



**Annual Progress Report
October 2002 to September 2003**

Submitted by:

Chemonics International Inc.

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ACRONYMS

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

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

Table of Contents

Introduction

RATES Results Framework

Progress to Date

PIR 1: Expanded agricultural trade in selected subsectors

KRA 1.1: Coffee

KRA 1.2: Maize

KRA 1.3: Livestock

KRA 1.4: Cotton

PIR 2: Increased institutional capacity to sustain agricultural trade

KRA 2.1: Capacity of selected partner organizations strengthened

KRA 2.2: Demand-driven technologies identified developed and utilized

PIR 3: Expanded private sector contribution to regional trade initiatives

KRA 3.1: Private sector-driven agricultural trade policies advocated

KRA 3.2: Private sector buy-ins and alliances expanded

PIR 4: Program management, monitoring and evaluation

KRA 4.1: Management and coordination mechanisms established

KRA 4.2: Program monitoring and reporting needs met

Problems Encountered/Remedial Actions Taken

Duties and taxes

Regional travel restrictions

INTRODUCTION

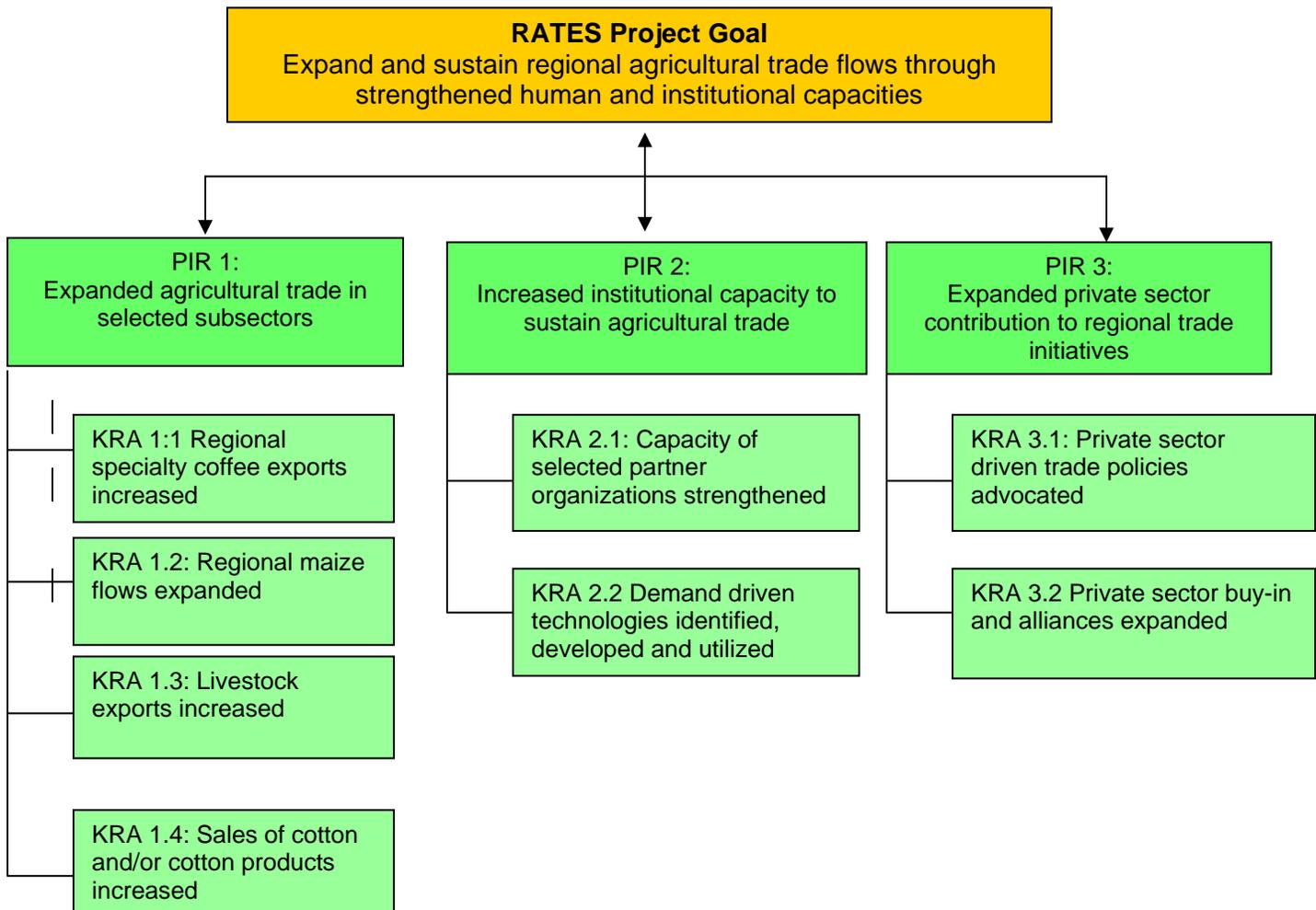
The RATES project will operate for a five-year period from October 1, 2002, through September 30, 2007. RATES activities are geared towards and principled on the belief that increases in economic growth can provide a means of attaining food security through increased production by small holder farmers, increased agricultural trade, higher incomes, and less dependence on food aid. Significant increases in agricultural production for smaller farmers are often limited because most smallholder farmers do not have ready market access for their products, and are less likely to invest in inputs such as fertilizer and improved seed that would lead to increased production. RATES places its highest priority on identifying, organizing and moving smallholder-produced commodities through market chains. This includes food crops such as maize and roots and tubers, but there are also opportunities for farmers in the region to export to specific high-value markets, as long as effective supply chains are developed down to smallholder farmers, enabling them to meet expectations such as quality, consistency, and safety.

This annual progress report covers program activities from October 1, 2002 – September 30, 2003, with emphasis on activities during the final quarter covering the period from July 1, 2003-September 30, 2003. During this reporting period, RATES initiated a significant number of key activities aimed at achieving the project's end-of project results. Below is a summary of the RATES Results Framework and key results activities (KRAs) that guide the project's implementation and activities included in this report:

RATES Results Framework

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

RATES RESULTS FRAMEWORK



PIR 1: Expanded agricultural trade in selected subsectors. 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 subsector. In the approach to our management, each commodity subsector strategy is coordinated by an individual who is responsible for managing implementation of successful initiatives and achievement of results within the commodity subsector.

PIR 2: Increased institutional capacity to sustain agricultural trade. In this PIR, we address the challenge of building African capacity to address food security issues by assisting partners to develop programs through which they can sustain trade initiatives over time. RATES assists 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; the PIR is measured in terms of policy changes accomplished through interventions and in terms of increases in the viability of partner institutions.

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, 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. To achieve project goals, RATES must have defined policies and procedures, information-sharing mechanisms, and monitoring and reporting systems in place.

PROGRESS TO DATE

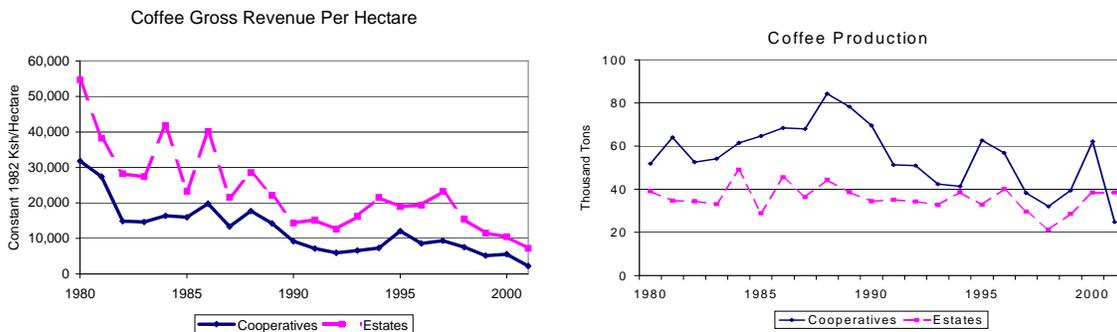
PIR 1: Expanded agricultural trade in selected subsectors

KRA 1.1: Specialty coffee exports increased

Strategy. According to statistics released by USAID in January 2003, coffee is a \$10 billion industry employing over 25 million people worldwide. The majority of coffee producers are smallholders living in remote rural areas who depend heavily on the cash income from their own harvest and temporary picking work for survival. USAID is committed to creating sustainable smallholder coffee systems and to working to improve local capacities to produce and market high quality coffee, thereby increasing the price farmers earn for their product. Within this context, USAID seeks to enhance the quality, competitiveness and profitability of Eastern African coffees in global markets and improve income for producers in the region.

The coffee industry is in crisis due to world wide over supply which has led to a dramatic reduction in prices. This down turn has had a negative effect on farmers' incomes and has resulted in a reduction in the supply from Eastern Africa (Figure 1). It has been seen that the only segment of the coffee market which is increasing is the specialty or fine coffee niche.

Figure 1. Kenya gross revenues from coffee and coffee production from 1980-2000.



The prices paid for superior quality coffee are actually on the rise while the rest of the market continues to fall. The following example from Kenya illustrates the coffee market environment in the region. Some top quality AA Kenya coffees sold this year for over \$283/50kg bag (Table 1. This represents over 200% of the “C” futures prices for coffee traded in the New York Board of Trade (NYBOT) futures market.

Table 1. Prices paid for different classes of coffee in the Kenya auction (KCT Coffee Sales on June 17, 2003).

GRADE	PRICE RANGE	PRICE RANGE
Class	Sale 34 (\$/50 kg bags))	Sale 33 (\$/50 kg bag
AA	76-283	82-243
AB	22-128	47-103
PB	67-79	50-85
C	22-65	44-56
TT	40-78	48-73



The Eastern African Fine Coffee Association, (EAFCA), the regional body currently representing the coffee producing countries of Tanzania, Kenya, Uganda, Ethiopia, Zambia, Rwanda, Burundi, Malawi and Zimbabwe is the selected partner for the specialty coffee market development strategy. The long-term strategy is to support EAFCA’s efforts to position itself as a leading authority on Eastern African fine and specialty coffees, the major counterpart to member country initiatives in the provision of technical and quality certification services, and a major actor in regional and international coffee markets. The strategy for the first year was to support EAFCA’s ability to operate as an effective provider of technical and marketing services to its member chapters through strengthening and furthering initiatives defined by EAFCA in the areas of country and regional fine and specialty coffee strategy development, quality improvement, information-sharing, marketing and promotion.

