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MATEP MARKET ACCESS TRADE AND ENABLING POLICIES

PROMOTING ZAMBIA'S EXPORTS

Market Access, Trade and Enabling Policies Project (MATEP)

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Annual Report #3

(October 2007 - September 2008)

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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; ECI*Africa*, a South African-based firm, and the Zambia Agribusiness Technical Assistance Centre (ZATAC), based in Zambia.

Progress achieved: MATEP has met or exceeded targets for almost all indicators in both the PMP and OP. The principal indicator measuring exports - value of agriculture/natural resource/tourism based exports - reached $596 million compared to the target of $518 million. Among MATEP's value chains, exports of horticulture/floriculture, coffee, seeds and livestock products were the most significant. In terms of markets, South Africa continued to be 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 $94 million compared to the target of $90 million. 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 continues to be increasing access to local, regional and international markets for Zambian agricultural and natural resource products. Interventions are market driven, with a focus on facilitating export deals for our Zambian clients. The Market Access component works with an increasing number of clients (currently numbering 44) by providing services that enable clients to meet buyer expectations and deal with trade barriers that prevent buyers and sellers transacting. MATEP also leverages other USAID resources, e.g. the Southern African Global Competitiveness Hub in Gaborone, and works with strategic partners to accomplish its objectives. These strategic alliances are outlined further in this report.

During the period under review MATEP developed, led and/or supported various activities including in response to client needs for accessing various markets. Activities included trade shows, buyer missions, market information and intelligence, product and marketing improvement and value chain development. Notable achievements included increased export sales, penetration of new markets, development of new export ready products and improved marketing capacity. Progress was also made in value chain development, especially where markets had shown a significant demand for products. For honey, MATEP conducted a survey providing scientific evidence for the discussion on irradiation of Zambian honey as it enters South Africa. For groundnuts, MATEP worked with new clients for supply of 100mt of groundnut seed to the DRC. For beans, new white beans varieties demanded by the market were pre-released in Zambia after the first year of trials.

Significant challenges in accessing markets included pricing and grades and standards adherence. On pricing, Zambia continues to be a very high cost production country. Further the local currency continued its strong position against the US Dollar eroding already slim margin in a dollarized region. In grades and standards, aflatoxin compliance costs in groundnut supply added so significantly to the cost of supply into South Africa that the export trial proved unprofitable. Other challenges include client level management where capacity constraints increased the challenges of pricing, contracting and supplying products.

MATEP's efforts at two trade shows where MATEP won a number of awards and clients secured many orders stand out for special attention. These shows, the Africa's Big Seven Exhibit in South African and the Copperbelt Agricultural, Mining and Commercial Services Show in Zambia's Copperbelt have been written up as "Success Stories" for this report.

Trade and Enabling Policy: MATEP conducts detailed value chain research through the Food Security Research Project (FSRP) to better understand how the agricultural economy works and through collaboration with public and private sector stakeholders, to influence government trade and agricultural policy. Research focuses particularly on the maize, horticulture, cotton and fertilizer value chains. During the year MATEP/FSRP conducted the second round data collection for the Urban Food Consumption Survey. The survey is intended to develop a detailed understanding of the consumption and expenditure behavior of households in the main urban areas of Zambia. MATEP/FSRP also conducted the Third Supplemental Survey of over 7,000 rural households across the country.

Through a Maize Value Chain Study, MATEP/FSRP has documented: major shifts in crop production patterns from a maize dominant to a much more diversified current pattern of production; a reduction in rural poverty rates, which corresponds to growth in smallholder production of crops other than maize; shifts in the region to structural food deficits; and a dramatic reduction in maize marketing and processing costs. MATEP/FSRP work in fertilizer focused on understanding where it is profitable (and where it is not profitable) to apply fertilizer in Zambia and understanding how government fertilizer subsidies distributed to small farmers under the Fertilizer Support Program (FSP) are affecting overall fertilizer use.

In horticulture, MATEP/FSRP continued study of horticultural pricing dynamics and trade flows with a view to developing an SMS based price and supply information system. A system was put in place for wholesale market monitoring of horticultural products; work began on components of a tomato value chain study; and a mobile phone based horticultural price and supply information system was initiated with the Zambia National Farmers Union (ZNFU). In cotton, MATEP/FSRP conducted a comparative study of cotton sector reform experience in nine Sub-Sahara African countries, and utilized its research results to continue contributing to forward momentum towards eventual enactment of the revised Cotton Act.

MATEP's Trade and Enabling Policy Component also continued contributions to Zambia's Private Sector Development (PSD) process early in the year and helped the Zambia Business Forum (ZBF) develop a website for easy access to business-to-business opportunities for Zambian companies. MATEP also helped ZBF prepare a private sector position on dual membership in COMESA and SADC. With the Judiciary, MATEP interventions helped to disburse PSD funds for a pilot Small Claims Court.

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. During the year, MATEP worked with the Travel Agents Association of Zambia (TAAZ) in developing first class marketing materials and in establishing linkages for marketing the Zambian tourism product to America and to Europe. With the U.S. office Zambia Tourism Board (ZTB), MATEP trained ZTB staff and helped the office in preparing for a tourism road show planned for the last quarter of 2008. MATEP provided support to the Tourism Council of Zambia (TCZ) in researching the effects of government's sudden increase in visa fees and preparing presentations to government appealing the increase. Further, MATEP is undertaking two studies aimed at obtaining tourist perceptions of Zambia and determining the cost of doing business in Zambia as compared with regional competitors. Also with TCZ, MATEP continued working at stepping up the activities of the MICE Desk for increasing Zambian business in the Meetings, Incentive travel, Conferences and Events trade.

A major activity of MATEP's Tourism component is working with The Hotel and Caterers Association of Zambia (HCAZ) conducting skills training throughout the country. Organized through provincial HCAZ offices, workshops were held in Luapula, Northern, Southern, Central, Western and North Western Provinces reaching a total of 271 individuals in HCAZ member establishments. In conducting this skills upgrading, MATEP and HCAZ established a cadre of local trainers who will continue with training for upgrading skills on a sustainable basis even after MATEP has closed. Working with HCAZ, MATEP also provided assistance for a strategic refocusing of hospitality establishments in Siavonga and the Northern Province.

The project re-oriented its assistance during the year targeting more of the smaller "up and coming" tourism enterprises in place of more well established firms. It is the smaller firms in Zambia that provide a large proportion of tourism services - approximately 80% of tourist beds are in establishments with less than 15 beds – but that are in most need of help with respect to product delivery and quality standards. Unfortunately, it is much harder to collect data from the small establishments for MATEP's PMP and the indicator figure for "Value of tourism transactions reported by assisted firms" fell below target.

MATEP's Tourism component is scheduled to come to an end in April 2009 with the departure of the project's Tourism Advisor, Alex Valeta. Though most activities will have been concluded by that time, MATEP will continue to liaise with its key tourism partners over the remainder of the project.

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. Through its Finance Component and the MATEP Investment Fund managed by the Zambia Agribusiness Technical Assistance Centre (ZATAC), MATEP seeks to help clients establish strong credit track records and export performance so such firms can become clients of formal financial institutions in the future. To date, a total of $3,049,816 has been disbursed from the MATEP Investment Fund. Of this amount $2,311,741 went for short-term export financing and another $958,059 was provided for medium-term financing. A total of 33 loans have been disbursed 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. The number of loans is short of the targeted number of 45 due to a number of large loans disbursed accounting for a large proportion of total capital available.

HIV/AIDS: With funds provided by the President's Emergency Program for AIDS Relief (PEPFAR), MATEP helps business associations in Zambia build capacity to deliver HIV/AIDS services to their memberships. With individual companies, we first try to help management better understand HIV/AIDS prevention as a business issue in addition to a social issue, and then help to design and roll out program of HIV/AIDS prevention. This involves training Awareness Educators among company staff who then deliver HIV/AIDS prevention messages to the workforce and surrounding communities.

In the year under review, MATEP expanded existing activities with the Hotel and Caterers Association of Zambia (HCAZ),the Zambia Export Growers Association (ZEGA) and added a new program with the Ministry of Labour and Social Security MLSS). With MLSS, which approached MATEP after reading about our activities in a report, MATEP has helped: formulate an HIV/AIDS workplace policy that integrates the policies of the Ministry of Health; develop an HIV/AIDS policy checklist for Zambian companies which can be used by Labor Inspectors during their inspections; and trained ministry staff and labour inspectors on HIV/AIDS policy issues and HIV/AIDS Prevention and Awareness. Overall, MATEP has trained a total of 285 Awareness Educators and delivered HIV/AIDS prevention messages to 15,934 individuals in Southern, Lusaka, Central and Copperbelt provinces of Zambia.

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 is 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, Mushitu Safaris and Zambia Extracts Oils and Colourants and a separate report was prepared on the forestry sector and wood harvesting. An Environmental Report on Savanna Beef is attached as an annex to this report.

Exchange rates: Zambia's exporting and tourism sectors continued to suffer under a strong local currency as well as exchange rate volatility. The Zambia kwacha started FY08 at K3,872 to the U.S. dollar, reaching a level of K3,139 in June 2008 and ended FY08 at K3,565 (see chart below). The strong kwacha severely hurts exporters and tourism operators who see their revenue, being forex denominated, fall sharply, while their costs remain largely unchanged. Note that the strong kwacha affects MATEP's budget too, which was developed based on a stronger 2005 exchange rate and now faces considerably higher cost in U.S. dollar terms.

Zambia Kwacha/US$: October 1, 2007 – September 30, 2008

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 two MATEP Success Stories: one for the Africa's Big 7 Exhibition and a second for the Copperbelt Agricultural, Commercial Services and Mining Show. 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.

With respect to the PMP, MATEP conducts a bi-annual survey of clients in March and September. Data collected in these surveys is incorporated into the PMP. Since the MATEP project ends in April 2010 – the middle of both the fiscal year and Zambia's agricultural season – MATEP proposes that the final survey is conducted September 2009. The PMP presented in this report reflects this change.

MARKET ACCESS COMPONENT

The MATEP project adopts a two-pronged approach in addressing Market Access; a focus on market development and a focus on client services to exporters. In both instances, our support is market demand driven. MATEP also assesses potential market linkages to determine whether they are credible and viable for future growth. Within the market development focus are subcomponents focusing on regional market development - providing Zambian exporters greater exposure to and knowledge of market opportunities, and value chain development - enhancing capacities of producers and other supply chain participants to respond to market demands. Activities in the market development subcomponent include trade missions, trade show attendance, market intelligence and generic industry marketing. Value chain development activities include technology introduction, familiarization tours, training, packaging support, information on product development and trends and information on market specifications. Market Access ensures that services to clients are cost shared and that other donor resources are leveraged where appropriate.

To facilitate regional trade, Market Access conducted market linkage activities in Botswana , Democratic Republic of Congo (DRC), Namibia and South Africa. At exhibitions on the Copperbelt (to target the DRC market) and in South Africa (to target the regional market), MATEP organized package stands for exhibits by MATEP clients. At both these show MATEP won 1st prizes for the best stand as well as significant long term export contracts being signed. A successful trade mission to the DRC targeted at the mining companies was also conducted during the period

In the value chains subcomponent, Market Access continued working with clients and buyers, with the greatest demand being in commodities. Increasingly however interest in shelf ready products, which provide a higher return to producers, is taking a greater share by volume of agricultural exports. Such products have become the focus of many enquiries and supply contracts. MATEP clients are increasingly aware and responding to demands for improved packaging and marketing of their products.

In the client services component, most activities focused on establishing buyer linkages for exporters and helping develop export capacity. The success of these activities is demonstrated in the value and volume of exports of MATEP clients. Some examples include Freshpikt Ltd, who through a buyer linkage forged during the AB7 show has signed an MOU for the supply up to 300,000 tons of canned foods annually; African Joy, who through MATEP support have increased their sales by 40% and doubled their labour force; African Spice, who penetrated the U.S. market with their Elephant Pepper Brand and noted, “Thanks to MATEP ‘s support we have an export deal and now we are off and running!” (This comment came with a photo of their first batch of 40,000 units packaged for shipment to the U.S.) An interesting sidelight has also been MATEP-organized Sales Days at USAID and the U.S. Embassy where MATEP clients have sold over $3,000 in products to U.S. government personnel. MATEP has also been able to place a number of client products at the U.S. Embassy commissary for ongoing sales.

MATEP also works at leveraging support for clients from other donors in order to maximize the impact of project resources. Examples of this leveraged support include:

- Market Linkages and market information: ECI Africa, Angola, Namibia
- Africa Big 7 Show:
    - MATEP worked closely with ECI Africa for technical support in arranging business-to-business meetings for MATEP clients and in providing logistical support before during and after the show
    - MATEP worked with the Dutch Volunteers Organisation (SNV) to facilitate the participation of the Zambia Honey Council and two other honey suppliers.

- Katanga Mining Fair: the Zambia Development Agency played a critical role in the organization of this show
- SAGC Hub: Inward buyer missions, Fancy Food Show participation, African Spices exports into the US, information on AGOA
- USAID DCA – guarantees for ChoiceNuts and Kafakumbe loans
- Eastern Africa Competitiveness Hub: MATEP leveraged support from the Hub to identify suppliers of alternative packaging for Freshpikt's sun dried tomato product
- Land o' Lakes Farmer to Farmer program support to MATEP clients
- PUM, a Dutch organization providing technical assistance and financing to firms.

MARKET DEVELOPMENT - REGIONAL TRADE

Mining activities and retail food chain expansion have continued to provide an increasing demand for food products in the region. At the same time the procurement process for these markets is adopting a trend of purchasing through local "procurement agents." Even when the buyers of these organizations accept or indicate interest in a product; they are more and more referring you to their preferred local distributor/agent to get the product included in their supply chain. This development has two effects: firstly it makes distribution of new products in a market a faster and more efficient process; however more often than not, the costing structure for these agents can erode the margin of the supplier. The second point is exacerbated by a strengthening of the Zambian kwacha against the US Dollar, since most transactions in the region are denominated in US Dollars.

The above scenario led to two developments in MATEP's regional trade efforts: firstly, although trade shows are still effectively used to popularize Zambian products on offer; the strategy for market access into these countries has been the identification and engagement of food distributors/agents that can market these products and handle all the in-country issues relating to distributing and promoting the products. Secondly, MATEP is working more closely with those of its clients that need support in more clearly understanding their cost structures to see how they can reduce costs to remain price competitive.

MATEP also continued trade show activities to show case Zambian products throughout the region. Core principles for participating in trade shows are: cost sharing; targeting audiences, market intelligence, and pre-arranged business-to-business meetings. MATEP activities include both organizing participation for exporting clients and capacity building for clients to get the most out of their exhibits. Significant advance preparations must be made to successfully get beyond cursory enquiries at shows. Critical questions for clients include: do you have export ready product, product information and volumes; do you understand the business environment into which you hope to export; what type of trade show is it, i.e. who attends and will they have buying authority or are they "scouts". This level of preparation is key to avoid disappointment by the exhibitor, a waste of resources and most importantly a poor showing that might reflect negatively on Zambia.

MATEP country-level interventions are outlined below, whilst specific information on value chain support and services to individual clients is provided in later sections of this report.

- **South Africa:** South Africa remains strategically important to Zambian producers, both for its internal market and for access through South Africa to other markets. The largest retail supermarket chains in the region are South African and access into them and other regional markets depends heavily on the procurement process of these chains. Zambian products must compete with South African products on the bases of price and uniqueness which is a difficult undertaking.

  A highlight of MATEP achievements in South Africa during the year is the participation of

MATEP clients at the Africa Big 7 show. This annual show is the largest food show on the continent and attracted over 7,000 visitors with 239 countries exhibiting. MATEP organized a "Zambia" stand which won first prize for the best package stand at the show. The judges commented, "*It just goes to show it is not about how much money you spend, but how you present yourselves; and that's what you and your delegation did!! The judges were very charmed with your exhibitors, the way they presented their goods, the fresh flowers, the friendliness and professionalism*." MATEP clients attending included: Capital Fisheries, Hortex Flowers, Freshpikt, ChoiceNuts, Savanna Beef, Meshearles Honey, Ubuchi Honey, Zambia Honey Council, Zambia Export Growers Association and SNV – a Netherlands Development Organisation.

MATEP worked to ensure that business-to-business meetings were arranged for clients, with some of these meetings including site visits to the premises of prospective buyers. MATEP also had a speaking slot during the Africa Agriculture Trade Promotion conference that ran parallel to the AB7 show. MATEP's presentation focused on opportunities for product supply from Zambia, opportunities for investment in Zambia and using Zambia as a springboard to reach markets in central and eastern Africa.

As a result of the show, orders for peanut butter and groundnuts valued at US$ 612,000 over 12 months were obtained and two new buyers of peanut butter from South Africa have since visited Zambia to discuss procurement of bulk peanut butter. An MOU for the annual supply of canned foods valued at US$ 6m has also been signed and an Australian buyer has visited Zambia to discuss supply of cherry peppers.

- **Namibia:** Market opportunities for retail packaged products are strong, though pricing remains a significant challenge, as does the difficulty of breaking into South African-oriented supply chains. Pricing competitiveness is hampered by the strengthening of Zambia's currency against the US$ and the cost of transportation. MATEP however, continued to work with clients promoting products through trade shows, inward buyer missions, one-on-one buyer seller meetings, price surveys, etc. During the period under review, MATEP worked to consolidate the gains achieved in previous activities by directly focusing on agents interested in new products.

  During the year, MATEP's Market Access Advisor traveled to Namibia to follow up with trade opportunities and as a result, a new agent was identified to distribute and promote Zambian products in Namibia. The agent, Trio Trading, expressed interest in distributing Zambian products and their food buyer has indicated willingness to visit Zambia for further discussion. MATEP also worked with various clients to respond to enquiries for bulk food items for food relief targeted at communities affected by floods in Northern Namibia.

  MATEP also worked closely with Sunrise Biscuits to introduce their product (a high nutritional biscuit) to the Namibian Army for distribution to soldiers. As a result of MATEP facilitation, the product was included in a major tender for army procurement. The tender also included tinned pineapple and fish for which MATEP approached Freshpikt and Capital Fisheries.

  MATEP also helped Zambian clients respond to a request for large volumes of cooking oil, rice, sugar and molasses from various Namibian buyers. Negotiations for some deals became quite advanced, though in the end agreements could not be reached on prices.

- **Angola:** Angola continues to be one of the highest paying markets in the region and MATEP clients supplying soft furnishings, maize meal, potatoes, onions, cassava and honey continue to obtain orders from Angola. However difficulties with logistics and payments make the Angola market hard to service and many transactions are organized in a manner that requires the buyer to travel to the border, pay cash and transport the goods back to Luanda.

During the year MATEP worked with ECI Africa to identify distributors for canned foods and retail packaged honey in Angola. Samples were sent in July 2008 and MATEP intends to follow up with buyer meetings in the coming year. As a result of information provided by MATEP to various potato and onion growers in Zambia, MATEP clients requested for market information and linkages to supply at least 60mt of fresh graded and sorted potatoes into Angola, via northern Namibia. MATEP is also working with ZamSeed to facilitate the supply of seed into Angola.

