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# ANNUAL WORK PLAN

## AUGUST 2007 – JULY 2008

### AGRICULTURE AND NATURAL PRODUCTS



July 2007

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The BAMEX project is implemented by Chemonics International Inc. and its partners.

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

## ACRONYMS

<b>AFD</b>	Agence Française pour le Développement
<b>AIF</b>	Activity Implementation Fund
<b>AMP / PAM</b>	Aromatic and Medicinal Plants / Plantes Aromatiques et Médicinales
<b>ANGAP</b>	Association Nationale pour la Gestion des Aires Protégées
<b>ARKH</b>	Antenne Régionale Koloharena
<b>BAMEX</b>	Business and Market Expansion
<b>BCI</b>	Business Center Ivoharena
<b>BFV-SG</b>	Banky Fampanandrosoana ny Varotra – Société Générale
<b>BNI-CA</b>	Banque Nationale de l'Industrie – Crédit Agricole
<b>BOA</b>	Bank of Africa
<b>CCIAA</b>	Chambre de Commerce, de l'Industrie, de l'Agriculture et de l'Artisanat
<b>CCS</b>	Corridor Coffee and Spices
<b>CEM</b>	Caisse d'Epargne de Madagascar
<b>CKH</b>	Coopératives Koloharena
<b>CNKH</b>	Confédération Nationale KoloHarena
<b>CSBF</b>	Commission de Supervision des Banques et Financières
<b>DGETFP</b>	Direction Générale de l'Enseignement Technique et de la Formation Professionnelle
<b>EAM</b>	Entreprendre à Madagascar
<b>EDBM</b>	Economic Development Board of Madagascar (EDBM)
<b>EUREPGAP</b>	European Retailers Produce Working Group for Good Agricultural Practices
<b>ERI</b>	Eco-Régional Initiatives
<b>FAO</b>	Food and Agricultural Organization
<b>FCPA</b>	Fonds de Commercialisation des Produits Agricoles
<b>FERT</b>	Formation pour l'Epanouissement et le Renouveau de la Terre
<b>FIEFE</b>	Fonds d'Investissement des Entreprises Favorables à l'Environnement
<b>GUE</b>	Guichet Unique des Exportations
<b>GUIDE</b>	Guichet Unique des Investissements et du Développement des Entreprises
<b>IFC</b>	International Finance Corporation
<b>IGA</b>	Institut de Gemmologie d'Antananarivo
<b>IGM</b>	Institut de Gemmologie de Madagascar
<b>IMRA</b>	Institut Malgache de Recherches Appliquées
<b>MAEP</b>	Ministère de l'Agriculture, de l'Elevage et de la Pêche
<b>MAP</b>	Madagascar Action Plan
<b>MCA</b>	Millennium Challenge Account
<b>NGO</b>	Non-Governmental Organizations
<b>ONTM</b>	Office National du Tourisme de Madagascar
<b>PCL</b>	Plate-forme de Concertation pour le Développement de la Filière Litchi
<b>PNM</b>	Parcs Nationaux de Madagascar
<b>PSDR</b>	Projet de Soutien au Développement Rural
<b>RM</b>	Result Module
<b>SCAA</b>	Specialty Coffee Association of America
<b>SO6</b>	Strategic Objective 6
<b>USAID</b>	United States Agency for International Development
<b>WCS</b>	Wildlife Conservation Society
<b>WWF</b>	World Wildlife Fund

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# **Madagascar Business and Market Expansion (BAMEX) Work Plan 2007/2008**

## **1. Introduction**

As BAMEX is starting its last year, the Chemonics team has decided to adopt a slightly different approach to the annual work plan. We thought that we should first capture as much as possible our main qualitative and quantitative achievements to-date, in a reader-friendly way, to better identify and prioritize areas of intervention, that will maximize our results and will pave the way for long-lasting impacts. Further, we defined five major themes that will guide the selection of our activities and will help us reach our overall objectives in a coherent and useful manner:

- Ensure the sustainability of associations and mechanisms that BAMEX set up and/or strengthened over the past 3 years.
- Focus on transactions and value chains that can generate large sales now and/or in the near future.
- Successfully complete the most significant cross-cutting activities and policy reforms initiated by BAMEX
- Strengthen BAMEX contribution to the Eco-regional Alliance to build up synergies and lead to sustainable solutions.
- Draw lessons learned from our experiences that could be useful to other rural development and economic growth programs in Madagascar.

## **2. BAMEX achievements to-date**

This section recaps BAMEX's main results as it implemented its activities in the fields of agricultural and natural products, ecotourism and mining products from September 2004 to July 2007. We have looked at the results from eight different perspectives, as we explained below and these results will be discussed in more depth in the annual report, which will also include some case studies describing how a few participants feel the project has influenced their attitudes and behavior.

During its three-year existence, BAMEX became a reference program for its partners: the government and the private sector. It is considered a trustworthy associate, one that is committed to rapidly achieving tangible results for the benefit of the Malagasy population, and the rural population, in particular.

We have developed excellent relationships with over 30 local institutions and work very closely with USAID and other international organizations such as the UN's Food and Agriculture Organization (FAO), the International Finance Corporation (IFC) and the *Agence Française de Développement* (AFD). Private institutions working with the program include the British Company D1 Oils, which is involved in the development of bio diesel in Madagascar, and a Spanish seed company, Castells, both of whom have given us mandate to partly manage their set-ups and activities.

### **2.1 Increased turnover of the supported enterprises and associations**

One of the major roles of BAMEX is to provide support to farmers and to the private sector for easier access to market information and outlets for their products. As a result of the

program's activities, the products, in the areas listed below, were sold at better prices in both domestic and international markets.

SECTORS	Domestic sales (in US\$)	Exports (in US\$)	Total (in US\$)
Agricultural and natural products	6,700,000 <sup>1</sup>	2,200,000	8,900,000
Ecotourism <sup>2</sup>	200,000	2,000,000	2,200,000
Mining products	242,000	338,500	580,500
Total	7,142,000	4,538,500	11,680,500

## 2.2. Facilitating access to credit and increasing the investments of the supported enterprises and associations

*“Poor and low income households will have the opportunity to access credit...”*  
 MAP, p. 003

BAMEX intervened in the financial sector to help farmers' associations and enterprises gain access to various credit mechanisms. The role of the *Commission de Supervision des Banques et Institutions Financières* (CSBF) was strengthened and the institutional capacity of the Microfinance Institutions (MFI) was upgraded. BAMEX's clients invested over \$2.5 million in cash and kind, and were granted nearly \$5 million in loans. This is the outcome of the partnerships with financial institutions, namely the *Caisse d'Epargne de Madagascar* (CEM), *Entreprendre à Madagascar* (EAM), *Fonds de Commercialisation des Produits Agricoles* (FCPA) and the commercial banks (BOA, BFV, BNI) to mobilize the *Fonds d'Investissements pour les Entreprises Favorables à l'Environnement* (FIEFE) and the FCPA.

## 2.3. Legal and regulatory reforms to improve the business climate

One of the activities BAMEX focused on was the improvement of the legal environment for local enterprises. Several regulatory texts and frameworks were examined and drafted jointly with various ministerial services and other stakeholders. Activities included:

- Issuance of the decree and regulatory texts on the new law on microfinance and the policies governing microfinance institutions.
- Draft decree on the creation of a “One Stop Shop” for Commercial Exports with a presentation submitted for approval to the Minister of Trade.
- Draft law on bio fuels submitted to the Ministry of Mining, and subsequently to be presented to Parliament.
- Contribution to the development of the draft law on investment promotion.
- Development of the legal framework of the concession policy for state-owned properties dedicated to tourism.
- Publication of the decree of the new Mining Code.

## 2.4. Institutional strengthening of the public sector

<sup>1</sup> These \$6,7 million include the commercial value of the 17,500 T of rice paddies- that were funded by the FCPA credits, one of the financing mechanisms set up in part by BAMEX

<sup>2</sup> These figures represent the ecotourists' spending in the Ranomafana, Andasibe and Isalo parks

One aspect of program interventions included assistance to various ministries in providing better services to the private sector. These services included:

- Development of an organizational analysis to identify the material and human resource needs of the Ministry of Commerce. The Ministry will implement the recommendations drawn from the study.
- Promotion and material support for the *Guichet Unique des Investissements et du Développement des Entreprises* (GUIDE) in various provinces.
- Business English training for Ministry of Commerce staff.
- Participation in the commission established to fight corruption and to normalize activities of the mining sector.
- Establishment of a registration service for the "foreign buyer registration system" of the mining sector at the Ivato International Airport.

