



**Quarterly Progress Report  
(January to March 2004)**

**Submitted by:**

**Chemonics International Inc.**

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## ACRONYMS

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AGM	Annual General Meeting
AGOA	African Growth and Opportunity Act
ASARECA	Association for Strengthening Agricultural Research in East and Central Africa
CFI	Computer Frontiers International
COMESA	Common Market for East and Southern Africa
CQI	Coffee Quality Institute
EAC	East African Community
EAFCFA	East African Fine Coffee Association
ECA Hub	East and Central Africa Global Competitiveness Hub
ECAPAPA	Eastern and Central Africa Program for Agricultural Policy Analysis
ESA	East and Southern Africa
FARA	Fixed Amount Reimbursable Agreement
FEWS NET	Famine Early Warning System Network project
FOODNET	Post harvest and Marketing Research Network for Eastern and Central Africa project
GDA	Global Development Alliance
IBAR	Inter-African Bureau for Animal Resources
IEHA	Initiative to End Hunger in Africa
IGO	Intergovernmental organization
IMCS	Independent Management Consulting Services
IT	Information technology
ITI	International Technology Investment Ltd.
KRA	Kenya revenue Authority
LOL	Land O'Lakes
LTC	Livestock Trade Commission
M&E	Monitoring and evaluation
PIR	Project Intermediate Result
PLP	Pastoral Livelihood Program
PMP	Performance Monitoring Plan

RATES	Regional Agriculture Trade Expansion Support Program
RATIN	Regional Agricultural Trade intelligence Network
REDSO	Regional Economic Development Services Office
SCAA	Specialty Coffee Association of America
SO	Strategic Objective
SPS	Sanitary and phyto-sanitary
USAID	United States Agency for International Development
VCA	Value Chain Analysis
WWC	Worlds Wildest Coffee Exhibition
ZCGA	Zambia Coffee Growers Association

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## **Introduction**

### **A. Overview of the RATES Program**

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

RATES places its highest priority on identifying, organizing and moving smallholder-produced commodities through market chains. This includes food crops such as maize and roots and tubers, but there are also opportunities for farmers in the region to export to specific high-value markets, as long as effective supply chains are developed down to smallholder farmers, enabling them to meet expectations such as quality, consistency, and safety.

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

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

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

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

## **B. The RATES Results Framework**

### **Project Goal**

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

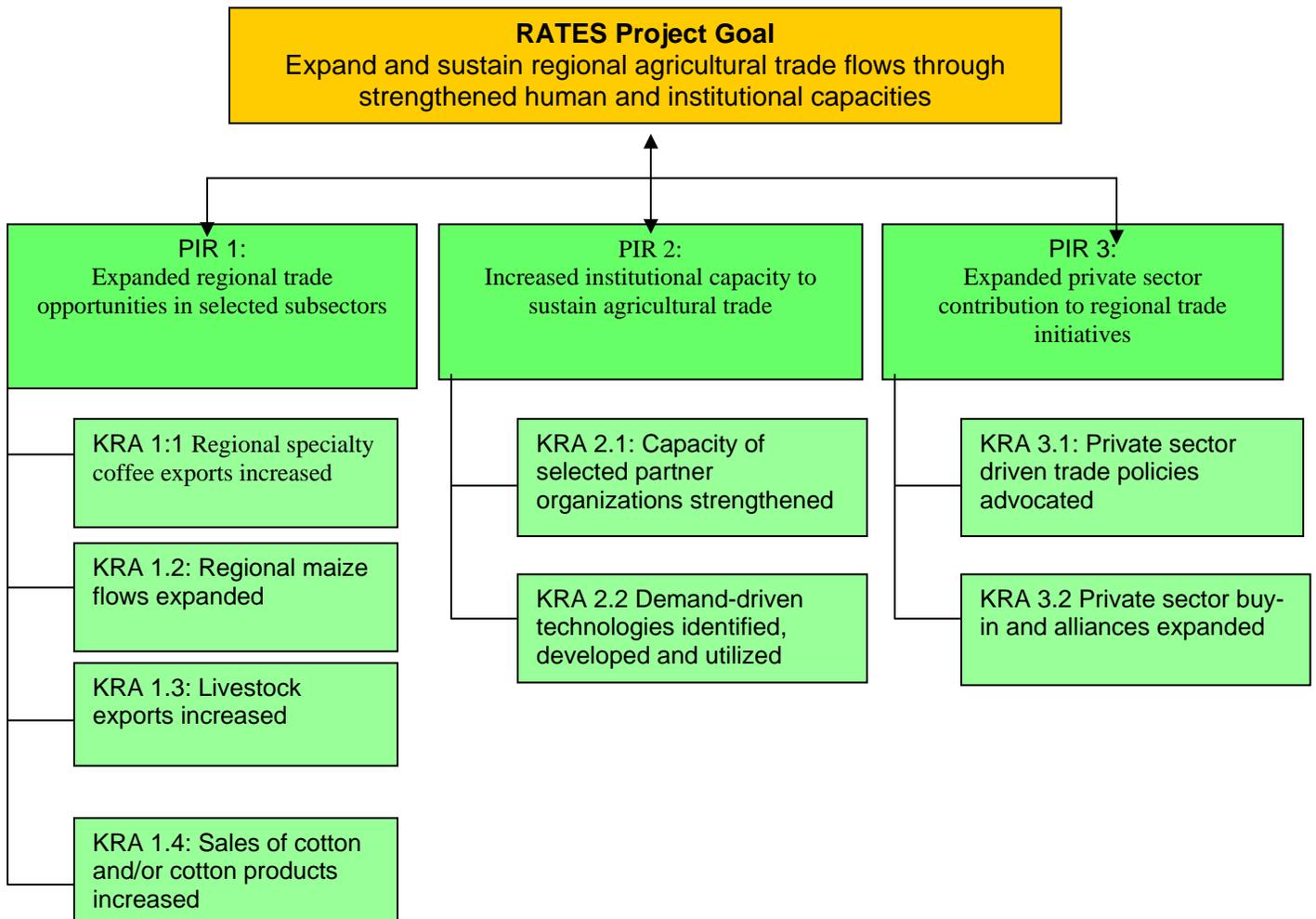
<p style="text-align: center;"><b>RATES Project Goal</b> Expand and sustain regional agricultural trade flows through strengthened human and institutional capacities</p>
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The Results Framework for RATES is presented below. To achieve the RATES goal, RATES has identified three Project Intermediate Results (PIRs), each of which targets an area where RATES must achieve results in order to maximize contribution to SO 5 indicators. Each PIR is divided into key results areas (KRAs). KRAs provide the framework for identification and implementation of activities designed to achieve required results, govern the setting of benchmarks and targets, and drive decisions that the RATES Center makes with regard to technical priorities.

### **RATES Results Framework**

The project goal presented with the Results Framework below reflects the position of RATES within the SO 5 framework and guides strategic thinking with regard to project approach and identification of appropriate project intermediate results areas. We have slightly modified the original results framework to better reflect the work on the ground, and to make it easier for reporting results. RATES has three Project Intermediate Results (PIRs), each of which targets an area where RATES must achieve results in order to maximize contribution to SO 5 indicators. Each PIR is divided into key results areas (KRAs). KRAs provide the framework for identification and implementation of activities designed to achieve required results, govern the setting of benchmarks and targets, and drive decisions that the RATES Center makes with regard to technical priorities.

## Exhibit 1. RATES RESULTS FRAMEWORK



## II. Progress to Date

### PIR 1: Expanded agricultural trade in selected subsectors

#### KRA 1.1: Regional specialty coffee exports increased

**Strategy.** RATES strategy on increasing specialty coffee exports is to work through the Eastern African Fine Coffee Association, (EAFCA), a regionally-focused specialty coffee



organization with chapters in ten coffee producing countries in the region including Tanzania, Kenya, Uganda, Ethiopia, Zambia, Rwanda, Burundi, Malawi, Democratic Republic of Congo and Zimbabwe.. RATES is supporting EAFCA's ability to operate as an effective provider of technical and marketing services to its member chapters. We are focusing on (country and regional) specialty coffee strategy development, quality improvement, information-sharing, marketing and promotion. As we will discuss in detail under the institutional capacity component (PIR 2), the long-term objective is to support EAFCA's efforts to position itself as a leading authority on Eastern African fine and specialty coffees, the major counterpart to member country initiatives in the provision of technical and quality certification services, and a major actor in regional and international coffee markets. Progress on activities under KRA 1.1 is presented below:

**Develop Country-level Chapter capacity to implement marketing strategies.** Two tasks are critical in supporting EAFCA member country chapters to develop marketing strategies. The first is to gain an in-depth knowledge of each producer country's current and anticipated status. The second is to hold open discussions with all coffee stakeholders to share their visions for coffee marketing and the role EAFCA can play to assist them in achieving goals. Main thrusts this quarter included:

☞ **Assist EAFCA to develop a regional trade directory.** Through the chapter strategy meetings, RATES is assisting the Secretariat in developing a detailed trade directory of producers, traders, exporters, and roasters in the region. This directory will become part of the EAFCA web page, and will form the basis of a trading information facility under the EAFCA Secretariat.

☞ **Support EAFCA to conduct country chapter-level strategy meetings.** In order for EAFCA to be truly sustainable, it must provide highly valued services to its members. RATES has encouraged the Secretariat to conduct chapter-level strategy meetings as a way of introducing EAFCA to its members and increasing the membership base (as many important coffee industry organizations still have never heard of the organization). RATES is supporting EAFCA in this effort as part of the on-going organizational development program carried out in conjunction with the Secretariat. The first country-level strategy meeting was held in Uganda last December. During the 2<sup>nd</sup> quarter, RATES sponsored two additional national-level chapter strategy meetings in Kenya and Tanzania. A brief summary of these meetings follows:

The Kenya meeting was held in the Limuru coffee belt and was attended by millers, growers (small and estate) research, banker/donor, traders, coffee board, and others in the industry. All agreed that this was the very first time where they had been able to sit with representatives from all sides of the industry and openly discuss issues, problems, concerns, constraints in a forum where all were equal and there were no power or animosity issues. As a result, the EAFCA Kenya chapter has gained significant credibility, and major progress was made towards providing information that will help reform the coffee sector of Kenya.

