



COMPETITIVENESS AND TRADE EXPANSION PROGRAM

QUARTERLY PROGRESS REPORT

OCTOBER 1 – DECEMBER 31, 2009



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Acronyms

ACTESA Africa	Alliance for Commodity Trade in East and Southern
ACTIF	African Cotton Textile Industries Federation
AfDB	African Development Bank
AGCI	African Growth and Competitiveness Initiative
AGOA	African Growth and Opportunity Act
ASEAN	Association of Southeast Asian Nations
B2B	Business to Business
BDS	Business Development Service
CAADP	Comprehensive African Agricultural Development Program
CET	Common External Tariff
CMA	Customs Management Act
CMMI	Capability, Maturity, Model Integration
COMESA	Common Market of East and Southern Africa
COMPETE	Competitiveness and Trade Expansion Program
COP	Chief of Party
CQI	Coffee Quality Institute
CRS	Catholic Relief Services
DCA	Development Credit Authority
DFID	U.K. Department for International Development
EAC	East African Community
EAFCA	East African Fine Coffee Association
EAGC	East Africa Grain Council
EC	European Commission
ECA	East and Central Africa
EPA	Economic Partnership Agreement
EU	European Union
FAO	Food and Agriculture Organization
FBO	Farm Based Organization
FEMCOM	COMESA Federation of Women in Business
FSD	Financial Sector Deepening Trust, Kenya
GSFR	Global Food Security Response
HCA	Horticultural Council of Africa
IBM	Integrated Border Management
IFC	International Finance Corporation
ITC	International Trade Centre
ITCM	Integrated Transit Corridor Management
JICA	Japan International Cooperation Agency
KRA	Kenya Revenue Authority
KSA	Knowledge Sharing and Skills Analysis
LEAD	Livelihoods and Enterprises for Agricultural Development, USAID/Uganda
NCPB	National Cereals and Produce Board of Kenya
OSBP	One Stop Border Post
P4P	Purchase for Progress
PMP	Project Management Plan
RADDex	Revenue Authorities Digital Data Exchange

RATES	Regional Agriculture Trade Expansion Program
RATIN	Regional Agriculture, Trade, Information Network
RCMRD	Regional Center for Mapping and Resources Development
RCTG	Regional Customs Transit Guarantee
RECs	Regional Economic Communities
RRA	Rwanda Revenue Authority
RTA	Regional Trade Association
RUDI	Rural Urban Development Initiative
SC	Specialty Coffee
SCAA	Specialty Coffee Association of America
SCAE	Specialty Coffee Association of Europe
SF	Staple Foods
SME	Small and Medium Enterprise
STR	Simplified Trade Regime
STS	Structured Trading System
TFI	Transit Facilitation Instrument
TRA	Tanzania Revenue Authority
UNCTAD	UN Conference on Trade and Development
URA	Uganda Revenue Authority
USAID	United States Agency for International Development
WBC	World Barista Championship
WCO	World Customs Organization
WFP	World Food Programme
WRS	Warehouse Receipts System
WTO	World Trade Organization

A. QUARTERLY HIGHLIGHTS

As COMPETE enters its second year, the project continues to build on the momentum of activities initiated in Year 1. Highlights from Q 1 include:

Transit and Trade Efficiency on Select Transport Corridors Improved

- **Harmonization of Axle Load Limits.** In 2009 the Government of Kenya banned all trucks with four-axle loads from using Kenyan roads in order to protect the country's road network. Kenya is the only country in the five-member East African Community that has not implemented axle-load limits. Uganda, Rwanda and Burundi have harmonized axle-load rules in line with those of COMESA, while Tanzania has harmonized its axle-load limits with the Southern Africa Development Community countries. As a result of COMPETE intervention through the Ministerial Forum on Northern Corridor Transport and Trade Facilitation, Kenyan officials have agreed to review this ban.
- **Harmonization of Gross Vehicle Mass Limits.** COMPETE, working with working with key private sector transit players, facilitated agreement with the government of Kenya to adopt to the EAC/COMESA maximum truck payload limit of 56 tons Gross Vehicle Mass (GVM) from the unilateral limit imposed by Kenya of 43 tons. This change will bring uniformity across the EAC region, and free up trucking capacity that was locked up as a result of this restriction by Kenya.
- **Donor Transit Coordination.** Three transit studies that are underway - the Corridor Diagnostic Study, the Northern Corridor Infrastructure Mast Plan study and the Comparative Transport Cost Study along the Northern Corridor Region will identify the regional infrastructure priorities and related costs. COMPETE is hosting the team that is conducting the Corridor Diagnostic Study and in October facilitated a Transit Donor Coordination meeting with development partners DFID, JICA, AfDB, and others.
- **Strengthening Associations in the Transit Value Chain.** COMPETE has engaged with existing transit associations with an aim to strengthening the voice of private sector on the advocacy front and towards possible regionalization of Private Sector Advocacy. Key transit institutions have been identified and preliminary assessment of their strengths and weaknesses undertaken. The associations include the Federation of East African Freight Forwarders Associations (FEAFFA), the Kenya Shipper's Council and the Kenya Transport Association (KTA) which represent the majority of private sector operators involved in the East African transit sector.

Access to Trade and Investment Finance Improved

- **Regional Finance Assessment.** The COMPETE Finance Team submitted its report on Identifying a Value-added niche for COMPETE in Finance which provides an assessment of the regional finance sector. The report identified the need to reduce risk "perceptions" of finance service providers regarding advancing funds (both debt and equity) to COMPETE regional value chains, the

agricultural and agro allied sector in general as well as investing in East African infrastructure. Based on this analysis, the finance component developed a strategy and suggested interventions for the remainder of the COMPETE program.

- **Agreement with Kenya School of Monetary Studies.** COMPETE facilitated an agreement with Kenya School of Monetary Studies to prepare for the Feb 17th 2010 Top Level Interactive Forum – “Growing Agriculture Through Finance”. This will be the first of five such programs in East Africa.
- **Foundations for Mobile Banking.** The COMPETE commenced work on harmonization of banking regulations and legislation to enable the growth and development of the mobile money transfer and branchless banking which will greatly facilitate access to finance to rural areas of ECA.

Regional Trade Policies Strengthened and Integrated

- **EAC Moves towards a Fully Fledged Customs Union.** The EAC Secretariat with assistance from COMPETE and the African Development Bank (AfDB) developed standard simplified operation customs procedures to reduce the cost of compliance. COMPETE published a guide for private sector and policy makers on the advantages and opportunities available under the customs union. EAC is aiming to have the customs union functional by Jan 1, 2010.
- **Harmonized Standards for Staples other than Maize.** COMPETE has prepared harmonized standards for **rice and wheat** for review by COMESA and EAC.

Regional Supply/Value Chains, Industry Linkages and Financial Resources Enhanced

- COMPETE is supporting the regional coffee industry to develop a **regional competitiveness strategy** with an aim of exploiting new and existing specialty markets. COMPETE is focusing on reducing transit and transportation costs, a major constraint to increasing the competitiveness of the coffee value chain.
- **EAFCA Takes Lead in Coffee Quality Training.** With COMPETE support, EAFCA has launched its Coffee Training Institute by conducting two Price Risk Management trainings in October. The program, developed by the Commodity Risk Management Group of the World Bank, trains small and medium coffee traders and cooperatives in identifying risks in the coffee supply chain and to improve risk management of their businesses. With this increased knowledge, coffee traders will be able to minimize price losses and compete favorably with other international traders
- **Ethiopian Commodity Exchange.** COMPETE through the Coffee Quality Institute and through its support to EAFCA provided guidance to the Ethiopian Commodity Exchange to change their policy on trading coffee that prevented international buyers from sourcing Ethiopian specialty coffee on the exchange.

- **Harmonized COMESA Common External Tariff.** ACTIF with COMPETE's support was instrumental in developing a COMESA Common External Tariff which harmonizes the tariffs for inputs to the textile and apparel industries. ACTIF has also developed CET positions for EAC and SADC in anticipation of future harmonized standards under the Tripartite Framework.
- **ACTIF Brings Cotton Value Chain Leaders Together.** Leaders in the African cotton/textile/apparel industry came together in Addis Ababa, Ethiopia in November for a two day workshop designed to maximize opportunities for trade within and outside the East Africa region.
- **WRAP Certification for African Apparel Firms.** With COMPETE's support three Ethiopian firms have earned Worldwide Responsible Apparel Production (WRAP) Certification. WRAP is an independent body that monitors and certifies apparel manufacturers' facilities compliance with lawful, humane and ethical manufacturing standards throughout the world.
- **3rd African Grain Summit.** COMPETE supported the Eastern Africa Grain Council in organizing the 3rd African Grain Summit in November '09, with over 200 millers, processors, traders, and producers attending. The aim of the Grain Summit is to promote a regional network of stakeholders who can advocate for a more structured and free trading system in the region.
- **Smallholder Access to Markets.** COMPETE grantee; Cereal Growers Association facilitated purchase of surplus staple foods from smallholder farmers in the Trans Mara region. World Food Programme's P4P program purchased 12,950 bags of grain with sales of approximately **\$400,000**.
- **Warehouse Receipts Systems.** COMPETE has worked with the Government of Kenya (NPCB) to expand warehouse receipts/structured trading systems as well as developing a commodities exchange, leveraging off the work already done by USAID and others in the region. Agreement was reached on the establishment of a regional commodities exchange association. **An Introduction to Warehouse Receipts training was conducted on November 24th with 35 participants from the NPCB.**
- **Training on Maize Standards.** COMPETE through its support of EAGC prepared a trader's handbook and trainer's manual on EAC maize standards. The main target groups for this awareness campaign are the Warehouse Receipt Clusters, groups of 500 smallholder farmers, an initiative which is being championed by the EAGC.
- **Potential Market for Fortified, Therapeutic Foods.** COMPETE assessed the processed foods sector to identify firms that have the capacity to produce nutritious, high value, and therapeutic foods, building a regional value chain to supply demand from emergency relief programs.

Increased Trade and Investment between the U.S. and East and Central Africa East and Central African Trade Hub

- **Trade Hub Generates Exports of \$11 million in 7 months.** As a result of deals emanating from the SuperFloral and MAGIC trade shows, the ECA trade hub generated business deals upwards of \$11 million. Flower exports topped the \$1 million mark by the end of December. In a landmark long-term apparel deal, two U.S. Firms, Atlas Manufacturing Group and Pinnacle Textiles signed agreements with Ethiopian firm Almeda Textiles in November for \$7 million of kitchen wear and \$3 million of T-shirts and other garments.
- **Specialty Foods Potential in East Africa.** COMPETE/ECA Hub undertook an assessment of the specialty foods sectors in Kenya and Ethiopia. Several export-ready firms were identified in Kenya and Ethiopia for further, more intensive COMPETE interventions - particularly in the area of product development and packaging - to prepare them for participation in next year's Fancy Foods Show in New York. Among the promising companies were Farmer's Choice (processed meats), Ten Senses (macadamia nuts), and Tropical Heat (spices).
- **Home Decor and Handicrafts.** As a lead up to exhibiting at the New York International Gift Fair in February 2010, COMPETE provided technical assistance to select home decor and handicrafts companies in Uganda, Tanzania, Kenya and Ethiopia

Partnership Fund

COMPETE's Partnership Fund has awarded **\$2.3 million in grants during this reporting period.** In addition to supporting regional trade associations working in specialty coffee (EAFCA), cotton/textiles/apparel (ACTIF), and staple foods (EAGC), COMPETE has an expanded mandate to work in the areas of transit and smallholder farmer access to markets. New Partnership Fund grantees are:

- **Farm Concern International (FCI).** COMPETE awarded a grant to Farm Concern International which will focus on improved storage facilities at their Commercial Villages in Eastern Kenya and Western Uganda and training farmers on EAC Maize Standards. FCI interventions will target 15,000 smallholder farmers. [**\$320,000 grant over 2 years**]
- **Cereal Growers Association (CGA).** A grant to Cereal Growers Association will establish a system of food storage facilities at the village level which will serve as model centers for grain bulking, quality control, and has hubs for market information in the Trans Mara district in the South Rift Valley region of Kenya and in the Arusha Region in Tanzania. CGA's activities under this partnership grant will assist 30,000 smallholder farmers. [**\$248,000 for 1 year**]
- **Insta Products.** COMPETE's Partnership Fund awarded a grant to Insta Products which will allow this firm to increase Ready to Use Therapeutic Foods (RUTF) capacity for its fortified peanut paste (Plumpy Nut) product. Insta will work backwards down the supply chain, and assist FBO's involved in supplying their

raw materials, particularly groundnuts and soya, to obtain supply contracts.
[\$242,000 for 1 year]

- **Cotton Conservation Initiative.** COMPETE is providing a grant for this innovative project which is contributing to the economic development and IDP resettlement of Northern Uganda in the Gulu and Amuru districts by providing a financially viable and marketing alternative through growing organic cotton. The project will increase smallholder access to commercial markets and will be a catalyst for economic growth, both locally and nationally by revitalizing the organic cotton supply chain, increasing farmer revenues and the manufacturing and sale of Uganda organic cotton internationally. Through the strategic partnership with Edun (a company started by U2's Bono and his wife Ali Hewson), the project will access targeted socially conscious consumer markets, as well as a larger share of the value chain via sponsorships by retailers, based on sales volumes, who appreciate the traceability and clear social attributes of the product they buy. An added benefit is the reactivation of the farmer primary cooperative societies and their renewed involvement in the marketing and sale of cotton with a resulting increased "farm gate price" due to elimination of middlemen. The project will work with upwards of 8,000 farmers.

