



USAID
FROM THE AMERICAN PEOPLE

RATES PROGRAM

**Annual Performance Monitoring Report
October 2004 to September 2005**

October 15, 2005

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



Annual Performance Monitoring Report
October 2004 to September 2005

Submitted by:

Chemonics International Inc.

A USAID-funded Project
Contract #623-C-00-02-00089-00

October 15, 2005

Table of Contents

Table of Contents	i
Acronyms	ii
Executive Summary	1
A. Overview of RATES	4
B. The RATES Results Framework	4
A. Project Level Impact	6
B. PIR 1: Expanded agricultural trade opportunities in selected commodities	11
KRA 1.1: Specialty coffee exports increased.....	12
KRA 1.2: Increased value of maize	15
KRA 1.3: Sales of cotton/textiles increased.....	18
KRA 1.4: Sales of dairy products increased	21
C. PIR 2: Increased institutional capacity to sustain agricultural trade.	23
KRA 2.1: Capacity of selected partner organizations strengthened.....	24
KRA 2.2: Demand-driven technologies identified, developed and utilized	26
D. PIR 3: Expanded private sector contribution to regional trade initiatives	27
KRA 3.1: Private sector-driven agricultural trade policies advocated.....	28
KRA 3.2: Private sector buy-ins and alliances expanded	29

Acronyms

ACTIF	African Cotton and Textile Industries Federation
AGM	Annual General Meeting
AGOA	African Growth and Opportunity Act
ASARECA	Association for Strengthening Agricultural Research in East and Central Africa
CFI	Computer Frontiers International
COMESA	Common Market for East and Southern Africa
CMS	Coffee Marketing Specialist
CQI	Coffee Quality Institute
CTMS	Cotton/Textile Marketing Specialist
DRC	Democratic Republic of Congo
EAC	East African Community
EAFCA	East African Fine Coffee Association
ECA Hub	East and Central Africa Global Competitiveness Hub
ECAPAPA	Eastern and Central Africa Program for Agricultural Policy Analysis
ESA	East and Southern Africa
ESADA	Eastern and Southern African Dairy Association
FARA	Fixed Amount Reimbursable Agreement
FEWS NET	Famine Early Warning System Network Project
FOODNET	Post Harvest and Marketing Research Network for Eastern and Central Africa Project
GDA	Global Development Alliance
GHA	Greater Horn of Africa
GPS	Global Positioning Systems
IBAR	Inter-African Bureau for Animal Resources
IEHA	Initiative to End Hunger in Africa
ICO	International Coffee Organization
IGO	Intergovernmental Organization
IMCS	Independent Management Consulting Services
IRC	International Relations Committee

IT	Information Technology
ITI	International Technology Investment Ltd.
KRA	Kenya Revenue Authority
LOL	Land O'Lakes
LTC	Livestock Trade Commission
M&E	Monitoring and Evaluation
NSB	National Standards Bureaus
NTB	Non Tariff Barrier
PIR	Project Intermediate Result
PLP	Pastoral Livelihood Program
PMP	Performance Monitoring Plan
RATES	Regional Agriculture Trade Expansion Support Program
RATIN	Regional Agricultural Trade Intelligence Network
REDSO	Regional Economic Development Services Office
PIVA	Partner Institutional Viability Assessment
RTO	Rates Trade Office
SCAA	Specialty Coffee Association of America
SO	Strategic Objective
SPS	Sanitary and Phytosanitary
TBD	To-Be-Determined
UHT	Ultra High Temperature
USAID	United States Agency for International Development
VCA	Value Chain Analysis
WTO	World Trade Organization
WWC	Worlds Wildest Coffee Conference and Exhibition
ZCGA	Zambia Coffee Growers Association

Executive Summary

The Regional Agricultural Trade Expansion Support (RATES) program has now completed three full years of operation. The program has caught its full stride and continues to make significant progress in a number of key results areas. RATES has gained considerable recognition as a leader in promoting regional trade through private sector advocacy and market promotion. The RATES commodity list now includes maize, specialty coffee, cotton/textiles, dairy and livestock. RATES has recently taken over the task of completing and operationalizing the Djibouti Regional Livestock Export Facility (DRLEF) formerly managed under AU-IBAR.

This PMP report is based on our results framework and is one of two parts of the RATES Annual Report. The other component of this report is the normal narrative RATES progress report that further documents results with component highlights, success stories and photographs. We also provide a separate success story report as per David's Atteberry's memo of October 2005. This PMP report provides highlights of key results while the progress report provides a more detailed narrative of activities and events carried out during the reporting year.

Regional trade has significantly increased during the past year. Much of this increase is being driven by increased exports of unprocessed commodities such as lint cotton; however RATES recorded increases in all commodity sectors. We have noted a subtle shift of thinking at the national policy maker level to a more regional approach to trade policy. As a regional program without "foot soldiers" on the ground in every country, RATES must rely on bilateral programs and other key national partners to follow through on many of the linkages that RATES is able to initiate. This close collaboration with these programs at the grass roots level is one key to RATES success to date. Some of the key preliminary results/highlights during the past 12 months include:

Maize

- The "Maize without Borders" concept has been fully integrated into the COMESA/EAC policy frameworks. This strategy involves a two prong approach to increasing trade by creating a more conducive enabling environment for the smooth flow of grain across borders and increased market information and product promotion to further develop the regional markets by linking supply with demand. The concept also involves creating increased public/private sector partnerships that will increase the necessary political will to achieve the objectives of this strategy.
- Grain trade across the region increased significantly driven by a 15 fold increase in maize exports out of Zambia during 2004 calendar year. This was mainly due to a bumper maize crop in Zambia during the 2004 cropping season and change in government policy towards promoting maize exports. Drier weather and reduced crop forecasts for the 2004/2005 season will surely test this new policy. Other countries in the region experienced a modest increase 6.8 % increase in grain trade. Countries with surpluses could still benefit from the overall improved trade environment continues to gain momentum.

- The Regional Agricultural Trade Intelligence Network (RATIN) continues to serve as a leading source of agricultural market information locally, regionally and internationally. There are now over 1400 subscribers to the Monthly Newsletter and Weekly Price Review bulletin available through the www.ratin.net website.
- RATES supported www.tradeafrica.biz continues to gain momentum as the only fully-integrated grain trade linkage site operating in Africa. During the FY 05 reporting period, the site posted over \$250 million in combined offers to buy and grain.

Coffee

- The value of specialty coffee exports increased significantly driven by a recovery of overall world coffee prices from an all time low in 2003. The region saw a 15% increase over last year's value and a 101% increase over the base year values for 2001. Rwanda made great strides in developing its specialty market as well as Tanzania that also showed significant gains and increased interest from the US coffee industry. The Burundi specialty industry also showed a sign of recovering as peace takes hold.
- Eastern African Fine Coffees Association (EAFCA)'s efforts to promote regional coffees in the US market have started paying impressive dividends. A number of companies including Starbucks, Peets Coffees, Green Mountain and others have re-entered the East African market, and making lasting partnerships with local producers and traders.
- The second annual "World's Wildest Coffee Exhibition and Conference (WWC2) in Livingston, Zambia during February 2005 attracted over 400 coffee buyers and sellers from over 40 countries and netted EAFCA over US 150,000 dollars in revenues and sponsorships. This event is the cornerstone of EAFCA's promotional efforts.
- Working with the Coffee Quality Institute's Coffee Corps program, RATES supported EAFCA to provide over 10 training workshops in cupping, roasting and milling. Over 250 cuppers, millers and roasters were trained during the reporting period. Industry volunteers provided over 500 hours of time with an estimated in-kind value of \$200,000. Total buy-ins from the regional and international coffee industry totaled over US three million dollars.

Cotton/Textiles

- Cotton/textile exports increased significantly driven by increased trade of cotton lint. Zambia led all countries with over 100 million in new lint sales, mainly to South Africa. This increase can be attributed to a major push from the Government of Zambia to promote cotton production. Interregional trade in other textile products had modest increase of around 10%.
- Through RATES interventions, the region's top industry executives in the cotton, textile and apparel sectors agreed to work together and formed the African Cotton & Textile Industries Federation (ACTIF), a regional trade body formed to create a unified and recognized voice in both regional and global trade affairs.

- Cottonafrica.com continues as a leading success story of a web-based trading site. The volume of business through the cottonafrica.com site has increased by 133% during the past year, from \$73 million to \$170 million in offers to buy and sell cotton/textile products.

Dairy

- Exports of dairy products posted an impressive gain of 26.7% over last year's values. Gains in interregional trade (mainly to conflict zones such as Sudan, the DRC and Burundi) have more than doubled from the baseline year of 2001 to over 7.2 million dollars.
- RATES (under the auspices of COMESA and the EAC) sponsored the region's first Regional Dairy Summit held in Nairobi in October 2004. Participants at the summit unanimously passed a resolution to form a regional dairy association, the East and Southern Dairy Processors Association (ESADA) to promote the region's dairy industry and to develop strategies for increasing trade within East and Southern Africa.
- RATES assisted COMESA and the EAC to become major players in resolving a number of bilateral dairy trade disputes including issues between Uganda and Kenya and Zambia and Kenya.