**Strengthen an Eastern African regional marketing strategy.** As part of the initial regional marketing strategy, RATES worked closely with EAFCA to develop a regional marketing theme: the World’s Wildest Coffee: Eastern African Origin. This theme has created a common thread tying the coffees of the region together while not stifling competition or individual country taste profiles. It is the uniqueness of the individual coffees that make these coffees difficult to tame, thus the “wildest” regional theme. Activities during the quarter focused on helping EAFCA develop opportunities for their members to highlight the region’s coffees and to meet buyers and roasters from around the world.

☞ **Assist EAFCA develop a promotional brochure.** RATES worked closely with EAFCA to engage a promotional consultant to help them design a new design and an expanded EAFCA brochure. This was launched at the WWCI. This sleek publication promotes EAFCA as an organization, but highlights individual member-country coffees and provides stories to assist buyers in the marketing of the coffees to their customers. The brochure was well received by the international coffee buyers at the conference.

☞ **Sponsor “Meet the Buyers” events.** One of the first events at the first African Regional Coffee Conference and Exhibition (WWCI) (see below) was the RATES sponsored “Meet the Buyers” coffee event held at the Giraffe Manor in Karen. Invited guests included about 35 major importers, roasters and buyers in the specialty



Colleen Crosby of Santa Cruz Coffee Roasters at RATES sponsored “Meet the Buyers” event

coffee industry with a similar number of EAFCA members who are active coffee traders/sellers. RATES encouraged discussions with these industry leaders on buyer needs and requirements for quantity, quality, service and certifications options desired. Additionally, many of the same players served on several panels during the conference to ensure that requirements for quality, social responsibility, etc., are taken on board by the member producers and traders. These overseas buyers provided very useful comments on helping EAFCA formulate competitive marketing options to penetrate export markets. The event also provided an initial “business introduction” for the establishing market linkages. RATES/EAFCA collected useful and realistic information about buyers who are genuinely interested in assisting EAFCA and establishing linkages either through relationship coffee, cupping exchanges or sales.

**Support EAFCA marketing and promotion program.** The major thrust of RATES assistance to EAFCA this quarter focused on the first annual African Fine Coffee Conference and Exhibition (WWCI) held in Nairobi on February 19-21. The conference was the result of a full year of interventions and assistance to EAFCA starting with promoting the event in Boston at the SCAA last March. RATES provided strong core support throughout the year to the secretariat and the conference steering committee. RATES has stressed to EAFCA that this annual event will become the principal revenue earner for the organization, and one of the core roles of the secretariat to manage and coordinate the event (see PIR 2.1: Institutional Capacity section on page 31).



Ted Lingle, Executive Director of SCAA addresses the delegates



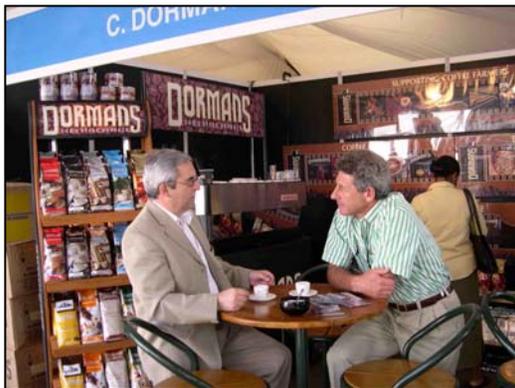
Over 400 participants attended the conference

The WWC event brought together over 400 coffee buyers and sellers from over 30 countries to meet, conduct business and discuss strategies for surviving the current coffee crisis. Conference speakers included the Hon Moody Awori, the Vice President of Kenya, Nestor Osirio, the head of the International Coffee Organization (ICO), Ted Lingle, the Executive Director of the Specialty Coffee Association of America (SCAA), and William Bellamy, the US Ambassador to Kenya. Special guests at the conference events included entertainer Harry Belafonte, a UNICEF Goodwill Ambassador and the actor Danny Glover. The conference focused on coffee quality and increasing awareness of specialty coffee available from EAFCA countries. Discussions focused on helping

regional producers and traders understand the industry from the market perspective and to understand what it takes to build lasting relationships with international roasters and buyers. A panel of distinguished roasters and buyers pledged to support the region in this effort, but urged producers to better understand the needs of the market, cup their own coffees, and appreciate the coffees that they are producing and marketing. Countries were urged to increase their domestic consumption, and to advise farmers, especially those with marginal capacities, to diversify away from total dependence on coffee. The Exhibition side of the event provided an opportunity for over 50 regional exhibitors to highlight coffees from the region and to make contacts and initiate relationships with international buyers and roasters.



**Exhibitors at the First African Coffee Conference and Exhibition**



The event netted \$90,000 in cash revenues for EAFCA, and is an integral part of RATES strategy to help this regional organization reach sustainability in the next 3-5 years. The Worlds Widest Coffee Event will become an annual event in the region with plans for Victoria Falls, Zambia in March 2005 already well underway. Below are some of the marketing interest generated as a result of the conference and exhibition.

As coffee is generally not sold on the spot market, deal making focused on future coffee sales, though some “spot” selling did take place (pending samples and cupping). To protect the confidentiality of our clients, we will not refer to particular companies, as

many deals are still under negotiation, or at sensitive stages of development. Some major players included Neumanns, Volcafe, Kraft, Illy, Royale, and Schuler Group. Roasters included Santa Cruz, Bridgetown, Green Mountain, Java House, and Dormans, We understand at least 9 relationships/deals were formed directly at the conference.

Examples:

- ☞ Zambia: The Zambians reported a strong interest among buyers for their coffees. They had a superb booth and were well represented with producers and estate growers on the team. One producer reported sales of 40% of his current crop, and very strong interest in future sales. A strong relationship/alliance was formed between a US roaster and the Zambia Coffee Growers Association. This buyer/roaster agreed to accept one member to come to the US to work as an apprentice/trader/roaster. This trainee will live for 2 months in the US and work with the roaster to sell at least one container (that the roaster will buy), and to make the connections with the local retailers. She will learn the process, and follow the sales to the retail roasters who will promote the Zambian coffees. This exercise will help the Zambians penetrate the US market, a market they had deserted due to difficulty in making headway.

**Positive Feedback from  
Participants at the Worlds Wildest Coffee  
Conference**

☞ *"It was a great pleasure to attend the Wildest Coffee Conference that undoubtedly proved to be a tremendous success and hopefully will start a new page in the promotion of such a wonderful product as East African coffee. Undoubtedly the conference gave a strong impetus to further strengthening EA coffee positions on the nascent Russian R&G market."*  
**Russian coffee buyer**

☞ *"My wife & I have 10 hectares of coffee in Tanzania and it cost us \$1500 to attend this event. It was undoubtedly the best investment we have ever made in our coffee farm and we are confident that our client base and profitability will increase as a result"*  
**Tanzania small estate farmer**

☞ *"Let me congratulate you for making EAFCA conference a great success. I had a meeting yesterday with coffee estate owners who attended and they all maintain that the conference exceeded expectations"*  
**NGO working in coffee**

☞ *"Thanks for putting on a wonderful exhibition, it has really helped to put us back on the map"*  
**Kenyan coffee trader**

☞ *"...the worlds wildest coffee conference held in Nairobi, arguably one of the best organized in recent memory"*  
**Daily Nation newspaper**

- ☞ Rwanda: There was very strong interest in Rwanda from almost all the US buyers. Several are in relationships already, and Colleen Crosby of Santa Cruz Roasters changed her itinerary and left the conference to go directly to Rwanda to conduct further discussions with producers. We expect continued relationships to form, and our partners in Rwanda (PEARL and ADAR) are working to carry these forward. We also got reports that one private grower in the group sold the rest of his crop at the conference.

- ☞ Ethiopia: Ethiopian coffees were top rated at the cupping event. All buyers reported strong interest and are currently buying or will buy more Ethiopian coffees. The chief

cupping judge, William Boot, was in Ethiopia prior to the conference, and is working closely with local RATES partners on improving the coffees from Ethiopia. Royal coffee Inc.'s president, Robert Fulmer took his organic specialist and two roaster clients to Ethiopia on their way to WWC. That trip was a direct result of RATES convincing Royal to attend the conference.

- ☞ Tanzania: There was strong interest from several buyers for Tanzania pea berry. Several producers indicated that contacts were made with buyers, and that samples will be sent shortly to confirm quality. One buyer and Danny Glover visited cooperatives near Kilimanjaro. This buyer is looking for a cooperative to form a relationship. Many buyers were impressed with the recent policy changes that have occurred in Tanzania creating a special window for specialty coffees. Inter-American, a large specialty broker made a special side trip to Tanzania to visit several estates and view some milling operations. They have a strong interest in increasing purchases of Tanzanian coffees.
  
- ☞ Kenya: Local exporters reported strong interest in Kenya's crop. Reports are that auction prices are up (all coffees must be sold through the auction). The upcoming crop looks excellent. Buyers working out relationships with regional exporters to take positions on selected lots through the auction. Phyllis Johnson of BD Imports is seriously looking at expanding their coffee purchases from the region having started in Kenya in 2000. She also went directly to Rwanda and Tanzania following the conference. BD have started expanding their operations in the US from strictly Kenya green imports to regional imports and sales of packaged roasted coffees to the African American community in the Mid West. Two regional roasters are discussing joint ventures to feature regional coffees. Two meetings were arranged and a follow-up meeting was held off-site. This conference has re-ignited the coffee debate in Kenya. Numerous articles in local papers, and features on radio and TV have pushed the debate about specialty coffee to the next level.
  