Progress on activities under KRA 1.1 is presented below:

Build Country & Regional Competitive Options Framework. The last quarter of 2003 was very productive in terms of RATES/EAFCA activities. During August, the RATES team organized and supported the first visit of the Coffee Corps to the African continent. 5 countries were visited in the course of three weeks – Uganda, Rwanda, Tanzania, Ethiopia and Zambia, with an additional 3 countries



Kenya, Zimbabwe and Malawi, participating in the activities. In terms of the country and regional competitive options, the most important part of this coffee tour was a series of cupping training workshops which were conducted by top US cuppers. The objective of the training was to develop a harmonized definition of fine, specialty coffee that consistently applies within all industry stakeholders in Eastern Africa and abroad. Thus, this is an

important step in determining and developing the niche for coffees from the EAFCA member countries. Coffees from each EAFCA member country were cupped and tasted by the volunteer roasters and buyers who served as the trainers. Their insights into the quality standards available and the coffees with excellent market potential, are helpful in the market development. Professional coffee quality controllers from both the private and public sector were provided with specific, detailed information on how to improve the quality of their own coffees and differentiate them from other fine coffees worldwide.

Extremely important market data about Eastern African competitiveness was received through the EAFCA members' participation in the coffee cupping pavilion undertaken by the Roasters Guild. Coffees from each country were sent to California for roasting and then cupped in Boston at the SCAA event. Being judged for quality against the other leading coffees in the world provides valuable information about the regional and country specific strengths and weaknesses.

The EAFCA coffees cupped from 57.61 for a Ugandan washed robusta (actually very good as rest are arabicas) to 74.48 for a Burundi Kirundo rated in the following categories:

Total Score	Description	Classification
95-100	Exemplary	Super premium specialty
90-94	Outstanding	“ “
85-89	Excellent	Premium specialty
80-84	Very good	Specialty
75-79	Good	Specialty
70-74	Fair	Barely specialty
Under 70		Non specialty
60-70		Premium mild arabica
50-60		Usual good quality
Under 50		Avg. or questionable



It can be seen that there is still substantial work to be done to achieve the highest levels of quality which will surely obtain the best prices. In June, 2003 at a Latin American auction, a coffee ironically called “Kilimanjaro”, origin El Salvador was purchased for a record of \$14.06 per pound!

The Coffee Corps volunteers also provided a training of roasters in both Uganda and Tanzania. This event was important on a country level as it was enlightening for the roasters to learn new and improved roasting techniques which enhance the quality substantially. The event was very highly rated and was timely as EAFCA seeks to promote domestic consumption and familiarity with roasting techniques bringing the local industry closer to their international consumers.

With RATES support, EAFCA has begun a series of market assessment surveys in each member country. The aim is to build a picture of the status of trade in fine and specialty coffees as it exists at project outset and of marketplace options and opportunities on national, regional and international levels. Draft reports are already prepared for Burundi, Rwanda, Kenya & Tanzania, with technical consultants working to gather data for the other member countries. The RATES Coffee Marketing Specialist is working closely with the EAFCA Secretariat on this activity. The general findings thus far confirm that both production and pricing have fallen in the eastern African markets, yet some fine, specialty coffees identified have begun to command premium pricing in the market.

In order to identify the market needs for specialty coffees at the international demand level, RATES/EAFCA utilized the excellent opportunity provided by

attendance at the Specialty Coffee Association of America (SCAA) Exhibition to undertake an informal market assessment. A 10 question survey sought



information on past purchasing of Eastern African coffees by origin, type and purpose (i.e.; roasting, resale, etc.). The information gathered is useful as a baseline to derive estimated percentages of those actively buying – 10% of respondents had purchased coffee from all member countries, while 69% had purchased from Kenya or Ethiopia, thus the event was reaching the right market. The bulk of the coffee purchased by this group was Arabica (83% for sale (82%). Coffees from each of the

(then) 7 member countries were served at the EAFCA booth. This survey was completed by those who sampled the coffees and thus should express informed opinions. A full 94% said they would be interested in learning more about the coffees of Eastern Africa. As can be seen from the photo, the EAFCA booth was very well attended! Each country had its own exhibition area/table which enabled good buyer interaction.

Attendance was also excellent at the two other RATES sponsored functions in Boston. RATES hired a top coffee consultant to present an overview of the US coffee market needs and trends with a focus on the competitive position of EAFCA coffees. In summary, African coffees will need to be consistent in terms of supply and quality to be more competitive.

The most exciting RATES sponsored event for the EAFCA member participants, 90% of whom were completely self sponsored, was the “Meet the Buyers” coffee ceremony. Invited guests included 20 major players in the US coffee industry with a similar number of EAFCA members who are active coffee traders/sellers. Discussions were held with these industry leaders on their needs and requirements for quantity, quality, service and certifications options desired. Their comments will be very useful in formulating strategic competitive marketing options. The event provided an excellent initial introduction for the establishment of market linkages. Useful and realistic information was gathered about buyers who were genuinely interested in assisting EAFCA and establishing linkages either through relationship coffee, cupping exchanges or sales.

RATES also sponsored an EAFCA booth at the Tea & Coffee World Cup exhibition in Rome, Italy in June. This event provided the opportunity to learn more about the needs of the European market, the primary target audience. The bulk of coffee sold from Eastern Africa is exported to Europe and thus, this is a very important market for EAFCA members. Though the World Cup had the highest ever attendance, it was far smaller than the SCAA. The smaller size of the event allowed for in depth meetings with the buyers in attendance. Substantial market information was gathered for options which will form a part of the strategic competitive framework. 17 EAFCA members, all from the private sector and 100% self sponsored, exhibited their coffees in Rome. Countries represented in the EAFCA booth included; Kenya, Uganda, Rwanda, Burundi and Ethiopia. The initial attendance survey results indicate that participants were very pleased with the event and felt it would increase their business and provide valuable information about their competitive positioning in the markets, as well as excellent contact with buyers.



Strengthen member country chapter marketing strategies. Of interest in the country chapter development is that the year began with six (6) EAFCA member countries; Uganda, Tanzania, Ethiopia, Rwanda, Kenya and Burundi. At the end of the first year of RATES assistance, EAFCA now has nine (9) member countries with the inclusion of Zambia, Zimbabwe and Malawi. In order to assist member country chapters in developing their strategies, two components are critical. The first is in depth knowledge of each individual producer country's current and anticipated status, and the second is open discussions with all coffee stakeholders to share their visions for coffee marketing and the role EAFCA can play to assist them in achieving goals.

The country by country market assessments are well underway. They provide valuable information on the value chains and market systems which vary throughout the region and thus require individual strategic refinements.

As the planned April AGM in Ethiopia was cancelled and stringent travel restrictions were put in place, RATES had to develop another methodology to get the coffee industry together, introduce EAFCA and discuss the market. The Coffee Corps visit provided an excellent, interesting and cost effective opportunity in August, 2003. A "coffee industry meeting" was held in each of the countries visited; Uganda, Tanzania, Rwanda, Ethiopia and Zambia with a few representatives from Kenya present at the Tanzania meeting.

The industry meetings took the format of short presentations on EAFCA, RATES, the World's Wildest Coffee Conference (WWC) and the Coffee Quality Institute/ Coffee Corps. The presentations were followed by a panel discussion led by the Coffee Corps advisory board. The board included a senior VP and buyer from a



major US coffee roaster/ retailer/wholesaler, a marketing manager from a vertically integrated company, a producer/exporter/importer/wholesaler from Costa Rica and an agronomist talking about coffee hybrids. The groups then broke into lively discussions about the status of the industry and market in each country and addressed specific questions.

When asked what EAFCA services and activities were of interest the majority responded with coffee marketing and educational activities, with policy and lobbying falling into third place. This information is very useful in development of strategic direction for the chapters in order to provide needed services.

The meetings had over 10% female attendance with variations between 75% (Uganda) and 30% (most other countries) as EAFCA members. The presentations and relevance of the issues were rated "excellent" by up to 93% (depending on the country) and the vast majority of participants (92-100% by country) found the meeting to be valuable to them. Almost all said they were interested in attending the WWC in February 2004. The most common comment was that this kind of meeting should be held more often and for longer periods of time, which bodes well for the future of the chapters as regular, informative group meetings.



During the last quarter, EAFCA hired Chapter coordinators in many of the member countries who will be responsible for local chapter development. They will propose and implement activities, arrange monthly meetings, collect information and report on them on a monthly basis. Several chapters have met and finalized their electoral process with new officers in at least six chapters; others are in the process of registration. The industry meetings have developed great interest in the chapters and membership is increasing in most countries visited. This new membership will form the base from which individual country

retreats will address their specific strategic missions for increasing the chapter and the sales of specialty coffee.

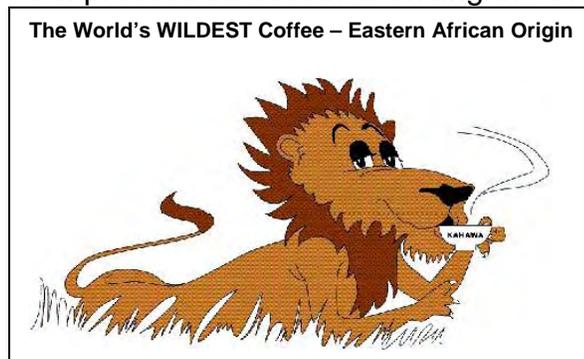
In May, Boston participants were addressed by the high powered coffee industry consultant hired by RATES for a breakfast session to introduce them to the US market and train them in successful buyer interaction and deal making strategies for the exhibition. Another select group of Boston participants able to market coffee and make deals, were invited to join 20 coffee industry leaders at the "Introduction to the Buyers" event. These types of activities are an integral part of the RATES strategy to develop country chapter marketing information to lead to their strategic planning process.