Section I. Introduction

A. Overview of RATES

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

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

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

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

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

B. The RATES Results Framework

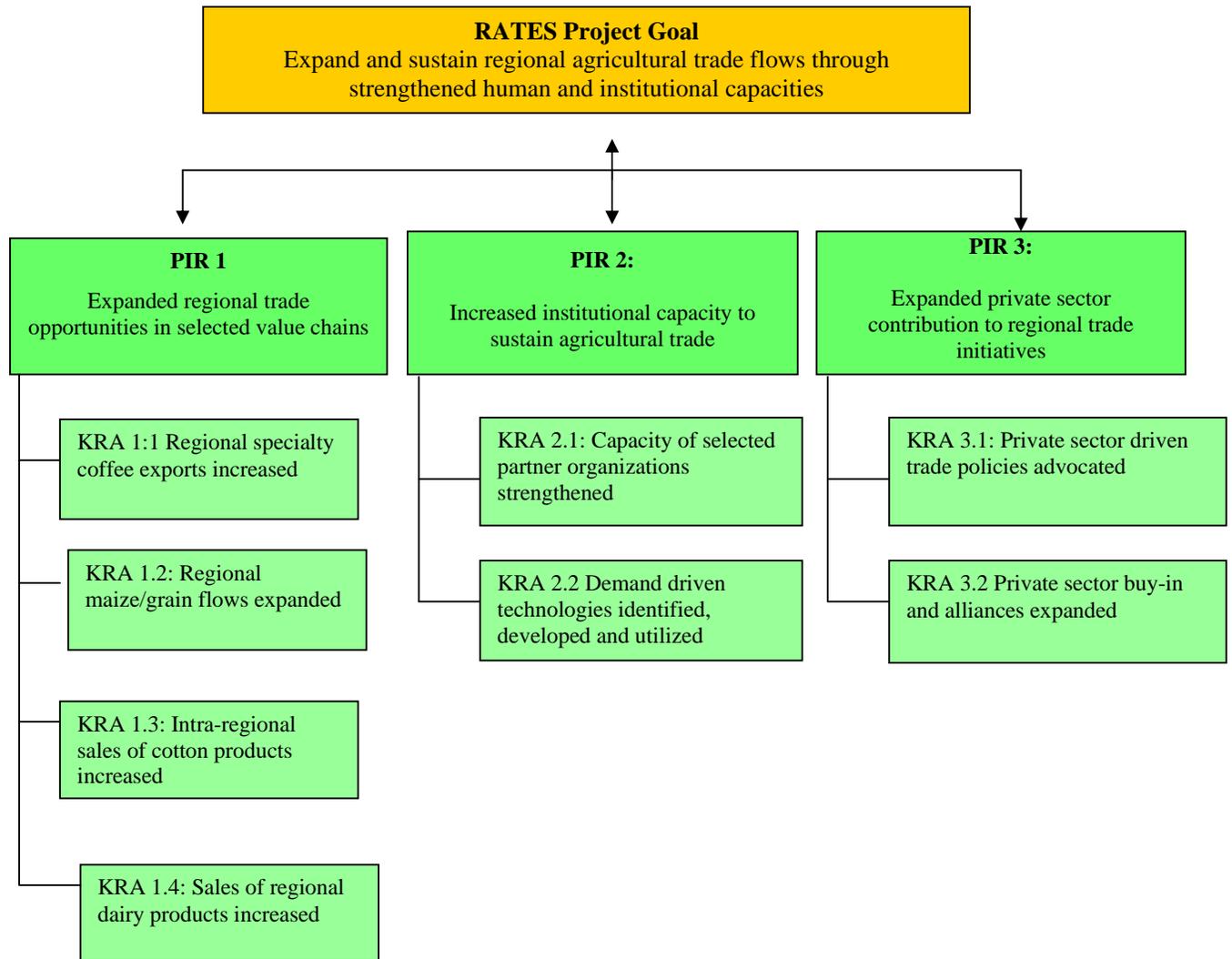
Project Goal

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

RATES Project Goal
Expand and sustain regional agricultural trade flows through strengthened human and institutional capacities

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

Exhibit 1. RATES RESULTS FRAMEWORK



In the next section, we present a summary of results achieved during the first project year for the period October 1, 2004 to September 30, 2005. These results also include the baselines established for each indicator where appropriate and tables and exhibits to further highlight our achievements.

Section II. RATES Results

A. Project Level Impact

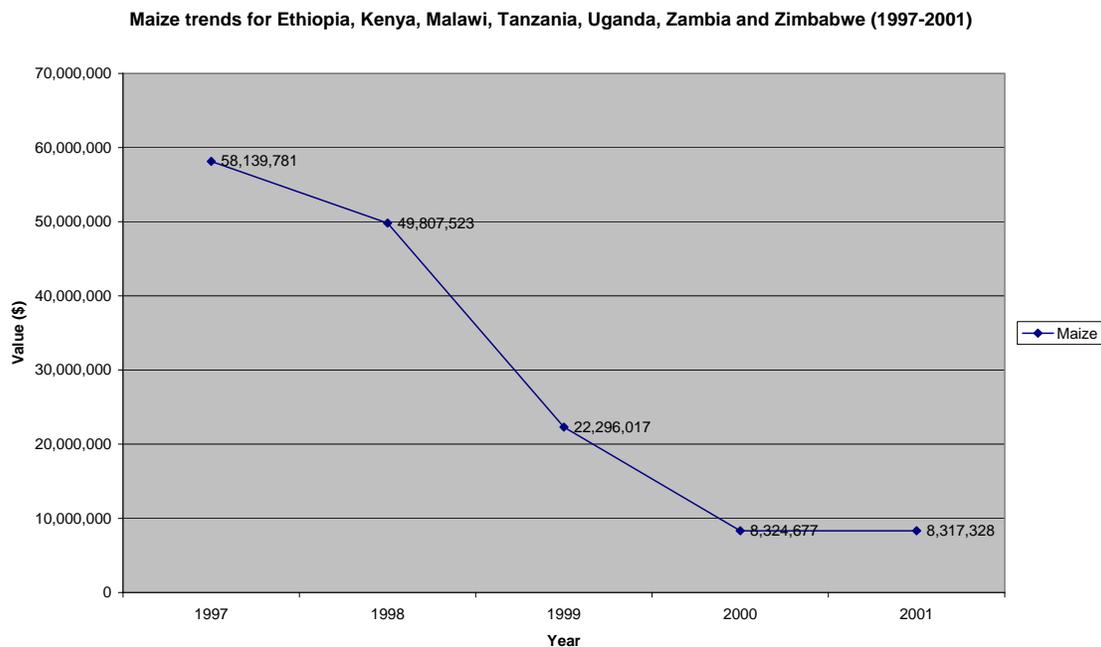
Below, RATES provides a detailed summary of project-level results to date. These have been captured quantitatively in terms of actual numbers where data are available, and qualitatively in terms of highlights and case studies of important achievements.

RATES has defined three indicators to capture achievement toward the project goal. These are:

- Percentage increase of agricultural trade in the region
- Number of policy changes adopted by regional and inter-governmental organizations
- Increased regional partner institutions capacity (defined by score on PIVA-Scale)

To establish baseline information on these indicators, RATES has worked closely with the REDSO team and regional partners to determine the best source of primary data to develop our baseline database. For establishing baselines, we had to weigh the ease of obtaining data, the validity of data collected within the region, and the financial constraints of the project's ability to collect primary data itself. We also agreed that data would be based solely on officially-recorded formal trade data, as the project's objective is to decrease barriers to formal trade, and in doing so, will ultimately result in decreased informal trade in the targeted commodities.

Exhibit 2. Maize trend analysis for establishing a project-level baseline.



In establishing our commodity baselines, RATES conducted trend analyses for each of the project-supported commodities for the years 1997-2001 and determined that values for these commodities have been on a negative trend for the last five years (see Exhibit 1 for maize). Based on these data, RATES and REDSO agreed to utilize the calendar year 2001 as the baseline-year for determining achievement of project-level results. Based on the reporting cycles for our principal data providers, RATES will report results on a calendar year basis. The data presented in this report cover the period January 1-December 31, 2004.

For trade information on maize, dairy, and cotton, RATES utilized data from COMESA, and verified this information through RATES baseline studies and local sources of trade information such as local customs authorities. This data was further supplemented by surveys and direct data collection from RATES partners and beneficiaries.