## **2.5. Institutional strengthening of the private sector**

Supporting the private sector, whether they are farmers' organizations or businessmen, is BAMEX's main task. This support takes on different forms and approaches, such as:

- Facilitation of access to information and technical assistance for BAMEX's clients:
  - \* Set up of 7 Business Centers Ivoharena (BCI).
- Organizational and marketing capacity building of the Koloharena (KH) movement:
  - \* Accounting system set up within the *Confédération Nationale Koloharena* (CNKH).
  - \* Two *Antennes Régionales Koloharena* (ARKH) established and located in the BCI to represent the KH movement and to develop commercial partnerships at the regional level.
  - \* Training in trade and financial management and negotiating techniques.
- Technical and organizational capacity building of the small mining sector actors:
  - \* Support (training and material) to the *Institut de Gemmologie de Madagascar* (IGM), the *Institut de Gemmologie d'Antananarivo* (IGA) and the *Direction Générale de l'Enseignement Technique et de la Formation Professionnelle* (DGETFP) in Fianarantsoa.
  - \* Training in gemology, lapidary and public hygiene for associations and cooperatives.

## **2.6. Strengthening the links between the actors of the main value chains**

The marketing support BAMEX offers its clients is based on a market-oriented approach. The Program endeavored to intervene in a proactive manner all along the priority value chains. Intervention activities included:

- Organization of the litchi value chain: integrating producers into export market, putting them directly in contact with exporters, researching new European

importers, conducting different studies on export logistics and establishment of a Consultation Platform for the Development of the Litchi Value Chain.

- Initiation and development of the jatropha value chain: orienting and facilitating the set-up of investors, putting these investors in touch with planters' organizations, researching finance opportunities, supporting the evaluation of extraction material and the use of products and by-products. Activities resulted in a total of an additional 20,000 hectares planted during the year.
- Initiation and development of the specialty coffee value chain: orienting investors, putting them in touch with planters and setting up two wet coffee processing stations. As a result, the value of Malagasy coffee was acknowledged during the East African Fine Coffee Association Conference in North Carolina and in Ethiopia.
- Organization of the Koloharena cooperatives' supply of aromatic and medicinal plants (AMP) to the *Institut Malgache de Recherches Appliquées* (IMRA) and Homéopharma pharmaceutical companies.
- Working with the FCPA to enhance the financial capacity of all actors in the rice value chain.

## **2.7. Support to the expansion of the tourism/ecotourism sector**

*"[We must] increase the number of tourists visiting the protected areas."  
MAP, p. 099.*

*"[We must] promote the destination Madagascar as a superior and unique eco-tourism destination." MAP, p. 093.*

BAMEX's main objective in terms of tourism/ecotourism was to develop a high quality product within and around the protected areas. The Program was also aimed at fostering a productive public private partnership that contributed both to natural resource conservation and to the economic growth of Madagascar. The main achievements were related to:

- Promoting investments for the set-up and expansion of ecolodges. Financial and technical support to enterprises totaled \$320,000.
- Developing a viable and dynamic concession policy in association with the World Wildlife Fund (WWF), Wildlife Conservation Society (WCS) and the *Parcs Nationaux de Madagascar-Association Nationale pour la Gestion des Aires Protégées* (PNM-ANGAP) for the management of park infrastructures.
- Promoting the Madagascar destination in Europe: technical assistance to the *Office National du Tourisme* de Madagascar (ONTM) to hold a workshop with the participation of travel professionals from four countries.
- Upgrading the infrastructures and guide trainings in the Andasibe, Isalo, and Ranomafana national parks: rehabilitation of the infrastructures, training of 170 tour guides.

## **2.8. Contribution to the Alliance activities**

BAMEX is a full-fledged member of the USAID-created Ecoregional Alliance that includes projects and organizations which receive its financial support. BAMEX interventions in the framework of this Alliance relate to:

- The commercialization of products, the training of associations in the field of financial management and marketing, and the dissemination of appropriate technologies.
- The adoption of an information system between Catholic Relief Services (CRS), the Eco-Regional Initiative Program (ERI) and BCI/BAMEX that enables the conveyance of information collected on production sites (supply and price) and to communicate information on market opportunities (demands) in return. For instance:
  - Moramanga: production and commercialization of red rice and beans;
  - Kelilalina: market gardening production based on a market study (BAMEX) with the set up of a water control dam and technical supervision (ERI and CRS).
  - Fianarantsoa: broadcasting information on the market. The BCI then collects, processes and analyzes the information. The ERI and CRS programs support the managers of radio programs in terms of designing and producing shows and the farmers' organizations adopt a production management, storage and marketing system that is informed by changes in the seasons and in the market-related information they receive.

### **3. Activity Implementation**

#### **3.1 Focus on transactions and value chains that can generate large sales now and/or in the near future.**

*“In each specific sector, bring together key stakeholders to maximize the value chain.”  
MAP, p. 069.*

##### **3.1.1 Strategy and objectives**

For BAMEX, this year will be the year it becomes sustainable, both in terms of results and mechanisms. Previous achievements will be reinforced in terms of contracts (number and value), beneficiaries and turnover. This will also be the case in terms of support given to the organization of value chains for better profit distribution and better access to information, techniques, technologies, financing, raw material, inputs, market and price. The program will focus its activities on agricultural and natural products that will bring the most surplus income to local producers.

In addition to high value added products, we will continue to support products which are strategic (rice), emerging (specialty coffee, red rice, pink rice) or which have high marketing potential at the Koloharena-producer level (i.e. ginger, beans, bananas). Through such value chains, the Koloharena movement will succeed in making the value of its structure and products known and in penetrating niche markets that can generate additional income for its members.

##### **3.1.2 Activities that will generate significant sales during Year 4**

The following table gives an overview of the expected results during Year 4 in terms of contractualized sales.

Value-chain	Expected contracts by farmers' groups	Number of farmers' groups and firms involved	Expected sales by farmers' groups	Expected sales by firms	Total expected sales
Litchi	5	10	\$ 50,000	\$ 1,226,000	\$ 1,276,000
Rice <sup>3</sup>	5	7	\$ 25,000		\$ 25,000
Aromatic and Medicinal Plants (AMP)	10	10	\$ 25,000	\$ 100,000	\$ 125,000
Specialty Coffee	4	5	\$ 5,000	\$ 30,000	\$ 35,000
Other crops (ginger, beans, bananas ...)	10	15	\$ 20,000		\$ 20,000
<b>Total</b>	<i>44</i>	<i>52</i>	<i>\$ 126,000</i>	<i>\$ 1,356,000</i>	<i>\$ 1,482,000</i>

### A) Litchi

*“The time has come to provide strong support to the rapid and broad development of the private sector to increase production of quality and competitive goods suitable for export to regional and international markets.”*  
*MAP, p. 003.*

#### a) Market status

Following our initial efforts to put Koloharena producers in contact with litchi exporters, there was increased development of the value chain particularly in 2006. This development was attributed both to the organization of the value chain and to the situation on the global market.

The export market was becoming increasingly restrictive because of the adoption of new standards, both legal and trade. This was true for the regulatory requirements on traceability and Hazard Analyses of Critical Control Point (HACCP) risk control and the European Retailers and Producers Working Groups for Good Agricultural Practices (EUREP-GAP) trade certification. The latter constituted the most threatening obstacle to the development of the Malagasy litchi value chain, given how quickly it became generally accepted by European distributors and consumers. But all these provisions rested on notions of traceability/product-information, to which the integration of the actors of the value chain was the answer, hence the creation of the inter-professional *Plate-forme de Concertation pour le Développement de la Filière Litchi* (PCL).

#### b) Activities

This year, except for our activities related to putting the producers in touch with customers to better market their litchis (5 *Coopératives Koloharena*, or “CKH”, with 8 exporters), our efforts will focus on building their capacity to meet market requirements. These efforts will include:

- Training and accompaniment of 5 CKH in post-harvesting techniques;
- Training and accompaniment of 7 CKH in marketing organization;

<sup>3</sup> Rice: only sale of standard rice; speciality red and pink rice is planned below for production and commercialisation structures implementation

- Training of 3 CKH on the EUREP-GAP system of reference, in collaboration with the ERI program;
- Establishment of a procedure manual for the Lokomby-Manakara CKH to meet organizational requirements;
- Support to the CNKH, ARKH and CKH to organize the supply of the local market; and
- Facilitation of access to agricultural credit for 3 CKH.

Moreover, we will continue to support the PCL by:

- Providing advice in terms of the organization and management of the Platform;
- Providing information on the development of partnerships with the different support bodies;
- Lobbying with the authorities.

Finally, we will strive to continue monitoring the request made to the US Department of Agriculture for authorization of Malagasy litchi exports to the USA, in collaboration with the Ministry of Agriculture. This follows the completion in 2006 of the Pest Risk Assessment (PRA) of the Malagasy litchi and the training of agents from the Ministry of Agriculture, Livestock and Fisheries (or *Ministère de l'Agriculture, de l'Élevage et de la Pêche* - MAEP) on the establishment of phytosanitary surveillance.