[\$593,680 for 2 years]

- **Sustainable Harvest.** The Partnership Fund grant to Sustainable Harvest Origin/Africa which will be used to implement its iPhone based Relationship Information Tracking System database with Kilicafe, an East African cooperative, at a dry mill. By tracking key data starting at the individual farms and all the way through to the centralized dry mill, Kilicafe will have the tools needed to bulk their highest quality coffee together for a high-premium sale.

[\$468,000 for 2 years]

- **Rural Urban Development Initiative.** COMPETE's Partnership Fund is providing support to RUDI to work with farmers to bulk, store and mill rice in Tanzania's Kilombero, Iringa and Handeni districts. Milling the rice will triple the value and will contribute to better returns for farmers; initially this grant is expected to help over 3200 farmers.

[\$446,800 for 2 years]

- **In December 2009, an additional three Partnership Grants were approved for activities in the transit sector.** The three associations – the Federation of East African Freight Forwarders Associations (FEAFFA), the Kenya Shipper's Council (KSC, and soon to be rechartered as the East African Shippers' Council) and the Kenya Transport Association (KTA) represent the majority of private sector operators involved in the East African transit sector.

B. PROJECT INTERMEDIATE RESULTS

B.1 PIR 1: Reduced Barriers to Trade and Investment

KRA 1.1 Transit and Trade Efficiency on Select Transport Corridors Improved

Support to the Northern Corridor

COMPETE provided technical input to the 32nd Session of the Executive Board and the 21st Meeting of the Council of Ministers held in Kigali, Rwanda on December 14-16 and December 17-18 respectively. These were high-level policy meetings attended by Ministers of transport from the Northern Corridor Agreement signatory countries of Kenya, Uganda, Rwanda, Burundi and Democratic Republic of Congo (DRC). COMPETE's input was in two critical areas:

- The review of the mandate and functions of the Northern Corridor through the proposed amendment to the Northern Corridor Transit Agreement (NCTA)
- Operationalizing the recommendations of the Northern Corridor Ministerial meeting held in Mombasa in early October 2009 as a blue-print to improving the operational efficiency of the Corridor

“I am glad to say that this Conference has been a great success. There is a major mind-shift in the region where high-level policy makers can accept responsibility and commit to act on issues that affect our regional competitiveness.”

**Hon. Ali Makwere,
Kenya, Minister of
Transport,**

Revision of Northern Corridor Agreement

The Northern Corridor Transit Agreement (NCTA) provides the basic framework for cooperation among the contracting states in the facilitation of trade and traffic between their respective territories and to and from the sea through the port of Mombasa. The NCTA also provides for cooperation in joint development and maintenance of transport infrastructure and facilities along the Corridor. It also provides for cooperation in customs control, documentation and procedures, as well as regulation of all surface transport modes.

The NCTA is currently under review, the aim being to extend the mandate of the TTCA-NC Secretariat from that of primarily tackling transport and logistics issues affecting the efficient performance of the Northern Corridor, to a broader role as a Development Corridor which entails among other functions, investment mobilisation, infrastructure development and related activities.

High-Level Buy-in into Improving the Operational Efficiency of the Northern Corridor

In October 2009, COMPETE supported the East Africa Business Council (EABC), Kenya Ports Authority (KPA) and the Northern Corridor Secretariat in convening a high-level Ministerial Forum which brought together senior public sector officials and private sector champions to commit to accelerating implementation of key reforms to

improve efficiency on the Northern Corridor. COMPETE sponsorship enabled the participation of key private sector stakeholders to this high-level Forum.

As a result of COMPETE support, the Ministerial Forum identified a number of interventions for accelerated intervention to improve efficiency on the Northern Corridor.



Provide Technical Assistance Support for the Implementation of Priority Transit and Trade Facilitation Instruments (TFFIs) for Regional Impact

During this quarter, COMPETE has been successful in laying the foundations to set up Technical Working Groups made up of relevant public and private sector players to address issues in clusters so as to define practical solutions on the ground. This “Public-Private Partnership Model” has worked very well on corridors in Southern Africa and COMPETE seeks to replicate this on the Northern and Central Corridors to bring together key players to address transit and logistical constraints. In this regard, COMPETE will support the creation of two Technical Working Groups intended to:

- Accelerate the implementation of TFFIS through the creation of a “***Technical Working Group on Accelerated Implementation of Trade and Transit Facilitation Instruments***” comprising, EAC, COMESA, TTCA-NC and TTFA-CC (Central Corridor) and relevant private sector players to provide oversight so that although the process will be driven and managed by COMPETE, it will be owned by stakeholders from the region. Discussions were held with Philip Wambugu, Director of Infrastructure at the EAC Secretariat and Gilbert Maeti, Senior Transport Expert at the COMESA Secretariat and there was general consensus and buy-in into the COMPETE approach.
- Address and reduce the high cost of shipping, maritime and port charges through the creation of a “***Technical Working Group on Shipping, Maritime and Port Charges***” for the Northern and Central Corridors to address issues surrounding shipping, maritime and port charges on a more concerted and systematic basis comprising the Intergovernmental Standing Committee on Shipping (ISCOS), and the maritime regulatory authorities, Kenya Maritime Association (KMA) and the Surface and Marine Transport Regulatory Authority of Tanzania (SUMATRA), the ports-Kenya Ports Authority and Tanzanian Ports Authority (THA) and relevant private sector players. COMPETE has obtained buy-in from ISCOS which is coordinating this effort and will be working with ISCOS and other players to define a priority action plan to address the issue of high maritime charges.

Shipping, Maritime and Port Charges

The starting point of the work of this Technical Working Group will be the recommendations of the Northern Corridor Ministerial meeting on reducing the cost of doing business, which identified specific shipping, maritime and port charges that needed to be reduced and eliminated altogether. COMPETE will be working with the

proposed Working Group to implement the Ministers' decision with the involvement of key stakeholders.

Regional Agreement on Harmonized Overload Control Regulations

As part of the process of keeping abreast with regional developments and building



regional consensus on TTFIs, COMPETE participated in the 3rd Joint Meeting of the COMESA Ministers of Transport, Communications, Information Technology and Energy held in Djibouti City, Djibouti on October 25-29, 2009. The meeting noted challenges by member States largely related to capacity limitations in implementing agreed trade and transit

facilitation instruments (TTFIs). Priority has been given to fast-tracking the implementation of the following TTFIs which validates COMPETE's initial selection of these instruments:

- COMESA Carrier Licence
- COMESA Transit Plates
- Axle Load Limits
- Vehicle Overload Control
- Harmonized Road User Charges
- Guidelines on Vehicle Overload Control

EAC, COMESA and SADC have agreed to the following TTFIs with respect to overload control:

- Legislation and Regulations
- Weighbridge Infrastructure and Equipment
- Enforcement and Weighbridge Operations
- The meeting also agreed on a common Bridge Formula with a mass tolerance of 5% per axle.
- Axle weight limits resulting in Permissible Maximum Combination Mass of 56,000 kg (56 tons)

These new regulations mean that countries like Kenya which had been enforcing a lower Combination Mass of 43,000 kg (43 tons) must now move to the new threshold of 56,000 kg (56 tons). As part of this process, COMPETE participated in the stakeholder meeting convened by the newly established Kenya National Highway Authority (KNHA) in November 2009, to address the issues of Kenya conforming to these new guidelines. COMPETE will be working to support Kenya and other EAC countries with this process.

Strengthen the Capacity of Regional Associations Involved in Transit Value Chain

During the quarter, COMPETE convened two Strategic Planning Retreats for two of the private sector Associations, the Kenya Shipper's Council (KSC) and the Kenya

Transport Association (KTA). The Retreats involved focused meetings for the Boards of the Associations to build consensus on vision, direction, challenges, opportunities, strategies and to help re-orient and position the associations to be more effective in achieving their goals especially service delivery to their members as well as positioning them as champions for advocacy to promote policy change.

Before COMPETE intervention, both associations lacked clear objectives, missions and even a strategic approach to defining their respective roles and mandates. As a result, the operational modalities tended to be reactive and unfocused. The strategic retreats helped KSC and KTA to define strategic frameworks which will provide a basis for developing fully fledged strategic plans and subsequently, business plans. The associations were also introduced to COMPETE's Capability Maturity Model (CMM) as well as competitiveness strategies as a basis for enhancing both their competitiveness and sustainability.

Re-defining the Role and Mandate of the Kenya Shipper's Council as the Voice of Cargo Owners

The Kenya Shippers' Council is the umbrella body representing cargo owners in Kenya. It was formed to advocate for a reliable logistics environment for better trade competitiveness. The KSC provides a platform to convey shippers' concerns and demands to service providers and government institutions. It provides a cross-sectoral forum for discussions with a wide variety of logistics and service providers. The KSC, as a private sector body, focuses exclusively on transport issues for the benefit of the Kenyan economy and that of the Northern Corridor countries.



As a result of COMPETE support KSC was able to make a major transformation from viewing itself merely as the voice of cargo owners in Kenya to re-positioning itself as the nucleus of a major larger Shipper's Council of East Africa, representing the interests not just of Kenya but of cargo owners in other East African countries including the Democratic Republic of Congo (DRC) and Southern Sudan. In addition, the KSC defined a new strategic and results framework and was better able to determine what its core business is and how it can be better positioned to play a stronger advocacy role to influence Governments to change unfavourable policies and practices that are hurting shippers and business in the region as well as to provide value-added services to its members.

The KSC also agreed to benchmark itself against other more developed shipper's councils such as those in South Africa and Europe. It is evident that COMPETE intervention has helped to reposition KSC from an inward looking organization whose focus and operational modalities were not clear, to a more outward looking organization

Strengthening the Advocacy Role of the Kenya Transporters Association

The Kenya Transport Association (KTA) was formed in 1982 taking over from its predecessor KARTA which had been formed in 1969. KTA is an association of road transporters and is registered under the Societies Act under Kenyan law. The objective of this organization is to give transporters a forum within which they can air their grievances to various ministries within the Kenya Government.

KTA seeks to instill safety, discipline and professionalism in trucking and to provide a single, authoritative voice on issues of importance regarding road transport. KTA brings together transporters with varied backgrounds to continuously assist them meet their needs. It has a membership of over 200 transport companies owning in excess of over 24,000 trucks representing 30% of the truckers in Kenya and employs in excess of 40,000 people directly.

COMPETE supported a Strategic Planning Retreat for the KTA Board. From this situational analysis and the development of new themes and pillars, key strategic priorities were developed that will allow KTA to develop its programs with an eye towards addressing each of these priorities. The Retreat resulted in development of a Strategic Framework for KTA for the period 2010-2012 as a basis for developing a fully-fledged Strategic Plan. The Board of KTA also reviewed the vision and mission and agreed that the Association be guided by a new vision and mission. KTA's vision is "to have a safe, reliable, efficient, professional, environmentally friendly road freight industry, while KTA's mission is to represent, advise and support road transporters.

COMPETE's support will enable KTA to play a more direct and pro-active role in lobbying Governments across the region to implement the following specific TTFIs because truckers are impacted directly by lack of harmonization across the region of these instruments. It will also enable KTA working with similar Truckers Associations in other EAC countries, to work with Governments of the region to build a viable and competitive trucking industry in East Africa: Carriers Licence and Transit Plates; Axle Load Limits, Vehicle Dimensions and Weighbridge Management; Harmonized Road User Charges; Regional Cargo Tracking Systems; and Customs Bond System for Goods in Transit

Promoting Linkages with Other Trade Associations in Southern and West Africa

As part of the process of promoting linkages across trade Associations in order to create networks, share experiences and learn from each other's best practices, COMPETE made contacts with both Southern and West Africa during the quarter.

COMPETE participated in and facilitated the participation of the KSC through its Executive Director, Gilbert Lang'at to the African Ports and Logistics and Supply Chain Conference held in Accra, Ghana in November 2009. This visit enabled KSC to interact with among others, the Ghana Shipper's Council and to learn from the West African experience in terms of the challenges and successes in advocacy to improve overall transit logistics and enhance competitiveness.

COMPETE participated in the first ever African Transport Summit and Exhibition under the New Partnerships for Africa's Development (NEPAD) held in Midrand, South Africa in November 2009. In addition, the COMPETE Transit Team held a

one-day Work Planning Meeting on Trade and Transit Facilitation with the Southern African Trade Hub also in Midrand, South Africa. The outcome of both meetings were positive in terms of learning lessons and best practices that would be of value to the private sector and Associations in East Africa.

Undertake Training to Build Awareness of Regional Associations in the Transit Value Chain on Trade Facilitation Issues and International Conventions

COMPETE started the process of undertaking a Training Needs Assessment and Roll-out Plan with a focus on KTA and FEAFFA as initial target groups before broadening of the training activities to other Associations and institutions. The aim is to develop training curricula and methodology that are standardized across the region. A related aspect will be to promote the “Training of Trainers” so as to build capacity in the region to carry out training on a sustainable basis.

Promote Customs Best Practices in EAC and COMESA

A number of achievements were realized during the quarter, the most significant being the Planning meeting held between COMPETE and EAC Customs Administrations to define and prioritize areas of collaboration.

COMPETE/EAC Customs Planning Meeting

The meeting held in Arusha, Tanzania at the end of October 2009, was convened as a follow up to the EAC/COMPETE planning meeting of July 21st 2009 which recommended that follow up meetings on specific areas of COMPETE/EAC collaboration be held to develop joint work plans. Customs is among the area which



was identified for such collaboration. The meeting was attended by the Commissioners of Customs, Senior Officials from Customs Department from Burundi, Kenya, Rwanda and Uganda, COMPETE team and officials from the EAC Directorate of Customs.

