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RATES PROGRAM

**First Quarter Progress Report – FY 2007
October 2006 to December 2006**



January 15, 2007

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



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The author's views expressed in this publication do not necessarily reflect the views of the Agency for International Development or the United States Government.

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Acronyms

ACTIF	African Cotton and Textile Industries Federation
AFCCE	African Fine Coffee Conference and Exhibition
AGM	Annual General Meeting
AGOA	African Growth and Opportunity Act
ASARECA	Association for Strengthening Agricultural Research in East and Central Africa
CFI	Computer Frontiers International
COMESA	Common Market for East and Southern Africa
CMS	Coffee Marketing Specialist
CQI	Coffee Quality Institute
CTMS	Cotton/Textile Marketing Specialist
DRC	Democratic Republic of Congo
EAC	East African Community
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
ESADA	Eastern and Southern African Dairy Association
FARA	Fixed Amount Reimbursable Agreement
FEWS NET	Famine Early Warning System Network Project
FOODNET	Post Harvest and Marketing Research Network for Eastern and Central Africa Project

GDA	Global Development Alliance
GHA	Greater Horn of Africa
GPS	Global Positioning Systems
IBAR	Inter-African Bureau for Animal Resources
IEHA	Initiative to End Hunger in Africa
ICO	International Coffee Organization
IGO	Intergovernmental Organization
IMCS	Independent Management Consulting Services
IRC	International Relations Committee
IT	Information Technology
ITI	International Technology Investment Ltd.
KRA	Kenya Revenue Authority
LOL	Land O'Lakes
LTC	Livestock Trade Commission
M&E	Monitoring and Evaluation
NSB	National Standards Bureaus
NTB	Non Tariff Barrier
PIR	Project Intermediate Result
PLP	Pastoral Livelihood Program
PMP	Performance Monitoring Plan
RATES	Regional Agriculture Trade Expansion Support Program
RATIN	Regional Agricultural Trade Intelligence Network

REDSO	Regional Economic Development Services Office
PIVA	Partner Institutional Viability Assessment
RTO	Rates Trade Office
SCAA	Specialty Coffee Association of America
SO	Strategic Objective
SPS	Sanitary and Phytosanitary
TBD	To-Be-Determined
UHT	Ultra High Temperature
USAID	United States Agency for International Development
VCA	Value Chain Analysis
WTO	World Trade Organization
WWC	Worlds Wildest Coffee Conference and Exhibition
ZCGA	Zambia Coffee Growers Association

I. Introduction

With four year's experience on the ground, RATES has developed a unique multi-disciplined approach to achieving results that focuses on improving the trade environment while at the same time promoting markets and product enhancement. Activities are geared towards achieving a level of success that will ultimately result in significant progress towards achieving the end-of-project targets. This report summarizes the progress during the first quarter of FY 2007. Below, we provide a brief overview of the program.

The RATES program is dedicated to increasing the value of agricultural trade in specialty coffee, maize, cotton and textiles, and dairy within the East and Southern Africa (ESA) region and the rest of the world. Through policy advocacy, lobbying, public relations and marketing, RATES is expanding private sector contributions to regional trade initiatives in ESA, becoming a catalyst for job creation throughout the region. RATES is improving the ESA regional business environment by taking actions that strengthen institutions, improve the availability of technologies, increase cooperation and reduce policy and regulatory constraints, thereby providing the foundation for reducing food insecurities in the region.



In 2003, REDSO re-examined its strategic plan in light of the launch of two USAID-wide initiatives, the Initiative to End Hunger in Africa (IEHA) and the Trade for African Development and Enterprise (TRADE), one of the regional Hubs for the Global Competitiveness program. As both of these initiatives complemented REDSO's existing agricultural program, the REDSO strategic plan was extended to 2008, making it consistent with the IEHA planning cycle.

The IEHA program was incorporated into REDSO's agricultural strategy by explicitly targeting smallholders and more actively building the alliances necessary to increase private and public sector investments in the agricultural sector. RATES expanded the scope of our activities to meet the goals of IEHA that were basically in line with the existing framework. RATES reports directly to IEHA on a number of specific indicators that are tracked across the region by all IEHA-supported countries and programs.

During 2006, REDSO underwent reorganization and a name change to USAID East Africa. The RATES program now falls under the Regional Economic Growth and Integration (REGI) office. RATES activities will be incorporated into the mission's new strategic plan. This plan is still under development and will adhere to the newly formed US Government's Foreign Assistance Framework that has recently been launched. RATES activities during FY 07 are very relevant to achieving the economic growth objectives of the US framework and will become an integral part of the mission's strategy as well.

Project Goal

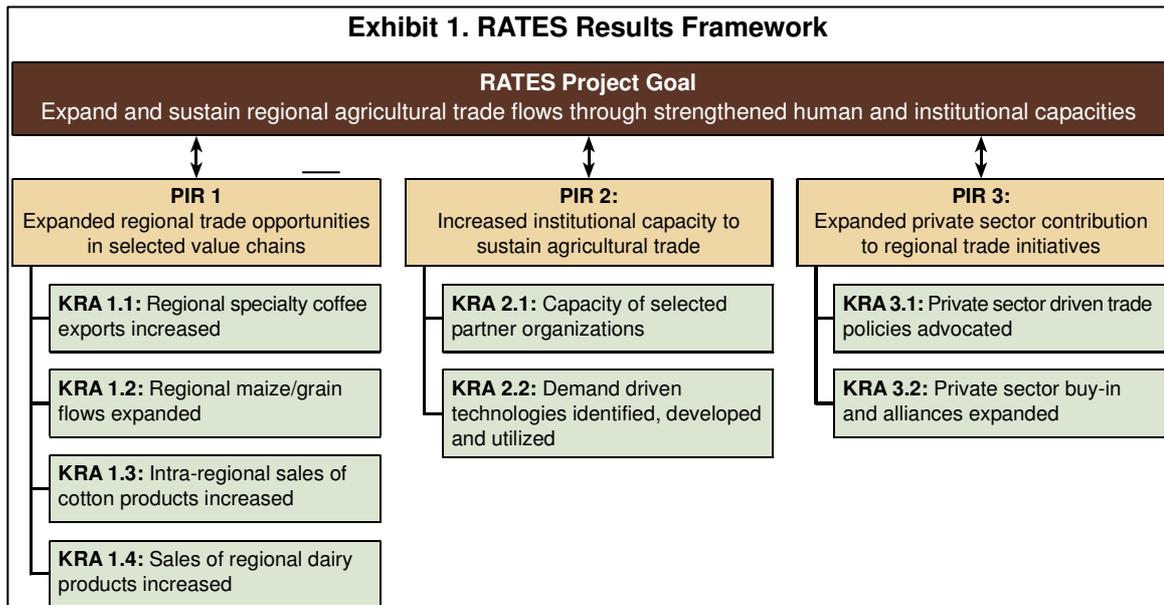
RATES overall goal is to increase the volume and value of agricultural trade within the East and Southern Africa region and between the region and the rest of the world. RATES is a commodity-focused activity and currently supports five commodity value chains including specialty coffee, maize, cotton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

The project goal presented in the box to the left 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.

The Results Framework for RATES (Exhibit I) 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.

“The RATES program is about getting sustainable results...”

**Mr. Erastus Mwancha
Secretary General
COMESA**



Below is a summary of the project intermediate results:

PIR 1: Expanded agricultural trade opportunities in selected value chains. This PIR provides the driving force for implementation. There are four KRAs in this PIR, each one focused on achieving identified results within a targeted value chain. In the approach to our management, each commodity program is coordinated by a commodity specialist who is responsible for managing implementation of activities and achievement of results. The specialists are backed by the core group that includes policy specialists, institutional support specialists and marketing and promotion specialists.

PIR 2: Increased institutional capacity to sustain agricultural trade. In this PIR, we address the challenge of building regional capacity to sustain enhanced trade by assisting partners to develop programs through which they can sustain trade initiatives over time. RATES is assisting partners to incorporate initiatives related to improving the availability and application of technology (whether agronomic technologies or information and communications technologies); setting up and operating market access networks; and/or developing policy and regulatory frameworks to support effective advocacy. There are two KRAs in this PIR and results will be measured in terms of increases in the viability of partner institutions and specific technologies adopted.

PIR 3: Expanded private sector contribution to regional trade initiatives. In this PIR, we place emphasis on building effective private/public sector dialogues, particularly

through increases in private sector participation in policy initiatives and promotion activities. This PIR captures the results of our activities carried out to assist partners to expand the involvement of private sector entities within their programs and to package and develop market-linked initiatives that expand private sector investment in RATES-supported activities. There are two KRAs in this PIR. PIR results will be measured in terms of increases in private sector involvement in policy change and in increases in investment through buy-ins and participation in RATES-brokered alliances.

PIR 4: Program management, monitoring and evaluation. RATES is a large and ambitious project, with three key components, several inter-related activities and multiple countries and stakeholders. Program management is, in effect, the fourth component of RATES. Good management is integral to every aspect of the project, and therefore must necessarily be part of every component and activity. There are two KRAs in this PIR covering management systems and monitoring/evaluation. To achieve project goals, RATES must have defined policies and procedures, information-sharing mechanisms, and monitoring and reporting systems in place.



Building a cadre of well trained cuppers is a key objective of EAFCA.

II. Progress to Date

PIR 1: Expanded regional trade opportunities in selected value chains

The RATES team is charged with realizing results in targeted commodity value chains that can be measured in terms of increases in value of product traded. The four targeted commodity value chains are specialty coffee, maize, cotton/textiles, and dairy.

KRA 1.1: Specialty Coffee Exports Increased

Strategy. The Eastern African Fine Coffees Association (EAFCA), the regional body representing nine Eastern African coffee producing countries, is the regional trade association leader for the specialty (may also be referred to as “fine”) coffee program. RATES’ long-term strategy is to position EAFCA as a major actor in the marketing and promotion of Eastern African fine coffees in regional and international coffee markets and to set a course of action that leads to its sustainability.

The two primary member-driven services implemented by the EAFCA secretariat are: 1) the promotion and overall expansion of the market for their fine coffee; and 2) better

understanding on how to deliver a better product to the market. RATES' intention for this work plan period is to support EAFCA's growth and development in the areas of market expansion and product enhancement. This includes an emphasis on capacity development with the long-term target of sustainability that is explained in detail under KRA 2.1.

The EAFCA and RATES annual work plans for coffee are similar and were developed jointly by the EAFCA/RATES team and approved by the EAFCA Board of Directors. RATES is contributing to the EAFCA program effort through technical assistance and financial support. Chris von Zastrow, the RATES Coffee Marketing Specialist, is assigned as the Technical Advisor to EAFCA and is based in their Kampala office. EAFCA has applied and been approved by the RATES Partners Fund for \$250,000 to augment their 2007 program budget. All EAFCA marketing and program efforts take into account activities implemented at the country level by bilateral missions. EAFCA and RATES have strong working relationships with all of the bilateral projects including APEP, SPEED, ZATEC, Technoserve-Tanzania, ATEA and ADAR.

Key activities. RATES and EAFCA have defined three key activities for the program period:

Activity 1. Support EAFCA's program for market expansion and promotion. At the start of the project in 2002, RATES was instrumental in developing the regional marketing theme of "the World's WILDEST Coffee", which together with its lion logo, "bwana kahawa", has been successful in creating name association and international "brand awareness". RATES and EAFCA are working with the private sector, both in the region and in the primary consuming countries to build on this theme and monitor trends relating to market needs. RATES continues to support EAFCA to encourage its membership to participate in all the major international coffee exhibitions. The market awareness campaign has already had dramatic and positive effects on the regional reputation. The most important of these events is the annual African Fine Coffee Conference and Exhibition (AFCCE) which creates a unique opportunity for hundreds of important buyers to visit the region.

☞ **4th annual Africa Fine Coffee Conference and Exhibition.** The 4th AFCCE is scheduled for February 2007 in Addis Ababa, Ethiopia, a location that requires serious forward planning and preparation.



Coffee being served during an Ethiopian coffee ceremony highlighted at the launch of the 4th EAFCA conference to be held in Addis in February 07.

- EAFCA launched the 2007 4th AFFCE program in Addis Ababa in October 2007, an event attended by local stakeholders, officials from USAID and other donor agencies, and key public sector officials including the Deputy Prime Minister who gave the keynote address.
- To date there are over 300 registered delegates and 40 booths indicating that this conference will probably have the highest attendance of all the four AFFCE events.
- Work has even started during this program year on the fifth AFCCE scheduled to take place in Kampala, Uganda.

☞ **Promoting EAFCA at international coffee events.**

EAFCA will also continue its strong presence at several international coffee events including the Specialty Coffee Association of America (SCAA) conference taking place in California in April 2007 and the Specialty Coffee Association of Europe (SCAE) in 2007. These events are critical for EAFCA's continued presence on the internal coffee scene, first to market members' coffee (especially TOH coffees), second to represent the region, and third, to promote EAFCA's own AFCCE event. As part of these activities, RATES has been assisting EAFCA in the hosting of special "Meet the Buyer" events that have become increasingly popular with the buying sector and have proven successful at forging strong market linkages with members. EAFCA has now developed the capacity to plan and host these events on their own, and RATES continues to monitor and provide minimal assistance as needed to ensure success.