RATES is proud of the fact that EAFCA has 22 newly paid up members since March, largely as a result of word of mouth of the successes in Boston and Rome, and indicates that the marketing strategy is working. In addition, RATES anticipates that ALL EAFCA members country chapters will have booths at the WWC event in February, giving members the opportunity to work, plan and market together.

Develop a private sector driven East Africa regional marketing strategy.

The launching of the regional marketing theme of **The World's WILDEST Coffee – Eastern African Origin** at the SCAA event in May, 2003 was very successful. The buyers responded very well to the slogan and logo and interest was created in the coffees and the African Fine Coffee Conference and Exhibition in Nairobi, February, 2004. 58% of those surveyed expressed interest in attending the event resulting in several registrations already being received. The

regional theme has been further developed on the web site www.worldswildestcoffee.com which is currently averaging over 7,000 hits per week. This site informs viewers about the coffee from the region, trade contacts, as well as publicizing the 2004 event.



Boston saw the launch also of a regional team spirit which will endure beyond slogans. This was the first time that the member countries had joined together to exhibit and promote as a group, and the effect was electric. Members from all countries realized the benefits of marketing regionally as the issues of requiring consistency of supply and quality could be addressed in the regional context of harvest seasonality and limited quantity supplemented from neighboring countries. The US buyers also made the point that these coffees are not all well known and thus the opportunities presented by EAFCA to sponsor the booth itself and thus allow wider participation and increased market awareness was

reinforced. Each country had its' own table and area and the layout worked very well as a prospect could taste the coffees, decide which was preferred and then meet with the marketing team from the country.

The significance of this unity cannot be underestimated and it is clearly indicative that the varied member countries are very willing to work together to create and finalize a regional market strategy.

An important aspect of the regional market development strategy will be the 1st Annual African Fine Coffee Conference and Exhibition to be held in Nairobi in February of 2004. The wildest theme will continue to tie the region together for this event which will see members from all Eastern African countries coming together as one united marketing team, while providing an unprecedented opportunity to host coffee buyers worldwide.

Box 1. Quote from an EAFCA participant at the SCAA Exhibition in Boston

"I appreciated all the teams for their full cooperation, everybody was really friendly and helpful, I actually needed this as I was alone, Thank you all! The promotional methods we all used were really a good idea, we all were trying to sell our coffee in new ways, in regards to Ethiopian coffee mostly in the past the export association promoted the coffee showing the traditional ways. But now this strategy has been changed to strictly selling our coffee in the buyer tradition, not the seller tradition and that makes EAFCA's methods of promotion different than previously. Thank you for this making this tremendous opportunity happen!"

Support EAFCA marketing and promotion program. 2003 has seen EAFCA doing far more promotion of itself and its coffees than ever before, as a result of strong RATES support and guidance. The five country coffee industry meetings in August introduced EAFCA to a large group of regional coffee stakeholders with an average of 30% of those attending never having heard of EAFCA previously. Having completed the exercise of introducing the organization and its RATES assisted activities, most in attendance expressed interest in joining the organization, joining a local chapter and almost 100% want to participate in the WWC.

It is clear that if EAFCA is well promoted and offering services of interest to members, it can grow in strength. This can be seen by participation at the SCAA trade fair in Boston which was extraordinary with over 60 members attending on a voluntary and self financed basis. The Rome event attracted approximately 20 members (as several from Ethiopia were unable to obtain visas). Much of this success is due to RATES' assistance in developing the concept and theme for the booths which have provoked excitement and enthusiasm from participants. The news of the success has spread and over 22 new fully paid members have joined EAFCA since March out of a total paid membership of 36. These figures equate to over a 250% increase in paid memberships. There can be no doubt that successful events such as Boston and Rome are the best promotional tools available to EAFCA and RATES will continue support in this endeavor.

RATES supported several chapters with printing of promotional materials, with excellent cost sharing results as they were responsible for design and layout to camera ready level. Additional promotional and marketing support has been provided to EAFCA by RATES in the form of theme development, materials promoting the coffee available from each member country and brochures promoting the 2004 Nairobi exhibition.

RATES has recently contracted a communications officer to serve on a part time basis in the Kampala secretariat office. This professional will be responsible for developing marketing and promotional materials for the organization, including a newsletter, brochure and improved web site. RATES has already begun reconstruction of www.eafca.org and there is substantial work required to fully utilize the potential of this medium. For now, www.worldswildestcoffee.com is successfully promoting EAFCA to the tune of some 7000 hits per week.

Support design and startup of full regional level quality and technical services support program. Significant progress was made this quarter towards the development of a regional level quality support program. The Coffee Corps



volunteers who visited Kampala, Kigali, Moshi, Addis Ababa and Lusaka were working with professional cuppers/liquorers from each of these countries, plus cuppers from Kenya, Zambia, Malawi and Zimbabwe to develop a regional definition for specialty coffee which would be acceptable on a worldwide basis. Many of the cuppers have been in the business for decades, but the technologies, approaches and expertise shared with them in these trainings of trainers was completely new for most of them. The evaluation forms had them appraise their knowledge and understanding of “specialty” coffee before and after the training on a scale of 1 (very poor) to 5 (excellent). Participant trainees from

virtually all countries scored their initial knowledge at about 2.9, whereas post training understanding was rated an average of 4.3.

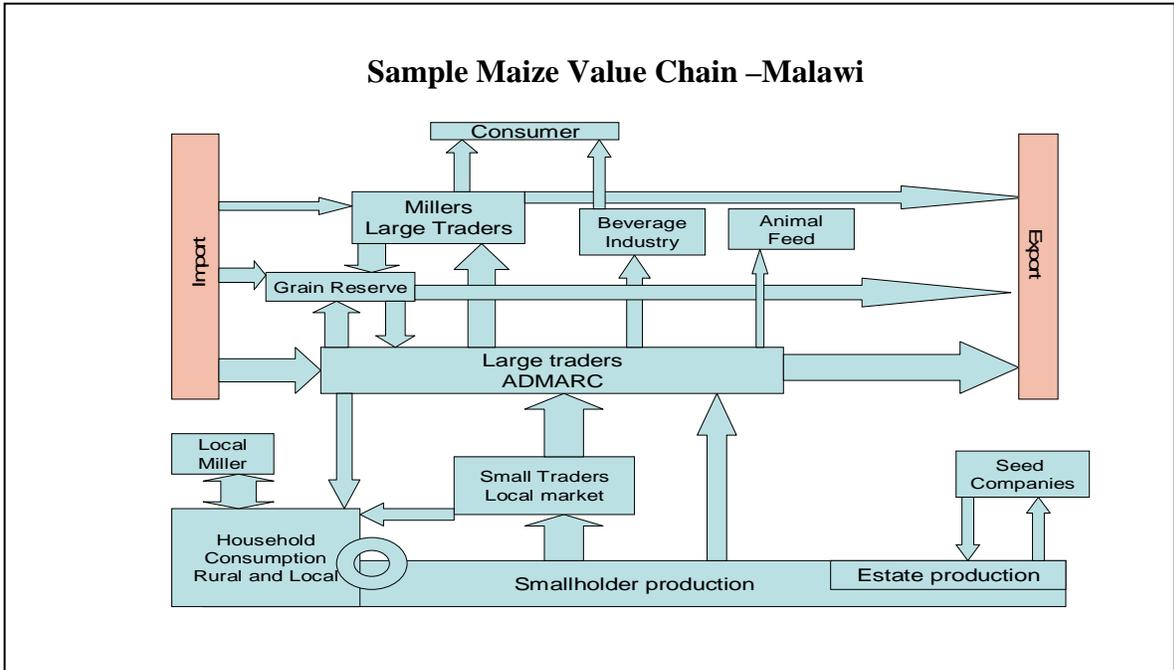
Comments from trainees included, "Thank you for coming to teach us, we are very grateful. We need more of this and we will practice it." This initial series of five cupping trainings is part of a larger program which will culminate at the 2004 WWC with panels of world renowned buyers and cuppers working with the Africans to cup the coffee and determine its quality.

The pilot appellation program already underway in Uganda will be an important step towards EAFCA becoming a resource not only for the region, but for the entire coffee world. Much of the work done will be pioneering in the coffee appellation field.

KRA 1.2: Regional maize flows expanded

Strategy. Maize is the major food crop in the region and a key component of food security programs. In recent years, certain parts of the region have been hit by severe seasonal food shortages despite maize stocks being available in nearby countries. The distance between the demand and the supply is measured both in kilometers and by borders and barriers that are imposed by various factors. The RATES Maize Program has the long-term goal to improve the flow and expand the availability of maize in ways that will contribute to regional market stabilization, demonstrated through a reduction in wide price fluctuations and an increase in farmer confidence. The maize program follows the theme "Maize without Borders" and has a two-part strategy. The first part is aimed at reducing trade barriers created by policies and regulations through a joint private and public sector driven program that was launched this year through the auspices of COMESA and EAC. This program is managed through PIR3/KRA 3.1. The second part of the strategy is focused on improved trade facilitation and is supported through the RATES Trade Office, and the collaboratively managed market information web-site: Regional Agriculture Trade Intelligence Network – RATIN - which is complimented by TradeAfrica.biz, a trade linkage site managed by RATES.

Market mapping and assessment in target countries. Maize value chain assessments were completed in all seven target countries (Ethiopia, Uganda, Kenya, Tanzania, Zimbabwe, Zambia and Malawi). The issues raised in these papers were used to establish the agenda of national-level maize consultative workshops. Reports were made available to all participants prior to the workshops, and presentations were made of key issues.



