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Market Access, Trade and Enabling Policies Project (MATEP)

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Quarterly Report #11

For the period: October - December 2008

December 2008

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DAI: 7600 Wisconsin Avenue, Bethesda, MD Tel: 301-771-7600, Fax: 301-771-77777 www.dai.com
MATEP: PostNet 246, P/Bag E10, Lusaka, ZAMBIA, Te/fax: 260-1-291569, Email: matep@dai.com

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INTRODUCTION

Background:

The MATEP project is a five year USAID economic growth project designed to increase Zambia's exports of agricultural and natural resource products into regional and international markets. It is a results-oriented project that is intended to *make exports happen*. Local demand, beyond basic food needs, is limited and only by exporting will Zambia be able to raise the incomes of its rural population.

The export baseline is \$405 million, and over the course of the project MATEP will contribute to raising these exports to \$600 million. To do so, the project focuses on value chains offering the greatest potential for growth over the project horizon, as well as for impact on Zambia's economy and population, owing to interventions of the project and on tourism. At project inception, eight product value chains, along with tourism services, were selected for attention. These were horticulture, coffee, livestock, cotton, honey, paprika, maize and cassava. During implementation, MATEP expanded this number to include seeds, chili, groundnuts and dry beans in response to newly arising market opportunities.

The project has five closely interlinked components to achieve its export objective: Market Access, Trade and Enabling Policy, Tourism, Finance and HIV/AIDS. The Market Access component focuses on identifying foreign markets into which Zambia can sell and on working with exporters to successfully complete transactions in those markets. MATEP targets both regional markets and more distant markets in Europe, America and Asia for Zambia's exports. The Trade and Enabling Policy component focuses on domestic policies and regulations that constrain Zambia's exports as well as on regional and international trade agreements under which export growth can expand. The Tourism component focuses on raising Zambia's profile as a premier, multi-faceted tourist destination in Africa, as a location for international conferences and on tourism training. With the Finance component, MATEP will use \$2 million in investment capital to create sustainable private sector investment funds that provide short-term export financing and medium-term investment capital to exporting enterprises. Finally, the HIV/AIDS component works to mainstream HIV/AIDS prevention activities into client business operations and, with its partners, designs and implements HIV/AIDS prevention programs.

Progress during the quarter:

This MATEP Quarterly Report covers the period from October to December 2008. In Market Access, work in developing value chains saw the most progress during the quarter. In the bean value chain, new white canning bean varieties were pre-released, laying the groundwork for an almost certain release by the last quarter of this year. Performance particularly of OPSKW1 bean variety was very impressive, both to growers and to the bean breeders at research stations. In the groundnut value chain there were re-energizing efforts to build the value chain after significant challenges in exporting

raw groundnuts during the 2007 / 2008 marketing season. Quality assurance systems, economies of scale and competent management have been emphasized in on-going value chain development. In honey, the second of two annual bee disease surveys was conducted and submitted to South Africa in support of efforts to discontinue irradiation of honey exports to South Africa. News that Swaziland had received approval to export non-irradiated honey into South Africa provided further assurance that the Zambian process was on the right track. MATEP's role in facilitating an industry approach with public and private partners engaging the South African authorities in a more scientific and coordinated approach is paying off with the South African Department of Agriculture now appearing to be taking a more regional approach with suggestions that the approaches taken by Zambia and Swaziland be extended to the rest of the SADC region.

In regional trade long awaited exports into Botswana were made, though pricing is still a significant challenge for supply into the South African, Botswana and Namibia markets. For the DRC and Angola markets; logistics, border clearing and payment for supply continue to be the biggest challenges. However, significant enquiries continue to come from these countries, indicating market demand which MATEP and Zambian exporting clients continue to pursue.

In the Trade and Enabling Policy component, cleaning continued of data collected for the Third Supplemental Survey to the 1999/2000 Post Harvest Survey and value chain research work continued dealing with cotton, horticulture, maize and fertilizer. Two papers were published on maize during the quarter, one dealing with policy options for consumer price mitigation and the second on alternative maize trade interventions.

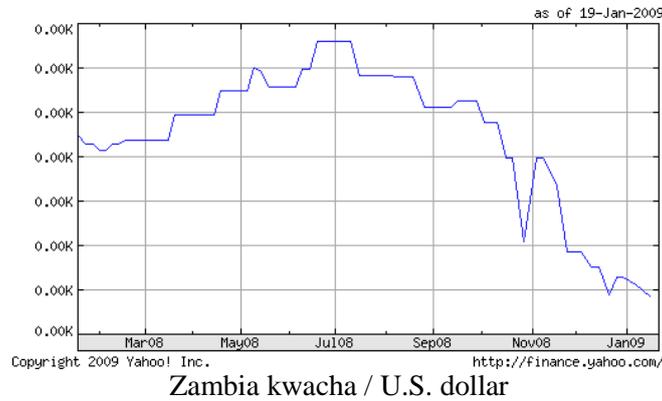
In the Tourism component, MATEP provided training in trade show preparation to members of the Hotel and Caterers Association of Zambia (HCAZ) and the Travel Agents Association of Zambia (TAAZ). MATEP also supported eight of those firms to enable them to attend the World Travel Market in London. While at WTM, firms received further on-the-spot training on preparing their displays and on the "do's and don'ts" of making sales pitches. MATEP also finalized research on the cost of doing business and tourist perceptions. Previously, MATEP had helped the Tourism Council of Zambia prepare a position paper as part of an appeal to government to reverse its decision to raise visa fees for British and American tourists. It was gratifying during the last quarter to see government accede to this appeal reducing these fees to the same level charged other tourists.

The coming quarter marks the scheduled end of MATEP's Tourism Component activities. Any continuing tourism activities during the final year of the project will be conducted on an ad hoc basis.

MATEP Investment Fund lending continued during the quarter with three small trade finance loans originated from the short-term investment fund. Total MATEP loans now stand at US\$ 3,214,685 (at current exchange rates), including the ZATAC loans originated by MATEP. Short-term disbursements stand at US\$ 2,279,527 and medium-term loans stand at US\$ 935,158. Repayments under both loan facilities continued during the quarter as well.

In the HIV/AIDS Component, MATEP began a new program of activities with the Mazabuka District Business Association (MDBA), also known as the Mazabuka Entrepreneurs Association. MDBA has over 10,000 members, including both businesses and farmers in the district. Many businesses had been in of short MATEP HIV/AIDS prevention sessions in the past as part of MATEP's export promotion assistance to MDBA. MATEP's new program entails training Awareness Educators among the MDBA membership who will then be responsible for rolling out HIV/AIDS prevention messages and distributing prevention material to MDBA's wider membership. During the last quarter, five trainings were conducted with a total of 126 Awareness Educators trained. MATEP HIV/AIDS prevention work also continued with the Hotel and Catering Association of Zambia, Zambia Export Growers Association, Ministry of Labour and Social Security and the Central Statistics Office.