Guests enjoying breakfast at the official launch of the 4th AFCCE held in Addis in October.

- The arrangements for the EAFCA Meet the Buyer event at the SCAA Long Beach Conference are under way with an evening boat cruise on Long Beach Harbor. The event will have a corporate sponsor for the first time who has provided \$5,000 to cover most of the costs.
- EAFCA will continue to explore new international market opportunities for specialty coffee. One focus area is Africa itself where new interest in specialty coffee has recently surfaced in South Africa. EAFCA is currently using a grant from RTFP (DFID) based in Pretoria to promote the sale of Eastern Africa specialty

coffee there. This program, although not USAID funded, is incorporated into the general program that includes the AFCCE conference and Taste of Harvest activities which are supported through RATES. EAFCA will continue to seek out new market opportunities during 2007, perhaps with a focus on the coffee culture of Northern Africa and Middle East.

☞ **Domestic consumption.** In addition, a focus on domestic coffee consumption in EAFCA member countries has become a viable activity with the noticeable influx of specialty coffee roasting/retail companies some of which are now strong EAFCA members. Although the level of effort may be limited due to available resources, EAFCA will take a proactive position where opportunities present themselves.



Baristas are professional coffee makers.

- One such opportunity is support to the growing barista competition throughout the region. Having started two years ago with strong EAFCA/RATES support in Kenya, the event has growing interest in Zambia and Ethiopia. EAFCA will conduct research and prepare strategies for member countries to implement a “packaged” program for increased domestic consumption.
- The USAID/AATEP Project in Ethiopia has been working in conjunction with EAFCA to hold an Addis Ababa Barista event during the AFFCE. This event will be assisted by the World Barista Association and Coffee Corps volunteers and will compliment the AFFCE activities.

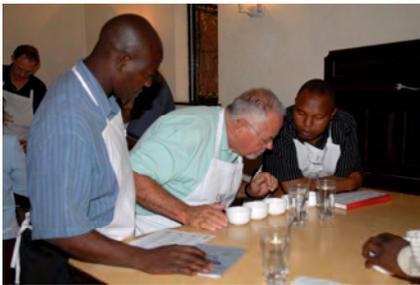
Activity 2: Support EAFCA’s program of member services to enhance product quality.

EAFCA has done a superb job over the past two years of providing member services to enhance product quality. As part of its activities within its strategic plan, EAFCA is devoting significant resources to the delivery of member-demanded services including workshops and training that focus on the improvement of coffee handling within the market chain. Specific activities include training (and training of trainers) for cuppers, millers, roasters and exporters that address the deterioration of quality of coffee as it moves from farm to end-user. Such services are in great demand by members and these training events are taking place at venues throughout the region.

☞ **Taste of Harvest.** The need for a harmonized definition of specialty coffee in the region and abroad, as well as the development of technical skills to determine the quality of coffee, is very important to the market. To build the capacity to recognize the difference between fine and mediocre coffee, EAFCA launched a new member service and product promotion in 2005 called the “*Taste of Harvest*”. This program assists member countries to identify and select their best coffees following internationally accepted cupping criteria and to promote their products at the Taste of Harvest event that will take place at the African Fine Coffee Conference and Exhibition, taking place this year in Addis Ababa. EAFCA will continue to explore an overall regional approach to assist member countries to understand the merits of proper handling of specialty coffee and to facilitate, where possible, technical support to members to develop their own capacity to move forward with quality enhancement programs including national cupping competitions.

- During the 1st Quarter of 2007 four national *Taste of Harvest* competitions were held throughout the region:

Malawi	October 19th
Madagascar	October 25th
Zambia	October 27th
Tanzania	November 3rd



Coffee corps volunteer, Bob Stephenson has taught over 1,000 trainees.

☞ **Coffee trainings.** EAFCA and RATES is working collaboratively with the Coffee Quality Institute, a subsidiary of SCAA, through the Coffee Corps program. Through a sub-contract with RATES this year, the CQI program is providing coffee specialists in various fields from the United States and other countries throughout the year. These volunteers are working with EAFCA chapters to implement training workshops under the Taste of Harvest (TOH) program.

- EAFCA, with the assistance of Coffee Corps volunteers, conducted four training courses in conjunction with the TOH activities. EAFAC trained over 80 cuppers in the art of liquoring and tasting:
- EAFCA is also planning two training courses following the Addis Ababa conference. The first training course will cover advanced cupping and roasting. The second course is

on differential trading and will target Ethiopian policy makers on the advantages of this alternative market system.

☞ **First Out Cry Auction.** EAFCA is taking the TOH program to a new level this year with an aggressive market promotion campaign. It is not enough just to identify the “best of the best” coffees in the region or to just promote the national winners. Over 50 coffees and their sponsors participate in the TOH program and all 50 coffees should be highlighted to the buying world even if they are not for sale during the current market period.



EAFCA will hold the first outcry auction during the 4th Annual conference.

- EAFCA is making better use of its website and “Kahawa Buzz” and is preparing a catalog to better promote TOH coffees. RATES has contracted Philip Gitao to assist in the preparation of the catalog which will also be used at the SCAA conference and SCAE.

- In addition, the first TOH “Limited Edition” Coffee Auction will take place at the AFCCE in Addis Ababa and the USAID/ETEP project is collaborating on the Ethiopian side to bring winning Ethiopian coffees to the auction. Significant research and preparation are currently ongoing for this “highlight” event and EAFCA/RATES have contracted specialists to assist. It is anticipated that the LE Auction will become the second largest profit center for EAFCA after AFCCE and will assist them on their road to sustainability.

☞ RATES has provided a Partners Fund grant to the Jane Goodall Institute which has been working in collaboration with the Tanzanian government and other NGO initiatives to support farmers in the villages near Gombe National Park. Using funding from the RATES program, JGI is establishing a technologically-advanced coffee laboratory at its Education Center in Kigoma and employed a skilled coffee specialist or “cupper” to oversee quality control efforts and provide advice to farmers and cooperatives in the region. Using this facility as a base, the coffee quality specialist is working closely with individual farmers and cooperatives to help them increase the quality and consistency of their output. This individual also helps to develop a checklist of standards and best practices that can be used as the basis for a certification system for farmers

and cooperatives that enable them to participate in targeted specialty coffee marketing schemes.

- To date, significant interest has been shown in Kigoma coffees by international buyers including Starbucks and Peets Coffee. Coffee quality has already shown some improvement through the efforts funded by the Partners Fund grant and, as a result, the groups have received higher prices in the Moshi coffee auction as buyers compete for this coffee.
- Sustainable Harvest, an EAFCA partner, and international buyer, has received a \$300,000 grant to work with the JGI supported cooperatives.

“EAFCA has continued to work effectively with RATES to step up the service delivery to both members and the regional coffee industry..”

**Robert Nsibirwa
Executive Director
EAFCA**

Activity 3: Improve EAFCA’s capacity for program delivery and institutional growth.

RATES has been working with EAFCA over the past four years to improve its capacity for program delivery and communication and is very pleased with EAFCA’s progress. Although some of the effort falls under institutional capacity building which is discussed in KRA 2.1, EAFCA’s program implementation is covered in this activity.

👉 **Improved Services.** In 2005, EAFCA declared that improved services to members would be its main theme and they succeeded by upgrading the Taste of Harvest program and greatly raising the bar on their AFCCE conference. RATES will continue to work with EAFCA to upgrade its capacity to deliver services. A new emphasis on communication systems has been adopted that involves timely and informative news publications in both electronic and hard copy formats. Response time to member inquiries has been improved with an emphasis on “linkage”, connecting seller to buyer. A proactive membership drive last year is being repeated this year as they continue to move towards their membership goal of 250. Service is based on a “value for money” approach convincing prospective members that services provided by EAFCA are beneficial to their coffee business. Membership kits with a calendar of events and other promotional materials are prepared and disseminated on a timely basis. Annual regional and sub-regional training courses will be considered for the first time this year and the concept of an EAFCA “Coffee Academy” will be explored.

- Gathering market demand information and creating a regional coffee data base and trade directory is an ongoing task. The EAFCA website is continuously upgraded to handle online market promotion and linkages that will improve inquiry response time and serve to better communicate with members (and potential members). The website has been redesigned to cater for both the promotion of EAFCA as well as the conference with the next step using the site to better target the international coffee market and to provide information services to members.
- In 2007, EAFCA will complete its relationship with USAID/RATES, Dfid/RTFP, and SIDA and will have to rely on its own resources or continue to seek new funding. RATES assisted EAFCA in October 2006 to develop a strategic plan for the next five years which addresses this and other key issues.



South African buyers visiting fields in Malawi.

KRA 1.2: Regional Maize flows expanded through formal trade

Strategy. The RATES maize program has the long-term objective to improve the flow and expand the availability of maize in ways that will contribute to regional market stabilization and food security. The program monitors the availability of maize throughout the region, provides improved supply and price information to traders, facilitates the flow of trade information, supports structured market systems (i.e. commodity exchange), and links food aid operations with the commercial sector. RATES also collaborates with mission projects such as ATEA in Ethiopia, APEP in Uganda, ZATEC in Zambia, and KMDP in Kenya that support expanded production and market systems.

The maize program, under the banner of “Maize without Borders”, has a two-prong strategy. The first component, focused on improved trade facilitation, is managed through a trade facilitation office and two complementary websites: www.ratin.net, a market information site, and www.tradeafrica.biz, a trade linkage site. This component also facilitates the move towards structured marketing systems that is gaining momentum in the region. The second component is aimed at reducing trade barriers created by non-tariff trade policies and regulations that tend to inhibit trade. RATES has initiated a joint private/public sector policy

rationalization/harmonization initiative that was launched in 2003 through the auspices of COMESA and EAC. This program is managed under PIR3/KRA 3.1.

RATES worked with COMESA and the EAC in 2005 to hold the 1st Regional Grain Trade Summit where all key players in the regional grain industry met for the first time to map out a regionally focused strategy for grain trade market development within COMESA. Participants included key policy makers, food aid officials and procurement staff, managers of strategic grain reserves, private traders, producers, millers, bankers and donors. The event attracted over 300 participants from 20 countries including COMESA, EAC and SADC as well as Europe and the United States. The Summit's concluding report on findings and recommendations has provided RATES with both a serious technical agenda and a clear direction for the next few years. The annual work plan for 2007 presented here is a direct product of the Summit deliberations.



Silos and warehouses are key to well-structured trading system.

Key activities. KRA 1.2. has four major activities:

Activity 1. Facilitate the transition from informal national working groups to organized grain trade institutions. RATES will continue to meet and work with national working groups that were formed during the first four years of the project. However, during this program year the RATES Trade Office will be more aggressive in transforming working groups into more formal, industry driven, commercial trade associations. To date, RATES has actively supported the formation of the Malawi Grain Traders and Processors Association, and the Eastern Africa Grain Council. Similar efforts in Uganda, Zambia and Ethiopia, although promising, are still in the incubation stage. Once formed, RATES will work to empower trade associations to participate in the policy harmonization process, especially at the national level where they need to assert their expertise and influence to encourage results. RATES intends to assist the associations so that they can engage themselves in a broader regional approach, networking together for commercial trade, and creating forums to encourage more efficient trading systems.

☞ **Eastern Africa Grain Council (EAGC).** RATES is continuing its institutional and program work with leading to the ultimate goal of a fully engaged and industry supported warehouse receipts and commodity exchange system.

- The EAGC Secretariat was formed this quarter with the recruitment of Anne Mbaabu as the Executive Director and the secondment of Bridget Okumu who will manage the RATIN network on behalf of EAGC.
- RATES has provided office space and administrative support.
- Effort will be made this program year to attract membership from Uganda and Tanzania and to create roundtable discussions on East African trade.

☞ **Malawi Grain Traders and Processors Association (MGTPA).** The team is working with this association to influence grain trade policy in Malawi. The MGTPA has a viable annual work plan and assistance will focus on its effective implementation. The Malawi Agricultural Commodity Exchange has just opened and is supported by the members of MGTPA. RATES will assist MGTPA on:

- Standard contracts
- Warehouse certification
- Rules of trade
- Product standards
- Market data and updates
- Business plans and operational manuals



RATES COP, Stephen Walls signing an MOU with the EAGC.

☞ **Coordination** . Most importantly is the necessity to organize the industry stakeholders as a building block to structured trade. Full value chain organizations such as MGTPA and EAGC are strategically poised and better prepared to engage in structured trade systems such as warehouse receipts and commodity exchange while attracting participation of key support industries including collateral management firms, banks, and existing parastatal marketing agencies.

- Zambia and its immediate region are being assessed to determine if the EAGC concept can be replicated in that zone or if a different format should be considered. The Zambia grain sector is vibrant having replaced Zimbabwe as the regional supplier of grain (in a good year), and, if the sub-regional focus isn't viable, then a full national value chain institution may be appropriate.
- Bridget Okumu of RATES/EAGC made a presentation to the CDE/SIDA at their Cereal Sector Consultative Workshop on October 16th, 2006 in Nairobi. The

objective of the meeting was to offer participants a platform for business development by exploring new ways of co-operating for enhancing the competitiveness of value chains. Bridget's presentation focused on the EAGC initiative which has started a dialogue with SIDA on possible funding support.