National maize consultative workshops. RATES embarked on a five-month effort to hold consultative workshops in six of the seven target countries with a view of bringing together all key players in the maize marketing chain. Zimbabwe was not scheduled due to political conditions existing at the time. There were several objectives of these workshops:

- Presentation of the “maize without borders” concept to both private sector stakeholders as well as government officials to encourage a new attitude towards regional maize trade;
- Auditing and endorsing the recommendations given in the value chain studies;
- Starting the process of building dialogue between private and public sector with a focus of engaging in trade policy harmonization negotiations with COMESA and EAC.

The following workshops were held:

Country	Workshop Venue	Location	Date the workshop was held	Number of Participants
Uganda	Hotel Africana	Kampala	April 15 th , 2003	36
Kenya	Holiday Inn	Nairobi	April 29 th , 2003	46
Tanzania	Royal Palm Hotel	Dar es Saalam	May 15 th , 2003	45
Malawi	Hotel Victoria	Blantyre	May 13 th , 2003	23
Zambia	Holiday Inn	Lusaka	June 4 th , 2003	77
Zimbabwe	Postponed	-	-	
Ethiopia	EGTE	Addis Ababa	Aug 19, 2003	18
Total				245

The workshop discussions were formed on the basis of:

- Maize marketing challenges within the country and cross-border trading
- Maize marketing information requirements
- Phytosanitary requirements
- Quality and health standards
- Customs regulations.

Uganda. Discussions were focused on ways of removing export trade impediments along the Kenya/Uganda border while the Kenya workshop was more focused on imports issues and local production.



A cross border bicycle trader on the Kenya-Uganda border

Kenya. The Kenya workshop attracted three major leading maize millers, Unga Ltd., Pembe Flour Mills, and Mombasa Maize Millers Ltd. While millers wanted to know from the government when duty on maize imports outside COMESA countries will be lifted, traders and producers wanted to discuss ways of improving their relationship with millers in terms of maize quality standards and exchange of market information within the industry.



Participants of the Kenya Maize Workshop

Malawi. In the southern region, the Malawi workshop came at a time when the country was caught in a situation of a bumper harvest and unsold maize from the previous season and imports. An export ban still existed at the time, and most private sector participants wanted the government to develop a maize import/export policy that's predictable. It also emerged that lack of specified standards acceptable was identified as a major challenge to millers when buying maize and to the Strategic Grain Reserve purchases for longer time storage.

Tanzania. Millers expressed their dissatisfaction in Tanzania with the maize and maize products export ban because it limited their diversification to other maize products such as starch, cornflakes, etc., which they can export to neighboring countries such as Kenya. In the absence of an export ban, Tanzania participants expressed their concern over tedious customs procedures at border points and trade rules that are not disseminated from the relevant ministries to traders.



A group session at the Tanzania Maize Workshop

Zambia. The Zambia workshop attracted the highest caliber of participants with the Minister for Agriculture opening the workshop. Zambia has a good harvest this year and with the export ban still in place, farmers are looking up to the government to rescue them from low farm gate prices, while millers are enjoying low input prices with flour prices not changing significantly. There were expectations that the minister would announce the lifting of the export ban but he came short of this by challenging Zambia traders to trade Mozambique and Angolan maize to the Democratic Republic of Congo.



The Zambia Minister of Agriculture at the Zambia Maize Workshop

Ethiopia. Parastatal staff and Ministry officials were very much in evidence in Ethiopia with a handful of traders attending the workshop there. This is illustrative of the historical legacy of central government and bureaucracy left from previous administrations and still present today. Maize is not a major export crop in Ethiopia and regional trade was strongly supported by the group.

Regional Consensus. In general, all workshop participants in all countries agreed on the need to harmonize phytosanitary, quality and health standards, customs requirements and trade rules within COMESA and EAC. In addition, it was pointed out that for the region to enjoy the benefits of regional maize trade there must be a good forum for market information collection and dissemination, formation of a trader's network across the region, and bringing in the private sector to work together with the government and other development partners in the region.

The desired result of this work was the preparation of the “Regional Maize Trade Policy Paper”, researched and presented by the RATES trade policy advisor. The paper was sent to all members of the various National Working Groups and served as the foundation for deliberation at the Regional Maize Trade Policy Conference held in Nairobi on September 9 and 10, 2003.

The Conference, held under the auspices of COMESA and EAC, was attended by 120 delegates from nine countries in the region and was successful in deliberating and concluding a multi-point maize policy platform based on the four key issue areas of SPS, standards, customs and trade rules.

Define private sector approaches to “Maize without Borders”. RATES continues to emphasize the importance of private sector involvement in both the policy harmonization process, as well as trade initiatives. The Maize Trade Directory is geared towards the goal of listing all major trade flow leaders in all COMESA/EAC countries, including all agencies, programs, and organizations engaged in, or having an influence in, the regional maize trade.

National Working Groups have been formed by key trade leaders in the private sector as well as government agencies involved with customs, SPS, grades and standards. These national working groups operate on a non-funded volunteer basis to participate in the policy harmonization process, especially at the national level to assert their expertise and influence to encourage results; and to actively engage in a broader regional approach, networking themselves for commercial trade and creating more efficient trading systems.

Aside from the meetings and interviews arranged during the consulting and mapping process, and the follow-on workshops, RATES staff have visited several target countries and met with private sector companies engaged in maize trade. In addition, several USAID Missions have been visited and key officials met to identify areas of collaboration and assistance to complement ongoing maize trade activities supported under mission projects.

Support development of regional Trade Intelligence Network. The key players in the regional network are the commercial traders and millers and they are the main audience for RATIN and the RATES Trade Office where “networking” will be facilitated. Keeping these players involved in the process is key to the success of trade expansion.

One of the major impediments to trade highlighted by participants in our workshops was the lack of reliable market information, a vindication of our efforts to support RATIN in collaboration with FOODNET and FEWSNET. In this regard



RATES has contracted Computer Frontier International (CFI), a RATES consortium partner, to work with the RATIN collaborative team to develop the website. As of September 2003, the site is up and running with a four-country launch program planned for November/December 2003.

To compliment the RATIN focus on price and production information, RATES has

designed a trade-linkage site – Tradeafrica.biz – accessed through RATIN to facilitate active trade communication between suppliers and buyers throughout the Region. Managing “real time” market information and trade linkage sites is challenging and RATES has created the **RATES Trade Office** staffed by full-time Trade Office Facilitator dedicated to the upkeep and management of both the RATIN and TradeAfrica.biz sites. This office serves as the RATES “call center” where the Facilitator will pro-actively manage trade inquiries through the internet, email, telephone, SMS, and radio. All site “hits” and trade inquiries will be monitored and tracked for transactional viability and completion.

KRA 1.3: Livestock exports increased

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



Mapping and assessment activities. AU-IBAR, under their Pastoral Livelihood Programme (PLP), has held livestock stakeholder meetings in Eritrea, Djibouti, Zambia, Burundi, Kenya, Uganda, Tanzania, Sudan, Somalia, and Ethiopia, to discuss the status of markets, legal and policy frameworks, livestock associations, and desired actions required to address the key issues.

RATES has begun identifying livestock consultants to provide more comprehensive assessments and baseline formation backed by stakeholder input. Baseline data from the COMESA countries has been collected which provides information on the current levels of exports, as well as inter regional trade. According to the COMESA sources, there is currently very little recorded trade in live bovine animals to the Middle East with a five year average of \$USD 36,000. Exports of live sheep have dropped from a year 2000 high of over \$USD 29 million to just over \$500,000 in 2001. Live goat exports from COMESA countries to the Middle East were over \$3 million in 1997 and have dropped constantly to the 2001 level of \$80k.

Baseline reports are in process in Ethiopia and Djibouti. It is anticipated that these reports and others in Kenya, Uganda, Eritrea and the Sudan will be finalized during the next quarter. This data will provide a critical first step in laying the groundwork for AU-IBAR/RATES interventions in association formation and strengthening, policy and trade constraint advocacy, and market linkages.

Identify market requirements and potential for private sector involvement.

RATES has just completed (September) the hosting of a large and successful meeting in Dubai which brought together members of the private sector from both the exporting (Somalia, Djibouti, Kenya, Uganda, Ethiopia, Eritrea, Tanzania) and the importing (Bahrain, Oman, Qatar, Lebanon, Egypt, Kuwait and UAE



(NB: Yemeni participants were not granted visas). Two separate breakout sessions were held, the first with exporters and importers separately where they identified constraints to trade and the second with both sides together. In the livestock traders meeting including both exporters and importers, the constraints to trade were each addressed individually and plans made to resolve them with the help of RATES and LTC. This was followed by a

discussion of opportunities which was very productive as all involved introduced themselves and described their activities and there was tremendous synergy and energy. It was felt that the private sector has much to offer and substantive plans were made, including the launching of a cargo and passenger airline, a new livestock insurance program, shippers on both sides of the sea working out a coordinated delivery schedule, etc.

RATES and LTC have been planning a program to identify market parameters and opportunities in Yemen, United Arab Emirates, Saudi Arabia, and Egypt. These market studies will provide important market information collected in interviews with target buyers, government and private sector health officials, transporters and other key players. This will be an in depth demand study which will build upon the contacts and introductions made in Dubai. Some work has already begun with interviews and market data currently being collected in the UAE and in Egypt which will provide information on the constraints to trade and the competitive advantage of countries like Australia.

Analyze information on health, transport, policy, legal, and regulatory considerations for the Red Sea LTC. Much of this work has been done through the in-country stakeholder meetings that have taken place from November 2002, to March 2003, and can be found in the individual reports. The information gathered in these reports has led to the desire to construct a livestock holding facility which would provide internationally recognized veterinary health certificates and acceptable quarantine facilities.

RATES has taken an important step in addressing the trade issues, through it's support of a feasibility and design study for a livestock holding facility in Djibouti.

A team was fielded to Djibouti to undertake this project:

- Dr. J. Kevin Silver, veterinary specialist & team leader
- Dr. Abdiweli Mohamed, livestock economist
- Dr. Yacob Aklilu, feed economist
- Engineer Aboubaker, hydrologist
- Dr. Ephantus Wahome (USAID) environmental specialist
- Dr. Nasser Djama Abdi, environmental specialist
- Eng. Houssein Kayad, civil engineer



This team examined the health, transport, market, feed, policy, water, waste and design issues for a potential small scale pre-export livestock facility to be constructed in time to export animals to the Middle East for Ramadan 2003.