#### c) Benefits for the Koloharena and other farmers' associations

Numerous benefits can be drawn from our activities:

- Strengthened technical capacity of the producers;
- Improved organizational capacity of the producers' organizations;
- New trade prospects;
- Producer-customer link strengthened through contracts;
- Improved remuneration for the producers.

#### d) Intervention zones and Partners

Our actions will relate to the litchi-producing Eco-regional Alliance areas and which conditions of access will not jeopardize the quality of the product and the image of the producers' organizations:

- in Toamasina: Fénériver, Maromitety, Brickaville-Anivorano, Ranomafana, Ilaka-Est
- in Manakara: Lokomby

Our partners will be: ERI and the USAID Eco-regional Alliance, the Ministry of Agriculture, the Ministry of Commerce, EAM, the CNKH, CKH and other farmers' organizations in Fianarantsoa and Toamasina. Other collaborative organizations include the Toamasina, Manakara and Fianarantsoa BCI, the PCL and its regional divisions.  
(Budgeted in the AIF: \$ 6.000)

## **B) Rice**

*“Over the next few years, Madagascar will become an exporter of rice and other crops.”  
MAP, p. 017.*

a) Market status

The BAMEX program will support the CKH to sell their products on the local and international markets.

▪ Local market:

A marketing partnership was developed with the CORA/MAZET Company, which has the capacity to purchase 300kg of pink rice per month. Local operators have also expressed their desire to get supplies of red rice and standard rice from CKH.

▪ International market:

The main importers of Malagasy rice are Switzerland and Italy via private companies such as Swiss Re, Zoo Zurich and Risi&Co. The CKH and the CNKH were therefore able to sell 4 tons of red and pink rice to these European countries. BAMEX will keep supporting the establishment of partnerships between the farmers' organizations, namely the Koloharena, and foreign companies which import agricultural products from Madagascar. Collection, processing and shipment structures will be put in place to ensure that the Koloharena Cooperatives and the CNKH are able to market their products at better prices in the future as is the case with the collaboration with the Lotus Food company which is particularly interested in pink rice.

b) Activities

▪ Support to the rice value chain:

- Inform farmers of the evolution of rice prices as well as the market to allow them to make adequate decisions.
- Disseminate information supplied by the rice observatory to local farmers.
- Facilitate farmers' access to credit and financing mechanisms for the harvesting and storage of products through the *Fonds de Commercialisation des Produits Agricoles* (FCPA).
- Support the diffusion and use of Diammonium Phosphate (DAP) on irrigated rice within the Alliance intervention zone.

▪ Support to the red rice value chain:

- Support the CNKH and the CKH of Fianarantsoa and Toamasina in their promotion and marketing efforts in red and pink rice to local markets, the United States, Italy and Switzerland.
- Set up appropriate collection structures for pink rice at the Amparafaravola Cooperative level.
- Create a partnership between the Confederation and Ambatondrazaka Cooperatives and the Société Madrigal and Fanampy Rice Mill for the processing of their products.
- Transfer of competence at the CNKH and CKH level with regard to the organization of the collection, manufacture and shipment of products.
- Accompany the Koloharena when they negotiate with the *Foibe Fikarohana Momba ny Fambolena* (FOFIFA) for the variety purification of their seeds.
- Training of CKH on quality criteria (production, processing, conditioning and transport).

We will continue to mobilize the *Fonds d'Investissements pour les Entreprises Favorables à l'Environnement* (FIEFE) to finance agricultural material to help farmers increase their

production and income. In the Fianarantsoa region, we plan to finance 3 hullers, totaling \$15,000, and rice collection totaling \$10,000. In the Ambatondrazaka region, the planned funding is for the purchase of 2 cultivators totaling \$5,000 and 2 hullers totaling \$10,000 in credit.

c) Benefits for the Koloharena and other farmers' associations

- Acknowledgement of the value of Koloharena products and of those of other farmers' associations that work with the Alliance nationally and internationally.
- Control of the whole value chain from production, to processing, to shipping.
- Marketing of products at better prices.
- Value added for Koloharena products and those of other Alliance farmers' associations thus leading to improved income.

d) Intervention zones and Partners

We will work in the Eco-regions of Toamasina (Region of Ambatovy and Ambatondrazaka) and Fianarantsoa. Our partners will include ERI, the USAID Eco Regional Alliance, the MAEP, the Ministry of Commerce, EAM, BCI Ambatondrazaka and Fianarantsoa, the CNKH, the CKH and the farmers' organizations of Fianarantsoa and Toamasina. (Budgeted in the AIF: \$3.500)

**C) Aromatic and Medicinal Plants (or Plantes Aromatiques et Médicinales - PAM)**

*"[We must] develop value chains ... to ensure that biodiversity is linked to the economy and that economic pursuits are done in accord with environmental commitments."*  
MAP, p. 103.

This year, we will work on products which can sustainably protect natural resources, bring additional income and improve health. This relates primarily to cinnamon oil, ginger oil, Artemisia and *Centella asiatica*. We will particularly support the capacity building of farmers' organizations to produce PAM that meet quality and quantity requirements. We will also accompany producers in the study of their essential oil extraction projects.

a) Develop the PAM market

- We will continue to put farmers' organizations in touch with potential customers such as the IMRA, Homéopharma and Label CDB.
- We will broadcast market data on standards, buyers and prices of selected PAMs throughout our information system.
- We will accompany farmers' associations during their negotiations and provide logistical support at start-up.

b) Technical assistance for the market development of PAM

We will use our expertise to support the Koloharena in their process to strengthen the market for PAM, notably the extraction of essential oil in Ilaka Est and Beforona. These actions will not be limited to the assembly of units but will also relate to the start-up of the units.

To increase the value added for certain PAM, namely ginger and cinnamon essential oils, support will be given to three farmers' associations to purchase stills at \$5000 each through the FIEFE.

In collaboration with ERI, our actions will encompass:

- Organizing training for production, processing, negotiation techniques, standards and quality.
- Promotion a culture of "Quality" at the various actors' level of the value chain.
- Organizing production and/or collection of PAM.
- Searching for equipment and material for treating (drying), processing (essential oil extraction) and conditioning key products.
- Supporting the start up and optimization of processing units, such as the stills. (Budgeted in the AIF: \$10.300)

### **3.1.3 Activities to lay the groundwork for sales after the project closes**

#### **A) Jatropha**

##### a) Market

There has been a jatropha market in Madagascar for several years now as jatropha oil has found commercial outlets in the making of soap and cosmetic products. Since 2004, BAMEX has assisted in the development of this value chain due primarily to the plant's potential in the production of bio diesel. The national consumption of gas has reached 428,000 m<sup>3</sup>, a \$400 million value. With regard to overseas markets, we are mainly thinking of the European Union (EU) which will represent a market of 10.5 million tons a year starting in 2010 because of the 5.75% obligation to incorporate bio fuel.

##### b) Status of the jatropha plantations

A survey of current plantations shows that 18,000 ha of jatropha are being planted in the Boeny, Vakinankaratra, Ambatondrazaka, Androy and Anosy regions. Three main private investors are currently contributing to this effort: D1 Oils Madagascar, GEM and MMF. Our main partner for the production and marketing of jatropha is D1 Oils, a private British company. To date, 2,500 ha were planted in three regions (Boeny, Vakinankaratra and Ambatondrazaka) and one hundred and ten contracts were signed with farmers' organizations and private operators.

Thanks to our collaboration with the *Projet de Soutien pour le Développement Rural* (PSDR), 32 farmers' organizations combining around 350 farmers from the Alaotra and Vakinankaratra regions, were able to benefit from PSDR financing of \$50,000 and a surface area of 600 ha.

##### c) Challenges and objectives

BAMEX will continue to work closely with ERI to promote the production, processing, and marketing of jatropha seeds and oil. Our challenges this year will be to strengthen our beneficiaries' functional linkages (producers, private sector, donors, researchers, Government) along the value chain so that they all can benefit. We will also ensure that all the necessary information on jatropha is available and accessible to all concerned players and the general public. Jatropha will thus represent the following business opportunities for the producers and the investors:

- Farmers' organizations and small private promoters will produce jatropha oil and cakes, supplying the local market (fokontany, rural communes) with domestic energy for light and cooking. This situation will enable local

farmers' organizations such as the Koloharena to get additional income and to improve their environment through the re-treesing of the bare soils and tanety. Furthermore, jatropha-related actions will allow more product range such as soap and light fuel,

- Medium-sized promoters will produce oil and cakes which will supply the markets of larger communes with domestic energy for light, cooking and industrial purposes (boilers, fixed engines, etc.).
- The large promoters will produce bio diesel from jatropha to meet the needs of both domestic and international markets.

