. This facility also includes loans to support participation in international exhibitions where a company is able to repay the participation loan through proceeds from exhibited products. The general limit of MATEP financing is \$250,000 per client.
- (ii) **Medium-term export finance:** Disbursement, on a revolving fund basis, of \$1 million for the provision of medium-term export financing - by creating a new funding instrument with Zambian commercial banks and other financial institutions. Under his facility export-oriented and tourism companies receive medium-term loans of up to three years to support capital investments in plant and equipment as well as to support working capital requirements. This facility is designed to promote increased access to commercial financial markets for MATEP clients. The facilities are designed for both the loans and the risk to be transferred to commercial lending institutions, such as commercial banks, within the tenure period of the loan. The general limit of MATEP financing is \$250,000 per client.
- (iii) Leveraging funding from the formal financial sector. The MATEP Finance Component also tries to leverage financing from commercial banks and other finance institution for exporting clients. Initial activities toward this objective were geared to assisting USAID establish a new Development Credit Authority (DCA) instrument in Zambia. The DCA focuses on SME lending in the agricultural and natural resources sector. With the DCA now operational, MATEP helps exporting companies prepare for and qualify in submitting applications for DCA supporting loans. MATEP also works with clients and financial institutions for lending outside of the DCA mechanism.

### MATEP Finance Approach

In order to identify suitable clients for its financial services, MATEP has followed an outreach strategy that emphasizes networking and return clients. Advertising has not been adopted as an option in order to contain demand of MATEP's very attractive financial services. Advertising may be considered in future as the MATEP revolving fund grows and as leveraging partnerships expand further.

The Finance Component of MATEP is designed to strengthen the private sector and contribute positively toward the development of financial services for export-oriented agribusinesses and tourism SMEs. As such, the following principles guide MATEP's work:

- MATEP financial services strictly adhere to the principle not to distort but compliment commercial financial services. As such, MATEP credit facilities are priced in line with prevailing lending rates in the commercial banking sector. The pricing is based market surveys periodically conducted by MATEP. It is because of this that financial institutions have found MATEP to be a compatible partner in structuring and leveraging partnerships with them.



- Where required and feasible, MATEP provides financial services to its private sector clients in manner that uniquely integrates these services with technical assistance in business plan preparation, market information and market development services.
- In selecting its clients, MATEP emphasizes the following success criteria:
  - Risk management
  - Profitability
  - Socio-economic impact of investments
  - Sustainability beyond MATEP financing

## Performance Review

Since inception, MATEP has disbursed \$2,727,750 in short-term and medium term facilities to export-oriented agribusinesses and tourism businesses. The disbursements include ZATAC loans initiated by MATEP.

Twenty-nine (29) loans have been disbursed since the inception of MATEP, servicing the following 17 sub-sectors: Canned horticultural produce, processed beef, bio-coal, handicrafts, horticulture (cucumbers), honey, wet blue leather, molasses, groundnuts, organic cotton, paprika, poultry, seed, soy cake, textile/garments, tourism lodging, and trade shows

Of the total disbursed loans, \$743,054 has been repaid, representing 29% of the total funds disbursed and 38% of the number of loans disbursed. Three loans with a total value of \$261,000 are non-performing. This translates into a loan recovery rate of 90% of the funds 88% of the number of loans and disbursed.

**Table 1: MATEP Loan Performance**

Category	Amount	%	Number	%
Disbursed	\$2,592,379	100%	26	100%
Fully repaid	\$743,054	29%	10	38%
In-repayment	\$1,849,372	71%	16	62%
Non-performing	\$261,000	10%	3	12%

The detailed overall performance of the MATEP/ZIF and the MATEP Incubator Fund are presented at Annex 1.

- **Short-term Credit:** Total disbursements made under the MATEP/ZIF Short-Term Credit Facility to date stand at \$1,186,109 of which \$706,790 represents disbursements initiated by MATEP as ZATAC Ltd loans. Subsectors supported with short-term loans include canned horticultural produce, handicrafts, horticulture (cucumbers), honey, wet blue leather, molasses, groundnuts, organic cotton, paprika, poultry, soy cake, textile/garments, and trade shows.
- **Medium-term Credit:** Total disbursements made under the MATEP/MIF stand at \$834,670. Subsectors supported with medium-term loans include seeds, processed beef, bio-coal and tourism lodging.
- **Leveraging:** MATEP's strategy for increasing capital available to its clients includes leveraging resources from commercial financial institutions. This not only increases funds available to clients but goes a long way into introducing MATEP clients to commercial lending sources and building sustainable relationships between the two sides.

- MATEP has since inception been very successful in leveraging financing. To date \$5,006,970 has been leveraged by MATEP. The principal leveraging partners have been the Zambia State Insurance Corporation (ZSIC), the ZATAC Investment Fund and Barclays Bank Zambia Ltd. Table 2 presents the leveraged resources and respective partners. The sectors that have benefited from MATEP’s financial leveraging have included paprika processing, horticultural canning and groundnuts grading and processing.

**Table 2: MATEP Financial Leveraging**

ZATAC	\$706,970
ZSIC	\$4,000,000
Barclays Bank	\$300,000
<b>TOTAL</b>	<b>\$5,006,970</b>

- **Business Plan Capacity Building:** In order to over-come the constraint of targeted businesses not being able to fully participate in the MATEP Finance Component due to their inability to articulate good written business plans, MATEP offers technical assistance in the preparation of business plans for promising business concepts.

#### **MATEP Short-Term Facility (MATEP/ZIF)**

Total disbursements made under the MATEP/ZIF Short-Term Credit Facility to date stand at \$1,186,109 of which \$706,790 represents disbursements initiated by MATEP as ZATAC Ltd loans. Subsectors supported with short-term loans include canned horticultural produce, handicrafts, horticulture (cucumbers), honey, wet blue leather, molasses, groundnuts, organic cotton, paprika, poultry, soy cake, textile/garments, and trade shows.

The geographic outreach of the MATEP/ZIF has included Lusaka, Central, Copperbelt and Eastern provinces, while servicing 15 export-oriented agribusiness and tourism SME clients as follows:

**Table 3: Provincial Coverage of MATEP Short-term Loans**

<b>Province</b>	<b>Client</b>	<b>Sub-sector</b>
Lusaka	African Joy	Textiles
	Freshpikt	Horticulture
	ZEOCo	Paprika
	Nanguanozwe	Textiles
	Cheetah	Paprika
	Global Export Bureau	Soya cake
	Chris-B-Cucs	Horticulture
	Rijay & Co.	Poultry
	Choppa	Cotton
	HAPAZA	Handicrafts
Southern	Kaufela	Molasses

Central	Kabwe Tannery	Leather
	Central Growers Assn.	Paprika
Copperbelt	T&C EDZ	Honey
Eastern	Choice Nuts	Groundnuts

The performance of the MATEP/ZIF Short-Term Facility since inception has been as follows.

**Table 4: Short-term Loan Performance**

Disbursed	Repaid	In-repayment	Non-performing
\$1,870,379	\$743,054	\$866,325	\$261,000

#### **MATEP Medium-Term Incubator Fund (MATEP/MIF)**

Total disbursements made under the MATEP/MIF stand at \$834,670. Subsectors supported with medium-term loans include processed beef, seeds, bio-coal and tourism lodging.