- ☞ Burundi: Burundi sellers indicated renewed interest in their coffees. Buyers were seeking reassurances that stability and peace were returning to the country. One buyer will soon travel to Burundi to pursue options for buying this year's crop. Burundi is looking at 20-30,000 tons of coffee this year following a devastating drop in production to around 7,000 tons last year.
  
- ☞ Zimbabwe: There was renewed interest in Zimbabwe coffees. One buyer has agreed to attend the next Zimbabwe AGM meeting in July. This buyer/roaster was a major buyer of Zim coffees in the past. Farmers made a good appeal to convince buyers not to boycott Zimbabwe coffee under the guise of boycotting Mugabe's government.

**Support design and startup of full regional technical services support program.**

Late last year, RATES hired Chris von Zastrow, a well-known coffee expert, as the long-term coffee specialist to enhance our technical support to EAFCA. Chris has been assisting EAFCA to develop a series of technical training courses aimed at increasing regional capacity for evaluating coffees. Below is a summary of activities in this area:

☞ ***Coffee cupping and milling trainings.*** In order to improve the quality of coffee marketed from the EAFCA member countries, RATES organized two Coffee Corps trainings to take advantage of chapter members coming to Nairobi for the WWCI. This session was a follow up to the August 2003 cupping training workshops and included 13 cuppers that participated in the earlier activity. The objective of the follow up training was to continue to develop a harmonized definition of fine, specialty coffee that consistently applies within all industry stakeholders in Eastern Africa and abroad. This was an extremely knowledgeable group of volunteers that included Mr. Willem Boot, of Boot Consulting and Ms. Colleen Crosby, of Santa Cruz Coffee Roasters.



**Willem Boot, coffee corps volunteer explains the coffee flavor wheel during RATES sponsored Coffee Corps cupping training.**

Towards the same goal, RATES / Coffee Corps organized a post WWCI conference training on milling and grading. This training targeted mill managers and chief executives from all ten EAFCA member countries. The course trained these millers to improve their milling and begin to standardize the grading throughout the region. It is expected to have an immediate effect on the coffee quality improvement from the region. The course was oversubscribed which is indicative of the high level of interest and a full cadre of 30 mill executives and technical staff were trained by Mr. Ricardo Koyner, a milling expert from Panama and Coffee Corps volunteer.

☞ ***Uganda pilot appellation activity.*** During the quarter, RATES worked closely with UCDA to collect samples from the Mbale region of Uganda for the pilot appellation project. RATES also sponsored a quality awareness/pre-appellation training that took place in Mbale in February as part of the pilot appellation activity. The training was co-sponsored by APEP, UCDA, EAFCA, private companies, cooperative, traders, and producers. The objective was to introduce the concept of quality as the key component of a coffee appellation program. It is apparent that in order for an area to benefit from creating an appellation boundary, there must be something unique about the coffees, and this coffee must be of high quality to generate a premium. Based on our initial cupping tests from samples taken in the area, a lot of mediocre coffees are reaching the market. The intrinsic qualities of the coffees are being lost in the post harvest processing, and the end result is a mediocre product. For example, RATES cupped 10 samples of the same coffee from Bugisu, and all 10 samples cupped differently.

This training was presented to UCDA DCC officers, lead farmers from APEP production zones, traders, cooperative leaders, and producers, and private sector buyers. We had a total of 42 trainees. RATES provided the chief quality trainer. UCDA provided their chief cupper and staff, and provided roasters, grinders, and cups. The Bugisu Cooperative Society provided the coffee samples. We also had some samples from private companies to compare with the cooperative samples. APEP provided Nathan O. and other staff to work closely with RATES, and sponsored the lead farmers from their programs. The focus of the two day training was on quality, and how to maintain the quality from the moment the cherry is picked through export.



**Trainees sort green coffee looking for defects**

We are continuing to narrow the focus of the pilot appellation areas. Coming off our successful WWC coffee exhibition, EAFCA is getting a lot of inquiries for relationship coffees from US and European buyers. However, the relationships will go nowhere without the quality issues being addressed. RATES is working to identify areas where groups are consistently producing quality coffees that will be candidates for an appellation area.

### **KRA 1.2: Regional maize flows expanded**

**Strategy.** Maize is the major food crop in the region and a key component of food security programs. It is not uncommon for certain parts of the region to be hit by severe seasonal food shortages despite available maize stocks in nearby countries. The “distance” between the demand and the supply is measured both in kilometers and by cross-border barriers. The RATES maize program has the long-term goal to improve the flow and expand the availability of maize that will contribute to regional market stabilization and an increase in farmer confidence in producing the crop. The two-component maize program follows the regional theme of “Maize without Borders”. The first component is aimed at reducing policy and regulatory trade barriers through a private and public sector driven program that was launched last year through the auspices of COMESA and EAC. This program is managed through PIR3: KRA 3.1. The second component is focused on improved trade facilitation and is supported through the RATES Trade Office. Key activities in this component include the collaboratively managed market information web-site: Regional Agriculture Trade Intelligence Network or RATIN which is complimented by TradeAfrica.biz, a trade linkage site managed by RATES.

**Continue collaboration and management of the Regional Agricultural Trade Intelligence Network (RATIN).** RATIN ([www.RATIN.org](http://www.RATIN.org)) is a three-way collaborative effort between FEWSNET (Nairobi), FOODNET (ASARECA, Kampala) and the RATES Center. The site was officially launched last quarter by FOODNET and RATES in Uganda and Tanzania respectively and in Nairobi by FEWSNET on February 2, 2004.



**The Kenyan Minister of Agriculture, Hon. Kipruto arap Kirwa, opens the RATIN launch in Nairobi**

- ☞ The RATES sub-contactor, Computer Frontiers Inc. (CFI) has been working with FOODNET in Kampala on the direct data transfer using cellular SMS. The assignment has been successfully completed and FOODNET is now in a position to directly download field data into a spreadsheet format.
- ☞ The RATIN Management Committee (includes REDSO, RATES, FEWSNET, FOODNET) meet regularly to sort out management and growth issues. Such meetings took place this quarter at the RATES Center on February 3, February 26<sup>th</sup>, and March 29<sup>th</sup>.
- ☞ RATES continues to update the RATIN site on key policy issues informing readers as to progress on policy reform activities and updating import/export regulations. The RATES Trade Office submits market news items weekly and has greatly expanded the site's trade directory.

**Commence Commercial Trade Facilitation Through the RATES Trade Office.** To address the challenges of managing real time market information and trade linkage sites the **RATES Trade Office** was opened in September 2003 and is currently staffed by a full-time trade office facilitator dedicated to the upkeep and management of the RATES's *TradeAfrica.biz* site ([www.tradeafrica.biz](http://www.tradeafrica.biz)). Trade Office staff were fortunate to be able to assist the Kenyan Minister of Agriculture, Hon. Kipruto arap Kirwa, in a personal demonstration of the Tradeafrica.Biz site at the RATIN launch in February.

The Trade Office operates as a pro-active call center to manage trade inquiries through the internet, email, telephone, SMS, and radio. All site hits and trade postings are monitored and tracked for transactional viability and completion. Tradeafrica saw a significant increase in trade value of 500% in inquires to buy (from \$5.3 million to \$21.4 million) and 356% in offers to sell (from \$2.2 million to 5.8 million). Almost \$35 million in trade inquiries has been posted since the beginning of the program year (see Table 1).



The *Tradeafrica.biz* site is the only trade linkage site for maize in the COMESA Region

**Table 1. Quarterly Web Server Statistics – Tradeafrica.biz**

Classification	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Cumulative Total
Successful Requests	37,888	51,240			89,128
Average requests per day	567	2,611			3,178
Distinct files requested	1049	922			1971
Distinct Hosts Served	563	1,391			1,954

**Table 2. Tradeafrica.biz : Volume of Business**

Inquiries to Buy Maize	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Cumulative Total
Number of Companies	12	12			24
Volume in MT	33,870	138,400			172,270
Value in USD	\$ 5,329,437	\$21,408,350			\$26,737,787.00
Average Price/MT	\$157/MT	\$154			\$155.00

Offers to Sell Maize	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Cumulative Total
Number of Companies	4	9			13
Volume in MT	12,505	31,043			43,548
Value in USD	\$2,262,786	5,810,397			\$8,073,183.00
Average Price/MT	\$181/mt	\$187			\$184/mt

**Improve trade access to import/export regulation information.** Steve Njukia (The maize marketing specialist) met with EAC officials in Arusha last November to start the process of producing guideline handbooks on import and export regulations targeting the small and medium traders as well as officials manning border posts. A follow-up meeting this quarter on March 30<sup>th</sup> at EAC/Arusha created a significant shift in the process: the handbook will no longer be a partner RATES/EAC project with EAC removing itself from the program due to legal and operational issues. RATES will proceed with the guideline handbook and will target the cross-border grain trading sector in East Africa. The program will include backup training for traders in understanding the regulations. These regulations will also be posted on the RATIN and Tradeafrica.Biz websites.

☞ **Conduct Trade forums for cross-border traders..** On February 9th and 10<sup>th</sup>, RATES and FEWSNET collaborated on an East African region conference for small and medium cross-border maize traders. Over 20 Trading Associations were represented by the forty participants who deliberated on the improvement of the Trade Bulletin and its dissemination. On the second day, the RATES team of Bernard Kagira, Steve Njuria, and Tom Carr led the conference in presentations and discussions on regulatory and policy issues, contracts, TradeAfrica.biz, Maize without Borders, and Association strengthening. RATES has plans to follow up on this conference with visits to a few associations to determine what institutional assistance they may require.