- The Nairobi Stock Exchange is a firm supporter of STS and is a founding member of EAGC. The RATES team met with the management of the NST on November 30th 2006 to discuss their plans to set up a commodity exchange and the importance of warehouse receipts to that effort. NSE is the first sponsor of the 2007 Summit and will be instrumental in promoting the structured trade concept.



Regionally-grown maize ready to be loaded on trucks for cross-border trading.

Activity 2. Promote and influence the adoption of structured trading systems (STS). There are several STS initiatives throughout the region, supported by various donor and commercial entities, which are engaged in the creation and operation of warehouse receipts, commodity exchanges and collateral management. Some of these initiatives include the World Bank working in Malawi on futures options with SAFEX, USAID supporting warehouse receipt efforts in Kenya and Uganda and CFC providing financial assistance to the Zambia warehouse receipt effort. Other organizations including Rockefeller and DFID have also expressed interest in becoming involved.

☞ **Regionalization of STS efforts.** RATES has recognized the need to “regionalize” these individual national-level efforts, with the long-term intent to link them together for trade and to have them share their experiences during their development phases. The RATES role in this sector was strongly supported by the delegates at the Regional Grain Trade Summit and expectation is high to keep the momentum of that successful event moving. Some progress this quarter:

- Cargill, a strong supporter of RATES, invited the maize team to their Seminar on Commodity Risk Management on November 7th, 2006. Cargill will be invited to speak at the summit to express their support for the STS program.

- Steve Njuria traveled to Uganda in November 2006 to follow up on the successful RATES STS meeting there last year. There are several STS initiatives taking place in Uganda supported by USAID, EU and DFID. Although encouraged to set up a national base institution to link the activities, this has not been done and Steve will continue to pursue this. This is particularly valid with the expansion of EAGC into Uganda during this program year.
- Structured trading systems including commodity risk management is the theme of this year's Summit and it is anticipated that a long-term view amongst stakeholders and the donor community will be established at that event.



Activity 3. Strengthen regional information, policy and network systems. To address the challenges of providing “real time” market information and trade linkage sites, the RATES Trade Office was created in 2003 to manage both the www.RATIN.net and www.tradeafrica.biz sites. This office serves as the RATES “call center” where trade inquiries are proactively pursued through the internet, email, telephone, SMS and radio. All site “hits” and trade inquiries are monitored and tracked for transactional viability and completion. The RATES Trade Office maintains an extensive trade directory of private companies and public sector agencies engaged in the maize, bean and pulse trade.

☞ **RATIN network.** The RATIN network has been handed over to the EAGC with RATES providing its management for the life of the project. The sub-regional network, which includes cross-border and terminal market monitors and reporting systems for four East African countries, also provides a comprehensive and up-dated grain market information and analysis for a large group of registered stakeholders.

- The EAGC MIS manager, Bridget Okumu, has been “seconded” to the EAGC and attends all Food and Trade meetings coordinated by FAO in Kenya. She attended the last meeting on December 7th, 2006, at which she gained insight and data for the RATIN food balance sheet found every month on the RATIN website.

☞ The trade office also manages the “real time” trade linkage site www.tradeafrica.biz, an early forerunner of a commodity e-commerce site. The site operates as a “call center” where trade inquiries are proactively pursued through the internet, email, telephone, SMS and radio. All site “hits” and trade inquiries are monitored and tracked for transactional viability and completion. The RATES trade office maintains an extensive trade directory of private companies and public sector agencies connected to the maize, bean and pulse trade. The database driven directory needs continuous updating and serves as a model for other RATES commodities, especially cotton, coffee and dairy. RATES will work to update www.tradeafrica.biz this year as an instrument to influence better national and regional policy initiatives and become the "voice of the trade". The site will be the flag carrier for STS and will highlight successes and the presence of the national grain trade associations.

Table I. Volume and value of business postings for maize on www.tradeafrica.biz for 1st Quarter FY 2007.

Inquiries to Buy Maize	2006 Cumulative Total	Quarter 1 Oct 1–Dec 31	Quarter 2 Jan 1–Mar 31	Quarter 3 Apr 1–Jun 30	Quarter 4 Jul 1–Sep 30	2007 Cumulative Total
Volume in MT	715,730	143,600				143,600
Value in USD	130,282,276	23,550,400				23,550,400
Average Price USD/MT	182	164				164
Offers to Sell Maize	2006 Cumulative Total	Quarter 1 Oct 1–Nov 30	Quarter 2 Dec 1–Mar 31	Quarter 3 Apr 1–Jun 30	Quarter 4 Jul 1–Sep 30	2007 Cumulative Total
Volume in MT	413,405	84,200				84,200
Value in USD	100,144,593	17,092,600				17,092,600
Average Price USD/MT	242	203				203

Table 2. Volume and value of business postings for beans on www.tradeafrica.biz for 1st Quarter FY 2007.

Inquiries to Buy Beans	2006 Cumulative Total	Quarter 1 Oct 1–Dec 31	Quarter 2 Jan 1–Mar 31	Quarter 3 Apr 1–Jun 30	Quarter 4 Jul1–Sep 30	2007 Cumulative Total
Volume in MT	55,435	16,000				16,000
Value in USD	19,901,667	5,120,000				5,120,000
Average Price USD/MT	359	320				320
Offers to Sell Beans	2006 Cumulative Total	Quarter 1 Oct 1–Nov 30	Quarter 2 Dec 1–Mar 31	Quarter 3 Apr 1–Jun 30	Quarter 4 Jul1–Sep 30	2007 Cumulative Total
Volume in MT	34,000	4,000				4,000
Value in USD	13,756,375	1,740,000				1,740,000
Average Price USD/MT	401	435				435

Some key issues that may have impacted trade this quarter include:

- The regional export ban continues in Tanzania, Rwanda, Malawi, Zambia and Ethiopia into this quarter for both maize and beans.
- Tanzania, Malawi and Zambia experienced a good production season, but due to the export ban on the private sector, few enquiries were posted through Tradeafrica.Biz except for NFRA in Zambia which is licensed to export 100,000mt to Zimbabwe and Congo this quarter.
- Kenya had a good maize production season but prices were hampered as a result of the heavy rains during the harvest period which left the grain moist. There has been not much activity with beans.
- A majority of the national large traders, millers and processors established direct forward contracts with WFP, Unga, NFRA, etc. for the season, limiting use of our trade linkage facility.
- Uganda had a good maize harvest despite a late start. However, most of the trade activity was for the

Southern Sudan and DR Congo, mostly NGOs. There was minimal inflow recorded from Kenya into Uganda despite the demand by food aid organizations. In addition, there was notable informal bean trade flow from Uganda to Kenya through the Busia border.

- Generally, the average price of maize is relatively low within the region at USD 164/MT to buy and 203/MT to sell respectively compared to the previous quarters. This could be a result of a good production season, and the produce being marketed locally (little cross border trade) due to the export restrictions. Countries such as Rwanda, Uganda, Zambia, South Africa and Kenya recorded an indicative price of USD +170/MT while Tanzania and Ethiopia were below the USD -170/MT mark.
- The price of beans remained high due to a regional shortage as a result of targeting the food aid agencies, export restrictions and off season production with extensive harvesting in Uganda, Rwanda and Ethiopia expected in Q2, 2007.



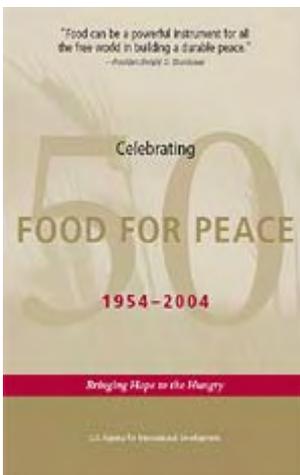
☞ **2nd African Grain Trade Summit.** RATES started the promotion of the 2nd African Grain Trade Summit scheduled for April 2007 under the auspices of EAGC. Unlike the first policy driven summit held jointly by COMESA and EAC, this summit will focus on the business side of the trade, reflecting on policy issues where they enhance or constrain trade.

- Summit website prepared and registration system set up.
- Search for sponsors has started and the response is very positive with the stock exchange and Louis Dreyfus already committed.
- EAGC has set up bank accounts and the summit budget has been prepared.

- Announcements for registration and the call for speakers have been sent out on the Trade Directory.

☞ **Market Intelligence.** A major initiative, but one that has limited resources, is the state of national level marketing information systems and the bureaus that run them.

- RATES is in the planning stage to conduct a capacity assessment to determine the institutional state of the MIBs and the services they provide and will advocate on their behalf.
- RATES is collaborating with COMESA/AMPRIP to address institutional, sustainability and technical issues and arrive at a long-term plan for regional MIS programs.



Activity 4: Promote synergies linking food aid with commercial trade. Food aid operations, specifically the World Food Program's local procurement program, remain the region's largest net buyer of grain, with USAID's Food for Peace initiative the region's largest net importer of grain, two critical reasons to maintain a close collaborative relationship. The objective under this activity is to engage the food aid sector into the commercial trade systems, not only their use of the on-line trade sites but also the conversion of their procurement process into a more transparent and trader-friendly operation.

☞ **Coordination .** Discussions to date have been positive and RATES is optimistic that significant results will be eventually achieved. Another goal of this activity is to gain food aid support and participation in the emerging structured market systems. Food aid agency and public sector recognition of the value of warehouse receipt systems would be an added bonus to those initiatives and would be a key element to their success.

- The RATES maize team attended a WFP meeting from Oct 17-18th 2006 in Nairobi to develop a strategy for regional markets analyses and guidance in the region. RATES made a presentation to the forum on the RATIN network, a system already in heavy use by WFP in various countries. Objective of the meeting were to:



- Inventory the various markets related activities and data that the different partners are engaged in and collecting
 - Identify data and information gaps on markets in the region and opportunities for strengthening these
 - Provide a strategy, way forward and collaboration regarding markets analyses
-
- Steve Njuria, the RATES maize specialist, presented a paper on “Using Markets to Increase Food Security” to the 2nd UNDP forum on African Drought Risk and Development on October 16th, 2006 in Nairobi. Steve continues to pursue the objective of integrating food relief programs into the structured trading systems.
 - Bridget Okumu of RATES/EAGC attended the United Nations forum on UN Procurement Systems in Nairobi on October 17. EAGC is placing itself strategically to relay UN procurement tenders to its members.

KRA 1.3: Regional Cotton/Textile Trade Increased

Strategy. The strategy in the cotton/textile sector has shifted slightly from previous years to focus on the programs initiated by the new African Cotton and Textile Industries Federation (ACTIF) that still meet the RATES’ objectives of increased trade. The shift in program does not stray from the original target sector, the textile industry, as a main buyer of regionally (and mostly smallholder) produced lint, and as a seller of textile products to the apparel sector taking advantage, where applicable, of opportunities provided under AGOA. RATES is still operating under the premise that the resulting increase in regional demand for cotton will translate into improved market opportunities for smallholder farmers. ACTIF also has the mandate to develop and strengthen regional markets and to promote and implement programs for improved regional competitiveness that position the sector to work to best advantage in national, regional and export markets.

Background. In April 2005, at the RATES Regional Cotton Summit, industry stakeholders unanimously agreed to form a regional African cotton and textile industry body, an initiative that was fully endorsed by the COMESA and EAC representatives present at the meeting. A steering committee

meeting was convened in Johannesburg in June 2005 where twenty-five representatives of national trade associations met, representing companies from fourteen countries within the region (Botswana, Egypt, Ethiopia, Kenya, Lesotho, Mauritius, Madagascar, Malawi, Uganda, South Africa, Swaziland, Tanzania, Zambia and Zimbabwe). For the first time, the region's top industry executives covering the 'fiber to fabric to apparel' value chain agreed to work together in common purpose and approved the formation of the "African Cotton and Textile Industries Federation" (ACTIF). No sooner was ACTIF formed in June 2005, than it became an immediate presence at key international forums, a fact that was recognized by global leaders in the cotton/textile fields.

The committee formed four sub-committees, each addressing key problem areas of regional investment, ginning and lint trade, inter-regional supply chain, and global trade initiatives. The work plans developed by the sub-committees in September 2006 form the basis for the 2007 RATES annual work plan presented below, a truly private sector demand driven plan.

RATES also coordinates its cotton/textile program closely with the Global Competitive HUBs in Nairobi and Gaborone, especially where it concerns the AGOA program. RATES and the Hub projects schedule periodic meetings to ensure a smooth working relationship. RATES is also working closely with bilateral mission projects to ensure that RATES regional focus on trade facilitations and policy harmonization compliments national-level efforts. RATES has a strong working relationship with the bilateral projects including APEP, SPEED, ZATEC and ATEA.

Key activities. There are five activities under this KRA for the work plan period:

Activity I: Promote global market access. The ACTIF sub-committee for Global Trade Initiatives has been pro-active on their agenda to address regional issues pertaining to AGOA and to identify strategies to target the European market. This program year ACTIF/RATES have prioritized the AGOA legislative process and entry into the EU market.

☞ **AGOA White Paper.** In 2006, ACTIF members formulated a position paper ("AGOA White Paper") based on the premise (reiterated repeatedly by USTR) that the AGOA Third Country Provision would not be extended



The AGOA third country provision was extended through 2012.