Previous MATEP reports have documented the steady strengthening of the Zambian kwacha over time due in part to strong global copper prices, in part to new investments in mining in the country, in part to a recent history of sound macro-economic management and in part to inflows of portfolio capital investments in Zambia. Owing mainly to the current global recession and also to elections held during the last quarter, Zambia's kwacha has lost value quickly. The chart below shows the kwacha's value against the U.S. dollar from January 2008 to January 2009. Over the last six months of last year the kwacha fell in value from K3,200 in July 2008 to K4,835 on December 31, 2008.



Zambia kwacha / U.S. dollar

Unfortunately, this fall in the kwacha's value came too late for many agricultural exporters who in recent years were hit with first a strengthening South African rand, then a strengthening Zambia kwacha – currencies in which many imports are costed, while the U.S. dollar and the Great British pound - currencies exporters sell their output in - lost value. The result is that almost all the large vegetable and coffee exporting farms are in receivership or have ceased production. This will affect reporting of MATEP's PMP indicators in 2009.

This Quarterly Report is divided into six sections. After the Introduction are five sections, one on each of MATEP's components: Market Access, Trade and Enabling Policy, Tourism, Finance and HIV/AIDS. Each section reviews progress achieved during the quarter based on activities listed in MATEP's Workplan. An Implementation Calendar for the upcoming period is presented for each component.

As part of its ongoing series of environmental assessments for MATEP clients, MATEP conducted an environmental assessment of Capital Fisheries in Lusaka. These assessments are meant to help clients meet environmental standards and help them operate hygienic facilities that meet international standards. The assessment resulted in a positive report with no violations of environmental regulations and the company exhibiting a very good sense of awareness of environmental protection. The Capital Fisheries Environmental Assessment is included as an annex to this report.

MARKET ACCESS COMPONENT

During the quarter, MATEP agreed to assist in finding internships for students in the fifth and final year of the Degree in Agriculture Economics in response from a request from the School of Agriculture. After consultation with our clients, 4 students were placed with Capital Fisheries Ltd, Zamseed Ltd, Kamano Seed Ltd and with MATEP. MATEP agreed to assist with these internships because of the growing disconnect between the skills and knowledge of graduates and the needs of the industry. The students, whose internship ends in January, will be evaluated and the results reported thereafter.

MARKET DEVELOPMENT - REGIONAL TRADE

- **Angola:** MATEP worked with a number of clients to respond to a request for the supply of 80mt of seed potatoes from Luanda, Angola. Two MATEP clients; Zamseed and Kamano Seed were put in touch with the buyer. Zamseed indicated that they had two varieties: BP1 and Up-To-Date (UTD) but in October, when the enquiry from Angola came, they had just sold their stocks and indicated that they were likely to have fresh seed stocks from the end of December 2009 (potatoes undergo chilling and sprouting before they can be offered to the market, the process takes about two months). MATEP will be following up to facilitate any possible business.
- **Democratic Republic of Congo:** Despite the numerous challenges with supplying this market (especially goods clearing at the Kasumbalesa border, contract supply and payments), MATEP clients continue to respond to and engage buyers in the DRC. MATEP worked with Zamseed who during the quarter was assisted by MATEP to attend a suppliers meeting for UN Agencies in South Africa. Zamseed's interest in this meeting was primarily to improve access to UN tenders and payment for supply of seed to UN agencies operating in the DRC. MATEP also worked with Freshpikt and Capital Fisheries, to arrange a sellers' mission to the DRC, however the meeting was re-scheduled to early 2009 due to conflicts in the travel schedules of buyers in the DRC. Through MATEP consultant Geoff Mwale in Lubumbashi, MATEP received a request to identify producers that had the capacity to supply a number of products into the market. These products include beef, frozen bream, pork, fresh and pasteurized milk, mineral water and fruit juices. Potential suppliers were approached and are prepared to supply these regular monthly orders.
- **Botswana:** Scrollex Investment, Inc. finally shipped their first order of 2mt of assorted Zambian products to Choppies of Botswana in the month of December; the value of the shipment was around US\$ 6,000. This transaction between Choppies, Scrollex and Zambian producers is one that MATEP has been working on completing for a number of months. Choppies has informed Scrollex that after analyzing the sales performance of the goods supplied, a longer term supply contract can be negotiated.
- **South Africa:** Continued enquiries for supply and or partnership in producing pulped fruit and dried fruit and vegetables for South African exporters seems to be an opportunity that is emerging. During the quarter, some preliminary issues related to the capacity of Zambian producers to partner with, or supply South African exporters, was conducted through a study by Dermot Cassidy. During the coming quarter, the study will be completed and MATEP shall engage potential buyers and possibly arrange an inward mission to meet with potential partners and suppliers.
- **Trade Shows:** During the quarter, MATEP began preparations for the 2009 AB7 show. Liaison with stakeholders including the Zambia Development Agency (ZDA) and MATEP clients has begun. A stand has been identified and "booked".

MARKET DEVELOPMENT - VALUE CHAINS

The activities below portray MATEP work in the horticulture, bean, groundnut, honey, wood and handcrafts product value chains.

- **Potato and onion supply to Angola/Namibia/Botswana:** During the quarter Alamo Foundry, a MATEP client, indicated that they had commissioned a potato grading and cleaning (brushing) plant. Alamo had partnered with a number of commercial farmers with considerable irrigation and cold room capacity for growing potatoes and approached MATEP about the possibility of exports for table potatoes into the region. MATEP conducted an analysis to evaluate the viability of exporting these products from Zambia which concluded that Zambian potatoes would not be price competitive against South African suppliers, who are currently the dominant regional supplier of potatoes. The research also found that the seasonal supply flow of potatoes in Zambia and South Africa is very similar, leaving little or no room for a supply gap that Zambian producers can take advantage of.
- **Dry bean value chain:** MATEP continued to work with stakeholders to obtain release for the white bean varieties in Zambia that are market preferred for the canning industry. Zambia's Seed Certification and Control Institute (SCCI) authorized importation of 3mt of seed for the second and hopefully final year of trials before the new varieties are released. However, the South African breeders that provided bean seed in Year 1 of the trials and have variety rights for this seed became uncertain about their continued participation in the value chain raising a significant challenge in securing seed stocks for the second year trials. To move forward, SCCI along with the Zambia Agriculture Research Institute (ZARI), Freshpikt and other stakeholders, secured 3mt of the best performing variety from stocks grown during Year 1 trials. These stocks were tested for germination, with a 95-98% germination rate and were distributed to selected growers for the Year 2 trials. The seed for these trials was successfully distributed during December and included a 10 hectare trial of organic production of the beans.

MATEP also assigned a student intern, Hambulo Ngoma, to provide support to ongoing efforts to develop this value chain. Hambulo's specific tasks were: to coordinate and record activities and results of the Year 2 trials and seed multiplication of white bean varieties; collect and compile information on results of Year 1 trials; identify sources of certified seed for agreed varieties and work with ECI Africa to identify buyers. During the quarter, MATEP worked with stakeholders to organize a meeting to review Year 1 progress and discuss issues pertaining to year 2 activities. The meeting is scheduled for January 2009.