**Dr. Joseph Wanjama, the Kenya Director of Agriculture, speaks at the Mombasa business lunch sponsored by RATES**

**Strengthen formation of the Regional Trade Network.** The RATES Trade Office has also been active in promoting inter-regional trade at various forums including:

☞ The Trade Office hosted a business meeting in Mombasa on March 10<sup>th</sup> with fifteen grain millers and traders in attendance. Dr. Joseph Wanjama, the Kenya Director of Agriculture, was invited as the keynote speaker. Dr. Wanjama and after his presentation, fielded questions from the business men on grain importation, tariffs and foods deficits. James Wilde from Louis Dreyfus also provided some insight on the international grain market situation. Steve Njuria and Pam Chesire presented the RATES program, Tradeafrica.biz, and the Maize without Border program.

☞ A similar business forum was held in Addis Ababa, Ethiopia, on March 16<sup>th</sup>, where Steve Njuria and Pam Chesire led presentations on the RATES maize programs to sixteen grain millers and traders. The RATES team also met with trading companies interested in exporting maize to NCPB in Kenya. The process is still on-going.

- ☞ Steve Njuria represented RATES at the monthly Tanzanian Traders Meeting in Dar es Salaam on March 2<sup>nd</sup> where fifteen members of that sector including EU, WFP, USAID met under the direction of Sophie Walker, FEWSNET.
- ☞ The RATES Office in Lusaka organized a business dinner on March 22 for the COMESA Custom Union delegates to build a better understanding of the programs initiated by the RATES Center. Steve Njuria from the Trade Office presented TradeAfrica.biz and Maize without Border programs to the 60 delegates who were present.



**RATES Maize Marketing Specialist, Steve Njuria, leads a business meeting in Addis Ababa with leading traders and millers**

### **KRA 1.3: Livestock exports increased**

**Strategy.** AU-IBAR is the institutional partner for the RATES livestock sector program. The long-term strategy is to work with and through IBAR to set up a Red Sea Livestock Trade Commission (RSLTC) that will operate with private sector approaches to open the lucrative Middle Eastern market to livestock from the Greater Horn of Africa. To do this effectively, the RSLTC will be set up to harmonize, regulate and supervise the livestock trade from Africa to the Middle East. Through information, training and technical support, the Commission will also support private inspection and quality assurance services and the integrity of the livestock trade services. The goal for the effort is to support delivery of quality, disease-free livestock from GHA countries to the Middle Eastern market.

**Identify livestock trade market requirements and constraints.** Work under this activity was limited during the reporting period. During the last two quarters of the year, RATES and AU-IBAR will carry out a number of market studies. AU-IBAR has been planning a program to identify market parameters and opportunities in Yemen, United Arab Emirates, Saudi Arabia, and Egypt. RATES will assist in this activity by providing core RATES staff and other program resources. These market studies will provide

important market information collected in interviews with target buyers, government and private sector health officials, transporters and other key players.

☞ RATES and LTC staff members have been working together to design the questionnaire for the Middle East demand study and RATES has traveled to Dubai to meet with traders and verify their reactions to the survey. LTC was to implement the questionnaire at the traders meetings held in the Yemen this quarter. This will be an in depth demand study which will build upon the contacts and introductions made in Dubai. Work has already begun with interviews and market data currently being collected in the UAE and in Egypt which will provide information on the constraints to trade and the competitive advantage of countries like Australia. RATES visited the Dubai Livestock holding facility to begin determining buyers' needs and the constraints to trade identified on the ground.



**Livestock Holding Facility in Dubai**

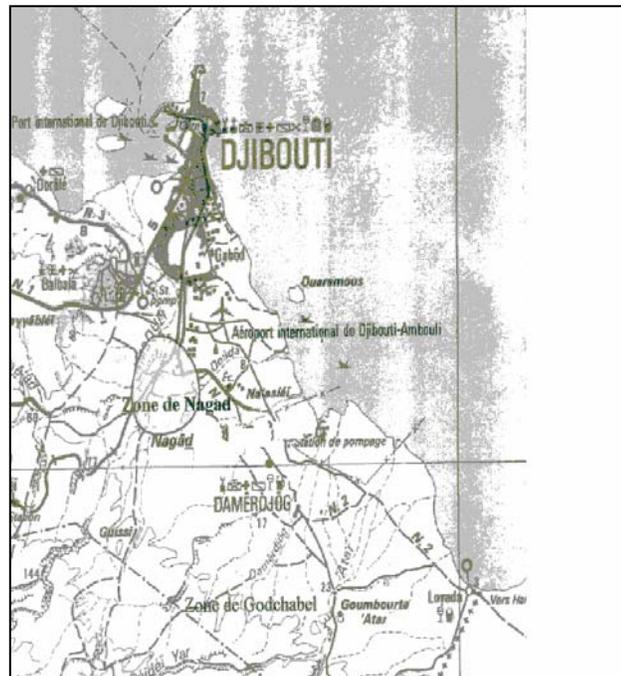
RATES has also assisted LTC in coordinating the demand survey information with a planned web based livestock trading platform and has facilitated meetings with the web designers to ensure that all demand data collected can feed directly into the new site.

**Develop Red Sea LTC Trader association model for implementations.** This activity is currently being carried out under AU-IBAR's PLP program. RATES will provide core resources to support this effort. The PLP training has been conducted by AU-IBAR in Djibouti and Somali Puntland. The Djibouti Livestock Traders Association will be the first model as this will strengthen them to assist in the management and supervision of the Djibouti LHF. Djibouti and Kenya associations are fairly new but follow a private sector approach and are formed by the livestock traders. Both are very active and have started to acquire assets and pursue market linkages.

☞ Support Livestock marketing & promotion program. RATES livestock and marketing promotion program will be in two phases. To date, there is no verifiable demand information from the Middle East. RATES believe it is critical to have the demand

data, in order to develop a successful marketing program. Market information gathered in Dubai illustrates that the relationship between Middle Eastern buyers and African sellers has deteriorated and there is very little up-to-date information available to link them. Thus RATES has begun work on a web site which will provide supply and demand information to the traders and enable them to become “re acquainted” with each other. This will serve as a web based trading platform. This is a private sector market driven activity as the idea was generated and formed during the traders meetings RATES held and facilitated in Dubai.

☞ ***Support development of model export livestock holding facility.*** AU-IBAR has received funding to construct a livestock holding pen in Djibouti as part of the USG’s support to the region. This model facility will support transnational trade of livestock and will need the support of all key stakeholders for successful implementation. RATES was instrumental in starting the process for AU-IBAR by fielding a team of experts for a feasibility study of a prototype holding facility located near Djibouti city. In September, 2003, the team presented their findings in Dubai to a group of private and public sector participants (from both Africa and the Middle East) who were invited to listen and learn about the facility design and contribute to its development.



**Map showing the proposed site of holding pen**

Following the initial feasibility study, the REDSO environmental team requested additional environmental impact studies to be conducted due to the high profile of the pilot facility and huge amount of animals to be confined in one location. On a very short notice, RATES located a specialist team to travel to Djibouti to review the proposed facility, and make suggestions on mitigative measures on limiting the environmental impact of the site. The team included an internationally renowned geo hydrologist, Dr. Richard Kelsey and waste management specialist, Dr. Pier Ronchietto.

The following are some of the conclusions and recommendation included in the report:

- The original site locations, as presented, exhibit key limitations with respect to amount of available land required for the operation, proximity to active floodplains, depth to groundwater, and proximity to public resources. Moving the project location to take advantage of the natural benefits of the existing landforms is recommended.
- The existing and available base mapping will not support and facilitate further evaluation, design and construction of the project. Detailed topographic maps, preferably to a horizontal scale of 1 inch to 100 meters (or equivalent) and a vertical accuracy of 0.5 meters, is recommended to be collected or prepared. In addition, scaled aerial photography that covers the project site is recommended along with infrared photography. Continued requests and retrieval of existing base maps from the local government and additional mapping from the US military through USAID is recommended to be pursued immediately.
- Solid waste recycling reduces environmental risk, provides opportunity for increased farm productivity and LTA income generation. A formal and comprehensive Solid Waste and Nutrient Management Plan should be developed that describes the generation, handling, and fate of animal wastes.
- The water supply for the facility can likely be developed locally in the Atar Yar River bottom, at least for the initial and possibly for the entire project build out. This option offers significant cost saving to the project if it can be developed. The safe extraction capacity of the aquifer should be investigated through subsurface exploration (test pits) and or installation of a pilot (or full scale) horizontal collection system. Considerable saving in reduced storage can be realized if variable extraction rates can be achieved.
- Environmental monitoring of the facility can protect the project investment and be an early warning of undesirable impact. A formal

Environmental Monitoring Plan should be developed and implemented with the facility operations plan.

- Based on use of existing landforms and expanded area that can be used to facilitate project operations, the feasibility of the project is entirely possible without compromising environmental or public resources.

#### **KRA 1.4: Regional Cotton/Textile Trade Increased**

**Strategy.** A key part of the strategy to meet RATES objectives in the cotton sector is to focus on the regional textile industry as a main *buyer* of regionally (and mostly smallholder) produced lint, and as a *seller* of textile products taking advantage, where applicable, of regional and international opportunities provided under AGOA. Operating under the premise that the resulting increase in regional demand for cotton will translate into improved market opportunities for smallholder farmers, RATES will work with the industry to develop and strengthen regional market integration. RATES will promote and implement programs for improved regional competitiveness that will position the sector to work to best advantage in national, regional and export markets.

A key element in the program is direct program ownership by the industry requiring RATES to meet with nationally based trade organizations and key companies to build consensus and to lay the foundation for regional vertical integration of the supply structure. RATES is working with these stakeholders to gain support for the regional integration approach to cotton development, raising awareness to networking, trade linkage and trade information. As with maize, RATES supports a private sector driven program to identify trade policy constraints for cotton that are vetted at the appropriate regional and national forums. It is also essential that RATES coordinates closely with the ECA Global Competitive HUB based in Nairobi, and the Southern HUB in Gaborone, especially where it concerns the AGOA program and cross-regional supply systems. RATES and the Hubs will schedule periodic meetings to ensure a smooth working relationship.