Due to the unique nature of the specialty coffee, a number of data sources were used for this commodity. As most official coffee trade data are composite figures that combine different varieties and qualities of coffee, RATES worked with additional data sources such as the specialty Coffee Association of America (SCAA), the International Coffee Organization (ICO), and United States Department of Agriculture Foreign Agricultural Service (USDA/FAS) to determine the value of specialty coffee trade from each targeted country. The imprecise definition for what is considered “specialty coffee” also provided challenges for capturing data on this market segment. RATES and REDSO have identified “specialty coffee” as the market segment to best achieve increased value of coffees exported from the region. Unfortunately, there is no universally accepted definition of what constitutes “specialty coffee,” as the term frequently means different things to different people. This presents a challenge in capturing data related to exports of this market segment. Given this lack of precision in definition, it is extremely difficult to describe the market in a global way. This makes it equally challenging to determine a baseline or to report values of specialty coffee exported from the region. Below, we describe the methodology used for this report.

Production and export figures, both in terms of value and volume, for “all” coffee products from the region are available from sources such as the ICO, COMESA, and the USDA. The primary data generally originates from customs and revenue authorities in the producing or importing countries. However, these overall figures do not disaggregate by type (Robusta vs. Arabica), or by specialty classes or grades.

The SCAA has determined a methodology for determining “specialty coffee” primarily based upon altitude levels for Arabica qualities and triage levels (*as per the characteristics defined by Phillippe Jobin, The Coffee Produced Throughout the World). For the past five years, the SCAA has published coffee data which includes information on the quantities of coffees produced and exported from the major coffee growing countries of the world. These are broken out by Arabicas, Robustas, and Triage. SCAA also delineates a certain volume from each country as “specialty” based on the methodology described above.

The RATES coffee specialist reviewed the SCAA percentages and worked closely with key trade flow leaders in each country to verify the data listed by SCAA and determined the average prices received for coffee considered as specialty coffee. He also determined the total number of 60 kg bags under the specialty coffee category and converted this weight to a dollar value.

For monitoring policy change, RATES has adopted the same methodology and terminology found in the REDSO PMP plan under SO 5. Under this methodology, targeted policy changes are tracked as they move through the various stages to adoption. RATES is working closely with both COMESA and EAC, and tracking the progress of trade polices as they move through the system.

For institutional capacity strengthening, RATES has worked closely with REDSO's organizational development specialist to develop indicators based on the partner institutional viability assessment index (PIVA). This index is a participatory, rapid assessment tool used to evaluate and monitor performance of six organizational systems including governance, operations and management, human resources development, financial management, service delivery, and external relations and advocacy.

Below, we list the three goal level indicators with baseline data for calendar year 2001 where applicable (Exhibit 3). These tables represent the composite totals across all commodities and partner institutions. As discussed above, the trade data is based on data up through December 31, 2004.

Following three full years (FY-based) of operation, trade policy reform and institutional capacity strengthening are starting to be captured at the goal level (Exhibit 3). In addition, a significant number of preliminary results have been achieved, and are best captured at the KRA-level.

Exhibit 3. Project Goal-level Indicators

Percentage increase* in agricultural trade flows in the region	Baseline** Jan-Dec 2001*	Year 1 2002	Year 2 2003	Year 3 2004	Year 4 2005	Year 5 2006
Increased value of extra/inter-regional trade in selected commodities (coffee, maize, livestock, cotton)	\$338,354,365	\$373,614,706	X	X	X	X
Increased value of extra/inter-regional trade in selected commodities including dairy	\$324,572,718	NA	\$392,417,233	\$652,834,561		
Percentage Increase over baseline	NA	11%	15%	101%		

* Based on a selected sample of commodities and countries.

** The baseline totals have changed with the addition of a new commodity and updated COMESA data.

Number of policy changes adopted by regional inter-governmental organizations	Baseline 2002	Year 1 2003	Year 2 2004	Year 3* 2005	Year 4 2006	Year 5 2007	Totals*
Number of policy changes adopted by COMESA	0	0	3	2			5
Number of policy changes adopted by EAC	0	0	2	11			13
Number of policy changes adopted at the national-level	0	0	4	11			15
Total	0	0	9	27			36

***Cumulative totals from baseline year through year 3.**

Institutional capacity of partner organizations strengthened	PIVA ASSESSMENT	PIVA ASSESSMENT	PIVA ASSESSMENT
	Baseline FY03	FY 05	FY 07
Selected PIVA assessment scores for EAFCA	251	TBD	
Selected PIVA assessment scores for Red Sea Livestock Trade Commission	NA	TBD	
Total PIVA Index Scores *	251	TBD	
Percentage Increase	NA	TBD	

Progress on goal-level results are provided below:

Indicator: Percentage increase in agricultural trade flows. Regional trade has significantly increased during the past year (calendar year 2004). Much of this increase is being driven by increased exports of unprocessed commodities such as lint cotton and coffee; however RATES recorded increases in all commodity sectors with values of all exports exceeding 101% over baseline values for calendar year 2001. We have seen an increase in trade among COMESA countries and this is very encouraging. We have also seen an increase in products going to the SADC region, especially South Africa. RATES studies indicate that many countries continue to rely on extra-regional imports for a number of commodities that could be traded from within the region. There has been a shift in attitudes at the national level towards regional trade focus though a number of national-level non-tariff barriers (NTBs) still prevent exponential increases in intra-regional trade.

Indicator: Number of policy changes adopted by regional inter-governmental organizations. COMESA and the EAC are making steady progress in promoting regional integration and are key RATES partners. RATES strategy is to create enough momentum to challenge the existing “protected” trade mentality and to change the political will of policy makers to open up their markets to interregional trade. Some indicators of progress:

- The COMESA Ministers of Agriculture officially endorsed the “Maize without Borders” initiative in their “Nairobi Declaration” made during the Council of Ministers meeting held in October 2004.
- The COMESA simplified trade regime was endorsed by COMESA Council of Ministers in May 2005. The simplified trade regime is one key component of the “Maize without Border” initiative and proposes that traders be allowed to complete simplified customs documents and certificates of origin for small quantities of cross-border maize trade (up from US\$ 300 in total value to US\$ 500.00).
- The EAC officially launched the EAC Customs Union in January 2005. This has brought about major policy changes that are in line with recommendations proposed in the RATES-promoted policy platforms for maize, dairy and cotton and textile.
- The Council of Minister of the EAC approved the introduction of a simplified trade regime in the EAC. This should increase in formal cross-border trading, especially for maize and other dry grains by eliminating all tariffs on these commodities.
- The EAC formally adopted an EAC wide maize standard, spelling out quality and SPS standards for maize traded within the EAC. Both Kenya and Uganda have now officially adopted these standards as national standards as well.

Indicator: Institutional capacity of partner organizations strengthened. RATES is supporting the ability of implementing partners to provide important trade support services on a sustainable basis. RATES activities focused on targeted regional associations such EAFCA and other regional and national-level organizations that are at a more nascent level. REDSO has already initiated the PIVA process with EAFCA and will complete an update in early FY 06.

- EAFCA has shown significant progress in generating additional revenue to help offset support from RATES. RATES financial support has dropped to approximately 50% of EAFCA’s total costs and support is now focused totally on program activities.
- Regional dairy processors have formally established the East and Southern African Dairy Association (ESADA). ESADA has elected a board and functional secretariat. The association is a recent recipient of a RATES Partner Fund grant to support their ongoing program for FY06.
- Regional cotton/textile executives resolved to form a regional cotton textile association to promote regional issues. Following the first steering committee meeting in Nairobi, the African Cotton & Textile Industries Federation (ACTIF) was officially formed in June 2005.

B. PIR 1: Expanded agricultural trade opportunities in selected commodities

PIR 1 provides the driving force for project implementation. There are five KRAs in this PIR, each one focused on achieving expanded trade within a targeted commodity value chain. Below is a summary of results to date:

Exhibit 4. PIR 1: Expanded agricultural trade in selected commodities

Expanded agricultural trade opportunities in selected commodities (extra/inter-regionally)	Baseline 2001	Year 1 2002	Year 2 2003	Year 3 2004	Year 4 2005	Year 5 2006
Increased value of specialty coffee exported	\$60,099,073	\$74,390,917	\$88,344,960	\$125,848,824		
Increased value of regional maize trade	\$8,317,328	\$43,048,190	\$31,252,068	\$47,476,231		
Increased export of cotton products	\$253,565,110	\$238,335,614	\$267,235,066	\$472,335,071		
Increased sales of dairy products	\$2,591,208	NA	\$5,585,139	\$7,232,284		
Total values for selected commodities (coffee, maize, livestock, cotton)	\$338,354,365	\$373,614,706	X	X	X	X
Total values for selected commodities with dairy added	\$324,572,718	NA	\$392,417,233	\$652,892,410		
Percentage Increase over Baseline		11%	15%	101%		

* Dairy was added November 2003. Livestock data has been excluded from the RATES' calculation for 2003 onward.