- **Groundnut value chain:** MATEP worked closely with various stakeholders in the value chain to develop a programme that will see improved seed and farming practices, mechanization and state of the art processing and storage capacity, employed along the whole value chain. Three STTA's were implemented during the quarter: marketing, quality assurance and business plan conclusion. The marketing and quality assurance STTA's were concluded during the quarter whilst the business plan is expected to be concluded during January.

A principal partner is the Eastern Province Farmers Cooperative Ltd, a grower group of 1,100 farmers, to whom MATEP provided support to develop and submit a proposal for financing a pilot programme intended to supply 1,500mt of aflatoxin free peanut butter and groundnuts. This proposal includes working with stake holders to improve aflatoxin management at farm and storage levels and to improve local capacity to test for aflatoxin. MATEP also helped develop another financing request to the Citizens Economic Empowerment Commission that has just been introduced in Zambia to support individuals and SMEs.

MATEP is working closely on these efforts with ICRISAT in Lilongwe, Malawi (the regional research centre for legumes in SADC), Commark (a regional grades and standards programme based in South Africa). MATEP organized and facilitated a visit to South Africa for EPFC Director John Hamlin to meet with technical experts in groundnut processing equipment and

factory installations. MATEP is also facilitating a visit of experts in groundnut processing to meet with EPFC and farmers in Eastern Province to explore to use mechanized strippers and automated shelling and grading equipment for the first time. As a result of this mechanization, aflatoxin occurrence is expected to be greatly reduced and farmers will spend one week (as opposed to two months) to strip and shell nuts for the market.

- **Export of Cashew Nuts:** MATEP received an enquiry from South Africa for the supply of Cashew Nuts and is working with USADF to look at the supply capacity of farmers in Western province. These farmers are receiving support from USADF for the development and commercial production of the Nut.
- **Wood and handcrafted products:** MATEP is working with Tribal Textiles to set up a Community Craft Centre based in Mfuwe for more effective sales of handicrafts to tourists visiting South Luwangwa park. Tribal Textiles is one of the largest handicraft exporters in Zambia and are based in Mfuwe, Luangwa Valley, Zambia's prime destination for tourists seeking wild life viewing. Tourists that visit the Luangwa Valley also buy curios and other handicrafts, providing an opportunity for income for local craftsperson, however issues of quality, design and consistency are challenging this trade. Tribal Textiles has taken the initiative to ramp up an existing community craft centre and seeks and MATEP is working with Tribal Textiles to engage a design and marketing expert to work with the community over the next year.

Another handcrafted products client; Wabisabi, approached MATEP for support to procure raw materials for a possible order from Hallmark in the US. Hallmark was made aware of Wabisabi and other Zambian handicraft producers as a result of MATEP support (in September, MATEP commissioned a profile of Zambian Handicraft producers, to show case to Hallmarks). Other support to this value chain was provided in the form of client services to Mukwa Creations and African Joy; both these clients are individually reported below.

- **Honey Irradiation:** MATEP continued its work towards eliminating irradiation requirement for honey exported to South Africa for the supply to South Africa of retail packaged organic honey. The second bee disease survey was initiated, completed and submitted in December (two surveys for AFB presence are required each year, with results submitted to the Department of Agriculture in South Africa). MATEP is working with Zambia's Department of Plant Quarantine and Phytosanitary Services (PQPS) and consultants to follow up with DOA in South Africa on the second survey results. PQPS will then have further discussions with the DOA.
- **Export of dried and semi processed fresh fruit and vegetables.** Earlier in 2008, MATEP organized a stakeholders meeting to discuss the prospects of supplying processed fruits into the region. This was in view of the significant challenges being faced in exporting fresh fruit. During the 2008 AB7 show in Johannesburg, two large South African based fruit juice manufacturers and a dried fruit and vegetable company approached MATEP to help facilitate supply of product and possible set up of operations in Zambia. MATEP engaged a consultant to conduct a study to assess the viability of Zambian products and producers accessing local and export markets for pulped and dried fruit and vegetables. Field work in Zambia was conducted from 25 November – 12 December and a draft report has been submitted.

CLIENT SERVICES: BUYER LINKAGES & ENTERPRISE SUPPORT

It appears that MATEP clients are appreciating and better understanding the correct match between client needs and MATEP support. More and more, MATEP is receiving requests that are truly related to market access support and less related to "handouts". Clients are growing in their understanding of the expectations from international buyers and their roles as suppliers. They are getting better at understanding actual business and market access needs they may have, rather than superficially perceived needs. Although access to affordable finance continues to be an impediment for Zambia's

SMEs, clients that MATEP works with are increasingly focused on market information, market linkages, grades and standards; each of which are market access issues that are within their ambit of control.

- **Inward buyer mission:** MATEP worked with the Trade Hub to assist in identifying potential suppliers to supply Talier Trading Group, a food distributor and specialty food development organization with offices in the United States and France. MATEP developed a program of firm visits for Talier's CEO, Mr. Jim Thaller, during a visit Zambia in November 2008 to meet with the potential suppliers. Talier Trading works with international specialty food manufacturers to create market linkages in the United States. They are particularly known for pioneering ethnic sections into mainstream supermarkets across the United States. Talier Trading features over thirty different products from around the world, the most recent addition to their range is the Africa specialty foods which have been introduced to most shelves in thousands of stores (including Whole Foods, Winn Dixie, Krogers, Safeway, Shaws and Food Emporium). MATEP will be working with Talier Trading to provide the necessary tools and resources needed to enter the lucrative US market.

Among the companies visited with Talier are; PECO Ltd (cassava biscuits), Nasununda (creamy honey), Freshpikt (canned goods) and Sylva Catering (dry vegetables). MATEP will be facilitating the communication between the firms and Talier as they work on product improvement and specification adherence with a target of the first consignment of specialty food products to the US market by mid-2009. MATEP also facilitated meetings with Government Agencies like Zambia Development Agency (ZDA) and the Citizens Economic Empowerment Commission (CEEC) to see how these organizations can channel their support to the development of the specialty foods industry. In a report after returning to the US, Jim Thaller stated,

"One word sums up my visit to Zambia...potential. As I shared with our hosts prior to my departure, I've seen few countries in Africa as ready to brand themselves in the specialty food market as Zambia. Sylvia's, Peco, Freshpikt, Mpongwe Organics, Luano Honey, Forest Fruits and others all have tremendous products near export readiness. From the government side, I was happy to see such a willingness on behalf of MATEP, ZDA, CEEC and the Agri-business Forum to help these Zambian companies achieve international exposure."