**Barry Fisher, RATES' Cotton Marketing Specialist, meets with key industry leaders in Zimbabwe to promote the Regional Integration Program**

**Background:** During the first half of 2003 seven cotton market analyses were completed for Kenya, Uganda, Tanzania, Ethiopia, Zambia, Malawi, and Zimbabwe – and market chain studies of those countries indicated that there is significant potential to increase trade in the textile sub-sector. A Cotton Trade Directory has been completed based on those studies. A regional study was conducted by Dr. John Cockcroft in 2003 to assess the inter-region supply chain – lint to textiles to apparel – and he strongly endorsed a program for regional networking and trade linkage basing his recommendation on his finding that there is urgent corporate demand for a regional approach to international market competitiveness. Consequently, RATES core staff have visited several ginning, textile and apparel concerns in the region over the past few months and have verified the private sector concern for their lack of preparedness to meet AGOA and WTO conditionalities for 2004 and 2005.

RATES recruited a full time Cotton Marketing Specialist (CMS); Barry Fisher from COTTCO Zimbabwe, in November 2003. The first task undertaken by Barry in November and December 2003 was to meet with nationally based industry organizations and leading companies in several target countries (Kenya, Uganda, Tanzania, Zambia, Malawi and Zimbabwe) to promote the concept of a “regional trade community”. The CMS also found time in December to attend the AGOA Conference in Washington DC where he gained first hand knowledge from WTO and AGOA officials regarding their programs that will guide RATES towards developing assistance/service programs for a region currently lacking such network support.

**Promote the regional integration concept.** Barry Fisher, RATES Cotton Marketing Specialist and Tom Carr, RATES Marketing Specialist, attended the Africa Apparel and Textile Conference and Expo held at the Sandton Convention Center, Johannesburg, South Africa, on March 9-11, 2004. The event was co-organized by the Africa Coalition for Trade Inc. and Africa-US Trade Services Ltd.

☞ Barry was an event speaker sitting on the panel for *Vertical Integration through Strategic Alliances* and he used the opportunity to launch the RATES concept for *Regional Integration of Cotton and Textiles in East and Southern Africa*. Of the five panel participants, this topic received most of the attention from the delegates and Barry was able to continue the discussion after the session and throughout the remaining time of the Conference.

☞ The concept of promoting a regional trade community through improved trade linkage systems and creating regional supply chain internet systems was well received by the members of the delegation. Barry was also able to demonstrate the new trade linkage website – *Cottonafrica.com* - due to be launched by RATES in early April, 2004.



**Barry Fisher, RATES cotton marketing specialist, discusses supply chain issues with Walter Simeoni, President of the South African Textile Federation.**

- ☞ Mr. Fisher also joined fellow RATES senior staff members Shemmy Simuyemba, Bernard Kagira and Steve Njukia at RATES organized business dinner in Lusaka on March 22 for the COMESA Custom Union delegates to build a better understanding of regional integration concepts. The COMESA Secretary General, XXXXX, delivered an address to open the function.
- ☞ On March 26<sup>th</sup>, Mr. Fisher continued his regional supply chain campaign in Zimbabwe where the Zimbabwe Cotton Council hosted a national forum of nineteen key industry players at the Cotton Pavilion, Exhibition Park, in Harare.

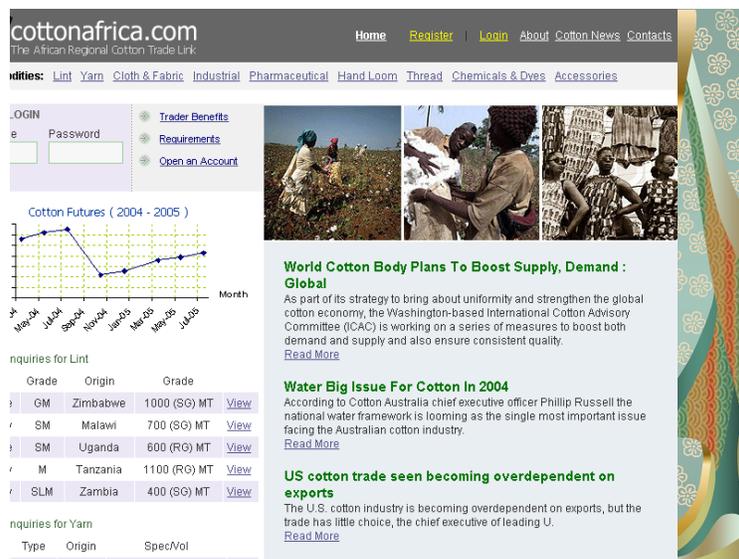
**Regional Trade Network Structure.** As part of the regional integration process, RATES is proceeding on the development of a network structure to engage the key industry players in fruitful trade linkages and to provide information on business opportunities. Even more critical to regional sustainability is the need for regional participation and representation in policy dialog at international forums (AGOA, WTO).

The need for a regional trade community was clearly illustrated in the RATES analysis of the industry conducted by Dr. Cockcroft, and is supported by Stephen Lande, President of Manchester Trade Ltd. In Lande's presentation at the AGOA conference in Washington in December 2003, he refers to the importance of regional trade communities (Ref. "Regional Groups are Key for Developing Nations to Compete in Global Markets"). Such a community is best identified and supported by the industry players themselves from conception to implementation, and RATES is prepared to play an instrumental role in facilitating the design and formation of a such a regional trade body.

This activity is rapidly moving towards the commodity's first regional conference of key trade associations and trade-flow leading companies. The conference is expected to

address the competitive weakness of the region and to deliberate and identify initiative that will encourage intra-regional trade in cotton/textile products.

**Design and implement trade linkage and communication systems.** The design and creation of a regional cotton/textile trade linkage web-site “*Cottonafrica.com*” linking suppliers and buyers region-wide has been completed this quarter with only fine-tuning to be done before the site is launched. The initial focus will be the supply of regionally produced lint to the textile sector and fabrics to the apparel sector to meet the AGOA conditionality of 9/30/03. The web-site will also post a comprehensive *Cotton Trade Directory* listing all companies and products serving the Region. The first draft of the directory has been completed and awaits loading to the web-site. The trade linkage site will also serve as the sector voice in the region providing trade news, updates, and trade regulation/policy interventions. The site is managed by the RATES Trade Office using a pro-active call center approach.



Front page of RATES new cotton africa.com web page

**Regional Supply Capacity.** The CMS is finalizing the regional supply/demand inventory system, an effort started in 2003 with the seven national market chain studies and the regional trade study. The activity requires detailed historical and current data collection on cotton production, and both “installed capacity” as well as actual output for lint, yarn, textiles, and apparel. The data base has been designed in-house and all collected data is expected to be loaded early next quarter. The completion of this activity is to coincide with the launch of the trade linkage web-site “*Cottonafrica.com*”.

### KRA 1.5: Regional trade in dairy products increased

**Strategy.** RATES’ program in the dairy sector is focused on the development of extra/inter-regional export markets, initially targeting countries in the region with exportable surplus. Identification of target markets has started and milk-deficient countries in the region that undergo a market demand assessment will be considered (i.e.

Malawi, Mauritius, and Tanzania) along with some external markets including West Africa and the Middle East. Although the term “surplus” follows a standard production/consumption definition, the program will not hold fast to this rule since there is potential in some “deficit” countries like Mauritius and Malawi to export limited products as well.

**Background.** In November 2003, RATES signed a sub-contract with Land O’Lakes (LOL) Regional Office based in Nairobi to provide a long term dairy marketing specialist, Mr. Moses Nyabila, now based in the RATES office. Mr. Nyabila, a Kenya citizen, was previously employed by LOL in Uganda, and brings several years of private sector and development experience to the RATES technical team. The LOL subcontract brings significant institutional and technical strength to the program including several bilateral mission supported dairy projects in the regional and field support structures.

The RATES dairy strategy encourages industry ownership of the program that will lay the foundation for regional networking, trade linkage and trade information. We will identify and provide institutional support to national and regional organizations that are key players in advocating policy reform and promoting trade initiatives. RATES is also linked with the ongoing dairy policy program of ECAPAPA and is collaborating with them to formulate a dairy policy platform that will be introduced through the COMESA and EAC systems. As with maize, RATES supports a private sector driven program to identify trade policy constraints for dairy that are vetted at the appropriate regional and national forums.

**Identify and facilitate development of export markets for dairy products.** Taking advantage of Land O’ Lakes offices in Kenya, Uganda, Malawi, Zambia, and Tanzania, a “country dairy sector profile” has been prepared and submitted by these field offices. Although more comprehensive studies will be carried out under the auspices of the RATES/ECAPAPA policy activity, these profiles will help differentiate between the export and import potential of the selected countries. Work will continue with fine-tuning the five completed profiles and a new one for Mauritius has been added to the collection.

Last quarter, the RATES policy office completed the task of downloading and compiling COMESA import/export data on dairy products and defining product classifications into shelf product classifications. RATES has also secured the official East African Community’s grades and standards for dairy products that include unprocessed whole milk, milk ices and ice cream, and yoghurts. These will be used as a starting point for regional harmonization (COMESA).

☞ Moses Nyabila, the RATES dairy marketing specialist (DMS) traveled to Zimbabwe, Malawi and Zambia in February to conduct demand and supply studies and to identify immediate trade opportunities.

- The Zimbabwe Dairy Board (ZDB), the largest private sector dairy company in Zimbabwe, controls 90% of the market in dairy products. Although a shrinking milk supply due to present-day conflicts has reduced volume of business, the

company is still looking to exports as part of their sustainability strategy. Export opportunities include UHT, ice cream and sterilized milk into Tanzania, DRC, and Zambia; milk powder into Malawi.