- **Democratic Republic of Congo:** The huge mining developments, proximity to Zambia and limited domestic food production continues to make the DRC market a priority for Zambian producers. During the year MATEP worked with its clients to increase existing export sales and target the mining operations more specifically. (The mining industry in the Katanga Province consist approximately 20 large scale mines, 40-50 medium scale mines and over 1000 small scale mines. In 2007 alone, 42 new mines were established.) MATEP, in conjunction with the Zambia Development Agency (ZDA) and the Mining Suppliers and Contractors Association of Zambia (MSCA), organized the Katanga Mining and Supply Expo held in Lubumbashi in November 2007. The objective of the Expo was to promote exports of Zambian goods and services to the Congolese mining sector. It focused directly on supplies of mining and processing equipment, spares, maintenance and supplies, protective clothing, food products, agricultural inputs and building materials. The exposition attracted 42 exhibiting companies from Zambia whose products are in demand in DRC.

  During the application process, companies submitted profiles which were forwarded to the Katanga Branch of Congolese Mining Association for distribution to its members. Non-mining buyers and distributors were also contacted and the event was advertised on the Mwangaza Radio Television Nationale Congolaise in Katanga Province. During the exhibition, Zambian companies were provided the list potential importers as prepared by the Mining Association and the Export & Import Liaison office and exhibitors also visited the importers operating premises so that they could discuss possible orders with company representatives.

  Results of the Expo were positive with most companies recording substantial enquiries and a number of orders for products actually concluded. Participants recorded 11 confirmed orders of the exhibited products at a value of US$3,823,900 and close to 30 unconfirmed orders valued at about US$30 million. The orders are for the supply of fertilizer, table eggs, maize meal, cassava meal, protective clothing/work suits, tinned food stuffs, agriculture seed, grain commodities, transmission poles, rail sleepers and various units of mining supplies respectively.

  Following up on the mining expo and other leads, the MATEP Market Access Advisor and a consultant visited distributors in Lubumbashi in May 2008. They delivered samples and provided indicative pricing for various processed foods including: retail honey, peanut butter, canned foods, cooking oil and sauces. During this visit MATEP helped a Zambian client secure orders from an international agency for groundnuts, beans and potato seed. MATEP met with three distributors who represent the largest of the distribution networks for food in Lubumbashi. One distributor Manoah Investments has very large food supply contracts with the mines and MATEP and its clients felt he would be a good platform for market share expansion and consolidation. Various attempts were made during the months of July and August, to bring the Chief Executive of Manoah on a buyer mission to Zambia, unfortunately this was unable to materialize in the expected time frame and has been rescheduled. A two-day visit by Zambian Chief Executives to meet with Manoah in September was also rescheduled.

  MATEP also organized a marquee at the Copperbelt Agriculture, Mining and Commercial Show in Kitwe, Zambia in May of 2008 with the objective of targeting at buyers from DRC mines visiting the show. The MATEP marquee provided clients with an opportunity to market the products in the Copperbelt region as well. Seven MATEP clients participated directly and products from another six clients were exhibited. At the show the MATEP marquee won three prizes including 1st Prize for best stand. Results from the show include two clients setting up distributorships on the Copperbelt close to $90,000 in secured orders, over $6,000 in products sold at the show itself and many leads for new business. One of the clients, Fallsway Timber, is likely to secure an order of 3mt/month of biocoal for a large mining concern on the Copperbelt.

- **Botswana:** Choppies of Botswana have continued to be a focus of MATEP market access support to that market. MATEP has helped Scrollex Investments, a MATEP client, in negotiating for supply of Zambian products in the Choppies chain which has 44 stores in Botswana. The MATEP Market Access advisor and Scrollex Chief Executive visited Choppies in November 2007 which led to an initial order for various products valued at US$91,216. The products ordered included bottled honey, speckled sugar beans, cow peas, kidney beans, groundnuts and samp. Initial shipments sent were expected to lead to continuing supply, but due to the strengthening kwacha pricing has become a major challenge. As some products fell out of the order due to price, volumes for shipping fell below the level to obtain competitive shipping rates. MATEP will facilitate continuing negotiations and buyer visits to finalise price and volume discussions.

- **Zambia - USAID / U.S. Embassy Sales Days:** MATEP organized two sales days for its exporting clients, one at USAID and a second on the U.S. Embassy compound. The idea for sales days came from the repeated requests to purchase client products from MATEP displays at workshops and events. Sales to U.S. Government personnel on the sales days totalled over US$ 3,000 and have helped expose both USAID and Embassy staff to these products and show clients the scope for domestic sales. As a result of the demand for such products demonstrated at the Sales Days, the U.S. Embassy Commissary has begun stocking a number of products from MATEP clients.

MARKET DEVELOPMENT - VALUE CHAINS

MATEP continually reviews activities in a number of value chains to determine the type and focus of possible MATEP interventions. On this basis, MATEP was most active in the honey, seed, groundnut and white bean value chains during the year. Other value chains that received support (mostly at client level) include: wood, spices and horticulture. MATEP increasingly focuses on assisting Zambian companies taking steps to move up the chain to produce higher value products. MATEP also works to increase linkages in chains to smallholder Zambian producers. Significant progress has been made in new retail packaging for honey, peanut butter and handcraft products. Ties with small producer groups were strengthened in the wood, white beans, groundnuts and handcraft industries. Value chain development interventions are reported in detail below:

- **White bean value chain:** The white bean value chain has a short-term income potential of US$ 3m and a long term (next ten years) of US$ 12m. The biggest challenge was getting the right variety planted by local farmers. This required that the new varieties be released in Zambia and Zambia law demands two years of scientific and on-farm testing before release. With much effort, MATEP eventually obtained an import permit to test two of the varieties; a further third variety was supplied by a MATEP client. These varieties were tested on research stations by the Zambia Research Institute (ZARI), the Seed Certification and Control Institute (SCCI), commercial large scale farmers and small scale farmers. In all, the first year trials were conducted in all ecological zones of Zambia. One variety OPS-KW1 achieved exceptional results with yields of 2-3 mt/hectare. Small scale as well as large commercial farmers were very pleased with the performance of this variety. In February 2008, MATEP received formal notification from SCCI that the three varieties had been pre-released to MATEP and that up to 3mt of seed could be imported for larger scale production and testing the supply chain. MATEP is coordinating a team lead by ZamSeed and Freshpikt to implement this next phase of value chain development. It is anticipated that 150mt will be available for trial export during the coming year, and if all aspect of the chain perform well, full seed release to a local seed company could also occur during the year.

- **Groundnuts value chain:** In the preceding period MATEP worked with various clients to respond to an opportunity of groundnut supply to South Africa. The opportunity was unique in that both demand and supply (production) had very strong arguments. On the demand side, Tiger Brands Foods - one of the largest food processing companies on the African continent – estimated their own annual purchases of raw groundnuts at 12,000mt and they projected an increase in consumption 20,000mt over the next 5yrs. They signed a 1,000mt supply contract for Zambian groundnuts with the expectation this could grow rapidly. The contract specified that the groundnuts must be sorted, graded and meet minimum aflatoxin levels. On the supply side, South African production of groundnuts had declined from 222,000mt in 2001 to 66,000mt in 2007. Other sources of Tiger's groundnut supply were also at risk, while Zambian groundnut production was increasing. This supply and demand scenario argued for a major opportunity for Zambian growers: groundnuts have been produced in Zambia for decades and its is almost 100% produced by rural small scale farmers.

  With the above background, MATEP worked with Tiger Brands and a newly formed company, ChoiceNuts Zambia Ltd, to begin the foundational work on developing this supply chain. Established local groundnut traders in Chipata (the area in Zambia with the most concentrated production of groundnuts) were co-opted into this trial and training on aflatoxin management was facilitated by MATEP in partnership with Tiger Brands Foods. Of the 1,000mt contracted by Tiger Brands, ChoiceNuts managed to export only 400mt, but also failed in meeting sorting, grading and aflatoxin requirements of Tiger Brands. Sorting and grading equipment were not installed as planned and no aflatoxin testing was conducted at buying points. The product dispatched to South Africa was revealed on arrival to have unacceptably high aflatoxin necessitating a very expensive blanching process, which not only eroded their margins but ate into capital available for procuring further stock. In an attempt to recover acceptable profit margins, ChoiceNuts has been focusing on peanut butter production and sales instead.

  In other efforts in the groundnut value chain, MATEP worked with EPFC Ltd farmers in Chipata and Katete with very good result: farmers have produced over 350mt of MGV-4 groundnuts and have supplied 100mt of seed quality product to Zamseed for export to the DRC. MATEP also worked with Chitedze Research Station in Lilongwe, the ICRISAT Groundnut and Pigeon pea Project and Msekera Research Station in Chipata to improve groundnut yields and aflatoxin management capacity amongst small scale farmers.

  In view of the results of the export trial during the year under review, MATEP is leading a team of stakeholders to implement a programme that works throughout the value chain to mend the gaps in the chain and establish a model that can successfully and profitably.

- **Honey value chain:** Zambian organic honey continues to enjoy considerable demand internationally and regional demand is steadily growing as well. During the year, MATEP continued working with clients and other stakeholders to improve access to regional and international markets for honey and beeswax and also for the development of new retail products. MATEP also supported work to improve the honey industry through strengthening transparency in the buying processes from beekeepers. Major steps taken during the year include identifying new European and regional honey buyers; developing new retail packaging for clients and the establishing a steering committee coordinating industry development and marketing.
  - *Honey irradiation*: As stated in our previous report, exports of honey into South Africa require irradiation: the South African Government indicates that this is to protect the local industry against American Foulbrood Disease (AFB)[1]. MATEP continued support to the work on honey irradiation with the purpose of exporting retail packaged the main barrier for

[1] American foulbrood (AFB) is possibly the most destructive microbial disease affecting bee brood

retail packaged honey into South Africa. The conclusion of a survey on the existence of African Foul Brood (AFB) amongst bee colonies in Zambia and various discussions between the Zambian and South African authorities (organized through the MATEP facilitated Honey Irradiation Steering Committee) enabled discussion to move to the next level of mitigation and monitoring. Once resolved, quality Zambian retail packaged honey has a significant chance to significantly penetrate the South African since most South African bottled/retail packaged honey is a blend of various types of South African, Chinese and other honey.

- *Honey trade facilitation:* during MATEP-supported contributions at the African Agricultural Trade Promotion Initiative held concurrently with the AB7 Show, the Zambian Honey Council successfully lobbied for the issue of honey trade barriers within SADC to be included amongst the first 5 transactions to be undertaken.
- *Honey Platform*: MATEP was instrumental in establishment of a "honey platform" to coordinate development of the honey industry in Zambia. The platform which is chaired by the Zambia Honey Council brings together honey producers, honey processors, donors, government and other stakeholders. Establishment of this platform was prompted in part by disparate efforts to support various activities which had a negative effect on the honey industry. An example of this was funding (especially grants) provided by some donor agencies for the seasonal purchase of honey, when the recipients of the grants did not have a clearly defined procurement catchment area. Inevitably, these grant recipients would procure in catchment areas where other honey stakeholders had spent considerable fund and time, training beekeepers and providing other sources of support.
- *Honey production mapping*: MATEP designed a pilot mapping exercise of honey producers and buyers in Zambia. The mapping exercise provides detailed information on producers in honey rich areas and includes information on the technical capacities of these producers as well as their long standing relationships with buyers. It clearly delineates production/buying catchment areas, producer capacities (skills, types of hives etc), field industry standards and processing technologies and capacities. The full mapping exercise will improve supply and hopefully extend sales of Zambian honey to year round sales in order to capture higher off-season prices. The information will also protect honey processors and exporters who sometimes invest significant time and resources in capacity building with these producers, in order to supply a product that meets international market standards. MATEP will work with the Centre for International Forestry (CIFOR) in completing this activity.
- *Honey buyer survey*: MATEP also concluded and distributed information from its buyer survey to stakeholders in the Zambian honey industry. The survey, which included details of honey demand and buyers contacts, indicated a preference for bulk packaged and organic certified honey in Europe.
- *Market linkages*: Market access for retail honey continues to be at the fore of MATEP client interest in this value chain. With the development of very high quality products by two MATEP clients, this effort has taken a new drive. Sample distribution and buyer engagement for these two products was conducted in Angola, Botswana, DRC and Namibia. Price, distribution and transport logistics are the key issues being addressed with clients. In addition the MATEP-Zambia stand during the Africa Big 7 show in Johannesburg had a "honey section" where 4 honey producers and the Zambia Honey Council marketed Zambian honey and the development that has occurred in the honey industry. MATEP also worked with one of its clients to respond to an enquiry from a honey distributor based in Germany. The distributor was interested in signing an exclusive supply contract for up to 200mt of bulk honey annually.

- **Coffee value chain:** MATEP continued to work in the coffee value chain primarily in training and capacity building but also with market linkages for ground coffee. Some enquiries for green coffee were received by MATEP but principally the supply was for retail packaged ground coffee and some retail packaged roasted coffee in the region. MATEP assisted in marketing Zambian coffee at trade shows in the region and also sent samples of roast and ground coffee to food distributors in Angola, Botswana, DRC, Namibia and South Africa.

MATEP continued supporting training events with the Zambia Coffee Growers Association and during the year conducted training: to increase to quantity and quality of baristas in Zambia and also to prepare for the World Barista Championships in Copenhagen, Denmark. The training was conducted by a World Barista Championship (WBC) trainer from the USA and included 17 trainees. Francis Njobvu from Black Knight emerged the winner with Mary Siwale from Spar Arcades emerging the runner up. Mr. Boni also took time to train barista judges for conducting continuing Barista competitions in Zambia.

- **Horticulture/floriculture value chain:** Together with the Southern Africa Trade Hub, MATEP organized an inward buyer mission by two senior staff members from Pick 'n Pay in December. The purpose of the visit was firstly to inform Pick 'n Pay about the capacity and reliability of Zambian suppliers and secondly to identify specific opportunities that suppliers and Pick 'n Pay could follow up on, leading to supply contracts. MATEP coordinated visits to five farms: Chalimbana, York, Borassus, Roseblooms and Enviro Flor. MATEP Chief of Party followed up this visit with a meeting at Pick 'n Pay during a business trip to South Africa. As a result of their visit to Zambia, Pick 'n Pay increased their orders of fresh flowers from Enviro Flor and of sweet potatoes from Roseblooms. Pick 'n Pay (and other supermarket chains) have indicated keen interest in further procurements from Zambia, however their volumes and procurement terms are not always attractive to the Zambian suppliers who have lucrative European contracts as well.

  MATEP also worked with clients to facilitate increased involvement of small growers in vegetable exports to Europe and South Africa and worked with a client to develop a marketing proposal for a new project to produce graded, sorted, washed and packaged table potatoes and frozen French fries for domestic and regional markets. MATEP is also exploring a new topic of exporting processed fruit and juices into regional markets. In March 2008, MATEP facilitated a meeting of local fruit processors, representatives form the Ministry of Agriculture and Dr. Mataa a sub-tropical horticulturist from the University of Zambia. The meeting was called to discuss the viability of Zambian exports of processed fruits. There was regional interest in importing pulped and dried fruits and two local companies, Parmalat and Freshpikt, both indicated interest to procure raw and pulped fruit for the processing needs. During the AB7 show in Johannesburg, two firms expressed keen interest in procuring processed fruit from Zambia and also in setting up processing facilities in the country. On the basis of these activities and the market interest, MATEP will be conducting a study of opportunities for exporting processed fruit from Zambia.

- **Seed value chain:** During the year under review, MATEP clients exported a total of US$ 15m worth of seed within the region. MATEP assisted various clients promote their products at shows and buyer-seller missions within the region. In February 2008, two MATEP clients were assisted to attend the African Seed Trade Association (AFSTA) annual congress in Morocco. Kamano Seed and ZamSeed, who have shown significant capacity to utilize such networking opportunities for market access, attended the event. AFSTA strives to promote the use of improved quality seed; foster linkages; strengthens communication and help identify markets within Africa and the world. The annual congress provides a significant opportunity for networking and updating knowledge on what is happening in the seed sector/industry. MATEP also facilitated the participation of both clients during the AB7 show in Johannesburg. On new varieties, MATEP worked closely with the relevant stakeholders to have new white bean varieties released in Zambia. The detail of this activity is reported in the dry bean value chain above. MATEP also linked a new group of seed growers, the Eastern Province Cooperative Ltd, with ZamSeed to fulfill and export order for MGV-4 groundnut seed.

- **Livestock products value chain:** During the year, two MATEP clients started new activities in the aquaculture industry: Freshpikt conducted trials on the canning of bream/tilapia, whilst Savanna Beef commenced fish farming of the same fish species. Savanna beef also conducted trials in the production of corned beef. None of the processed products went into commercial production (apart from frozen fish supplied from the Savanna Beef fish farming). Other activity in this sector built upon the support MATEP gave to Kabwe Tannery for the production and supply of wet blues. With successful production and export of wet blues reported by MATEP through to September 07, support continued for the supply of additional supply of wet blues in 2008. With MATEP support, Kabwe Tannery successfully obtained a supply contract East Hides Limited of London for an additional supply of two x 20ft containers of wet blues, each comprising 1,250 pieces of wet blues. During this supply period, the prices of cattle hides doubled, primarily due to East African based traders regularly purchase hides that are informally exported in raw form. This significantly affects both price and supply for Zambian exporters working further along the value chain. MATEP worked with Kabwe Tannery to identify and link rural suppliers of cattle hides and district abattoirs with Kabwe Tannery.

- **Handicrafts value chain:** MATEP facilitated an inward buyer mission by Ashanti Design, a Cape Town based international handicraft/textile trading business focused primarily on the South African and European markets. In 2005 they imported US$160,000 worth of product whilst in 2006 their purchases totalled US$272,000. Ashanti Design, who had previously bought products from Zambia in one-off purchases, expressed interest in developing reliable supply links with producers of arts and handcrafted products from Zambia. MATEP co-financed and facilitated an inward buyer mission by Ashanti that saw them visiting producers in Livingstone, Kafue and Lusaka during which they expressed interest in purchasing: platters, serving bowls, giraffes, African Queens, hippos and stools. Ashanti later returned at their own cost to follow up on orders. They purchased a total of US$ 4,000 worth of products during these visits and provided design of products they wanted produced. Ashanti anticipate that with the right quality and volumes, they could purchase between US$80,000 and $100,000 worth of handcrafted products from Zambia annually. Ashanti has since engaged two agents (in Livingstone and Lusaka) to develop and manage this supply chain. The greatest challenge foreseen by Ashanti is availability of suitable quantities of properly dried wood, and consistency in supply. MATEP brought the wood drying problem to the attention of one of its clients based in Livingstone (Fallsway Timber), who agreed to provide wood drying services at a fee.