- **African Joy:** African Joy has continued to grow; increasing sales, staff and operations. Since they began receiving MATEP support they have improved in quality, capacity to meet international orders and marketing sophistication. During the quarter, MATEP provided support for African Joy's participation in trade shows in Namibia, South Africa and Canada.
- **Freshpikt:** MATEP worked with Freshpikt and an Australian-based buyer who is interested in exporting processed foods into the US under AGOA. With the help of the Trade Hub in Botswana, MATEP responded to queries on admissibility of specific canned fruits and vegetables under AGOA. MATEP also began work with Freshpikt to improve supply of raw pineapples into their processing facility. This is as a result of an MOU that Freshpikt signed for canned pineapples; the buyer met Freshpikt during their attendance of the AB7 Show which was organized by MATEP.
- **Zamseed:** MATEP provided assistance for Zamseed to participate in an International Trade Centre organized "Buying from Africa for Africa" meeting to coordinate supply of agricultural products and inputs into the UN system, including WFP, FAO, UNHCR, etc. Zamseed participation in this activity was important as its supply of seed into DRC and Angola is mainly driven through food security programmes ran by UN agencies. The meeting included over fifty companies from ten countries within Africa. Zamseed met with FAO Congo (DRC), FAO Mozambique, International Federation of Red Cross (IFRC), International Council for the Red Cross (ICRC), World Food Program South Africa, the ADRA Mozambique team, and Care International Zimbabwe. The meeting with FAO Congo (DRC) led to official registration of

Zamseed in the FAO supplier register meaning that Zamseed can now work directly with FAO; previously they were operating through an agent. Currently, Zamseed is discussing the export of vegetable seed in 3gm packs destined for Somalia. As stated earlier, MATEP also worked with Zamseed to respond to an Angolan buyer for seed potatoes. Zamseed also agreed to have an intern placed at their research farm; the student, Coillard Simukondo is in his 5th year in the School of Agricultural Sciences at the University of Zambia. He was placed with Zamseed beginning 12 December 2008 for three weeks.

- **EPFC Ltd:** MATEP worked very closely with EPFC to further develop the groundnut value chain. In addition to providing support for developing two proposals for financing and arranging and supporting a trip to South Africa to meet with groundnut processing experts (mentioned above), MATEP is assisting EPFC Ltd apply for a matching grant funding totalling US\$1m from a Dutch development organization. MATEP also disbursed a US\$11,500 trade finance loan to enable EPFC procure seed from farmers and meet their supply contract to Zamseed for export into the DRC. EPFC have also been working with MATEP on the white bean program. They are partnering with MATEP to have the white bean released in Zambia predominantly to service the canning industry and provided 750Kg of the 3mt being used in year 2 trials.
- **Borassus:** One of the 3 large exporters of fresh baby vegetables, Borassus has diversified their product range by responding to market trends for healthier foods. They have significant quantities of organic Mange tout and Sugar Snaps that they are targeting to San Francisco and New York. With the help of the SAGC Hub in Botswana, MATEP is providing information on the procedures for these products to enter the US.
- **Tasheni Farms:** This is a new client in poultry production that has the capacity for over 100,000 birds. MATEP is working with them to overcome capacity constraints and processing plans to enable them export into DRC. During the quarter, MATEP linked Tasheni with Savanna Beef, and a supply contract between the two clients is being drawn up. Initially this supply is to cater for Savanna sales into Shoprite and SPAR stores around the country. However it is intended to provide a stepping stone to exporting dressed poultry into the DRC and Angola. Savanna has a separate poultry abattoir with a capacity of 8mt of processed poultry per shift.
- **Mukwa Pens:** MATEP worked with a new client producing pens from indigenous hardwoods (mainly mukwa and rosewood) taken as scrap off-cuts from sawmills. MATEP assisted the company with labeling and suitable brand name development, and “tested” the market by marketing a few samples. The company has challenges with quality supply inconsistency and with MATEP assistance, significantly improvement pen quality leading to a reduction in rejection rates from 60-35%. MATEP approved a short-term loan of US\$ 3,500 to improve stock of pen kits used to assemble the pens and also procure from the US a second lathe to increase production capacity. The 1st part of the loan totalling US\$1,100 was disbursed to Mukwa Pens during the quarter. MATEP is also supporting Mukwa Pens to improve their business operations, both in product supply and business management.
- **Food technology and value chain development support:** MATEP is putting together a concept paper for the groundnut, white bean, pineapple, tomato and honey value chains for submission to General Mills under a Corporate Social Responsibility programme. MATEP hopes to leverage technical support from General Mills that might be appropriate for some of MATEP’s value chain work.
- **Ubuchi Capital Enterprise Ltd:** During the quarter, Ubuchi supplied their first consignment of 200mt of retail packaged honey to SPAR Zambia. They also delivered to Scrolllex, 12mt of retail packaged honey for supply to Choppies of Botswana. Ubuchi also had discussions with SPAR to begin packaging an in-house brand of honey.

- **Savanna Beef:** MATEP provided STTA to Savanna to help senior management design and package their expansion programme with a view to obtaining financing and supplying institutional markets in Zambia, the DRC and Angola. The STTA was conducted during the quarter and a report submitted to MATEP and the clients.

Market Access Component: Implementation Plan

Activity													Year 5																															
	Jan.			Feb.			Mar.			Apr.			May			Jun.			Jul.			Aug.			Sept.			Oct.			Nov.			Dec.			Q2							
	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
Regional Trade																																												
South Africa																																												
Africa Big Seven show - planning, show and follow up																																												
Namibia																																												
CEO seller mission																																												
DRC																																												
Inward buyer mission																																												
Humanitarian Exhibition and Mining Fair and follow up																																												
Botswana																																												
Facilitating supply to Choppies																																												
Product launch																																												
Angola																																												
Mission to meet and identify distributors and follow up																																												
Market Development for Value Chains																																												
Collect market information and link to exporters																																												
Bean commercial trials and follow up																																												
Groundnut financing proposal, roundtable and follow up																																												
Buyer Identification																																												
Identify buyers, build database, develop relationships																																												
Identify shows/liaise with organizers/enlist participants																																												
Exporter Services																																												
Screen companies and enhance export readiness																																												
Identify/address SPS/grades/standards in target markets																																												
Undertake export training events																																												
Environmental Assessments																																												
Client environmental reviews																																												

TRADE AND ENABLING POLICY COMPONENT

Work in the Trade and Enabling Policy Component was principally in the area of value chain research. All components of the value-chain research committed half of their time during the quarter under review to cleaning data for the Third Supplemental Survey to the 1999/2000 Post Harvest Survey. Activities also continued in developing the cotton, horticulture, maize and fertilizer value chains.

Cotton

Consistent with the overall MATEP objectives and approach, the objective of the cotton policy activities is to strengthen the link of smallholder farmers to a value chain with good potential for growth in volume and value. Our approach is first to build on previous research and policy dialogue by FSRP by engaging stakeholders in a broad-based consultation process that will lead to a sector development plan with buy-in from key stakeholders.