The geographic outreach of the MATEP/MIF has included Lusaka, Western, Eastern and Southern provinces, while servicing 5 export-oriented agribusiness and tourism SME clients as follows:

**Table 5: Provincial Coverage of MATEP Medium-term Loans**

Province	Client	Sub-sector
Lusaka	Kamano Seeds	Seeds
Southern	Fallsway Timber	Bio-coal
Central	Mushitu Safaris	Tourism
Western	Limulunga	Livestock
Eastern	Chimwemwe Lodge	Tourism

The overall performance of the MATEP/MIF Facility since inception has been as follows:

**Table 6: MATEP Medium-term Loan Performance**

Disbursed	Repaid
\$722,000	\$31,755

These are term loans 2-3 years from their completion dates. The start has been promising. Of the three loans that were supposed to have started their monthly loan repayments (Lumulunga Beef, Kamano Seed and Mushitu Safaris), only Mushitu Safaris had not started paying due to the pushing back of its commercial operations. Procurement of the loan and equipment took longer than anticipated, so the Company moved commencement of commercial operations to 2007 instead of the last quarter of 2006. Payments were being expected to commence within September 2007.

## **Loan Remediation**

MATEP follows a policy of positive remediation of loan repayment problems affecting its clients. MATEP provides guidance and technical assistance as a first step for risk management. Periodic monitoring of clients is undertaken to catch problems early and work with clients in finding solutions to emerging problems. Loan repayment advisory notes are sent to clients regularly from two months before their debt servicing is due. MATEP ultimately institutes legal recourse towards loan recovery where appropriate. Debt rescheduling has been necessary for most loans.

- The major remediation actions over the period included legal remedies to recover the delinquent trade finance loan of \$150,000 issued to Cheetah Zambia. Cheetah went into liquidation in January 2006. MATEP had to obtain and execute a Court Order in order to secure Cheetah Zambia's processing equipment, laboratory equipment and stock of various paprika products including seed. To date, the due process of loan recovery from proceeds of seized Cheetah property has seen paprika products worth \$15,000 being exported to South Africa though payment is still being awaited from the distribution agent. Buyers are being sought for the remainder of the equipment seized.

Further still, \$5,000 worth of seed was sold in cash to Central Growers Association (CGA). Costs associated with the Cheetah remediation action, including legal fees, bailiff fees, storage fees, crane hire, etc. have to date reached approximately \$14,000. An auction of the processing and laboratory equipment generated a low level of enquiries and participation. MATEP adjudged the highest offers of \$21,000 for both the processing equipment and seed and \$4,100 for the laboratory equipment as being unacceptably low. Efforts are underway to secure negotiated sales of the equipment and laboratory equipment. The processing equipment is estimated to be of a market value of at least \$80,000 and the laboratory equipment at least \$40,000.

- The other delinquent accounts include the \$40,000 trade finance loan issued to CrisCucs Ltd for cucumber exports to South Africa, \$70,000 issued to Global Exports Bureau for soy cake exports and \$20,000 issued to ReeJay Farms for poultry production.
- Cris-B-Cucs is currently letting out warehousing space to ChoiceNuts Zambia Ltd. Measures are underway to have the warehouse rental payments to Cris-B-Cucs of \$2,500 a month forfeited to MATEP. Other measures will be needed to accelerate the payments. The client shows no intention to voluntarily repay the loan from agricultural production proceeds.
- Legal action to redeem the collateral offered is being preferred against Global Export Bureau. An apartment was offered as collateral.
- MATEP is in the process of having ReeJay Farms raise debenture against their farm, further to which appropriate measures will follow.
- The mid-term facilities are in their infancy and no remediation actions have to date been necessary apart from the rescheduling of the Mushitu Safaris loan.

## **Leveraging external resources**

MATEP successfully leveraged resources totaling \$5,006,970 from the Zambia State Insurance Company, Barclays Bank of Zambia, and ZATAC. In some cases, the loans are complementary to MATEP lending, with MATEP sharing the risk of the venture in order to bring in a financial institution capital. In other cases MATEP market identification or BDS support for a client has been sufficient to leverage funding from financial institutions.

### **Business Planning Capacity Building**

In order to over-come the constraint of targeted businesses not being able to fully participate in the MATEP Finance Component due to their inability to articulate good written business plans, MATEP offers technical assistance in the preparation of business plans for promising business concepts. This support usually involves MATEP engaging a business consultant to interactively mentor and coach an entrepreneur to develop a good concept into a fully-fledged bankable business plan. To this effect, MATEP has supported three SMEs to prepare business plans in the textiles, wood processing and aquaculture sub-sectors.



## HIV/AIDS COMPONENT

Zambia is one of countries worst affected by the HIV/AIDS pandemic with estimates of the prevalence rate at about 16% among the 15-49 years age group. About 1 million Zambians are estimated to be infected with HIV, of which 200,000 are in need of anti-retroviral therapy. This is a major constraint to Zambia's economic growth and requires quick intervention to minimize the rate of infection.

As part of the President's Emergency Program for AIDS Relief (PEPFAR) funding of HIV/AIDS activities in Zambia, the MATEP project received support for a wrap-around program to deliver HIV/AIDS "A/B" prevention messages in Zambia. Initial funding of \$200,000 has now been raised to \$550,000 over four years of the five year project. MATEP originally tried to find a traditional HIV/AIDS provider organization to run its PEPFAR program. However, none were willing to tailor their standard products to the type of activity MATEP felt would be most beneficial to its exporting clients. So MATEP developed its own program.

Working mainly through business associations, MATEP helps build capacity in the associations for them to deliver HIV/AIDS services to their membership. MATEP's two biggest programs have been with the Zambia Export Growers Association (ZEGA) and the Hotels and Caterers Association of Zambia (HCAZ). We first work with member companies trying to help management better understand HIV/AIDS prevention as a business issue rather than a social issue. The business impact is clear - through worker sicknesses, absences and turnover (and the follow on retraining costs). But whenever belts need to be tightened, it is the HIV/AIDS activities that tend to be cut as "non-essential."

We next ask companies to identify staff (1 per 100 workers) to be trained as Awareness Educators. With assistance from an HIV/AIDS expert based in South Africa (working for ECI and provided through the Southern Africa Trade Hub) and an excellent Zambian HIV/AIDS trainer (on staff with IESC's BizAIDS project), we developed a training program for these trainees to become Awareness Educators; teaching them about HIV/AIDS and how to deliver HIV/AIDS prevention messages to their co-workers. We then take this training program to the businesses (farms, lodges, factories, etc) and run training workshops for the trainees. Each training session lasts two days with approximately 20 individuals attending.

Over the following several months, Awareness Educators then run mini-seminars for their co-workers based on a schedule they've developed during the training workshop and vetted with their supervisors. This rollout of HIV/AIDS prevention messages happens during work breaks, during lunches and after work hours. The Awareness Educators also distribute various brochures (in local languages) to reinforce the messages and for further distribution among workers.

What we though was a somewhat run-of-the-mill program has been enthusiastically received by business managers, by Awareness Educators and by the workers. We selected the initial firms we worked with based on their level of receptivity to our HIV/AIDS messages; however we found many firms were not extremely receptive at first. Most firms that we passed over at first have since approached us asking to be included in subsequent phases of the program. Firms have also asked MATEP to train more staff as Awareness Educators, so we've increased the number of training workshops we organize. The additional trainees are to increase the ratio of Awareness Educators to workers or to replace Awareness Educators who have since left the company. Companies also want more Awareness Educators so they can go out into surrounding communities disseminating the HIV/AIDS prevention messages. This community outreach has since become an important part of the MATEP program.

Another surprise for us has been the apparent need for fact-based discussions about HIV/AIDS. In spite of extensive coverage of HIV/AIDS in the media and in advertising and supportive government policies, there is a disturbing amount of mis-information out there. The opportunity to hear the facts, ask questions and discuss HIV/AIDS issues with knowledgeable co-workers has been widely appreciated.