The objective of the meeting was to identify key activities which COMPETE could provide support towards implementation of the EAC Customs program. The meeting agreed and identified common areas of collaboration as follows:

- RADDex – Development of RADDex as a regional platform and establishment of an ICT Customs Working Group to drive the process of implementation of RADDex across EAC.
- Review of CET and Institutional Framework - Comprehensive review of the Common External Tariff (CET) as required in the protocol; Review of legal and institutional framework to enforce customs Law and manage free movement of goods.
- Short-term technical assistance support to strengthen the capacity of the EAC Customs Department in such areas as Rules of Origin.
- Development of an EAC Customs Training Curriculum.

- Facilitation of EAC Customs Experts meeting(s) to backstop development the EAC Customs procedures.
- Customs Valuation - Support to address challenges in the implementation of the WTO CVA as per the action plan.
- Customs Post Importation Audit - Support towards strengthening of legal framework for post importation audit.
- KYOTO Convention and Harmonized Commodity Coding Convention - Directorate of Customs to assess the state and challenges of EAC Partner States Accession to the revised Kyoto Convention- Support specific tasks towards EAC Customs Union accession to the revised Kyoto Convention - Support implementation of the provisions of the revised Kyoto Convention.
- Regional Trade Facilitation Instruments - Regional Customs Bond - Cargo tracking - One Stop Border Post - Customs Internet Connectivity – RADDEX.

One Stop Border Posts and Integrated Border Management (IBM)

The development of OSBP requires the following among others, availability of adequate physical infrastructure, enactment of enabling legislation to foster customs cooperation across borders, conclusion of Memorandum of Understanding (MOUs) across border control agencies so as to delegate authority to a single lead agency in line with the Single Window Concept and customs automation to enable advance exchange of information across customs administrations.

This is an area where a number of donors are involved and in which COMPETE has had to collaborate with other donors notably, the World Bank, JICA and DFID. The World Bank has been involved at two levels, in seeking to fund physical infrastructure and in procuring IT equipment for Customs Departments in EAC as well as in carrying out “Border Audits”. JICA has been involved in customs training as well as in defining the legal framework to support the operation of OSBP.

Customs Valuation Handbook

COMPETE has supported the EAC Customs Administrations through the EAC Secretariat, to develop a Customs Valuation Handbook based on international best practice. This Handbook on the GATT Valuation Agreement (hereinafter “the Agreement”) is designed to assist the Customs officials of the East African Community (EAC) with the valuation of imported goods at the land borders, seaports, airports, and inland customs terminals and other facilities. It may be used as a practical guide by customs officials when valuing goods or as the basis for further training to be conducted by customs staff.

The determination of a common customs valuation methodology becomes even more critical as EAC countries move towards a Customs Union on 1st January 2010 and subsequently, the Common Market on 1st July 2010 as this will provide a uniform and harmonized basis for customs valuation throughout the EAC Territory. This Handbook will assist the EAC Customs Administrations to come to mutual agreement in their operations with respect to valuation and in the process, contribute to evolving a more transparent and improved quality and level of service.

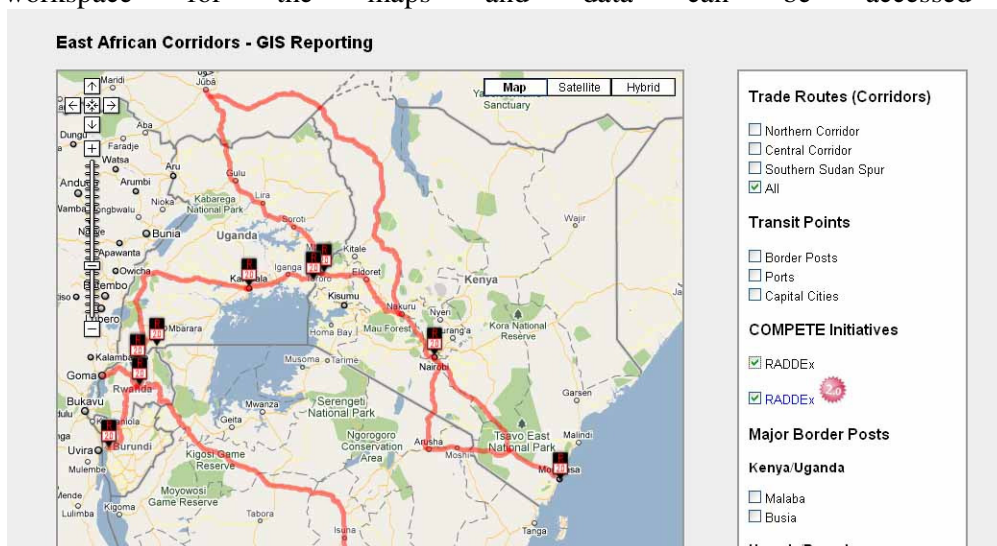
Promote Regional Customs Automation and Connectivity

RADDex has been integrated into the operations of Customs Administrations of Kenya, Uganda and Rwanda and is being extended to Tanzania, Burundi and DRC. EAC Customs Administrations have prioritized the development of RADDex II as an integrated regional platform. COMPETE is working to establish a Customs and Customs ICT task force made up of delegates of the EAC partner states. This task force will guide the overall initiative as well as keep the regional and national institutions informed.

COMPETE has continued to provide support to customs administrations to extend RADDex connectivity to a number of additional borders including Songwe (Malawi/Tanzania Border) and Mutukula (Tanzania/Uganda Border). In order to ensure development of requisite skills to support and sustain RADDex, COMPETE continues to provide training to Customs officials. In this regard, two training sessions were held in Blantyre, Malawi in October 2009 and in Dar-es-Salaam, Tanzania in December 2009.

Set Up a Transit Data Resource Website and Library

COMPETE has created a prototype of the GIS mapping system for the transit data resource website and online library, www.eastafrican corridors.org. Currently the workspace for the maps and data can be accessed at



www.competeafrica.org/eastafrican corridors. Refinements and updates to the transit data will continue through Q2.

Provide Innovative Financing Solutions for the Transit Value Chain

Discussions were held with EAC and COMESA on collaboration in carrying out trucking study. COMESA reported that they are in consultations with South Africa's CSIR (Center for Scientific and Industrial Research) to carry out study. COMPETE will seek to collaborate with COMESA in carrying out study with the involvement of industry Associations, notably, KTA, FESARTA and other Transporters Associations in East Africa. In addition, the COMPETE Finance Team participated in Public-Private Infrastructure Finance meeting held in Tunis under the auspices of the African Development Bank (AfDB) and a basis of fostering linkages with other players involved in infrastructure finance in Africa.

Prepare for a “Go To” Transit Value Chain Event

COMPETE has held initial discussions with the KSC Board to organize an East African transit event which will target key stakeholders in infrastructure, logistics, technology and others such as vehicle/equipment manufacturers, spare parts suppliers, oil companies, logistics technology companies, information system companies, cargo brokers, importers and exporters and others. COMPETE participated in two events during the quarter which provided valuable insights on the possible, structure, organization and content of the transit value chain event. One was the NEPAD Transport Summit and Exhibition held in Midrand, South Africa in November 2009 under the auspices of the New Partnership for Africa’s Development (NEPAD) and the other was the African Ports Logistics and Supply Chain Conference held in Accra, Ghana also in November 2009.

Promote Linkages and Synergies with Other Programs and Donors

COMPETE hosted the transit donor coordination meeting held at the COMPETE offices on October 16, 2009. The meeting brought together funding and coordinating agencies and implementers of a range of diagnostic and infrastructure studies along



the Northern and Central Corridors in East Africa. The objective was to develop a common set of goals, approaches and shared work plan for implementation to reduce the possibility of duplication and ensure the best possible use of resources to optimize returns and impact. A secondary objective was to define the framework for follow-on meetings including the inception planning meeting to launch the Transit Coordination Group (TCG) which was discussed at the first Transit Donor Coordination meeting held at Intercontinental Hotel in Nairobi in March 2009.

Input to Corridor Diagnostic Study and other transit studies. The COMPETE Transit Team continued to provide input and support to the Corridor Diagnostic Study (CDS) and the Nathan Associates team including sharing of technical reports. In terms of coordination with other studies being carried out by other donors, the Donor Coordination meeting held in October 2009 to coordinate the various studies agreed to synchronize work plans, to convene a joint inception report meeting, to coordinate stake holder consultations and wherever possible share information so as not to duplicate effort.

Positive interface maintained with other donors/programs. COMPETE has maintained positive interface with other donors and regional agencies notably, EAC Secretariat; COMESA Secretariat; NEPAD: USAID/EA; DFID; JICA; AfDB; TTCA-NC; World Bank/FIAS; Development of Southern Africa (DBSA), European Union (EU) as well as Consultants carrying out various studies in the region, specifically, Nathan Associates Inc and Louis Berger Inc. This regular contact and interaction has helped to foster coordination and promote synergies with other donors. The NEPAD

Transport Summit was part of NEPAD's strategy to deepen regional integration, trade and development by utilizing the Continents' transport infrastructure networks, showcasing best practices and providing a platform for sharing technologies and information generally. A positive outcome was discussion with the NEPAD Secretariat on the possibility of joint hosting of Corridor Strategy Forum with SA Trade Hub to formulate common approaches to the management, performance tracking and development of common standards for Corridors and to promote synergies between East African and Southern African Corridors and DBSA on possibility of joint hosting of Strategy Forum for Cross-border Infrastructure Finance.

COMPETE participated in the Annual meeting of the Joint meeting of COMESA Ministers of Transport, Communications, Information Technology and Energy preceded by the Committee of Officials held in Djibouti in October 2009 which was critical in developing a better appreciation of the challenges facing the region in the implementation of Trade and Transit Facilitation Instruments (TTFIs).

Foster linkages with the West Africa Hub; Southern African Hub; USAID Bilateral Missions and other USG Agencies as appropriate. During the COMESA Ministers of Infrastructure meetings in Djibouti contact was made with James C. Swan, U.S. Ambassador to Djibouti as well as Stephanie Funk, USAID/Djibouti, thus extending COMPETE reach to the Horn of Africa.

COMPETE convened a Joint Work Planning Meeting with the Southern African Trade Hub on Transit and Trade Facilitation in Midrand, South Africa in November 2009. The meeting achieved the objectives of sharing experiences between the SA Trade Hub and COMPETE on trade, transit and infrastructure interventions so as to foster linkages and synergies across the two programs; learning from each other's experiences and add value to each other's efforts through information sharing and joint working as feasible; identifying common areas of joint collaboration including common approaches in dealing with stakeholders; exchange information on methodologies such as performance monitoring and reporting, tracking and reporting on corridor operations and development of appropriate indicators as well as joint programming of some activities, information sharing and common approaches and methodologies in design and roll-out of activities. The COMPETE Transit Team also travelled to Accra, Ghana and held consultations with the West Africa Trade Hub.

KRA 1.2: Access to Trade and Investment Finance Improved

Limited access to finance has been cited as of the major constraints to doing business in the region. Finance has been particularly challenging for infrastructure development due to a number of factors. For COMPETE to be successful it must focus on facilitating development of a competitive financial sector able to serve the needs of agriculture and business.

There is a need for COMPETE to facilitate collaboration among regional governing bodies, national governments, regulatory authorities, multi lateral, and bi- lateral institutions and other development partners to develop integrated competitive and transparent financial markets.

Convene Roundtable on Financing Issues and Options

During the quarter, the COMPETE Finance team met with leaders in the financial industry in Kenya and Sub-Saharan Africa on the potential interest in convening a conference on financing issues in the coming months. The Finance team collaborated with the Kenya School of Monetary Studies to prepare for the Feb 17th 2010 Top Level Interactive Forum, “Growing Agriculture Through Finance” which will be the first of five such programs in East Africa.

Develop Agricultural Lending Training Program for Leading Institutions and Regulatory Authorities



COMPETE will establish a training and certification program for commercial banks lending to agriculture related to COMPETE’s selected value chains. COMPETE met with the Kenya School of Monetary Studies on the development of the Agriculture. Lending training program and submitted a draft curriculum for KSMS consideration. The high profile launch event which includes participation from the Prime Minister of Kenya, the U.S. Ambassador and internationally renowned speakers is scheduled for February 17th. Following the first round of courses in Kenya, there will be an intensive roll out of training

program to other EAC countries.

Develop Bankers Certification Training Program

COMPETE’s Finance team is working with commercial banks and bankers associations to develop common curriculum on banking, risk management and banking services for banker’s certification. Discussions were held with KSMS and with Kenya Bankers Association who are keen to move ahead with this program. Follow-up meetings are scheduled for January/February 2010 with other banking and financial associations in the EAC.

Develop Insurance Certification Program

COMPETE is partnering with the Uganda Insurers Association (UIA) to develop a regional insurance association. Discussions held with Managing Director of UIA in terms of establishing an EAC insurance association.



The Finance team is also working on pension and insurance legislative reform in Rwanda that may be applicable to EAC as well.

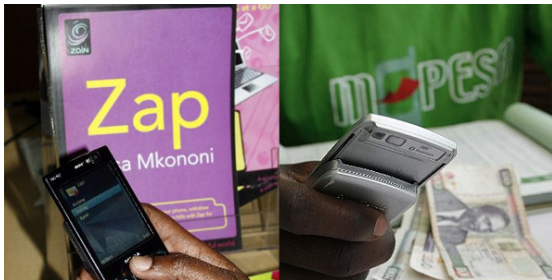
In terms of working with the EAC on risk management products for agricultural products, the Finance team held meetings with the Managing Director and senior management of African Trade Insurance. The team subsequently received a draft proposal for a joint initiative to include ATI Export Insurance and Trade Insurance to Rwanda and Mauritius. Discussions held with other AGOA trade hubs to partner in expanding ATI across Africa.