- In Zambia, the Parmalat Dairy Company (yes, of Italian fame), hold about 60% of the share of the formal market. Export opportunities include 500/250 ml packets of UHT into Malawi, DRC and Tanzania.
- Malawi is considered a target of import opportunity for Zimbabwe and Zambia. The main processing plant is owned by the ZDB and supplements its own fresh milk supply with imported powdered milk from its parent company in Zimbabwe.

☞ Moses traveled to Mauritius in March to conduct a rapid market assessment that was prompted by a review of COMESA trade data that revealed a significant import volume. Over 95% of all dairy products consumed in Mauritius are imported. The value of this volume is estimated at \$38 million, and none of this business comes from COMESA. The main competition is Australia and New Zealand – a real challenge for COMESA region companies interested in breaking into that market. However, there appears to be companies in Kenya interested in meeting that challenge and new market opportunity seems to be emerging:

☞ RATES and the Kenya Dairy Processors Association have agreed to host two key and motivated buyers from Mauritius early next quarter. At least three top dairy processing companies are investing in UHT capacity to meet export programs. RATES will focus on other nearby Indian Ocean countries such as Comoros and Seychelles as target markets.



**Kenya products are already found in Mauritius supermarkets. Why not dairy?**

**Facilitate the resolution of dairy trade impediments.** RATES and LOL had initially identified two trade zones where dairy trade can be enhanced through a negotiated process to resolve trade disputes between two countries. Since the start of the year it has been determined that the Zambia issues with South Africa – mainly through the Shoprite retail chain – have been clarified to the satisfaction of the concerned parties. RATES is continuing to work with the main dispute area of Kenya/Uganda.

- ☞ The RATES technical team, along with technicians from LOL, met several times last quarter to develop the appropriate strategy and plan of action. One of the first activities was the preparation of specific policy briefs that will lay the foundation for the process of “trade dialogue” between key players from the dairy sectors of the two countries. RATES will take advantage of the ECAPAPA policy program that has already prepared two extensive policy papers for the two countries. These two papers will be “dissected” by the RATES team of Bernard Kagira, Moses Nyabila and Tom Carr and condensed into a policy brief that will be used by RATES as the foundation for a dialogue agenda for the next phase.
- ☞ RATES is also taking advantage of the National Consultative Meetings that ECAPAPA will be holding next quarter with all key industry stakeholders to discuss and deliberate policy issues that will eventually form the platform that will be presented for COMESA. The first two such meetings will be in Uganda and Kenya – convenient for the RATES dialogue process. The RATES team is fully involved with the planning and implementation of these meetings with ECAPAPA.
- ☞ In addition, RATES is co-sponsoring a conference with the Kenya Dairy Processors Association and the Dairy Board of Kenya in April to deliberate the newly incorporated EAC Custom Union Protocols and how it will affect the dairy industry. The expected participation of 60 key stakeholders will provide significant preparation for the forthcoming dialogue phase between the two countries.

**Inter-regional market linkage systems.** RATES has initiated a review process on regional market linkage/market intelligence options available to the sector. The RATES DMS has been meeting with key stakeholders and trade association leaders throughout the region to assess the demand for regionally focused communication and information services. Business meetings with sector officials are planned following the completion of the eight ECAPAPA/RATES consultative meetings – probably after September 2004. However the RATES staff will also use the consultative meetings as an opportunity to meet with key stakeholders and discuss market linkage and intelligence options.

- ☞ The first draft of a Regional Dairy Trade Directory has been completed. The directory is a necessary tool for trade linkage. The RATES DMS has also started research on mapping regional dairy capacity through the country profile activity.

- ☞ Preliminary planning has started on regional web-site trade linkage systems, and holding a conference for regional dairy trade associations that will kick-start a more formal and organized market information and trade linkage system.

## **PIR 2: Increased institutional capacity to sustain agricultural trade**

### **KRA 2.1: Capacity of selected partner organizations strengthened**

**Strategy.** RATES strategy in this KRA is to support the ability of implementing partners to provide important trade support services on a sustainable basis. Work in this KRA during the work plan period continued with partner institutions with which REDSO has already initiated the PIVA process.

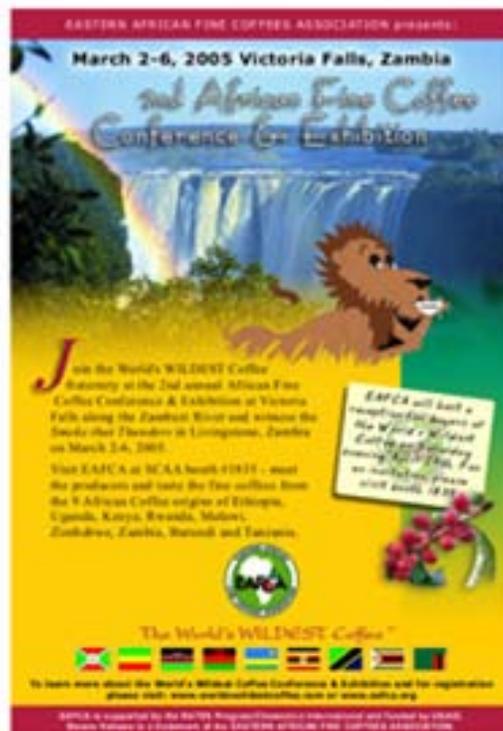
**Provide targeted support to EAFCA.** RATES expanded our support to EAFCA to include financial support of operational costs of the secretariat. RATES is assisting EAFCA to provide market and technical development services that support and add value to the programs of its members, promote aggressive regional and international market development, and position EAFCA in the longer-term to maximize opportunity for revenue generation and sustainable operation.



**EAFCA's Executive Director, Fred Kavuma (left ) with Ted Lingle, Executive Director of SCAA, and David Roche of CQI**

- ☞ With support from the EAFCA secretariat, each local chapter has hired part-time chapter coordinators. The coordinators are responsible for coordinating local chapter development. They will propose and implement activities, arrange monthly meetings, collect information and provide a report to the secretariat on a monthly basis. Several chapters have met and finalized their electoral process with new officers. Others are in the process of registration. The industry meetings have developed increased interest in the chapters and membership continues to increase in most countries visited. These national-level retreats will focus on the needs of this new base, and developing specific strategic missions for increasing the chapter and the sales of specialty coffee.

- ☞ EAFCA has recorded 49 (newly paid-up) memberships since March 2003, when RATES began supporting the organization. This is largely a result of our strategy workshops, word of mouth over the excitement of the WWC and successes in Boston and Rome.
- ☞ A further indication of EAFCA's rising status is that all EAFCA chapters had self paid booths at the WWC event in February. Several chapters had multiple booths and this was the first time that they had worked together as a team chapter to develop a promotional activity. Without exception, each chapter reported that the booth at the WWCI was a worthwhile investment and a successful promotional endeavor. This effort has certainly strengthened the organization and given members an opportunity to work, plan and market together.
- ☞ RATES support to EAFCA for organizing regional coffee conferences such as the WWC is aimed at providing a revenue stream for increasing chances for the organization to reach long term financial and institutional sustainability. The \$90,000 earned from this event will enable them to have access to funds which are
- ☞ undesignated and which they can use to provide member programs, fund overhead and invest in future African Fine Coffee Conferences. RATES has assisted EAFCA to send a team to Livingstone Zambia to set the operational stage for the WWCII to be held there in March 2005.



Promotional flyer for the 2<sup>nd</sup> African Fine Coffee Conference and Exhibition

- ☞ RATES is working closely with the EAFCA Secretariat to develop realistic budgets. Efforts have focused on monitoring funds distributed through the RATES Partners Fund. EAFCA has adopted the suggestion of moving offices that should cut rental expenses by about a quarter. EAFCA has been involved with RATES on the chapter strategy meetings and substantial capacity has been built there so that eventually they can run those meetings without RATES core technical support. Most importantly, EAFCA has gained capacity in its ability to assist in the operational, promotional and logistical aspects of the WWC. EAFCA successfully managed all the finances for the event, speaker invitations, etc. as well as assisting in determining the next venue and dates for 2005. They also designed and implemented their own booths at the WWCI.
  
- ☞ A full board meeting was also held pre WWCI in which many important decisions were made, including the development of an Executive Committee comprised of 4 board members and the chairman. The first non sponsored Annual General Meeting of EAFCA was also held at the WWCI and was well attended by almost 100 members (despite being at 7:30 am on a Saturday morning). This all demonstrates the positive strides being made in institutional development. RATES was also invited to participate in the second ExComm meeting held in March where important issues such as financial budgeting, staffing and succession planning were on the agenda.

**Provide Targeted support to Red Sea Livestock Trade Commission.** The LTC is not yet formally registered as the final institutional form is yet to be determined. It appears that the LTC will function as an autonomous body under the auspices of AU-IBAR. This is a somewhat different model than initially visualized by the LTC staff, but a model that may take into account the unique nature of the commission. This has made it challenging to finalize an operational business plan for the LTC without a modus operandi for the institution. The RATES team has finished a first draft of the business plan and submitted to LTC for comment and a meeting will be held next quarter to go through all the issues together and finalize this operational way forward for the commission.

RATES hopes to assist LTC to generate activities which are revenue producing in order to avoid becoming a donor driven organization. The focus of this assistance over the past few quarters has been in assisting LTC to undertake the Djibouti Livestock model holding facility. RATES core and short term technical assistance has been instrumental in moving this project forward. It is anticipated that next quarter, RATES will assist the Djibouti Traders Association with its own business plan for the facility.

RATES is providing direct technical assistance for the operational business planning process. This activity is being provided by core RATES staff and focuses on assessing the actual staffing and financial resources required to operationalize the LTC. The business plan is being developed in collaboration with RSLTC and calls for budgetary rationalization based on break even budgets are being produced and a variety of income producing strategies will be examined. The market supply information gathered in Africa and the demand from Middle East will be important factors in this plan. It is anticipated that this plan will be finalized by mid 2004 and the process is well underway.