  MATEP assisted the Zambian handicraft/textile industry respond to a significant market opportunity with Sam's Club, a Walmart Corporation subsidiary. DAI is in discussion with the senior vice president of Sam's Club responsible for buying home decor, textiles and jewelry. Sam's Club has higher quality, higher priced products than Walmart and functions with much lower volumes. They are interested in featuring products that have 'stories' especially those highlighting the role of women and in alleviating poverty in rural communities. MATEP responded to this opportunity by engaging a consultant to work with the industry and compile a catalogue of products and producers to submit to Sam's Club. The catalogue was completed and submitted in September 2008 and DAI noted that of all the submissions from various countries; the Zambia submission was best presented.

  MATEP also assisted the handicraft/textile industry prepare a submission to Hallmark for the supply of handcraft products in the decorative home, gift and personal accessories categories. The submission was made through the USADF Buyer Linkages Programme and is an opportunity to link with a major international buyer of handcraft products. Hallmark is interested in growing long-term relationships that can allow African producers to get the volumes they need for sustainable business.

- **Wood products value chain:** Kafakumbe Training Centre began training the targeted 30 wood workers/forest harvesters through support from MATEP. This will increase the knowledge base of the recipients and improve sustainable forestry amongst communities where the trainees originate. MATEP also engaged a student intern with a Diploma in Forestry and studying for a BSc in Agro-Forestry, to conduct a study on "Sustainable Forestry practices and Forest Certification in Zambia and timber market standards in the region". The purpose of the study was (1) to learn more about how sustainable forestry practices which are mandated by the Zambian government are implemented and monitored by government, clients and others (associations, NGO's donors etc). (2) To obtain information on options, costs, procedures for forest certifications. (3) To learn more about market standards in the region, for wood and wood product supply; the study was concluded in June 2008.

CLIENT SERVICES - BUYER LINKAGES & ENTERPRISE SUPPORT

The client services component of Market Access focuses on providing clients with business development services that results in exports. Business development services to clients include short-term technical assistance, market linkage support, identifying and screening buyers, addressing grades and standards issues, capacity or technology development, financing and other services. Client services are demand driven: either the client comes to MATEP with a specific export requirement, or a buyer has contacted MATEP about possible Zambian supply. MATEP focuses on helping clients identify buyers for their products and provides the initial buyer/seller link up. MATEP work in this subcomponent focuses on "right-matching" as the correct link is critical to the potential success of the initial business deal and a longer term sustainable relationship. 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 May 2005 to September 2007 a total of 50 market access clients received business development services.

- **Capital Fisheries Ltd:** Capital Fisheries is Zambia's largest fish wholesaler and distributor in Zambia selling 2,000 mt of fish annually. They initially approached MATEP for to help develop a new product line of canned buka buka and MATEP has continued working with Capital Fisheries to increase market access in regional markets. MATEP 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 also received market linkage support from MATEP to show case product and identify buyers in South Africa, during the AB7 show, and in Botswana, DRC, Namibia and Angola.

- **Scrollex Investment Ltd:** Scrollex Investments Ltd is a newly established firm in Zambia with existing operations in Zimbabwe, Botswana and Namibia. Their core business is food packaging and supply, fruit juices and mineral water supply. MATEP played a critical role in Scrollex's decision to shift their packaging operation from Botswana to Zambia by providing information and contacts that assured them of year round supply for their products (sugar beans, groundnuts, maize samp, etc). MATEP assisted Scrollex Investment obtain an Investor's License from the Zambia Development Agency and facilitated contacts between Scrollex Investments and other Zambian suppliers. MATEP helped leverage an existing Scrollex relationship with Choppies – a Botswana supermarket chain – for the supply of Zambian baked beans, bottled honey, dry beans, groundnuts and maize samp into the Choppies supply chain. MATEP further worked with Scrollex Investments by arranging meetings in Northern and Eastern provinces to assist Scrollex identify new raw material suppliers for their export market demands in 2008. Scrollex was also one of the companies that participated in the DRC trade mission where they got sizable orders for peanut butter and sugar beans. Scrollex has requested finance and market access support from MATEP for the production and export of peanut butter.

- **Ubuchi Capital Enterprise Ltd:** With technical, financial and market linkage support from MATEP, three Zambian companies in the food industry teamed up to develop a new supply chain for honey and other bee products focused on the export market. As a result of MATEP playing a critical role in market identification and linkage and financing, Ubuchi has contracted supply of bulk honey from producers in Zambia to produce a high end retail packaged product that is now on sale in Zambian. MATEP also worked with Ubuchi to facilitate a supply contract with Scrollex for an initial 100cases of bottled honey for export to Botswana. In Europe, MATEP helped Ubuchi respond to an enquiry from the Bambhatha Group GmbH for the supply of 20mt of

Organic and 20mt of conventional honey, which is still under negotiation. MATEP also shipped samples of Ubuchi's retail packaged honey to food distributors in Angola and Namibia and Ubuchi was one of the companies that exhibited under the MATEP-Zambia stand during the AB7 show and the Copperbelt Agriculture and Commercial Show. Their honey and retail package are considered a flag ship product for the industry and Ubuchi recently obtained the Zambian Quality Assurance standard. Ubuchi has signed a contract with SPAR Zambia for the supply of 200 cases of retail packaged honey per month: the first consignment has been delivered.

- **Freshpikt Ltd:** MATEP continued providing market linkage support to Zambia's only fruit and vegetable canning operation. As a result of their participation in the AB7 show, Freshpikt has signed an MOU for the supply of close to 3,000mt of assorted canned foods valued at over US$ 6m to a food distributor in South Africa. They also have a buyer from Australia travelling to Zambia to discuss procurement of cherry peppers from Freshpikt and from them and they identified new buyers for sun-dried tomatoes into South Africa. Samples of Freshpikt products were sent to Angola, Botswana, DRC and Namibia and Freshpikt continued increasing supply volumes of canned foods into Zimbabwe and sun-dried tomatoes into Germany. Freshpikt was part of the MATEP stand at the Copperbelt Agriculture Show.

  During the quarter, Freshpikt also ran trials on mango and pineapple fruit juices and canned bream fish. They are a recipient of financial assistance from MATEP and on the basis of this support have since leveraged additional financing totalling US$ 2m from a local commercial financing institution. MATEP have also linked Freshpikt with Aureos, an international financing institution that provides equity participation and Joint Ventures as options for new financing. MATEP has also provided technical support for HACCP certification of their processing plant in Lusaka and Freshpikt is part of the trials for new varieties of white beans for their baked and mixed bean products. Winter trials of these new varieties out-performed any other beans they have grown. MATEP has linked Freshpikt to EPFC Ltd for the supply of white beans and to SNV for the supply of pineapples from farmers they are working with in the north Western province. MATEP has also worked with Freshpikt to identify alternative suppliers of packaging for their sun dried tomato product.

- **Forest Fruits:** MATEP worked with Forest Fruits over the period, to access new markets in the Southern African region by sending their new retail packaged organic honey (under the label Zambezi Gold) into Botswana and Namibia. In both countries the taste and packaging of the product has been accepted and indicative demand is 144mt annually for the retail product. Price continues to be a major challenge for regional market access with this product. Forest Fruit has continued selling honey into Europe where the market pays a premium for their organically certified product. During the year, Forest Fruit requested MATEP support in enabling them to operate further along the value chain by providing market intelligence and linkages for up-market beeswax products. The survey was conducted in October 2008 and the results indicated that the market opportunity in South Africa was both limited and highly competitive.

- **African Joy:** As a result of MATEP provided buyer linkage, marketing and enterprise development assistance to African Joy, the company has seen 40% growth in sales along with significant increases in employment. African Joy's marketing image has improved tremendously due to technical and financial assistance from MATEP for the development and printing of a products catalogue, and other marketing tools. African Joy now has a catalogue providing product description and pricing information to buyers which is available on line and in hard copy. MATEP worked with African Joy on a cost sharing basis to facilitate their participation at trade shows in Namibia and Botswana, and they are now scheduled to attend shows in Canada and South Africa without financial assistance from MATEP. Recently African Joy received a large export order with a short turn-around period and MATEP is helping with Investment Fund financing so that they can supply the order.

- **Munali Coffee:** Ground and whole roasted coffee from Munali Coffee where amongst samples MATEP delivered to distributors in the region. In Namibia, a distributor expressed interest in the coffee and entered into import discussions with Munali, however as with many other products, pricing was a challenge.

- **Kafakumbe Training Centre:** Support to Kafakumbe during the year included: STTA for business plan development skills, leveraging financing from commercial banks, training and capacity building. MATEP provided support to Kafakumbe to assist in the development of their satellite saw-mill project in which they empower 10 rural communities with equipment and training to enable them supply timber into Kafakumbe's local and export products. Assistance was also provided for the development of a financing request for the development of a fish farm. Both assignments were successfully concluded and with MATEP assistance and Kafakumbe accessed US$ 250,000 in financing from a commercial bank. MATEP later assisted Kafakumbe train the target communities in Good Forestry Practices and saw mills operation. Kafakumbe was one of the clients surveyed by MATEP to assess compliance to sustainable forestry practices and forestry regulations.

- **Savanna Beef:** MATEP continued to work with Savanna Beef on several fronts including: access to finance, export markets for their products including beef, chicken, cooking oil, fish and mushrooms. Savanna Beef participated in the MATEP stands at the Copperbelt Agriculture show and the AB7 show. Savanna Beef faced challenges with regular supply of beef to their abattoir in Lusaka, primarily due to outbreaks of disease leading to livestock movement bans from Southern province. Due to this irregular supply, Savanna has been unable to exploit export opportunities or contract with institutional buyers. To address this Savanna is expanding their feedlot to 12,000 animals and requested MATEP help to crystallise this plan and their overall growth strategy. MATEP. MATEP is also helping explore financing possibilities with various commercial lenders in Zambia and the region.

- **Chalimbana:** Chalimbana Farms continues to be the largest and most advanced export facility (pack house) for fresh vegetables in Zambia. During the year, they approached MATEP to develop an out-grower programme with ten smallholder and two large commercial farmers to expand Chalimbana's supply capacity for peas (mange tout and sugar snaps) exported to the UK, US and South Africa. Over a 30 week growing season up to 450mt of peas were to be supplied to Chalimbana for the export market by these growers, who would also produce baby corn in the off-season for peas. Chalimbana has continued this work with farmer groups in Chongwe supported by the PROFIT Project. MATEP continues to work with Chalimbana for market access for their potatoes into Angola.

- **Leobex Cooperative:** This cooperative of smallholder producers approached MATEP for technical and financial assistance to enable them participate in the Chalimbana out-grower programme. MATEP worked with them on a plan to provide assistance directly to five of its best performing members with income generated projected to reach US$ 30,000 over a 30 week growing season. With the change to Chongwe farmer groups by Chalimbana, this plan fell away. Leobex has since requested support from MATEP towards their plans to export directly into the South African market. Leobex is part of a group of companies selected to participate in a buyer-seller mission organised by ZDA in October. MATEP will continue to work with Leobex, responding to various enquiries mostly related to market access.

- **Mpongwe-Bulima Organics Cooperative:** MATEP provided financial assistance to enable Mpongwe-Bulima obtain organic certification and fair-trade certification for export of groundnuts into Europe. Mpongwe expects to market 100mt of groundnuts this year and the Fair-trade and organic certification increases the value of its exports as they attract 'organic and fair trade premiums' over and above the conventional prices. Its markets in Europe include: Twin Trading of the United Kingdom, Essential Living Foods of the United States of America and Tradin'

Organic of the Netherlands. Mpongwe had received earlier MATEP assistance for attending trade shows in Europe where they met these buyers.

- **Eastern Province Farmer Cooperatives Ltd:** EPFC Ltd is a farmer-based organisation with around 350 members currently based in Chipata and Katete districts and with plans for expanding to 1,000 farmers during the 2008/2009 rainy season. Their main crops are groundnuts and dry beans. With MATEP financial and business linkage assistance EPFC has managed to find markets for and produce a crop of a round 300mt of groundnuts, 100mt of which are seed grade. EPFC are also part of the farmer group conducting trials on the new white bean varieties. EPFC is the lead private sector organisation in a pilot programme that MATEP is coordinating for the production and supply of 1,500mt of groundnuts with aflatoxin levels compliant to the EU and SA markets. MATEP is working with EPFC to leverage the necessary resources to implement this pilot.

- **Wildlife Conservation Society:** As part of the WCS focus on conservation, they have developed a crop production and processing unit to divert communities from poaching and unsustainable forestry practices. Products are marketed under the brand name, "Its Wild!" and include: honey, brown and white paddy rice, peanut butter and groundnuts. Due to the "story" attached to Its Wild products, WCS has a chance of accessing niche markets in the region and the U.S. MATEP has begun work with WCS by sending samples of their rice products to Namibia. MATEP has also commenced dialogue with Woolworths Foods of South Africa regarding their products.

- **ZamSeed:** MATEP continued to assist ZamSeed with market linkages to buyers in DRC and Angola. With the aid of MATEP, ZamSeed responded to a tender invitation from UNICEF in for the supply of groundnut, soya bean and sugar bean seed to DRC. MATEP also assisted ZamSeed with partial funding to participate in the African Seed Trader Association (AFSTA) Annual Congress held in Casablanca, Morocco from February 25 – 29, 2008. This is an annual meeting during which seed companies, dealers and traders meet and often results in trade deals. As a result of ZamSeed's participation in the congress last year, they clinched a significant vegetable seed contract. ZamSeed also is the lead private sector firm liaising on seed release and seed multiplication aspects of the white bean supply chain. ZamSeed played a key role in the Zambian participation at the AB7 show, too.

- **Kamano Seed:** Kamano Seed was also assisted with partial funding to participate in the African Seed Trader Association (AFSTA) Annual Congress referred to above. They also were part of the MATEP stand at both the Copperbelt Agriculture Show and the AB7 show.

- **Blantyre Meats:** Blantyre Meats Ltd is a beef processor and supplier based in Kitwe MATEP started working with at the Copperbelt Agriculture and Commercial Show. Through discussions with MATEP, Blantyre Meats have applied for financing to expand their beef processing and supply capacity. They have also applied for assistance to improve their technical capacity and MATEP is linking them to the PUM facility financed out of the Netherlands.

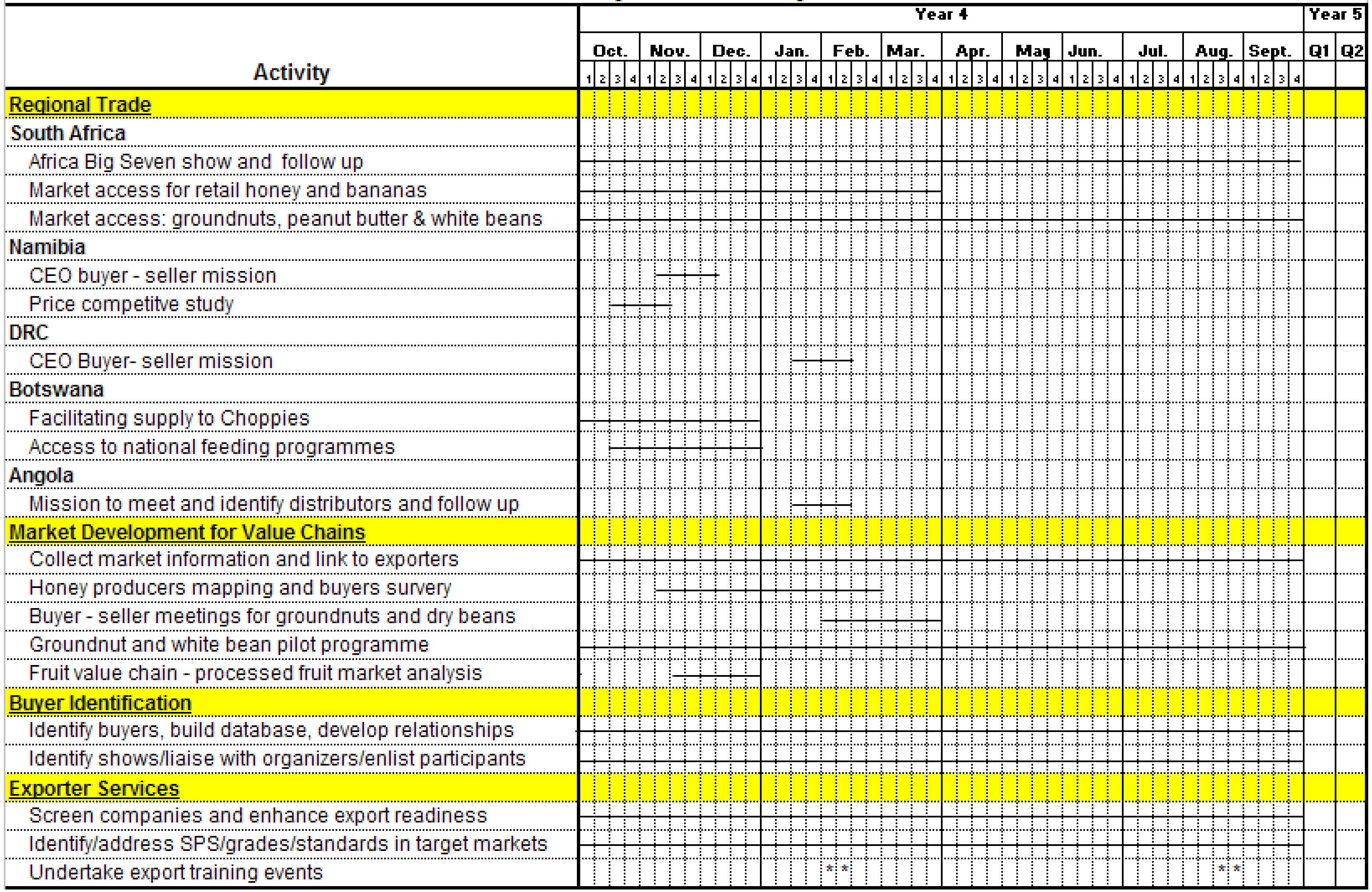
- **Zamleather:** MATEP worked with Zamleather to follow up leads for the supply of foot wear to a buyer in the DRC. This was as a result of Zamleather's participation in the Katanga Mining Fair. MATEP also facilitated linkages of Zamleather products to a prospective buyer (supermarket chain) in Saudi Arabia.

- **Enviro-Flor:** Through MATEP facilitation, Enviro-Flor increased its supply of flowers to Pick N Pay in South Africa. The increased volumes were procured through PnP's agent as a result of PnP visiting the Enviro-Flo flower operation during a MATEP organised inward buyer mission. MATEP also worked closely with Enviro-Flor to conduct a market study for washed, graded, sorted and packaged table potatoes and frozen French fries in the region and the local market. The market study formed part of a finance proposal that Envir-Flor successfully submitted to an international financing agency.