Progress to date:

As indicated above, the region has experience a significant increase in trade over the 2001 baseline for the RATES selected sample commodities. As indicated in Exhibit 4, cotton/textiles represent a significant amount of the value of trade in the sample commodities. This sector far exceeds the other sectors in terms of dollar value with lint exports accounting for a major portion of this trade. Details for each commodity are provided under KRA1.1-1.4. Some important progress includes:

- The region has experienced a 101% increase in regional trade over the 2001 baseline for the RATES selected sample. As indicated in Exhibit 4, cotton/textiles represent a significant amount of the value of trade in the sample commodities. This sector far exceeds the other sectors in terms of dollar value with lint exports accounting for a major portion of this trade. Some important considerations:
- Stable cotton prices have helped drive the increase in lint values. Zambia and Tanzania are starting to see benefits from a more liberalized and organized cotton productive sector. Zambian lint exports to South Africa approached approximately 100 million dollars during 2004. In addition, the region has seen increased investment in the textile sector with some gains in intra-regional sales of yarn and fabric.

- The value of specialty coffee exports increased significantly during the 2004/2005 coffee production cycle. The region saw a 15% increase over last year's value and a 101% increase over the 2001 baseline values. This was in part due to the recovery of overall world coffee prices from their all time lows in 2003. World coffee prices in 2004/2005 rebounded by an average of 33% higher than prices for the same period in 2003/2004. Specialty coffees were able to achieve at least a 20% premium over the fair average quality FAQ or "C" price thus boosting the region's value of specialty coffee exports.
- Maize trade within the region continued to rise significantly. The region has experienced almost a 5 fold increase in formal trade above 2001 baseline totals. Totals for the 2004 cropping season surpassed last year's totals by 51%. These gains were driven by substantial increases in exports from countries like Zambia and Tanzania. Changes in attitudes towards creating a "Maize without Borders" region have helped spur new interest in regional integration. As maize is a traditional small-holder crop, opportunities for increased markets for regional maize are emerging. Rising concerns over prevailing drought conditions in Southern Africa may reduce gains made in some of the COMESA countries that will be severely affected by reduced yields.
- The dairy industry is showing signs of becoming better organized, especially in the processing sector. The major problem of excess capacity in the processing plants can only be addressed through increased market outlets for dairy products and sources of milk from domestic supply and from within the region. Regional exports increased 30% over last year's totals, driven by supplies to relief markets.

Below, we provide a detailed summary of each commodity:

KRA 1.1: Specialty coffee exports increased

The Eastern African Fine Coffee Association, (EAFCA), a regional coffee organization representing nine Eastern African coffee-producing countries, is RATES' lead partner in implementing our fine coffee strategy. RATES long-term strategy is to support EAFCA's efforts to position itself as a major actor in the marketing and promotion of Eastern African fine coffees in regional and international markets, and to set a course of action that leads to its sustainability. Activities during the third quarter continued to focus on supporting EAFCA's growth and development in the areas of market expansion and product enhancement. Also a significant amount of assistance was provided to help EAFCA develop and refine systems aimed at building long-term sustainability and included developing membership and communication strategies, writing proposals for additional funding and defining an overall fund-raising strategy.

Some preliminary results during FY 05

RATES worked closely with EAFCA to develop activities and events that promote the region's coffees and that also raise the profile and prestige of the organization. Based on recent reports from industry sources, the buzz is that Africa is back on the map as a source for quality coffee. RATES is playing off this momentum with a new theme: "Africa: the Future of Specialty Coffee" to emphasize the region's new commitment to producing specialty coffee. Some key results:

- The second annual "World's Wildest Coffee Exhibition and Conference (WWC2) held in Livingston, Zambia during February 2005 attracted over 400 coffee buyers and sellers from over 40 countries. The format of combining a fee-based conference with an adjoining industry exhibition netted EAFCA over US 150,000 dollars in revenues and sponsorships.
- For the third year in a row, RATES supported EAFCA to organize a group of 50 private sector traders/producers (all self-financed) to attend the SCAA conference held in Seattle, Washington in late April 2005. The trip was highlighted by a RATES/EAFCA supported "Meet the Buyers" event held at the Seattle Aquarium that drew large crowds of buyers with attendance from almost every major US importer and roaster.
- As part of its marketing strategy, EAFCA is now re-focusing on Europe as the next "marketing frontier." Europe is already Africa's largest coffee trading block and EAFCA wants to continue to generate interest in East African coffees.
- EAFCA launched a domestic consumption campaign by sponsoring the first annual Kenyan Barista Championship to kick off the effort. This event, solely sponsored by the local Kenyan roasting industry, attracted a lot of local media attention and has re-energized the industry. The Kenyan national champion went on to compete in the World Barista championship in Seattle and achieved the honor of 13th in the world competition.
- With RATES support, EAFCA has been able to leverage additional funding through a DFID program to allow them to run promotional campaigns in South Africa. This \$176,000 program will launch a new campaign for EAFCA to reach out to markets within the African continent. The first trade fairs will take place early FY 06.

Exhibit 5. KRA 1.1: Increased value of specialty coffee

Increased value of specialty coffee	Baseline 2001	Year 1 2002	Year 2 2003	Year 3 2004	Year 4 2005	Year 5 2006
Increased value of specialty coffee exported from Burundi	\$325,093	\$131,315	\$225,720	\$3,553,638		
Increased value of specialty coffee exported from Ethiopia	\$42,633,524	\$50,617,406	\$36,491,400	\$50,452,906		
Increased value of specialty coffee exported from Kenya	\$14,407,945	\$17,531,064	\$38,016,000	\$42,920,429		
Increased value of specialty coffee exported from Malawi	*	*	\$240,900	\$125,606		
Increased value of specialty coffee exported from Rwanda	*	*	\$2,869,020	\$11,314,017		
Increased value of specialty coffee exported from Tanzania	\$1,840,033	\$5,220,758	\$6,824,400	\$15,179,579		
Increased value of specialty coffee exported from Uganda	\$146,538	\$79,075	\$316,800	\$479,056		
Increased value of specialty coffee exported from Zambia	\$515,815	\$279,366	\$580,800	\$1,375,763		
Increased value of specialty coffee exported from Zimbabwe	\$230,124	\$531,934	\$2,779,920	\$447,830		
Total values	\$60,099,073	\$74,390,917	\$88,344,960	\$125,848,824		
Percentage Increase over Baseline	NA	24%	46%	109%		

* Insignificant <1% or not recorded as specialty

A brief summary of the trade data:

- Rwanda has made significant strides in improving their position in world coffee markets. Efforts led by USAID funded projects PEARL and ADAR have led to lucrative contracts between Rwanda growers and US and European companies. Green Mountain Coffee from the US has entered into a number of key contracts with local cooperatives. The value of specialty exports out of Rwanda totaled over US 11 million dollars.
- Burundi continues to show signs of recovery following a severe decline in coffee output as a result of continuing strife in the country. Burundi has the ability to produce excellent coffees and, with proper post harvest handling, the percentages of specialty grade coffees will continue to rise. The Burundi coffee industry has been very active in RATES/EAFCA-supported events. Exported of specialty coffee exceeded US\$3.5 million.
- Tanzania has relaxed some its marketing rules allowing for a 2nd window for direct sales from producers rather than strictly through the coffee auction. Companies like Peets Coffee and Starbucks have used this window to purchase coffees directly from Tanzanian producers. On-the-ground programs funded by USAID/Tanzania through TechnoServe have shown significant increases in the value of coffees grown by local cooperatives.

- Kenya continues to enjoy premium prices paid for coffees through the Kenya coffee auction. The Kenya industry is undergoing some major changes and the situation remains in flux. Actual coffee production is dropping and these higher prices are not making their way back to small-scale producers. The parastatal coffee marketing company, the KPCU, has been burdened with corruption and political interference with a growing amount of outstanding debt.

KRA 1.2: Increased value of maize

Maize is the major food crop in the region and a key component of national-level food security strategies. However, it is not uncommon for certain parts of the region to be hit by severe seasonal food shortages despite available maize stocks in nearby countries. The distance between the supply and demand of maize can be measured in terms of both kilometers from supply and in terms of the number of cross-border barriers inhibiting trade. The RATES maize program has the long-term goal of improving the flow of maize and expanding the availability within the region. This will contribute to stabilizing the regional maize market and help in reducing the large swings in maize prices seen during periods of deficit. The RATES maize program follows a regional theme of “Maize without Borders” as a concept launched by RATES through the auspices of COMESA. This program promotes region harmonization of maize policies and been adopted as a COMESA initiative to increase inter-regional trade.

Some preliminary results during FY 05

To address the challenges of managing real-time market information, the RATES trade office was opened in September 2003. This office is staffed by a commodity specialist, a trade office facilitator, and RATIN manager. The office manages the two RATES-support sites, www.ratin.net and www.tradeafrica.biz. The trade office operates a pro-active call center that manages trade inquiries, market intelligence analysis, and a trader’s network that is linked through various electronic platform channels including the internet, email, telephone, SMS, radio and print media. Some key progress to date includes:

An improved Traders Directory on both the www.tradeafrica.biz and www.ratin.net websites that is categorized by industry sub-sectors and country locations. The directory enables members to search, select and contact desired trading partners.