ACTIF was the first organization to propose the inclusion of textile products and to present a unified Africa position on AGOA.

when it expired on September 30, 2006. The ACTIF position which was extensively researched and negotiated, found its way into the wording of much of the legislation. This work finally translated into a large measure of success, when President Bush signed the AGOA “Africa Investment Incentive Act of 2006” into law on 20th December 2006. Three of the five core elements of ACTIF’s recommended improvements to AGOA were included, these being:

- The extension of the third-country fabric provision through 2012.
- The inclusion of the abundant supply provision for yarn/fabric found to be readily available in Africa in commercial quantities available.
- The introduction of a completely new component, this being the inclusion of duty-free eligibility to yarn, fabric and non-apparel textile products made in LDCs from yarn/fabric made in LDCs.

It is significant to note that ACTIF was the first organization to formally submit AGOA amendment proposals and was the only body to propose the inclusion of textile products and to present a unified Africa position that sought to consider the interests of both the textile and apparel sectors. The results achieved so far are viewed as another step in the ongoing process of protecting and improving AGOA, and is not an end point. To this end, ACTIF will pursue certain issues that remain on the AGOA agenda, which include ending or reducing discrimination in the bill against the more advanced AGOA beneficiaries that still need preferences, the need to ensure that all eligible African countries can supply textile products under AGOA, the need to introduce stronger incentives to encourage the development of an integrated industry and resurrecting the innovative proposal of introducing a tax incentive for U.S. companies that invest in Africa.

The ACTIF Secretariat will continue to monitor the process, disseminate information regarding its progress to its membership and respond to developments as they occur.

 **EU market access.** Access of ACTIF membership to the EU market is a key program area this year and requires

dialogue between ACTIF and the EU secretariat. The ACTIF Board of Directors and the sub-committee are embarking on a number of initiatives which will include, but not be limited to, trade missions and seller/buyer events. Part of this initiative is to create exposure and recognition for ACTIF in Europe, and to establish collaborative partnerships with Euratex, the ACP secretariat and others. These activities have commenced and communication links have been established with the ACP secretariat. The ACTIF secretariat is also researching and analyzing various trade agreements, including the ACP Cotonou agreement, which is due to expire at the end of 2007, and which will be replaced by Economic Partnership Arrangements (EPA's) with the EU. In this context, ACTIF is actively engaged in the discussions and negotiations to work out a common position on the Rules of Origin that will apply under the EPA/EU arrangement, in similar fashion to the position arrived at in the AGOA modification proposals. It is ACTIF's aim to achieve a unified position in the EU negotiations.

☞ **Promoting ACTIF.** ACTIF is developing a regular schedule of relevant international cotton, textile and apparel events that include ITMF, ICAC, AGOA Forum, MAGIC and Material World. Events scheduled for Europe are also under review, with the intention of showcasing ACTIF.

Activity 2: Initiate an investment and finance program.

The spinning and weaving sector is the weakest link in the regional supply chain and identifying investment opportunities for this sector (and others) is critical to the dynamics of the regional supply chain. To address this issue, a finance/investment sub-committee has been formed and will work with ACTIF/RATES to design and implement this program.

☞ **Identifying investment opportunities.** RATES is assisting ACTIF with a technical assistance contract to research, liaise and assess investment schemes that are in place in respective ACTIF member countries. The consultant will research all possible avenues of alternative sources of finance to increase opportunities for funding, and to identify regional, pan-African and international finance organizations with whom working relationships will be established, and also as an investment information

source. The Scope of Work for this assignment has been completed, but cannot be implemented pending confirmation of additional funding, which would flow from an extension of the RATES program. ACTIF is also considering the recruitment of a new Deputy Executive Director with a finance/investment background who will follow up on the research component and actively pursue the findings and recommendations. In addition, ACTIF:

- Is investigating and researching the availability of second hand textile equipment in the US and EU and will explore favorable potential investment options in this regard.
- On completion of the finance/investment technical assignment, will provide 'firm to firm' technical support and advice on the procedures, processing and application of investment funds.
- Will create linkages with relevant developmental funding agencies.



Activity 3: Enhance inter-regional trade and supply chain.

This activity has been a key focus of RATES for the past three years and significant progress has been made through the www.cottonafrica.com trade site. Although the trade site will continue to be a key element of this activity, the program has been augmented by the development and launch of a dedicated ACTIF website (www.actifafrika.com) for promotion and as a trade, finance and investment source. This quarter realized a posted value of \$6.3 million in inquiries to buy and almost \$11 million in offers to sell for a total value of \$17 million. Although a bit behind compared to this time last year, the site posts more value than the other RATES initiated sites and still remains number one on Google.

Table 3. Value of business postings on www.cottonafrica.com 1st Quarter FY 2007.

POSTINGS	Historical Totals - 2006	Quarter 1	Quarter 2	Quarter 3	Quarter 4	TOTALS 2007
Enquiries to Buy (USD)	\$111,671,745	\$6,299,000				\$6,299,000
Offers to Sell (USD)	\$79,615,395	\$10,800,000				\$10,800,000
TOTALS (USD)	\$191,287,140	\$17,099,000				\$17,099,000

☞ **Bilateral mission support.** RATES/ACTIF continues to develop synergies with USAID missions, relevant regional and bi-lateral projects. In this regard, RATES/ACTIF is collaborating with the Tanzania USAID Mission to undertake a study tour of South Africa in March 2007, which will give stakeholders in Tanzania an opportunity to research and examine cotton bio-technology policies that are applied in that country, and to assess the applicability for Tanzania. ACTIF will be facilitating all of the meetings, field visits and logistical arrangements, with RATES providing funding support for the RATES cotton/textile specialist and two participants from Tanzania.

Activity 4: Integrate production, ginning and lint trade into the regional system.

The lint trade is the closest link to the production sector (and smallholder farmers) and although the RATES/ACTIF program is focused on trade, it is important to include this sector into the regional trade system to ensure the fiber to fabric linkage, especially where organic and BT cotton is concerned.

☞ **GMO cotton.** ACTIF continues to assess the issues and potential of GMO cotton and to urge governments and research institutions to adopt a progressive approach in

this regard. Pursuant to these objectives, ACTIF has embarked on research to establish the BT/GMO policy position in each of the ACTIF member countries, which information will be disseminated across the region to both the private and public sectors alike. We are working closely with USAID/EA and Mike Hall's Bio-safety Program in this regard.

☞ **Organic cotton.** Discussions have commenced between ACTIF and the US based Organic Exchange, a non-profit international organization that aims to promote the production of organic products. The Organic Trade Association is closely aligned to the exchange and ACTIF has been invited to join its membership. It is envisaged that both of these organizations will be able to assist in ACTIF's work to promote organic cotton production and at the same time, create market linkages through the textile and apparel value chain. In this context, the holding of a regional organic cotton stakeholder's forum is under active consideration.



The new ACTIF board of directors meeting in Nairobi in November 2007.

Activity 5: Promote ACTIF as the regional voice.

ACTIF should be perceived by the regional industry and the international trade community as the “go to” organization in the region for cotton and textile trade issues. The membership base must be strong and active, the Secretariat must be professional and decisive and the programs and services must be well implemented. ACTIF will move from the concept stage to the organizational stage during 2007.

☞ **Official registration.** ACTIF was registered and incorporated under the Companies Act, Kenya on 26 October 2006 and, as a legal entity, was now in a position to open bank accounts, establish accounting systems and receive funds. At the first Board of Directors meeting held on 21 November 2006, and as new tactic that would allow continuity of high level management of ACTIF and provide fiscal advantages, it was agreed that the RATES staff of Barry Fisher and Fred Kong'ong'o be seconded to ACTIF as the Executive Director and Program Assistant respectively.

- The ACTIF membership criteria and categories have been established, and a two tier structure of corporate and associate members would apply. The Secretariat

will now implement a membership campaign and construct a membership data base.

- The Secretariat has started research into non-USAID funding support for ACTIF and its activities. A relationship and dialogue has already been established with the World Bank on funding a regional competitiveness analysis.
- In a new approach towards assisting member trade associations at the national level, regional interface meetings will be conducted to promote ACTIF, disseminate information and solicit government support to adopt a regional trade approach. This initiative will also target national and regional organizations, governments and international institutions.
- A strategic component of ACTIF's work will be to cement the working relationship with COMESA, EAC and SADC with formal MOU's and use these institutions to lobby for ACTIF members. To this end, on 29 November 2006 COMESA and ACTIF signed a Memorandum of Understanding, which will go a long way in creating a positive, cohesive and interactive partnership between the two organizations. At the signing ceremony held in Nairobi, COMESA Secretary General Erastus Mwencha reiterated the importance of private sector collaboration to ensure a concerted effort towards creating an open and free trade environment within the region. ACTIF's Chairman, Jas Bedi, reaffirmed his organization's commitment to working with COMESA to enhance regional integration, create unity of purpose and to set the stage in addressing the challenges to removing existing barriers to trade.



COMESA SG, Erastus Mwanacha and ACTIF Chairman Jas Bedi signing an MOU in Nairobi.

KRA 1.4: Regional Trade in Dairy Products Increased

Strategy. The RATES program for the dairy sector is focused on the removal of extra/inter-regional export market trade constraints, initially targeting countries in the region with products that have regional demand. To pursue this program, RATES will work actively with its key partner, the Eastern and Southern African Dairy Association (ESADA) formed in 2005 for the expressed purpose of removing trade constraints and expanding markets for its members.

The dairy program differs significantly from the other RATES commodity programs due to the limited supply of an exportable product. With the conclusion of eight national dairy studies in 2004, conducted jointly by RATES and ECAPAPA, it was revealed that there is no country in COMESA that is self sufficient in milk products. Additionally, COMESA countries have a regional average installed processing capacity of only 30%. Domestic milk consumption is also very low averaging about 36 liters/ person throughout the COMESA region (compared to the WHO recommended consumption of 200 liters/ person). One may be tempted to conclude that the region doesn't have an inter/extra "trade" problem since there is little to trade, but rather a domestic liquid milk production and consumption problem.



The region is behind in dairy consumption.

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

Background. The RATES sponsored Regional Dairy Summit in October 2004, attended by executives of all the key dairy processors in 12 different COMESA countries, passed a resolution to form a regional dairy processors association, now known as ESADA. Key issues that led to this unanimous decision included the lack of regional market information, limited knowledge on potential trade partners and their respective products, and the absence of a regional voice in the international dairy arena. The fact that imports to COMESA countries valued at \$684 million over a five year period far exceeded the \$25 million over the same period that was traded between them has created an urgent sense of unity among the ESADA stakeholders and encouraged the conclusion that it was better to work together than apart. RATES and ESADA are focusing on the objective of increased inter regional capacity to compete with the extra regional COMESA import trade that represents 95% of the dairy market. This is the ESADA "window of opportunity" and it is significant.

In 2003, RATES initiated a subcontract with the Nairobi Land O'Lakes (LOL)'s regional office to provide a long term dairy marketing specialist, Moses Nyabila, based in the RATES office.

LOL brings significant institutional and technical strength to the program including several USAID bilateral mission supported dairy projects in the regional that compliment the RATES' field support structure.

The 2007 ESADA work plan, developed and approved by the ESADA Board of Directors, addresses the key elements of concern expressed by the dairy executives and is part of their strategic planning process. This supports the RATES methodology that encourages industry ownership of the program, laying the foundation for regional networking, trade linkage and trade information that is sustained by the industry itself. The plan also identifies and provides institutional support to national and regional organizations that are key players in advocating policy reform and promoting inter-regional trade initiatives.

Key activities. There are four activities in this KRA for the 2007 work plan period:

Activity 1: Support to ESADA's Program for Dairy Market Expansion and Promotion.

This is the mainstay of the ESADA program and forms the basis for the ESADA Mission Statement. It is linked to activities 1-4 and requires strong core support from the policy program (see KRA 3.1). A key role that the association plays with RATES assistance is the resolution of trade disputes within the region using improved knowledge of trade regulations and trade imbalances that now affect the region. RATES will also assist ESADA to participate in and organize international, regional and national forums and events that promote buyer/seller linkages. The main event is the African Dairy Conference and Exhibition which is critical to demonstrate value to members in promoting products on the regional and international scene and providing linkages between buyers and sellers, not just for finished dairy products, but for the supporting industries as well.



Guests at the launch of the 3rd ADC conference to be held in Lusaka in April 07.

☞ **The 3rd African Dairy Conference.** The 3rd African Dairy Conference, scheduled for May 2007 in Zambia, is well under way starting with a successful Breakfast Launch in Lusaka in August 2006. The key elements for this activity are laid out in a separate conference management plan that covers the planning, preparation and implementation components.

- 1st meeting with the Host Country Conference Committee held in Lusaka in August 2006.
- ADC website up and running and ready for registration.
- Announcements made on the Dairy Trade Directory and Call for Speakers sent out this quarter.
- Conference Coordinator contracted and venue/vender contracts under way.
- Collaborative meetings held with RATES partner Land O' Lakes in Lusaka and Kampala.

☞ **Resolving trade disputes.** ESADA, industry associations, national governments and EAC/COMESA will continue to work together to resolve trade disputes. The “roundtable” approach initiated by RATES/ESADA for the East Africa trade dispute proved to be extremely successful and the methodology was repeated in Lusaka for the ongoing Kenya/Zambia trade commencement process.