- **Unity Garments:** In partnership with the SAGC Hub in Botswana, MATEP facilitated the participation of Unity Garments at the February 2008 Magic Show in Las Vegas, U.S. Unity Garments continued to work to follow up on opportunities identified during the show and identified a South African partner to provide the fabric required for a supply contract for catering industry uniforms in the USA. As a follow up, MATEP worked to facilitate Unity's participation in August MAGIC Show as well, but due to the continued strengthening kwacha Unity later opted not to participate. MATEP also provided information to Unity Garment on supply opportunities with mining firms in the DRC.

- **Savanna Wood:** Savanna Wood approached MATEP for assistance in moving their wood processing plant and furniture making factory from Victoria Falls in Zimbabwe to Sesheke in Western Province of Zambia. They have a very strong sustainable forestry policy and work closely with local communities from where their wood is harvested. They are keen to work with local crafts persons to supply components of their furniture. Savanna Wood applied to MATEP for funding for their plant in Sesheke as well as the development of linkages with local craft producers / wood workers to integrate into their supply chain and MATEP is working with the company to identify possible sources of finance.

Market Access Component: Implementation Plan



TRADE AND ENABLING POLICY COMPONENT

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 convert analysis into local analytical capacity and improved policies 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 the year under review all components participated in cross-cutting activities that contribute to the work on all value chains: (a) the second round of data collection for the Urban Food Consumption Survey covering the urban centers of Lusaka, Kitwe, Kasama and Mansa, (b) data cleaning for both rounds of data collection, and (c) the Third Supplemental Survey of over 7,000 rural households across the country. The cleaned data from the Urban Consumption Survey will be posted on the FSRP server for use by FSRP researchers soon. The Supplemental Survey data are currently being cleaned.

MAIZE

In Years 1 and 2, FSRP/MATEP focused on developing a better understanding of smallholder production and marketing patterns and how these patterns have shifted over the past decade, in order to understand how maize (and broader sectoral) marketing and trade policies could be designed to better serve the needs of small farmers and consumers. 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 Years 1 and 2 the development of closer working ties between FSRP/MATEP and new senior Ministry staff. The focus in Year 2 was on several new analyses including examining how government maize marketing policies affect maize price levels and stability. Year 2 analysis has also focused on the region's transition to structural maize deficits, the cause of this, and the impacts on food prices. FSRP/MATEP has also documented the impressive decline in real maize marketing and processing margins since the reform of maize markets in the early 1990s. This continued in Year 3 and, in addition, FSRP/MATEP focused on identifying opportunities to improve food security and rural income growth in light of the dramatic rise in world food prices since 2007, and new analysis on urban maize consumption patterns and food security policy.

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 and livestock production have increasingly become important to smallholders' food security and income generation in recent years.
- Reduction in rural poverty rates, which corresponds to major growth in smallholder production of crops other than maize.

- Shifts in the region to structural food deficits, driven especially by events in Zimbabwe, rising demand in the DRC and a deliberate policy shift to reduce surplus maize production in South Africa. This situation affords many opportunities for Zambia if it can improve the efficiency of its maize production and marketing system through cost-reducing public goods investments.
- Dramatic reduction in maize marketing and processing costs, which has conferred major benefits to urban consumers and net maize purchasing smallholder farmers. Unfortunately, many of these efficiency gains have been eroded since the rise in food prices due to events in world markets. However, the food prices that consumers are currently paying in 2008 would have been even higher had these cost reductions in milling and retailing not taken place.

Using evidence from the Maize Value Chain Study and other research activities, FSRP/MATEP has been informing policy makers, donors and other sector stakeholders including parliamentarians through paper presentation, meetings, dialogue and other outreach activities on trends in Zambian 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.

Policy Presentations

- Import/Marketing Policy Options for Consumer Price Mitigation Actions in the 2008/09 Maize Marketing Season in Zambia. Presentation at a ZNFU Hosted Meeting of the Task Force on Rising Food Prices: Working Group on Transitional Issues. Lusaka, Sept 11, 2008. Extract from a Draft Concept Paper By The Food Security Research Project.
- Targeting Challenges : Using Zambian Rural Household Data Sets to Inform The Process of Categorisation of Resource Poor Smallholder Farmers. By the Food Security Research Project, Kafue Gorge ACF Sponsored Workshop, Aug 20-22, 2008.
- Empirical Information on Smallholder Maize Production and Fertilizer Use In Zambia. Michael Weber. Presentation at Fertilizer Support Programme Evaluation Kick-Off Workshop. Protea Safari Lodge, Zambia. June 25-26, 2008
- Patterns of Maize Farming Behavior and Performance Among Small- and Medium-Scale Smallholders in Zambia. A Review of Statistical Data From The CSO/MACO Crop Forecast Survey - 2000/2001 to 2007/2008 Production Seasons. By FSRP in cooperation with CSO and MACO to inform discussions on programs to deal with high food and input prices in 2008. Draft for comments, June 20, 2008.
- Findings from FSRP Research on Food Staples Markets: Implications for Investment Priorities to Promote Regional Trade. Jones Govereh, David Tschirley, and Michael Weber. Presentation for the ACTESA design team, Lusaka, Zambia, April 18, 2008.
- 2008 Agricultural Sector Budget Analysis: Comments from FSRP cooperating with MACO/ACF/CSO. Presented at Agricultural Consultative Forum Breakfast Meeting: What is in the 2008 National Budget for Zambian Agriculture? Pamodzi Hotel, Lusaka. Jan 30, 2008
- Using the Market During Food Crises: What has been Learned in Southern Africa over the Past Decade? David Tschirley and Thom Jayne. Presented at Vulnerability to and Early Warning for Food Emergencies: Conceptual Issues and Practical Implementation. FAO Global Information and Early Warning System (GIEWS) on Food and Agriculture. FAO, Rome. December 6-7, 2007.
- Price Unpredictability, Trade Policy, and the Demand for Food Staples in Eastern and Southern Africa : An Application of the ARCH Model. Antony Chapoto and T.S. Jayne. Workshop on Appropriate Trade Policies for Agricultural Development in a Globalizing World FAO, Rome. 10-11 December 2007.

Policy Syntheses

- Food Crises and Food Markets: Implications for Emergency Response in Southern Africa. David Tschirley and T.S. Jayne. MSU Policy Synthesis 82. July 2008.

- The Benefits of a Rules-Based Maize Marketing Policy: Results of an Experimental Study of Zambia. Klaus Abbink, T.S. Jayne, and Lars C. Moller. Number 29. December 2007. (CDIE reference number PN-ADL-040).
- Alternative Approaches for Moderating Food Insecurity and Price Volatility in Zambia. Paul A. Dorosh, Simon Dradri and Steven Haggblade. Number 24. November 2007. (CDIE reference number PN-ADL-035).

Research Reports

- Maize Value Chain Analysis. Jones Govereh, Antony Chapoto, T.S. Jayne. Working Paper No. 33. September 2008.
- Smallholder Income Diversification in Zambia: The Way Out of Poverty? Arne Bigsten and Sven Tengstam. Working Paper No 31. July 2008. (CDIE reference number pending).
- HIV/AIDS and Agrarian Livelihoods in Zambia: a Test of the New Variant Famine Hypothesis. Nicole M. Mason, Antony Chapoto, T.S. Jayne, and Robert J. Myers. Working Paper No. 30. November 2007. (CDIE reference number PN-ADL-044)
- Alternative Instruments for Ensuring Food Security and Price Stability in Zambia. Paul A. Dorosh, Simon Dradri, and Steven Haggblade. Working Paper No. 29. November 2007. (CDIE reference number PN-ADL-043)
- Local and Regional Food Aid Procurement in Zambia. Steven Haggblade and David Tschirley. Working Paper No. 28. (A Study for USAID's Office of Food for Peace). November 2007. (CDIE reference number PN-ADL-042)
- Local and Regional Food Aid Procurement: an Assessment of Experience in Africa and Elements of Good Donor Practice. David Tschirley and Anne Marie del Castillo. Working Paper No. 27. (Reprint of MSU International Development Working Paper Number 91). October 2007. (CDIE reference number pending)

Major focus areas for the remainder of the project: During the remaining period of the project, FSRP/MATEP will be working on the implications of the change in world food prices on local and regional food market conditions and impacts, in collaboration with local stakeholders in Zambia. This will include analysis of how changes in world food, fuel and fertilizer prices are anticipated to affect the maize price surface in Zambia, how policy choices and investment decisions may alter the level and stability of maize prices, and identifying strategies that will exploit the opportunities that higher farm prices may provide to improve the living standards of the Zambian population.

FERTILIZER

FSRP/MATEP work on fertilizer in Year 3 focused on informing and supporting the Ministry of Agriculture and Cooperative's Agricultural Inputs Marketing Development Plan (AIMDP). The research agenda has 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. The subcomponent looked mostly at fertilizer profitability under different smallholder conditions and locations.

Accomplishments: 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 kinds of public investments that have contributed greatly to increased fertilizer use and profitability in other parts of the world, and concrete proposals that the Government of Zambia could take to promote smallholder farm productivity. Pace on this work was slowed due to implementation of the Urban Consumption Survey and the 2008 Supplemental Survey.

However a draft report has been prepared and additional analyses being done while a number of presentations have been made at various for a based on this on-going work.

More specific accomplishments with respect to fertilizer include:

- FSRP/MATEP produced a draft working paper the benefit-cost analysis of the Fertilizer Support Programme. A power point presentation was prepared on this work and presented in Lusaka to the Director of Policy and Planning, the Director of Marketing and Cooperatives, and their MACO staff on November 30, 2007. The meeting concluded with a plan to prepare a summary note for the Directors to brief the Minister of Agriculture and have follow up discussions between the Minister and FSRP. At the request of the World Bank, FSRP also presented findings from this study at the World Bank in Washington DC., November 6, 2007.
- FSRP/MATEP continued to integrate additional analysis of Crop Forecast Survey data into the draft fertilizer report for Zambia. The CFS data shows a steady increase from 2000/01 to 2006/07 in the proportion of smallholder households applying fertilizer on maize. However, updated results also show that FSP activities significantly displaced commercial fertilizer purchases in recent years, leading to a situation where rural commercial fertilizer retailing has ceased in many areas. Moreover, evidence now indicates that farmers report receiving from FSP only about 1/3 of the total amount of fertilizer distributed under FSP, indicating that a substantial portion of the fertilizer distributed under FSP is actually diverted and resold by private agents. This is a politically sensitive finding and we welcome input from partners on how best to disseminate these findings.
- FSRP/MATEP has produced a draft working paper on fertilizer profitability under different conditions and locations.
- FSRP/MATEP presented analysis on the profitability of fertilizer under different smallholder conditions and locations in Zambia, based on on-going work by FSRP in Zambia. □ Research Findings on Alternative Approaches for Raising Smallholder Agricultural Productivity. Implications for USAID Support for the CAADP Program. T.S Jayne. Panel Discussion, IEHA Coordination Meeting, USAID/Africa Bureau, Washington DC. January 24, 2008.
- FSRP/MATEP updated data on total supply of fertilizer through imports and local production and commercial versus non-commercial sales (sales to government) in 2008. There is no fertilizer industry association in Zambia. FSRP has taken up the responsibility to update these trends and share the information with government and the industry.
- FSRP/MATEP made a presentation on "Fertilizer Subsidies and Sustainable Agricultural Growth in Africa: Current Issues and Empirical Evidence from Malawi, Zambia and Kenya" at the IFDC Workshop on "Strengthening Trade in Agricultural Inputs in Africa: Issues and Options" Taj Pamodzi Hotel, Lusaka, 1-4 July, 2008. The presentation compared the design and operation features of fertilizer subsidy programs in Zambia and Malawi and contrasted these two experiences with the fertilizer industry developments in Kenya.

Major focus areas for remainder of the project: FRSP/MATEP will continue analysis of fertilizer profitability bringing out implications for government policies. We also aim to complete the final analysis of the impact of the FSP on input markets and smallholder fertilizer use. Fertilizer prices trebled in 2008 and there is concern about insufficient information on how profitable fertilizer use on maize will be in 2008/09 agricultural season. Our Year 4 activity on fertilizer aims to assess fertilizer profitability under the new fertilizer and grain price environment likely to prevail in Zambia. 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 applied analysis in year one, and later development of a proposal for formation of a Horticultural Supply Chain Task Force. After the first year of applied research, focus was in Year 2 also placed on further 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. This focus continued in year 3, in close collaboration with the Zambia National Farmers' Union - ZNFU. The rationale is to generate data for applied research while at the same time feeding information for practical use in the horticultural supply chain.

Major accomplishments: FSRP/MATEP spent the greater part of the year under review collecting data for the second round of the Urban Consumption Survey, cleaning data for the two rounds of that survey, and planning and collecting data for the Third Supplemental Survey to the 1999/2000 Post Harvest Survey. Applied research activities included:

More specific accomplishments with respect to horticulture include:

- *Urban Consumption Survey:* The second round of data collection for the Urban Food Consumption Survey was done in February 2008 and was cleaned immediately after. By this time data for the first round had already been cleaned and basic analysis on expenditure shares and retail channel shares had been calculated. The two datasets are being finalized into a single format usable for researchers and will be posted on the FSRP server as soon this process is completed.
- *Wholesale market monitoring:* This work involves supervising the collection and processing of (a) sub-hourly prices for tomato, rape, and onions three days per week in Soweto market, (b) individual lot volumes for every lot entering Soweto market for those same days, (c) the geographical origin of each lot (specific area within a district), and (d) price data in Chilenje open air market and Shoprite and Melissa supermarkets twice per week. Started in January 1997, the resulting data base now provides a wealth of information for understanding pricing dynamics (both seasonality and unpredictable price variation, including exceptionally high intra-day and intra-week variability), the geographical distribution of supply areas serving the market, and the characteristics of those areas including their own seasonality of supply (as opposed to overall seasonality in the market) and the typical size of farmers operating there. These issues have been explored in most detail to date in tomato (see below).
- At the same time, the data generated under this system has been used to implement a pilot and testing phase of the mobile phone based horticultural market information system (see below for more detail)
- FSRP/MATEP introduced during the year under review an innovation to the data collection to explore the degree of price differentiation based on quality, with the eventual aim of facilitating a more formalized approach to product grading in the market. Produce prices have since inception been collected based on the "standard quality" which in fact covered a range of quality. The standard quality has now been disaggregated into high, medium and low so that analysis can show its influence on prices. The idea is to report prices in the SMS market information system by these standards and, in the long-run, to formalize standards in the market to enhance transparency and efficiency. Draft guidelines for these standards for tomato, rape and onion are being developed and will be finalized in conjunction with stakeholders, especially the farmers and traders, through continuous consultation and exchange of ideas/opinions.
- *Tomato value chain:* This involves three distinct but related piece of work, all part of Ms. Mukwiti Mwiinga's M.S. work at MSU: (a) use of wholesale market volume data and UCS household data to characterize the tomato production and marketing system serving Lusaka, (b) comparative analysis of Soweto price behavior with that in other countries, and (c)

assessment of the impact of tomato price variability on the level and variability of farmer returns.

- A second draft of the chapter characterizing the tomato production and marketing system serving Lusaka is nearing completion and will be shared within FSRP/MATEP by early October. Key findings are that (a) the tomato marketing chain is in fact very short, with over 80% of volume being sold in Soweto directly by farmers, (b) production areas dominated by medium- and large-scale farmers provide more than two thirds of the supplies reaching the market, and (c) retailing of tomato is dominated by the "traditional" sector, with the supermarket share lying at about 1%.
- Data collected under the wholesale market monitoring work quickly showed a remarkable degree of day-to-day and even intra-day price variability for tomato. Ms. Mwiinga therefore obtained daily tomato price data from wholesale markets in the U.S. (Chicago), Taiwan (Taipei), Sri Lanka (Colombo), and Costa Rica (San José) and compared their price variability and predictability with that in Soweto. The analysis quantifies a remarkably strong positive relationship between the predictability of prices (including lesser risk of unexpected price collapses) and the general level of development of the economy being analyzed. The analysis has now been largely finalized and the chapter will soon be shared for review within FSRP/MATEP, for eventual publication as an FSRP/MATEP working paper.
- Assessing the impact of price variability on farmers required that FSRP/MATEP conduct (in April) a survey of tomato growers in Lusaka and Chongwe districts. This data is being used to examine the distribution of costs of production, which will be combined with the distribution of prices to do simulation analysis on the impacts of price variability on farmers. Analysis of these data and writing of the report is expected to be completed during October.
- A related mini survey of tomato traders and farmers in Soweto market is being conducted to study the influence on quality of tomato of type of first seller or originator (large farmer, medium scale farmer, small farmer or trader), month of the year in which the produce is brought to the market, and the geographic area from which the tomato was produced. Data is being entered as it is being generated with preliminary analyses conducted but the desired sample size has not yet been reached. The dominant finding so far is that access to chemical inputs is crucial to maintain quality, and that the smallest farmers have the greatest difficulty ensuring this access and so tend to produce lower quality produce.
- *Mobile phone based horticultural price and supply information system*: FSRP/MATEP continued interaction with ZNFU and other stakeholders during the pilot and testing phases of the mobile phone based horticultural market information system. Agreement on supplementary funding (not from FSRP/MATEP) to ZNFU for this activity was reached in late September, allowing FSRP to begin handing over the activity to ZNFU in terms of data collection and transmission responsibilities. FSRP/MATEP will continue to maintain the data base for analytical purposes, and will provide periodic monitoring of the quality of data collection. Currently technicians have done the system design and ZNFU is to employ two market reporters who will generate data on every working day of the week. The training of new market reports and handover is now expected to happen during October. The two MATEP/FSRP personnel who have been running the system will then spend the following three months (December through February, after a long-delayed holiday in November) identifying two additional markets for inclusion, at least one in the Copperbelt. They will assess these markets and design the data collection and transmission methods to be used there.

Major focus areas for remainder of the project:

- Cleaning and analysis of the recently conducted rural survey data, to examine trends on horticultural production and marketing;
- Resuming work on analysis and writing of overall horticultural price dynamics and trade flows (including wholesale-retail linkages). This work stalled because of Munguzwe Hichaambwa's heavy involvement in the planning, implementing and data cleaning of the two rounds of the urban consumption survey and the supplemental survey

- Analysis of urban consumption data to understand the roles of horticultural traditional markets and modern ones, urban consumption patterns of fresh produce and other foods, and policy and investment implications;
- Conduct more outreach activities in view of increased volume of empirical data being generated from applied research, with a view towards formation of a Horticultural Value Chain Development Task Force;
- Assist ZNFU design and pilot the horticultural marketing system in two additional markets and continue to monitor quality of data collection and maintain the growing data base.