- A bi-monthly trade bulletin recently launched as the “Bi-Weekly Trade Brief”. This informative bulletin is emailed to member organizations listed in the maize trade directory, and through the www.tradeafrica.biz website. The bulletin provides a synopsis of maize trading within COMESA, targeting price changes, cost and availability, and policy news or events that have direct impact on grain trading.
- The COMESA “Regional Maize Supply Outlook” is a new initiative that has been started in Malawi, Uganda and Kenya in order to capture changes in the monthly maize supplies in the region. The initiative will work towards the development of a comprehensive regional maize balance sheet that will analyze national food supply situations and offer traders insight into surplus/deficits locations.

Exhibit 6. KRA 1.2: Increased value of regional maize exported (both inter/extra-regional)

Increased value of regional maize exported* (both inter/extra-regional)	Baseline 2001	Year 1 2002	Year 2 2003	Year 3 2004	Year 4 2005	Year 5 2006
Increased value of maize exported from Ethiopia	\$638,045	\$317,797	\$48,241	\$1,661,656		
Increased value of maize exported from Kenya	\$381,798	\$20,579,659	\$1,185,072	\$1,469,306		
Increased value of maize exported from Malawi	\$607,323	\$25,733	\$6,527,434	\$7,050,577		
Increased value of maize exported from Tanzania	\$2,550,546	\$19,614,875	\$16,763,148	\$14,959,948		
Increased value of maize exported from Uganda	\$2,759,000	\$2,226,877	\$4,358,586	\$6,403,298		
Increased value of maize exported from Zambia	\$1,344,017	\$268,763	\$1,715,841	\$15,929,552		
Increased value of maize exported from Zimbabwe	\$36,599	\$14,486	\$653,746	\$1,894		
Total values	\$8,317,328	\$43,048,190	\$31,252,068	\$47,476,231		
Percentage increase over Baseline year (2001)	NA	418%	375%	571%		

* Formal trade as reported to COMESA on a calendar year basis.

A brief summary of the trade data:

- Formal maize trade increased this year from \$31,252,068 to \$47,476,232 attributed somewhat to better harvests in key production countries. This represents a 51% increase in trade among COMESA (plus Tanzania) countries.
- Zambia and Tanzania remained key maize trade players in 2004 with \$15,929,552 and \$14,959,948 in formal trade export value respectively.
- Most of Tanzania's trade flowed north as Kenya's main supplier (\$6 million) and west to Burundi and Rwanda (combined total of \$7 million).
- Uganda exported a significant amount of maize with a value of \$ \$6,403,000 (up from \$4,359,000 last year), but shifted its focus from Kenya –its traditional trade partner – to Burundi and Rwanda. This may be related to WFP food aid shipments to those countries which are recorded as formal trade.
- Ethiopia has come on the scene this year for the first time as a net supplier (although still limited) of maize to the region and the Middle East. Trade valued at \$1,662,000 is significantly higher than previous years' trade valued at \$48,000 in 2003 and \$318,000 in 2002.

- Malawi, although considered to be a perennial maize deficit country, followed Tanzania and Zambia as the third largest maize trading country at slightly over \$7 million. Following the concept of “Maize without Borders”, Malawi traded freely with countries such as Zambia (\$4.5 million) and Mozambique (\$1.3 million) which are the same countries they procured maize from between harvests. As a prime example that trade bans are unnecessary, Zambia sold maize to Malawi valued at \$6.6 million.
- There are several examples of maize import and export trade occurring between the same countries, supporting the RATES premise that free regional trade in maize is the best form of food security since every country has a different harvest season. Best examples are Kenya and Uganda which bought and sold maize with Tanzania and Malawi bought and sold with Zambia. The challenge for RATES is to convince the public sector and food security operations that free trade is part of the process to maintain and sustain increased trade in the region that allows maize to flow freely from areas of surplus to areas of deficit.
- Of significant importance is the comparison of informal (unrecorded) maize trade to recorded formal trade. Taking into consideration that informal trade is only partially monitored and values are conservatively estimated, total informal trade for 2004/05 exceeds \$44 million – almost equal to the \$47 million that is formally recorded by COMESA and reported here in this report. The informal trade between Uganda and Kenya is almost \$14 million compared to recorded trade of \$400,000.

Trade volumes on www.tradeafrica.biz. This trade promotion site allows maize buyers and sellers an opportunity to post offers on the site both for domestically supplied and interregional traded. In Exhibit 6, we provide results for the site. To date, this site has posted over US 162 million dollars in offers to buy maize and over US 118 million in offers to sell maize. The principal clients for buying maize include millers, strategic grain reserves, and government procurement agencies.

Exhibit 7: www.tradeafrica.biz :Volume and value of business postings

Inquiries to Buy Maize	2004 totals	Quarter 1	Quarter 2	Quarter 3	Quarter 4	2005 Totals
Volume in MT	732,870	154,220	289,910	194,960	206,200	845,290
Value in USD	143,168,987	28,441,680	57,214,290	37,830,300	39,258,000	162,744,270
Average Price USD/MT	195	183	193	192	192	190

Offers to Sell Maize	2004 totals	Quarter 1	Quarter 2	Quarter 3	Quarter 4	2005 Total
Volume in MT	388,478	219,540	150,797	118,427	235,000	723,767
Value in USD	86,314,343	38,048,760	26,432,160	22,273,060	31,354,300	118,108,280
Average Price USD/MT	222	196	192	191	184	190

KRA 1.3: Sales of cotton/textiles increased

To meet our objectives in the cotton/textile sector, RATES is focusing on the regional textile industry as a main buyer of regionally (and mostly smallholder) produced lint, and as a seller of textile products to the apparel sector taking advantage, where applicable, of opportunities provided under AGOA. Operating under the premise that the resulting increase in regional demand for cotton will translate into improved market opportunities for smallholder farmers, RATES has been working with the industry to develop and strengthen regional markets. RATES is promoting and implementing programs for improved regional competitiveness that position the sector to work to best advantage in national, regional and export markets.

A key element in the 2004/05 program is the direct industry ownership of the program and RATES has been meeting with key cotton/textile companies to promote the concept of regional integration of the supply chain. To make this happen, RATES has been encouraging regional networking through the www.cottonafrica.com trade linkage site launched last year that provides trade linkage systems and trade information.

RATES has been coordinating its cotton/textile and other programs closely with the ECA Global Competitive HUB, based in Nairobi, and the Southern HUB in Gabarone, especially where it concerns the AGOA program. RATES and the Hub projects schedule periodic meetings to ensure a smooth working relationship and RATES is working closely with bilateral mission projects to ensure that RATES' regional focus on trade facilitations and policy harmonization compliments national-level efforts. RATES has a strong working relationship with all of the bilateral projects including APEP, SCOPE, SPEED, ACE, ZATEC, SALES and PESA.

Some preliminary results during FY 05

- To support the promotion efforts on regional integration, RATES designed a regional cotton industry trade linkage website for cotton/textiles, www.cottonafrica.com, linking suppliers and buyers region-wide. The focus is the supply of regionally produced lint to the textile sector, and fabrics to the apparel sector to meet the AGOA third country fabric conditionality which has now been extended to year 2007. www.cottonafrica.com is now number one in both the Yahoo and Google search engines with 'cotton Africa' as the key search word. Last quarter it was number 4 in respect to Yahoo and 35 in Google (See Figure 9 for results).
- As a result of enquiries posted on cottonafrica.com, significant interest has been generated in the supply and trade of organic cotton throughout the value chain. New business has consequently been created in the supply of organic raw cotton lint, yarn and fabric with new markets being developed between Uganda and Kenya, Tanzania, Mauritius and the USA. This increased and more visible demand profile for organic fiber created by www.cottonafrica.com has also stirred new interest in the production of organic cotton in Tanzania.

- Following the creation of the African Cotton & Textile Industries Federation (ACTIF) in June 2005, the office of the United States Trade Representative (USTR) and the Forum organizing committee invited Jas Bedi (Chairman of ACTIF) and Igsaan Salie (President of the South African Textile Federation and member of the ACTIF Inter-Regional Trade & Supply Chain committee) to attend and participate in the panel addressing the subject of “Strategies and Recommendations for Strengthening U.S. – Africa Trade Post-MFA”.
- ITMF afforded ACTIF official recognition with an invitation of membership for ACTIF as a single trade block – offering significant discounted membership that provides the LDC members of ACTIF a member option for the first time. Up to now, the only “African” representation in ITMF is South Africa and Egypt.