- Plans are under way to hold a sub-regional roundtable on trade disputes focused on Zambia and its surrounding trade partners of Malawi and Zimbabwe.



Policy makers grinding out regional dairy standards.

☞ **Dairy advocacy.** ESADA, with its national industry associations, will continue to work with IGOs and national policy makers to improve trade policy environment. It is now recognized that national bodies must play a more active role in representing their industries at the national government level and ESADA will assist them to do this.

- ESADA has played a key role in presenting an organized industry “face” at the EAC standard harmonization meetings which are covered in detail under KRA 3.1. For the first time the private sector has played a key role in these meetings and it is anticipated that ESADA members will have significant impact on the COMESA harmonization program that started this quarter.
- The second and final EAC regional dairy standards harmonization workshop was held in Nairobi from October 25 – 28, 2006. The harmonization process

was completed with Kenya, Tanzania and Uganda agreeing on standards for eight key dairy products that are mostly likely to be traded cross border:

- DEAS 22:2006, Butter
- DEAS 27:2006, UHT milk
- DEAS 33:2006, Yoghurt
- DEAS 67:2006, Raw cow milk
- DEAS 69:2006, Pasteurized milk
- DEAS 49:2006, Dried whole milk and skimmed milk powder
- DEAS 70:2006, Dairy milk ices and dairy ice creams
- DEAS 87:2006, Condensed milk

Activity 2: Support ESADA's Program of Member Services to Address Product Quality, Health, Safety.

As part of activities within its strategic plan, ESADA is devoting significant resources to the delivery of member-demanded services including workshops and training that focus on the improvement of product quality, health and safety within the market chain. Specific activities will include training (and training of trainers) for processors that address the deterioration of quality of dairy products as it moves from farm to end-user. Such services are in demand by members and events will take place at venues throughout the region.



The Kenyan cheese industry is a fast growing sector producing some world class cheeses.

☞ **Support to the cheese industry.** RATES assisted ESADA with the organization and facilitation of the 1st Eastern African Cheese Championship Awards that took place in Nairobi on October 17th, 2006. Over 400 people sampled a wide selection of excellent cheeses during the event held at the Junction Shopping Plaza resulting in unconfirmed reports of an increase in cheese sales by 30% at the local Nakumatt supermarket. Over 80 specially invited guests turned up at a gala cheese cocktail to witness the crowning of the 2006 East Africa champions and the event was graced by two Ministers for Livestock and their PS's from Kenya and Uganda, and a number of CEO's, diplomats and key cheese buyers.

☞ **Other training (Cultured Milk Short Course Arrangements).** ESADA held meetings at the Jomo Kenyatta University of Agriculture and Technology on December 3rd, 2006 to confirm that JKUAT has agreed to host the training course and a contract will be signed with

ESADA soon. Chr-Hansen and Danisco have agreed to provide trainers and the draft program and fliers have been prepared. The course is scheduled to take place the second week of March in Nairobi.

Activity 3. Investigate and Disseminate Information on Investment and Finance. RATES is assisting ESADA with a technical assistance contract (in conjunction with ACTIF) to research, liaise and assess pro-investment schemes that are in place in respective ESADA member countries and assess the applicability for others.

☞ **Networking.** ESADA is working to become an investment information source for the dairy sector.



Parmalat is looking to expand into East Africa.

- A high level executive team from Parmalat RSA and Italy was in Kenya from November 12th to 15th, 2006 to identify investment and partnership opportunities in Eastern Africa. ESADA/RATES provided the Parmalat team that included the CEO from the South African operation with East Africa dairy sector profiles, along with estimates of volumes, values, export/imports, and key players. Moses Nyabila, the RATES/ESADA dairy specialist, prepared the itinerary and made appointments. Some of the appointments included Spin Knit, Bio Foods, Brookside, Sameer Africa, Tetra Pak, IFC, Stanbic Bank, Kenya Dairy Board, and Consumer Insight Africa. Parmalat is exploring the possibility of a joint venture partnership with one or two leading dairy processors in Kenya to service the Eastern Africa market. Their investment is likely to run into US\$ 5 – 10 million
- A review meeting on the Kenya IFC Value Chain Study was held on November 8th, 2006 and with the assistance of ESADA, the views of key dairy stakeholders were incorporated into the report. ESADA is also working with IFC to formulate a post survey investment and a technical assistance strategy. The final report was completed and presented to IFC/KDPA on 4th Jan 2006. IFC is committed to funding their entry into the dairy sector as well as providing technical support to farmers contracted to supply them.

PIR 2: Increased institutional capacity to sustain agricultural trade.

Introduction and approach. Work under this component is linked to the support to trade flow leaders described under each commodity. Our approach to implementation of this component responds to USAID East Africa’s institutional support approach and to RATES’ project management needs. It builds on the mission’s work to introduce the Partner Viability Assessment (PIVA) index tool as a mechanism for defining institutional competency areas and measuring increases in capacity in these areas. REDSO has completed and/or has initiated the PIVA process with a number of the partner institutions with which RATES will work during the course of project implementation. The goal will be to get the PIVA Index for RATES partner institutions into place as soon as possible so that it can continue to guide the ways in which RATES structures its activities in support of these partners.

“RATES main aim is to help these regional trade associations to reach institutional sustainability...”

**Stephen Walls
COP RATES**

KRA 2.1: Capacity of selected partner organizations strengthened

Introduction and Approach. This component is linked to the technical and financial support provided to leading trade associations described under each commodity (see PIR 1.). Our approach to implementation of this component responds to USAID/EA’s institutional support approach and to RATES’ project management needs. It builds on USAID’s work to introduce the Partner Viability Assessment (PIVA) index tool as a mechanism for defining institutional competency areas and measuring increases in capacity in these areas. USAID/EA has completed and/or has initiated the PIVA process with a number of the partner institutions with which RATES will work during the course of project implementation. The goal will be to utilize the PIVA Index for RATES partner institutions so that it can continue to guide the way in which RATES structures its activities in support of these partners.

Strategy: RATES is supporting the ability of implementing partners to provide important trade support services on a sustainable basis. Work in this KRA during the work plan period targets regional associations such as EAFCA that USAID/EA has already initiated the PIVA process and other regional and national-level organizations that are at a more nascent level.

Key activities: There are four key activities for the work plan period of 2007:

Activity 1: Provide targeted support to EAFCA. This activity is cross-linked to the work under KRA 1.1. 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 opportunities for revenue generation and sustainable operations. In addition to financial assistance, RATES has been providing a full time coffee marketing specialist, Chris von Zastrow, with over 20 years of coffee marketing experience in both the United States and Africa. Chris will be leaving the project at the end of February 2007 and his position will be filled by an Ethiopian coffee specialist, Daniel Mulu, under contract by EAFCA. The coffee marketing specialist is providing technical capability in developing and implementing marketing strategies that have been lacking at the Secretariat (see KRA 1.1). Chris and the secretariat staff are also supported by the RATES core staff that provide institutional support in conference planning, constitutional review, business planning, and sustainability strategies.

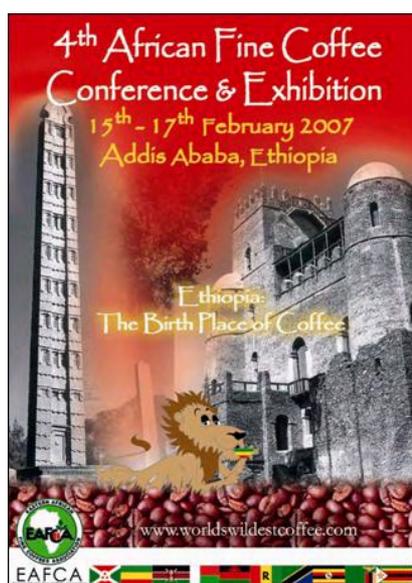


☞ **Financial management.** RATES encourages a fiscal strategy that requires EAFCA-derived revenue to be targeted for overhead costs first to ensure that core costs are covered by internal revenues versus donor input, a key step in developing a program for long-term sustainability. Our efforts focus on monitoring funds distributed through the RATES Partners Fund which EAFCA will access during FY 2007. RATES will work with the EAFCA secretariat later this year to develop sound fiscal budgets for next year - FY 2007/08. We will continue efforts to assist EAFCA in seeking funds from other donor sources such as Pro-invest and RTFP.

- RATES/USAID funding levels have decreased from 100% to 33% of the total EAFCA budget.
- EAFCA has attracted other donor funding from DFID/RTFP and SIDA/Swedish Chambers.
- EAFCA has introduced the Limited Edition Coffee Auction to their portfolio creating another income generating activity.

- A major \$2 million proposal has been submitted to ICO/CFC to enable EAFCA to take the lead in regional certification and to enable the thousands of smallholder farmers to participate.

☞ **Conference planning and implementation.** Over the past two years RATES' support to EAFCA for organizing regional coffee conferences such as the WWC has been aimed at developing internal event management capacity and providing a revenue stream for long term financial and institutional sustainability. This objective has been achieved with significant success. For the 2007 program EAFCA is independently contracting the conference coordinator and is handling the planning, preparation and implementation with minimum RATES input as their own staff take up the challenge of event management. RATES will contribute as needed and will monitor the progress to ensure a successful event.



- Anticipated gross revenues from AFFCE 2007 are anticipated to exceed \$370,000.
- The EAFCA Meet the Buyer event at SCAA/Long Beach has attracted a major sponsor for the first time.

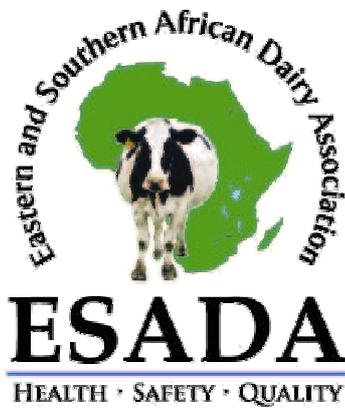
☞ **Strategic planning.** RATES worked closely with EAFCA this year on the process to develop a long-term strategy for growth and sustainability. Substantial capacity has been built in this regard and the process has been used at the board level to build awareness of long-term objectives of the organization.

- The strategic planning meeting with the EAFCA BOD took place in Addis Ababa in October 2006. RATES provided the planning facilitator and the plan has been finalized and approved by the BOD.

☞ **Structural Adjustments:** Two years ago, the EAFCA Executive Committee requested assistance from RATES to review their constitutional viability, secretariat staff requirements, and chapter formation and to make recommendations for changes and adjustments necessary to reflect the structural and governance systems desired by the Board. These assignments were completed during the 2005 work plan year.

- What remains to be done this year is to harmonize the chapter constitutional format to that of the new association format and to assess human resource development as EAFCA continues to grow and mature.
- As EAFCA enters into its post-RATES phase, sterner measures must be reviewed into the corporate design to ensure that EAFCA maintains its currently strong sustainability path. The EAFCA Board has invited Thomas Carr, the RATES Technical Director, to sit as an ex-officio member for the third year to guide them on these issues.

☞ **Program expansion.** We will continue to explore new opportunities to develop national chapters and member trade associations within the scope of the EAFCA strategic objectives. Prime examples of this initiative are the Kenya National Barista Championship and the support to the Jane Goodall Foundation for their coffee programs in Tanzania.



- The South African specialty coffee industry has recently formed the Specialty Coffee Association of South Africa (SCASA) and is poised to become EAFCA's newest member chapter. This was boosted by the just completed DFID funded program that targets RSA as a market for African specialty coffee.
- A new and exciting program being introduced this year is the Limited Edition Coffee Auction that will take the Taste of Harvest program to a new level and will help offset the costs that service to members.

Activity 2: Provide targeted support to the East and Southern Africa Dairy Association (ESADA).

Executives at the October 2004 Dairy Summit passed a unanimous resolution to form a regional dairy processors' association and RATES has dedicated resources over the past two years to assist in their structural development process and to initiate a program of services to their membership. After two successful years which saw the inauguration of the African Dairy Conference and Exhibition in Nairobi and its successful follow-up in Kampala, the ratification of the ESADA constitution, formation of an independent Secretariat, and elections of the first Board of Directors and its second Chairman; RATES will focus resources this year on program activities that meet ESADA's Mission Statement and association objectives.

RATES will provide the services of Moses Nyabila, the Dairy Marketing Specialist, to focus on specific trade and marketing activities (see KRA 1.5), and other core staff will provide essential support for event planning, administrative systems, policy advocacy, and strategic planning. Tom Carr, the RATES Technical Advisor, will be available to attend Board meetings and advise on institutional growth and member service issues.

☞ **Secretariat systems improvement.** The ESADA Secretariat is still in its formative stage with a new Executive Director and requires institutional management assistance from RATES in staff policy, accounting, procedures, etc.

- The Executive Director, Kip Lang'at, has started the 1st quarter with a recruitment drive for a new Program Manager who will take over the multi-task position next quarter. Emphasis is on improved accounting and financial management.

☞ **Membership strengthening.** The ESADA membership process needs to follow the EAFCA example with a clear systematic structure that includes member categories, term membership, membership cards and certificates, calendar of events, new member kits and membership promotion. This activity includes ESADA/RATES' focus on its member associations which forms the national-level foundation for regional integration activities. Since many associations are newly formed and institutionally weak, they require assistance to formulate strategies and better serve their membership. It is recognized that many national associations participate in bilateral mission programs through projects known to RATES (i.e. Land O'Lakes bi-lateral mission projects) and close collaboration and communication is required to ensure that a smooth working relationship is maintained to achieve desired results.