Promote Harmonization of Regional Legislation and Regulation and Trade in Financial Services

COMPETE organized meetings with the Kenya Bankers Association on the establishment of the Kenya Credit Bureau and related legislation to enable the collection and reporting of both positive and negative credit data. (Currently only negative data is reported.) In addition, meetings were held with Bankworld consultants and with the Central Bank of Rwanda. Draft legislation is being prepared for the establishment of a Credit Reference Bureau in Rwanda; this legislation will be applicable to EAC for Common Market Harmonization.

Support Ongoing Activities for Development of Mobile Banking—Regional Implementation of Money Transfer Regulation and Legislation

Drawing on the information gathered to date from the ongoing Booz Allen study on mobile money, the COMPETE Finance team is working with partners to help support regional regulatory and legislative framework to support expansion of mobile money transfers in region. The team is awaiting the final report on this activity from Booz Allen and further direction on the project from USAID EGAT.



Facilitate Development of Warehouse Receipts Mechanisms and Commodity Exchanges

During the reporting period, the Finance team worked with EAGC, Farm Concern International, and Cereal Growers Association to develop regional-wide warehouse receipts program. Additionally, the team worked with EAGC's RATIN information system and the Africa Commodity Exchange in Malawi on expanding market intelligence and developing commodity exchanges in region.

The team held meetings with EAGC, Equity Bank and Staple Foods units on the NCPB warehouse receipts proposals and meetings with stakeholders as well as with heads of the commodities exchanges in Zambia and in Ethiopia.

Develop and Pilot Innovative Financial Products

As part of its work plan to develop and pilot innovative financial products, the Finance team created a template for the introduction and use of "integrated value chain financing systems" including purchase order finance. The team also has a number of proposals under review and development regarding special needs in value chain finance which have come out of the value chain strategic meetings.

Provide Strategic and Tactical Assistance to COMPETE Components

The COMPETE Finance team has provided support to COMPETE project components on the following:

- Meetings in Dubai with fund investors interested in agricultural investment in Africa.
- Meetings in Cairo with Limited Partners and General Partners of DFIS and related private sector funds interested in agriculture investment.

- Meetings with the transit team and industry representatives on financing issues related to the financing of infrastructure on the Northern and Central Corridors in East Africa.
- Meetings with the cotton/textiles/apparel unit on funding of projects in Ethiopia as well as East Africa.
- Meetings with staple foods unit and related industry groups and projects on specific to RUTF, humanitarian aid foodstuffs.
- Working on developing an agriculture-focused fund with industry proponents.

KRA 1.3: Regional Trade Policies Strengthened and Integrated

Support EAC in the Development of a Trade Data Base

During the quarter, COMPETE conducted an assessment of EAC trade data base needs. The aim is to develop a trade database using a platform similar to the COMESA COMSTAT data base and link various regional trade associations to both the COMESA and EAC trade databases. The assessment revealed that the EAC statistics website portal does not cater for trade data which limits EAC use of trade flow data as a tool for monitoring the impact of trade policy and informing trade policy change. In order to ensure that the EAC Customs Union can track trade flow data, the existing EAC trade database requires significant improvements. Using the COMESA trade data base or the EU Export Help Desk trade data base as a model, COMPETE will support EAC in development of the trade data base.

Promote Linkage of RATIN to Trade Policy and Regulatory Institutions

COMPETE's Trade Policy Advisor developed a tool for use by trade regulatory institutions to provide information on current trade regulatory measures with regards to staple foods trade. This instrument provides information on import duties and charges, Sanitary and Phytosanitary measures, product quality standards, non tariff measures applicable on staple foods trade. It will be discussed with EAGC RATIN team in January 2010 and then forwarded to EAC and COMESA for circulation to the regulatory bodies. COMPETE and EAGC/RATIN will follow up with these institutions to ensure the timely submission of the trade policy information.



Provide Support to Implementation of the EAC Customs Union and EAC, COMESA and SADC Tripartite Free Trade Area (FTA)



COMPETE supported the EAC in preparation of an issue paper on options towards transformation of the EAC into a fully fledged Customs Union. In addition, COMPETE collaborated with East African Business Council in supporting private sector preparation of a position on EAC transformation to a fully fledged Customs Union and articulation of the same position during the EAC Customs Union Stakeholder High Level meeting on 29th and 30th October 2009.

The impact of this support is the decision by the Council of Ministers that EAC transforms into a fully fledged Customs Union in a meeting held on 13th November 2009.

The immediate impact was full elimination of internal tariffs on some 1,123 products with effect from 31st December 2010. These were 426 products which Uganda was levying import duty on imports of the same from Kenya and 697 which Tanzania was levying import duty on imports from Kenya. The products include staple foods such as meat, dairy products and apparels of chapters 60, 61 and 63. A number of decisions in support of the implementation of a fully fledged Customs Union on the following subjects were also taken.

Comprehensive Review of the Common External Tariff

This exercise will involve the review of the current common external tariff (CET) rates to accommodate changes that may have occurred since the launch of the Customs Union in 2005. It affords the industry and agricultural sector an opportunity to correct any negative impacts that the CET may have had on businesses as well as supporting the regional value chain approach to industrial and agricultural development. The review will look at the following:

- Application of the Rules of Origin. This is to be achieved through review of the EAC Rules of Origin manual and awareness creation among business community
- Harmonization of EAC Customs Procedures. The EAC Partner States are expected to harmonize their customs procedures in order to ensure that the EAC Customs territory is governed by one procedure.
- Development of the Customs Strategy. The coming into force of the fully fledged Customs Union demands that the EAC Customs Authority define a uniform Customs Strategy for the EAC. It is therefore expected that the Customs Strategy will be developed and adopted by all EAC partner states.
- Harmonization of Domestic Taxes. This will encompass harmonization of taxes such as Value Added Tax, Excise Tax among others in terms of rates and products on which they are to apply.
- Practical Interventions for elimination of the Non Tariff Barriers (NTBs). This entails implementation of the EAC NTB mechanism, which although was launched two years ago is not being implemented effectively.
- Harmonization of Trade Policies. This will entail development of an EAC Trade Policy that embraces the provisions of the EAC Customs Union and the EAC Common Market. EAC Partner States will be required to replace their national trade policies with the regional policy. Once in place, it will address current contradiction between National trade policies and regional/multilateral trade agreements.

Support Implementation of COMESA Customs Union

A review of the implementation of ACTIF, EAGC and EAFCA submission on the COMESA Customs Union was conducted within the context of the COMESA CTN/CET which was launched in June 2009. These organizations will be considering these divergences in the next quarter in their preparation for their input to the COMESA Regional Sensitive List.

Support Private Sector Input to the EAC/COMESA/SADC Tripartite FTA and Rules of Origin Negotiations

COMPETE conducted a review of the COMESA/EAC/SADC FTA study and proposed Rules of Origin. Highlights of this review are as follows:

- The FTA negotiating schedule mentioned in the Tripartite FTA Road Map, as well as negotiating modalities and structures need to be developed for consideration by the partner states.
- The proposed EAC/COMESA/SADC FTA Agreement needs revision to include provision for progressive liberalization of intra-regional trade. The starting point for the implementation of the FTA should be governed by the principal of reciprocity to take into account the differential between the three regional blocks level of intra-regional trade liberalization.
- On the Rules of Origin the following pertinent observations have been made:
 - The originating criteria – wholly obtained and sufficiently worked or processed products have been adopted from the EAC and COMESA Rules of Origin. This provides an opportunity to correct for SADC’s complicated originating criteria which limits regional cummulation and value addition.
 - For industries such as cotton, textile and apparel, the application of the Change in Tariff Heading (CTH), Value Added Threshold need to embrace the industry’s regional value chain approach and scarcity of certain raw material. To this extent, local raw material content of between 20-35% could be explored for such industries on transitional basis or permanently, depending on the circumstance of the industry and the wish of its stakeholders.
 - A key omission in the rules of origin is the annex showing how the rules of origin will be applied for Harmonized System (HS) chapters 1 to 97. It is recommended that this annex be prepared using the EAC/COMESA annexes on the Rules of Origin as part of the Tripartite FTA negotiating text.
 - The criteria marine fish, which was neither in the three RECs rules of origin will encourage foreign investments in the deep sea fishing targeting the regional market for deep sea fish such as tuna.
 - The Rules of origin are punitive to industries operating under free economic zones by providing that ‘goods produced in free economic zones shall be treated as non originating goods’. This will adversely affect the textile and apparel industries that have been operating from these zones targeting the regional market. ACTIF should lobby for amendment of this clause in order to introduce flexibility that allows apparel from these industries to be offloaded into the regional market.

The review will be used in debriefing the membership of ACTIF, EAGC and EAFCA in the January/March Quarter on the proposed FTA for their input to the process.

Support Harmonization and Implementation of the EAC and COMESA STR

During the quarter COMPETE played a critical role of enjoining EAC into the COMESA Ministers meeting on the STR. Further to the decisions of this meeting, COMPETE supported of the roll out of the STR in Eastern Africa Region. The STR Users Guide will be distributed throughout the region and ministers agreed to assigning HS Codes to STR eligible products.

Support Establishment of an Enabling Policy Framework for Structured Trading System



COMPETE has worked with EAC, COMESA (ACTESA) and EAGC to develop a regional trade policy framework for Structured Trading System (STS). Draft reports of the country value chain analysis studies were reviewed and final reports are expected by mid-January 2010.

The Trade Policy Advisor prepared a regional trade policy framework for staple foods which was endorsed in the 2nd ACTESA stakeholders meeting held on November 26-27, 2009. This framework will form the basis for a “Regional Staple Foods Trade Policy Synthesis Paper and Regional Action Plan” will be prepared in 2010.

COMPETE also supported EAGC in preparation of terms of reference for Regional Food Balance Sheet to use as tool for use in stimulating trade policy reform. More extensive work on the regional staple foods balance sheet will take place in Q2.

B.2 PIR 2: Increased Competitiveness and Trade in Select Supply/Regional Value Chains

KRA 2.1: Regional Supply/Value Chains, Industry Linkages and Financial Resources Enhanced

Recommend Additional Value Chains

Long term horticultural advisor Alexander Fernando has now been recruited and will start with COMPETE on 1st February 2010. He will work with the regional horticultural trade associations in harmonizing SPS standards for the region, as well as planning to improve post harvest handling at wholesale markets near important border crossings. Focus will be put on crops with particular nutritional value such as green leafy vegetables, as well as orange fleshed sweet potatoes. The horticultural advisor will take on the “roots and tubers” section of the staple foods categories.

Working with our initial grantee, INSTA products, based at the EPZ in Athi River, the COMPETE Staple Foods team has been assisting in procurement of a second filling machine from South Africa. The equipment is expected to arrive in February and be commissioned in March. This will double the capacity of the RUTF facility from 100t to 200t per month. INSTA has received accreditation from UNICEF Copenhagen as a regional supplier, and UNICEF has confirmed an annual order of 1000t of RUTF for the region, rising to 5000t in the short term. There are also orders from MSF and other NGO's in the INSTA order book.

Develop Value Chain Competitiveness Strategies

Step one of COMPETE's strategy development process is well underway across all of the value chains. The Competitiveness Strategy Coordinator, the value chain teams, the finance team and the trade policy specialist have been conducting a thorough analysis of the current situation in each sector. The situation analyses will be completed in Q2 in preparation for the launch of the strategy development process.

Each of the value chains has developed a list of 20-30 key regional industry leaders drawn from the private sector, government and donor community who will be invited to participate in the strategy working groups. These working groups will ensure the development of robust strategies and will help secure industry buy-in for the strategies. Strategy kickoff meetings for Staple Foods and Cotton, Textiles and Apparel are currently scheduled for early Q3. While not currently scheduled, COMPETE expects to hold the Specialty Coffee strategy development kickoff meeting in Q3 as well.

Below is an update on the various studies COMPETE has undertaken across the value chains. These studies form the foundation of the COMPETE's strategy development work.

Staple Foods

- Value chain studies for Ethiopia, Kenya, Uganda, Rwanda, Tanzania, Zambia and Malawi have been completed.
- Trade Policy Advisor Bernard Kagira has scheduled national validation workshops in each of the seven countries to be held in January and February 2010.
- The SF team worked closely with the Competitiveness Strategy Coordinator to identify priority crops, and a cross-section of stakeholders who will take part in working groups on formulating a regional SF strategy. Lists of a cross section of companies have been drawn up and the owners approached in order to complete the above in the coming months. Our main stakeholder will be EAGC, although contacts are being made with well-established national associations.