During the quarter, the following was accomplished:

- Continued consultations with MACO on the composition and size of the Cotton Board under the current Cotton Act and the revised Cotton Act. This information is required for the Minister of Agriculture who is spearheading the formation of the Cotton Board.
- Obtained the Tobacco and Coffee acts in preparation for an assessment of regulatory approaches to the cotton and broader cash cropping sectors in Zambia, which will be part of a planned multi-country study on the same topic. As with the earlier comparative assessment of cotton sector reform experience, Zambia will be a major contributor to this study and will also stand to benefit from key insights as it struggles to develop a regulatory approach adequate to the challenges it faces.
- Stephen Kabwe participated in the International Cotton Advisory Council's annual meeting as part of the official Zambian delegation in Ougadougou Burkina Faso. The theme of the conference was "Technologies for Cotton Development". Further information on a statement from the ICAC secretariat can be obtained from: www.icac.org/meetings/plenary/67_ouagadougou/documents/english/e_statement_2008.pdf
- Stephen Kabwe met with Nicolas Gergely, a consultant who is evaluating the European Union Africa Partnership programs in Zambia and specifically what the Government thinks about that partnership. In his introductory remarks, he highlighted that the partnership covers the aspects of cotton development and trade. He highlighted that the EU (Agriculture Commodities Programme) has allocated 15 million euros for cotton development. To access that fund, African countries are supposed to write proposals and state what they will do to develop cotton value chain. The funds can be accessed from the following international organizations: International Trade Centre (ITC), Food Agriculture Organization (FAO), World Bank (WB), CFC, and UNCTAD. Further information can be obtained from: http://www.acp-cotton.org/english_acpue.htm?sid=25702265e155ff8b67504b61d18fbc6f

Horticulture

Given the relative lack of information on Zambia's horticultural system, our strategy emphasizes applied analysis, development of a proposal for a Horticultural Supply Chain Development Program, and formation of a Horticultural Supply Chain Task Force.

During the quarter, the following was accomplished:

- *Wholesale market monitoring:* Continued the collection and processing of (a) sub-hourly prices for tomato, rape, and onions three days per week in Soweto market, (b) individual lot

volumes for every lot entering Soweto market for those same days, (c) the geographical origin of each lot (specific area within a district) and (d) price data in Chilenje open air market and Shoprite and Melissa supermarkets twice per week. Development of tomato, rape and onion standards in Soweto Market also continued. In addition to this work, started on developing conversion factors for various fruits and vegetables in Lusaka for use in the project's various surveys data analysis.

- *Tomato value chain:* This work is being finalized as part of Mukwiti Mwiinga's M.S. thesis work at MSU and involves (a) use of wholesale market volume data and UCS household data to characterize the tomato production and marketing system serving Lusaka, (b) comparative analysis of Soweto price behavior with that in other countries, and (c) assessment of the impact of tomato price variability on the level and variability of farmer returns. The thesis will be presented and defended within the month of December 2008. Latest analysis includes Monte Carlo simulation analysis of returns to tomato farmers under alternative production and marketing scenarios.
- *Mobile phone based horticultural price and supply information system:* Consultations continued with ZNFU and between ZNFU and PROFIT on the implementation of the mobile phone based horticultural price and supply information system. The ZNFU Board recently approved the plan and the system should be implemented as soon as logistics with PROFIT are finalized. Arrangements should be in place for commencing this activity in January 2009.
- *Horticultural price dynamics and trade flows:* Munguzwe Hichaambwa resumed work on analysis and writing of overall horticultural price dynamics and trade flows (including wholesale-retail linkages). This work had stalled because of his heavy involvement in the planning, implementing and data cleaning of the two rounds of the urban consumption survey and the supplemental survey.

Maize

To address technology development and dissemination, public/private investment in input markets and high marketing costs that reduce farm level profitability and effective demand, our strategy emphasizes better informing on resource allocation decisions, redefining the role of government and international trade.

During the quarter, the following was accomplished:

- FSRP in collaboration with a colleague in MACO published a policy synthesis "[Marketing Policy Options for Consumer Price Mitigation Actions in the 2008/09 Maize Marketing Season in Zambia](#)". This policy synthesis was written to stimulate discussion on how to effectively deal with the impending shortage of maize grain during the forthcoming lean season between November and March.
- FSRP met with ZNFU analysts (John Fynn) to review the current maize supply and demand situation. This review was to share current information and ideas with ZNFU in the context of the report being prepared by a ZNFU facilitated working group on rising prices in Zambia.
- Govere, Jayne and Chapoto have published a working paper on [Assessment of Alternative Maize Trade and Market Policy Interventions in Zambia](#). This paper has been posted on the MSU/FSRP website.
- Jayne, Chapoto and others worked in October on a report assessing the impact of the rising food price situation in 2008/09 on food insecurity and changes in anticipated 2009 production patterns in Zambia and the southern Africa region more generally. The draft report should be circulated during January 2009.

- Jayne, Chapoto and others completed a draft report on assessing the impact of the rising food price situation in 2008/09 on food insecurity and changes in anticipated 2009 production patterns in Zambia and the southern Africa region more generally. We were hoping to brief the new Minister of Agriculture on the issues and policy implications of this report in a meeting we had scheduled with him for the week of December 1. However, this meeting was postponed until after the US Ambassador has met the minister. The report has been posted on the MSU website as a draft International Development Working Paper.
- Jayne made a presentation on World Food Prices and the Political Economy of Food in Eastern and Southern Africa at Michigan State University, Center for the Advanced Study of International Development, CASID, Women and International Development (WID) Program, Center for Gender in Global Context. November 7, 2008. The presentation has been posted on MSU/FSRP website.
- Weber participated in an ACF sponsored meeting to review SADC regional grain reserve proposal. ACF may convene another meeting sometime in December to consolidate comments for SADC.
- FSRP/MACO policy synthesis on "[Marketing Policy Options for Consumer Price Mitigation Actions In the 2008/09 Maize Marketing Season in Zambia](http://zambian-economist.blogspot.com/2008/11/to-import-or-not-to-import-2nd-edition.html)" continues to get some visibility, see <http://zambian-economist.blogspot.com/2008/11/to-import-or-not-to-import-2nd-edition.html>

Fertilizer

This subcomponent deals with the issue of subsidy distribution by the state vs. development of a sustainable private sector distribution system within the context of the Agricultural Input Marketing Plan (AIMDP). Our pace of work has been slowed in the past 3 months due to the implementation of the 2008 Supplemental Survey.

During the quarter, the following was accomplished:

- Efforts spent on assisting the ACF plan for a regional fertilizer study tour which will inform MACO's redesign of its Fertilizer Support Program. NORAD and SIDA will fund the trip composed of staff from MACO, MFNP, FRA, ZNFU, ACF, PAM, Omnia, Seed Co and FSRP. The study team will visit Malawi, Tanzania and Kenya. FSRP is utilizing its knowledge and understanding of fertilizer developments and networks in Kenya, Malawi and Tanzania to help structure this study visit.
- A draft policy synthesis was developed from the paper "Fertilizer Subsidies and Sustainable Agricultural Growth in Africa: Current Issues and Empirical Evidence from Malawi, Zambia and Kenya".
- Weber and Govereh continued interacting with MACO, the private sector and donors on planning for the study tour to Malawi, Tanzania and Kenya. The momentum fizzled out early November 2008 after MACO pulled back and decided to wait for the Ministerial appointments to be announced. January 2009 has been suggested as a possible month to conduct the study tour.
- Kasweka and Jones analyzed fertilizer purchase behavior among households in the supplemental panel survey of 2001 and 2004. They looked at the changes in the distances households covered to collect fertilizer from an outlet between the two surveys. Variations in the distance traveled by type of outlet (government or commercial) and by the district profile (near or far from line of rail) are being examined.