The results of their findings, the design and feasibility study, were presented in Dubai in September. Participants were invited from the private and public sectors of

African and the Middle East to listen and learn about the facility design and contribute to its development. It was felt that they must “own and understand” the facility design in order to fully support it once it becomes operational.

Livestock Trade Association Development. Livestock Trade Association (LTA) Development has started under the PLP program and will be supported by RATES. Although the association model changes from country-to-country, RATES will assist in creating a model that will guide new association development and will assist in the strengthening process for existing associations and with business plan models.

- The Djibouti Livestock Traders Association will be the first model as this will strengthen them to assist in the management and supervision of the Djibouti LHF. Djibouti and Kenya associations are fairly new but follow a private sector approach and are formed by the livestock traders. Both are very active and have started to acquire assets and pursue market linkages.
- LTAs in Eritrea, Zambia, Burundi, Tanzania and Somalia are weak and are in the interim formation stage. Some have stalled due to leadership and sustainability issues.
- Associations in Sudan have existed for some time and are operating, but have considerable public sector involvement.

Draft business plan and legal framework for Red Sea Livestock Trade Commission (RSLTC). RATES hopes to play a key role in the institutional formation of RSLTC. RATES and AU-IBAR are finalizing the contract process



that will allow for the start of key activities including legal services required for the comprehensive registration process and institutional design process.

RATES is providing direct technical assistance for the operational business planning process. This activity is being provided by core RATES staff and focuses on assessing the actual staffing and

financial resources required to operationalize the LTC. Break even budgets are being produced and a variety of income producing strategies will be examined. The market supply information gathered in Africa and the demand from Middle East will be important factors in this plan. It is anticipated that this plan will be finalized in the next quarter but preliminary work has already begun.

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

The LTC hosted a steering committee meeting in Port Said in June of 2003 which was attended by RATES. The decisions made in this meeting regarding the legal structure, the regulatory framework and the adoption of the draft charter will all positively influence the formalization of the Red Sea Livestock Trade Association. RATES is eager to support LTC registration and legalization as a building block for future growth and development.

Applications to the RATES Partners Fund for a Fixed Amount Reimbursable Agreement (FARA) have been received from LTC/AU-IBAR for additional institutional support including staffing of a science editor. These are in the process of being reviewed and it is expected that activities should begin in the next quarter.

KRA 1.4: Sales of cotton increased

Strategy. The long-term strategy for RATES activities in the cotton sector is to focus on the regional textile industry as a main buyer of regionally (and mostly smallholder) produced lint, and as a seller of textile products taking advantage of opportunities under AGOA. This will result in an increased regional demand for cotton that will translate into market opportunities for smallholder farmers. RATES is assisting the industry by identifying and implementing new approaches to developing regional markets; and promoting and implementing a regional competitiveness strategy that will position the sector to work to best advantage in national, regional and export markets.

Cotton Value Chain Assessments. Two value chain analyses were completed in September this year for Tanzania and Ethiopia, completing the planned program for 2002/03 of seven cotton value chain analyses (including Kenya, Uganda, Malawi, Zambia, and Zimbabwe).

Cotton Market Assessment Schedule

Country	Consultant	Completion Date
Uganda	Peter Olupot	April 2003
Kenya	Peter Kegode/RATES	April 2003
Zimbabwe	Imani Consultants.	April 2003
Malawi	Imani Consultants	April 2003
Zambia	IMCS	May 2003
Tanzania	ACE Consultants	Sept 2003
Ethiopia	Agridev Consultants	Sept 2003

The studies discuss numerous problems and constraints affecting the cotton industry while highlighting the key two issues: a weak production base with some of the lowest yields in the world, and a decaying and outmoded textile sub-sector with potential investors wary of the short-term AGOA horizon. However, we do see significant evidence of near-future down-stream investment by the apparel sector into “commodity specific” textile manufacturing; with the aim of producing the type and volume of fabric required by their apparel contracts. Tri-Star in Uganda and Alltex in Nairobi are examples of companies following this approach. Part of the rational driving this investment is the AGOA conditionality that requires regional sourcing of fabrics by 2004. The “top end” companies with financial resources are able to do this; but their investment, although significant, is limited to specific equipment to meet internal apparel contract demands.

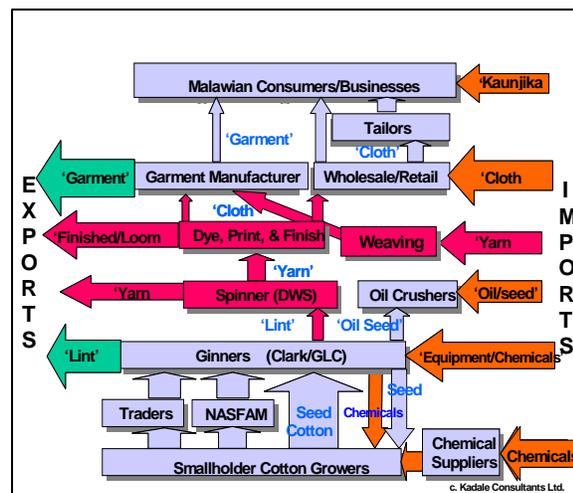


The ginning sub-sector is gaining confidence - with its under-capacity problems (due to low production levels) offset by a strengthening of the lint price (by roughly 25% over the past 12 months and an additional 25% projected for the next 12 months). Market projections indicate that cotton prices should remain stable over the next year providing a sound environment for producers and ginners (and RATES) to operate in. Despite this good news, some gins have been closed and/or up for sale. Clark Cotton, a major player in the southern region is selling its ginning operation in Uganda due to low through-put, and Cargill, a major player in Zimbabwe, has closed its two gins in Tanzania for similar reasons. Ginning operations in Uganda, Tanzania and Kenya, where the gins are owned by many competing companies, differ greatly from operations in Zimbabwe, Malawi, Zambia, and Swaziland where one to three companies operate in defined zones.

Gin closure is not new - nor particularly a bad thing - since there is still a significant under-supply of raw product and far too many gins. But when major players such as Clark and Cargill pull out – it may be indicative of a graver underlying problem – that of a national-based industry without an effective long-term strategy and one that may lack effective coordination. Such an environment discourages gin-level investment into the production sector, an essential component to any sector revitalization plan.

Inter-regional Study on Lint and Textiles. Due to the unique nature of the cotton sector (figure x) with its distinct and separate links in the value chain (production ⇒ ginning⇒textiles ⇒ apparel) the country-assessments were supplemented by a *regional assessment* of the trade flow of lint and textiles to identify key constraints to trade. RATES is focusing on the flow of product to and from the textile section of the cotton chain to identify trade and policy constraints of moving lint to textile; and moving textile to apparel on a regional basis.

This regional study was completed by Dr. John Cockcroft in September this year after visits to Kenya, Uganda, Tanzania, Malawi, South Africa, Zambia and Mauritius. He met with CEO’s of the Region’s major ginning, textile and apparel companies along with key trade agencies to discuss their concerns for the competitiveness of East and Southern Africa’s (ESA) cotton and textile sectors in the international market place. His recommendations will guide the formation of RATES intervention programs to improve trade flow within the regional cotton (lint and textile) sector.

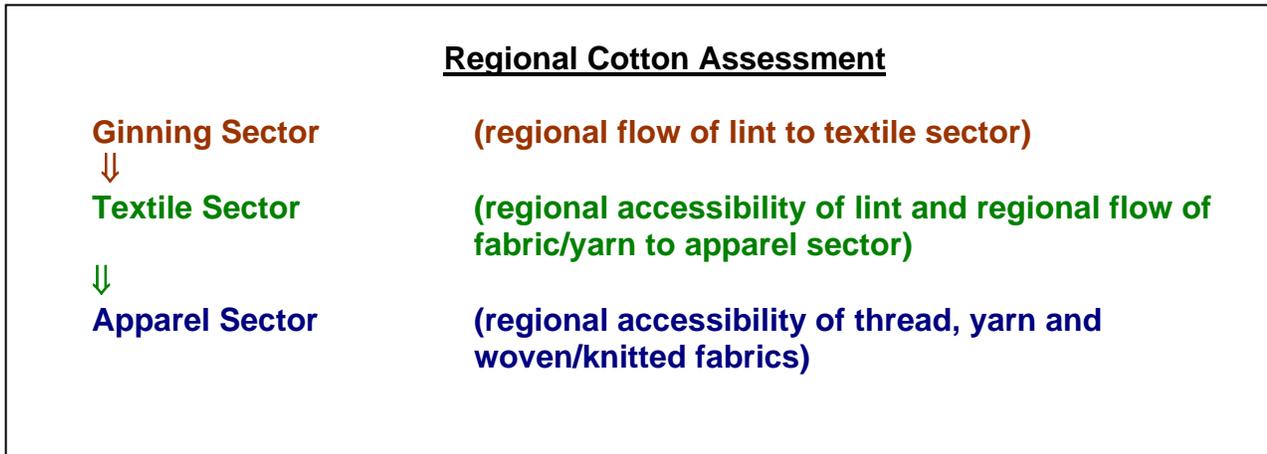


Dr. Cockcroft discovered that despite recent significant investment in the sector – primarily by the apparel industry driven by AGOA – that there is no effective communication or formal networking amongst trade leaders in the region – nor is there any current discussion to form a regional strategy to move ESA to the next level in international market place.

Recommendations from Cockcroft’s report suggest that RATES should:

- Play an active role in fast-tracking the region towards an effective trade network that provides several key services trade leaders need to remain competitive and to move into new investment and trade relations.
- Include trade information services – web site, industry data base, and product trading system;

- Hold regional strategy meetings that would bring industry leaders and key resource experts together to formulate strategies and investment programs that can take ESA to the next level in the competitive world of textiles and apparel.