Cotton/Textiles/Apparel

- **End-Market/Buyer Study.** COMPETE has completed an assessment of HS Codes 61, 62 and 63 (at the 4-digit level) for both US imports from the world and regional exports to the world from the following countries: Ethiopia, Kenya, Uganda, Rwanda, Tanzania and Mauritius. Where there were significant volumes and/or growth across individual products, a deeper dive was conducted at the 6 digit level. COMPETE's Apparel Trade Advisor will conduct a full analysis of the data collected in January 2010 and will narrow down the universe of potential products to the 50 product categories with the greatest potential. Interviews with companies that represent the four main buyer categories – retail (big box and specialty), brands, B2B and importers/wholesalers will be completed by the end of February 2010.
- **Supply-side Analysis.** This work, has commenced, but will not be completed until mid-late Q2. The study, which covers 16 countries, is comprehensive analysis that involves the collection of firm-level, commercially sensitive information. The collection of such data, using a combination of in-house and short term consultant experts known to the trade, has been made possible by establishing credibility, trust and relationships with the business community over the past five years. This analysis, which has not been done before, will provide a source of information for buyer/seller matchmaking to grow exports and regional integration. It will provide a detailed cost-chain analysis of all components of the value chain, give the basis for identifying competitive advantages, identify potential regional strengths (product emphasis) and

weaknesses, and identify gaps in institutional structures and communication channels.

Specialty Coffee

- **End Market Analysis.** COMPETE's partner, the Coffee Quality Institute, is finalizing its analysis of the key end markets. The first phase of the study, which consisted of a desk study of the U.S., European and Japanese markets and was designed to evaluate general market trends across both products and channels, has been completed. Interviews and focus groups with importers, roasters, specialty coffee retailers, mass market retailers distributors and non-core channels (e.g. big box, donut shops) are still being conducted and will be completed in January 2010. The results of this study will be presented at the 7th annual EAFCA conference in Mombasa.
- **Regional Supply/Production Study.** COMPETE engaged a short-term consultant, Robert Nsibirwa, to undertake an analysis of the supply situation in Kenya, Tanzania, Uganda, Rwanda and Burundi. The study will be completed by the end of February 2010 and will provide the following data, critical to the development of the regional specialty coffee strategy including an inventory of each country's coffee value chain, compilation of 10 years of country-level data for production, processing and exports, and a regional aggregation of export data (volume, growth, etc.) with competitor comparators.

Develop COMPETE Competitiveness Index Baselines

With the COMPETE Competitiveness Index methodology finished, the Competitiveness Strategy Coordinator has developed a survey instrument to be used to both develop index baseline scores for each of the value chains and collect firm-level data that will give insights into the growth/health of companies across COMPETE's value chains. The value chain teams and RTAs have identified a set of 75 survey respondents for each value chain drawn from five focus countries. Short-term consultant, Etienne Delbar, was engaged to conduct the specialty coffee index survey in Ethiopia, Kenya, Uganda, Rwanda and Tanzania and is expected to deliver the results by the end of February. Short term technical assistance will be engaged in Q2 to conduct the staple foods survey in Kenya, Uganda, Tanzania, Malawi and Zambia and the cotton, textiles and apparel survey in Ethiopia, Kenya, Uganda, Tanzania and Zimbabwe.

Build New Partnerships, Skills Development and Technology Transfer

Partnership with Cotton Conservation Initiative. The COMPETE Partnership Fund has awarded a two year \$588,000 grant to the Cotton Conservation Initiative Uganda (CCIU), which will offer a financially viable farming alternative to people returning from IDP camps and contribute to the economic development and resettlement of northern Uganda, in the Gulu and Amuru Districts. Initially partnering with over 800 farmers and community groups, CCIU will scale up the project by establishing mini ginneries and oil extraction plants, incorporating farmers directly into the value addition process,



and increasing the number of farmers that benefit from the increased economic growth in these districts. CCIU's interventions over the coming years will directly affect over 8000 farmers while the impact of mini ginneries and the oil extraction plant will be felt by a much wider section of the community, who will benefit from the availability of affordable edible cottonseed oil and seedcake for livestock.

CCIU's partner organization, EDUN, an apparel company founded by Ali Hewson and Bono of the U2 band, will create value addition to the supply chain by producing organic T-shirts in Uganda, from cotton sourced from CCIU, to be marketed to companies such as U2, Cold Play, Aveda, Puma, Hard Rock Café, Barnes and Noble, Google, Microsoft and GUESS. EDUN will use its relationships with these companies to redirect a percentage of the sales proceeds of the product back to CCIU farmers, with \$300,000 having already been contributed in this way to the project.

Ultimately organic cotton farming will be the catalyst for employment, economic development and further cotton production in the area, and by introducing food crops into the crop rotation system, farmers will reach a level of sustainability in both income and food security.

The establishment of the grant facility and official start of the project was marked by a signing ceremony on December 8, 2009, with Stephen Walls, Chief of Party COMPETE, USAID Acting Deputy Mission Director, Marcus Johnson, and Claude Auberson, Program Director of the Cotton Conservation Initiative Uganda, officiating.

Textiles and Apparel Capacity Building Workshop, Addis Ababa, Ethiopia.

In collaboration with COMPETE (CTA component and the ECA Trade Hub) and the Ethiopian Textile and Garment Manufacturers' Association (ETGAMA), ACTIF organized an Eastern Africa Textile and Apparel Stakeholders Capacity Building Workshop in Addis Ababa, Ethiopia on 18th and 19th November 2009. Overall, the



workshop was designed to create synergies and provide information needed to take advantage of trade opportunities within and outside the region, and to develop participants' capacity in technology developments and practices.

The workshop brought together key textile and apparel stakeholders in the East African region, and exposed manufacturers and exporters to some of the more technical and finer points of merchandising, quality assurance and compliance. It also created opportunities for regional cotton to clothing value chain stakeholders to share experiences and develop synergies to take advantage of trade opportunities within and outside the region. The workshop was officially opened by Ethiopia's State Minister of Trade and Industry, His Excellency Mr. Tadesse Haile, and participants included stakeholders and manufacturing companies from Ethiopia, together with selected

businesses from Kenya, Rwanda, Tanzania and Uganda. Representatives of USAID and the Mission also participated.

In order to promote regional synergies, the meeting agreed that a uniform textile value chain analysis sheets be developed for benchmarking purposes, together with a collective database providing detail of all regional stakeholders and manufacturers.

Participants also recognized that the following areas needed to be addressed:

- Inter-regional collaboration & Information Exchange. The need to build the supply side information /policies to develop the value chain and inter regional trade.
- Training needs: it was very clear from all sectors and countries that there was a desperate need of trained work forces for the entire cotton to clothing value chain in order to meet the current international challenges and quality requirements.
- Market Access: this information was lacking and all the stakeholders agreed that the industry needed to develop market analyses systems for the development of regional trade and export business.
- Trade Finance for the upgrading of the value chain: the industry needed to have cheaper finance which could be easily accessible with minimal security and new avenues would be pursued in this regard.

The opportunity was also taken:

- To hold a meeting of the Board of Directors of ACTIF, which brought the participation of Mauritius, Madagascar and South Africa to the workshop.
- To participate in a signing event for WRAP certification (Worldwide Responsible Apparel Production) of four Ethiopian apparel manufacturing facilities (Novastar Garments, Addis Garments, MAA Garments and Nazareth Garments), establishing compliance with specified WRAP standards in the areas of lawful, humane and ethical manufacturing standards. An increasing number of buyers are looking to source from WRAP-certified factories, as social and environmental compliance is becoming an important factor for retailers and consumers, with such facilities gaining a competitive advantage in the global market.
- To host a ceremony to highlight expanding US-Ethiopian business ties. Almeda Textiles, a member of the Effort Group, and two US companies, Atlas Manufacturing Group and Pinnacle Textiles, signed agreements establishing long term relationships in the Apparel sector. Atlas Manufacturing Group is a leading corporation in the US uniform, corporate wear, and medical garments markets. Pinnacle is the US leader in kitchen wear and hospitality garments. Almeda Textiles is one the largest vertically integrated textile and apparel firms in Ethiopia. These partnerships will lead to an initial volume of more than a million units per year, with these commercial agreements being a result of several initiatives undertaken by the ECA Trade Hub. The US buyers also took the opportunity to discuss potential business opportunities with other companies from the region, who attended the workshop.

Component Integration Linkages



ECA Trade Hub. Initiatives to broaden firm-level networks and collaboration, and introduce the Hub to the CTA value chain, including participation in all ACTIF and other stakeholder meetings, were introduced. This CTA/Trade Hub integration initiative will be a continuing feature for the life of the program and will enhance end-market interest and opportunities for trade

and investment from/into Africa. It will also identify a much broader spectrum of companies that are export-ready, and will identify export capable firms that require technical assistance in order to support new and increased AGOA business.

Transit and Finance. The methodology and systems required to identify constraints, problems and needs of CTA value chain businesses have been established and firm-level surveys of the ACTIF membership will be conducted in order to establish intervention areas, including a system of information exchange.

Policy. The CTA component continued to provide technical support to various trade agreement negotiation positions, such as the refinement of the ACTIF position on Rules of Origin for the EAC-EC Economic Partnership Agreements (EPAs), and to assist in establishing a harmonized position for the common external tariffs that would apply to both COMESA and the EAC, with the rules for the latter coming up for review in 2010. Attention has turned to include particular emphasis in developing the Tripartite agreement between COMESA, EAC and SADC, particularly covering the rules of origin for trade between the three trade blocs. We will stay engaged until the negotiations have been completed.

Staple Foods. Work has started to assess the potential of CTA interventions to integrate and apply the technically advanced cotton inputs and extension schemes into the staple food value chain, providing the means to finance inputs, extension services, packaging, transport and markets. This, together with considering including maize seed (or other appropriate staple food) as part of the cotton input scheme regime in the region, possibly using the partners fund as a vehicle to initiate such intervention, will be continued in the forthcoming quarter.

KRA 2.2: Capacity of Regional Trade Associations Improved

Develop or Update RTA Sustainability Plans

EAFCA Strategy Development. At the request of the EAFCA board, Chris Donohue and short-term consultants, Aref Adamali and Edgar Kamara, kicked off a full strategy development process with the EAFCA secretariat. At the initial meeting in Kampala in November, the team introduced COMPETE's institutional strategy development methodology to the secretariat and



walked them through an assessment of EAFCA's programs/activities. The team also trained EAFCA's staff in survey administration using the survey instruments designed by COMPETE to help EAFCA better understand its three main constituencies – members, partner organizations (coffee boards, etc.) and end market buyers. In December, the EAFCA team, managed by Edgar Kamara, administered the survey to a quarter of its membership and a select group of partners. The analysis of the survey results is ongoing and will, in conjunction with the institutional assessment and industry analysis that COMPETE has completed, inform the development of strategic priorities, departmental workplans/budgets and a potential revision to the organizational structure. The strategy is on track to be completed in January 2010 and presented to the EAFCA board at the association's February conference.

ACTIF Strategy Development. ACTIF completed a strategic plan in March 2008; however, many of the priorities that were identified and activities that were planned have not been initiated. Because the association has already worked through a strategic planning process, the Competitiveness Strategy Coordinator has determined that a full strategy development process similar to that being conducted at EAFCA is not necessary. COMPETE has begun working with the ACTIF secretariat to refine/redevelop its existing strategy and update it as necessary to ensure that it addresses ACTIF's members' current needs. COMPETE and the secretariat developed a member survey that will help test the relevance of the current strategy and identify key issues across all three components of the CTA value chain. The survey administration and strategy development work will be completed in Q2.

Strategic Planning Support to Transit Associations. In October the COMPETE transit team, the Competitiveness Strategy Coordinator, the M&E specialist and a pair of facilitators coordinated strategic planning meetings with both the boards and secretariats of the Kenya Shippers' Council and the Kenya Transport Association. These meetings were designed to achieve the following:

- To assess each organization's activities through the lens of what its members' value
- To refine and, where appropriate, redefine the organizations' strategic priorities to ensure the provision of unique value to their members
- To ensure strategic alignment with the organizations' missions and visions
- To agree on key performance metrics/targets

Kenya Shippers' Council

A key outcome of the meeting was that KSC's board decided to transition to the Shippers' Council of Eastern Africa and expand its geographic focus beyond Kenya to include all of Eastern Africa. Additionally, the meeting allowed the board to focus on an issue that has plagued it since its inception – how could it, as an organization that represents companies that are already member of other industry associations, provide services that its members value that were distinct from those that its members already receive from their respective industry associations. KSC completely overhauled its strategy to ensure that the council responds more appropriately to the needs of all of its members. The new strategy focuses on three pillars: member services, advocacy and knowledge management. Potential new member services include: resolving members' operational issues with key service providers at the ports (including air), roads and transit, conducting trainings on issues of interest to shippers like INCOTERMS and ECTS and holding high-level industry meetings. KSC is also seeking to establish itself as the industry's knowledge management center, by providing policy analysis and a database of service providers and indicative regional rates.

Kenya Transport Association

Similar to KSC, KTA developed an entirely new set of member-focused strategic priorities designed to increase the organizations appeal with a broader universe of transporters. Part of the strategy is for KTA to develop a portfolio of demand driven/value-added member services such as the digest/dissemination of policies impacting the northern corridor and the provision of recovery services. Another of its strategic priorities is to improve the professionalism and safety of the transport industry, KTA's strategy will focus on promoting industry self-regulation. As part of this effort, the association is planning to develop a certification program for drivers and companies, establish a code of conduct for members and design/conduct safety clinics.

Federation of East and Southern African Road Transport Associations (FESARTA)

In November, Competitiveness Strategy Coordinator, Chris Donohue, and Private Sector Transit Specialist, David Adolwa, attended a meeting of FESARTA's board in Johannesburg, South Africa. The purpose of the meeting was to discuss whether FESARTA should open its membership to large corporations in an effort to make the association more financially stable. While FESARTA is currently weak institutionally and financially, it is technically strong. It also fills a clear need in a region that has many weak national transport associations and should lead efforts targeting regional coordination, integration and harmonization. FESARTA agreed to let COMPETE lead it through the strategy development process and a strategy development session. That meeting is tentatively scheduled for March to coincide with FESARTA's AGM.