COTTON

Consistent with the overall MATEP objectives and approach, the objective of the cotton policy activities is to strengthen the link of smallholder farmers to a value chain with good potential for growth in volume and value. 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 sector development initiatives with buy-in from key stakeholders. Following consultation with stakeholders, along with Zambia's participation in a multi-country study of cotton sector reform, the anticipated stakeholders' workshop was held in November 2007. This workshop critically discussed the organization and performance of various cotton sectors of Sub Saharan Africa and lessons learnt for the Zambian sector. Following this process, FSRP will, through MATEP, 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 during the past year. First, by actively participating in the broader comparative study of cotton sector reform experience in nine SSA countries, FSRP/MATEP was able to bring valuable comparative performance information to Zambian stakeholders and to highlight in a more precise and compelling fashion the key challenges being faced by the sector. Stakeholders strongly endorsed the value of this type of comparative analysis in the workshop. Second, by remaining engaged on a practical policy level, the project has been able to utilize its research results to continue contributing to forward momentum towards eventual enactment of the revised Cotton Act.

More specific accomplishments with respect to fertilizer include:

- As part of the review of cotton sector reform experience in nine countries of SSA, FSRP/MATEP synthesized the key results from the comparative study and produced four policy briefs which were shared with the major stakeholders in the cotton sector during a workshop in November, 2007. Among other things, the workshop discussed how Zambia performs on input credit provision for cotton production, on cotton prices paid to farmers, on the quality of cotton lint, and on yields and returns to farmers compared to the eight countries in Sub Sahara African. It was learnt that Zambia performs relatively well on input credit provision, while it is perhaps the outstanding performer in SSA in improving lint quality. Success in both areas stems from the work of the major cotton companies, who have consistently provided inputs to farmers and have put measures in place that ensure good quality of cotton. In terms of yield it was learnt that there is much variability in yield in Sub Sahara Africa, with Zambia performing about in the middle. Analysis of prices paid to farmers shows that, as a share of the free-on-truck (FOT) comparative benchmark, there has been a sharp drop in the price paid to farmers over the period 2000 – 2005. Yet due to the high quality premium that Zambian lint now earns on the world market, nominal prices paid to Zambian farmers are about equal to those paid in Tanzania, where competition is much more intense and yields are lower.
- All Policy Briefs, power points, and the agenda for the outreach can be found at http://www.aec.msu.edu/agecon/fs2/cotton/index.htm.

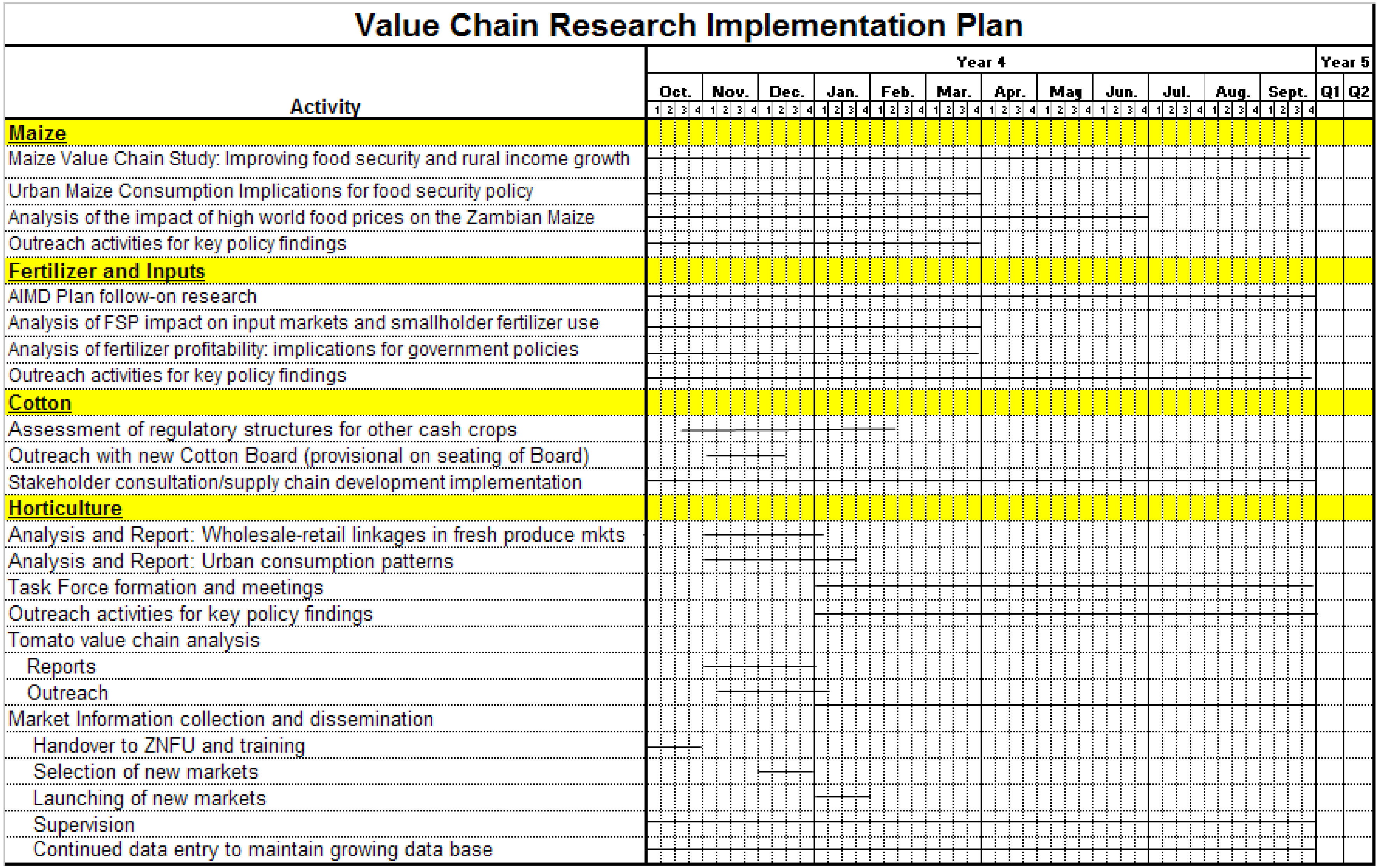
- Considering the problem of pirate buying of seed cotton by some ginning companies the sector experienced in 2007/08, CAZ through MACO organized a meeting were the Minister and all the ginning companies were invited. Therefore, Joseph Nkole the Cotton Association National Coordinator through the guidance of FSRP prepared the materials which he briefed the Minister and the ginners with. He highlighted the extent of the problem and how detrimental it is to the growth of the sector. In response to what was highlighted, the Minister directed a certain cotton company to stop buying seed cotton because it did not pre-finance growing any seed cotton growing for the 2007/08 season. Then all the parts that filed the court injunction were advised to withdraw them and they all agreed. Again here the Minister assured all the ginning companies present that the revised Cotton Act would be enacted by the end of 2008. The Minister said she would soon create the Cotton Board. She would write officially to institutions to ask them send names of those that would sit on the Cotton Board.
- Continued working with the Cotton Working Group and MACO in pushing for the enactment of the new Cotton Act. In this regard the project interacted with the Clerk of the National Assembly so that a stakeholders' meeting could be arranged with the Members of Parliament who are members of the Agriculture and Lands Committee. The meeting was scheduled to be held 29-30th August 2008. However, due to the unfortunate death of the Republican President, the meeting has been postponed to a later date, still to be determined. The plan among other things was to give an opportunity to the Cotton Working Group to share and discuss the revisions of the 2005 Cotton Act and why they were done. This process was thought to ensure support from these ministers and Members of Parliament for the minister of agriculture as she moves ahead with the presentation of the revised Cotton Act to Parliament in November 2008.

Additional activities that were done during the year include:

- FSRP (represented by Stephen Kabwe) participated in the International Cotton Advisory Council's annual meeting in Turkey as part of the official Zambian delegation.
- Stephen Kabwe attended the Africa Cotton Association Congress held in Lusaka at Pamodzi Hotel from 13th March to 14th March 2008. The theme of the Congress was "Processes of liberalization of cotton in Africa: assessment and prospects". The Congress discussed the experiences various countries have had after liberalization of their cotton sectors, and also touched on world cotton supply and use outlook. From the discussion, it was observed that cotton sectors of the countries of East, Central and Southern Africa have been successful after liberalization. Seed cotton production has risen after liberalization and they have seen more investment by the private sector. Many West African countries still have monopoly and local monopoly systems, though some have liberalized their cotton industries. The outlook sessions indicated that projected world cotton production is expected to be lower than cotton use over the current year. This is because of the reduction in cotton production by the United States. It was also indicated that the Cotlook A index (cotton price) is at its highest (71 cents/lb) during the first seven months of 2007/08, 12 cents higher than during the same period last season. In the same conference the new Minister of Agriculture read a speech on behalf of the President of Zambia in which he acknowledged the problems the cotton sector is facing and the need to have a revised Cotton Act in place. The Minister reaffirmed the Ministry's position to ensure the Cotton Act being enacted this year. At the end of this conference, Stephen Kabwe had the opportunity to speak with the Minister of Agriculture and briefed her on the work the Cotton working Group (in which the Project is a member) has done with regard to the Cotton Act. She was pleased with that and she expressed interest to learn more so that she could move the work on the Cotton Act forward.
- Stephen Kabwe also attended the cotton field day at Magoye Research Station on 28th March 2008. This was another opportunity where he will interact with the Minister and other people in the cotton industry.

Major focus areas for remainder of the project:

- Stephen Kabwe will remain fully involved in data cleaning of the third supplemental survey.
- After data cleaning, Stephen Kabwe will focus on thinking through and refining a research study in cotton where he would like to find out crop mixes under which poverty of smallholder is reduced more. And also finding out the contribution that cotton production has to reducing poverty compared to other crops among different farmers with these crop mixes.
- The Project will continue to interact with all the stakeholder of the cotton sector to ensure that the revised cotton Act is taken to Parliament as promised by the Minister of Agriculture.
- Research will begin on regulatory structures for various cash crops in Zambia. This work will contribute to a similar study across several countries within and outside of Africa. As with the earlier comparative assessment of cotton sector reform experience, Zambia will be a major contributor to this study and will also stand to benefit from key insights as it struggles to develop a regulatory approach adequate to the challenges it faces.


Value Chain Research Implementation Plan
Activity
Year 4
Oct. Nov. Dec. Jan. Feb. Mar. Apr. May Jun. Jul. Aug. Sept.
1 2 3 4
Year 5
Q1 Q2
Maize
Maize Value Chain Study: Improving food security and rural income growth
Urban Maize Consumption Implications for food security policy
Analysis of the impact of high world food prices on the Zambian Maize
Outreach activities for key policy findings
Fertilizer and Inputs
AIMD Plan follow-on research
Analysis of FSP impact on input markets and smallholder fertilizer use
Analysis of fertilizer profitability: implications for government policies
Outreach activities for key policy findings
Cotton
Assessment of regulatory structures for other cash crops
Outreach with new Cotton Board (provisional on seating of Board)
Stakeholder consultation/supply chain development implementation
Horticulture
Analysis and Report: Wholesale-retail linkages in fresh produce mkts
Analysis and Report: Urban consumption patterns
Task Force formation and meetings
Outreach activities for key policy findings
Tomato value chain analysis
Reports
Outreach
Market Information collection and dissemination
Handover to ZNFU and training
Selection of new markets
Launching of new markets
Supervision
Continued data entry to maintain growing data base

TOURISM COMPONENT

MATEP's Tourism Component combines market access, policy, finance and HIV/AIDS activities structured around the needs of this important service sector. MATEP's approach to developing Zambia's tourism is market driven, promoting 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 Tourism Board) and with the private sector (through the Tourism Council of Zambia and its member organizations), MATEP facilitates a coordinated strategy to brand Zambia and improve marketing, standards, new product development, human resource development and policy formulation.

MATEP's Tourism Component is comprised of five subcomponents: Improving International Marketing, Forging Collaborative Alliances, Client Services, Tourism Research and Improving Tourism Skills. The project re-oriented its assistance during the year targeting more of the smaller "up and coming" tourism enterprises in place of more well established firms. It is the smaller firms in Zambia that provide a large proportion of tourism services - approximately 80% of tourist beds are in establishments with less than 15 beds – but that are in most need of help with respect to product delivery and quality standards. Unfortunately, its much harder to collect data from the small establishments for MATEP's PMP. There are many more of them, they are geographically disbursed, management systems are weak for tracking financial data and they are reluctant to report such data to MATEP (however large tourism enterprises, too, are increasingly reluctant to report financial data for the PMP). As a result, the PMP figure for "Value of tourism transactions reported by assisted firms" fell below target - $23 million instead of $30 million.

During the year under review MATEP Tourism worked with the Travel Agents Association of Zambia (TAAZ) in establishing linkages for marketing the Zambian tourism product to America and to Europe. MATEP assisted six TAAZ members in developing first class marketing materials in addition to developing a welcome kit and press release for distribution to European and North American tour operators.

MATEP worked with the U.S. office Zambia Tourism Board (ZTB) in preparing for a tourism road show planned for the last quarter of 2008. This work included training ZTB staff in making effective presentations to travel trade and media in the United States.

MATEP provided support to the Tourism Council of Zambia (TCZ) and its member associations in researching the effects of government's sudden increase in visa fees. Visa fees rose for all tourists, but went up most sharply for American and British visitors who saw visa fees increase over 500%. Further, MATEP is undertaking two studies aimed at obtaining tourist perceptions of Zambia and determining the cost of doing business in Zambia as compared with regional competitors.

Working with the Hotel and Catering Association of Zambia (HCAZ), MATEP provided assistance for a strategic refocusing of hospitality establishments in Siavonga and the Northern Province. In addition, the Tourism component conducted skills upgrade training with HCAZ with workshops held in Luapula Province, Northern Province, Southern Province, Central Province, Western Province and North Western Province reaching a total of 271 individuals in HCAZ establishments. The MATEP/HCAZ skills upgrade training effort now has covered the entire country. In conducting this skills upgrading, MATEP and HCAZ established a cadre of local trainers who will continue with training for upgrading skills on a sustainable basis even after MATEP has closed down.

MATEP continued working with TCZ and its Destination Lusaka subgroup in stepping up the activities of the MICE Desk. The TCZ Desk Officer for MICE attended the 2007 Europe Incentive

Business Travel Meetings (EIBTM) in Barcelona, Spain. MATEP and TCZ also participated in the INDABA Tourism Fair in Durban South Africa with a complement of 38 Zambian exhibitors.

MATEP's Tourism component is scheduled to come to an end in April 2009. The project's Tourism Advisor, Alex Valeta, will leave the project at that time and most activities will have been concluded. However MATEP will continue to liaise with its key partners during the remainder of the project.

IMPROVE INTERNATIONAL MARKETING

A major constraint to Zambian tourism growth is inadequate marketing and the inaccessibility of information about Zambia in major American and European tourist markets. This is particularly apparent when comparing Zambia's market penetration to its better-known regional competitors. While the Zambia Tourism Board's "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. For example, ZTB's marketing budget is less than USD 500,000 per year, South African Tourism marketing budget is approximately USD 10 million.

In order to improve Zambian's tourism profile in international markets, MATEP works with ZTB, with the private sector Tourism Council of Zambia, with the Travel Agents Association of Zambia as well as with t individual tourist establishments to offer strategic marketing assistance. Assistance is grouped into three categories:

Branding Zambia

MATEP works to promote the Zambian brand in international tourism markets by assisting Zambian stakeholders to develop a more effective brand and by improving marketing strategies and materials. MATEP works with ZTB on national branding, with TCZ on destination marketing to specific markets and with TAAZ members in developing marketing materials.

Development of MICE Markets

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. Whatever previous outreach there was to this market was fragmented and unstructured and had little effect.

- **TCZ MICE Desk:** MATEP continued support for establishing and running a MICE Desk within TCZ. MATEP helped with selecting and hiring a MICE Desk Officer and then provided consulting assistance in training the officer and establishing a MICE work plan. Also, an audit of MICE-type facilities was conducted in Lusaka and Livingstone. The Livingstone audit coincided with the UN – WTO Workshop on Business Tourism and Incentives held in October 2007 at which the MATEP consultant made a presentation. As a follow up, the TCZ MICE Desk Officer attended the European International Business Travel Market (EIBTM).

Create Market Linkages

To follow up on branding and marketing, MATEP helps Zambian tourist establishments create specific linkages to international markets and potential buyers of tour packages. MATEP focuses particularly on tour operators and inbound wholesalers based in Europe and the U.S.

- **TAAZ Market Linkages:** MATEP conducted a training session on marketing for Zambian travel agents followed by one-on-one follow up training at the travel agent shops themselves.

From the trainees, MATEP then selected six Zambian travel agents to work with intensively for linkage to the American tourism market. The six operators are Alendo Travel, the Travel Shop, Airmasters Travel and Tours, Zambian Safari Company, Top Flight Travel and Tours, and Voyagers. MATEP helped the agents develop a common identity and a logo for their marketing materials when marketing in America, helped them prepare promotional kits to use at trade shows and then guided them in attending shows in the U.S. After work with the initial six travel agents, another two were selected; Cutty Sark Travel and SkyJet Travel.

- **ZTB U.S. marketing:** MATEP assisted the Washington office of ZTB in establishing a "800" number for Zambian tourism enquiries and in creating an intern position to better support the office. MATEP also helped ZTB develop a Press Release template for use in the U.S. While with ZTB, the MATEP consultant trained the Washington staff in presentation skills, in networking with U.S. based tour wholesalers and in handling enquiries. Finally, the consultant accompanied the ZTB Manager to meetings and presentations with the travel trade.

- **INDABA Tourism Fair:** MATEP attended the INDABA Tourism Fair from 9 – 13 May 2008 at the ICC in Durban, South Africa. The fair was well attended with over 15,000 visitors. The Zambian contingent comprised 38 exhibitors: the Minister of Tourism, the Chairman ZTB, The Director General ZAWA, and the acting Managing Director ZTB were in attendance. A presentation was made on the Zambian product to foreign journalists at a Media Breakfast at the Hilton Hotel. It was hosted by ZTB/TCZ/Zambian High Commission in South Africa. A raffle was held for the foreign journalists with prizes including a weekend stay at the TAJ Pamodzi Hotel, Holiday Inn, and Chaminuka Lodge. Chaminuka provided Zambian cheese for the breakfast. A the INDABA, meetings were held with the South African Grading Council, Tourism Training Authority and Tour Guide training institute and Fuller Frost and Associates.

FORGE 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.

- **Ministerial meetings:** MATEP helped facilitate the meeting held between the new Minister of Tourism and the private sector held at the Mulungushi International Conference Centre on 7 Nov 2007. At the meeting the outgoing ZTB MD gave an update on the 2010 World Cup preparations. The Minister was very disturbed by the lack of commitment from private sector to come for meetings and singled out the Livingstone operators. He advised the private sector to market the destination and not the establishments and that tourism in Zambia is not only Livingstone but should also explore the potential of Luapula and Northern Provinces.

Harmonization and Collaboration

MATEP collaborates with other donors involved in the tourism sector to leverage each other's activities for greater overall impact.