Significant findings on each country visited include:

Uganda. The overall situation in Uganda is that all the downstream producers are well aware of and understand each other's problems. There is extreme criticism of the following: SHC, which supplies over 85% of the domestic market and is now a delicate political issue; of the non-availability of finance; of high energy costs; of high freight costs; and of any relevant infrastructure, including training. AGOA is generally seen as something to be avoided, because of volumes, quality and deliveries, despite the fact that there is a knowledgeable and capable Special Presidential Assistant on AGOA and Trade.

Textile manufacturers state categorically that the non-availability of local finance is the one main problem inhibiting growth. There is a commonly felt belief that the need to break out of the current situation and talks indicating initiatives that RATES *may* be able to take in alleviating problems and placing Uganda into a Regional cotton perspective, would be welcomed by all players. In any such discussions, a mix of government, associational and producers as mentioned above would hope to be present. There does not appear to be a sector strategy.

Tanzania. Although it is true that the textile mill privatisation process was successful, most of the privatised companies now lack the finance to rehabilitate or re-equip. Their technological base is gradually being eroded, as compared with competitors in the global market place. The allocation of Export Processing Zone (EPZ) status to individual enterprises might assist some companies but as

of now bears no relevance to the majority of companies that cannot qualitatively improve. This also applies to Export Credit Guarantees (ECG's).

Unless some of the specific points are adequately addressed, particularly finance, the good intentions of privatisation will be lost, whilst possible Foreign Direct Investment (FDI) will be deterred. Government is apparently aware of the position and some relief measures will undoubtedly emerge from the Ministry of Finance's Tax Task Force (TTF); from the Textile Working Group of the Confederation of Tanzanian Industries; from the Tanzanian Investment Centre of the President's Office; and from the Tanzanian Chamber of Commerce which works with the US Embassy in Dar Es Salaam on AGOA issues. There is awareness for example, that Tanzania has 'lost' two years or more, as compared with other countries in the region, of progress under AGOA.

The following statement highlights both the problems in Tanzania and the relationships between the various stakeholders. The Confederation of Tanzanian Industries (CTI) writes thus: 'In April last year, we were invited by the Parliamentary Foreign Affairs Committee to demonstrate our role in the promotion of FDI to Tanzania. We informed the Committee that we *advocated* (authors' italics) a conducive business environment characterized by a transparent legal and regulatory framework, fair taxes, and good infrastructure in the form of roads and railways and access to affordable capital. We mentioned the importance of good quality power at reasonable tariffs and the reliability of water supply. We *challenged* (authors' italics) the Government to support measures that would reduce the cost of doing business in Tanzania, estimated to be 30% higher compared to the rest of the world. We made the Committee aware that in 2000 Tanzania received a mere 0.4% of all FDI coming to Africa while South Africa received 50%' (11). The Committee then made the suggestion that its interaction with CTI should be enhanced.'

There is clearly a general recognition of the problems and it is considered that with urgent and intensified government, associational and producer interaction, the current problems will be more readily solved. All major stakeholders are interested in discussions as to how RATES might be able to influence national and regional progress.

Mauritius. There are fewer problems in Mauritius. In fact those now faced by Mauritius are virtually a generation ahead of those faced by Uganda and Tanzania. From an idea over twenty-five years ago, Hong Kong garment manufacturers, with their concerns over their status from the 1990's, were offered key incentives to re-locate. An enabling environment was created, with increasing results throughout the 1980's and 1990's, in terms of created businesses and jobs, investment and foreign exchange earnings. Following the classical *Rostow* model of economic growth, the textile industry led the economic growth of the country. Now, with a rapidly changing global trading environment,

the problems faced by the industry in Mauritius are principally those of *adjustment*.

South Africa. It is of great importance to emphasise at this point, that although all AGOA countries are appreciative of the opportunities accorded and many have already benefited, the emerging global market situation has increasingly brought inherent conflicts of interest to the fore. SA and Mauritius now find themselves at one pole due to non-third country yarn and fabric sourcing, whilst the LDC's now find themselves at the other. Yet, there is a developing national recognition that there are many underlying factors that suggest an increasing commonality of interest with the wider region.

With the current rate of interest (ROI) ranging between 15-17%, interest payments with respect to recent AGOA-inspired investments are increasingly difficult to service. Uncertainties over the AGOA regional fabric decision have led to pending basic financial, trading and investment issues that are of relevance across the region, although with national variations.

Malawi. In theory, the infrastructure could look good for FDI into Malawi. Ignoring the landlocked location, to some extent offset by low wage rates, most of the appropriate agencies exist, such as the Malawi Investment Promotion Agency (MIPA) with one-stop facilities; the Malawi Export Promotion Council (MEPC); the Malawi Development Corporation (MDC); the Malawi Confederation of Chambers of Commerce and Industry (MCCCI); the Investment and Development Bank of Malawi (INDE Bank); and EPZ's. President Muluzi in a foreword to the new and attractive Investor's Guide to Malawi refers to a reduction of administrative red tape in responding to and granting investor requirements (28). Very useful information for the commercial investor is available in that publication and from MIPA.

Zambia. As with the similar vertical companies in Uganda and Malawi, a core of good technology still exists in Zambia; and the fact that such is still of commercial value is vividly demonstrated by the high capacity utilisation in Uganda. The complement of 100+ 3 metre- width Sulzer projectile looms (plus over 300 older Picanol looms) in Zambia and Malawi, equates in commercial potential, with that current high capacity-utilisation core in Uganda.

There are approximately fifteen other smaller private spinning and/ or weaving companies in Zambia, plus several small making-up factories. The companies are located mainly in the area around Livingstone in the South and in the Copperbelt to the North. Most of the goods produced by these trade-linked companies are for national and regional niche markets, including household textiles. The majority utilise cotton but some utilise wool and/or acrylic yarn, for blanket manufacture.

One of the other striking characteristics of the domestic sector is that the majority of the garment and /or fabric knitting companies described on structural lists and so on, have in effect now become mere handlers of imported goods. Garments are merely re-boxed and/or re-labelled for the domestic market and, in full knowledge of all concerned in the transaction, the Zambian wholesaler and/or retailer then buys it. Loose border controls assist such activities, and an argument utilised is that such companies would close.

Cotton Marketing Specialist. RATES has contracted the RATES Commodity Specialist for Cotton who will be posted to Nairobi in November 2003. Barry Fisher has 27 years of cotton sector experience in Africa, mainly for COTTCO Zimbabwe, but most recently has been active in regional investments for COTTCO in Zambia, Uganda and Mozambique.

PIR 2: Increased institutional capacity to sustain agricultural trade

KRA 2.1: Capacity of selected partner organizations strengthened

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

Provide targeted support to EAFCA. RATES is assisting EAFCA to provide market and technical development services that support and add value to the programs of its members, promote aggressive regional and international market development, and position EAFCA in the longer-term to maximize opportunity for revenue generation and sustainable operation. A major step was taken in July when the final memorandum of understanding was signed between RATES and EAFCA to formalize their working relationship.



Another exciting development is the hiring of a new coffee specialist to be based at EAFCA in Kampala. It was found that the technical and management requirements of EAFCA were such that a very high caliber of candidate was required and RATES is pleased to announce that Chris Von Zastrow, who served as a cupping training instructor during the recent Coffee Corp tour and who is himself a coffee trader and quality expert, will start with the project in October. Chris will also be supervising the Uganda appellation pilot project and will be replacing Harry Mrema who has been seconded to EAFCA since the start of the RATES project.

Other major activities of note during this year have been:

- RATES provided core support at both the international coffee exhibitions in Boston and Rome in order to develop institutional capacity in marketing, booth design, training in client interaction, etc.
- RATES hosted a meeting of the board of directors of EAFCA in order to ensure that key issues were voted on in the proper institutional format.
- RATES provided technical assistance in the form of market specialist consultant to train Boston participants on entering the US market.
- RATES is also assisting EAFCA in the forward planning of the African Fine Coffee Exhibition scheduled for February 2004 in Nairobi. This self-funding activity has been highly promoted in Boston, Rome and the web site with informational material, early registration promotions, and safari packages. This exhibition, following the theme of “The World’s Wildest Coffee - Eastern African Origin” is designed to put EAFCA on the world specialty coffee map. Revenue earned from this 100% cost recovery event should also cover the a good percentage of the EAFCA administrative costs for 2004 and is thus a major step towards sustainability. RATES has hosted several steering committee meetings for this event and is encouraging EAFCA to take a very business like approach to the event.
- RATES has assisted EAFCA in forming and supporting a steering committee for the WWC event, as well as the subcommittees.
- RATES has assisted EAFCA in their budgeting and work planning process for the coming year.
- RATES has been instrumental in designing and assisting EAFCA to provide member services which has resulted in a 250% increase in paid members to the organization and the joining of three new member countries.
- RATES is working with EAFCA members to update its operational business plan and put it into the form of a Strategic Development Program that outlines EAFCA core programs for the next three years. This EAFCA Strategic Development Program will start with the chapter planning.
- Part of the planning process requires EAFCA to bring itself up-to-date on the individual member country coffee market situation and “snapshot” market assessments, highlighting specialty coffee, and base-line data collection have been underway during this quarter. Drafts are complete for Rwanda, Tanzania, and Kenya with several others in process. John Schluter, a regional coffee market expert and trader, has been contracted to provide technical expertise to these



- assessments from the viewpoints of both the locally based exporter as well as an EU based trading company (UK and Switzerland).
- RATES assisted EAFCA in organizing the Coffee Corps visit to include 3 teams; members of the advisory board, international cupping trainers and trainees from 7 member countries. This was a major undertaking, especially considering the travel restrictions in place in the region.
 - RATES has hired a part time professional communications officer for the Kampala secretariat whose responsibilities include assisting EAFCA with; the eafca.org web site, development of a monthly newsletter, a promotional brochure, etc.