Build the Capacity of RTAs

Cotton/Textiles/Apparel - ACTIF

Institutional Capacity. Continuing with the work of establishing and putting in place the core staffing compliment required for ACTIF to become operational and commence independent office functionality, the various essential personnel

organizational arrangements such as medical/health insurance, social security and pension schemes have been identified and implemented. Additionally, a new accounting system has been installed, and office procedures, personnel terms and conditions of employment, and code of conduct manuals have been created and implemented – all compliant with Kenya law and with USAID/USG standards.

Institutional Assessment. As part of the ongoing institutional assessment process for all RTAs, ACTIF has completed its internal assessment. The next phase of external assessment by COMPETE, will commence in the next quarter. The baseline methodology for developing ACTIF's business and sustainability plans, and of refining its strategic plan, has also been established. Activities in this regard will commence in January 2010, and validation of these plans by ACTIF members/stakeholders is scheduled to coincide with the ACTIF annual general meeting and its official launch, in April.

Danish Federation Partnership Signed. Following discussions held last quarter by the CTA specialist, Barry Fisher, with the Federation of Danish Textile Clothing (DTB) and the Danish Federation of Small and Medium-Sized Enterprises (DFSME), a partnership agreement and TOR has now been signed with ACTIF. This will be the catalyst for commencement of a DANIDO funded study of the EAC textile industries, starting with Tanzania and then Kenya. This will map the supply chains with the aim of starting a project to strengthen the African textile industry by focusing on capacity building, knowledge transfer, cluster building and vocational training. At the same time, it will also identify potential investment opportunities for Danish textile companies who are keen to support the African textile and apparel sectors in the region. It will also introduce ACTIF to DANIDO, from a practical stand point, to other possible funding activity interventions.

Staple Foods

EAGC has COMPETE grant funding up to the end of March 2010 and a two year plan will be developed thereafter. Emphasis will be placed on increasing EAGC's membership, and instituting fees for training services. EAGC is still a nascent RTA and recently underwent a major turnover in staff. It will need some time for the new management team to settle in. Recruitment should be completed by mid February. EAGC will be an integral partner in formulating the staple foods competitiveness strategy, with the initial kickoff workshop scheduled for 15th April 2010 in Nairobi.

KRA 2.3: Capacity for Knowledge Management and Information Sharing Enhanced

Draft EAC Standards for Staple Foods

COMPETE's Trade Policy Advisor and Private Sector Grain Trade Advisor made a presentation to the EAC Standards Committee meeting on 24th November 2009 on the case for regional standards on staple foods. The outcome of this meeting was a decision for COMPETE to work with Kenya Bureau of Standards in drafting regional standards for the following products:

- Wheat and derived products
- Maize and maize flour
- Rice and rice products
- Beans and similar legumes

- Millet, finger millet and similar grains

The work on drafting the standards is due to begin in early January 2010 with draft standards for consideration at regional level ready by the end of March 2010. Consultants have been identified and will produce draft standards for each of these crops in the second quarter.

The 5 year review of the existing EAC maize standard will take place in February, while ASARECA in Entebbe, Uganda have been tasked with producing draft standards for roots and tubers.

Support RTAs in Awareness Creation on EAC Maize Standards

COMPETE in collaboration with the EAGC held a dissemination workshop on the EAC maize standards on 4th December 2009. A total of 41 persons drawn from the private and public institutions participated in the meeting. This was the first time in over two years that any maize standards meeting had been held in Kenya. Comments on the EAC maize trainer's manual were received and subsequently incorporated in the final manual that will be used as a tool that the trainers shall use in reaching out to the grass roots, training farmers and traders on how to comply with the EAC maize standards. This was the first time in over 2 years that any maize standards meeting had been held in Kenya.

Market Intelligence, Information and Trade Linkage Platform

Staple Foods

COMPETE will assist EAGC to extend RATIN coverage to new borders and wider range of staple foods. During the quarter, agreement was reached to include information published on RATIN from Rwanda, Burundi, and DRC which should provide full coverage for the EAC region. The range of crops will be increased to include all staple foods products as well as important grains and pulses. In addition, EAGC

COMPETE has been working with the RATIN manager at EAGC, and as a result of this collaboration, RATIN will improve their SMS commodity price service, as well as employing FM radio especially in the more remote areas to broadcast staple food price data.

In Q2 links will be made to eSOKO in Rwanda. The eSoko Project is being implemented by the eRwanda Project in the Rwanda Information Technology Authority (RITA) to use information and communication technologies to give farmers access to up-to-date market price information via smart phones and community tele/internet centers. Discussions have been held with the International Fertilizer Development Center (IFDC), to partner with eSOKO and Ministry of Agriculture and MIS departments, in Rwanda, Burundi and DRC to both collect information from them for use on the RATIN website, as well as improving access to RATIN in those countries.

Cotton/Textiles/Apparel

A redesign and merging of the www.cottonafrica and www.actifafrica.com web sites are almost complete and should be launched in early 2010. The new website will

contain improved features and have more user friendly interface capabilities. As reported earlier, the goal is to provide more innovative web based products, and to increase trade connections from the \$1 billion US dollar level of bids and offers achieved over the past three years, by at least 30% over the next three years. This trade facilitation interface is designed to be a constant platform as a means to increase trade, and will compliment, rather than rely on annual B2B events.

A comprehensive informational brochure on ACTIF and its objectives and activities has been developed. The brochure highlights ACTIF's role as the voice of the regional CTA industry in Africa, together with the services it will offer to members. It will be distributed across the region and to all international partners and stakeholders, thus providing high profile exposure.

KRA 2.4: Access to Regional and International Markets Increased

“Go To” Business to Business (B2B)

The CTA component, in conjunction with the ECA Trade Hub and ACTIF, has designed and commenced planning the concept for a “Go To” event for 2010 that will cover the full spectrum of the value chain, aimed at not only attracting regional businesses, but also potential buyers from the USA and Europe. Design competitions will be implemented in FY10 that will lead up to the “go to” event, which will highlight African design and the capabilities of the CTA industry in the ECA region. It is intended to also showcase new innovative products and fabrics, new technology developments, and technical textiles, thus providing a premium platform for B2B to happen.

International Textile Manufacturer’s Federation (ITMF) Annual Conference

The COMPETE CTA specialist, Barry Fisher, together with ACTIF representatives, participated in the official member proceedings of the Board of Directors, the Spinners Committee, Joint Cotton Committee and the Committee of Management of the ITMF, whose annual conference was held from 23rd to 26th October 2009 in Shanghai, China. Of added significance,

China has recently joined as a member of the ITMF (China has tended to shy away from membership of international, private sector organizations), and the event provided a significant opportunity to not only participate in the meeting deliberations and network with textile organizations/companies from across the globe, but to gain an invaluable insight into what makes China the formidable competitor that it is in world trade. ACTIF is also a member of the ITMF, being on the Board of Directors, the Spinners Committee, the joint Cotton Committee and the Committee of Management.



Former German Chancellor Gerhard Schroeder and ITMF President Halit Narin

The Conference brought together over 100 delegates from 24 Countries. A wide range of issues were covered under the theme of ‘Structural Adjustments in the World Textile Industry’. A host of renowned speakers graced the event and to share their experiences and opinions on the global factors and events that are shaping the Textile Industry. The keynote speaker was Mr. Gerhard Schröder, former Chancellor of

Germany (1998 - 2005), who was joined by Professor Edmund Phelps (Professor, Columbia University, New York, USA), who was awarded the Nobel Peace Prize in Economics in 2006.

Aside from the invaluable networking and new contacts made, a meeting was held with the Deputy Secretary General of the China Cotton, Textile and Clothing body CNTAC, Mr. Yang Jun. The meeting touched on the possibility of building a relationship to promote trade between China & Africa and highlighted the role that ACTIF could play in providing CNTAC member's vital linkages/investment/joint venture opportunities with businesses in Africa. The trade advantages stemming from AGOA and under the EU-EPA trade arrangement were also highlighted. It was also noted that China was in a position to take advantage of the Africa development fund to establish mills and manufacturing facilities in Africa. There is considerable potential that this collaboration could develop into future partnerships, and enhance investment between China and Africa, on equal terms.

KRA 2.5: Smallholder Access to Commercial Staple Foods Markets Increased

RTA Outreach to Smallholders for Market Linkages

Linkages have been made by COMPETE between EAGC trader members, and FBO groups, such as connecting PISU to producer groups of green grams in the Meru/Embu districts of Kenya. The FCI commercial villages have also been given information on requirements of EAGC members in terms of procurement for the coming season.

Coordinate Access for RTAs to Promote Market Linkages Across Borders

EAGC is in the process of recruiting for a structured trading systems (STS) manager who should be in place in mid-February. COMPETE is also recruiting a full time STS specialist to run training programs with parastatal and private warehouse operators throughout the region. Both the COMPETE and EAGC STS specialists will work together and start planning for this in the next quarter.

Innovative Pilot Outreach Programs

In this quarter, Partnership Fund grant funding has been approved for both the Rural Urban Development Initiative (RUDI) in Tanzania and the Cereal Growers Association (CGA) in Kenya. A proposal from Agmark is at an advanced stage in the approval process.

RUDI have received funding to the tune of \$446,000 over 2 years to work on improved storage and handling systems for rice and maize in central, southern, western Tanzania. The money will be used to purchase equipment needed for better post harvest handling and storage, as well as a rice mill which will add value in the production areas and allow improved returns to farmers. Some of the milled paddy is expected to be packaged on site and sold directly to supermarket chains and from their storage facilities into regional marketing networks.

CGA received \$249,000 over 1 year to use on organizing and improving aggregation points in Trans-Mara and the Dodoma area of Tanzania. Once this has been

established we can start training on simple warehouse receipts systems, and some product has already been collected by P4P Kenya.

Build the Capacity of Farmer-Based Organizations (FBOs)

COMPETE continues to build on efforts with Farm Concern International and Kenyan Cereals Growers Association to identify regional and national NGOs to support well organized farmer groups for aggregation and bulking points. Farm Concern International (FCI) have started training groups in their commercial villages, and will also link with AGMARK who are expected to become beneficiaries under COMPETE's Partnership Fund grant program.



CGA has extended their operations in the Trans-Mara region, and have opened an office and recruited staff in Dodoma, Tanzania. COMPETE expects that in the next quarter when more harvest comes in that there will be more formalized trade across the Tanzanian/Kenya border, while hoping that the Tanzanian government does not continue with its restrictive trade policies on maize.

Assist EAGC to Develop Appropriate Training Material on Post-harvest Handling and Warehouse Receipt Systems

While EAGC already has some training manuals, these need to be expanded to become more flexible to deal with both parastatal (e.g. NCPB) warehouses, as well as private operators (such as Lesiolo). COMPETE's new STS specialist will work with the new EAGC STS manager to review and develop new training materials when both are in post in February.

Use Partnership Fund to Target Grants to Support FBOs to Supply Raw Material to Large Processors

COMPETE is still trying to identify suitable candidates, and has received proposals from Valid Nutrition Malawi and Valsek Ethiopia to access Partnership Fund funding to improve their sourcing and manufacturing capacity in the RUTF sector. The main concern is the lack of aflatoxin free peanut paste, so COMPETE is in discussions with ICRISAT and CIMMYT on best technologies and storage methods to use, and will continue to look for suitable FBO's in the next quarter.

Train Farmers in Structured Trading Systems

Our existing grantee, EAGC, conducted warehouse receipts systems (WRS) training for 35 managers and supervisors from NCPB in December. Additional training workshops will be held in 2010 at the three pilot NCPB warehouses, namely Eldoret, Bungoma, and Kitale, where FBO's who are already supplying maize and pulses in those catchment areas will receive STS training.

Promote Smallholder Participation in a Structured Trading System

Following the successful WRS meeting in Lusaka in September 2009, further plans were made on how to integrate existing successful WRS into the region at the 3rd African Grain Trade Summit in Dar Es Salaam in November. Leaders from Commodity Exchanges from Uganda, Ethiopia, South Africa attended and gave presentations.



Ideas were put forward by NCPB on how to launch a regional commodity exchange in Nairobi. COMPETE has agreed to fund the start-up of an Association of Commodity Exchanges in an attempt to strengthen regional co-operation on this. It was agreed that this take place in Addis Ababa in February.

Initiate One New WRS Through Project Support

EAGC has certified the NCPB warehouses in Eldoret, Bungoma and Kitale and it is expected that WRS will begin at these sites in the next quarter when there is some surplus maize expected to come in from Western Kenya.

RUDI has finalized plans to operate a simplified form of warehouse receipting once their warehouses become operational. Members of the COMPETE team have met with NMB Bank in Tanzania who are keen to provide banking services and the REAL insurance company is interested in providing the necessary insurance cover.

Link WFP P4P Program and Other Donor Initiatives to Smallholder Production of Staple Foods

Support NGOs work with WFP Purchasing for Progress (P4P). CGA has been coordinating purchases of surplus maize in the Transmara district of Kenya with WFP P4P. FCI are still training and renovating stores in their existing commercial villages, and offers were made although it was difficult to obtain agreement with FBO's on price. At the same time P4P purchasing has been partly constrained by the need to stick to the import parity price.

In Uganda COMPETE has worked with Uganda Commodity Exchange (UCE) in preparing a proposal for financing five private warehouses spread across the country, from where product can move into Southern Sudan and DRC.