Along with the association-based programs with ZEGA and HCAZ, MATEP has run a similar outreach program through a broad-based survey being conducted by Michigan State University. Survey enumerators first receive training as Awareness Educators then roll out the HIV/AIDS prevention messages when conducting the survey. After survey questions where enumerators receive information from respondents on food consumption patterns, they turn the tables and provide information and literature on HIV/AIDS prevention.

MATEP also conducts a number of training workshops during the course of the year to a variety of groups: exporting skills to small businesses, marketing techniques to tourism establishments, commodity handling to crop traders, etc. An HIV/AIDS prevention session is added into each workshop, starting with an HIV/AIDS presentation and ending with an open discussion about HIV/AIDS. To the chagrin of the export trainers, the HIV/AIDS sessions often garner the most attention, they invariably continue beyond the scheduled end of the workshop and MATEP is often asked to return with an extended HIV/AIDS program.

In two years of PEPFAR funding, MATEP has now trained 352 Awareness Educators and delivered HIV/AIDS prevention messages to 50,953 individuals in Zambia. This is against MATEP's PEPFAR targets of 170 trainees and 45,000 individuals receiving prevention messages. MATEP expects to continue exceeding its PEPFAR targets in its remaining two years of PEPFAR funding.

In commemoration of the World Aids Day which falls on December 1<sup>st</sup>, MATEP collaborated with the ZEGA member farms to ensure that HIV/AIDS activities were conducted at the individual farms with wide participation. Each participating farm prepared a list of activities for the day with most of them commencing in the afternoon. Activities undertaken included Quiz shows, delivery of sensitization messages to surrounding areas, drama performances and competition, Football and Netball competition and Choir competition.

### **ZEGA HIV/AIDS Activities**

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

- **Phase I ZEGA HIV/AIDS Roll-out Program:** The CEO of ZEGA identified the high prevalence of HIV/AIDS as a major constraint to farms and to the international competitiveness of Zambia's horticulture/floriculture export industry. This led to discussions with MATEP and the Southern Africa Trade Hub to develop HIV/AIDS prevention activities. ZEGA had integrated HIV/AIDS in its newly approved Code of Good Practice, a step in the right direction, but more was required. MATEP and the Trade Hub designed an intervention to strengthen the capacity of ZEGA and NZTT so that the association was able to deliver HIV/AIDS services to its membership. In the first year MATEP delivered HIV/AIDS prevention messages to workers on 13 ZEGA member farms and the past year an additional four ZEGA member farms were recipients of the HIV/AIDS prevention and awareness



messages. The activity is adapted from activities the Trade Hub HIV/AIDS Advisor has undertaken successfully with South African fruit and vegetable exporters

In the first year, which is MATEP's Phase I of the entire HIV/AIDS ZEGA activity, the implementation was in four stages: Stage I was mobilization and sensitization of ZEGA member farms as participants and contributors in HIV/AIDS prevention; Stage II was design and planning of specific programs that addressed needs of each ZEGA member; Stage III was training of individuals from each farm who would conduct the prevention programs and Stage IV was roll-out of the programs to farm workers themselves and the surrounding communities. MATEP reached 30,154 individuals in ZEGA farms and surrounding communities through community outreach HIV/AIDS prevention programs and a total of 132 individuals were trained to deliver messages

- **Phase II ZEGA HIV/AIDS Roll-out Program:** In the past year, HIV/AIDS prevention and awareness training activities began with the additional ZEGA member farms who will be participating in the Phase II Roll-out Program of HIV/AIDS prevention message. Three farms namely Khal Amazi, Kapiliombo and Sunrose Farms of Lusaka participated. These trainees target to deliver prevention and awareness messages to co-workers, individuals in the surrounding community and youths in the nearby schools. Towards the end of the year, MATEP rolled-out training/education sessions for farm workers/communities. Distribution of additional printed material to Phase I ZEGA member farms in order to encourage the continued HIV/AIDS prevention and awareness message delivery was also done. MATEP reached 5, 240 individuals in ZEGA farms and surrounding communities through community outreach HIV/AIDS prevention programs and a total of 87 individuals were trained to deliver messages (see Success Stories).
- **ZEGA HIV/AIDS sustainability plan:** MATEP met with NZTT CEO Dr Chinonge to discuss ZEGA/NZTT funding proposal for a sustainable ZEGA HIV/AIDS program. Amendments to the document to ensure a favorable response from other partners were proposed. Once the proposal is finalized MATEP will help with some capacity building funding for the sustainability plan and also assist in the development and implementation of a workplace policy on HIV/AIDS.

### **HCAZ HIV/AIDS Activities**

The Hotel and Catering Association of Zambia (HCAZ), which was founded in 1963 is a Non-Profit making organization and has members in all the nine provinces of Zambia. HCAZ is the oldest and largest member organization, and the biggest employer in the tourism industry. HCAZ contributes to the Zambian economy through job creation, investment in materials, fixtures and fittings, foreign exchange generation, taxes (VAT, PAYE, and direct taxes). HCAZ has 250 members embracing all interested establishments from hotels, motels, lodges, guesthouses, restaurants, fast food outlets, casinos, nightclubs and associate members.

MATEP Tourism Advisor made a presentation at the HCAZ Annual General Meeting (AGM), held from the 12<sup>th</sup> to the 15<sup>th</sup> of October, 2006. The presentation detailed the proposal for HCAZ to partner with MATEP for capacity building in order for HCAZ to provide HIV/AIDS services to its members. MATEP would also assist HCAZ in developing a sector wide HIV/AIDS policy.

MATEP and HCAZ initially incorporated HIV/AIDS activities into the HCAZ tourism training programs in the first year. Five programs were conducted in central locations throughout Zambia to strengthen business and market practices of HCAZ members. A total of 150 individuals participated in the workshops and benefited from the HIV/AIDS program. Along with HIV/AIDS A/B prevention

messages, MATEP's HIV/AIDS training emphasized the importance of integrating HIV/AIDS prevention as part of business decision-making by HCAZ members.

- **Phase I HCAZ members HIV/AIDS Roll-out Program:** In the second year, MATEP began a major new activity with the Hotel and Catering Association of Zambia (HCAZ) after months of planning and preparation. This activity was patterned after the success of MATEP's ZEGA HIV/AIDS activities. MATEP in collaboration with HCAZ identified businesses in the industry that would participate in Phase One of an HIV/AIDS prevention program; trainees from the establishments were selected and training in HIV/AIDS prevention and awareness was conducted. This was then followed by rollout of prevention message delivery to workers in the tourism establishments.

The HIV/AIDS prevention and awareness training programs commenced on 24<sup>th</sup> May, 2007 with Central province HCAZ members and participants representing establishments from Kapiri-Mposhi, Serenje, Mukushi and Kabwe. Further training was also conducted with the Copperbelt HCAZ members on the following dates; 25<sup>th</sup> June, 2007 in Ndola and on the 26<sup>th</sup> June, 2007 in Kitwe other trainings were conducted in Lusaka. Participants were drawn from hotels, lodges and guesthouses. MATEP in the past year trained a total of 160 HIV/AIDS Awareness Educators in 50 HCAZ establishments country wide and reached 6,082 individuals in HCAZ establishments and in some cases surrounding communities through community outreach HIV/AIDS prevention programs.