Provide Targeted support to Red Sea Livestock Trade Commission. The LTC is not yet formally registered and all of its formative activities are in preliminary stages, thus RATES hopes that it shall be a major influencing factor in the design of the eventual structure and functionality of the commission. RATES is constrained by accessibility and cooperation of key LTC personnel but has already begun the process of developing an operational business plan for the LTC. RATES hopes to assist LTC to generate activities which are revenue producing in order to avoid becoming a donor driven organization.

- RATES has assisted the LTC this year through fielding of a team to analyze the feasibility of a livestock holding facility in Djibouti which could be the primary source of revenue to make the commission sustainable.
- In September, RATES hosted a meeting of potential stakeholders and users of the Djibouti Livestock Holding Facility. This major event concluded with unanimous agreement to proceed with the construction of the LHF in Djibouti and this will be a major RATES activity in 2004. Both the revenue and the good will created by the facility will provide a platform for LTC sustainability.
- RATES has already begun assisting the LTC in development of a tender for the construction of the Djibouti Livestock holding facility. The tender process should be completed before the year end and RATES fully intends to support the actual construction of the facility through the partner fund or direct support.
- RATES is assisting LTC through core support in the development of an operational business plan which will provide a more realistic framework for growth than the previous budgets and plans on the table.
- RATES attended the steering committee meeting to determine ways in which RATES can assist LTC in formalizing their structure.

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

Strategy: RATES recognizes that new and improved technologies will be required to increase production, and lower transaction and marketing costs. RATES is forming linkages with technology and research networks relevant to the TATES-supported commodities. We will also partner with on-going bilateral development projects that promote increased trade, and with selected private service providers who offer specialized technical expertise.

Progress on activities under KRA 2.2 is presented below

Identify technology needs and technology providers. RATES has compiled a list of highly qualified service providers in the region. We will continually update the list of firms in critical areas that can be contacted to bid on specific requests for service. Specific tasks include facilitating partners' acquisition of services, developing a guide for procurement of such services, and developing and maintaining a database of short-listed service providers.

Coffee. The primary technology identified and utilized for coffee and EAFCA during the year has been the development of a web site to promote the 2004 Conference. The www.worldswildestcoffee.com site has attracted substantial attention. The average daily hits are in excess of 1,000 and there is a trend now

towards over half coming straight to the site. The site is appearing on the first pages in certain search engines such as Yahoo, Google, etc. The site also promotes EAFCA and on line registrations are starting to be received.



The most exciting technological leap begins in October with the Uganda appellation project which will incorporate utilization

and training on the Global Positioning Systems (GPS) by UCDA and the RATES appellation team. This technology will be used to identify and delineate areas of special coffee characteristics. The USGS will train trainers and then develop a web based mapping system in conjunction with Makerere University.

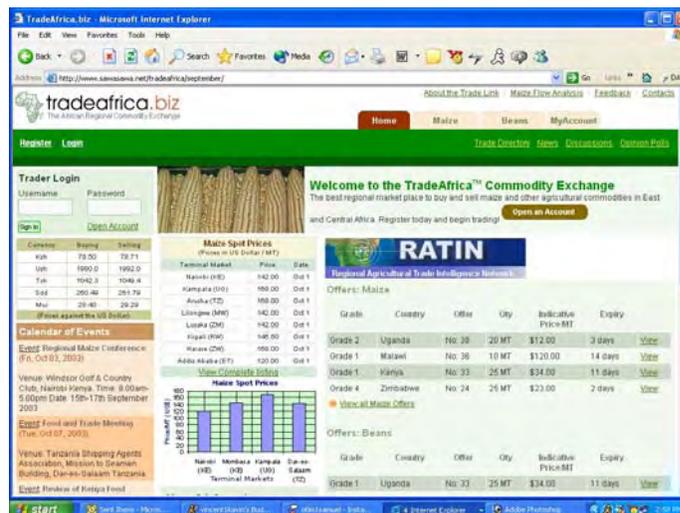
RATES has engaged a short-term professional writer/editor for EAFCA in this quarter that is updating the www.eafca.org site, as well as developing an online and paper newsletter.

Livestock. The Djibouti Livestock holding facility, whose feasibility study, design and construction are being supported by RATES, will have as a key component the identification and utilization of computerized tracking and information devices which will allow for individual animal identification and thus ensure their quality and health upon arrival.

Develop the Partner Fund's Operational Manual. The RATES Partners' Grant Fund Manual was developed and approved by the REDSO team during the last quarter. This manual was first submitted in draft form to the REDSO Contracting Officer, who reviewed the document, and made suggestions for revisions, and corrections. The manual was resubmitted and approved in September. Several applications for RATES Partners Fund assistance have been received and the RATES Grants Manager is currently processing these requests. The first fixed amount reimbursable agreements are expected early next work plan year.

Identify and support appropriate information networks. RATES worked closely with FOODNET (Kampala) and FEWSNET (Nairobi) to design an

effective Regional Agricultural Trade Intelligence Network (RATIN). The web page design for this activity was contracted to Computer Frontiers International (CFI), a RATES consortium partner. Computer Frontiers is also working closely with FOODNET to develop mechanisms for exchanging and disseminating market



information including the use of call centers to feed data into the network. As indicated under KRA1.2, RATES, has developed a trade linkage website to compliment the RATIN focus on price and production information. This site, www.tradeafrica.biz, is accessed directly through RATIN to facilitate active trade communication between suppliers and buyers throughout the region.

PIR 3: Expanded private sector contribution to regional trade initiatives

KRA 3.1: Private sector-driven agricultural trade policies advocated

Strategy. The strategy for this KRA is to identify issues and constraints to regional trade flows and to bring them to the appropriate regional policy making institutions for action and adoption.

Assist COMESA and EAC to promote intra-regional agricultural trade for RATES supported commodities. During the work plan year, RATES worked very closely with both EAC and COMESA to develop the regional maize policy platform. Our collaborative effort with these two IGOs culminated in the regional maize workshop that was held in September (see KRA 1.2) that brought together key trade policy decision makers and private sector maize traders.

Prior to the regional conference, and over a five month period, the RATES team organized national working groups in each major maize-producing country that included both private sector maize traders and public sector institutions. These working groups developed the agenda for the regional conference, and many working group participants attended the regional workshop. The aim was to flesh out the regional trade policy and regulatory environment for enhancing regional maize trade.

The regional maize policy conference was held on 16th and 17th September 2003, in Nairobi. The conference drew a total of 120 participants from the private and public sectors from 7 maize producing countries. The delegates made specific recommendations in four thematic areas that are constraining increased regional trade in maize. These included:

- Quality and safety standards
- Phytosanitary regulations
- Customs documentation and procedures
- Export/import regulations, tariff and non tariff charges and food aid.

During the conference, COMESA and EAC incorporated the recommendations into a time-based implementation action plan for submission to the relevant policy making organs within these institutions.

Immediately after the conference, RATES worked with COMESA to prepare a maize trade policy platform, based on the conference recommendation as rejoined by the COMESA implementation action plan. The platform is being presented to the Trade and Customs Committee meeting that will take place in Lilongwe, Malawi between 15th and 17th October, 2003.

Other private-sector trade policies advocated. Project activities in the area of trade policies and regulations for the year focusing primarily on baseline assessment and identifying opportunities for policy harmonization and creation of enabling trade regulatory environment. A brief review of other commodities include:

Livestock. RATES worked with AU-IBAR on harmonization of regional livestock trade policies. Rates hosted a meeting of importers and exporters in Dubai to delineate constraints and barriers to livestock trade. Problems were identified and government representatives from the Middle East and Africa were made aware and began steps to address the issues. RATES assisted LTC in the development of a Livestock health certificate that will be recognized and viable in order to facilitate trade. Major progress was made on the requirements for and the design of this certificate at the Dubai meeting hosted by RATES

Coffee. In order to trade Eastern African coffee effectively, it was found that buyers and sellers need a similar reference and definition for specialty coffee characteristics. RATES has been working with EAFCA on harmonization of specialty coffee definition through such activities as hosting the Coffee Corps cupping training sessions for EAFCA members from 8 countries. RATES also held coffee industry stakeholder meetings in 5 African cities to determine any constraints to trade and ways in which EAFCA and RATES can facilitate.

KRA 3.2: Private sector buy-ins and alliances expanded

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

Identify and facilitate market linkages.

Coffee. Activities this first year have been focused on launching a major Eastern African marketing and relationship building activity: This past quarter, the RATES-hosted and organized visit of the Coffee Corps advisory board to the region was instrumental in beginning the process of building private sector alliances. The Vice President of Peets Coffee, as well as top level executives from Kavanaugh Coffee, Boot Coffee and San Cristobal Coffee were all able to taste the regional coffees, hold meetings with producers and traders and open dialogues for the future. RATES also hosted a series of private sector coffee stakeholder meetings in five countries to open the floor to discussion of issues affecting the industry.

In May, the RATES sponsored “Meet the Buyers” event” at the SCAA in Boston provided the framework for several private sector alliances. Discussions have already begun in earnest to hold a cupping exchange with US buyers and another adopt a farm program. We expect many of these buyers to attend the WWC and contribute their expertise and create alliances at that time.

EAFCA members themselves have provided important private sector support as they self fund travel, accommodation, etc. in order to participate in international exhibitions and meet with the buyers with whom they can trade.

Maize. RATES is excited over the development of the Regional Trade Intelligence Network, and the RATIN web page. As a result of our networking with the major traders in the region, there has been serious interest and inquiries expressed by the sector to conduct trade that led to the further development of the TradeAfrica.biz linkage web site as described elsewhere in this document..

RATES has launched the RATES Trade Office staffed by a full-time Trade Office Facilitator dedicated to the upkeep and management of both the RATIN and TradeAfrica.biz sites. The web page “backbone” (programming) can be used as a template for other data-base driven trade web pages, and easily managed with minimal training.