Similarly in Zambia COMPETE is working with the Zambia Commodity Exchange (ZAMACE) on a plan to set up collection points in the rural areas, from where the major traders will collect and market maize through the exchange in Lusaka. This proposal is expected to receive funding from the COMPETE Partnership Fund in the next quarter, in time for the Zambian maize harvest which starts in May.

COMPETE has worked with WFP P4P Tanzania to provide assistance to World Vision who have submitted proposals for Partnership Fund assistance for FBO's they

have organized in northern Tanzania. This will involve refurbishing existing storage facilities and P4P has already committed to purchase providing volume and quality requirements are met. Other partners with whom we are in discussion as potential supplier to P4P are Caritas and two SACCOS.

Provide Targeted Assistance to Firms in the Processed Fortified/therapeutic Food Value Chain

The first tranche of grant funding has now gone out to Insta Products and their RUTF filling machine is expected to arrive from South Africa and be commissioned in the next quarter.

A consultant has been identified and will be recruited in the next quarter. In the meantime contact has been made with the major buyers of RUTF, namely UNICEF and MSF, in an effort to determine their future requirements and project the total size of the regional market. COMPETE will also work on improving the quality of staple foods purchased, particularly on the reduction of aflatoxin in peanuts used in RUTF Plumpy Nut/peanut paste. COMPETE is working with ICRISAT on this problem and will launch an awareness building program with Concern International in the coming months

Through the Partnership Fund grant to Insta Foods, Insta has procured a high-capacity filling machine. Once the Insta machinery is commissioned, their production capacity will more than double although sourcing raw material locally will remain a challenge. While testing and experimentation on new combinations of RUTF foods made from local raw materials continues, essential ingredients such as milk powder is considerably cheaper on the international market, as is aflatoxin free peanut paste. COMPETE will keep working with NGO's on sourcing high quality groundnuts and other ingredients.

B.3 PIR 3: Increased Trade and Investment between the U.S. and East and Central Africa

The ECA Trade Hub component strategy builds on a very successful five year Hub project in which the AGOA component provides a solid foundation of programmatic assistance at the firm level. This will be both in terms of core sectors of focus as well as approaches. Plans are being made to include other creative initiatives to complement this strategy such as inward buyer missions and partnership fund work with regional entities such as the Horticulture Council of Africa (HCA). Other initiatives include collaborative efforts and synergies with value chains on the COMPETE project, such as cotton-textiles and others as applicable.

KRA 3.1: Ability of ECA Countries to Engage in Multi-lateral Trade Negotiations Increased

During the quarter, COMPETE's trade policy advisor, Bernard Kagira, provided support to ACTIF in their ongoing negotiations in harmonizing EPA Rules of Origin. Mr. Kagira reviewed European Union / South Africa Trade Development and Cooperation Agreement Rules of Origin in the context of the EAC/ESA EPA Rules of Origin provision. He assisted ACTIF in drafting ACTIF's position on EPA Rules of Origin - Chapter 63. This position is due for consideration by ACTIF members in the January/March 2010 Quarter

KRA 3.2: U.S. and ECA Firms Taking Advantage of Opportunities under AGOA Increased

U.S. Firms Partner with Ethiopia's Firm in Long-term Apparel Deal

On November 19, 2009 the USAID East Africa Competitiveness and Trade Expansion Program (COMPETE), a regional trade development project based in Nairobi, hosted a ceremony in Addis Ababa to highlight expanding U.S. - Ethiopian business ties. The ceremony was officiated by USAID Ethiopia Mission Director, Thomas Staal, and Ethiopian State Minister of Trade and Industry, Tadesse Haile.



Almeda Textiles, a member of the Effort Group, and two U.S. companies, Atlas Manufacturing Group and Pinnacle Textiles, signed agreements in Addis Ababa, Ethiopia establishing long term relationships in the apparel sector. Atlas is placing orders with Almeda worth \$3 million for T-shirts and other garments for delivery throughout 2010, while

Pinnacle has forecast orders of kitchen wear valued at \$7 million for the same period.

Atlas Manufacturing Group is a leading corporation in the U.S. uniform, corporate wear, and medical garments market. Pinnacle is the U.S. leader in kitchen wear and hospitality garments. Almeda textiles is one the largest vertically integrated textile and apparel firms in Ethiopia spinning, weaving and finishing fabrics in its own textile mill and manufacturing apparel in its own garment factory. Razvan Ionele, General Manager of Almeda Textiles says, "This type of agreement is like the foundation of a house and our company needs these types of agreements to put a strong structure in place to move ahead." These partnerships will lead to initial production volumes of more than one million units of T-shirts, kitchen wear and uniforms per year, providing jobs to over 1,000 Ethiopians.

These commercial agreements are a result of several initiatives undertaken by COMPETE's East and Central Africa Trade Hub (ECA Hub). COMPETE provided

technical assistance to Almeda and sponsored the company to exhibit at the MAGIC Apparel Trade Show in August 2009.

US-COMESA TIFA Council Meeting

ECA Trade Hub director Finn Holm-Olsen represented COMPETE at the US-COMESA Trade and Investment Framework Agreement (TIFA) Council meeting in Lusaka, Zambia on November 2, 2009. Items discussed during the annual meeting, Chaired by Assistant U.S. Trade Representative for Africa Florie Liser and COMESA Secretary General Ndiso Ngwenya, covered the full range of trade, including: AGOA implementation, US-COMESA trade, WTO Doha issues, agricultural trade issues, trade capacity building, the Food Security Initiative, investment and intellectual property rights. Mr. Holm-Olsen presented an overview of COMPETE/ECA Hub's past and planned activities with COMESA, including a review of the recent joint work planning meeting. He made special reference to the recent Ethiopia success story in apparel, which is a result of targeted firm-level technical assistance and market linkage support. He also confirmed that COMPETE/ECA Hub will undertake a regional AGOA Competitiveness Strategy in collaboration with COMESA.

Specialty Foods Technical Assistance

COMPETE specialty foods consultant Jim Thaller undertook a technical assistance project in Uganda, Rwanda and Ethiopia. This first leg (Uganda, Rwanda) focused on conducting an assessment of each country's respective specialty foods sectors and initiating contact with specialty food producers in both countries. Results of the project included:

- A full report on the food processing industry in both Rwanda and Uganda.
- An outline of "next steps" with each company, including follow-up assistance in the areas of packaging, pricing, promotions, and compliance.
- Selection of export-ready companies for participation in the New York Fancy Foods Show in June 2010.
- Meetings conducted with government representatives in each country affiliated with food processing, scientific analysis and trade promotion to gain local government support to solidify the incubation programs in each country, as well as various certification programs.
- Meetings with commodity suppliers, packaging suppliers, shipping companies and consolidators to ensure proper support for each selected company.
- Follow-up visit scheduled with selected companies to begin incubation.

The second leg (Ethiopia) was follow-up to a previous assessment undertaken in Ethiopia which focused on incubating selected specialty food producers. In Ethiopia, the companies selected were Ecological Products of Ethiopia (ECOPIA), a producer of sauces and Beza Mar Agro-Processing, a honey producer. In addition, research has indicated that without experienced incubation facilitators actively working with African food manufacturers, the turn-around time for new product development is excessively long. Work was also undertaken to identify the most appropriate partners for the implementation of an incubation program to assist specialty foods companies.



Specialty Foods Workshops. Specialty Foods Workshops were held in Uganda and Rwanda to sensitize the business communities in those countries about the opportunities and challenges of exporting to the U.S. market. Approximately 50 business persons attended these sessions, which also generated media attention.

ECA Hub Planning Meetings in Mauritius

The ECA Hub team, Finn Holm-Olsen, JC Mazingue and Robert Karanja, held a series of meetings in Mauritius the week of December 14. The team met with collaborating organizations such as Enterprise Mauritius, Chamber of Commerce and Industry, Mauritian Exporters Association, as well as individual companies in the apparel, cut flowers and specialty foods sectors. They also paid a courtesy call on Hon. Dharambeer Gokhool, the Minister of Industry, Science and Research, who thanked COMPETE for its ongoing support to Mauritius, including its contributions earlier in the year towards a successful “AGO Week” held in Port Louis. Holm-Olsen briefed the Minister on the full range of ECA Hub activities planned with Mauritius in the coming year. COMPETE is sponsoring 7 Mauritian companies to exhibit within the Africa Pavilion at the MAGIC show in February 2010.



Firm Level Technical Assistance for Handicrafts Home Décor Sector

COMPETE engaged handicrafts technical consultant Ilenay Ferretti to work with promising handicrafts/home décor firms in Kenya, Uganda, Tanzania and Ethiopia. Ms. Ferretti provided technical assistance specifically geared towards product development of market ready products, skills transfer and preparation of ECA firms to exhibit and showcase their products successfully at the New York International Gift Fair which is held twice a year in January and August. These interventions assist firms in the sector in East and Central Africa to better understand the U.S. market and

buyer behavior, develop market led products and enhance export product design capacity and skills of local firms and designers.

C. PROJECT SUPPORT ACTIVITIES

Partnership Fund Management

COMPETE has dedicated \$24 million of its funding to a Partnership Grant Fund targeting private sector trade associations and farmer based organizations to better enable these groups to advocate for policy change, increase market share for their products, and provide services to their membership that will increase the region's competitiveness in targeted value chains.

COMPETE's Partnership Fund has awarded **\$2.3 million in grants during this reporting period**. In addition to supporting regional trade associations working in specialty coffee (EAFCA), cotton/textiles/apparel (ACTIF), and staple foods (EAGC), COMPETE has an expanded mandate to work in the areas of transit and smallholder farmer access to markets. New Partnership Fund grantees are:

- **Farm Concern International (FCI)**. COMPETE awarded a grant to Farm Concern International which will focus on improved storage facilities at their Commercial Villages in Eastern Kenya and Western Uganda and training farmers on EAC Maize Standards. FCI interventions will target 15,000 smallholder farmers. [**\$320,000 grant over 2 years**]
- **Cereal Growers Association (CGA)**. A grant to Cereal Growers Association will establish a system of food storage facilities at the village level which will serve as model centers for grain bulking, quality control, and has hubs for market information in the Trans Mara district in the South Rift Valley region of Kenya and in the Arusha Region in Tanzania. CGA's activities under this partnership grant will assist 30,000 smallholder farmers. [**\$248,000 for 1 year**]
- **Insta Products**. COMPETE's Partnership Fund awarded a grant to Insta Products which will allow this firm to increase Ready to Use Therapeutic Foods (RUTF) capacity for its fortified peanut paste (Plumpy Nut) product. Insta will work backwards down the supply chain, and assist FBO's involved in supplying their raw materials, particularly groundnuts and soya, to obtain supply contracts. [**\$242,000 for 1 year**]
- **Cotton Conservation Initiative**. COMPETE is providing a grant for this innovative project which is contributing to the economic development and IDP resettlement of Northern Uganda in the Gulu and Amuru districts by providing a financially viable and marketing alternative through growing organic cotton. The project will increase smallholder access to commercial markets and will be a catalyst for economic growth, both locally and nationally by revitalizing the organic cotton supply chain, increasing farmer revenues and the manufacturing and sale of Uganda organic cotton internationally. Through the strategic partnership with Edun (a company started by U2's Bono and his wife Ali Hewson), the project will access targeted socially conscious consumer markets, as well as a larger share of the value chain via sponsorships by retailers, based on sales volumes, who appreciate the traceability and clear social attributes of the

product they buy. An added benefit is the reactivation of the farmer primary cooperative societies and their renewed involvement in the marketing and sale of cotton with a resulting increased “farm gate price” due to elimination of middlemen. The project will work with upwards of 8,000 farmers.

[\$593,680 for 2 years]

- **Sustainable Harvest.** The Partnership Fund grant to Sustainable Harvest Origin/Africa which will be used to implement its iPhone based Relationship Information Tracking System database with Kilicafe, an East African cooperative, at a dry mill. By tracking key data starting at the individual farms and all the way through to the centralized dry mill, Kilicafe will have the tools needed to bulk their highest quality coffee together for a high-premium sale.
[\$468,000 for 2 years]
- **Rural Urban Development Initiative.** COMPETE’s Partnership Fund is providing support to RUDI to work with farmers to bulk, store and mill rice in Tanzania’s Kilombero, Iringa and Handeni districts. Milling the rice will triple the value and will contribute to better returns for farmers; initially this grant is expected to help over 3200 small holder farmers. **[\$446,800 for 2 years]**

During the quarter three grants were approved for regional trade associations working in the transit sector. Formal signing ceremonies are scheduled for January. The associations are the Federation of East African Freight Forwarders Associations (FEAFFA), the Kenya Shippers Council and the Kenya Transport Association. These three associations represent the majority of private sector operators involved in the East African transit sector. Grant signing and implementation are scheduled for early January 2010.

D. PARTNERSHIPS AND LINKAGES

During the third quarter, COMPETE participated in the following external events:

COMPETE’s transit team lead by Shemmy Simuyemba attended the Northern Corridor Secretariat conference, entitled *Towards Reducing the Cost of Doing Business*, in Mombasa, Kenya from September 29 – October 2. The conference brought together key partners representing the business, governmental, and non-governmental entities throughout the region working in trade and transport. Among the participants sponsored by COMPETE are members of the EAFC; EABC; Stanbic Bank; Kenya Insurance Corporation; as well as freight, transport and manufacturing associations from throughout the region.

Customs Advisor David Featherstone to travel to Arusha, Tanzania, to attend a meeting with the EAC Revenue Authorities on October 8th, 2009. Mr. Featherstone discussed proposed COMPETE interventions and activities in the Customs and Transit sectors and obtained the Revenue Authorities views, agreement and buy-in to these activities.