Exhibit 8. KRA 1.3: Increased value of cotton exported

	Baseline 2001	Year 1 2002	Year 2 2003	Year 3 2004	Year 4 2005	Year 5 2006
Increased value of cotton exported						
Increased value of cotton products exported from Ethiopia	8,552,293	8,384,413	\$12,003,295	\$7,701,472		
Increased value of cotton products exported from Kenya	629,008	803,899	\$2,053,812	\$3,159,197		
Increased value of cotton products exported from Malawi	4,528,847	4,947,808	\$5,173,121	\$20,470,259		
Increased value of cotton products exported from Mauritius	29,617,635	34,629,685	\$28,959,144	\$36,388,123		
Increased value of cotton products exported from Tanzania	34,685,057	30,481,211	\$45,650,219	\$78,632,064		
Increased value of cotton products exported from Uganda	4,997,432	10,972,494	\$17,397,565	\$39,436,784		
Increased value of cotton products exported from Zambia	29,761,061	37,710,569	\$47,014,531	\$147,092,347		
Increased value of cotton products exported from Zimbabwe	140,793,777	110,405,535	\$108,983,379	\$139,454,825		
Total values	\$253,565,110	\$238,335,614	\$267,235,066	\$472,335,071		
Percentage Increase over Baseline	NA	(-6%)	5%	86%		

A brief summary of the trade data:

- RATES measures cotton/textiles exports both in the intra and extra-regional categories. We also separate commodities by HS codes for lint (HS 5201 and 5203), yarn (HS 5205) and fabric (HS 5209/10/11/12).
- The significant 86% increase in cotton/textile trade can be attributed to an increase in lint production and trade that has helped to raise the total values in all producing countries.
- Over the past three years there has been significant Mauritius textile investment in Madagascar. However, an AGOA rule change has provided Mauritius a LDC category which has resulted in an increase in textile exports from \$29 million in 2003 to \$36.4 million in 2004 (mostly yarn and fabric).

- Although not part of the RATES country sample, Madagascar (a COMESA member state) has seen a significant increase in textile exports of about 100% between 2002 (base year) and 2004.
- Tanzania is in the top three of exporting countries with its growth (from \$45.6 million in 2003 to \$78.6 million in 2004) based production growth and recent investment in its textile sector.
- In Uganda, recent investment in the cotton/lint sector has resulted in a near doubling of its lint exports. However, textile industry is showing signs of post-MFA strains and sustainability of some mills is in question.
- In Zambia trade increases have been significant owing to a four fold increase in cotton production last year. As a result, Zambia exported almost US \$ 100 million in cotton lint to South Africa who has a much more developed textile industry.
- In Zimbabwe, still the second largest cotton/textile exporter in COMESA at \$140 million, lint production remains strong even in uncertain times, as this sector is a major foreign exchange earner. Interestingly, most cotton production in Zimbabwe is small-holder grown commodity and has not been adversely affected by the government endorsed farm seizures.
- Interregional trade within COMESA for lint between 2003 and 2004 increased by 67% – an important statistic when the AGOA third country provision is considered – signifying that yarn and fabric manufacturing within the region is on the increase.

Trade volumes on www.cottonafrica.com. A total of US \$ 170 million in offers to buy and sell were posted on the site (Exhibit 9) during the year, up from \$73 million in 2004 – an increase of 130%. The lion’s share of this volume was attributed to offers to sell cotton/textile products, a direct result of RATES contact with the industry.

Exhibit 9: www.cottonafrica.com: Value of business postings for FY 05.

Postings	Totals for 2003/04	Quarter 1 2004/05	Quarter 2 2004/05	Quarter 3 2005/06	Quarter 4 2005/06	TOTALS 2004/05
Enquiries to Buy (USD)	\$23,767,000	\$2, 881,000	\$615,600	\$8,058,200	2,432,576	\$13,987,376
Offers to Sell (USD)	\$49,156,000	\$10,067,000	\$64,736,277	\$62,372,000	18,836,360	\$156,011637
TOTALS (USD)	\$72,923,000	\$12,948,000	\$65,351,877	\$70,430,200	21,268,936	\$169,999,014

KRA 1.4: Sales of dairy products increased

RATES' program in the dairy sector is focused on the development of extra/inter-regional export markets, initially targeting countries in the region with exportable surplus. The RATES dairy strategy encourages industry ownership of the program that will lay the foundation for regional networking, trade linkage and trade information. We are working in collaboration with national and regional organizations that are key players in advocating policy reform and promoting trade initiatives.

Some preliminary results during FY 05

RATES sponsored a Regional Dairy Summit in October 2004 that was well attended by executives of all the key dairy processors in 12 different COMESA countries. The RATES work plan for 2005 was based in part on the resolution they passed to form a regional dairy processors association; now referred to as Eastern and Southern Africa Dairy Association or **ESADA**. The RATES team is working with the ESADA staff, Board, and membership to implement a program of linking trade partners together. Components of this program include:

- The website for ESADA and the next dairy conference in Kampala is now operational: www.dairyafrika.com. The trade linkage data-base components are also now completed and ESADA will work with the two web designers to merge the two components into one web page.
- ESADA has stated collecting market information on dairy products that will be housed on the trade linkage site. The site program will be augmented by a bi-monthly trade newsletter or bulletin that will be disseminated through the website, email and hard copy mailings to association members. The trade directory will also be used to mass-mail news flashes, bulletins, etc. through the internet.
- A key role of the association is to serve as an "honest broker" to resolve trade disputes within the region using improved knowledge of trade regulations and trade imbalances that now affect the region.
- RATES is working closely with ESADA to participate in number of trade fairs at the international and regional level. ESADA held its first major marketing/ product promotion activity in Africa in Nairobi during the month of May 2005. The first Regional Dairy Conference and Exhibition was a significant first effort and looks to become a major event for the association.

Exhibit 10. KRA 1.4: Increased value of regional dairy products exported (both inter/extra-regional)

Increased value of regional dairy products exported (both inter/extra-regional)	Baseline 2001	Year 1* 2002	Year 2 2003	Year 3 2004	Year 4 2005	Year 5 2006
increased value of dairy Products exported from Kenya	\$423,106	NA	\$583,693	\$633,285		
increased value of dairy products exported from Malawi	\$118	NA	\$1,045	\$1,203,571		
increased value of dairy products exported from Zimbabwe	\$258,273	NA	\$3,647,113	\$4,642,990		
increased value of dairy products exported from Zambia	\$1,845,684	NA	\$661,690	\$337,438		
increased value of dairy products exported from Uganda	\$32,861	NA	\$550,465	\$164,629		
increased value of dairy products exported from Rwanda	\$0	NA	\$138,021	\$192,521		
increased value of dairy products exported from Tanzania	\$31,166	NA	\$3,112	\$58,343		
Totals	\$2,591,208	NA	\$5,585,139	\$7,232,284		
Percentage Increase over Baseline		NA	118%	179%		

*RATES intervention in dairy sector was initiated in year 2 of the project.

A brief summary of the trade data:

- RATES monitors the intra and extra-regional trade for ten HS dairy commodities, from raw milk to yogurt. Although \$7.2 million in regional dairy export trade may seem small compared to other commodities, the number becomes noteworthy when compared to \$90 million in total annual *extra-regional imports*. It is this figure that RATES emphasizes as a regional trade *opportunity*; it indicates what the current market can bear in terms of trade – trade that the regional industry can target for future investment and intervention.
- Despite the size of trade, there has been gradual improvement from the baseline year of 2001. Dairy trade has seen a 179% increase in trade between 2001 and 2004. Looking at the opportunities available and the momentum of the industry RATES expects this figure to rise significantly every year.
- There have been several key factors that have affected dairy trade during 2004. The failed privatization of the Uganda Dairy Corporation, the interference of the process of GOU, and declining quality of management at UDC resulting in contract losses explains Uganda’s drop in exports from \$550,000 in 2003 to \$164,000 in 2004.

- However, the investment made by the Zimbabwe Dairibord in Blantyre, Malawi led the Malawi export drive from almost nothing in 2001 to over \$1.2 million in 2004 – with almost all exports going to Zimbabwe. Zimbabwe, in turn exported over \$2 million in dairy products to Malawi which can be attributed to their Malawi investment. Ironically Malawi and Zimbabwe account for over 80% of total export trade among the seven target countries.

C. 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 to sustain our 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. It is measured in terms of increases in the viability of partner institutions to sustain trade as measured by the PIVA scale. Progress towards assisting our partners to improve their capacities is shown in the next section.

Exhibit 11. PIR 2: Increased institutional capacity to sustain agricultural trade

	PIVA Assessment	PIVA Assessment	PIVA Assessment
Increased institutional capacity to sustain agricultural trade	Baseline FY03	FY 05	FY 07
Increased management systems of selected partners (EAFCA)*	124	TBD	
Increased financial management of selected partners	42	TBD	
Increased service delivery of selected partners	24	TBD	
Increased external relations of selected partners	61	TBD	
Total PIVA Index Scores *	251	TBD	
Percentage Increase		TBD	

* Management systems includes governance , operational management and human resource and development.