The Government of Madagascar and international donors will pay particular attention to the jatropha value chain and support it and, as such, we have already supported the Ministry of Energy in creating a draft law on bio fuel. We will maintain our efforts to reinforce the government's interest and that of donors in this value chain to design an enabling environment for the development of jatropha cultivation, processing and marketing. We will emphasize research on the identification of sources of funding.

d) Activities

- Promotion of the jatropha value chain:
  - Awareness raising and dissemination of jatropha-related information including potential cultivation areas, assets, economic and environmental interests and overall impact. These actions will be carried out by BAMEX in Antananarivo and by the BCI in Ambatondrazaka, Fianarantsoa, Manakara and Toamasina. The objective is to develop the jatropha market, multiply the number of promoters along the value chain, and set up a favorable framework to develop the value chain. Other activities will include developing a law on bio-fuel, promoting access to finance, and encouraging access to technology.
  - Participation in events set in the framework of the Year of Alternative Energies to promote the value chain. The targets will be producers, manufacturers, donors and the government.
  - Maintenance of the demonstration showcase site at the Iavoloha Presidential Palace.
  - Communication and systematic update of jatropha-related information on the BCI web site, as we have noted that the BCI web site has become a reference for search engines when it comes to jatropha.
  - During a competence transfer workshop, BAMEX will share its experience with the permanent players, namely the BCI, so that the gains become sustainable and properly developed.
- Technical support for the cultivation of jatropha and the extraction of oil:

By 2011, Madagascar will have a total crop of approximately 90,000 ha of jatropha thanks to the intervention of several investors and planters. These investors include D1, GEM, MMF, AGROTECH, and thousands of planters, which include the Koloharena.

Thanks to BAMEX's intervention and specific support to the D1 Company and Koloharena associations, 2,500 ha have already been planted and plans are to reach 10,000 ha by 2010.

The advice and technical assistance will relate both to the cultivation and extraction of unrefined jatropha oil based on previous experience. We will continue collaborating with ERI, Koloharenas and private companies such as D1. The *Centre National de Recherches Industrielles et technologiques* (CNRIT) will also be one of our partners in this field. Assistance will include:

- Updating and dissemination of technical data sheets to partners and producers on the technical requirements and technique for the extraction of jatropha oil.
- Training sessions provided to the producers and farmers' organizations on agricultural techniques related to jatropha cultivation.
- Continued research on the various ranges of suitable extractors according to the size of the farms and assistance during their set up.

- Development of the jatropha market:

Globally, Madagascar's total jatropha oil and bio diesel production, within four years, has a projected value of 40,000 tons or a \$15 million value and 30,000 tons or a \$18 million value respectively, as not all oil will be processed into bio diesel.

As a result of BAMEX's support to D1 and producers such as the Koloharena in the jatropha value chain, jatropha oil production is forecasted at 7,000 tons representing a \$2.45 million turnover for the producers in four years. (For two years, the oil produced will be designated for export because the volume will not be sufficient enough to justify a bio diesel production plant.) In addition, thanks to BAMEX's support to the D1 Company and to the J&J Group, these two companies will produce 11,000 tons of bio diesel resulting in a \$6.5 million turnover within four years.

- Selling the seeds for planting:

The demand for jatropha seeds to be used for planting is developing due to the increase in number of future producers (both individual farmers and private companies). To this end, we will disseminate information among the current producers in Ambatondrazaka, Fianarantsoa, Manakara and the partners through the BCI and, beginning in October 2007, we will support the CNKH in advertising and implementing the marketing of seeds for planting.

- Promotion of the manufacture and use of jatropha by-products in rural areas:

We will support the promotion of the manufacture and use of products derived from jatropha in rural areas, which notably pertains to soap making and the use of jatropha as fuel for light and cooking. We will also implement training and demonstration sessions in Ambatondrazaka and Fianarantsoa with our partners, e.g. the CNRIT.

- Putting farmers' organizations in contact with investors in bio diesel:

In collaboration with the ERI, we will identify new jatropha buyers at the producer level and from the farmers' organizations. Indeed, in addition to D1, we are already beginning to see several companies beginning to invest in this value chain and will continue to encourage new contracts between investors and farmers' organizations.

- Support to and monitoring of financing applications for the planting of jatropha:  
PSDR

32 farmers' organizations have received financing from PSDR. Since BAMEX is the PSDR's strategic partner on this initiative, we will ensure the monitoring fund utilization. We will also support the ERI in finalizing 39 new financing applications to the PSDR for Fianarantsoa.

- Promotion of investments in the jatropha value chain

*"We must attract more foreign investors to support our economy."  
MAP, p. 003.*

We will continue to support national investors in setting up oil extraction units. To this end, and in collaboration with the ERI, the BCI, and the jatropha platform, we will design a brochure on jatropha and its by-products. We will also organize demonstration sessions on jatropha processing techniques in Ambatondrazaka and Fianarantsoa.

With regard to large investments, we will cooperate with the Economic Development Board of Madagascar (EDBM) to attract investors, encourage them to establish themselves in Madagascar and provide information, advice, and guidance. In particular, we will accompany the new South-African investor, the J&J Group which will intervene in the Vatovavy Fitovinany and Haute-Matsiatra regions. This investor expects a 10 million liter production of biodiesel a year from processing in the Manakara palm grove and jatropha plantation in Ambalavao. In addition, the J&J Group plans to invest in the FCE railroad line and the Manakara port in order to sustain these infrastructures that are crucial for the two regions.

In collaboration with the ERI Fianarantsoa and the Fianarantsoa and Manakara BCIs, BAMEX will provide support to develop their business plans. This plan will include introductions to various public authorities and negotiations with the Ministry of Energy, the Ministry of Transport, the Ministry of Agriculture and the President's Office.

e) Expected benefits for the Koloharena

The marketing of jatropha products will enable the Koloharens to generate an additional \$200 per hectare. This value chain will also enable the Koloharens to become familiar with techniques for improving the quality of raw materials through processing, instead of selling unprocessed for a lower price. The producers will thus be able to process the seeds into oil and create by-products, i.e. the cake. The jatropha will also make the farmers' daily lives and agricultural activities easier thanks to the extension and promotion actions related to other products that come from oil or cakes, i.e. soap, fuel, fertilizer or light sources. Finally, the planting of jatropha will make it possible for the rural population to live in a more environmentally friendly environment.

f) Intervention areas and Partners

BAMEX will intervene in the regions of Haute Matsiatra, Vatovavy-Fitovinany, Alaotra-Mangoro, working with: the Millennium Challenge Authority (MCA), ERI, PSDR, CNRIT, regional and communal authorities and farmers' organizations, particularly the Koloharena cooperatives.

(Budgeted in the AIF: \$13.900)

**B) Specialty coffee**

a) Value-chain status

The market for specialty coffee products, traditionally characterized as a niche market, now includes substantial outlets such as supermarkets. This is due to considerable development in the specialty coffee market within the last 10 years, particularly in the United-States; representing one of the fastest-growing food sectors in the world. Last year, 13% of the American adult population enjoyed a daily cup of specialty coffee, many of them standing in long lines at specialty coffee retailers. The specialty coffee market holds promise for Malagasy coffee as Madagascar has several regions at high altitude with favorable soils and climate. It also has numerous producers with long histories of coffee growing.

Specialty coffee is available in specialized "gourmet" boutiques which offer products from all over the world, but none of these outlets serve coffee from Madagascar. This is not because

there is no potentially refined coffee in the country, but because there is no "cupping" panel to reliably assess and certify the quality of coffee produced in Madagascar. Without this authority, it is not worthwhile for the producers to invest in intensive sustainable production practices that would improve the quality of the coffee and moreover add value to their products on the international market. This is one of the major constraints that the Malagasy producers face. It is therefore essential to start by expanding the local market (i.e., the growing of local coffee) based on certification activities of a "cupping" body that is qualified and nationally recognized so that the development of the specialty product matches the development of domestic demand in the framework of international quality requirements.

b) Activities

As there are various types of specialty coffee which can be grown in Madagascar, BAMEX will focus on a few different varieties, which can be grown in different regions within Madagascar. In order to develop washed Robusta coffee, BAMEX will work in partnership with ERI in the eastern Fianarantsoa forest corridor, particularly Tolongoina and Manampatrana. To develop a good Arabica (the Bourbon variety) coffee, BAMEX will work in the western corridor in Isandra, Ialamarina, Androy and Miarinarivo. Finally, BAMEX will pursue activities to promote specialty coffee close to the Ankeniheny-Zahamena corridor in the Toamasina Area. Our approach for this fourth year, consists of consolidating the gains of the previous years. Relevant activities will relate to, among others:

- Implementing a collection system for the red beans of ripe coffee, adapted to the specific requirements of the wet processing method (rather than the traditional dried beans).
- Strengthening the training of the technicians in the wet processing method units.