Once this operational business plan is in effect, RATES will sponsor a strategic planning session with industry stakeholders and associations to assist LTC to develop a long term strategic plan.

- RATES will continue to assist the LTC this year to analyze the feasibility of a livestock holding facility in Djibouti which could be the primary source of revenue to make the commission sustainable.
- RATES continues to assist potential stakeholders and users of the Djibouti Livestock Holding Facility to understand the advantages of this facility. After the successful RATES hosted meeting in Dubai, follow up has been done with RATES staff going back to Dubai to meet with traders and begin the Middle East demand survey.
- Both the revenue and the good will created by the facility will provide a platform for LTC sustainability.
- RATES is assisting the LTC in development of a tender for the construction of the Djibouti Livestock holding facility.
- RATES is assisting LTC through core support in the development of an operational business plan which will provide a more realistic framework for growth than the previous budgets and plans on the table.

### **KRA 3.1: Private sector-driven agricultural trade policies advocated**

**Strategy.** The strategy for this KRA is to identify trade policy and regulatory issues and constraints to regional trade flows and to initiate policy and regulatory change through regional policy making organs (COMESA, EAC and SADC), and to support the implementation process. There are seven activities this KRA for the work plan period:

**Assist COMESA and EAC to implement recommendations of the regional maize trade conference.** The Regional Maize Trade Policy Platform was formally endorsed by the COMESA Trade and Customs Committee and the COMESA Council of Ministers in October 2003 and November 2003 respectively as well as the Secretariat of the East African Community (EAC). This policy platform has been integrated into the COMESA decision making structures at the highest, (ie Ministerial) levels and consequently into the trade policy agenda of 20 COMESA and EAC countries and presented to over 200 public and private sector stakeholders in various regional meetings which included the following:

- COMESA Trade and Customs Committee meeting, Lilongwe, October 2003.
- COMESA Council of Ministers meeting, Lusaka, November 2003.
- COMESA Standards and Quality Assurance (SQA) Committee meeting, Lusaka, December 2003.
- RATES Working Dinner arranged for delegates to the COMESA Technical Workshop on the Customs Union, Lusaka, March 2004 consisting of representatives from Ministries of Trade, Ministries of Agriculture, Departments of Customs and private sector industry leaders.

During the quarter, activities focused on six policy areas of the maize trade policy platform:

- ☞ Simplification of customs documentation and procedures. Design of a simplified customs entry document not just for regional maize, but for bulk agricultural produce is under preparation and will be submitted for approval by the COMESA Directors of Customs in June 2004 and subsequently, the COMESA Trade and Customs Committee in October 2004. This activity is being undertaken on a collaborative basis with the ECA Trade Hub thus facilitating synergies and complementarities between the two projects.
- ☞ Implementation of COMESA Simplified Certificate of Origin to facilitate cross-border trade. This is in progress and is being done in parallel with the simplified customs entry document.
- ☞ Streamlined management of import/export bans, periodic controls, tariff and non-tariff barriers to make the trading environment more transparent and predictable. Submissions of the policy framework for management of export/import bans and restrictions to the COMESA Trade and Customs Meeting and EAC Trade and Industry Committee meeting in October and November
- ☞ The brief for the Ministers of Agriculture to facilitate their decision on design of a predictable mechanism for management export/import bans or restrictions was prepared. The decision is yet to be made because the Ministers meeting did not take place as planned. This activity is to be pursued in the next quarter. The strategy may involve country specific debriefs and collection of submissions on parameters to be contained in the mechanism. This would then be used in the design of the mechanism in a participatory forum of Food Reserve Agencies and other stakeholders.
- ☞ Harmonization of quality and standards. RATES had a meeting with EAC during which Uganda's private sector input to the EAC draft standard was submitted to the Secretariat. This input, along with that from Kenya and Tanzania will be considered by the Standards Committee at their next meeting. RATES will facilitate formal submission of these inputs by the private sector to the respective Bureaus of Standards in the three countries. Final draft of text of COMESA harmonized maize standards prepared and sent to member States for voting in line with agreed "Procedures for the Harmonization of Standards in the COMESA region" by the COMESA Standards and Quality Assurance (SQA) Committee. RATES ensured that the text took cognizance of the EAC standards specifications. Harmonized regional maize standards to be presented to COMESA Council of Ministers in November/December 2004 for approval. Once approved, the harmonized maize standards will become operational and replace individual national standards. This will be a major achievement as maize is one of the most traded commodities within COMESA

- ☞ Harmonization of sanitary and phytosanitary regulations and making them more accessible to cross-border traders. Consultations were held with EAC Hub on possibility of integrating access to phytosanitary inspections services at the one stop Border Clearing pilot project in Malaba, border of Kenya and Uganda.
- ☞ Harmonized regional position on GMOs/LMOs. Study in progress to define a regional position on GMOs/LMOs with ASARECA taking the lead and in collaboration with RATES and ECA Trade Hub under the auspices of COMESA. Position paper to solicit comments and input from stakeholders (public and private) in COMESA region prepared and circulated during March 2004. Study results to be presented to COMESA Ministers of Agriculture, July-September 2004

**Assist COMESA and EAC to develop a regional trade policy framework for cotton and textile sector.** Work this quarter focused on conducting necessary background and analysis to develop the regional cotton and textiles trade policy platform. Key tasks included:

- Briefing COMESA and EAC on the RATES work on cotton and textile and enlisting their support.
- Developing a trade flow analysis of cotton and textiles for the period 1997-2002 in COMESA and EAC.
- Reviewing country and regional studies and identified data and information gaps.
- Developing a SOW to facilitate filling in of the gaps and commissioning of four country studies – Madagascar, Mauritius, RSA and Egypt.
- Presenting elements of the platform to trade flow leaders and public sector policy makers for sensitization and input at the RATES working dinner held in March 2004.

**Facilitate the resolution of dairy trade impediments in the key trading partners in East and Southern Africa Region.** RATES is providing key support to ECAPAPA's analytical work on regional trade policy initiative on dairy products. The program was launched at a joint meeting on January 15<sup>th</sup> with RATES targeting Zambia, Malawi, and Mauritius for policy studies and consultative meetings.

- ☞ RATES was able to fast-track the contracting of national resource people (NRP) for the three countries and the drafts of all three studies have been completed and submitted for editing and technical review. RATES presented the elements of a regional dairy trade policy platform to trade flow leaders and public sector policy makers for sensitization and input at the RATES Working Dinner held in March 2004.

☞ RATES has successfully completed an exercise with Alpha Dairies Ltd. and the Kenya Dairy Board (KDB) to resolve an import dispute between Uganda and Kenya. The dispute, ending with the desired reversal of an earlier decision against the company, is a prime example of the use of discretionary authority to “protect” an industry while unknowingly creating barriers to trade and hindering industry development. The dispute – concerning the import of ghee into Kenya - will be cited during the Uganda/Kenya trade deliberations.

**Establish Regional Agricultural Trade Policy Support and Monitoring Office (Ag. Trade PSMO) with focus on selected agricultural commodities.** The RATES Agricultural Trade Policy Office established based at the COMESA Secretariat in Lusaka, Zambia. The office is staffed and functional as of March 2004 with permanent office space and two staff members, trade policy specialist, Shemmy Simuyemba and program assistant, Lillian Chilongo Ngalande. Staffing this office has greatly improved coordination and collaboration with COMESA and helped to further integrate RATES work into the COMESA trade policy program. The trade policy office has started process of putting in place mechanism to track and monitor policy change and implementation in COMESA countries for regional agricultural trade. The PSMO is shared with ECA Trade Hub and this should further help to strengthen collaboration between the two projects.

**Establish agricultural trade policy platforms (Ag. Trade PP) around selected agricultural commodities.** The RATES team in Lusaka has defined the conceptual and implementation framework for the proposed agricultural trade policy monitoring System (AgTrade-PMS). This activity will be completed during the third quarter. The AgTrade-PMS has three major components:

- Policy Library (AgTrade-Policy Library)
- Policy Tracking and Reporting System ( AgTrade-PTRS)
- Policy Website (AgTrade-Policy Website)

☞ The AgTrade-PMS provides a basis for an objective, transparent, up-to-date and accessible mechanism to benchmark and track regional agricultural trade policy developments and report on their impact on a timely and systematic basis to inform decision making by both private sector trade flow leaders and public sector policy makers. This will fill a critical information gap and it is expected that such an open and transparent platform will mitigate against policy reversals and unilateral actions by individual COMESA member countries through exposure of unfavorable national practices and lead to convergence of harmonized policies at regional level, thus reducing the incidence of non-tariff barriers (NTBs) to regional agricultural trade

☞ RATES provided valuable input into shaping policy discussions on the COMESA around regional agricultural trade issues. RATES analytical work and input helped to shape discussions aimed at further removing barriers to regional trade through transformation of COMESA from a Free Trade Area (FTA) to a full-fledged Customs Union.

- Regional Agricultural Trade Policy Forum held in Lusaka on March 22 involving a cross-section of about 80 participants from twelve COMESA countries from Ministries of Trade, Customs Administrations and private sector representatives.
- Countries represented were, DRC, Djibouti, Egypt, Kenya, Madagascar, Malawi, Mauritius, Rwanda, Seychelles, Sudan, Zambia and Zimbabwe as well as representatives from USAID/REDSO, the Transit Transport Coordination Authority of the Northern Corridor (TTCA), Inter-governmental Authority on Development (IGAD), United Nations Conference on Trade and Development (UNCTAD) and senior technical staff of the COMESA Secretariat.
- Forum addressed issues related to trade policy platforms in maize (maize without borders), dairy and cotton and textiles and market information systems. (Tradeafrica) and issues discussed at Forum were used as practical examples of the situation on the ground with respect to non-tariff barriers (NTBs).