- **MATEP – SEED Project:** MATEP held a meeting with the World Bank SEED Project to explore ways of enhancing synergies between the two projects. Also in attendance was the Japanese Embassy representative. The meeting established areas of cooperation in capacity building of the LTA and the Mukuni Park curio sellers. The MATEP SEED meeting also explored possible assistance to the Mukuni Park curio sellers: the SEED Project has been providing support to improve infrastructure for Mukuni Park curio sellers and continue with further contributions to capital costs. MATEP assistance will focus on providing training in entrepreneurial skills (customer care, bookkeeping and record keeping).This will be explored in greater detail in the coming year.

- **MATEP – SNV:** MATEP held a meeting with SNV, TCZ, and the Ministry of Tourism to further explore areas of collaboration. MATEP and SNV agreed to continue working closely with HCAZ in Luapula and Northern Province to provide training (MATEP) and advocacy and BDS (SNV). TCZ and the Ministry of Tourism pledged to assist MATEP and SNV in working with both the small and medium businesses in the sector. As a result of this, MATEP drew on SNV's presence in Western and North Western Provinces in putting together the logistics for the MATEP HCAZ Training held in Mongu, Solwezi, and Mwinilunga.

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 Tourism Associations

MATEP provides technical support and capacity building assistance to the Tourism Council of Zambia (TCZ), the Hotel and Catering Association of Zambia (HCAZ), and the Travel Agents Association of Zambia (TAAZ).

- **HCAZ Strategic Development Plan:** MATEP provided technical inputs to HCAZ in developing the HCAZ Strategic Development Plan. MATEP finalized revisions to the HCAZ Strategic Development Plan and submitted the same to the HCAZ National Executive Committee for final approval and or comments and recommendations.

- **TCZ - ZTB planning meeting submissions:** MATEP provided technical inputs to TCZ's submission to the newly constituted Zambia Tourism Board strategic planning process. This activity was a follow up to the enactment of the Zambia Tourism Board Bill, which changed the strategic focus of ZTB from both marketing and licensing to being primarily a marketing arm for Zambia. A key recommendation is that ZTB should be more consultative in preparing for marketing events and should provide feedback from its marketing activities to stakeholders.

- **HCAZ – ZTB planning meeting submissions:** In tandem with the TCZ assistance for the same, MATEP worked with HCAZ in preparing their submissions to the ZTB in their strategic planning process. As with the TCZ submission, MATEP worked with the HCAZ Executive Committee in articulating the varied submissions from members. The HCAZ submission highlighted the difficulty the association faced with ZTB - a serious lack of communication, HCAZ recommended that the restructured ZTB engage more with the stakeholders so as to engender cooperation with the sector in marketing Zambia.

- **TCZ - RNE budget submissions:** MATEP provided technical inputs to TCZ in preparing their budget for Year 2 Secretariat support from the Royal Netherlands Embassy (RNE). MATEP assisted TCZ refine its Strategic Development Plan resulting in the RNE funding secretariat support. MATEP also provided technical inputs to the TCZ Executive Directors Office in preparing the expense report and a budget for the next funding cycle.

- **Tourism Marketing Growth Strategy:** MATEP held meetings with TCZ and ZTB in reviewing the proposal from Frost Fuller and Associates for undertaking the Tourism Marketing Growth Strategy. The growth strategy aims at creating an actionable marketing growth strategy that would be used as a road map for ZTB's marketing efforts. The assignment commenced in March with the consultant, David Frost, making the initial scoping meetings with stakeholders drawn from a cross section of the tourism sector. The next phase will involve the consultant holding meetings with the operators in Zambia's target markets. This will be followed by an analysis of the findings and development of a strategy for ZTB.

- **TCZ workplan and benchmarks:** MATEP worked with the TCZ Secretariat on developing a workplan and benchmarking for staff performance. The workplan and benchmark will now be used to keep a tight focus on the activities of the Secretariat.

- **TCZ submissions to the revision of the Immigration Act:** MATEP worked with TCZ in preparing submissions to the Ministry of Home Affairs on the proposed revisions to the Immigration Act. A private law firm was engaged by the Ministry of Home Affairs to review the Immigration and Deportation Act taking into account the views and input from a cross section of the public and interested stakeholders. The submission from TCZ focused on the problem experienced by tourists with the revised visa fees and by tourism operators with Employment Permits.

- **TCZ, Destination Lusaka and Destination Zambia:** MATEP advised TCZ in their plans to produce an electronic version of Destination Zambia and Destination Lusaka brochures. As the initial costs provided were high, (K15,000 per mini CD), TCZ was advised to explore other options such as asking the publishers to make a CD of the brochure, getting competitive bids from other suppliers, buying the blank CDs and having a recording studio cut the CDs.

- **HCAZ Capacity Building:** MATEP worked with HCAZ in reviewing the association's Constitution and Code of Conduct. After an initial scoping, it was resolved that MATEP work with the Executive to propose amendments and inclusions to the two documents. HCAZ also requested MATEP to assist HCAZ in conducting a market survey in neighboring countries to get reliable market indicators on the hospitality facilities. This has been done with the production of the HCAZ Benchmarking Report by the HCAZ training consultants.

- **HCAZ AGC Preparations:** MATEP worked with HCAZ in preparing for the HCAZ Annual General Congress initially slated for 4 – 7 September 2008. MATEP will provide HIV/ AIDS Awareness training during the AGC. Due to the demise of the Zambian President and subsequent 21 days of national mourning, the AGC dates were shifted to 3 - 5 October 2008.

- **HCAZ Siavonga and Kasama strategic refocusing:** On behalf of HCAZ, MATEP conducted a Strategic Refocusing for Siavonga and Kasama. This was in response to a request from HCAZ to assist its members cope with the reduction in government conference business and preparation for increased business as a result of government's efforts to promote the Northern circuit. A corporate recovery consultant was engaged to assist in the exercise which was conducted from in October 2007.
    - In Siavonga, a total of 14 establishments were inspected and one-on-one discussions held with owners and managers. A planning and refocusing meeting was held to determine what needs to be done to raise the area's profile as a

destination. The meeting resolved to work on marketing through the internet and improve signage as well as improving quality of service by training of owners and staff.

- In Kasama, the consultant held a strategic refocusing session attended by 27 participants drawn from 13 establishments. A total of 11 establishments were visited for one-on-one discussions held with owners and managers. As a provincial centre for the Northern circuit, Kasama needs a lot of infrastructure investment as electricity and water supply is erratic. Lodge owners are eager to market Kasama as a destination and discussions are ongoing with SNV on the way forward. In the area of marketing and website development, Thorn Tree Lodge has agreed to work with all interested owners in designing a website and assistance will be sought to fund the initial 12 months hosting fees. Thereafter members can assume the cost. MATEP and SNV agreed to work together in promoting the Northern circuit and providing technical assistance to the hospitality industry in the Northern Province.

Support to Tourism 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.

- **Panorama Lodge, Restaurant and Amusement Centre:** MATEP assisted the Panorama Lodge, Restaurant and Amusement Park in Chipata in preparing a business plan and financing proposal to enable them complete development work for their activity at Chief Mpezeni's area. The project would leverage funding by a Dutch organization as well.

- **Sought After Lodge:** MATEP assisted Sought After Lodge in preparing a business plan and financing proposal. After favorable review, the proposal was submitted to Barclays Bank for funding consideration.

- **Future plans:**

  - **ZTB STTA:** MATEP will provide STTA to ZTB to enable it prepare for its charter under the new ZTB Act which limits its activities to marketing Zambia. The STTA will address its human resource and strategic planning requirements.
  - **Grading Systems STTA:** The Ministry of Tourism Environment and Natural Resources commissioned a consultancy to develop a grading system for the tourism industry in Zambia. MATEP will provide technical inputs to the consultancy in providing inputs into the consultant's draft report.

TOURISM RESEARCH

MATEP provides technical inputs for research into tourism topics 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.

- **Market survey:** In collaboration with TCZ and ZTB, MATEP engaged a local consultant to undertake a market survey for obtaining visitors' perceptions of the Zambian tourism product. The survey also assessed the level of satisfaction with service delivery. The survey was conducted in Livingstone and Lusaka with respondents drawn from hotels, the Lusaka and Livingstone International Airports, adventure activity centers and overlander campsites. A follow up to this research is now being conducted in South Luangwa National Park and targeting further respondents in Lusaka and Livingstone areas as well.

- **Visa fees:** The Minister of Finance in his 2008 budget speech announced the increase of visa fees of 100% from US$25 to US$50, but of much greater increases for American (US$135) and British (US$140) visitors. Visa waivers and one-day visas were also abolished. Considering that over 80% of international visitors are from America or Britain, this may lead to a reduction in numbers from these key markets as they divert to the neighboring countries where visa fees are lower or non-existent, e.g. Botswana, Namibia, and South Africa. MATEP assisted TCZ to undertake a quick survey on the likely economic impact of the visa fees, which was submitted to Government. Lobbying continues to persuade government to reconsider its decision on visa fees.

- **Competitiveness of the Tourism Sector:** TCZ requested MATEP's assistance in conducting a competitiveness study comparing Zambia tourism with its competitors in the region. Such a study has never been conducted. The study, which is on-going, compares the cost of doing business in the tourism sector in Zambian and in other destinations in the region: Botswana, Malawi, Namibia, Tanzania, and South Africa. Among the facets being analyzed are fuel prices, cost of electricity, cost of cement (as a factor of cost of building the infrastructure), foreign exchange rates, cost of bricks, cost of labor, cost of foodstuff and beverages, park entry fees for foreigners, tourism operating licenses needed and costs thereof and number of licensed tourism operators. Once complete, the study report will be useful for the private sector and government.

IMPROVE 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, and TAAZ 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.

- **Motivational Management Training:** During the HCAZ Strategic Refocusing technical assistance, the consultant, Michael Kahler also held a one-day seminar at Ibis Gardens on motivational management for employees, statistics gathering for internal use and marketing plans.

- **Customer Care Training:** MATEP continued its training assistance to HCAZ member establishments by conducting a round of training focusing on customer care. This follows on from training conducted last year in management and in marketing. The training was offered through provincial HCAZ offices membership in the respective provinces.

  The first phase of this training was conducted in Mansa, Kasama, Kafue, Livingstone and Siavonga in from March – May 2008 and reached a total of 155 participants. A second phase was conducted in Mongu, Mkushi, Solwezi, and Mwinilunga in August – September 2008 and reached a total of 116 participants.

  Topics covered were as follows:

- Modern trends in reservation systems;
- Front desk management;
- Food and beverage services;
- Triangle of success.
- Hospitality financial management
- Creating a great first Impression;
- Self motivation;
- Effective team work;
- Guest relations and problem solving;
- Staff empowerment and effective communication;
- Taking advantage of local products.
- Marketing strategies;
- Sales force management;
- Branding with a local tone.
- Telephone Techniques & Mannerism
- Total Quality Management
- Attributes Of Front Office Personnel
- Understanding Company Mission Statements, Vision & Values
- Qualities Of Excellent Services
- Guest Relations & Problem Solving
- Financial Management
- The Triangle Of Success
- International Marketing Strategy
- Managing Personnel Hygiene

Participants were very enthusiastic on improving their customer handling and other skills. One-on-one work with the establishments revealed that despite Livingstone and Siavonga being tourism destinations of note in Zambia, the owners and operators still had a lot to learn in terms of customer care and finance. In tandem with the training program, a benchmarking exercise was undertaken looking at the facilities and prices of establishments in the towns covered and comparing these with those in neighboring countries.

- **Future Plans:** MATEP is currently developing further training activities with the Zambia tourism industry in the following areas:
    - Internet marketing training
    - Trade show skills
    - Hospitality Finance and Accounting

Tourism Component: Implementation Plan

Activity	Year 4												Year 5	
	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	Jun	Jul.	Aug.	Sept.	Q2	Q2
Improve International Marketing														
Branding Zambia TA and Marketing Materials Development														
ZTB Marketing STTA														
Trade Show STTA														
Development of MICE Markets														
MICE STTA														
Assisstance with MICE Desk Activities														
Create Market Linkages														
Market Linkages STTA														
Forge Collaborative Alliances														
Hold Quarterly Tourism Dialogue Meetings		*			*									
Client Services														
Support to Associations														
Support to Enterprises														
Research and Policy Change														
Tourism Sector Competitive Study														
Grading Follow up														
Expanded MArket Survey														
Improve Tourism Skills														
HCAZ Training STTA														
Internet Booking STTA														
Internet Marketing STTA														
Finance Training Hotels and Banks														
Business Training - TCDF														

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) 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 sales of exhibited products. The general limit of MATEP financing is $250,000 per client.

(ii) Disbursement, on a revolving fund basis, of $1 million for the provision of medium term export financing - by creating a new Medium-term Investment Fund (MIF). 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) Introduction of appropriate Discount Credit Authority (DCA) instruments. The MATEP Finance Component is also designed to monitor conditions and new initiatives in the financial sector and where appropriate to participate in DCA initiatives in order to increase access to finance for export-oriented and tourism companies through risk sharing between participating lending institutions and the US Government.

MATEP's Finance Approach

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

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 financial services. Advertising may be considered in future as the MATEP revolving fund grows and as leveraging partnerships expand further.

Performance Review

Since inception, MATEP has disbursed US$3,049,816 in short-term and medium term facilities to export-oriented agribusinesses and tourism businesses. The disbursements include ZATAC loans initiated by MATEP.

Thirty-three (33) 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. This number is below the targeted number of 45 due to a number of large loans disbursed MATEP that accounted a large proportion of total capital available.

Of the total loans disbursed, US$ 1,254,311 has been repaid, representing 41% of the total funds disbursed. A further 42% are performing loans in repayment (US$ 1,263,288 of disbursed capital) and 17% are non-performing (US$ 532,217) and are discussed below in the section on remediation (this figure includes $150,000 loaned to Cheetah Ltd written off when the company closed).

Overall MATEP Loan Performance		
Category	**Amount (kwacha)**	**%**
Disbursed	3,049,816	
Repaid	1,254,311	41%
Outstanding - Performing	1,263,288	42%
Delinquent – Non performing	532,217	17%

- **Short-Term Credit to Export-Oriented Agribusinesses and Tourism Enterprises:** Total disbursements made under the MATEP/ZIF Short-Term Credit Facility to date stand at US$ 2,311,741, of which US$ 701,238 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.

  Of the total short-term loans disbursed, US$1,044,845 has been repaid, representing 45% of the total funds disbursed. A further 32% are performing loans in repayment (US$ 734,679 of disbursed capital) and 23% are non-performing (US$ 532,217) and are discussed below in the section on remediation (this figure includes $150,000 loaned to Cheetah Ltd written off when the company closed).

MATEP/ZIF LOAN PERFORMANCE		
Category	**Amount**	**%**
Disbursed	2,311,741	
Repaid	1,044,845	45%
Outstanding - Performing	734,679	32%
Outstanding – Non performing	532,217	23%

- **Medium-term credit for export and tourism enterprises:** Total disbursements made under the MATEP/MIF stand at US$ 925,218. Subsectors supported with medium-term loans include processed beef, bio-coal and tourism lodging. Of the total mid-term loans disbursed, US$ 209,275 has been repaid, representing 23% of the total funds disbursed.

Table 1.2: MATEP/MIF LOAN PERFORMANCE		
Category	**Amount**	**%**
Disbursed	958,059	
Repaid	209,275	21.8%
Outstanding	748,784	78.2%
Delinquent	0	0.0%
Repayment Rate		**79.6%**

- **Leveraging of Finance**: 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 US$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. The following table 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.

MATEP Financial Leveraging	
ZATAC	706,970
ZISC	4,000,000
Barclays Bank	300,000
TOTAL	5,006,970

Innovation

In order to remain highly responsive to the needs of its clients, MATEP continuously innovates its products and services. An exceptionally successful innovation has been the introduction of small trade show loans to export-oriented and tourism entrepreneurs. In this context for example, the Handicrafts Producers Association of Zambia (HAPAZA) received a loan of USD 3,215 to supplement its members won resources and enable them attend a trade show in the U.S. They were able to sell all their merchandise and repaid their MATEP loan in full.

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. 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.

Remediation

MATEP follows a policy of positive remediation of loan repayment problems affecting its clients. Business planning and market development technical assistance are usually a first step in 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 necessity for many of the MATEP loans.

The major remediation actions over the period included continuation of legal remedies to recover the delinquent trade finance loan of $150,000 issued to Cheetah Zambia. 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.

Further still, $5,000 worth of seed was sold in cash to Central Growers Association (CGA). Costs associated with the Cheetah remedairy 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 lest $80,000 and the laboratory equipment at least $40,000.

The other delinquent accounts include the $40,000 trade finance loan issued to Cris-B-Cucs Ltd for cucumber exports to South Africa, $71,000 issued to Global Exports Bureau for soy cake exports, $20,000 issued to ReeJay Farms for poultry production and $250,000 issued to Choice Nuts for export of groundnuts. Following up of Cris-B-Cucs has continued while legal proceedings have been instituted against Global Export Bureau to redeem the collateral offered. An apartment was offered as collateral. With ChoiceNuts, the company ran up a huge loss in its first year of operation and has not been able to enter the market in 2008 due to liquidity constraints. The ChoiceNuts loan is at risk. Two consultants were hired by MATEP to undertake a financial review of ChoiceNuts which concluded that the loan is at considerable risk.

Finance Component: Implementation Plan

Activity	Year 4																																																Year 5	
	Oct.				Nov.				Dec.				Jan.				Feb.				Mar.				Apr.				May				Jun.				Jul.				Aug.				Sept.				Q1	Q2
	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	4	
Short-term lending																																																		
Continue export loan operations	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Quarterly review of ZIF operations					x											x												x														x								x
Annual ZIF audit																																								x										
MATEP ST Loan Fund Disposition																																													—	—	—	—		
Medium-term lending																																																		
Continue loan operations under MTF	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Quarterly review of MIF operations					x											x												x														x								x
Annual MIF audit																																								x										
Medium-term Fund Disposition																																													—	—	—	—		
Leveraging via financial intermediation																																																		
Continue intermediation and leveraging	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—

HIV/AIDS COMPONENT

The persistent high HIV prevalence in Zambia is a national concern and challenge. It has become apparent that to bring the high HIV prevalence down, Zambia must embark on intensive and targeted prevention interventions. With only 15% of the 12.2 million Zambians knowing their status and an HIV-prevalence rate of 14.3% it is crucial for Zambia to evaluate intensify, coordinate and redirect prevention interventions so as to reduce new infections in the country.

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. 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 memberships. MATEP's two biggest programs have been with the Zambia Export Growers Association (ZEGA) in the first and second year and the Hotels and Caterers Association of Zambia (HCAZ) in the second and third year of the project. We first work with member companies trying to help management better understand HIV/AIDS prevention as a business issue in addition to a social issue. The business impact is clear - through worker sicknesses, absences and turnover (and the resultant retraining costs). But whenever budget 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 50-100 workers) to be trained as Awareness Educators. With assistance from an HIV/AIDS expert based in South Africa and an excellent Zambian HIV/AIDS trainer, 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 (with schedules having been vetted by 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, family and friends.