☞ **Planning and budget process.** RATES will assist ESADA with its annual planning and budget process for next year, starting in August/September 2007. To augment its budget, we will also continue efforts to assist ESADA in seeking funds from other donor sources such as DFID. ESADA is ready to move into the process of long-term thinking and to lay the ground work for sustainability, membership

service, management and purpose. A key strategic planning meeting was held in August 2006 and elements of that plan will be incorporated into the 2006/07 annual plan.

- A new budget and annual work plan was prepared with RATES assistance that will help ESADA off to a good start for FY 2007.

Activity 3: Provide targeted support to African Cotton and Textile Industry Federation (ACTIF).

ACTIF has achieved an impressive track record of international and regional recognition in a very short period of time but requires a dedicated effort to form a pragmatic institutional structure that will lend itself to member needs and sustainability over time.



☞ **Institutional Design.** RATES prepared a draft institutional design in December 2005 that was circulated on-line for review by the steering committee. The design was built upon a set of general formation guidelines that were approved by the committee at their first meeting in Johannesburg in 2005. The 2006 goal was met to have the institutional format and official bylaws ready for approval by the general membership in September 2006.

- Registration of ACTIF took place on October 26, 2006 which has paved the way for formalization of the association.
- Following registration the BOD met for the first time in Nairobi on November 21, 2006 where they approved the annual work plan and set the stage for major activities for FY 2007.

☞ **ACTIF Secretariat.** Although RATES acted as the interim Secretariat for ACTIF during the 2006 program year, such an arrangement is understood to be untenable in the long-term.

- The ACTIF Board recommended a process of transition from RATES to a sustainable management system during the program year of 2006/07.
- With limited resources determining the course of action, RATES has seconded Barry Fisher and Fred

Kong'ong'o to the ACTIF Secretariat as Executive Director and Program Manager respectively.

"The ACTIF/COMESA MoU will help increase business linkages and trade investment both in the region and globally..".

**Erastus Mwencha
COMESA Secretary
General**

☞ **Planning and Finance.** RATES assisted ACTIF leaders to develop a long term strategic plan and an aggressive work plan for 2007. It is anticipated that ACTIF will be ready to receive direct funding support for the 2007 program year and RATES will assist to identify potential donor sources and prepare grant proposals.

☞ **Membership Strengthening.** The strategy this year is to seek clear commitment from the national membership structures that form the base of ACTIF within the COMESA and SADC regions. Without this commitment in writing, for the short-term and with financial support in the long-term, the formation of ACTIF will not proceed past the concept stage. At the same time, it is recognized that many of these nationally-based trade associations are still in the formative stages and require assistance from RATES that will enable them to participate in the regional arena.

Activity 4: Provide targeted support to the regional grain trade initiative.

Commercial trade organizations at the sub-regional and national level are gaining recognition and appreciation, most notably the Eastern African Grain Council and the Malawi Grain Traders and Processors Association, both of which are receiving direct RATES support.

☞ **Facilitate the institutional structure and secretariat formation for EAGC.** The EAGC has been officially formed, the steering committee dissolved, official bylaws approved and the first Board elected. Work has been completed on the operational manual, rules of trade, and the business plan. This program year of 2007 is a key period in the definition of a regional grain council and serious program work must take place to gain credibility and to make an impact on trade issues. Progress on EAGC Most of the on-the-ground work in Kenya will come under the auspices of the sister USAID project, KMDP, managed by ACVD/VOCA. RATES is providing the following areas of support:

- EAGC was officially registered in Kenya on December 4, 2006, a process facilitated by RATES.



- The Secretariat was established this quarter, temporarily housed at the RATES office.
- The EAGC BOD recruited Ann Mbaabu as the Executive Director and she is currently serving in that position under a RATES short term contract.
- RATES has transferred the Regional MIS systems (RATIN) and its management structure to EAGC. Bridget Okumu has been seconded to EAGC as its Information and Communications Manager.
- The trade office is tasked with the job of promoting EAGC to stakeholders in Uganda and Tanzania and building up membership there.
- EAGC is now poised to prepare and submit a Partner Fund grant application to RATES to cover part of their 2007 operating budget. A similar contribution has been made by the USAID/KMDP project.

“We are excited that the MGTPA is the first national trade organization that has hired a woman as the Executive Director.

**Pam Chesire
RATES Trade Office**

☞ **Assist in the institutional structure and secretariat formation for MGTPA.** MGTPA is a classic case of a national working group instigated by RATES transforming itself into a full value chain trade association – much of it through stakeholder initiative with some local support. RATES has provided Partner Fund financing to enable the new Secretariat to carry out its annual work plan program. Although not actively engaged at the institutional level due to sufficient local support from EU and DFID, RATES will assist MGTPA to actively engage in local grain policy issues, participate in Malawi STS initiatives (ACE and WHR), and provide MIS services.

- RATES helped prepared the MGTPA draft scope of work to World Bank for the warehouse receipt study.
- Malawi and MGTPA have been selected by the RATES policy team to pilot policy initiatives.

☞ **Identify and support targeted initiatives to national grain trade associations.** Malawi and Kenya have made significant progress in institutional “trade organization”, a key building block towards structured trade and RATES has identified Zambia, Uganda, Ethiopia and perhaps Tanzania as likely countries to follow suit. The RATES

team will meet with stakeholders in those countries and explore the potential and desire for a more organized trade.

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

Strategy: RATES strategy under KRA 2.2 is premised on using new and appropriate technologies to help promote private sector-driven trade initiatives. It involves utilizing information and communication technologies (ICT) to expand the number of private sector beneficiaries with access to market and trade information. It also involves forming networks and creating linkages with technology and research networks relevant to the RATES-supported commodities. RATES strategy depends on forming partnerships with on-going bilateral development projects to leverage resources and to work with programs that reach out to the grass roots level.

Activity 1: Develop and support web-based trade and market/policy information web sites. As discussed in PIR 1 and PIR 3, RATES has developed a number of key market information, policy and trade sites. Tasks under this activity include maintaining and updating existing sites and transferring them over to relevant organizations (ESADA, EAGC, COMESA and ACTIF).



Maize

➔ www.tradeafrica.biz continues to attract a large number of users. Last year almost 11,000 unique users visited the site with strong interest in and frequent visits to the trading platform. This quarter, over 1200 users visited the website. Likewise, www.ratin.net is an important site for policy makers and traders to gather historical data regarding maize trade flows and other important trade statistics. In addition to the site, the trade office produces a monthly trade bulletin that is sent to small and large traders both in electronic and hard-copy formats.

Table 5. Web statistics for www.tradeafrica.biz for the 1st quarter FY 07.

Classification	TOTALS 2006	Quarter 1 Oct-Dec 06	Quarter 2 Jan-Mar 07	Quarter 3 Apr-Jun 07	Quarter 4 Jul-Sept 07	TOTALS 2007
Successful Requests	218,548	51,827				51,827
Average requests	649	584				584
Distinct pages requested	9,555	2,331				2,331
Distinct Hosts Served	10,986	1,253				1,253

Table 6. Web statistics for www.ratin.net for 1st Quarter FY 07.

Classification	TOTALS 2006	Quarter 1 Oct-Dec 06	Quarter 2 Jan-Mar 07	Quarter 3 Apr-Jun 07	Quarter 4 Jul-Sept 07	TOTALS 2007
Successful Requests	181,354	41,158				41,158
Average requests	840	711				711
Distinct pages requested	33,212	6,710				6,710
Distinct Hosts Served	12,326	3,511				3,511

 **Cotton**

www.cottonafrica.com continues to experience continued interest from the cotton textile industry with a steady increase in users. www.cottonafrica.com has reached number one on Google when “Cotton and Africa” are used as search words. Results show that users are moving around the site and taking advantage of its many features. During the 1st quarter 2007 almost 9,000 users visited the site.

Table 7. Web statistics for www.cottonafrica.com for 1st Quarter FY 07.

Classification	TOTALS 2006	Quarter 1 Oct-Dec 06	Quarter 2 Jan-Mar 07	Quarter 3 Apr-Jun 07	Quarter 4 Jul-Sept 07	TOTALS 2007
Successful Requests	661,020	214,147				214,147
Average requests per day	1,966	2,417				2,417
Distinct files requested	18,416	4,896				4,896
Distinct Hosts Served	30,794	8,971				8,971

 **Dairy**

The dairy industry web page, www.dairyafrika.com has now been turned over to ESADA and is under their management. The site is currently being redesigned to include a trading platform similar to www.tradeafrica.biz.

 **Coffee**

RATES provided assistance to EAFCA to develop an interactive web site to publicize the WWC and to promote coffees from the region. The www.worldswildestcoffee.com site has attracted substantial attention, and has now been integrated into the www.eafca.org site. The site is appearing on the first pages in certain search engines such as Yahoo, Google, etc. This site is now fully under the management of EAFCA and statistics are not provided in this report.

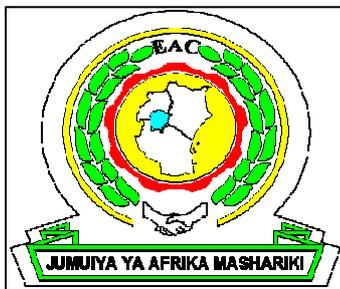
Activity 2: Provide technical support to USAID/EA's Bio-safety Program. This activity involves working closely with the mission's bio-safety program especially in regards to cotton and maize, and providing demand-driven technical support as required.

 **Bt Cotton study tour.** Mike Hall, the coordinator for the Bio-safety Program, is working with Barry Fisher of ACTIF to ascertain the Tanzania position on BT cotton and to determine a framework for potential movement of this issue among Tanzanian stakeholders. Barry is working

with USAID/Tanzania on leading a small Tanzania delegation to South Africa to explore the potential of BT cotton.

Activity 3: Maintain collaborative relationships with regional research networks. RATES will continue to work closely with partners such as ASARECA/ECAPAPA for carrying out specific commodity-focused activities. RATES will link with technical networks such as CORNET, ICRISAT, CIAT, ILRI and other international and regional organizations as needed. RATES has a specific collaborative task with ECAPAPA on regional dairy product standards and SPS and CORNET is participating with EAFCA on coffee research activities.

PIR 3: Expanded Private Sector Contribution to Regional Trade Initiatives



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

KRA 3.1: Private sector-driven agricultural trade policies advocated

Strategy. The strategy for this KRA is to identify trade policy and regulatory issues that negatively affect regional trade flows and to initiate policy and regulatory change through a partnership of regional trade organizations and regional policy making structures (COMESA, EAC and SADC). For each of the target commodities, RATES is working closely with private sector trade flow leaders who are actively involved in the process of identifying constraints to trade and working with the IGOs and public sector to arrive at pragmatic solutions. In many cases the private sector is represented by the new regional trade associations, EAFCA, ESADA, EAGC and ACTIF. The RATES strategy is to increase the regional IGO's capacity to better serve the trading community in RATES-supported commodities through organized "counterpart" trade associations.

Key Activities. There are three activities under this KRA.

Activity I: Harmonize trade policies and regulations.

This activity focuses on the adoption and implementation of trade policy platforms that have been identified through the RATES policy harmonization process. The “maize without borders” platform was the first to be developed and formally adopted by COMESA and EAC followed by the dairy and cotton/textile policy platforms. The challenge is to move the process to the next levels that will result in implementation of the frameworks within COMESA and the EAC member states. RATES has identified a number of key areas including harmonizing grades and standards, sanitary requirements and food safety issues. These issues may require RATES to support a number of follow-up meetings, workshops and discussions among the key players and policy makers:



☞ **COMESA/RATES lead development of harmonized standards for dairy and maize.** RATES provided leadership and input into the meeting of the Standards and Quality Assurance (SQA) Committee of the 20-member country Common Market for Eastern and Southern Africa (COMESA). The meeting, which was held at Panari Hotel in Nairobi, Kenya on December 14, 2006, brought together Heads of National Standards Bureaus within COMESA to discuss priority product quality standards for adoption within COMESA.

Variations in standards has been an impediment to the smooth flow of trade within COMESA and the 2007 program to adopt regionally harmonized standards based on the relevant international conventions and norms will have a major impact on facilitating freer trade. Among the key achievements at this meeting were:

- Designation of Technical Secretariats and alternates to coordinate the development of standards for maize and dairy.
- Agreement by the SQA Committee to harmonize the EAC (East African Community) and COMESA maize standards into one regional standard.
- Agreement by the SQA Committee to adopt the 17 dairy standards developed by EAC through facilitation

by RATES and to circulate these as COMESA draft harmonized standards.

- Agreement on a timetable of national consultative meetings for maize and dairy standards and respective regional meetings to be managed by RATES which has been incorporated into SQA's Schedule of Meetings for 2007.

These achievements pave the way for COMESA and EAC, through RATES technical facilitation, to attain the goal of harmonizing regional standards for maize and dairy across COMESA and EAC in FY 2007.

☞ **RATES assisted Uganda National Bureau of Standards to publish the EAC maize standards.**

RATES assisted UNBS to publish 2000 copies of the EAC maize standards under the UNBS cover. UNBS will be distributing these standards to the traders, especially cross border traders, in its efforts to disseminate information on the new standards and their enforcement. RATES has provided UNBS with the list of cross border traders in Uganda who should be targeted for this campaign.