#### **Export training workshops**

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

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

- **Eastern Province Cooperative Union (EPCU):** MATEP in the year just ended, delivered HIV/AIDS prevention and awareness messages to 26 individuals at a groundnut grading and handling training session from the 28<sup>th</sup> May to 1<sup>st</sup> June 2007 in Chipata. The training was organized for buyers, traders and quality personnel by MATEP. A total of 6 females and 20 males were the recipients of the HIV/AIDS awareness and prevention presentation and leaflets in English and Nyanja. All participants indicated that they had heard of HIV/AIDS but less than 20% had participated in a formal presentation on HIV/AIDS while only 30% had been for Voluntary Counseling and Testing (VCT). Participants requested for additional information on HIV/AIDS and the Eastern Province Cooperative Union (EPCU) requested that MATEP structure a programme to reach their more than 200,000 members in the Eastern Province. MATEP will in the coming quarter investigate the possibility of designing a HIV/AIDS programme for the EPCU.
- **Chililabombwe, Mufulira and Luanshya District Business Associations:** HIV/AIDS Awareness and Prevention messages were delivered to three District Business Associations on the Copperbelt, namely: Chililabombwe, Mufulira and Luanshya. HIV/AIDS presentations were conducted as part of Exporter Training sessions organized by MATEP.

Participation in the training was as follows: Chililabombwe – 10 females and 16 males, Mufulira – 9 females and 23 males and Luanshya had 10 females and 20 males.

### **Urban consumption survey**

MATEP/FSRP planning commenced in the first year for conducting an HIV/AIDS prevention program as part of the upcoming urban consumption survey. The 5 selected HIV/AIDS awareness and prevention pamphlets were translated into the Bemba language and printed. Training for enumerators involved in the first round of data collection for the urban consumption survey which was scheduled for the fourth quarter was conducted in the year just ended. The training was conducted on Thursday 26<sup>th</sup> July, 2007 at NRDC/NZTT. A total of 55 individuals were trained representing the Copperbelt, Lusaka, Luapula and Northern provinces. Each enumerator is visiting about 72 households that will also be recipients of the HIV/AIDS awareness messages and leaflets. The total number of recipients of the HIV/AIDS prevention and awareness messages was 7,920.

### **Ministry of Labour and Social Security**

The Permanent Secretary (PS) of the Ministry of Labour and Social Security wrote a letter to the US Embassy expressing interest to collaborate with MATEP's HIV/AIDS activities after reading the PEPFAR draft fiscal Country Operation Plan for 2007 which outlined MATEP's HIV/AIDS activities. MATEP HIV/AIDS Consultant and HIV/AIDS Coordinator met with the PS Mr Ngosa Chisupa on the 21st of September 2006 to discuss possible collaboration and identified the following topics for collaboration:

- Work with the Ministry of Labour and Social Security on formulating an HIV/AIDS workplace policy that integrates the policies of the Ministry of Health.
- Assistance in developing a policy checklist which can be used by inspectors during their inspection exercise with companies
- Training ministry staff and labour inspectors on HIV/AIDS policy issues and HIV/AIDS Prevention and Awareness. There are 23 labour offices countrywide with 50 labour inspectors.

MATEP conducted the arranged and conducted a two day workshop on the 31<sup>st</sup> May and the 1<sup>st</sup> of June, 2007 for 30 labour inspectors. The curriculum consisted of one day's training on HIV/AIDS awareness and prevention and one day's training on HIV/AIDS workplace policy. The participants drafted a HIV/AIDS workplace policy checklist which will be revised and finalized in the coming year. The labor inspectors were trained to also deliver the HIV/AIDS awareness and prevention messages to individuals countrywide.

### **Central Statistical Office (CSO)**

MATEP met with CSO to discuss possible collaboration regarding HIV/AIDS activities. MATEP will incorporate the HIV/AIDS component into the various CSO national workshops and surveys. MATEP planned to train CSO employees as HIV/AIDS awareness and prevention educators who will then deliver the message to individuals countrywide.

### **Ministry of Tourism, Environment and Natural Resources**

MATEP had a meeting with the Ministry officials to explore the possibility of training the tourism inspectors and to implement a similar program with the tourism ministry as the one implemented with the Ministry of Labour and Social Security in the past year.

## **Plans for the coming year**

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

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

**Urban consumption survey:** MATEP in collaboration with MSU will monitor and evaluate the HIV/AIDS program developed as part of the urban consumption survey. The enumerators that conducted the survey will be assessed based on the reports and feedbacks received during the message delivery whilst conducting the survey.

**Ministry of Labor and Social Security:** MATEP will in the coming year finalize the HIV/AIDS workplace policy checklist which was developed during the past year. The labor inspectors will also deliver the HIV/AIDS awareness and prevention messages to individuals countrywide. MATEP will also finalize its contributions to the draft National HIV/AIDS Workplace Policy which was initially developed by MLSS in collaboration with various national stakeholders.

**Central Statistical Office (CSO):** MATEP will explore the possibility of collaborating with SHARE another PEPFAR beneficiary in assisting CSO with HIV/AIDS programs and also identifying the various activities and surveys that are being conducted countrywide that would be used as a conveyer of HIV/AIDS awareness and prevention message delivery.

**Ministry of Tourism, Environment and Natural Resources:** MATEP in the coming year, intends to implement a similar program with the tourism ministry as the one implemented with the Ministry of Labour and Social Security.



## **MATEP SUCCESS STORIES**

1. Zambia Seed Company
2. Kabwe Tannery
3. Elephant Pepper / African Spices
4. Tourism Council of Zambia
5. Khal Amazi – HIV/AIDS



## SUCCESS STORY

# Zambian Seed Exported to Congo

Our exports of seed grew 900% in one year, from US\$23,500 to US\$300,000; we would not have been able to achieve this without MATEP support in accessing the DRC market."



Packing seed at the Zamseed factory



Zamseed sells seed to USAID and the EU for supply to small farmers in the DRC.



Viewing Zamseed products at the Lubumbashi launch in 2006

Zambia Seed Company Limited (Zamseed) is a former parastatal company that had invested heavily and successfully into research and development of new seed varieties. Its local sales grew significantly as it developed a strong local supply network, but the company had limited success in exports into the region and was selling nothing into neighboring Democratic Republic of Congo.

MATEP, having conducted market research in DRC and sponsored a trade show in Lubumbashi, saw enormous potential for seed sales to Congo. Supported by MATEP, Zamseed participated in a trade mission to the DRC and subsequently, in June 2006, undertook a major public event to launch their products in DRC. The launch included an exposition at the Chamber of Commerce where major farming interests were present including 20 commercial farmers, 15 NGOs, the DRC government, international agriculture organizations and small scale farmers. Field visits to some of the largest commercial farmers were conducted, too.

A few months later, orders started trickling in, and by the end of September 2007, Zamseed had supplied 270mt of seed into the DRC earning US\$300,000. This figure represents 10% of Zamseed total turnover and the DRC exports amount to 90% of total export sales. Most of the clients that attended the launch ended up as Zamseed clients. Zamseed is nurturing this market and these new clients, and visits Lubumbashi on a monthly basis to keep abreast with market demands. Maize seed, soya seed, groundnut seed and bean seed are currently in the highest demand. Zamseed expects exports to the DRC to grow to 600mt during FY '08.

Says Zamseed Marketing Manager, Zack Musonda, "Correct linkages (to buyers) were critical, and MATEP did an excellent job in linking us to buyers in the DRC."

Zamseed wants to expand exports into the Angola market next. A recent SADC agreement relaxing seed release requirements should ease some of the administrative barriers which were significant when entering DRC. MATEP is already working closely with Zamseed in penetrating the Angola market - sharing market information, identifying buyers – with the objective of identifying a major partner for Zamseed to team with in their Angola activities.