The program has been enthusiastically received by business managers, by Awareness Educators and by the workers. When beginning the program, after an introductory discussion with potential partners we selected firms to participate based on their receptivity to our HIV/AIDS messages. Many firms, however, were not interested at first. Most of those skeptical firms have since approached us asking to be included in subsequent phases of the program. Even the initial participating firms have asked MATEP to train more of their staff as Awareness Educators and we've increased the number of training workshops in response. Companies have also asked MATEP to train Awareness Educators to go out into surrounding communities of firms in order to disseminate HIV/AIDS prevention messages in the communities in which their workers live. Such community outreach has since been integrated as an integral part of the MATEP HIV/AIDS program.

In the year under review, MATEP has trained a total of 285 Awareness Educators and delivered HIV/AIDS prevention messages to 15,934 individuals in Southern, Lusaka, Central and Copperbelt provinces of Zambia. MATEP's PEPFAR targets for the year ending September 2008 were to train

175 Awareness Educators and reach 15,000 individuals with prevention messages. MATEP expects to continue exceeding its PEPFAR targets in its remaining two years of PEPFAR funding.

To commemorate the World Aids Day which falls on December 1st, MATEP collaborated with HCAZ member establishments and ZEGA member farms to conduct HIV/AIDS activities at their individual establishments. Activities included quiz shows, delivery of sensitization messages to surrounding areas, drama performances, football and netball competitions and choir competitions. HCAZ members in Lusaka, Central and Copperbelt provinces also participated in the nationwide World Aids Day March which was conducted in each of Zambia's nine provinces.

HCAZ HIV/AIDS Activities

The Hotel and Catering Association of Zambia (HCAZ), which was founded in 1963, is the oldest and largest member organization in tourism in Zambia, its members employ most workers in the tourism industry and the association has members in all of Zambia's nine provinces. HCAZ members contribute to the Zambian economy through job creation, investment in construction, foreign exchange generation and taxes (VAT, PAYE, and direct taxes). HCAZ has 250 member establishments embracing hotels, motels, lodges, guesthouses, restaurants, fast food outlets, casinos, nightclubs as well as associate members.

MATEP and HCAZ initially started HIV/AIDS collaboration by incorporating HIV/AIDS awareness sessions into tourism skills training programs MATEP was conducting for HCAZ members. Along with HIV/AIDS prevention messages to workers, MATEP's training emphasized the importance of integrating HIV/AIDS prevention as part of business decision-making by HCAZ members. In the second year, MATEP began a major new activity with HCAZ patterned after the success of MATEP's ZEGA HIV/AIDS activities. In Phase I during FY07, 160 trainees from the establishments selected by HCAZ and MATEP were trained as HIV/AIDS Awareness Educators and HIV/AIDS prevention messages were delivered to 6082 individuals.

- **HCAZ HIV/AIDS Program Phase II**: During the HCAZ national meeting held in early 2008, HCAZ members that participated in the Phase I program presented a report on the HIV/AIDS activities with MATEP which generated considerable interest among the membership. HCAZ asked MATEP to conduct a Phase II HCAZ HIV/AIDS program and over 50 establishments registered immediately. In collaboration with HCAZ, the businesses were contacted, 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 these tourism establishments.

  The HIV/AIDS prevention and awareness training programs commenced on 28th April, 2008 and ended on July, 31st 2008 with training sessions conducted in Lusaka, Kafue and Mazabuka. Participants were drawn from hotels, lodges and guesthouses. During FY08, MATEP trained a total of 220 HIV/AIDS Awareness Educators in 42 HCAZ establishments country wide and reached 4,750 individuals in HCAZ establishments and surrounding communities.

- **HCAZ Workplace Policy Development**: MATEP organized a two-day HCAZ HIV/AIDS workplace policy development workshop in April, 2008 at the Ndeke Hotel in Lusaka. A total of 30 individuals participated in the workshop representing HCAZ member establishments from within Lusaka, Kafue, Siavonga, Kabwe, Mansa and Ndola. Day One focused on workplace policy development and was led by the MATEP HIV/AIDS consultant Dr. Paolo Craviolatti. Day Two focused on HIV/AIDS prevention and awareness and was led by Moses Mbawo, MATEP's HIV/AIDS trainer. The policy document is scheduled to be finalized in the coming year.

ZEGA HIV/AIDS Activities

ZEGA was formed as a non profit association to promote the interests of growers wishing to export horticulture and floriculture products. 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 approximately 12,000 workers among about 20 ZEGA members.

The ZEGA CEO 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 and requested MATEP with the Southern Africa Trade Hub to develop HIV/AIDS prevention program for its membership. ZEGA had integrated HIV/AIDS in its newly approved Code of Good Practice, but more was required. MATEP and the Trade Hub designed an intervention to strengthen the capacity of ZEGA so that the association was able to deliver HIV/AIDS services to its membership. 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, MATEP helped deliver HIV/AIDS prevention messages to workers on 13 ZEGA farms.

The MATEP/ZEGA HIV/AIDS program was designed in four stages: Stage I is mobilization and sensitization of ZEGA member farms as participants and contributors in HIV/AIDS prevention; Stage II is design and planning of specific programs that addressed needs of each ZEGA member farm; Stage III is training of individuals from each farm as HIV/AIDS Awareness Educators who conduct the prevention programs on farms; and Stage IV is roll-out of the program to farm workers themselves and the surrounding communities. In the first year Phase I, 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 as HIV/AIDS Awareness Educators. In Phase II, which was designed for additional ZEGA farms requesting participation in the program, MATEP reached 5,240 individuals in ZEGA farms and surrounding communities with HIV/AIDS prevention programs and a total of 87 individuals were trained as HIV/AIDS Awareness Educators

- **Phase III ZEGA HIV/AIDS Program**: Phase III of the MATEP/ZEGA HIV/AIDS program was designed in FY08 for additional ZEGA farms and for previous participants who had experienced staff turnover and who requested outreach programs to surrounding communities. By the end of the year, MATEP rolled-out training/education sessions for farm workers/communities. MATEP reached 7,170 individuals in farms, surrounding communities and schools with HIV/AIDS prevention programs and trained 45 farm workers as HIV/AIDS Awareness Educators.

Export training workshops

- **Bee Keepers Association:** MATEP in the past year delivered HIV/AIDS Awareness and Prevention messages in a program with the Bee Keepers Association of Kapiri Mposhi. The HIV/AIDS program was incorporated into training workshop that had been organized by MATEP's Market Access Component with the goal of training SMEs in the production of quality honey for export.

- **Copperbelt Mining, Agriculture and Commercial Services Show:** MATEP erected a marquee at the Copperbelt Mining, Agriculture and Commercial Services Show for export client exhibits, and a part of the marquee was set aside for delivery of HIV/AIDS awareness and prevention messages to showgoers. On an hourly basis, MATEP's HIV/AIDS trainer, Moses Mbawo, made an HIV/AIDS presentation and distributed material to guests visiting the MATEP marquee. Between those sessions he was available for one-on-one discussions. A total of 136 individuals received HIV/AIDS awareness and prevention messages during the show.

Ministry of Labour and Social Security (MLSS)

Previously, the Ministry of Labour and Social Security Permanent Secretary wrote the US Embassy expressing interest to collaborate with MATEP's HIV/AIDS activities. This was after reading about MATEP in the PEPFAR Country Operation Plan for 2007. In discussions with the PS, MATEP agreed to collaborate with the ministry in:

- Formulating an HIV/AIDS workplace policy that integrates the policies of the Ministry of Health.
- Developing an HIV/AIDS policy checklist for Zambian companies 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 a workshop in late 2007 for 30 labour inspectors to draft an HIV/AIDS workplace policy checklist and train labor inspectors as HIV/AIDS Awareness Educators.

In the year under review, MATEP organized a follow up workshop in April 2008 for MLSS officers to finalize the HIV/AIDS policy checklist and conduct refresher Awareness Educator training. After reviewing the HIV/AIDS policy checklist, the MLSS Permanent Secretary confirmed the checklist would be used in their inspection exercises of all private sector establishments. Also, during the year labour inspectors delivered HIV/AIDS awareness and prevention messages to a total of 2,359 individuals during their inspections of private sector companies in Zambia.

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 continued meeting with the Ministry officials to identify and plan training of 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

MATEP has received additional funds to expand its HIV/AIDS prevention work in Zambia and additional activities have been designed for the coming year. MATEP will: expand the number and types of clients it assists in HIV/AIDS prevention; extend the types of prevention services and information provided to clients and ultimate beneficiaries; update and revise the training provided to Awareness Educators and intensify work with associations; and individual firms in workplace policy development and implementation

- **Mazabuka DBA**: MATEP has developed a program on HIV/AIDS prevention and awareness to cater for SME members of the Mazabuka District Business Association. The DBA has a membership exceeding 6,000 individuals.
- **Rural Labour Force Survey:** MATEP will train a total of 15 CSO trainers based in Lusaka in the delivery of HIV/AIDS awareness and prevention messages. These CSO trainers, in turn, will then train enumerators in the nine Zambian provinces as a part of enumerator training for the Labour Force survey. These enumerators will then deliver HIV/AIDS awareness and prevention messages to all the households that will participate in the survey. MATEP will also train two enumerators who are conducting a Traders and Marketeers SMS market information survey. These two will also deliver HIV/AIDS prevention and awareness messages when conducting their survey.
- **Central Statistical Office (CSO):** MATEP will network with other PEPFAR implementors 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.
- **HCAZ:** MATEP will assist the HCAZ finalize a standard workplace HIV/AIDS policy. MATEP will also continue HIV/AIDS prevention activities in the tourism sector in partnership with HCAZ. MATEP will develop a partnership with HCAZ focusing on building HCAZ capacity to provide HIV/AIDS services to its members.
- **ZEGA:** 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.
- **Ministry of Labor and Social Security**: MATEP will monitor and assess feedback from the labour inspectors from their inspections which will include the usage of the finalized HIV/AIDS workplace policy checklist. 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.
- **Ministry of Tourism, Environment and Natural Resources:** MATEP intends to implement a program with the Tourism Ministry similar to the one implemented with the Ministry of Labour and Social Security.

HIV/AIDS Component Implementation Plan

Activity	Year 4 Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sept.	Year 5 Q1	Q2
MAZABUKA DBA														
Sensitization and selection of businesses														
Training of Awareness Educators														
Roll-out of prevention messages														
ZEGA HIV/AIDS Prevention Program														
Training of Awareness Educators														
Roll-out of prevention messages														
HCAZ Tourism HIV/AIDS Prevention Program														
Sensitization and selection of businesses														
Training of Awareness Educators														
Roll-out and prevention messages														
Workplace Policy Development														
FSRP/MSU Labour Force Survey														
Training Enumerators as HIV/AIDS Awareness Educators	*													
Roll-out of prevention messages														
Min. Lands & Social Security HIV/AIDS Prevention program														
Roll-out of prevention messages														
Business inspections for HIV/AIDS workplace program														
Central Statistical Office (CSO)														
Selection and training of HIV/AIDS Awareness Educators														
Roll-out and prevention messages														
Min.Tourism, Environ. & N R HIV/AIDS Prevention program														
Workplace policy development														
Training of inspectors in HIV/AIDS Awareness and policy							* *							
Business inspections for HIV/AIDS workplace program														

MATEP SUCCESS STORIES

1. Africa’s Big 7 Show
2. Copperbelt Agricultural, Commercial Services and Mining Show

USAID FROM THE AMERICAN PEOPLE | MATEP MARKET ACCESS TRADE AND ENABLING POLICIES PROMOTING ZAMBIA'S EXPORTS

SUCCESS STORY

Africa's Big 7 Show

Exhibitors with the Award for Best Stand

A view of the Zambia-MATEP Stand

Fresh flowers and vegetables at the Zambia-MATEP stand

For the second year, MATEP organized a "Zambia Stand" at the Africa's Big Seven Exhibition in Johannesburg, South Africa. This annual show, which is the largest food show on the African continent, is in its seventh year of operation and attracted over 7,000 visitors with 239 countries exhibiting.

Building on MATEP success the previous year, MATEP this year organized, facilitated and co-funded 10 participants to jointly exhibit in a stand promoting exports from Zambia in a Zambia Stand. The companies included: Capital Fisheries, Hortex Flowers, Freshpikt, ChoiceNuts, Savanna Beef, Meshearles, Ubuchi, Zambia Honey Council, Zambia Export Growers Association and SNV – the Netherlands Development Organization.

As a result of the show, one company signed an MOU for the annual supply of canned foods valued at US$ 6 million. Orders were obtained f US$ 612,000 of peanut butter and groundnuts. Further, two new South African buyers of peanut butter from have since visited Zambia to discuss bulk procurement and potential annual business worth US$ 3 million is currently being pursued.

The MATEP – Zambia Stand won Best Stand Prize at the show.

In the words of the organizers; *"It just goes to show it is not about how much money you spend, but how you present yourselves. That's what you and your delegation did!! The judges were very charmed with your exhibitors, the way they presented their goods, the fresh flowers, the friendliness and the professionalism*."

Running parallel with the show was the African Agriculture Trade Promotion Conference during which MATEP made a 30 minute presentation promoting Zambian products and investment in Zambia's agricultural sector. MATEP used this opportunity to present various large scale projects from various clients that were seeking financing.

USAID FROM THE AMERICAN PEOPLE | MATEP MARKET ACCESS TRADE AND ENABLING POLICIES PROMOTING ZAMBIA'S EXPORTS

SUCCESS STORY

Copperbelt Agricultural, Mining and Commercial Services Show

"If MATEP had not introduced this idea, we would never have thought of spreading our wings to the Copperbelt."

Sweet Taste of Success-Trophy & Awards

The Centre Piece in the Pavilion

Women in HIV/AIDS Discussion

The Market Access Trade Enabling Policy (MATEP) project set up a "MATEP Pavilion" at the recent Copperbelt Agriculture and Commercial Show to promote sales of agribusiness exporters. The show, in Zambia's Copperbelt province, attracts buyers from the DRC which is an export target for the exhibiting companies. The companies also wished to expand local sales through popularizing their brands and identifying Copperbelt-based distributors.

The MATEP Pavilion, which included exhibits from eight agribusiness companies, won three prizes: 1st prize in the Overall Stands category; 3rd prize for the Best Agricultural Display category and 3rd prize again for Best Agriculture Products Supplier category.

MATEP clients sold close to $6,000 worth of products at the show, secured orders totaling close to $90,000 and obtained leads on considerably more business. Three Copperbelt distributors for the companies were also identified. Total show attendance was approximately 37,000 and since the MATEP Pavilion was directly at the entrance of the showgrounds, virtually everyone had a chance to come through MATEP exhibits. Many visitors commented positively on the quality of the products, attractiveness of the stand and services that MATEP provides.

One client, Fallsway Timber, commented *"If MATEP had not introduced this idea, we would never have thought of spreading our wings to the Copperbelt."* Fallsway, sold bio-charcoal and wooden furniture worth around US$ 2,200 at the show (all the samples they transported) and obtained orders worth US$ 68,000. Fallsway also struck a deal for setting up a Copperbelt showroom and has a possible additional bio-charcoal order of 3mt/month to one of the local mines.

A section of the MATEP Pavilion was also devoted to HIV/AIDS Awareness and Prevention activities. MATEP conducted hourly sessions on HIV/AIDS prevention; presenting the facts, answering questions and distributing literature. Around 136 visitors participated in these HIV/AIDS activities.

MATEP "PMP" INDICATORS – FY08

	INDICATOR		TARGET and ACTUAL				Original FY09 target
			FY06	FY07	FY08	FY09	
Trade/Export-related Indicators							
1	Value of ANR-based exports, including tourism receipts, $M	Target	425	465	518	620	550.0
		Actual	494	582	596		
	1.1 Value of ANR-based exports, $M	Target	275	305	348	420	370.0
		Actual	323	402	405		
	1.2 Value of estimated tourism receipts, $M	Target	150	160	170	200	180.0
		Actual	171	180	191		
2	Value of export/tourism transactions reported by assisted firms, $M (revised target)	Target	20	52	90	100	77.5
		Actual	40	58	94		
	3.1 Value of export transactions reported by assisted firms, $M	Target	19	50	60	75	75.0
		Actual	39	55	71		
	3.2 Value of tourism transactions reported by assisted firms, $M (revised target)	Target	1	2	30	25	2.5
		Actual	1	3	23		
3	Number of export/tourism transactions completed as reported by assisted firms (revised target)	Target	1,000	6,800	34,200	46,000	9,100.0
		Actual	4,884	13,637	46,781		
	2.1 Number of export transactions reported by assisted firms	Target	750	3,800	4,200	6,000	4,600.0
		Actual	3,498	3,240	5,793		
	2.2 Number of tourism transactions reported by assisted firms (revised target)	Target	250	3,000	30,000	40,000	4,500.0
		Actual	1,386	10,397	40,988		
4	Value and volume of exports of targeted commodities reported by assisted firms						
	4.1 Paprika/Chili	Value, $'000	485	1,050	635		
		Volume, tons	450	932	460		
	4.2 Horticulture	Value, $'000	20,105	36,446	39,812		
		Volume, tons	4,292	5,644	8,944		
	4.3 Coffee	Value, $'000	12,900	8,300	8,749		
		Volume, tons	6,000	3,483	3,324		
	4.4 Honey	Value, $'000	510	520	273		
		Volume, tons	300	271	174		
	4.5 Seed	Value, $'000	1,524	4,572	15,348		
		Volume, tons	1,459	4,858	15,929		
	4.6 Livestock products	Value, $'000	2,422	1,979	2,963		
		Volume, tons	1,086	2,121	3,680		
	4.7 Cotton/textiles	Value, $'000	25	145	222		
		Volume, tons	1	12	17		
	4.8 Maize	Value, $'000	-	-	-		
		Volume, tons	-	-	-		
	4.9 Groundnuts/Beans	Value, $'000	-	1,023	579		
		Volume, tons	-	1,300	663		

	INDICATOR		TARGET and ACTUAL				Original FY09 target
			FY06	FY07	FY08	FY09	
5	Value and volume of intra-regional exports of targeted commodities reported by assisted firms						
	5.1 Paprika/Chili	Value, $'000	325	765	225		
		Volume, tons	250	656	365		
	5.2 Horticulture	Value, $'000	5,680	2,591	4,978		
		Volume, tons	1,187	612	1,571		
	5.3 Coffee	Value, $'000	4,515	2,656	2,088		
		Volume, tons	2,100	1,115	793		
	5.4 Honey	Value, $'000	-	-	5		
		Volume, tons	-	-	1		
	5.5 Seed	Value, $'000	1,524	4,572	15,210		
		Volume, tons	1,459	4,858	15,818		
	5.6 Livestock products	Value, $'000	1,644	383	961		
		Volume, tons	993	229	1,034		
	5.7 Cotton/textiles	Value, $'000	23	136	198		
		Volume, tons	1	11	17		
	5.8 Maize	Value, $'000	-	-	-		
		Volume, tons	-	-	-		
	5.9 Groundnuts/Beans	Value, $'000	-	1,023	796		
		Volume, tons	-	1,300	938		
6	Value and volume of purchases from smallholders of targeted commodities reported by assisted firms						
	6.1 Paprika/Chili	Value, $'000	176	125	34		
		Volume, tons	114	85	31		
	6.2 Horticulture	Value, $'000	166	318	565		
		Volume, tons	546	164	333		
	6.3 Coffee	Value, $'000	16	15	14		
		Volume, tons	8	6	5		
	6.4 Honey	Value, $'000	200	113	379		
		Volume, tons	400	210	331		
	6.5 Seed	Value, $'000	450	836	409		
		Volume, tons	1,564	2,590	622		
	6.6 Livestock products	Value, $'000	428	1,181	1,614		
		Volume, tons	965	3,335	1,552		
	6.7 Cotton/textiles	Value, $'000	-	-	-		
		Volume, tons	-	-	-		
	6.8 Groundnuts/Beans	Value, $'000	-	340	1,000		
		Volume, tons	-	1,300	1,859		