\* At the Regional level:

° Haute-Matsiatra Region

- Provide continued support to the Anjoma Itsara Center for Excellence in collaboration with the ERI, the privately owned company "Corridor Coffee and Spices" (CCS) and the Coffee Grower Associations of Anjoma Itsara. This support will be geared toward monitoring the demonstration plots and establishing new production plots.
- Assist the ERI program in their extension efforts and train pilot farmers and coffee producers in extension areas along the Western Corridor (Ialamarina, Androy and Miarinarivo) on the wet processing method and the commercialization standard.
- Provide organizational support for the collecting campaign, to aid the processing of Koloharena products, and to the training/recycling of pilot producers, collectors and processors with regard to quality standards and marketing circuits.

° Vatovavy-Fitovinany Region

- Provide organizational support for the collecting campaign to aid the processing of Koloharena products, and to the training/recycling of pilot producers, collectors and processors with regard to quality standards and marketing circuits.
- Continue support of the wet processing station of Manampatrana.

- Train and raise awareness of producers on marketing quality coffee in the Tolongoina and Manampatrana regions.

° Alaotra-Mangoro Region

- The BAMEX Program will ensure collaboration with the Ambatovy Koloharena Cooperative in its effort to set up a Center for Excellence in Sahaendrana/Ambatovy. We will provide training for the target producers on the wet processing method.

\* At the national level

In order to develop the growth of specialty coffee at the producer and processor levels, a "Coffee cupping and Harvest Competition" will be sponsored. BAMEX will assist in training numerous producers and processors with regard to cupping.

c) Benefits for the koloharena and other farmers' associations

- Acknowledgement of the value of Koloharena products and those of other farmers' associations that work with the Alliance at the national and international level.
- Monitoring of the entire chain from production, to processing, to the shipping.
- Commercialization of their products at better prices.
- Value added for Koloharena products and those of other farmers' associations of the Alliance; thus, improving income.

d) Intervention zones and Partners

The intervention areas of the Program will be located in the Fianarantsoa and Toamasina ecoregions. Our partners will include: the Coffee Quality Institute of the Specialty Coffee Association of America, CCS S.A.R.L., the Coffee Corps Global Development Alliance, ERI, the Koloharena Associations of Coffee Growers in Toamasina (or *Associations Koloharena Planteurs de Café*) in Toamasina (Alaotra-Mangoro Region) and Fianarantsoa (Haute-Matsiatra Region and Vatovavy-Fitovinany Region).  
(Budgeted in the AIF: \$7.500)

## **3.2 Ensure the sustainability of associations and mechanisms that BAMEX set up and/or strengthened over the past three years.**

### **3.2.1 Business Center Ivoharena (BCI)**

#### **A) Team capacity building**

Where support to Financing is concerned, to ensure the perpetuation of BCI and rural organizations, including KH, the following activities are planned to build capacities:

a) Competence transfer in favor of Business Center Managers (BCM)

- Getting the BCM familiar with the different financing options (various financing instruments and existing financing mechanisms) to meet all the projects for request of credit
- Making available to BCI information on different actors of the financial sector and their respective financial services.
- Leading training sessions on credit and entrepreneurial cultures.

- b) Preparation and consolidation of information on financing
  - Getting in touch with financial actors to collect and update information on financing (banks, micro finance, leasing, assets society)
  - Updating and consolidating available information for transfer to BCM
- c) Follow up of support to rural organizations including the KH
  - Instructing and assessing financing applications from the KH
  - Training and raising awareness of the KH on financial arrangements
  - Organizing training sessions on simplified management, calculation and cost analysis within the framework of managerial capacity building of the KH.(Budgeted in the AIF: \$15.000)

## **B) Transferring plan to hosting partners**

The BAMEX program significantly contributes to the functioning of the BCI. Unfortunately, the program's support will expire in 2008 and the BCI will have to be self-sustainable. A sustainability strategy for the BCI has been elaborated and comprises of two stages: 1) the BAMEX disengagement stage and 2) the stage of transferring the plan to host partners.

The implementation period of the sustainability process will start in August 2007 and will include gradually reducing financial support from BAMEX for a period of three months starting in January 2008. Technical assistance will continue until the end of the program, bringing technical and strategic solutions and advice to the BCI in order to help them meet the needs of their customers.

Activities to be undertaken are as follows:

- a) At the institutional and organizational level
  - Management transfer from BCI to hosting partners.
  - Amendment of the BCI procedural handbook.
  - Rehabilitation of existing equipment and provision of new equipment as needed, inventory and ownership transfer of program equipment currently used by the BCI, rehabilitation of premises as needed.
- b) Technical fields
  - Transfer of technical knowledge and competency to BCI personnel.
  - Set-up of an electronic documents management system (GED/MSD). This means installing in the BCI the EndNote 8.0, software, presently used by BAMEX in its documentation center. Training will be given to the BCI' staff and the person in charge at each BCI will ensure proper installation of software and completion of technical training from BAMEX.
  - Updating the BCI Website. The BCI website is a key tool to be enhanced in the sustainability process, as it will be used as the primary means of communication with customers. BCI can also sell advertising space on the site such as advertising banners, enterprise and product files and presentation/ hosting pages. After the end of the BAMEX program, the following activities will then be expected of the BCI in regards to the management of the site: review of the Website, integration of new functions and management of the transfer of any pre-existing information onto the website.(Budgeted in the AIF: \$5.200)

c) Human resources

In accordance with the request of the BAMEX program, the BCI have defined and transmitted their needs with regards to capacity building for the evaluation and budgeting starting August 2007 to August 2008 which consist of virtually identical modules for the four BCI. Training sessions will consist of Business English terminology, negotiation techniques, *Plan Comptable Général-2005* (PCG 2005), computer science, website management and internal networking and database management.  
(Budgeted in the AIF : \$31.400)

**C) Major BCI Activities**

Major activities for the BCI will include continuing support to farmers' associations and cooperatives. This support aims to ensure the sustainability of BCI and partner organizations through sustained commercial partnerships. This will be achieved if organizations like the Koloharena provide good services and products to their clients.

Here are the main areas the individual BCI will focus on:

- BCI Manakara: Maintaining the supply lines of 500 tons of Lokomby EUREP-GAP certified litchi from the Koloharena Cooperative to the Ramanandraibe Group, linking these cooperatives with CHOCAVAM on various crops for a \$ 60,000 deal
- BCI Fianarantsoa: Provide support to the Fy Cooperative by further finalizing the start-up of their fruit processing unit sponsored by the UN's Industrial Development Organization (UNIDO), linking the Cooperative with other Koloharena Cooperatives on fruit and vegetable supply. Provide assistance to the Fy Cooperative on promoting and marketing their products.
- BCI Ambatondrazaka: Follow up on jatropha planting with D1 and on financing by PSDR. Continuation of PAM supplies evaluation for IMRA and support to IMRA for implementation. Support to the production and commercialization structures needed to set-up pink rice deals.
- BCI Toamasina: Follow-up on litchi commercialization contracts between farmers' cooperatives and exporting firms. Introduction of BCI services and credit facilitation to new cooperatives.

**3.2.2 Koloharena Movement**

*“Strengthen the capacity of farmers’ organizations.”*  
*MAP, p. 067*

A) Structuring the organization to become a national leader for agribusiness/farmer cooperatives

a) Institutional support

In order to facilitate communication between the National Confederation and the Koloharena cooperatives and to strengthen the marketing of Koloharena products at regional levels, an intermediate structure called the “Koloharena Regional Office” (the ARKH, mentioned in a prior section of the work plan) was set up in April 2006 during the National Confederation's General Meeting in Fianarantsoa. Two ARKH were set up, one in Toamasina and another one

in Fianarantsoa. Such structures ensure not only the representation of Koloharena at regional levels, but also the outlet research and set up of partnerships at regional levels.

In order to ensure the sustainability of the Koloharena movement, the ARKH are staffed by annual employees. BAMEX will continue its support by training the ARKH and improving their process of partnership research and sales contract negotiation.

In collaboration with ERI, BAMEX will support the CNKH and ARKH in the amendment of their structure to incorporate regional structures. A workshop will be organized to validate the type of structures to be introduced (whether it is a regional office or just a technical unit). The procedures manual of the CNKH will also be amended to take into consideration this new structure. Training sessions will be organized in order to reinforce the technical capacity of members of CNKH and ARKH on different procedures. The enforcement of the manual will be closely monitored. Communication between the different structures will also be reinforced to ensure the steady flow of information (progress reports, financial situation, etc.) from CKH to the ARKH and on to the CNKH and vice versa.