** Baseline PIVA Assessment for EACA conducted during FY 03. 2nd PIVA scheduled for FY 06.

KRA 2.1: Capacity of selected partner organizations strengthened

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

Exhibit 12. KRA 2.1: Capacity of partner organizations strengthened

Capacity of partner organizations strengthened*	Baseline FY02	Year 1 FY03	Year 2 FY 04	Year 3 FY 05	Year 4 FY 06	Year 5 FY 07
Increase in paid memberships	\$12,420	\$18,857	\$17,700	\$27,900		
Number of services provided	0	5	20	55		
Increase in revenues generated**	\$19,429	\$269,977	\$339,000	\$656,000		
Number of chapters formed***	6	9	10	10		
Number of trainings held	0	10	38	45		
Number of members trained	0	243	477	952		
Number of board meetings held	1	3	13	5		

* Includes data from EAFCA.

** Includes grant monies and sponsorships received during the year.

***Includes existing chapters

Some preliminary results during FY 05

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. RATES support to EAFCA also includes financial support to the Secretariat in the form of a Partners Fund Grant. Some key preliminary progress includes:

- **Financial management.** RATES worked closely with the EAFCA Secretariat to develop a sound fiscal budget for FY 05, part of which is funded under the RATES Partner Fund. The new fiscal strategy for the 2004/05 program year requires EAFCA revenue to be first targeted for overhead expenses such as rent, administration and salaries, a key step in developing a program for long-term sustainability. About 50% of the administrative budget was funded through self-generated revenues in 2005 (compared to just 10% in 2003), leaving a larger portion to finance much-needed program activities.

- The 2006 budget, prepared in September 2005 by the EAFCA Executive Director Robert Nsibirwa, indicates that EAFCA will cover 100% of their overhead expenses from internal revenues (membership subscription and event revenues) – despite the reduction in the RATES grant by 20%.
 - EAFCA won its first non-USAID grant in 2005, awarded by the RTFP project, a DFID sponsored trade program based in Pretoria. The grant for \$176,000 will be used in 2006 to expand coffee sales in South Africa. An interesting aside to this activity is the reduction of overall USAID/RATES support to EAFCA has declined from 100% in 2002 to 30% in 2006.
- **Conference planning and implementation.** RATES support to EAFCA for organizing regional coffee conferences such as the World’s Wildest Coffee (WWC) Conference has the dual purpose of creating market opportunities as well as providing a significant revenue stream that addresses long term financial and institutional sustainability. EAFCA made two significant decisions this year regarding staff. The first was to contract the Conference Coordinator directly (not through RATES) for the 2006 conference in Arusha and the second was to hire Stella Mandi for the position of Program Director starting in March 2005, to assist with regional training programs, international events, and the WWC2
- **Strategic planning.** RATES has been working with EAFCA throughout 2005 on the process of developing a long-term business strategy. Board members have been involved from the beginning to build awareness of long-term goals and they completed a SWOT analysis as part of the process to deliberate on those desired services currently not being provided by other existing agencies and programs. A major constraint to service delivery is the broad spectrum of members across the value-chain brought about from the open membership policy.
- **Structural Adjustments:** At the request of the EAFCA Executive Committee, RATES conducted a review and revision of the Articles of Association. The review was undertaken to incorporate necessary changes and adjustments that reflect desired structural and governance systems, a phase that was finally completed at the November 2004 EAFCA Board of Directors meeting. The final step was accomplished at the EAFCA Annual General Meeting where the members approved the new Articles.
- **Governance.** A significant action regarding EAFCA’s new governance system took place this year with the election of Chapter Representatives to the EAFCA Board following new guidelines as stated in the approved Articles of Association. The process was monitored by the Executive Director and the new system worked well..

ESADA. Executives at the October 2004 Regional Dairy Summit passed a unanimous resolution to form a regional dairy processors’ association. RATES is committing resources to assist in the structural development process and to initiate a program of services to their membership. Progress includes:

- **Governance.** ESADA has made significant progress in formalizing the regional association. A committee made up of industry leaders convened a series of ESADA steering committee meetings during the year that help set up the institutional framework for officially forming the association. At the African Dairy Conference and Exhibition held in May 2005 (just eight months after the Regional Summit), ESADA held its first Annual General Meeting (AGM) and elected its first Board of Directors. The Articles of Association and new Board of Directors were ratified at the AGM and ESADA has officially submitted its registration documents to the Registrar of Companies in Kenya.
- **Conference planning and implementation.** ESADA (with support from RATES) organized the first African Dairy Conference and Exhibition held May 23rd -25th, 2005 at the Safari Park hotel in Nairobi. Over 180 delegates from more than 20 countries attended the inaugural event. ESADA envisions the ADC event to become the principal revenue earner for ESADA and the success of the first event is very encouraging. Preliminary results indicate that ESADA was able to net approximately \$35,000 from conference registration fees, exhibition booths, and direct industry sponsorships.
- **Alliance building.** ESADA signed a memorandum of understanding (MOU) that ushered in ESADA (including all 7 member countries) as members of IDF. IDF membership is expected to spur international interest in Africa leading to increased investment inflow and technology transfer.

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

Strategy: RATES strategy is aimed at utilizing Information Technologies (IT) to expand the number of private sector beneficiaries having access to market and trade information. RATES is also forming linkages with technology and research networks relevant to the RATES-supported commodities. RATES has formed partnerships with ongoing bilateral development projects that promote increased trade and with selected private service providers who offer specialized technical expertise.

Exhibit 13. KRA 2.2: Demand driven technologies identified developed and utilized

Demand driven technologies identified developed and utilized	Baseline FY02	Year 1 FY03	Year 2 FY 04	Year 3 FY 05	Year 4 FY 06	Year 5 FY 07	Totals*
Linkages formed with research networks	0	4	7	7			14
Number of trade networks formed	0	3	4	5			9
Number of unique hosts accessing IT-based trade sites	0	12,000	19,540	51,000			82,540
Number of companies accessing technologies	0	300	1,464	2,304			4,068

* Results are cumulative from baseline year FY 02

Some preliminary results during FY 05

Coffee

RATES provided assistance to EAFCA to develop an interactive web site to publicize the WWC and to promote coffees from the region. The www.worldswildestcoffee.com site has attracted substantial attention, and has now been integrated into the www.eafca.org site. The site is appearing on the first pages in certain search engines such as Yahoo, Google, etc.

Maize

One of the major impediments to trade highlighted by participants in both national-level and regional workshops was the lack of reliable market information. RATES worked closely with FEWSNET and FOODNET to create a regional trade intelligence network (RATIN) and the www.ratin.net web site. RATES now has total management responsibility for RATIN with significant input from FEWSNET. 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” is facilitated.

www.tradeafrica.biz.

To compliment the RATIN focus on price and production information, RATES designed a trade-linkage site, www.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 www.ratin.org and www.tradeafrica.biz. This office serves as the RATES “call center” where the facilitator pro-actively manages trade inquiries through the internet, email, telephone, SMS, and radio. All site “hits” and trade inquiries are monitored and tracked.

Cotton

The cotton industry web page, www.cottonafrica.com continues its number one ranking in both the Yahoo and Google search engines with “cotton and Africa” as the key search words. Since its inception, www.cottonafrica.com has seen \$243 million in offers to buy and sell posted on the site and during the past year, the value of postings has increased by 133%. The content and information captured in the cotton trade directory has been expanded, providing a wider base and scope of companies captured in the data base. The number of registered traders on the site now stands at 300 an increase of 200% over the past year.

D. 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. Results for FY 05 were 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.

Exhibit 14. PIR 3: Expanded private sector contribution to regional trade initiatives

Expanded private sector contribution to regional trade initiatives	Baseline FY02	Year 1 FY03	Year 2 FY 04	Year 3 FY 05	Year 4 FY 06	Year 5 FY 07	Totals*
Participation in policy initiatives and/or promotional activities							
Male	0	650	1,416	1,519			3,583
Female	0	125	315	392			832
Total	0	775	1,731	1,911			4,417
Total value of GDA contributions to regional trade initiatives	0	\$391,500	\$1,781,106	\$4,068,121			\$4,630,727

* Results are cumulative from baseline year FY 02

KRA 3.1: Private sector-driven agricultural trade policies advocated

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 forums for action and adoption. Below, we present the status of policy reform to date:

Exhibit 15. KRA 3.1 Private sector-driven trade policies advocated

Private sector-driven trade policies advocated	Baseline FY02	Year 1 FY03	Year 2 FY 04	Year 3 FY 05	Year 4 FY 06	Year 5 FY 07	Totals
Analytical work conducted	0	16	67	18			101
Dialogue occurring on policy/regulatory issues (numbers of participants)	0	388	945	1,245			2,578
Public/private policy forums created	0	7	31	46			49
IGOs debate policy change (number of meetings)	0	6	13	16			35

* Results are cumulative from baseline year FY 02

Some preliminary results during FY 05

RATES is working closely with private sector trade flow leaders who are continually consulted in the process of identifying constraints to increased trade. RATES strategy is to increase the regional IGO's capacity to better serve the trading community in RATES-supported commodities.