Value Chain Research Implementation Plan

Activity													Year 5																								
	Jan.			Feb.			Mar.			Apr.			May			Jun.			Jul.			Aug.			Sept.			Q1	Q2								
	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	
Maize																																					
Maize Value Chain Study: Improving food security and rural income growth																																					
Urban Maize Consumption Implications for food security policy																																					
Outreach activities for key policy findings																																					
Fertilizer and Inputs																																					
AIMD Plan follow-on research																																					
Analysis of FSP impact on input markets and smallholder fertilizer use																																					
Analysis of fertilizer profitability: implications for government policies																																					
Outreach activities for key policy findings																																					
Cotton																																					
Assessment of regulatory structures for other cash crops																																					
Outreach with new Cotton Board (provisional on seating of Board)																																					
Stakeholder consultation/supply chain development implementation																																					
Horticulture																																					
Analysis and Report: Wholesale-retail linkages in fresh produce mkts																																					
Analysis and Report: Urban consumption patterns																																					
Analysis and Report: Trends in horticultural production & marketing																																					
Task Force formation and meetings																																					
Outreach activities for key policy findings																																					
Tomato value chain analysis																																					
Reports																																					
Outreach																																					
Market Information collection and dissemination																																					
Handover to ZNFU and training																																					
Selection of new markets																																					
Launching of new markets																																					
Supervision																																					
Continued data entry to maintain growing data base																																					

TOURISM COMPONENT

MATEP Tourism concluded its Trade Show Support to the HCAZ and TAAZ members with a total of 40 participants undergoing trade show preparation training. Further, MATEP also provided support to eight firms and associations to meet part of the cost of attending the World Travel Market in London, England. While at WTM the beneficiaries underwent two training sessions on how best to prepare for trade show presentations and the do's and don'ts when making sales pitches. MATEP also finalized research on the cost of doing business and tourist perceptions. The Grant Thornton report on Grades and Standards was also reviewed and guidance on how to regulate Casinos provided as well. As a result of MATEP assistance to TCZ in preparing a position paper on the increased visa fees, Government reduced visa fees for British and American tourists.

IMPROVE INTERNATIONAL MARKETING

- **Trade Show Preparation Training:** Trade Show Preparation training was conducted in Lusaka on 5 and 6 November 2008 at Gemistar Safari Lodge. There were 15 participants drawn from both HCAZ and TAAZ membership. One of the key outcomes of this training was identifying the need for hoteliers and tour operators to work together in preparing tour packages and agreeing on a commission structure. This was followed by training in Copperbelt Province, held in Ndola at the Mukuba Hotel from 26 – 28 November 2008 with 10 participants mainly drawn from the HCAZ membership. Then training was conducted in Livingstone training at Crossroads Lodge from 2 – 5 December 2008 attracting a total of 15 participants mostly from the lodges in Livingstone. This Trade Show Preparation training was coordinated with MATEP support for firms to attend the World Travel Market so as achieve maximum utility for the participants.
- **Trade Show Support – World Tourism Market (WTM):** MATEP provided partial support to 11 participants to attend the World Tourism Market in London in November 2008. The initial list of assisted firms and associations is as follows:
 - Kozo Lodge/ Heritage Trails
 - Kambuku Guesthouse
 - McRoka Artcraft
 - Limbo Guest Lodge
 - Mumana Pleasure Resort
 - Cutty Sark Travel
 - Zambian Safari Company
 - African Destinations
 - Travel Tech
 - Hotel and Catering Association of Zambia
 - Voyagers

In the end, eight firms participated and saw Kozo Lodge/ Heritage Trails, Travel Tech, and African Destinations withdrawing from the activity due to various reasons.

World Travel Market technical assistance: While at WTM, the eight participants received technical inputs from MATEP consultant, James MacGregor, which focused on improving displays at the trade show, training in approaches to trade show marketing and help in arranging and then conducting interviews with wholesale tourism buyers. Two group training sessions were also held – one pre- and one post-WTM. Further, the participants learned the need to develop all-inclusive packages that would meet the buyers' expectations. Follow up activities include the following:

- Designing marketing materials including e-brochures and web sites; and

- Familiarization tour in collaboration with MTENR, ZTB and HCAZ for 3 European and 5 Southern African buyers;

CLIENT SERVICES

- **HCAZ Strategic Development Plan:** During the quarter MATEP finalized the HCAZ Strategic Development Plan. This was submitted to the HCAZ NEC for final approval and or comments and recommendations.
- **Lake Side Lodge – Itezhi Tezhi:** MATEP received a request for assistance from Mrs. Kaande, who is a Director of Lake Side Lodge: they would like financial assistance to enable them finish civil works at their lodge on the shores of Itezhi Tezhi dam. They were requested to submit a detailed financing proposal before an assessment can be made.
- **Kum’Mawa Lodge – Chipata:** MATEP received a request for assistance from Kum’Mawa Lodge. Meetings were held the promoters Mr. and Mrs. Nyirenda. They are constructing a lodge in Chipata and are looking for financial assistance to enable them complete the project. They submitted a business plan and financing proposal which is being reviewed.
- **Ngulu Hotel - Mongu:** MATEP received a request for assistance from Ngulu Hotel in Mongu to provide a volunteer to work with the hotel for a period of 24 months. Due to the nature of the request, this will be channeled to other institutions such as the Farmer – to – Farmer Programme for possible assistance.
- **Musaka Lodge:** MATEP received a request for financial assistance from Musaka Lodge to enable them complete civil works and procure soft and hard furnishings. This was reviewed and revisions and inclusions needed communicated to the project promoters.

RESEARCH AND POLICY CHANGE

- **Competitiveness of the Tourism Sector Study:** In spite of lack of timely responses from private sector stakeholders, the consultant managed to collect information from the large international operators with operations in the region such as Sanctuary Lodges and the Luangwa Safari Association. A draft report was submitted and is being reviewed. In the interim, the consultant is preparing a synopsis that can be used by decision makers in the Sector.
- **Follow up Research on Tourists Perceptions:** Research on Tourist Perceptions was completed in November covering Eastern Province, Livingstone, and Lusaka. The consultant is now finalizing the analysis and draft report.
- **Grading and Standards Assessment:** MATEP conducted a thorough review of the draft Grading and Standards prepared by Grant Thornton South Africa on contract to the Ministry of Tourism. The review, in addition to an overall critique, provided insights into casino operations and regulations for the Ministry of Tourism to use in their ongoing review of casino regulations. In addition to the foregoing, MATEP provided reference material to MTENR in casino regulation. Official reaction on the same is being awaited.
- **Visa fees:** The Government reversed its earlier decision introducing differential visa fees for United States and British tourists at higher levels than other tourists. Visa fees for U.S. and U.K. national has now been reduced from US\$135 to the standard level of US\$50 for a single entry and US\$80 for multiple entry. This was in response to appeals from the tourism industry against the increase of visa fees earlier in the year. MATEP was instrumental in providing technical inputs and preparing the submission to government on behalf TCZ members.

IMPROVE TOURISM SKILLS

- **Internet Marketing:** MATEP continued with preparations for the internet marketing training as a follow up to the initial training conducted in 2007.