### **KRA 3.2: Private sector buy-in and alliances expanded**

**Strategy.** A major measure of RATES success will be the extent to which we increase involvement of private sector constituencies in developing agricultural trade expansion initiatives. This requires working directly within the marketplace, designing activities that incorporate opportunity for business involvement, and providing ongoing support to identified business to business linkages.

**Identify and facilitate market linkages in RATES supported activities.** Below, we provide a summary of recent activities in RATES-supported commodities:

☞ **Coffee.** RATES took advantage of market linkage opportunities at the WWC Conference. The conference provided a good opportunity for buyers and roasters to experience African coffees first hand and to develop meaningful relationships with suppliers of Eastern African coffees. As discussed under KRA 1.1, many buyers were linked with African coffee sellers during the conference. Following the conference, EAFCA has received a significant number of requests for coffee from American and European buyers. The RATES coffee marketing specialist is working with the Secretariat to channel these requests to reliable suppliers of specialty coffee within the EAFCA membership.



**Don Jenson of Bridgetown Coffees provides roasting advice to the Zambian booth**

- ☞ **Maize.** As indicated under KRA 1.2, Tradeafrica saw a significant increase in trade. Inquires to buy maize increased from \$5.3 million to \$21.4 million, a 500% increase. Offers to sell maize increased from \$2.2 million to 5.8 million. A 356% increase. Almost \$35 million in trade inquiries has been posted since the beginning of the program year (see Table 1).
- ☞ **Livestock.** RATES is working with AU-IBAR to design a trading webpage along the lines of tradeafrica to increase market linkage opportunities in this sector.
- ☞ **Cotton/textiles.** The design and creation of a regional cotton/textile trade linkage web-site “*Cottonafrica.com*” will help link suppliers and buyers from the region. As stated in KRA 1.4, the initial focus will be the supply of regionally produced lint to the textile sector and fabrics to the apparel sector to meet the AGOA conditionality of 9/30/03. There has been strong interest from the textile industry to take advantage of the site to post opportunities.
- ☞ **Dairy.** RATES is facilitating a number of trade linkages, and have received numerous requests for support. The dairy marketing specialist is working with a number of companies in the region to link them with suppliers or buyers:
  - Alpha Dairies Uganda and Nyabisindu Dairies of Rwanda – bulk pasteurized milk export.
  - Ntungamo District Dairy Coop and Nyabisindu of Rwanda – bulk raw milk export for processing in Rwanda.
  - Spin Knit Dairies and ADATA Investments Nigeria – export of flavored UHT milk.
  - KCC/Spin Knit/Brookside to Laiterie de Curepipe of Mauritius – export of UHT, butter and ghee.
  - Omaera Phamaceuticals/Tetra Pak and Dairy Corporation of Uganda – UHT milk contract packing for export into Tanzania, DRC, Rwanda, and Burundi.
  - Alpha Dairies/Dairy Corporation Uganda and Laiterie Top Milk of Burundi – UHT milk co-packing for export to Burundi.

**Maximize private sector contribution to RATES programs.** RATES is working closely with the private sector in all our focus areas. Much of the work has been previously discussed under PIR 1, but some additional comments are provided below:

☞ **Coffee.** The fact that so many international buyers attended the conference and exhibition at their own expense is indicative of the interest in increased trade with the region. The private sector from Africa also participated in strength at the WWC, again at their own expense. The value of the self-funded participation in the conference exceeded over Us \$1 million. Additionally, there is firm interest in the beginnings of long term market linkages as well as substantial private sector contributions:

- The Zambia Coffee Growers Association was presented with the opportunity to send a representative to live and train with major US roaster to learn about what happens to their product on the other side of the market chain.
- A US roaster was invited to serve as keynote speaker for the Zimbabwe Coffee Growers Association AGM.
- There is a potential investment being discussed by a US buyer for a coffee farm in Uganda.
- Kenya chapter successfully organized “Coffee Week Kenya” to coincide with WWCI with specialty coffees supplied free of charge to hotels and restaurants as well as barista training on brewing techniques.
- SCAA has agreed to assist EAFCA with some conference related activities, including using their credit card facilities.
- Meetings are to be held in the USA at the SCAA with other buyers and roasters who are have expressed interest in relationship and linkages with EAFCA members.

☞ **Maize.** As indicated under KRA 1.2, RATES hosted a number of business luncheons and is working closely with the private sector to better understand the regional maize situation. Private companies are providing access to critical trade data that normally is not available to the public.

☞ **Livestock.** The RATES hosted private sector-based meeting in Dubai for exporters and importers of livestock was a great success which is still spilling over into private sector interest. Several traders expressed interest in investing in activities which would expand the trade from Africa to Middle East including such interesting ideas as the creation of an airline to carry cargo from Djibouti to Dubai and extensive cross cultural visits to familiarize both sides with the trading environments of their clients. RATES is following up on these ideas with the AUIBAR team. The Chamber of Commerce in Djibouti assisted the RATES fielded environmental team by hiring a plane for them to take aerial survey and photographs. This kind of private sector investment is a tangible show of commitment and a good example of cost sharing.

☞ **Cotton/textiles.** A key element in the cotton program is direct program ownership by the industry requiring RATES to meet with nationally based trade organizations and key companies to build consensus and to lay the foundation for regional vertical integration of the supply structure. As indicated earlier, RATES is working with these stakeholders to gain support for the regional integration approach to cotton development, raising awareness to networking, trade linkage and trade information.

☞ **Dairy.** RATES is currently planning and will co-sponsor a conference with the Kenya Dairy Processors Association and the Dairy Board of Kenya in April to deliberate the newly incorporated EAC Custom Union Protocols and how it will affect the dairy industry. The expected participation of 60 key stakeholders will provide significant preparation for the forthcoming dialogue phase between the two countries

#### **PIR 4: Program management, monitoring and evaluation.**

##### **Program Management**

The RATES' field administrative staff and the Chemonics home office project management unit maintained financial, operational and administrative procedures that conform to USAID and Chemonics regulations, function smoothly, and allow the technical team to focus on achieving project results.

##### **KRA 4.1: Management and coordination mechanisms established**

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

**Continue RATES management systems.** RATES continues to be a well-staffed and highly functional team of employees. As of April, 2004, the RATES project has 17 full-time employees which include 4 long-term employees through the RATES subcontracts (IDC, ITI and Computer Frontiers). This quarter also saw the addition of a full-time subcontracted conference coordinator, Ludovica Bellingeri, hired through a local Kenyan company, La Risorta.

☞ **Partners' Fund.** RATES' was very pleased to continue to work closely with its' primary partner, the Eastern African Fine Coffees Association (EAFCA). The close collaboration between EAFCA and RATES was most evident in the implementation of the highly successful first annual World's Wildest Coffee conference, held in Nairobi in February, 2004. RATES technical staff continues to work closely with EAFCA in supporting their objectives of enhancing the quality, competitiveness and profitability of the Eastern African coffees in global markets.

- ☞ **Institutional Development.** The RATES' Grants/Operations Manager worked closely during this quarter with the EAFCA Finance and Project Manager in order to set up and train EAFCA staff in the design and implementation of a more realistic and efficient budgeting and tracking system. Setting up this budget format will contribute to better monitoring of FARA funds by both RATES and EAFCA staff.
- ☞ **RATES Newsletter.** RATES successfully designed the first quarterly, 4 page, electronic and hard copy newsletter, "*The RATES Review*". The newsletter identifies recent project news and accomplishments and has been electronically sent to over 1000 interested RATES partners.
- ☞ **WWC Conference CD.** RATES and EAFCA collaborated with a Nairobi-based multi-media production company, Smoke and Mirrors, in order to produce a highly professional CD which outlined the highlights of the Nairobi WWC conference. 500 copies of the CD have been sent to the participants of the WWC, along with other RATES partners.
- ☞ **Websites.** RATES awarded two Fixed Price Service Agreement contracts to a local Kenyan IT firm (ArtKenya Ltd.) to maintain and update the existing WWC Nairobi website as well as to undertake the design and implementation of a new website for the upcoming WWC 2 Zambia event, to be held in March, 2005.
- ☞ **Sub-contracts awarded.** RATES continues to grow which is evident in the number of employment sub-contracts awarded to implement technical scopes of work which fall within the RATES' mandate. In addition to the IT sub-contracts mentioned above, during this quarter, RATES/Chemonics also awarded the following sub-contracts:
- Dairy policy consultant, Alex Valeta, in Zambia.
  - Dairy policy consultants hired through RATES subcontractor, IMANI, Mr. Kamleshwar Boodhoo and Mr. Bhowon Veepin, both working in Mauritius and Ms. Maria Schouten working in Malawi.
  - Customs documentation and procedures consultant, Ms. Penina Simba, for the COMESA regions.
  - Geohydrology specialist, Mr. Richard Kelsey, to complete technical livestock study in Djibouti.
  - Livestock waste management specialist, Mr. Pietro Ronchietto, to complete technical study in Djibouti.
  - Conference coordinator, Ludovica Bellingeri, who together with EAFCA, will continue to oversee conference organizational tasks for WWC 2005.

### **Problems Encountered/Remedial Actions Taken**

RATES has completed the first half of FY 04 and all systems are fully functional. We have now fully staffed the team, and placed advisors with our two main partners, EAFCA, and COMESA. There is a challenge maintaining close coordination with our staff in the field, and we have initiated regular conference calls to assist these team members to stay abreast of on-going RATES activities. We also will coordinate with these staff members whenever any RATES core personnel are in the region.

Obligated funding remains a constraint and we wait for news of a pending contract modification to add funds to the program. We will continue to work with REDSO to hopefully increase obligated funding to levels that will allow the project to continue at its current pace.