BAMEX will support the CNKH in the identification of technical and financial partners, either public or private, who can collaborate with the organization. In particular, we will work to initiate contact between the CNKH and the Title II program, especially CARE, CRS and ADRA and to facilitate a good working relationship between the CNKH and these organizations. In addition, CNKH will receive assistance in the creation of its business plan which will outline the strategy for the three years following the end of BAMEX and ERI.

Other activities to be undertaken in this field include:

- Reinforcement of the Koloharena movement's participation in various national political forums, particularly the *Tranoben'ny Tantsaha, Komitin'ny Vovonan'ny Tantsaha Malagasy* (KVTM), and the *Coalition Paysanne de Madagascar* (CPM)
- Support for the movement to become an active participant within various consultation platforms for the value chain, i.e. the rice platform.

#### b) Information/Communication Support

*“[We must] pass market signals on to producers through media, decentralized communities, and farmers' sector organizations.”*  
MAP, p. 067.

The BAMEX website constitutes one of the tools used by the program to convey and spread information. We will thus train the BCI on the management of a website. This transfer of knowledge is necessary for the BCI to ensure the future management of both their website and that of the Koloharena as well. Once the supply produces from the Koloharena reaches the cooperative and regional offices, the BCI will manage their integration to the Koloharena site.

We will involve the Koloharena in the grouping of their products supplies and input needs through an information and commercialization system. This system will allow more accessibility of information, open communication, and a greater cohesion of efforts amongst people from the beginning of the commodity chain (Association) to the end (Cooperative and Federation; regional office). We will also assist the Koloharena with developing a database on marketable products.

We will provide information about the market, prices and trends (national and international) by means of the *Kolotsena bulletin*. This monthly bulletin is distributed to all rural organizations that work with the USAID Eco-Regional Alliance and will allow them to make the appropriate decisions regarding the sales of their products. We are also going to build their capacities to benefit from available and affordable support mechanisms available to each ARKH/CNKH. This will enable the Koloharena to trace the spread of internal information, and to facilitate research on external information by engaging relations with other partners.

In collaboration with ERI, we are going to transfer different tools, sources of information and technical files to organizations such as CKH and CNKH in order to improve their capacity for information management and communication.  
(Budgeted in the AIF: \$1.100 / Training: \$1.000)

### **B) Capacity building**

Within the scope of marketing the Koloharenas' products, BAMEX will build up their negotiation capacity by organizing training in negotiation techniques for members of the National Confederation and regional offices.

Within the framework of improvement of the farmers' income, the Koloharena will also be trained in collection techniques and the wet processing method for coffee. Practical trainings will be granted about the collection of red and ripe beans and their processing in order to promote the production of green specialty coffee.

Training sessions on the process and instruments of shipping will also be organized for Koloharena to ensure the proper shipment of their products. The CNKH and ARKH will work in partnership with potential shipping societies to facilitate the exportation of their products to European countries and the United States. We will also support the Koloharena and other farmer organizations working with the Eco-Regional Alliance in marketing their agricultural products on the regional, domestic and international markets.

We will support the Confederation in the set up of product accounts<sup>4</sup> in order to perpetuate the market for Koloharena products, especially rice, ginger and banana funds.  
(Budgeted in the AIF: \$7.500)

### **C) Identifying products/crops which could sustain and increase the economic growth of Koloharenas**

BAMEX will efficiently contribute to the capacity building of Koloharena to gain access to markets and meet the national and international requirements at regional and international levels.

- We will work with the Koloharena to determine which products yield the greatest potential in terms of generating additional income. We will also support them with the marketing of these products by helping them with the negotiation of sales contracts and the ensuing commitments.
- We will provide them with a mix of training on sale organization, structure and marketing, in order to improve their ability to meet demands in terms of quality and quantity.

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<sup>4</sup> The CNKH will open a special bank account for each product to build up a working capital

- We will continue building the capacity of Koloharena in search of commercial partnerships by identifying markets, clarifying contract terms/conditions and requirements, and maintaining permanent communication with customers.
  - In collaboration with ERI, BAMEX will involve the Koloharena in the identification of local markets to emphasize the importance of local demand, and then assist them with choosing the right market for them.
  - Together with CRS, we will organize training sessions on a regional approach and on marketing products of Koloharena in order to control the marketing network along the value chain.
  - We will organize round tables in order to put the CKH in touch with private sector operators. These round tables will allow them to communicate better with the market, to ensure that relationships are built, to discuss issues related to the product, and to recognize interdependence.
  - We will contribute to the establishment of sales points in the region of Toamasina for better marketing of Koloharena products.
  - We will collaborate with ERI for the establishment of a central purchasing office in the region of Fianarantsoa.
  - We will transfer the various sales procedures and commercial operators' lists to the KH to involve them in the shipment of products.
  - We will provide to the CNKH /ARKH the list of potential customers, choice products, and norms and requirements of the market to improve market access and thus channel the choice of products.
- (Budgeted in the AIF: \$20.600 / Training: \$4.100)

### **3.2.3 Financial mechanisms**

#### **A) FIEFE**

FIEFE presently holds loans totaling \$100.000 devoted primarily to rural organizations in the intervention regions of BCI. Thanks to this mechanism, we will continue to facilitate credit access for rural organizations by financing their needs for small equipment purchases and working capital. To allow these organizations to make the most of this mechanism, training sessions will be organized on credit and entrepreneurial culture for the benefit of officials from these organizations. These trainings will be run by the BAMEX team in collaboration with our partners: EAM, CEM and commercial banks.

To ensure the perpetuation of the utilization of FIEFE, we plan to create a management committee that will coordinate and supervise FIEFE. Special consideration will be taken on the subject and members of this committee, which will consist of a representative from the BCI, CEM and several financial partners.

We will continue to work with the MCA program for the set up of their system of guarantees and refinancing which is based on the FIEFE mechanism. This guarantee fund from the MCA will bring rejuvenation, not only to the FIEFE, but also to banks and micro financers which is needed to meet the growing needs of operators and rural organizations. The CEM will still be the organization managing this fund.

In addition, a workshop will be organized in order to join actors of the financial sector (banks and IMFs) and support organizations. The objective of this workshop is to inform the public, rural organizations, the small and medium or micro enterprises about the different options of financing and mechanisms of facilitation that meet customers' needs, thus promoting and sustaining the operation of these financing mechanisms.

(Budgeted in the AIF: \$1.500 / Training: \$4.100)

## **B) FCPA**

We will continue to work with FCPA which is a financial mechanism that functions like a Revolving Fund. This fund offers short-term credit to agribusinesses and rural organizations for the storage of non-perishable agricultural products. The FCPA is financially viable with a repayment rate of 100%. In addition, its relationship with commercial banks continues to strengthen and provide third party holdings services for more than 15 non-perishable products all over the country. The financing system of FCPA will directly continue to ensure support to rural organizations in the form of seeds and fertilizers; increasing and improving production. The beneficiary operators will carry on their financial contribution to carry out this support.

### **3.3 Complete the most significant crosscutting activities and policy reforms initiated by BAMEX**

*“We will provide appropriate incentives, regulations, and policies to facilitate the attraction, growth, and expansion of key sectors.”*  
MAP, p. 16

#### **3.3.1 Bio-fuel law**

Within the framework of the development of jatropha and bio-fuel as commodities in Madagascar, BAMEX has initiated the creation of a private bill on bio-fuel after carrying out a survey on implementing tax systems in this sector. This initiative has been taken because Madagascar does not have any regulation relating to the energy sector although some bio-fuel productions projects, expected to be launched on the market in the short term, are emerging.

The private bill comprises three (3) main parts:

- A legal definition of bio-fuel: this is a fuel of organic origin. For example, of vegetal origin as is the case of bio-fuel drawn from jatropha.
- A bill on the regulation of the sector, which will evolve in the framework of a free and open system. Production, transformation/ processing, storage and distribution of these bio-fuels are open to any investors in Madagascar provided they submit their technical terms and conditions. The government will issue exploitation permits, and will play the role of controller and will monitor the existence of sound and fair competition.
- A bill on implementing tax systems: the reduction and suppression of some taxes, such as the VAT and environmental tax, have been proposed. Investments in these sectors have also been suggested to present the same advantages as those in free trade zones.

The proposed bill has been submitted to the Ministry of Energy and future BAMEX activities in this sector will support the Ministry and will provide technical assistance and recommendations.