	Finance-related Indicators							
7	Value of finance/capital accessed reported by assisted firms, $M, cumulative		Target	2.0	5.0	10.0	18.0	15.0
			Actual	5.4	8.2	15.8		
8	Number of MATEP Investment Fund loans, cumulative, disaggregated by gender	Total	Target	15	25	45	45	60
			Actual	15	26	33		
		Female	Target	5	8	15	15	20
			Actual	3	5	10		
9	Number of performing loans in the current loan portfolio - percentage, disaggregated by gender	Total	Target	80%	80%	80%	80%	80%
			Actual	71%	85%	80%		
		Female	Actual	50%	90%	87%		
10	Value of MATEP loans, disaggregated by gender, $'000, cumulative	Total	Target	1,200	2,000	3,000	3,500	3,500
			Actual	1,053	2,592	3,050		
		Female	Target	300	600	900	800	1,100
			Actual	211	486	557		
11	Value of performing loans in the current lending portfolio - percentage, disaggregated by gender	Total	Target	90%	90%	90%	80%	90%
			Actual	89%	90%	81%		
		Female	Actual	90%	96%	93%		
	BDS and HIV/AIDS-related Indicators							
12	Number of clients/entrepreneurs receiving BDS (revised target)		Target	25	55	65	65	65
			Actual	48	73	68		
13	Number of people reached with HIV/AIDS A & B outreach programs (revised target)	Total	Target	30,000	15,000	15,000	25,000	15,000
			Actual		17,179	15,934		
		Female	Actual	30,154	7,539	8,306		
14	Number of people trained for delivery of HIV/AIDS prevention programs (revised target)	Total	Target	70	100	100	1,000	35
			Actual		342	285		
		Female	Actual	132	138	152		
	Training-related indicators							
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	740		
		Female	Target	20	160	160	160	160
			Actual	183	341	343		

MATEP “OP” INDICATORS – FY08

FY 2008					
INDICATORS	**TARGET AND ACTUAL**				
		FY06	**FY07**	**FY08**	**FY09**
Program Area: Trade and Investment					
Program Element 1: Trade and Investment Enabling Environment					
1.1. Number of consultative processes with the private sector	Target		4	4	4
	Actual	3	5	8	
1.2. Number of USG supported training events held that related to improving the trade and investment environment	Target		2	2	2
	Actual	0	2	4	
1.3. Number of participants in trade and investment environment trainings.	Target		40	40	40
	Actual	0	138	75	
	M/F		M:78/F:60	M:56/F:19	
1.4. Number of trade and investment environment diagnostics conducted	Target		6	6	6
	Actual	6	7	13	
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	2
	Actual	3	3	4	
Program Element 2: Trade and Investment Capacity					
2.1. Number of firms receiving capacity building assistance to export	Target		55	65	65
	Actual	48	73	68	
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	3
	Actual	2	3	8	
2.4. Number of firms receiving USG assistance that obtain certification with international quality control, environment and other	Target		1	1	1
	Actual	0	2	2	
2.5. Numbers of participants in USG supported trade and investment capacity building trainings.	Target		50	50	50
	Actual	55	96	230	
	M/F		M:66/F:30	M:124/F:106	
Program Area: Financial Services					
Program Element 3: Financial Services					
3.1. Number of USG supported special funds loans issued this year	Target		10	10	10
	Actual	8	10	6	
3.2. Value of USG supported special funds loans issued (in US dollars) this year	Target		0.8M	1.0M	1.0M
	Actual	0.6M	1.44M	0.5M	

INDICATORS		TARGET AND ACTUAL			
		FY06	FY07	FY08	FY09
Program Area: Agriculture					
Program Element 4: Agricultural Enabling Environment					
4.1. Number of policy reforms analyzed as a result of USG assistance	Target		2	2	2
	Actual	1	4	2	
4.2. Number of policy reforms presented for legislation/decree as a result of USG assistance	Target		2	2	2
	Actual	1	2	1	
4.4. Number of individuals who have received short term agricultural enabling environment training as a result of USG assistance (sex-disaggregated).	Target		40	45	45
	Actual	38	60	62	
	M/F		M:25/F:35	M:29/F:33	
Program Element 5: Agriculture Sector Productivity					
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	10
	Actual	8	14	18	
5.7. Percent change in value of international exports of targeted agricultural commodities as a result of USG assistance	Target		11%	14%	14%
	Actual	0	38%	27%	
5.9. Percent change in value of purchases from smallholders of targeted commodities	Target		15%	15%	15%
	Actual	0	83%	23%	
Program Area: Private Sector Competitiveness					
Program Element 6: Private Sector Productivity					
6.2. Number of public-private dialogue mechanisms utilized as a result of USG assistance	Target		5	5	5
	Actual	0	6	8	
6.4. Number of SME's receiving USG assistance to access bank loans or private equity	Target		6	6	6
	Actual	2	6	11	
6.5. Number of SME's that successfully accessed bank loans or private equity as a result of USG assistance	Target		4	4	4
	Actual	2	5	6	

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

SAVANNA BEEF LIMITED
October 2008

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.

Market Access Trade and Enabling Policy (MATEP) personnel undertook a site visit to a client, Savanna Beef Limited, 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. MATEP was accompanied during the visit by a staff member from the ASNAPP project.

1.2 Background
Savanna Beef is part of the Savanna group of companies which is a growing agribusiness organization established in 2006 to serve the meat industry. It took over the former Chibote Meat Corporation which was an ultra modern abattoir built by a Danish Company called WITCO and was certified for exports into the European Union (EU). The plant was designed to meet the international veterinary standards of most countries. Savanna Beef's primary objective, though it is diversifying into an agribusiness organization, is to serve the meat industry with strict adherence to halaal standards. They serve both the local and international markets with fresh and frozen products.

1.3 Description of Activities
All the products produced are processed at the Savanna Beef complex. The company processes beef, poultry, fish, mushroom and keeps feedlots.

1.3.1 Poultry Operation
The poultry section is a more resent addition to Savanna Beef operations as part of their expansion program. The poultry abattoir produces quite a number of products under the brand name **Chubby Chicks.** These products are; whole dressed chickens, chicken portions and processed products such as chicken mince, Viennas, Hungarians and smoked products.

1.3.2 Fish Operation
In 2007 a hatchery was established for breeding and development of various fish species operated at Savanna Beef farm. The fingerlings from the hatchery are mainly transported to Nega Nega where full growth is attained and the remainder or excess fish is grown at the Savanna Beef dam. A complete technology package and support is offered for businesses or individuals wishing to venture into the fish business.

1.3.3 **Mushroom Operation**

The Savanna group has also included mushrooms to there range of products under the business names Savanna Mushroom. Savanna Mushroom is currently growing two varieties White Button and Oyster mushrooms. Savanna plans to expand this facility by introducing other nutritious but also medicinal varieties like Shiitake.

1.3.4 Feedlot Operation

Savanna Beef took the initiative to set up its own feed lot operation to reduce dependence on outside farmers and maintain a constant supply of beef to the markets. This has been in a bid to cushion effects of the many closures and quarantining of beef from one or more areas due to disease. Animals kept at Savanna Beef include cattle, goats and sheep.

1.3.5 Slaughtering and processing of cattle

The basic slaughtering procedure for beef cattle has become more automated and efficient over the past few decades. Most improvements have occurred in stunning, hide removal, evisceration and splitting techniques. The processing capacity at Savanna Beef abattoir is around 150heads per day as opposed to the current 30heads per day.

Cattle are delivered to the abattoir in trucks and off loaded into holding pens, where they are rested for one or two days before slaughter. Any cattle classed as ‘dirty’ are washed. The cattle are led to the slaughter area where they are stunned using a bolt pistol or electric shock. The moment the trap door opens, an assigned person to slit the throat the Halaal way is ready to perform the act. They are then shackled by a hind leg and hoisted onto an overhead rail or dressing trolley. Bleeding or sticking, then takes place, with the blood collected in a trough for further processing. The bled carcasses are conveyed to the slaughter hall where dressing and evisceration take place. The first stage of this process, dressing, is performed as the carcass hangs from the overhead rail. The head and hoofs are removed, the head is cleaned with water, and the tongue and brain are recovered. Hides are then removed and conveyed to the hide processing area, where they are preserved by salting or chilled on ice. The carcasses are then opened to remove the viscera. The stomach and intestines are emptied of manure and cleaned in preparation for further processing. Edible offal (tongue, lungs, heart and liver) are separated, washed and chilled. The carcasses are then split, rinsed and then conveyed to a cold storage area for rapid chilling. Carcass cutting and boning often take place after chilling, since a carcass is easier to handle and cut when it is chilled. Boning is the term used to describe the process of cutting meat away from the bone.

Recent developments in processing technology have made it possible to undertake boning while the carcass is still warm, eliminating the need to chill the carcass at this stage in the process. This is referred to as ‘hot boning’. Carcasses and viscera are inspected the day of slaughter to determine if they are suitable for human consumption. Each carcass and its components are identified and kept together wherever possible until inspection is complete.
At various stages in the process, inedible by-products such as bone, fat, heads, hair and condemned offal are generated. These materials are sent to a rendering plant on site for rendering into feed materials.

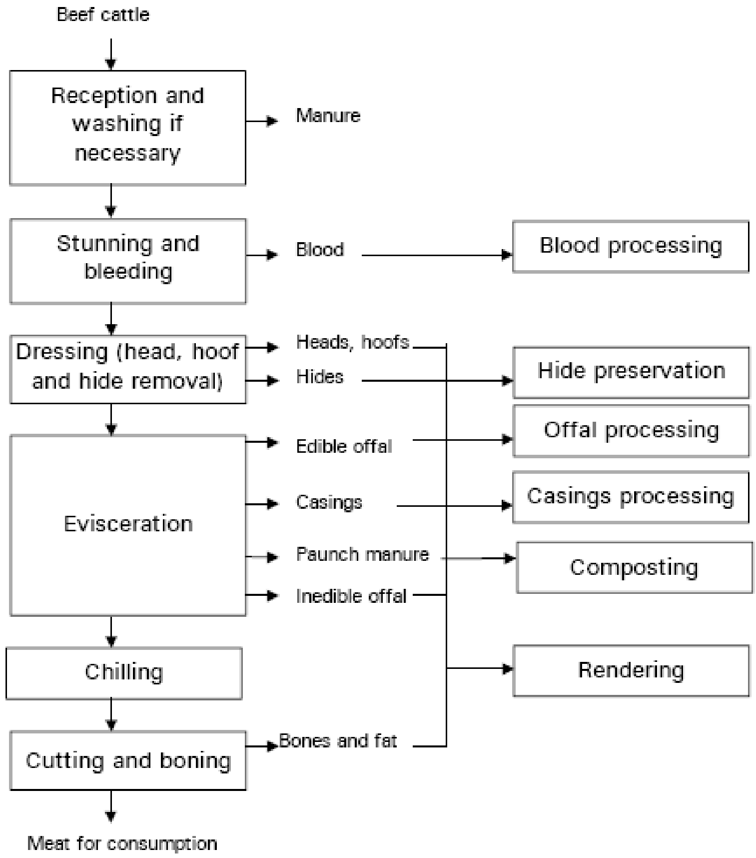


Figure 1: Flow diagram for Slaughtering of cattle.

2. Country and Environmental Information

2.1 Locations Affected

The company is situated about 35 kilometers east of the Lusaka city centre. Savanna Beef Ltd occupies about 550 hectares and all its operations are undertaken on the farm.
The plant construction was designed in such a way that it did not lead to;

a) Any displacement of people or farm plots
b) Affect quantity, quality, reliability and accessibility of water
c) Cause erosion or salinity in nutrient concentrations of the soil
d) Affect populations and habitats of fauna
e) Spread diseases and pathogens on environmental health
f) Affect composition/density of natural vegetation, productivity and key species and
g) 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.
Based upon the plant conducted tour and discussions we had with management of Savanna Beef Limited, three possible sources of potential negative environmental impacts were identified and these were:-

- The Waste Management (Licensing and Transporters of Waste and Waste Disposal Sites) Regulations, Statutory Instrument Number 71 of 1993. In particular the management of solid waste.
- 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

3.1 Waste Management.
Potential negative environmental impacts from solid waste management activities include:-

1. Increase in disease transmission or threaten public health
2. Contaminate ground or surface water
3. Create greenhouse gas emissions and other air pollutants
4. Damage ecosystems
5. Injure people or property
6. Discourage tourism and other businesses

At Savanna Beef Limited, solid waste and by-products are collected and transferred from the slaughtering houses to the Rendering Plant which has a refrigerated container used to store the waste. All the waste and by-products, except the hides, are transformed into stock feed input for the feedlots and fish ponds maintained by the company. Each waste category is handled and processed separately. Qualified government Health Inspectors are responsible for inspecting and grading of the meats before they can be sent for further processing

3.1.1 Rendering Processes

- **Blood Processing –** The blood that is received from the slaughter houses is taken into the Plant and fed into the rendering machinery. The blood is lowered into the dry melter were steam of up to 125°C is blown through to kill most known bacteria and germs. This cooked blood is then put on a cooling platform. Once cool, the blood is packed in bags and stored as blood meal ready for use as an ingredient to stock feed.
- **Bones –** The bones or pieces of carcasses are also fed into the rendering machinery and steam is run through to kill bacteria and also cook the meat. Here the fat is drained (as Tallow used in the manufacture of candles, detergent pastes, lotions, etc). Then the waste is moved to Balancing where it is pumped into settling tanks where the bones and cracklings are removed. Once this is done they are loaded into percolating tanks. When this process is done, they are put in sentrifeed baskets and taken back through the whole process to remove remaining fat and then re-dried. At this stage they are put on a cooling platform for a day and

ground to powder the next day. The fleshy substance that remains is dried into chips or pallets that are used in the manufacture of feed as an ingredient.

- **Feathers –** The feathers undergo a similar process as the one for the blood. The out come is used to provide the necessary fiber in stock feed.
- **Egg shells –** The egg shells also are processed using the same method as the one for the blood and out put used as input to feed production

3.2 The Water Pollution Control

Some of the negative environmental impacts from water pollution are the following:-

a) Debilitating disease and death, loss of drinking water sources and increased costs
b) Native plants and animals harmed and associated land, water and coastal ecosystems degraded
c) Fresh water resources depleted
d) Increased disease transmission from standing and stagnant water.

At Savanna Beef, the abattoir is constantly washed during and after operations to keep the work environment clean. The carcasses are also washed down. The abattoir effluent containing blood, fat, manure, undigested stomach contents and cleaning agents are discharged to sewage treatment plants whose septic tanks and waste water ponds are cordoned off with wire fences some 70 – 100 meters from the rendering plant and abattoir. The plant is serviced by four boreholes that are on the farm grounds east of the abattoir some distance from the ponds and septic tanks that are to the west of the abattoir and rendering plant on west-ward slanted landscape.

3.2.1 Air Pollution

Due to things like fatigue, employee negligence or ignorance, dangerous gases can be released to the atmosphere bypassing the boilers without the knowledge of management. This can be avoided by creating awareness on the part of the employee to make him/her aware of the dangers of such acts. Air emissions attributed to energy consumption, steam which is used for rendering and cleaning operations, is generally produced in on-site boilers. At Savanna Beef, the company uses coal to fire up the boilers and sometimes diesel to run the generators in the event of power outages. The air pollutants generated from combustion include oxides of nitrogen and sulphur. These fumes are channeled through high chimneys while those from the coal are channeled through the boilers first to reduce the level of toxicity due to carbon and other non ozone friendly gases. Later the fumes are released into the atmosphere with pretty much less carbon.

3.3 The Pesticides and Toxic Substances Management

Uncontrolled pesticide use can lead to several unintended and harmful environmental effects. These include:-

a) Contamination of soil and water
b) Contamination of surface and ground water
c) Pesticide drift from intended target
d) Effects on non-target organisms
e) Disruption of natural control
f) Pesticide resistance
g) Externalities, accounting for economic costs of human health and environmental impact.

At Savanna Beef, most operations do not require the use of harmful toxic substances during production. The mushroom operation is handled by qualified personnel that have full knowledge of the dangers of mishandling the seed used to grow the mushroom. Farm workers are taught how to handle chemicals and wear personal protective clothing when spraying. All chemicals used during the cleaning of work spaces, ingredients in the feed and other fumigants are kept under lock and key and only a select few have access to these chemicals. Qualified management officials are the only people with access and should the need for delegation arise, (as explained herein) some junior staff are given training in their handling. The empty chemical containers and expired chemicals are disposed of into deep pits or land fills and burnt. In this way the company has and maintains an environmentally designed pest and disease control system.

4. Recommended threshold decisions and mitigation actions

The only area that could have a negative impact on operations is the limited ventilation in the rendering plant. By virtue of the rendering plant dealing with semi and/or decomposed waste from production and slaughter houses, care should be given in ensuring that face masks, protective clothing and nutritional supplements are provided to people working in the rendering plant. These employees are exposed to dust particles during feed mixing, milling of bones and maize bran. They are also exposed to highly strong smells when feeding whatever waste to be processed at the main hatch at the beginning of the process.

5. Mitigation and Monitoring Guidelines

We recommend the following mitigation and monitoring guidelines:-

- Design sanitary land-fills and ensure appropriate citing for disposal of expired chemicals, spoilt packaging material and empty containers. The Production Manager should monitor this activity.
- Packaging of waste going to rendering plant in containerized bins instead of polypropylene bags. Waste Disposal supervisor should monitor this activity.
- Establish sound health and safety procedures that will assist in implementing safe working conditions and practices in the rendering plant. Rendering Plant Supervisor should oversee this activity.
- Ensure that employees have adequate protective gear. Production Manager should ensure that this activity is accomplished.

6. Conclusion

We take note and commend management efforts to see through the Hazard Analysis of Critical Control Points (HACCP) certification as this will help mitigate some low risk environmental impacts.

Given the findings and mitigations recommended, Savanna Beef Limited operations will not have adverse effects on the environment or ecosystem