- Finally, after two rounds of negotiations (in July 2004 and April 2005), the EAC member states have agreed on a harmonized EAC regional maize standard. The process was driven by the private sector in the three countries through the support of RATES program.
- The RATES-supported regional dairy trade policy platform was formally presented and endorsed at the 16th meeting of the COMESA Trade and Customs Committee held in April 2005 and subsequently approved by the COMESA Council of Ministers meeting held in Kigali, Rwanda, in May 2005 paving the way for implementation. The dairy

policy platform was also considered and approved at the COMESA Heads of States Summit.

- At the Kigali Summit, the COMESA Heads of State agreed to a launch date of December 2008 for the Customs Union. RATES is working with COMESA to ensure that aspects related to agricultural commodities and agricultural trade receive due attention in the technical analytical work and negotiations leading up to the Customs Union.
- At the COMESA meeting held in Kigali in May, 2005, The Council of Ministers approved a resolution to fast-track the COMESA Simplified Trade Regime for agricultural commodities including maize, rice, beans, cotton, and dairy products.
- RATES, through the Policy Office and in collaboration with USAID/REDSO, assisted COMESA in the preparation of the CAADP Action Plan for the Eastern and Central African (ECA) region for which COMESA is the coordinating Regional Economic Cooperation (REC) organization. The challenge is for COMESA to mobilize resources to implement this action plan. RATES also provided technical support to COMESA during the CAADP/NEPAD Conference held in Accra, Ghana in May 2005 to put together a comprehensive implementation plan for CAADP for the four regions of Africa. This was a high-level meeting attended by key policy makers and private sector players in the agricultural sector in Africa.

KRA 3.2: Private sector buy-ins and alliances expanded

Exhibit 16. KRA 3.2: Private sector buy-ins and alliances expanded

As mentioned earlier, RATES serves as the catalyst for market linkages and business alliances. With a far-reaching (COMESA-wide) regional mandate to improve the policy environment and to promote and increase market awareness of selected commodities, RATES staff cannot work directly at the farmer level or with individual companies on a sustained basis. RATES works directly with trade flow leaders such as regional associations that can have a greater outreach and impact. We try to tailor our interventions to benefit the value chain or industry as a whole. RATES must rely on national level partners such as USAID projects and other NGO-supported efforts to reach down to the farmer level. This linkage is critical to the success of our work. This partnership has worked well and has resulted in a number of sustainable partnerships between regional buyers and sellers.

	Baseline FY02	Year 1 FY03	Year 2 FY 04	Year 3 FY 05	Year 4 FY 06	Year 5 FY 07
Private sector buy-ins and alliances expanded						
Alliances formed with private sector companies (number)	0	4	13	20		
Value of private sector buy-ins/alliances	0	\$391,500	\$1,781,106	\$4,068,121		

Some preliminary results during FY 05

Coffee. The world specialty coffee industry is built upon strong relationships formed between buyers and sellers. Many specialty coffees are sold through small roasters and retailers and have a client base that want to know about the coffees that are bought and sold in these outlets. RATES has assisted EAFCA to form a very close working relationship with the US coffee industry through the SCAA's Coffee Quality Institute (CQI) and the Coffee Corps. In 2005, Coffee Corps provided over 20 volunteers who provided training in cleaning, roasting, cupping, brewing and marketing coffees. Coffee Corps volunteers are generally drawn directly from the coffee industry and some of the top names in specialty coffee have signed up for volunteer assignments. Many of these Coffee Corps volunteers have continued to provide assistance and coaching after they return home and have established commercial linkages as a result of a Coffee Corps intervention. Some examples of key alliances during 2005:

- Peet's Coffees, one of the largest US specialty roasters, has formed an alliance with smallholder producer groups in Northern Tanzania with strong support from TechnoServe, an international NGO. TechnoServe has been a major catalyst in changing attitudes in Tanzania and opening the coffee market to a more liberalized system of direct marketing. Peet's senior vice president, Jim Reynolds, served as a RATES/CQI-supported Coffee Corps volunteer in 2003 in Tanzania and was first introduced to the producer groups at that time. Last year, Peet's purchased over US \$2 million specialty coffee from these groups.
- Green Mountain Coffee from Vermont has formed a sustainable alliance with smallholder cooperatives in Rwanda through the excellent work of the PEARL project. Senior executive, Lindsay Boldger of Green Mountain, has served several times as a Coffee Corps volunteer trainer over the past three years. She first served as a judge at the first Worlds Wildest Coffee Conference and travelled directly from the conference to Rwanda to visit local producers with PEARL personnel. Rwanda cooperative coffees have gained worldwide recognition for their quality and the PEARL program for its work on the ground. This is a good example of how national programs can pick up on the interest created through RATES interventions and carry these efforts to fruitful and sustainable conclusions.
- RATES/EAFCA have made a concerted effort to promote regional coffees to companies such as Starbucks that had significantly reduced their purchases of African coffees due to the uncertainties of this market. Starbucks executives have attended a number of RATES-supported marketing events and most recently travelled to Zambia to attend the WWC2 event. In Seattle, Starbucks met with EAFCA members including the Kenyan delegation to discuss possible interventions. Starbucks has recently announced that they will contribute up to US \$600,000 to support conservation coffees efforts in Kenya. In addition, Starbucks recently awarded a Tanzanian grower the coveted "Black Apron" designation for his coffee that is sold exclusively through Starbucks. This award was presented at the WWC2 conference.

Maize. RATES has intensified efforts to create alliances between private sector industry players and government policy makers at the national-level to help ensure sufficient supplies of grain in the region. One of the key factors leading to bad decisions concerning grain trade has been the lack of information and communication between these various players in the

industry. RATES has conducted numerous business forums to improve public-private sector dialogue especially concerning the impact of the EAC customs union protocols. There are clear signs of increased cooperation among the private traders and public sector decision makers. There are now a number of private/public sector associations planning strategies and policy in the areas of maize trade, food security, and strategic grain reserves. Some examples include:

- In Malawi, the USAID Malawi mission asked for RATES support to help organize a forum between public and private sector grain traders to determine steps to improve communication among the players and improve grain supplies. We hope that this will lead to a sustainable national grain alliance. One bone of contention was the tender process that excludes locally-based traders from competing to supply maize to the National Food Reserve Agency (NFRA). As a result of industry lobbying, Export Trading was awarded a tender of 25,000 metric tons valued at over US \$4.5 million.
- As Malawi heads into a food security crisis this year, some interesting alliances are forming between the NFRA and private companies such as Seaboard. Seaboard has been granted the management contract for the NFRA and the World Bank and local banks are working with SAFEX to secure options to purchase grain through the SAFEX commodity exchange to create a virtual strategic reserve.
- In Rwanda, RATES organized a meeting of all key players in the grain industry, including donors to discuss ways of increasing their market share in the region. Since that meeting 4,000 metric tons of beans with a value of US \$560,000 that have been recently sold to Kenyan buyers identified through www.tradeafrica.biz.
- In Kenya, RATES has supported efforts of the Kenya Stock Exchange to explore a functioning commodity exchange in Kenya perhaps tied to the SAFEX in South Africa.. The first steps are identifying key storage facilities and grain suppliers. This effort includes forming an alliance between the Kenya Stock Exchange, local Banks, certifications companies such as Cotecna and SGS, the KMDP, a USAID-Kenya funded project, and the NCPB.
- In Kenya, RATES is helping the local grain industry to form an alliance with the government of Kenya to improve decisions regarding import and export bans on maize and other grains. This alliance is comprised of the Cereal Grains Association (CGA), the NCPB, Cereal Millers Association, donors, and other private firms. RATES has provided primary trade data and trade flow information and facilitated a number of meetings.
- In Zambia, RATES has been very involved in alliance building and imitated a number of business and grain trade forums that have included frank and constructive dialogue between the private sector and government policy makers. During the 2004 growing season, the government reversed its close door policy and allowed maize exports that exceeded US \$15 million. The government is likely to backslide a bit on this policy as drought conditions have greatly affected yields in Zambia for the 2005 cropping season.

Cotton/Textiles. RATES supported the efforts of key stakeholders and national trade associations representing the ginning, spinning, weaving and apparel sectors throughout the East and Southern African region (Cape to Cairo) to form the Africa Cotton and Textile Industry Federation (ACTIF). This cotton/textile alliance will have potentially far reaching effects as it can afford the region, for the first time, the opportunity of becoming a unified and recognized voice in both regional and global trade affairs affecting their cotton/textiles sector. No sooner was ACTIF formed in June 2005, that it became an immediate presence at key international forums, a fact that was recognized by global leaders in the cotton/textile fields.

Dairy. Following the success of EAFCA, RATES has worked closely with the regional dairy industry, especially the processing sector, to organize and form of a regional association that would provide a platform for promoting the industry and advocating regional harmonization of dairy standards. ESADA (with support from RATES) organized the first African Dairy Conference and Exhibition held in May 2005. ESADA was able to net approximately \$35,000 from direct industry sponsorships.