#### **3.3.2 Agricultural input supplies credit system**

The final document on the implementation of the agricultural input supplies credit system has been submitted to the Ministry of Agriculture. This activity will continue the project's support for the creation of a fund by the Ministry through the distribution of funds and implementation of its systems. It has been agreed that the Fund will finance not only the

marketing of *stricto sensu* inputs – fertilizers and phyto sanitary products – but also seeds. The main activities will include:

- The validation of works of the preparatory committee.
- The development of fund management tools.
- The definition of eligible operators, activities and products

As an additional activity, the input distributors who already work as advisers on the products they currently sell will receive formal training in the handling of income, including the management of their shops.

Regarding seeds, discussions are still in progress with regards to financing of production and related activities such as inventory and accreditation of their varieties.  
(Budgeted in the AIF: \$3.000 / Training: \$3.500)

### **3.4. Strengthen BAMEX's contribution to the Eco-regional Alliance to build up synergies and lead to sustainable solutions.**

#### **3.4.1 Market information database filling and diffusion**

Within the framework of the implementation of the system of information and marketing of BAMEX, the documentation/information center team will continue distributing the BAMEX newsletter "Kolotsena". The newsletter will contain local and international market trends from varied sources, such as Koloharena, *Formation pour l'Epanouissement et le Renouveau de la Terre* (FERT), the Rice Observatory at the national level and the Public Ledger at the international level. This bulletin will be distributed to the members of the Eco-regional Alliance of USAID and to the BCI who will, in turn, ensure its distribution to rural organizations and economic operators in their respective areas.

The Documentation Center as of June 2007 holds 2,732 printed documents and numerous documents stored in electronic version on the project server. The center's admission is always free to economic operators, associations, students, consultants and other partner organizations.

#### **3.4.2 Information on new supplies and techniques made available**

*"Skills, skills, skills. Madagascar needs to rapidly develop the skills, know-how, and technology to thrive in a competitive and global environment."  
MAP, p. 019.*

Challenges include transmission of information to rural organizations in order to add value, and build capacity of their organizations and to food processing enterprises with regards to technology. In fact, the research and distribution of techniques and equipment that could improve productivity and quality of agricultural products are among the priorities of the program.

#### **A) Compilation of technological information**

The objective of this activity is to facilitate access to information, perform analyses and establish recommendations regarding processing technologies and agricultural equipment. The information will encompass:

- The agricultural tools and equipments that rural organizations can afford;

- Post-harvest technology and storage;
- Transformation/processing equipment such as presses, dryers, and stills

On a regular basis we will update a list of suppliers, model items, and up-to-date prices. Information will be compiled in the website and made available for BCI and Koloharena.

**B) Training and technical support to processing projects**

Some products benefit from technological support in order to improve their performance. Training sessions and technical support will be given to encompass:

- Essential Oil Extraction techniques in Beforona and Ilakaka Est
- Techniques in strengthening the value of jatropha in Ambatondrazaka and Fianarantsoa.

(Budgeted in the AIF: \$7.000)

**3.5 Intervention timeline**

The table below provides a snapshot of the implementation of activities over the coming year.

Project Component	Activity	Project Point Person	Partners	Aug – Sept 2007	Oct – Dec 2007	Jan – Mar 2008	Apr – Jun 2008
<b>Litchi value-chain</b>	Putting rural organizations / exporters into contact	ABL	- BCI Toamasina & Manakara - ARKH	██████████			
	Training farmers' organizations on post harvest techniques	ABL	- ERI team		██████████		
	Training farmers' organizations in marketing	ABL	- ERI team - CNKH		██████████		
	Implementation of the marketing manual of procedures	ABL	- Consultants - BCI Manakara		██████████		
	Assistance for the credit access campaign	CLA		██████████			
	Support for the development of local markets	RFA	- BCI Toamasina & Manakara - ERI team - CNKH		██████████		
	Helping the PCL with campaign organization	ABL	- Other intervening entities	██████████			
	Lobbying authorities and other supporting bodies for PCL	ABL	- Other intervening entities	██████████			
	Support to MAEP for continuing work on pest mitigation	ABL	- MAEP team		██████████		
	Support to MAEP for continuing discussions with USDA		- MAEP team	██████████			
<b>Rice Value-chain</b>	Dissemination of market information among farmers	RFA	- CNKH - BCI - Rice Observatory	██████████			
	Facilitation of farmers' access to harvest and storage credit	CLA	- BCI - FCPA	██████████			

<b>Project Component</b>	<b>Activity</b>	<b>Project Point Person</b>	<b>Partners</b>	<b>Aug – Sept 2007</b>	<b>Oct – Dec 2007</b>	<b>Jan – Mar 2008</b>	<b>Apr – Jun 2008</b>
	Support for the promotion and marketing of red and pink rice on national and export markets	JOE	- CNKH - Slow Food - Cornell University	_____			
	Transfer of skills to the CNKH and the CKH on the organization of collection, processing and marketing	RFA	- CNKH - Consultants	_____			
	Training on quality criteria related to harvesting, processing, packaging and shipping	RFA	- Consultants - Cornell University - Potential clients	_____			
	Getting in touch with rice processors	RFA	- CNKH - Madrigal - Fanampy Rice Mill	_____			
	Helping Koloharena with varietal refining	JOE	- FOFIFA		_____		
<b>Aromatic and medicinal plants value-chain</b>	Disseminating market information	RFA	- CNKH	_____			
	Assistance to producers for access to outlets	MNT	- CNKH	_____			
	Assisting producers with marketing	RFA	- Processors - CNKH		_____		
	Installation and creation of stills to function in Ilakaka and Beforona	MNT	- Consultants	_____	_____		
	Optimization of the functioning of stills and stabilization of the quality of products	MNT	- Consultants	_____	_____		
<b>Jatropha value-chain</b>	Updating technical files on jatropha	MNT	- D1 and other investors - CNRIT - ERI - CNKH	_____	_____		
	Disseminating information and raising awareness on jatropha	MNT	- D1 and other investors - CNRIT - ERI - CNKH	_____	_____		
	Organization of trainings on cultural sensitivity	MNT	- D1 and other investors - CNKH - ERI		_____		
	Putting farmers' organizations in touch with investors	MNT	- CNKH - ERI		_____		
	Facilitation of credit access for planters in Fianarantsoa	MNT	- ERI - PSDR	_____	_____		

<b>Project Component</b>	<b>Activity</b>	<b>Project Point Person</b>	<b>Partners</b>	<b>Aug – Sept 2007</b>	<b>Oct – Dec 2007</b>	<b>Jan – Mar 2008</b>	<b>Apr – Jun 2008</b>
	Follow up of the utilization of PSDR funds in Ambatondrazaka and Fianarantsoa	MNT	- D1 - ERI - PSDR	—————	—————	—————	
	Assistance with the promotion of seed sales	MNT	- CNKH - ERI		—————	—————	
	Assistance with the promotion of by-products: soap, lighting, oil cake	MNT	- CNKH - ERI - CNRIT	—————			
	Continuation of research on presses and the quality of oil	MNT	- CNRIT - Distributors Distriburs	—————	—————	—————	
	Celebration of the Year of Alternative Energies	MNT	- MEM - Other implied entities	—————	—————	—————	
<b>Speciality coffee value-chain</b>	Training pilot farmers and coffee producers in the extensional production areas on wet processing method and commercialization standards	JOE	- CCS	—————	—————		
	Training/awareness raising of producers on the marketing of quality coffee	JOE	- CCS	—————	—————		
	Supporting the organization of the campaign on collection and processing of Koloharena products and the training / retraining of pilot producers, collectors, and processors with regards to quality standards and marketing circuit.	JOE	- CCS - ERI - BCI	—————	—————		
	Continuation of assistance to the wet processing stations and the centers of excellence	JOE	- CCS - ERI	—————	—————	—————	—————
	Organization and implementation of the “Coffee cupping and Harvest Competition “	JOE	- Coffee Corps - CCS - ERI	—————	—————		
<b>Business Centers Ivoharena</b>	Management transfer of the BCI to hosting partners	RIJ	- CCIAA - FCPA	—————	—————		
	Creation of procedure manuals for the BCI	RIJ	- CCIAA - FCPA - Consultants		—————		