A team of dairy policy makers worked to reach consensus on a number of key specifications.

☞ **RATES facilitates regional meeting to complete harmonization of EAC dairy standards.** RATES facilitated the second and final regional meeting of the EAC dairy standards committee which was held from 25th to 28th October 2006 at the Panafric Hotel, Nairobi. This meeting marked the end of EAC process of harmonization of the below listed standards and analysis systems which are now pending adoption by the EAC standards committee before their implementation at nation level:

- DEAS 22:2006, Butter — Specification
- DEAS 27:2006, UHT milk — Specification
- DEAS 33:2006, Yoghurt — Specification
- DEAS 67:2006, Raw cow milk — Specification
- DEAS 69:2006, Pasteurized milk — Specification
- DEAS 49:2006, Dried whole milk and skimmed milk powder — Specification
- DEAS 68:2006, Milk and milk products — Methods of microbiological examination
- DEAS 70:2006, Dairy milk ices and dairy ice creams — Specification
- DEAS 80:2006, Butter — Methods of chemical analysis
- DEAS 81:2006, Milk powders — Methods of analysis

- DEAS 87:2006, Condensed milk — Specification
- DEAS 160:2006, Milk and dried milk, butter milk, and butter milk powder, whey and whey powder — Determination of phosphatase activity
- DEAS 161:2006, Milk and milk products — Sampling — Inspection by attributes
- DEAS 162:2006, Milk, cream and evaporated milk — Determination of total solids content (reference method)
- DEAS 163:2006, Milk — Determination of freezing point — Thermistor cryoscope method
- DEAS 164:2006, Milk — Determination of fat content (Routine method)
- DEAS 165:2006, Milk and milk products — Inspecting sampling — Inspection by variables



RATES policy specialist, Shemmy Simuyemba, explaining the STR to the COMSEA STR working group.

The meeting noted and welcomed the intention of COMESA to adopt the EAC dairy standards. This provides a window for RATES to work with COMESA and EAC in ensuring that the dairy standards are harmonized across the two regional trade blocks.

👉 **EAC briefed on dairy SPS protocol.** In pursuit of the recommendations of the 2006 EAC Dairy Roundtable, RATES held a meeting with EAC officials in Arusha on November 24, 2006, for a formal briefing on the 1st draft of the SPS Protocol and the rationale behind it. EAC has taken up the recommendation for the protocol to be subjected to national consultations within the work program of the SPS sub-committee. EAC welcome RATES proposal for a joint COMESA/EAC technical forum to consider the protocol ahead of the adoption of the same at the relevant COMESA/EAC policy organs meetings.

Facilitating cross-border trade through simplified procedures. The COMESA Simplified Trade Regime (COMESA-STR) is intended to mainstream informal cross-border trade into the category of formal trade through the use of simplified trade instruments adapted to the needs of small traders.

It is also intended to ensure that cross-border traders who form a large proportion of traders within COMESA benefit from the COMESA trade regime. Currently, cross-border traders do not benefit from duty and quota free access of the products they trade in despite such products being eligible for free entry. The requirements for obtaining

documentation, i.e. Certificate of Origin (COO), are often centralized in the capital cities, and the costs and time involved in obtaining them are not commensurate with the trading environment and requirements of small cross-border traders.

RATES is collaborating with COMESA to implement the COMESA-STR. As part of this process, a RATES sponsored a meeting of the COMESA Working Group on Customs Procedures and Legislation Procedures (WG-CPL), held at Hilton Hotel, Nairobi, Kenya, on November 5-6, 2006. Members of the Working Group represented Ethiopia, Malawi, Kenya, Rwanda, Sudan, Uganda, and Zambia, and officials of Plant and Animal Health Authorities from Kenya, Uganda and Zambia were also present. To add balance, there were also representatives from cross-border traders from Kenya to provide the traders' perspective. Key achievements of the meeting were:



Bernard Kagira, RATES policy specialist, explaining the need to create a list of eligible products under the STR.

- Further simplification of the Simplified Customs Document taking reality of cross border trading into account. This simplification was essential as a step towards implementation the COMESA STR, which has been on the drawing board for over five years.
- Agreement on list of eligible products (primarily agricultural products) to be cleared through the STR. The four commodities which RATES is focusing on were included in the list.
- Roadmap towards implementation of the STR. The meeting agreed on practical steps to make this system operational on a pilot basis in selected countries during 2007. These steps entail the introduction of harmonized and simplified documentation and procedures for customs and SPS, whose administration will be centralized to the border posts to facilitate easier access by small cross-border traders.

The value of informal cross-border trade has been estimated at between 20%-30% of formal intra-COMESA trade of US\$6.5 billion. The STR is therefore targeting the US\$1.3 – US\$2 billion in informal trade and is expected to have a significant impact on increasing the values and volumes of recorded intra-COMESA trade.

Export Processing Zones (EPZ) under the COMESA and EAC Customs Unions. EPZ schemes have been instrumental to significant investments in the cotton and textile sector within the COMESA and EAC region. The installed capacities under these schemes play a key role in meeting the region's fabric requirements as well as meeting the demand for garments which are presently sourced from outside the region. RATES has initiated collaboration with COMESA that is aimed at providing specific industry input to the study which COMESA is currently undertaking on EPZ policy. RATES and ACTIF have developed an analytical framework to assist in the regional study. The overall aim of this input is to provide a justification for differentiated treatment of the cotton and textile sector in the regional EPZ policy, taking cognizance of the global trade arrangements of the cotton and textile sector.



TOH competitors eagerly looking at cupping results.

Activity 2: Maximize private sector contribution to RATES programs.

The RATES team views private sector participation in, and contribution to, the development process equally as important as their involvement in the trade process. RATES integrates corporate input into the planning and implementation process, and encourages companies to participate at RATES' planned events and marketing initiatives. RATES also assists clients to identify trade initiatives that are attractive as investment (or involvement) opportunities for private sector companies.

☞ **Private sector contributions.** Private sector contributions to RATES-supported events have been increasing every year since the start of the programs. Direct buy-ins to RATES activities totaled almost US \$ 160,000 for the first quarter in FY 07. Total business contributions over the life of the project have so far totaled over \$11.26 million.

☞ **Training the private sector.** RATES has helped private sector trade organizations to train over 200 participants during the 1st quarter of FY 2007 with over 6,200 trained over the life of the project. This assistance has included training of firm-level technical staff in areas such as grades and standards, product enhancement, certification, international marketing, investment and finance, differential trading, business planning and strategic planning, policy advocacy and lobbying and understanding regional and

international trade issues. Producers have received trainings that will help them improve their production and increase the quality of their products to meet international standards

- This quarter 126 private, and 67 public stakeholders actively participated in RATES-supported activities (over 1,300 stakeholders participated during FY06). With RATES support, our partners conducted 15 training events this quarter. Through participation in business forums, policy and trade roundtables and international marketing and trade activities, these companies and individuals are now better able to take advantage of trade opportunities that are now occurring as a result of an improved trading environment created through RATES' policy work.



RATES sponsored a number of policy workshops during the quarter.

☞ **Advocacy.** These firms are actively advocating for policy and trade reforms and are working closely with regional organizations such as COMESA and the EAC to assist these regional governmental organizations to formulate policy based on private sector and industry participation.

Activity 2: Improve regional trade facilitation. RATES has been actively working on “hands-on” tasks that make a difference on the ground with a focus on border posts. The simplified customs document that doubles as a certificate of origin is one such example. The publication of the grain traders’ handbook that also doubles as an official border post guide has been pilot tested and proven. A key element to the success of policy harmonization has been the active participation of the private sector, especially the national and regional trade associations that are key partners in the RATES program. This private/public partnership can be expanded to include the new concept of regional and national grain councils for the facilitation of the maize trade. Key elements in this policy program include:

☞ The RATES/COMESA team has been working this quarter to synthesize and publish trade regulatory requirements on target commodities on the website www.tradecomesa.com currently under development. The TIMRS (Trade Information Monitoring and Reporting System) is an integrated web based information source for trade policies, regulations, procedures and practices that will be managed as a in-house COMESA site.

☞ RATES is in the early stages of a pilot program to implement a COMESA and EAC NTB monitoring and elimination mechanism. Discussions have been held between RATES policy specialists and the COMESA desks for Kenya and Zambia. A consultative meeting on the subject is in the planning stages for Kenya.

☞ The project is in the exploratory stage to develop a predictable regional maize trade (export/import) management system in COMESA and EAC. The RATES policy team is preparing a strategy that will be presented at the upcoming 2nd African Grain Trade Summit in April with the intention to raise awareness and seek endorsement from the regional trade sector. Target countries for the pilot effort will be Tanzania, Malawi, and Zambia; countries where annual trade bans on the maize trade are common.



RATES-supported forums often create animated discussions on issues of interest to the private sector.

☞ The policy team is facilitating the exemption of regionally sourced maize from Destination of Inspection (former PSI) requirements in Kenya and Tanzania. Early discussions have been held on this subject with the appropriate authorities from the Kenya Ministry of Finance. Follow on discussions with their counterparts in Tanzania are planned for next quarter. EAGC will play a key role by presenting a paper on the issue to the Ministry.

☞ The COMESA Business Forum and COMESA Summit (meeting of Heads of State and Government) held in Djibouti in November 2006, reiterated the need for effective public-private partnerships to facilitate involvement and integration of the business community in the region's trade and investment integration agenda. RATES has added value to this process with the completion of MOUs between COMESA and the regional trade associations. MOUs provides a firm issue-based framework for collaboration between the industry associations and COMESA and positions them to play a pro-active role in shaping regional as well as national policies and strategies as they relate to regional agricultural trade and creating a business enabling environment for trade and investment generally.

Activity 3: Promote coordination and synergies with other programs/projects on policy rationalization activities.

Regional integration and global trade development has attracted many players in the region who are working in various aspects of the trade sector. In order to build on such initiatives, RATES has developed networks with other programs and projects geared towards building synergies in pursuit of the goal for enhanced agricultural trade. These programs include AGIA-ALINC, ECA Hub, and ADB project on harmonizing SPS and market information system and the ACP/EU Economic Partnership Agreements program.



The Kenya cheese industry supported a number of high-profile marketing and promotional events.

☞ **ACTIF provides input to the ACP/EU Rules of Origin.** RATES and ACTIF undertook a review of the draft ACP/EU Rules of Origin as proposed by the ESA region. The review was presented by Bernard Kagira, the RATES Policy Specialist, at the ACP/EU forum in Brussels on October 18th 2006. The ACTIF position will be further articulated during a forthcoming regional meeting at the end of January 2007. Through this intervention, ACTIF aims at addressing the very restrictive EU rules of origin which have hitherto hampered exports of cotton and textile to that market. If the ACTIF proposal is granted, it will facilitate significant increase in exports of these products to the EC beginning January 2008 when the new Rules of Origin become applicable.

☞ **ADB/COMESA AMPRIP Project.** RATES continues to provide input to the AMPRIP team on two fronts. The RATES trade office sits on the AMPRIP steering committee as observers to assist in the technical development of the Food and Agriculture Marketing Information System (FAMIS). The RATES policy team is collaborating with AMPRIP on all issues concerning trade and SPS, especially the SPS Protocols for dairy.

KRA 3.2: Private sector buy-in and alliances expanded Strategy. This KRA recognizes the challenges of expanding private sector involvement and that success in this endeavor requires working directly within the value chain, designing activities that provide opportunities for business involvement in RATES activities, and promoting business-to-business linkages.

Key activities. The two activities in this KRA are closely cross-linked with activities under the Trade Flow (KRA 1-4) and Capacity Components (KRA 2.1):

Activity 1: Identify and facilitate market linkages in RATES supported activities. Tasks under this activity center on the identification of market linkage opportunities that are a result of contacts and leads made during the marketing promotion and organizational support activities. RATES conducts demand studies, supports trade missions, establishes trade-linkage websites and assists with trade exhibitions. In some instances, RATES may serve as a facilitator of commodity linkage opportunities to ensure that stakeholder satisfaction is maintained which leads to sustainable trade.

Coffee



Meet the Buyer events are very popular with USA and European buyers.

☞ **Accessing the US industry through the Coffee Corps.** RATES has assisted EAFCA over the years to form a very close working relationship with the US coffee industry through the SCAA's Coffee Quality Institute (CQI) and the Coffee Corps in a cost sharing arrangement. For the 2006/07 coffee season RATES has contracted Coffee Corps to provide 10 volunteers to provide training in cleaning, roasting cupping, brewing and marketing coffees. During the first quarter 5 volunteers have assisted in the training of 80 cuppers and have helped judge Taste of Harvest competitions in Rwanda, Zambia, Malawi, Madagascar, and Tanzania. Coffee Corps volunteers are generally drawn directly from the coffee industry and some of the top names in specialty coffee have signed up for volunteer assignments. Many of these Coffee Corps volunteers have continued to provide assistance and coaching after they return home and have established commercial linkages as a result of a Coffee Corps intervention.