## SUCCESS STORY

# Kabwe Tannery – Buying hides again

“If MATEP had not provided financing and market linkages, we would not be operational.” – Kabwe Tannery Production Manager



Drums for soaking and liming skins



Batching wet blues after inspection



Loading wet blues into a truck for export

Kabwe Tannery Limited is a Zambian company that processes raw hides and skins into “wet blue” and finished leather. The company was undergoing severe financial problems before beginning to work with MATEP in 2005. Despite having staff and equipment, Kabwe Tannery did not have the cash to buy animal hides or chemicals for their operations and their plant remained largely idle.

Before ceasing operations, Kabwe Tannery played an important role in Zambia’s livestock/leather sector as a principal buyer of hides from smallholder producers and small rural abattoirs. Other Zambian tanneries concentrated more on high quality skins from larger farmers or from their own feedlots. Without Kabwe buying hides as in the past, there was a glut of hides on the market and a collapse of prices.

MATEP helped Kabwe Tannery develop a recovery plan and then financed procurement of an initial supply of hides and chemicals. MATEP also identified an export market for processed wet blue hides. Kabwe’s first shipment was to a South African buyer. Though the buyer requested additional shipments, Kabwe Tannery was unsatisfied with the terms and requested additional help. MATEP next linked Kabwe up with East Hides, Limited of London - one of the largest purchasers of wet blue leather in the world. To date, Kabwe has delivered two containers to East Hides. More importantly, East Hides has issued a standing order for the continual supply of wet blue leather from Kabwe Tannery.

Kabwe Tannery has been in continual operation since receiving its initial support from MATEP, this, in contrast to start-stop operations of the past and 34 Staff that were on block leave, are now back on regular employment.

The impact domestically is reflected in part by prices for raw hides in Zambia which rose from \$2 in 2005 to \$10 now. In addition to its own tanning operations, Kabwe is now tanning on a contract basis for SME traders in hides, too. This not only adds value locally to hides that were previously exported raw from Zambia, but it expands market outlets for smallholder farmers and small abattoirs trying to sell hides.

Kabwe expects to process and export up to 25,000 hides next year, both in direct exports and in contract tanning, for a total export value of approximately \$800,000.





# SUCCESS STORY

## Elephant Pepper - U.S. Product Launch



Elephant Pepper



Chili production is mainly by small holder producers



Elephant Pepper Products

“Elephant Pepper sought a Distribution Partner who understood the challenges of exporting from Africa and shared their vision of Trade not Aid, to benefit the sustainable growth for smallholder farmers.”

Elephant Pepper makes sauces with smallholder-grown chilies who grow the crop to protect their other crops from elephants – *elephants don't like chilies*. Elephant Pepper has been promoting chilies for warding off crop-raiding animals in Africa since the mid-1990s. Now, with their sister company, African Spices Limited, they purchase large volumes of smallholder chilies, make world class chili sauces and also supply chili mash to the McIlenny Co. for production of Tabasco Sauce. MATEP works with Elephant Pepper and African Spices to introduce the Elephant Pepper brand of sauces into the U.S. market.

MATEP support began in 2005 helping EP/ASL understand the exacting requirements of U.S. speciality food markets. This was followed by support to attend the California Fancy Food Show in San Francisco to identify potential agents or distributors for marketing their products in the U.S. Elephant Pepper products were officially launched at the New York Fancy Food show in 2007, with support from both MATEP and the Southern Africa Trade Hub. Elephant Pepper/African Spices was also helped in negotiations with several distributors in an attempt to find the “right” one for their unique products. In the end, an agreement was reached with the Talier Trading Group - a sales and marketing company promoting specialty foods from developing countries - to provide sales, distribution and representational services for the Elephant Pepper brand in the U.S.

Early success has been achieved in agreements with a number of supermarket chains in the U.S. to carry Elephant Pepper products. Starting this Christmas season, Elephant Pepper sauces can be purchased at Whole Foods, The Food Emporium, King Sooper's and many more outlets. Expected sales for the coming year come to 200,000 units. African Spices also continues production of chili mash for Tabasco and six containers with 120mt of chili mash valued at US\$100,000 was exported from Zambia in FY07. Chili mash exports are expected to reach 200mt in the coming year.

On the production side, the number of smallholder farmers growing chilies for African Spices continues to grow. From an initial 250 farmers, the number rose to 350 in 2006, 500 in 2007 and is expected to reach 3000 over the next three years. Assistance in expanding the smallholder production has been provided by USAID's PROFIT project and the European Union.



## SUCCESS STORY

# Tourism Council of Zambia

“MATEP has really assisted TCZ transform from a small ad hoc secretariat to a fully fledged institution”. Josephine Sampa Mehl, Executive Director – TCZ



Minister of Tourism opening the Destination Lusaka Expo



Hostels Board Expo stand



Handicraft exhibit at the Expo

The Tourism Council of Zambia (TCZ) approached MATEP to help refine and refocus its Strategic Development Plan. TCZ is the apex organization for all tourism associations in Zambia and was established in 1995. But TCZ was at an impasse: members felt TCZ failed to offer value for membership dues and it was not highly regarded by stakeholders, yet TCZ lacked capacity to do much about it. To address this, MATEP technical assistance helped develop an output-oriented Strategic Plan focused on addressing constraints faced by TCZ members.

The resultant Strategic Development Plan focused on TCZ narrowing its activities and making them more relevant to members' aspirations. Also, the secretariat was strengthened in order to deal with sector-wide policy issues. Now, not only are TCZ members more satisfied with the organization, but the Plan was instrumental in mobilizing funding from several donors.

A major part of the Strategic Plan is to aggressively target the world MICE market (Meetings, Incentive travel, Conferencing and Events). Zambia is an excellent MICE destination, but it captures only a small proportion of this lucrative market. With MATEP assistance, TCZ has established a MICE Desk at TCZ which is initially targeting Lusaka facilities under the Destination Lusaka initiative. MATEP assisted TCZ recruit a Marketing Executive to run the MICE Desk and a Policy Analyst to address sector-wide policy issues.

The MICE Desk was launched by the Minister of Tourism at a Destination Lusaka Expo held at the Arcades Shopping Centre on 26-27 September 2007 (timed to coincide with World Tourism Day). This Expo had 30 exhibitors drawn from Lusaka, Ndola, and Livingstone and showcased the tourism product in the country.

MATEP provided a MICE expert who then conducted a workshop on MICE marketing skills specifically, and on destination marketing in general, to 49 Expo participants. The expert also helped develop a MICE Desk Workplan and trained the MICE Desk Officer for implementing Workplan activities. These MICE activities aim to put the Zambian facilities on the international conference planners' database and ensure that at least two major international conferences are hosted here each year.





# SUCCESS STORY

## HIV/AIDS Prevention and Rose Exports



Sorting export quality flowers



Protective wrapping of roses before export



HIV/AIDS Training Session

The high prevalence of HIV/AIDS in Zambia has not spared the export industry. MATEP, in its efforts to promote Zambian exports, identified the impact of HIV/AIDS as a major constraint to maintaining competitiveness and to growth in the export industry. With funds received from PEPFAR, MATEP developed a program to conduct community outreach HIV/AIDS prevention programs that promote abstinence and/or being faithful among the workers of exporting clients.

According to a rose exporting client, Khal Amazi, "The results of MATEP's HIV/AIDS activities on our first farm are excellent; impressive to our overseas buyers and more business for us due to our Social Corporate responsibility efforts on HIV/AIDS. This encouraged us to introduce the program on our other two farms that did not participate in MATEP's initial HIV/AIDS program with the Zambia Export Grower's Association (ZEGA) members."