<b>Project Component</b>	<b>Activity</b>	<b>Project Point Person</b>	<b>Partners</b>	<b>Aug – Sept 2007</b>	<b>Oct – Dec 2007</b>	<b>Jan – Mar 2008</b>	<b>Apr – Jun 2008</b>
	Restoration and addition of equipment, materials, and premises	RIJ	- CCIAA - FCPA		—————		
	Definite transfer of equipment to the BCI	RIJ	- CCIAA - FCPA - USAID				—————
	Create a document management system	LHE			—————		
	Document procurement	LHE	- CITE - MPE - BMTT		—————		
	Competence transfer to the BCM	RIJ			—————		
	Review website and integration of new functions	RIJ	- Consultants		—————		
	Management transfer of the website to the BCI	RIJ	- BCI			—————	
	Capacity Building of the BCI (business English, PCG 2005, negotiations, computer science)	RIJ	- Centres de formation			—————	
	Create and supply an information box	RIJ	- CCIAA - FCPA	—————			
	Promotion of services and activities of the BCI	RIJ	- CCIAA - FCPA			—————	
<b>Movement Koloharena</b>	Organization of transactions to increase sales	RFA		—————			
	Promotion of products with great potential and awareness raising on market opportunities	RFA		—————			
	Establishment of a business plan for the Koloharena movement	JOE	- CNKH - Consultants			—————	
	Assistance with participation at agricultural fairs	RFA		—————			—————
	Raising awareness on the culture of quality	RFA		—————			
	Managing the information system on product supplies, input needs, equipment diffusion, and spread of information bulletin	RFA	- CNKH - ARKH - BCI - ONG Manirisoa	—————			
	Facilitating linkage with private operators (customers and suppliers)	RFA		—————			

Project Component	Activity	Project Point Person	Partners	Aug – Sept 2007	Oct – Dec 2007	Jan – Mar 2008	Apr – Jun 2008
	Transfer knowledge on marketing, exportation procedures, and the list of potential partners	RFA			—————		
	Capacity building at all levels (CKH, ARKH, CNKH) on negotiation, quality and sales instruments	RFA			—————		
<b>Technology information</b>	Constitution of equipment and techniques database for production, processing and conservation adapted to rural organizations	MNT		—————			
	Sharing information and training for BCI	MNT			—————		
	Presentation of new techniques and training for producers	MNT			—————		
<b>Policy reforms</b>	Lobbying for the adoption of the Bio fuel law	MNT	- Plat-form Jatropha - MEM	—————			
	Implementing the guarantee fund for input credit and putting the system in operation	FRT	- Consultant - MAEP - APROSEM	—————			
	Training chemical input distributors	FRT	- Consultant - MAEP		—————		

### **3.6 Draw lessons learned from our experiences that could be useful to other rural development and economic growth programs in Madagascar.**

*“We must change the mindsets, habits, practices, and processes that get in the way of progress.” MAP, p. 019.*

The BAMEX Program was set up in a pioneering and visionary spirit in the field of interventions for the integration of rural producers in the commercialization pipeline and economic growth. Its methods, approaches and experiences can assist present or future actors to set up their organizations and to avoid mistakes. Toward the end of the program’s activities, a consultant will be hired to undertake surveys on the program’s impact.

Special attention will be given to distinguish the important lessons learned in the following fields:

- Organization of product lines;
- Choice of target partners (organization vs. individual);
- Partnership with the private sector;

- Partnership with the public sector;
- Collaboration with other international and local actors, such as members of the USAID Eco-regional Alliance among others.

It is important to note that these lessons will be bound to stress the change in approach of the program. In fact, during the first two years of intervention, economic growth has been more targeted by means of support to small and medium-sized enterprises operating in the market of exportation of agricultural and natural products. For the second stage, interventions will benefit the producers' organizations with improvement of their income through their integration in the commercialization channel.

BAMEX has contributed largely to the implementation of activities of the USAID Eco-Regional Alliance and we have to remember that the Alliance has been initiated to generate synergy among the various actors for USAID. In that sense, the role of BAMEX has intervened more with the downstream production to concentrate more on marketing. The participants in the field of production then depend on us for marketing their beneficiaries' products. From another point of view, BAMEX's interventions also depend on the success of these participants upstream in the channel. It would be important then to highlight the success of partnerships within the Alliance to benefit producers' organizations as well.

Finally, the collaboration with the public sector is worth mentioning because of the challenges it represents. The program's activities with the Ministries mostly consist of preparations of legal and regulatory reforms for the improvement of business environments. This necessitates the mobilization of and permanent exchanges with decision makers at the government level. One of the major challenges to overcome is the unexpected change of beneficiaries at the level of governmental administration. Interventions must then be limited to reforms that can be adopted in a rather short time. BAMEX's experiences in the field will then be worth highlighting.

### **3.7 Plan and carry out a successful closeout**

As the BAMEX Program must be ended and closed by August 17, 2008, preparatory works have to be launched months ahead of this date and measures have to be taken to end the program on a successful note.

- We will submit the first draft of the final report to USAID by July 2008 and should submit the final and definitive/ conclusive version to USAID by the second week of August 2008.
- The contract of the majority of staff will end by June 2008. A few key staff will be hired as individual consultants starting from July 2008 to ensure the completion of the program's final activities.
- Close-out activities of the program include: equipment transfer to USAID or other entities after USAID approval (for example the BCI) close out of all contracts with suppliers, close out of accounts and filing of all documents and payments of any final invoices (CNaPs, IGR, house rent, JIRAMA, TELMA and all the other suppliers).

## **4. Monitoring and Evaluation**

With regards to the Monitoring and Evaluation Plan, we will establish a semi annual report to be submitted to USAID on February 15, 2008. This report will encompass activities presented in the Work Plan that should be entirely or partially achieved by this date. It will outline the achievements at the halfway mark of the program as compared with the commitments for the year.

According to our Monitoring and Evaluation Plan, the definite version of the final Monitoring and Evaluation report of the program is to be submitted to the USAID, at the latest, August 31, 2008. This final report will mention not only the achievements of the period from August 2007 – July 2008, but also the principal results of the program from its beginning. Particular attention will be given to the impacts of interventions on the beneficiaries’ behavior and the global environment of rural entrepreneurship. In fact, a consultant will be appointed to undertake a quantitative and qualitative evaluation of the program. The results of this exercise will be mentioned in the final report.

The objectives for this year and the global objectives of the program according to our Monitoring and Evaluation Plan correspond to our contractual commitments. They also meet the monitoring indicators of USAID and the US Government. Indicators table is found in the appendix.

(Budgeted in the AIF: \$5.300)

## **5. Organizational structure**

Compared to Year 3, the number of staff for Year 4 has been reduced. Some posts have been combined: the post of Monitoring and Evaluation and the litchi value chain are presently held by Mr Abel Rakotonirainy and the posts of the BCI focal point and Webmaster are presently held by Mr Rija Ravelomanana. The BAMEX Program Chart for this Year 4 is presented in the appendix.

## **6. Budget**

CLIN 1, DA Funding	MONTANT
<b>I Labor</b>	
Long-term local professional	\$ 198 370
Short-term local professional	\$ 29 267
Long-term Support	\$ 103 248
Home Office, billable	\$ 35 349
<b>Subtotal, Labor</b>	<b>\$ 366 234</b>
<b>II Direct Fringe</b>	<b>\$ 46 250</b>
<b>III Travel and Transportation</b>	<b>\$ 25 000</b>
<b>IV Allowances</b>	<b>\$ 26 618</b>
<b>V Other Direct Costs</b>	<b>\$ 92 861</b>
<b>VI Equipment, Vehicles &amp; Freight</b>	<b>\$ -</b>
<b>VII Training</b>	<b>\$ 32 400</b>
<b>VIII Activity Implementation Fund</b>	<b>\$ 119 100</b>
<b>IX Subcontracts - (Materials, Fixed Price)</b>	<b>\$ -</b>
<b>SUBTOTAL, DA Funding (Materials)</b>	<b>\$ 342 229</b>
<b>G&amp;A</b>	<b>\$ 20 534</b>
<b>TOTAL, DA Funding (Materials, including G&amp;A)</b>	<b>\$ 362 763</b>

GRAND TOTAL, CLIN 1, DA Funding (Labor & Materials)	\$ 728 997
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## **ANNEXES**

- Annex 1 : Targets for the forth year  
Annex 2 : Organizational structure for Year-4

**ANNEX 1**  
**YEAR-4 AND OVERALL TARGETS**

		2008	OVERALL
RM 1	Increased value of sales of selected products from BAMEX clients	\$1,482,000	\$2,333,500
ER 1.1	Number of persons trained with BAMEX support	150	250
ER 1.2	Number of clients showing improved understanding of market requirements	50	80
ER 1.3	Value of contracts between farmer associations and agribusinesses	\$469,500	\$797,000
RM 2	Number of farmer associations and assisted firms using business and financial services	483	792
ER 2.1	Volume of credit given to farmer associations and assisted firms with BAMEX support	\$92,000	\$177,000
RM 3	Number of farmer associations and assisted firms using agricultural inputs and/or bio-fuels	29	50
ER 3.1	Development of a law on bio-fuels	Law adopted	
ER 3.2	Development of a credit system for agricultural input supplies	Credit system implemented	

**ANNEX 2**  
**ORGANIZATIONAL STRUCTURE AS OF AUGUST 2008**