Livestock. Activities focused on building relationships between the LTC and the private traders. Dialogue needs to be increased and a private sector “buy in” to the idea is key to success. In September, RATES hosted a private sector based meeting in Dubai for exporters and importers of livestock. Constructive dialogue was opened and opportunities for trade were created. Additionally, several traders present expressed interest in investing in activities which would expand the trade from Africa to Middle East, this included such interesting ideas as the creation of an airline to carry cargo from Djibouti to Dubai, extensive cross cultural visits to familiarize both sides with the trading environments of their clients, etc.

Cotton/Textiles. During the regional textile study, RATES held one-on-one meetings with CEOs and owners of ginning companies, textile mills, and apparel companies. These stakeholders indicated a strong corporate desire for regional networking and improved market intelligence. RATES will be working closely with a core group of key private sector advisors early next year to help the industry develop the appropriate regional mechanism for sharing information and building strong business to business linkages.

PIR 4: PROGRAM MANAGEMENT, MONITORING AND EVALUATION

Program Management

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.

KRA 4.1: Management and coordination mechanisms established

Strategy. The RATES project continues to depend upon strong coordination and good management in order to effectively manage the various components that make up the ever-growing project. Developing and relying upon an efficient administrative support system remain of utmost importance for RATES and maintaining and monitoring the project's accounting and financial systems continue to be a prime area of focus for the project administrative staff. To ensure that RATES functions in a streamlined manner, the RATES home office project management unit will work closely with the field project financial staff to develop and train them in using the most efficient financial and accounting systems. RATES has been helped in this strategy by having a full-time, currently home office staff member, working as the field Operations Manager, who also works closely with the RATES field accountant.

Continue RATES management systems. RATES continues to be a well-staffed and highly functional team of employees which, because of increasing professional needs, continues to grow. As of September, 2003, RATES has 24 full-time employees which include four long-term employees through the RATES subcontracts (IDC, ITI, and Computer Frontiers). Within this quarter, RATES added the following full-time employees: Trade Facilitation Manager, Cotton/Textiles Specialist, Trade Policy Specialist (Lusaka-based), and Coffee Specialist (Kampala-based). RATES expects to hire a Dairy Specialist through a Land of Lakes subcontract in the near future. As in any project as complex as RATES, the management systems continue to be developed and modified for the specifications of not only Chemonics and USAID but also the Kenyan employment laws.

Policy and Procedures. RATES program management staff have continued to revise and clarify a number of operational policies that affect the efficient running of the field project. Travel Advance and Expense Report procedures have been clarified in the RATES Field Office Policy Manual due to the increasing travel requirements of the project.

Office space. RATES has assumed ownership of much needed office space from the former Chemonics project, ECA Trade Hub, which officially terminated on September 15, 2003. The office expansion has allowed three of the newly employed staff members to move into the vacant offices. In addition, the RATES Trade Center has formally established itself, as of September 16, in the former large corner ECA office with two full-time RATES staff members. The more spacious Trade Center allows for more efficient operations.

Registration/Tax Status. Chemonics Kenya (CK) is now fully registered and recognized as a not-for-profit company backed by shares but CK continues to need to interact with the Government of Kenya on problematic issues that affect the management of the project. The issue of the lack of tax-free status and the lack of understanding on the part of the Kenya Revenue Authority (KRA) continues to affect RATES. Chemonics Kenya officially applied for VAT exempt status from KRA and was denied, in writing, this status in September, 2003. KRA instructed CK to apply once a bi-lateral agreement was entered into by USAID/REDSO and the GOK.

Personnel Management Systems. RATES continues to adhere closely to well-defined personnel management systems. Following the requirement of the GOK, all required taxes are withheld from all local RATES salaries (long-term and short-term).

Partner Fund's Operational Manual. After a revision of the July 2003 Grants Manual, the REDSO Contracting Officer approved the RATES Grants/Partner Fund Manual on September 26, 2003. Within days, the RATES technical team had received its first solicitation for funds under this fund. At this time, RATES is in the process of reviewing a Partner Fund application and anticipates that it will be funding one of its partners in order to implement an upcoming international coffee event to be held in February, 2004.

Develop and install RATES IT systems. RATES partner, Computer Frontiers, continues to be invaluable in setting up and perfecting the RATES network, ensuring smooth operations of the project. There were at least four major accomplishments this quarter for IT operations. An intranet system is now in place which allows all staff to access a shared network of information. This is very important for a project as mobile as RATES. Secondly, RATES has developed collaboration tools with its partners and traders in developing the RATIN network (Regional Agricultural Trade Intelligence Network). In addition, working alongside a local sub-contractor, RATES has developed and implemented the TradeAfrica webpage. TradeAfrica, an electronic meeting place for traders, is being facilitated by the newly hired Trade Facilitation Manager. Finally, RATES, using internet passport software, now has internet roaming capability which can be used by staff to access their own accounts while traveling

anywhere in the world. All of the above have greatly contributed to the on-going smooth functioning of the project.

KRA 4.2: Program monitoring and reporting needs met

Strategy. The goal for this KRA is to implement a Monitoring and Evaluation (M&E) system to track RATES planned activities, delivery of expected outputs, and quantitative impacts. M&E data is obtained from three sources: RATES administrative and operation records; RATES implementing partners; and external surveys.

The following main M&E activities were conducted during the 2002-2003 project period

- Revision and finalization of the Performance Monitoring Plan (PMP) document.
- Submission of finalized PMP document to USAID-Kenya.
- Development of evaluation tools for RATES events (workshops, conferences and trade fairs.)
- Implementation of evaluation tools at RATES events.
- Analysis of participant responses on event evaluations.
- Preparation of event evaluation reports for selected commodities
- Submission of event evaluation reports to commodity and policy specialists.
- Planning and preliminary design of M&E Information Systems (MEIS) for inputting data, tracking and assessing progress on project activities
- M&E data collection from COMESA on trade values of RATES selected commodities for each target country.

M&E methodology for M&E activities conducted to date:

A “mixed-methods” approach influenced the development of the RATES’ PMP document. This was necessary for a more holistic understanding of the progress, results and challenges affecting RATES project implementation activities. Both quantitative and qualitative techniques and methods were therefore incorporated into the PMP document for tracking and reporting of intermediate results for each commodity. These methods included:

- Reviews of business, trade, and RATES activity documents and data
- Interviews with key informants
- Case studies of selected businesses
- Site visits for observation of activity progress and impacts
- Mini surveys (questionnaires and/or in person) with commodity traders
- PIVA Institutional Viability Assessment tool

Coffee. The Business Development Specialist for the coffee commodity worked with the M&E specialists to develop and implement evaluations on planned events. These include the SCAA trade fair in Boston, the Coffee trade fair in ROME and the Coffee Industry meetings in the Eastern African region. Participant responses were analyzed and the findings reported to the Business Development Specialist who used them to determine the success of each event in achieving its objectives with clients. A follow-up survey questionnaire was designed for participants of the SCAA and ROME trade fairs. This form is currently being implemented by EAFCA with chapter members who attended these events.

Maize. The M&E unit worked with the Maize Commodity Specialist to develop an appropriate M&E tool to measure progress and performance of the maize workshops which were held in Uganda, Kenya, Zambia, Malawi and Tanzania. Another tool was designed for the Regional Conference on Maize Policy in Nairobi. The tools in the form of workshop evaluation questionnaires were implemented at each event by the M&E Specialist who analyzed and reported the findings back to the RATES team. These findings helped to guide the planning of subsequent workshops. They also provide information for the RATES team on the views of participants concerning specific maize trade and policies affecting their specific trade activities and lessons learned from the workshops and conferences.

Baseline data on the value of intra and extra COMESA maize trade was gathered by the M&E Specialist and Trade Policy Advisor from the COMESA Statistics Office in Zambia. The data which was compiled by the COMESA statistician was remitted back to the M&E Specialist and Policy advisor via e-mail. The raw data was analyzed and the baseline values determined and reported to the technical team and COP.

Cotton. Baseline data on intra and extra COMESA trade of cotton, carded and/or combed and not carded and not combed, cotton lint, yarn, woven fabrics and textiles was collected by the M&E Specialist and Trade Policy Advisor at the COMESA Statistics Office in Zambia. This data was compiled by the COMESA statistician and availed to RATES. This data was further analyzed by the M&E Specialist and the Policy Advisor and the baseline value determined for the commodity.

Livestock. Baseline data on intra and extra COMESA trade of livestock was collected by the M&E Specialist and Trade Policy Advisor at the COMESA Statistics Office in Zambia. The data which covered bovine animals, sheep, goats was compiled by the COMESA statistician and availed to RATES. The findings were analyzed further by the M&E Specialist and Policy Advisor and the baseline value determined for the commodity. The M&E Specialist worked with the Business Specialist to develop and implement event evaluations for a livestock

meeting held in Djibouti during the third quarter. The findings were used to determine the outcomes of the meetings which had a positive impact on participants' livestock businesses and those requiring follow-up by the RATES project.

Problems Encountered During the Annual Reporting Period

Duty-Free Status. The non-official status of the RATES project continues, as it does every quarter, to be of utmost importance to Chemonics International, causing, as it does, financial and administrative difficulties for the project. A recent example of the effect of not having tax exempt status was the fact that the recent purchase of the two project vehicles cost an additional \$50,000 in duty and taxes alone. RATES clearly would prefer spending these funds on direct assistance to our partners. In addition, because of RATES' non-exempt status, the project is obligated to be vigilant about filing company returns through the Kenya Revenue Authority and understanding that Chemonics Kenya, as a company registered in Kenya, may be requested by the KRA to submit to an audit at any time.

Travel Ban/Security Issues. The on-going heightened security concerns for Kenya which have resulted in travel bans during the work year caused some difficulty for RATES project events. This was especially apparent with the August, 2003 Coffee Corps Cupping Training event. This event included high-profile coffee experts who were unable to travel to Kenya, and were not permitted to include any activities inside Kenya. This travel ban also impacted upon any and all short-term technical advisors that RATES had planned to bring to Kenya, along with all activities in Kenya that RATES planned to implement. In addition, the unscheduled closings of the USAID Mission during the last quarter impacted RATES' ability to obtain timely travel clearances for consultants.