The RADDex team (Mike Smith, Albert Matabaro, and Rob Faraj and Yusuf Majan, Private Sector Transit Specialist) travelled to Blantyre, Malawi, from October 18th-23rd, 2009 to collaborate with the Southern African Trade Hub on the extension of the

RADDEx initiative to the Eastern/Southern African border of Songwe between Malawi and Tanzania.

The COMPETE/ECA Hub team travelled to Kampala, Uganda from October 21st to 23rd, 2009. The ECA Hub team re-established links with key stakeholders in Uganda, including the Uganda Manufacturers Association, the AGOA office in the Office of the President, and leading players in textile/apparel, floriculture, commercial crafts and specialty food, as well as conducting a familiarization meeting with the USAID Uganda mission.

Communications Specialist, Susan Ellison-McGee, represented COMPETE at the October 23rd EAFCA Price Risk Management graduation ceremony at the EAFCA office in Kampala, Uganda. This was the first course conducted as part of the EAFCA Coffee Training Center.

The COMPETE Transit Team participated in the Strategic Consultative Forum for East Africa Customs Administration, and the EAC High Level Regional Forum on Customs Reforms and Implementation of a fully fledged Customs Union: from October 28 – November 1 in Arusha, Tanzania. The Strategic Consultative Forum for East African Customs Administrations provided the opportunity to develop and define a clear work program between EAC Customs Administrations and COMPETE as a basis for assisting Customs Administrations to effectively respond to and add value to the EAC integration process while the EAC High-Level Regional Forum on Customs Reforms and Implementation of A Fully Fledged Customs Union allowed for the development of proposals for moving the EAC to a fully fledged Customs Union.

COMPETE's AGOA Advisor, Finn Holm-Olsen, represented COMPETE at the US-COMESA TIFA meeting, from November 1st-3rd, 2009 in Lusaka, Zambia. The meeting addressed topics such as AGOA and TCBs as well as initial discussions with COMESA on the trade-related aspects of the food security initiative.

COMPETE's Staple Foods team, lead by Stephen Humphreys, attended the 3rd African Grain Summit in Dar-Es-Salaam, Tanzania, on/about November 3rd-7th 2009. The COMPETE team played a significant role in organizing the summit program and participating as speakers, etc. Trade Policy Advisor Bernard Kagira and Senior Transit Specialist Shemmy Simuyemba served as panellists the conference. The conference brought together key players in the grain trade from all over the continent, as well as international buyers and traders from the large multinationals. Key topics on the agenda were whether GMO crops can help alleviate the food crisis, the effects of global trends and environment on Africa, how to link small farmers to commercial markets, harmonization of grain trade policies in Africa, and improving access to finance.

Senior Finance Advisor Matthew Troniak travelled to Arusha, Tanzania 5-6th November, 2009 to attend a special board meeting of the African Economic Research Consortium (AERC). AERC is a not-for-profit corporation whose principal objective is to strengthen local capacity for conducting independent, rigorous inquiry into problems pertinent to the management of economies in sub-Saharan Africa (SSA). Mr. Troniak participated in the meeting at the request of USAID/EGAT.

COMPETE's ECA Hub team and Cotton Textiles advisor were featured speakers at the Eastern Africa Textile and Apparel Stakeholders Capacity Building Workshop in Addis Ababa, Ethiopia held on 18th and 19th November 2009. The event was organized by ACTIF and the Ethiopian Textile and Garment Manufacturers' Association (ETGAMA). Participants included approximately 70 stakeholders and manufacturing companies from Ethiopia, together with selected businesses from Kenya, Rwanda, Tanzania and Uganda.

COMPETE's private sector staple foods advisor, Isaac Tallum travelled to Dar-es-Salaam and Dodoma, Tanzania, from November 18th-20th, 2009 to accompany the Cereal Growers Association Kenya team to Dodoma to establish formal operations with CGA Tanzania and to inaugurate their Tanzania Model Satellite Stores project in Dodoma. While in Tanzania he will link CGA TZ with the WFP P4P program to enable Maize off take upon execution of this new project by CGA.

COMPETE's Trade Policy Advisor Bernard Kagira and Private Sector Staple Foods Advisor Isaac Tallam attended the EAC Technical Standards Committee meeting in Dar es Salaam, Tanzania from November 23-27 to prepare a joint EAC/COMPETE action plan towards development of regional standards for staple foods.

From November 23 – 28, COMPETE's Senior Transit Facilitation Advisor, Mr. Shemmy Simuyemba, travelled to Djibouti to participate in the COMESA Joint Meeting of Ministers of Transport, Communications and Energy. Mr. Simuyemba updated the meeting officials and ministers on the COMPETE value chain approach to transit and COMPETE in general and obtained an understanding of relevant COMESA policy priorities for on-going and planned activities.

The COMPETE Transit Team travelled to South Africa from November 23rd-28th, 2009. The team held a Joint Work Planning meeting with the Southern Africa Trade Hub on transit issues, chiefly to develop understanding of each other's programs, approaches and strategies, to identify areas/opportunities for programmatic collaboration and coordination, and to learn from each other's best practices. The Transit Team also participated in the NEPAD Transport Summit 2009.

COMPETE's Trade Policy Advisor Bernard Kagira participated in the ACTESA Stakeholders meeting to present COMPETE's trade policy program for staple foods in a COMPETE-led joint planning session of ACTESA/EAC/SIDA/AGRA/WFP/FAO to be held on 25th November 2009 to prepare input on regional trade policy for staple foods to the ACTESA stakeholders meeting of 26th and 27th Nov.

ECA Hub Business Linkages Coordinator Robert Karanja, and Apparel Trade Linkages Specialist JC Mazingue participated in a series of ECA Hub meetings in Dar-es-Salaam, Tanzania from November 29 – December 4. The ECA Hub team briefed the USAID Mission on COMPETE/ECA Hub activities and plans in Tanzania; provided support to the Commercial Crafts Technical Assistance project; met with Mark Bennett, Textile Sector Development Unit, Tanzania Cotton Board regarding collaborations to assist Tanzanian apparel firms; and met with individual firms in apparel, commercial crafts and cut flowers regarding upcoming COMPETE/ECA Hub technical assistance and market linkages activities.

Finance Specialist Esther Kadondi attended the African Development Bank's Africa Public-Private Partnership Conference in Tunis, Tunisia from December 1-2, 2009. This conference examined the challenges and opportunities in energy, transport and infrastructure in Africa.

COMPETE's Finance Advisor Matthew Troniak attended the donor workshop on regional financial integration in Africa, co-sponsored by NEPAD, Regional Integration and Trade Department (ONRI), and the African Development Bank (AfDB), in collaboration with the Making Finance Work for Africa (MFW4A) Partnership in Tunis, Tunisia, on December 1 – 4. December 4th, 2009. The workshop focused on donor coordination of financial services related programs and harmonization of activities among the donors.

Private Sector Transit Advisor David Adolwa and Gilbert Langat, Chief Executive Officer of the Kenya Shippers Council attended the Africa Ports, Logistics and Supply Chain conference held from December 2nd-3rd, 2009 in Accra, Ghana. The conference provided valuable insights into organizing an upcoming Transit/Logistics-related industry Go To event for East and Central Africa.

Senior Transit Advisor Shemmy Simuyemba travelled to Kigali, Rwanda, from December 3 – 5 to participate in the policy meetings of the Northern Corridor's 32nd Meeting of the Executive Board and 21st Council of Ministers, part of the on-going collaboration between COMPETE and TTCA-NC.

COMPETE's RADDex team, Michael Smith, Albert Mataboro and Rob Faraj travelled to Dar es Salaam, Tanzania from December 8 – 11 to continue technical collaboration with the Southern Africa Trade Hub in the extension of the RADDex initiative to the Eastern/Southern African border of Songwe between Malawi and Tanzania. COMPETE arranged a joint workshop with TRA/MRA in Dar-es-Salaam in preparation for the launch of RADDex in early 2010.

Staple Foods Advisor Maria Mullei visited Lilongwe, Malawi, on December 10th-11th and Lusaka, Zambia on December 14th-16th, 2009 to meet with the Federation of the National Associations of Women in Business (FEMCO) and other women's groups in Malawi, and to review the maize export trade in Zambia.

The ECA Hub Team (Finn Holm-Olsen, Robert Karanja, and JC Mazingue) travelled to Port Louis, Mauritius from December 12 – 19 and met with representatives of Enterprise Mauritius on upcoming collaborations for the February 2010 MAGIC apparel show, proposed follow-up activities to the "AGOA Week" in Mauritius, establishment of a Mauritius commercial outreach office based in Nairobi, as well as meeting with horticulture association and flower farms regarding planning for the International Floriculture show; and meeting with the US Embassy regarding ongoing activities in support of the US-Mauritius TIFA.

E. ATTACHMENTS – SUCCESS STORIES



SUCCESS STORY

Kenyan Widows Reap Profits with Maize Sales

Innovative partnership with WFP gives smallholder farmers access to commercial markets



Christine Nyogi (center), chairperson of the Koptigei Widows Group (KWG) displays the bill of sale from WFP.

U.S. Agency for International Development
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Four years ago life was a struggle for Christine Nyogi of Kenya's Trans Mara District. She had lost her husband to HIV/AIDS and could not afford to send her children to school. To help cope, Christine and other local widows formed the Koptigei Widows Group. After a few years, the 89 members decided to try to support themselves by growing and selling maize.

But the women lacked marketing skills. Most farmers sold their maize to middlemen who sold the maize to traders and processors at a higher price. If the widow's group sold directly to a buyer, they could make more money.

USAID/East Africa's Competitiveness and Trade Expansion Program (COMPETE) has been working since April 2009 with farmer organizations and humanitarian relief agencies to forge partnerships that promote access to markets for smallholder farmers like those in the widow's group.

A COMPETE grantee, the Cereal Growers Association (CGA), works with farmer's organizations to help them register so that they can conduct business and sell crops directly to buyers such as the World Food Program's (WFP) Purchase for Progress initiative. With COMPETE's support, CGA provided training to the Koptigei Women's Group on business skills, cleaning and drying maize and weighing and measuring moisture to meet standards set by Kenya's National Cereal Produce Board. CGA linked the widows group to WFP who signed a contract with them to buy 250 metric tons of their maize over the next year.

On October 23rd, Christine Nyogi, now chair of the Koptigei Widows Group, received a cheque for 2.6 million Kenyan Shillings (or approximately U.S. \$35,000) from WFP for 100 metric tons of maize—the first purchase installment. The maize will be distributed by WFP among drought affected communities within Kenya. For the Koptigei Women's Group, the benefits are substantial: A beaming Ms. Nyogi explained, "I am happy. I will be able to take my children to school."

The Koptigei Widow's Group is a marketing model for linking smallholder producers directly to large-scale buyers and processors. This model will now be replicated by COMPETE's partnership fund grantee, the Cereal Grower's Association, in thirty villages across East and Central Africa over the coming year.



SUCCESS STORY

U.S. Firms Partner with Ethiopia's Almeda Textiles in Long-term Apparel Deal

Trade Hub strategy to help promising firms become export ready yields huge U.S. orders



Photo: S. McGraw/COMPETE

From left to right: USAID Ethiopia Mission Director Thomas Staal, Chairman of Atlas Manufacturing Group James Langford, Ethiopian State Minister of Trade and Industry Tadesse Haile, General Manager Almeda Textiles Razvan Ionele, and Deputy CEO Almeda Textiles Getachew Belay (not pictured, Patrick Mathven, President Pinnacle Textile Industries).

"The USAID COMPETE project was the partner that brought us together."

*James Langford,
Atlas Manufacturing Group*

*Razvan Ionele,
General Manager, Almeda Textiles*

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On November 19, 2009 the USAID East Africa Competitiveness and Trade Expansion Program (COMPETE), a regional trade development project based in Nairobi, hosted a ceremony in Addis Ababa to highlight expanding U.S. - Ethiopian business ties.

Almeda Textiles, a member of the Effort Group, and two U.S. companies, Atlas Manufacturing Group and Pinnacle Textiles, signed agreements in Addis Ababa, Ethiopia establishing long term relationships in the apparel sector. Atlas is placing orders with Almeda worth \$3 million for T-shirts and other garments for delivery throughout 2010, while Pinnacle has forecast orders of kitchen wear valued at \$7 million for the same period.

Atlas Manufacturing Group is a leading corporation in the U.S. uniform, corporate wear, and medical garments market. Pinnacle is the U.S. leader in kitchen wear and hospitality garments. Almeda textiles is one the largest vertically integrated textile and apparel firms in Ethiopia spinning, weaving and finishing fabrics in its own textile mill and manufacturing apparel in its own garment factory. Razvan Ionele, General Manager of Almeda Textiles says, "This type of agreement is like the foundation of a house and our company needs these types of agreements to put a strong structure in place to move ahead." These partnerships will lead to initial production volumes of more than one million units of T-shirts, kitchen wear and uniforms per year, providing jobs to over 1,000 Ethiopians.

These commercial agreements are a result of several initiatives undertaken by COMPETE's East and Central Africa Trade Hub (ECA Hub). COMPETE provided technical assistance to Almeda and sponsored the company to exhibit at the MAGIC Apparel Trade Show in August 2009. The Africa Pavilion at MAGIC, designed and managed by COMPETE, has become the premier platform for African Apparel exporters to access the U.S. market. Sustained ECA Hub support to the Ethiopian Apparel sector under the U.S. African Growth and Opportunity Act (AGOA) initiative dates back to 2003.