☞ **Meet the Buyers.** RATES has been assisting EAFCA in the hosting of special "Meet the Buyer" events since the 2003 SCAA Conference and they have become increasingly popular with the buying sector and have proven successful at forging strong market linkages with members. EAFCA has now developed the capacity to plan and host these events on their own and RATES continues to monitor and provide minimal assistance as needed to

ensure success. Two recent success stories include recent purchases of four containers of Malawi specialty coffees by Café Imports in conjunction with Stumptown Coffees, a direct result of interactions at these meetings. This quarter, RATES has been working behind the scenes to set up the next Meet the Buyer event which will take place in May 2007 during the SCAA Conference in Long Beach California.

☞ **Specialty coffee linkages.** A number of companies are buying substantially more specialty African coffee as a result of EAFCA/RATES promotional campaigns. Starbucks current presence in Africa, notably Rwanda, Uganda, Kenya and Ethiopia, can be traced back four years to the first AFCCE in February 2004. Starbucks has recently announced that they will contribute up to US \$600,000 to support conservation coffees efforts in Kenya. Mr. Dub Hays, Senior Vice President of Starbucks is the featured speaker at the upcoming African Fine Coffee Conference and Exhibition in Addis Ababa and has committed to a \$12,000 sponsorship for the privilege.



The private sector has been very supportive of the RATES STS program.

☞ **JGI conservation coffees.** RATES is supporting the Jane Goodall Institute to promote sustainable “conservation” coffees that are grown near chimpanzee habitats in the Gombe Stream National Park. The goal is for local producers to protect the habitat while gaining a sustainable livelihood from their coffee. Through a RATES Partners Fund grant, JGI has built a cupping laboratory and hired a professional coffee advisor to support local communities. RATES has linked a number of buyers to JGI. Sustainable Harvest Coffee Importers (through contacts initiated by RATES) have also been actively involved in supporting the JGI cooperatives and has recently obtained a private foundation grant of \$300,000 to provide direct technical assistance to these communities.

Maize

☞ **Linkage to SAFEX.** In Kenya, RATES has supported the efforts of the Kenya Stock Exchange to explore a functioning commodity exchange in Kenya perhaps tied to the SAFEX in South Africa. This effort includes forming an alliance between the Kenya Stock Exchange, local banks, certification companies such as Cotecna and SGS, the KMDP, a USAID-Kenya funded project, and the NCPB. It

should be noted that the NSE is the first sponsor (\$2,000) to the upcoming African Grain Trade Summit to be held in April 2007.

☞ **Linking with Food Aid agencies.** RATES is supporting efforts to promote synergies linking food aid with commercial trade. This entails working with WFP, the region's largest net buyer of grain, and USAID Food for Peace to form alliances with the commercial sector. The objective is to engage the food aid sector into the commercial trade system, not only their use of the on-line trade sites but the conversion of their procurement process into a more transparent and trader-friendly operation. Another focus of this activity is to gain food aid support and participation in the emerging structured market systems. Food aid agency and public sector recognition of the value of warehouse receipt systems and commodity exchanges would be an added bonus to those initiatives and would be a key element to their success.

☞ **Support to local efforts.** RATES has given a small Partners Fund grant to the Malawi Grain Traders Processors Association (GTPA) to assist in their efforts to create a viable traders association. This alliance was formed to represent the interests of the private sector grain trade industry in Malawi. The formation of this group came out of the initial meetings sponsored by RATES in 2004 that brought together, for the first time, all the public and private sector stakeholders to develop a strategy for developing the commercial grain sector and better coordinate the sector. They are currently aligned with the Agricultural Commodity Exchange (established with support from USAID/Lilongwe) and are currently managing a contract for 10,000 mt of maize.

☞ **International networking.** FAO Rome has recognized the newly formed Eastern African Grain Council and has invited EAGC officials to attend their planning forum in Rome next quarter. EAGC will be stressing the importance of structured trading systems and the complimentary marketing information systems as priority areas for FAO.

ACTIF WAS FIRST

- ✓ to formally submit amendment proposals
ONLY body
- ✓ to propose inclusion of textile products
ONLY body
- ✓ to present a unified Africa position

Cotton/Textiles

☞ **Extension of AGOA.** Since the start of the RATES cotton/textile program, over one billion dollars in cotton lint, yarn and fabric have been traded. Under the AGOA legislation, the COMESA region has exported approximately \$2.5 billion dollars in cotton and apparel to the US since 2003. ACTIF has been the leader in advocating for an extension of the AGOA legislation to provide opportunities for investment in the textile sector by adding this sector to allowable AGOA imports and to extend the third country fabric provision to maintain investment in the apparel sector. The AGOA Bill was signed by President Bush in December 2006 with much of the ACTIF advocated issues intact.

Dairy

☞ **Dairy networking.** ESADA (with support from RATES) organized the first African Dairy Conference and Exhibition held in May 2005 and the second Annual Dairy Conference and Exhibition in Kampala in May 2006. From these efforts, ESADA was able to net approximately \$35,000 from direct industry sponsorships.

- **Linking potential investors.** The CEO of Parmalat South Africa, a subsidiary of one of the world's leading producer of dairy products, and his team met with ESADA/RATES on November 11, 2006 during his fact finding trip to identify investment opportunities in Kenya and East Africa. A similar team from Danone France met with RATES in 2005 for a similar mission searching for investment partners on regarding fermented products.

Activity 2: Maximize private sector contribution to RATES programs. The RATES team views private sector participation in, and contribution to, the development process equally as important as their involvement in the *trade process*. RATES integrates corporate input into the planning and implementation process, and encourages companies to participate at RATES' planned events and marketing initiatives. RATES also assists clients to identify trade initiatives that are attractive as investment (or involvement) opportunities for private sector companies.

☞ **Collaboration with bilateral missions.** RATES relies on national level partners such as USAID projects and other NGO-supported efforts to reach down to the farmer level. This linkage is critical to the success of our work. This partnership has worked well and has resulted in a number of sustainable partnerships between regional buyers and sellers.

☞ **Private sector buy-ins.** Private sector contributions to RATES-supported events have been increasing every year since the start of the programs. Direct buy-ins to RATES activities totaled almost US \$ 160,000 for the first quarter in FY 07. Total business contributions over the life of the project have so far totaled over \$11.26 million.

☞ **Private sector trainings.** RATES has helped private sector trade organizations to train over 200 participants during the 1st quarter of FY 2007 with over 6,200 trained over the life of the project. This assistance has included training of firm-level technical staff in areas such as grades and standards, product enhancement, certification, international marketing, investment and finance, differential trading, business planning and strategic planning, policy advocacy and lobbying and understanding regional and international trade issues. Producers have received trainings that will help them improve their production and increase the quality of their products to meet international standards



US Ambassador to Burundi handing out prizes at the recent Burundi TOH competition.

☞ **RATES-supported activities.** This quarter 126 private, and 67 public stakeholders actively participated in RATES-supported activities (over 1,300 stakeholders participated during FY06). With RATES support, our partners conducted 15 training events this quarter. Through participation in business forums, policy and trade roundtables and international marketing and trade activities, these companies and individuals are now better able to take advantage of trade opportunities that are now occurring as a result of an improved trading environment created through RATES' policy work. These firms are actively advocating for policy and trade reforms and are working closely with regional organizations such as COMESA and the EAC to assist these regional governmental organizations to formulate policy based on private sector and industry participation.

PIR 4: Program Management, Monitoring and Evaluation

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

KRA 4.1: Management and coordination mechanisms established

Strategy. To ensure that the project functions in a streamlined manner, the RATES project will continue to depend upon and maintain systems, tools and mechanisms to maximize the impact of the RATES project. The project will continue to develop and rely upon the efficient administrative support systems that the RATES project and Chemonics International have in place. Strategy will also include maintaining an efficient service oriented environment in which RATES operates.

Activity 1: Maintain program operations in support of project activities. Tasks include continuing to review and maintain all operational management systems which are already in place and identify any areas that need revision to improve efficiency. RATES continues to provide support for staff recruitment, often pertaining to RATES supported association organizations, maintaining up-to-date personnel tracking systems, and conducting administrative training as needed. Performance review systems are in place and are implemented. The operations manager will maintain the integrity of all administrative procedures. Tasks include maintaining fiduciary responsibility for RATES. The operations manager maintains communication with Chemonics Home Office and USAID regarding contractual, financial, and administrative issues.

Activity 2: Ensure USAID contractual and financial accountability. Tasks include maintaining fiduciary responsibility for RATES and maintaining communication with Chemonics Home Office and USAID regarding contractual, financial, and administrative issues. Tasks also include preparing



and managing all subcontracts. The project keeps well-maintained and documented systems of grants and partner funds administration. The RATES operations manager works closely with the project CO and CTO to conform to all mission requirements concerning advances under the grants mechanism and obtaining USAID approval of the applications for Partners Funding. RATES submits to USAID, as necessary, “Requests for Applications” for support of Partners Fund funding. The grants manager will work to set up technical and financial support selection committees for every Partners Fund application. Finally, the grants manager will conduct regular reviews of all beneficiaries of the Partners Fund.

Partners’ Fund. RATES received several Partners Fund applications this quarter and worked on conducting reviews of each application. Two applications were approved during this quarter.

The first application to be approved by the RATES grants selection committee was submitted by TechnoServe Kenya (TNS/K). TNS/K is seeking to reduce some of the inefficiencies at key points in the coffee value chain while supporting two types of coffee producer groups to help boost yields to former levels. TNS/K intends to work with several assist them in building stronger financial and marketing relationships with the private sector. TNS/K also will assist these groups to pursue international sustainability standards. TNS/K was awarded RPF-012 on November 1st, 2006 for the amount of \$25,000.

On December 1st, 2006, RATES also approved awarding the Eastern and Southern Africa Dairy Association (ESADA) its third Partners Fund, RPF-013, for the amount of \$140,000. RATES continued to support and assist ESADA this quarter in building their association sustainability and in implementing ESADA’s upcoming 3rd African Dairy Conference to be held in Lusaka, Zambia in May, 2007.

In addition to the above new FARAs, RATES, with coffee specialist, Chris von Zastrow, continued to work very closely with another of its grant recipients, the Jane Goodall Institute/Tanzania in assisting them in implementing their technical program.

**RATES
PARTNERS
FUND**

**10% of total
RATES Budget**

KRA 4.2: Program monitoring and reporting systems maintained

Strategy. The strategy for this KRA is to effectively track RATES' planned activities and delivery of expected outputs and quantitative impacts. The M&E system is a management tool for systematically reviewing the project's progress, troubleshooting problems and issues during program implementation. It employs a combination of database, project management, spreadsheet, word processor and accounting packages. Training is provided to project staff and partners to operate the system. The M&E system forms the basis for semi-annual and annual progress reports to USAID.

“The RATES M&E system is now fully integrated into the technical program...”

**Vincent Kaabunga
RATES Knowledge
Management Specialist**

Activity 1: Maintain the RATES M&E system. The RATES M&E system is a series of spreadsheets that form a detailed accounting of project activities. Information that is fed into the system is derived from reporting forms that are completed by the RATES staff. Tasks include periodically updating the M&E information systems and creating electronic and hard copy data files. This also requires frequent consultations with the technical team to update the M&E system to ensure that it remains relevant to the program direction.

☞ **ACT systems developed.** The RATES knowledge management specialist has created a series of databases that can be used by our partners to offer registrations on line, send out reminders to a defined list-serve, track number of registrations and perform other batch functions.

Activity 2: Collect M&E data and information on the program's progress and results. This activity involves a careful analysis of primary and secondary documents and reports, and requires close collaborations with the RATES technical team and partners to ensure that data and information is reliable and accurate. The M&E Specialist will collaborate closely with the technical team members and other relevant parties to update this information regularly.

☞ **System updated.** The RATES knowledge management specialist worked closely with the technical team to update the M&E files to include activities completed under the first quarter.

Activity 3: Report M&E results semi-annually/annually to USAID. RATES has a number of USAID reporting requirements to fulfill. This includes contributing to the IEHA Semi Annual and Annual report, RATES annual PMP Report, and the RATES Annual Progress Report. The management and technical team all provide input for these M&E reports.

IHEA Targets. Working with USAID East Africa's IHEA manager, RATES has set new targets for FY 07 based on USAID's new Foreign Assistance Framework.

III. Problems Encountered/Remedial Actions Taken

RATES ran smoothly during the first quarter and experienced few problems and/or issues. The main issue revolves around the future of the program.

RATES close-out or not. The RATES contract is in its fifth and final year with a contract-defined close out date of September 30, 2007. As per USAID's strategy, RATES received larger incremental funding during years three and four in anticipation of a phasing out of the program by the end of year five. As discussions are now on-going concerning an extension of the program for another year, RATES could experience difficulties in maintaining spending rates that assume an extension (with increased obligated funding), but has to be based on the remaining funding in the contract and current total estimated cost (TEC).

Chemonics International has requested the RATES contracting officer (CO) to provide guidance as soon as possible on the decision to extend the program or not so that the team can plan accordingly. As the program reaches the six month count down to end of the contract, the team will be forced to initiate a close out plan that includes notifying team members, partners and landlords of the need to terminate contracts that will have the technical advisors all leaving the contract by the end of June.

As RATES would like to maintain the team intact, Chemonics is working with the mission to maintain a full level of interventions for as long as possible in anticipation of an early decision regarding an extension of the program. If the mission decides not to extend RATES, we can still adjust our spending to fall in line with the original planned close out date of September 30, 2007.