UPCOMING ACTIVITIES

The coming quarter marks the scheduled end of MATEP's Tourism Component activities. Any continuing tourism activities over the final year of the project will be conducted on an ad hoc basis.

- Internet Marketing Training: this will target HCAZ, TAAZ, TCZ, and individual tourism enterprises.
- ZTB STTA: this will be specific to ZTB looking at public relations, marketing, and strategic focus of ZTB
- HCAZ Training: This will be the penultimate in the series of Customer Care training sessions. The final training in the series will be held in March 2009.
- Business Training for Tourism Credit Recipients: This training will be basic BDS in the form of basic business management skills training for the beneficiaries of the Government Tourism Credit Fund.
- Bankers Association of Zambia – Tourism industry buyer/seller mini expo: in which banks can present their financial products to the tourism sector. Arising from this, Tourism clients will be assisted with technical inputs from a consultant to make bankable business plans and financing proposals.

Tourism Component: Implementation Plan

Activity													Year 5																											
	Jan.			Feb.			Mar.			Apr.			Mag			Jun			Jul.			Aug.			Sept.			Oct.			Nov.			Dec.			Q1			
	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
Improve International Marketing																																								
Branding Zambia TA and Marketing Materials Development																																								
ZTB STTA																																								
Support to Associations																																								
Support to Enterprises																																								
Research and Policy Change																																								
ZTB Research																																								
Improve Tourism Skills																																								
HCAZ Training STTA																																								
Internet Marketing STTA																																								
Finance Training Hotels and Banks																																								
Business Training - TCDF																																								

FINANCE COMPONENT

This section of the report outlines progress in implementation of the MATEP Investment Fund through the Zambia Agricultural Technical Assistance Centre (ZATAC) for the Quarter. Total MATEP credit disbursements now stand at US\$ 3,214,685 (at current exchange rates). Of this amount, the value of loan repayments amounts to US\$ 1,220,898 and the amount currently outstanding totals US\$ 1,884,301 (figures do not sum due to exchange rate fluctuations). These figures include lending from MATEP directly and loans originated by MATEP and financed out of ZATAC resources.

- **Short-term credit** to export-oriented agribusinesses and tourism enterprises:
 - Three new trade finance loans were originated during the last quarter in the seed, handicrafts and paprika sectors. Loan recipients were Eastern Province Farmers Cooperative Limited, Mukwa Creations and Mumbwa Farmers Cooperative.
 - The value of these new loans amounted to US\$ 15,715.
 - The loan to Freshpikt was rescheduled.
 - Total short-term disbursements stand at US\$ 2,279,527
 - Total disbursements made under the MATEP/ZIF Short-Term Credit Facility stand at US\$ 1,598,152
 - Total disbursements made under ZATAC Ltd loans initiated by MATEP stand at US\$ 681,375.

- **Medium-term credit** for export and tourism enterprises:
 - No new medium-term loans were originated during the quarter.
 - Total disbursements made under the MATEP/MIF stand at US\$ 935,158.

- **Remediation**
 - Debit Notes were sent out to clients.

- **Leveraging resources**
 - MATEP is working with the Citizens Economic Empowerment Commission (CEEC) and Africare in developing proposals for further funding for value chain development in Zambia.

Finance Component: Implementation Plan

Activity													Year 5															
	Jan.		Feb.		Mar.		Apr.		May		Jun.		Jul.		Aug.		Sept.		Oct.		Nov.		Dec.		Q2			
	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
Short-term lending																												
Continue export loan operations																												
Quarterly review of ZIF operations																												
Annual ZIF audit																												
MATEP ST Loan Fund Disposition																												
Medium-term lending																												
Continue loan operations under MTF																												
Quarterly review of MIF operations																												
Annual MIF audit																												
Medium-term Fund Disposition																												
Leveraging via financial intermediation																												
Continue intermediation and leveraging																												

HIV/AIDS COMPONENT

The high prevalence of HIV/AIDS has been identified as a major threat to Zambia's continued export growth. MATEP, through funds obligated from the President's Emergency Program for AIDS Relief (PEPFAR), is conducting community outreach HIV/AIDS prevention programs that promote abstinence and/or being faithful with its export and tourism clients. MATEP is integrating the HIV/AIDS prevention activities into each of its components: Market Access, Trade and Enabling Policies, Tourism and Finance.

In the quarter under review, MATEP commenced implementing Year Four of the project's HIV/AIDS activities with the some existing HIV/AIDS partners and a new addition. Existing partners include the Hotel and Catering Association of Zambia (HCAZ), Zambia Export Growers Association (ZEGA), Ministry of Labour and Social Security (MLSS), Michigan State University (MSU) through the Food Security Research Project (FSRP) and the Central Statistical Office (CSO). The new HIV/AIDS partner is the Mazabuka District Business Association (MDBA), an organization also known at the Mazabuka Entrepreneurs Association, which MATEP has been working with on through the Market Access component for some time.

- **Mazabuka District Business Association (MDBA) HIV/AIDS Activities:** A standard part of training workshops MATEP conducts through each of its components is a session on HIV/AIDS preventions. MDBA response to such session has always been enthusiastic and they approached MATEP to help in developing a larger MDBA program of HIV/AIDS prevention. During the quarter just ended, MATEP designed and commenced Phase I of the HIV/AIDS prevention and awareness training programs with MDBA members (individuals and cooperatives).

Mazabuka DBA is comprised of over 1,000 individual entrepreneurs and close to 180 cooperatives/clubs which have at least 50 members in each cooperative. Membership is demarcated into five areas of Mazabuka namely: Chikankata, Magoye, Lubombo, Nega Nega and Mazabuka town. The MATEP HIV/AIDS program implementation entails training of one Awareness Educator for each of the 180 cooperatives. Each awareness educator will then pass on the HIV/AIDS prevention messages to the 50 members of their cooperative group. During the last quarter, five trainings were conducted with a total of 126 Awareness Educators trained. Starting next quarter, individual entrepreneurs members of MBDA will receive HIV/AIDS prevention messages in sessions conducted in their respective areas.

- **HCAZ HIV/AIDS Policy:** During the last quarter, MATEP initiated discussions with HCAZ on the formulation of an industry-wide HIV/AIDS workplace policy. This follows up on the presentation made by MATEP to the HCAZ Executive Committee members at their Annual General Congress held in the month of October 2008 regarding the development of an HIV/AIDS workplace policy for the hospitality sector. MATEP has since received a letter from HCAZ officially requesting for assistance in developing the said policy.
- **HCAZ HIV/AIDS Activities** MATEP commenced Phase III of the HIV/AIDS prevention and awareness training programs with HCAZ members (hotels and catering establishments). A training schedule had been drawn up for HCAZ members that had not participated in Phase I and II of the MATEP HIV/AIDS program. Each participating member selected the individuals/employees that would undertake the training. All trainings will be conducted in the coming quarter.
- **New employee training for ZEGA HIV/AIDS Program:** MATEP identified the ZEGA members (farms growing and exporting flowers and vegetables) that will participate in the HIV/AIDS awareness and prevention training program for new employees. ZEGA member farms have participated in earlier phases of the MATEP HIV/AIDS program, but due to rapid staff

turnover, additional training has been requested for new employees. Participating farms include: Roseblooms, Best Value, Sunrose, Kapwelyomba, Khal Amazi, York and Borassus. In the quarter under review the farms commenced the selection process of the individuals that will participate in the training program. Training dates for the selected individuals/employees from the farms is yet to be confirmed.