MATEP's HIV/AIDS prevention activities are designed to integrate well into clients' business activities. They fit in with company needs and schedules, paying particular attention to avoid disrupting production. This helps businesses to maintain their productivity, address human resource needs of employees as well as demonstrate the company's responsible social programs.

David Tembo, the Human Resources Manager at Khal Amazi noted that, "MATEP's HIV/AIDS activities brought a positive change to our co-workers and surrounding communities. People openly discuss the dangers of HIV/AIDS, want to know their status, and more importantly there is a significant reduction in vices such as casual sex and unfaithfulness among our farm workers."

Mr. Dodd Lance, the farm's export's manager adds, "Other horticultural business in neighboring countries are succeeding in their fight against HIV/AIDS due to their Governments' efforts. We are proud to say our farms and communities are fighting the scourge with the support of MATEP and PEPFAR funds. We are optimistic that with their efforts we will continue to impress our customers and increase our exports."

## MATEP "PMP" INDICATORS

INDICATOR		TARGET and ACTUAL					
		FY06	FY07	FY08	FY09	FY10	
<b>Trade/Export-related Indicators</b>							
1	Value of ANR-based exports, including tourism receipts, \$M	Target	425	465	518	550	600
		Actual	494	582			
	1.1 Value of ANR-based exports, \$M	Target	275	305	348	370	410
		Actual	323	402			
	1.2 Value of estimated tourism receipts, \$M	Target	150	160	170	180	190
		Actual	171	180			
2	Number of export/tourism transactions completed as reported by assisted firms (revised target)	Target	1,000	6,800	8,200	9,100	9,800
		Actual	4,884	13,637			
	2.1 Number of export transactions reported by assisted firms	Target	750	3,800	4,200	4,600	4,800
		Actual	3,498	3,240			
	2.2 Number of tourism transactions reported by assisted firms	Target	250	3,000	4,000	4,500	5,000
		Actual	1,386	10,397			
3	Value of export/tourism transactions reported by assisted firms, \$M (revised target)	Target	20	52	62	78	93
		Actual	40	58			
	3.1 Value of export transactions reported by assisted firms, \$M	Target	19	50	60	75	90
		Actual	39	55			
	3.2 Value of tourism transactions reported by assisted firms, \$M	Target	1	2	2	3	3
		Actual	1	3			
4	Value and volume of exports of targeted commodities reported by assisted firms						
	4.1 Paprika/Chili	Value, \$'000	485	1,050			
		Volume, tons	450	932			
	4.2 Horticulture	Value, \$'000	20,105	36,446			
		Volume, tons	4,292	5,644			
	4.3 Coffee	Value, \$'000	12,900	8,300			
		Volume, tons	6,000	3,483			
	4.4 Honey	Value, \$'000	510	520			
		Volume, tons	300	271			
	4.5 Seed	Value, \$'000	1,524	4,572			
		Volume, tons	1,459	4,858			
	4.6 Livestock products	Value, \$'000	2,422	1,979			
		Volume, tons	1,086	2,121			
	4.7 Cotton/textiles	Value, \$'000	25	145			
		Volume, tons	1	12			
	4.8 Maize	Value, \$'000	-	-			
		Volume, tons	-	-			
	4.9 Groundnuts	Value, \$'000	-	1,023			
		Volume, tons	-	1,300			

	INDICATOR	TARGET and ACTUAL				
		FY06	FY07	FY08	FY09	FY10
<b>Trade/Export-related Indicators</b>						
5	Value and volume of intra-regional exports of targeted commodities reported by assisted firms					
	5.1 Paprika/Chili	Value, \$'000	325	765		
		Volume, tons	250	656		
	5.2 Horticulture	Value, \$'000	5,680	2,591		
		Volume, tons	1,187	612		
	5.3 Coffee	Value, \$'000	4,515	2,656		
		Volume, tons	2,100	1,115		
	5.4 Honey	Value, \$'000	-	-		
		Volume, tons	-	-		
	5.5 Seed	Value, \$'000	1,524	4,572		
		Volume, tons	1,459	4,858		
	5.6 Livestock products	Value, \$'000	1,644	383		
		Volume, tons	993	229		
	5.7 Cotton/textiles	Value, \$'000	23	136		
		Volume, tons	1	11		
	5.8 Maize	Value, \$'000	-	-		
		Volume, tons	-	-		
	5.9 Groundnuts	Value, \$'000	-	1,023		
		Volume, tons	-	1,300		
6	Value and volume of purchases from smallholders of targeted commodities reported by assisted firms					
	6.1 Paprika/Chili	Value, \$'000	176	125		
		Volume, tons	114	85		
	6.2 Horticulture	Value, \$'000	166	318		
		Volume, tons	546	164		
	6.3 Coffee	Value, \$'000	16	-		
		Volume, tons	8	-		
	6.4 Honey	Value, \$'000	200	113		
		Volume, tons	400	210		
	6.5 Seed	Value, \$'000	450	836		
		Volume, tons	1,564	2,590		
	6.6 Livestock products	Value, \$'000	428	1,181		
		Volume, tons	965	3,335		
	6.7 Cotton/textiles	Value, \$'000	-	-		
		Volume, tons	-	-		
	6.8 Groundnuts	Value, \$'000	-	340		
		Volume, tons	-	1,300		

	INDICATOR	TARGET and ACTUAL						
		FY06	FY07	FY08	FY09	FY10		
<b>Finance-related Indicators</b>								
7	Value of finance/capital accessed reported by assisted firms, \$M, cumulative	Target	2	5	10	15	20	
		Actual	5	8				
8	Number of MATEP Investment Fund loans, cumulative, disaggregated by gender	Total	Target	15	25	45	60	70
			Actual	15	26			
		Female	Target	5	8	15	20	23
			Actual	3	5			
9	Percentage of the number of loans currently performing (not delinquent), disaggregated by gender	Total	Target	80%	80%	80%	80%	80%
			Actual	71%	85%			
		Female	Actual	50%	90%			
10	Value of MATEP loans, disaggregated by gender, \$'000, cumulative	Total	Target	1,200	2,000	3,000	3,500	4,000
			Actual	1,053	2,592			
		Female	Target	300	600	900	1,100	1,200
			Actual	211	486			
11	Percentage of the value of the lending portfolio currently performing	Total	Target	90%	90%	90%	90%	90%
			Actual	89%	90%			
		Female	Actual	90%	96%			
<b>BDS and HIV/AIDS-related Indicators</b>								
12	Number of clients/entrepreneurs receiving BDS (revised target)	Target	25	55	65	65	65	
		Actual	48	73				
13	Number of people reached with HIV/AIDS A & B outreach programs (revised target)	Target	30,000	15,000	15,000	15,000		
		Actual	30,154	17,179				
14	Number of people trained for delivery of HIV/AIDS prevention programs (revised target)	Target	70	100	100	100		
		Actual	132	329				
<b>Training-related indicators</b>								
15	Number of people completing training seminars (in export skills, policy reform, tourism, HIV/AIDS, etc.) (revised target)	Total	Target	50	400	400	400	400
			Actual	364	871			
		Female	Target	20	160	160	160	160
			Actual	183	341			
<b>Original PMP indicator targets:</b>								
2	Number of export/tourism transactions completed as reported by assisted firms	Original target	1,000	1,400	1,800	2,000	2,200	
3	Value of export/tourism transactions reported by assisted firms, \$M	Original target	20	30	50	75	90	
12	Number of clients/entrepreneurs receiving BDS	Original target	25	40	60	60	60	
13	Number of people reached with HIV/AIDS A & B outreach programs (*)	Original target	30,000	25,000	15,000	15,000	15,000	
14	Number of people trained for delivery of HIV/AIDS prevention programs	Original target	70	58	35	35	12	
15	Number of people completing training seminars (in export skills, policy reform, tourism, HIV/AIDS, etc.)	Original target	50	50	50	30	20	

(\*) HIV/AIDS outreach targets reduced due to lower expected PEPFAR funding from \$750,000 to \$550,000 and reduction in length of support from five years to four years

## MATEP "OP" INDICATORS

INDICATORS	TARGET AND ACTUAL			
		FY06	FY07	FY08
<b>Program Area: Trade and Investment</b>				
<b>Program Element 1: Trade and Investment Enabling Environment</b>				
1.1. Number of consultative processes with the private sector	Target	-	4	4
	Actual	3	5	
1.2. Number of USG supported training events held that related to improving the trade and investment environment	Target	-	2	2
	Actual	-	2	
1.3. Number of participants in trade and investment environment trainings.	Target	-	40	40
	Actual	-	138	
1.4. Number of trade and investment environment diagnostics conducted	Target	-	6	6
	Actual	6	7	
1.5. Number of legal, regulatory or institutional actions (not mentioned above) taken to improve implementation or compliance with international trade and investment agreements.	Target	-	3	3
	Actual	3	3	
<b>Program Element 2: Trade and Investment Capacity</b>				
2.1. Number of firms receiving capacity building assistance to export	Target	-	55	65
	Actual	48	73	
2.2. Number of USG supported training events held that provided training on topics related to investment capacity building and improving trade .	Target	-	3	3
	Actual	2	3	
2.4. Number of firms receiving USG assistance that obtain certification with international quality control, environment and other	Target	-	1	1
	Actual	-	2	
2.5. Numbers of participants in USG supported trade and investment capacity building trainings.	Target	-	50	50
	Actual	55	96	
<b>Program Area: Financial Services</b>				
<b>Program Element 3: Financial Services</b>				
3.1. Number of USG supported special funds loans issued this year	Target	-	10	10
	Actual	8	10	
3.2. Value of USG supported special funds loans issued (in US dollars) this year	Target	-	0.8M	1.0M
	Actual	0.6M	1.44M	

INDICATORS	TARGET AND ACTUAL			
		FY06	FY07	FY08
<b>Program Area: Agriculture</b>				
<b>Program Element 4: Agricultural Enabling Environment</b>				
4.1. Number of policy reforms analyzed as a result of USG assistance	Target	-	2	2
	Actual	1	4	
4.2. Number of policy reforms presented for legislation/decrees as a result of USG assistance	Target	-	2	2
	Actual	1	2	
4.4. Number of individuals who have received short term agricultural enabling environment training as a result of USG assistance (sex-	Target	-	40	45
	Actual	38	60	
<b>Program Element 5: Agriculture Sector Productivity</b>				
5.6. Number of producers organizations, water users associations, trade and business associations and community based organizations assisted as a result of USG assistance	Target	-	10	10
	Actual	8	14	
5.7. Percent change in value of international exports of targeted agricultural commodities as a result of USG assistance	Target	-	11%	14%
	Actual	-	38%	
5.9. Percent change in value of purchases from smallholders of targeted commodities	Target	-	15%	15%
	Actual	-	83%	
<b>Program Area: Private Sector Competitiveness</b>				
<b>Program Element 6: Private Sector Productivity</b>				
6.2. Number of public-private dialogue mechanisms utilized as a result of USG assistance	Target	-	5	5
	Actual	-	6	
6.4. Number of SME's receiving USG assistance to access bank loans or private equity	Target	-	6	6
	Actual	2	6	
6.5. Number of SME's that successfully accessed bank loans or private equity as a result of USG assistance	Target	-	4	4
	Actual	2	5	



# ANNEX 1

## MATEP PMP Data Collection Methodology

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

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

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

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

Source: MATEP client list  
Description: Number of MATEP clients receiving services from the Market Assess, Tourism, Finance or Policy Components of the project. Does not include formal training assistance.  
Time frame: Quarterly

13. Number of people reached with HIV/AIDS A/B outreach programs

Source: MATEP HIV/AIDS Report  
Description: Number of people reached with A/B messages  
Time frame: Quarterly

14. Number of people training for delivery of HIV/AIDS prevention programs

Source: MATEP HIV/AIDS Report  
Description: Number of people trained for delivery of HIV/AIDS prevention programs  
Time frame: Quarterly

15. Policy progress milestones – in development with USAID

16. Number of people completing training in formal training programs

Source: MATEP Training Report  
Description: Number of people completing formal training. Formal training consists of a scheduled training program with a training agenda presented in a seminar or workshop setting based on previously prepared training materials and with participants receiving a certificate of completion.  
Time frame: Quarterly

# ANNEX 2

## Environmental Review Report

*MUSHITU SAFARIS / MUKOMBO LODGE*  
September 2007

### 1. Background and Activity Description.

#### 1.1 Purpose and Scope of Environmental Review Report

Regulation 216 which is the commonly used shorthand term for the Agency's Environmental Procedures, which are codified in the code of Federal Regulations (CFR) as 22 CFR Part 216 (also referred informally as Reg. 216 or Reg. 16), makes it mandatory that an environmental review or initial environmental examination be undertaken to a client that has received assistance from USAID in order to:

- Ensure that environmental consequences of USAID-funded activities are identified and considered in the design and implementation of activities prior to final decisions to proceed;
- Assist countries in strengthening their environmental evaluation capabilities;
- Define limiting environmental factors that constrain environment; and
- Identify activities that assist in sustaining or restoring the natural resource base.

MATEP undertook a site visit to a client, Mushitu Safaris T/A Mukombo Lodge to conduct an Environmental Review (ER), a formal process of providing information and analysis of the overall effects on environment, human health and welfare and means and measures to mitigate and monitor these impacts.

#### 1.2 Background

Mushitu Safaris was established in Zambia in May 2003 and became fully operational in June 2007. It was primarily established to operate a 20 bed lodging facility for Zambian and non-Zambian tourists and also to offer the following services:-

- a) Provide environmental education programmes to government and privately owned schools
- b) Provide information on flora and fauna and to
- c) Provide camping facilities

#### 1.3 Description of Activities

In terms of infrastructure, the company has the following:-

- a) 1 double chalet self contained
- b) 3 single chalets self contained
- c) 1 dining hall
- d) 1 kitchen
- e) 1 reception
- f) 1 camping site



The water source is from the Kafue River. Water is pumped into a reservoir where chlorine is added for purification before consumption. Electricity is generated from a diesel powered generator that is only switched on from 07:00 to 08:30 in the morning and 18:00 to 22:00 in the evening.

The services plus costs available at Mushitu Safaris include the following:-

Service	Cost	
	Zambian (K)	Non Zambian (US\$)
Full board (per night per person)	250,000	90
Camping (per night per person)	40,000	10
Self catering chalets (per night per person)	120,000	30
Day game drive (per person for two hours)	50,000	25
Night game drive	50,000	40
Guide Hire – Own car	20,000	20
Boat cruise	50,000	20
Fishing (but no take away)	20,000	20
Pick and drop off at hook bridge	15,000	10
Environmental education lessons per child	50,000	0
Lodging, school groups per chalet for 2 days	100,000	0
Children under 5 years	Free	Free
Children between 5 and 15	50%	50%
Bookings for groups bigger than 10	10% off	10% off
ZAWA vehicle levy (3 ton)	12,000	15

## 2. Country and Environmental Information

### 2.1 Locations Affected

The company is situated in the Kafue National Park about 270 kilometres west of central town of Lusaka on the Mongu highway.

The lodge construction was designed in such a way that it did not lead to;

- Affect quantity, quality, reliability and accessibility of water
- Cause erosion or salinity in nutrient concentrations of the soil
- Affect populations and habitats of fauna
- Spread diseases and pathogens on environmental health
- Affect composition and density of natural vegetation, productivity and key species and
- Affect the key species of special ecosystems



### 2.2 National Environmental policies and Procedures

The Zambian environmental policies and procedures are enshrined in the Environmental Protection and Pollution Control Act (EPPCA) No.12 of 1990. The Act provides for the protection of the environment and the control of pollution; to establish the Environmental Council and to prescribe the functions and powers of the Council; and to provide for matters connected with or incidental to the foregoing. The EPPCA defines environment as “...land, water, air and other external influences and conditions which affect the development and life of all organisms including man”

The following statutory instruments under the Environmental Protection and Pollution Control Act have been passed for the purposes of enhancing implementation and effectiveness of the EPPCA:-

- The Waste Management (Licensing and Transporters of Waste and Waste Disposal Sites) Regulations, Statutory Instrument Number 71 of 1993
- The Water Pollution Control (Effluent and Waste Water) Regulations, Statutory Instrument Number 72 of 1993
- The Pesticides and Toxic Substances Regulations, Statutory Instrument Number 20 of 1994
- The Ozone Depleting Substances Regulations, Statutory Instrument Number 27 of 2000 and

- The Hazardous Waste Management Regulations, Statutory Instrument Number 125 of 2001

In addition, the Environmental Council of Zambia assigns inspection and other implementation roles to all District Councils through the Local Government Act of 1991 that covers the establishment of local authorities and local government administrative system associated with waste management in Zambia.

### 3. Evaluation of Potential Environmental Impacts.

Ecotourism can contribute to economic development and the conservation of protected areas by generating revenues that can be used to sustainably manage protected areas and by providing local employment and a sense of community ownership. However without careful planning and management that balances ecological, social and economic objectives, ecotourism can easily cause environmental damage. There are a number of potential negative environmental impacts that can arise from ecotourism and these may include the following:-

- Soil erosion and/or compaction from a) poorly designed roads and trails that do not follow natural contours; b) people walking, riding or driving off-road or off-trail to avoid wet, rutted or gullied areas; c) visitors walking, riding or driving off-road or off-trail to view unique wildlife or resource features; d) poorly planned or overused infrastructure (e.g., camping areas, tour routes);
- Deterioration of water resources and water quality due to inappropriate design and siting of latrines, septic tanks and solid waste pits;
- Deforestation from firewood harvesting, camping and construction;
- Changes in animal behavior due to human interference; and
- Pollution (e.g., litter, vehicle and boat exhaust, oil residues)

In addition to physical impacts, ecotourism can harm the users of local resources living near the protected areas. Tourists can undermine a community's cultural and economic integrity. For example, tourist peak season demands can conflict with a community's need for labor during planting or harvesting of crops. Enhanced protection of an already safeguarded area can also conflict with a community's traditional use of the area for non-timber products e.g., fuelwood, medicinal plants or game meat)

Even the potential local benefits of ecotourism can lead to environmental damage to a protected area. For example, an increase in employment opportunities, road improvements, technical assistance, or health care can stimulate migration of people into the vicinity of the protected area. Improved economic conditions may also result in increased production of solid waste.

#### 3.1 Soil erosion/compaction

At Mushitu Safaris, soil erosion and/or compaction may be caused by people walking or riding off-roads or off-trails to avoid wet, rutted and gullies areas and in order to mitigate this negative impact, the Zambia Wildlife Authority (ZAWA) do carry out annual loop maintenance works. Management was also advised to emphasize the use of trails (loops) instead of roads near sensitive or exceptional resources e.g. habitat for rare or endangered species, historical sites, etc.



#### 3.2 Deterioration of water resources

Water is drawn from the Kafue River. It is pumped into two reservoirs; one for the lodging facility and the other one for the camping site. Chlorine is then added into the reservoirs to purify the water before consumption. Liquid effluent is then discharged into septic tanks that are located in such a way that there is no likelihood for contamination of surface or ground water from the liquid effluent. There is enough room for construction of soak away once the existing septic tanks are



filled with effluent (this is likely to happen maybe after 15 to 20 years). In situations where tourists use potable water for ecotourism activities, management was advised to schedule inspection site activities to ensure that water supply and use rates are as predicted and that water supply and disposal technologies are being applied correctly.

### **3.3 Deforestation**

Mushitu Safaris use firewood for water heating in the geysers. This firewood is collected from fallen trees. There is extra caution taken in collecting this firewood as certain fallen trees are used as animal site land marks (these are trunks that animals would usually come and rub their skins). If these trunks are collected as firewood, these animals would no longer be coming to the sites. During construction of the lodges and the camping sites, there was supervision from the Zambia Wildlife Authority to ensure that there was no deforestation.



### **3.4 Changes in animal behavior**

Changes in animal behavioral patterns will normally occur when visitors walk or drive off-road or off-trail in a protected area. Also, Mushitu Safari do admit that initially at construction, animals moved away from the lodge and camping site as a result of noise. Since then a lot of capacity has been built by management to new visitors and indeed new staff educating them on the need to adhere to well prescribed loops and not to feed animals to avoid changes in animal behavior. This has been done by providing budget and training for local community residents who are recruited and employed as resource persons for guiding visitors and monitoring condition of the environment to ensure conservation of natural habitats. We also advised management to schedule regular field inspections that will, determine acceptable visitor movement levels that do not alter animal behavior.

### **3.5 Pollution**

Management at Mushitu Safaris has developed a waste disposal system where all solid waste is sorted out. Biodegradable material such as food remains, leaves and paper are thrown in shallow pits. Metal cans, plastics and plastic bottles are taken out of the park and deposited at a site approved by ZAWA. Used waste oil is collected and taken to Lusaka for re-use. Waste pits may be dangerous in that an animal may fall into the pit and get injured. To avoid this Mushitu Safaris will ensure that all pits are fenced with poles and reeds. All burning whenever necessary is supervised to avoid sparking bush fires that will have a more devastating negative environmental impact. We advised management to continue to bag and remove all non- degradable solid waste from the protected area. Visitors are advised to take back their litter with them and dispose it home or at the facilities provided by ZAWA at the park entrance gates. We also advised management to properly site (away from visitors and animal population) and erect an incinerator where all combustible solid waste will be disposed of.

## **4. Recommended threshold decisions and mitigation actions.**

The areas that could have a negative impact on environment is the use of trails (loops),deterioration of water resources, changes in animal behavior and management of solid waste. The following mitigation and monitoring measures need to be instituted by management:-

### **4.1 Mitigation and Monitoring Guidelines**

We recommend the following mitigation and monitoring guidelines:-

- Emphasize the use of trails (loops) instead of roads near sensitive or exceptional resources e.g. habitat for rare or endangered species, historical sites, etc
- Schedule regular field inspections that will, determine acceptable visitor movement levels that do not alter animal behavior

- We also advised management to properly site (away from visitors and animal population) and erect a properly secured incinerator where all combustible solid waste will be disposed of.

## **6. Conclusion**

Given the findings and mitigations recommended, Mushitu Safaris operations will not have adverse effects on environment.