- **Ministry of Labour and Social Security (MLSS):** MATEP followed up with the Labour officers on HIV/AIDS awareness and prevention messages delivered during their inspection exercises of all private sector establishments. MLSS in the quarter just ended also commenced the use of the HIV/AIDS policy checklist developed with MATEP's assistance in their inspection exercises.
- **Labour force Survey:** MATEP in the quarter just ended, trained 15 CSO Master Trainers on HIV/AIDS prevention and awareness at a training workshop in Lusaka. The 15 CSO trainers will in turn train 750 enumerators countrywide during a 7 days workshop focusing on the survey that will target 30,000 households all over Zambia and in all the 9 provinces. MATEP also monitored HIV/AIDS awareness and prevention message delivery by some CSO Master Trainers. The Master Trainers are training enumerators who will in turn deliver HIV/AIDS prevention messages during the Rural Labour Force survey.
- **FSRP/MSU:** In the last quarter, MATEP trained two FSRP enumerators that will deliver HIV/AIDS awareness and prevention messages to the marketers as part of their market information survey currently going on in some Lusaka based markets. The two were trained with the group of CSO Master trainers that will train the enumerators conducting the countrywide Labourforce survey.
- **World Aids Day (WAD) 2008:** In the last quarter, MATEP liaised with ZEGA and HCAZ to mobilize members that would participate in commemoration of WAD held on 1st December, 2008. ZEGA members that participated included: Khal Amazi, Kapwelyomba, Sunrose, Roseblooms and Borassus farms and the HCAZ members that also organized activities on the day are: Mulungushi Village, SOS Village/Family Support Program (FSP) and Southern Sun Ridgeway Hotel. The National Aids Council (NAC) once again organized a march past for all HIV/AIDS activists based in Lusaka from the University of Zambia (UNZA) campus to the Mulungushi Conference Centre with the program beginning at 08.30 hours in the morning. Some ZEGA and HCAZ members participated in the march past. Other activities on that day hosted by the various ZEGA and HCAZ participating members included: football competitions, drama, singing and other forms of sensitization to both the co-workers and the surrounding communities. MATEP distributed HIV/AIDS awareness and prevention materials, caps, t-shirts and badges.
- **PEPFAR 2008 Annual Progress Report (APR):** In the first month of the quarter under review, MATEP compiled data from the various HCAZ and ZEGA members that delivered HIV/AIDS awareness and prevention messages. The figures were then finalized for the 2008 PEPFAR APR. The APR included completing: a mapping template, service delivery template, prime partner templates and a success story. The excel service delivery templates were then uploaded to the ZPRS database file.

ENVIRONMENTAL REVIEW REPORT

CAPITAL FISHERIES LIMITED

(Fish and Seafood products)

December 2008

1. Background and Activity Description.

1.1 Purpose and Scope of Environmental Review Report:

Regulation 216 which is the commonly used shorthand term for the Agency's Environmental Procedures, are codified in the code of Federal Regulations (CFR) as 22 CFR Part 216 (also referred informally as Reg. 216 or Reg. 16). Regulation 216 makes it mandatory that an environmental review or initial environmental examination be undertaken for a client that has received assistance from USAID in order to:

- Ensure that environmental consequences of USAID-funded activities are identified and considered in the design and implementation of activities prior to final decisions to proceed;
- Assist countries in strengthening their environmental evaluation capabilities;
- Define limiting environmental factors that constrain environment; and
- Identify activities that assist in sustaining or restoring the natural resource base.

Market Access and Trade Enabling Policies (MATEP) and Agribusiness in Sustainable Natural African Plant Production (ASNAPP) personnel undertook a site visit to a client, Capital Fisheries Limited, to conduct an Environmental Review (ER), a formal process of providing information and analysis of the overall effects on environment, human health and welfare and means and measures to mitigate and monitor these impacts.

1.2 Background:

Capital Fisheries Limited is a fish and seafood distributing and wholesaling company incorporated in Zambia on May 12, 1999. It is a privately owned company whose shareholding is ratio is Damian Roberts – 50%, Gavin Thomas – 40% and Peter Thomas – 10%. At inception, only one (1) product (Buka) was being offered but has since expanded its range and now offers over 68 different products, selling 2000 tons annually, and now regards themselves as the leading industry player.

1.3 Description of Activities

As earlier stated, Capital Fisheries is a fish and seafood wholesaling and distributing company. The company imports most of its products from China, Thailand, Tanzania and Namibia and procures about 10% from the local fish farmers. The products they deal in include; Buka Buka, Tilapia both filleted and whole, Kapenta both dry and frozen, Horse mackerel, and seafood. The fish comes whole, gutted, gutted and scaled or filleted. Some kapenta comes dry while some is frozen. The seafood on the other hand comes in frozen. Capital Fisheries receive their stock in refrigerated trucks. Some fish is packed at source with Capital Fisheries labeling.

1.3.1 Imported stock

The imported stock comes frozen in labeled boxes. On arrival, the health certification is obtained from personnel from the Department of Fisheries who inspect the fish and customs clearance taken care of. The stock is then received at the company receiving bay and moved into the cold rooms immediately where the temperatures are kept at below -15°. For wholesaling the fish is just sold as it comes to some clients while others prefer smaller packaging. For the smaller packaged fish packs, the fish is defrosted and then separated and re-packed into pre-determined packs, normally according to size/average weights (e.g. Family pack).

This is not only for the fish. Capital fisheries import an array of seafood that they also supply the Zambian market. They import things like oysters, anchovies, baby octopus, king/queen/tiger prawns,

shrimp, mussels, horse mackerel and the calamari range. All these products come frozen. They undergo rigorous inspection as well and come with certification from country of origin.

1.3.2 Locally sourced stock

On the local scene, Capital Fisheries source a number of fish species from various locations country wide. They source some Buka buka from Mpulungu (frozen), Bream and Kapenta from Mpulungu, Siavonga and Itezhi-tezhi (frozen). The frozen Kapenta come already packed in paper trays from the suppliers while the Bream and Buka comes in polythene bags. The fish are inspected on arrival and then sent into the cold rooms. Locally sourced Bream and Buka are washed (some gutted and scaled) and then sent to the cold room. The dirty water goes into the plant sewer system to the septic tanks.

Shelf life and labeling of the repackaged fish and the king and ordinary kapenta is done at the plant before final distribution to clients. The company has also embarked on canning of Buka in tomato sauce and chili sauce. Capital Fisheries also bottles water and sells ice cubes and blocks. Their water is branded Aqua Vita.

2. Country and Environmental Information

2.1 Locations Affected

The company is situated approximately 7 kilometres north-west of central town of Lusaka in the light industrial area of the city on plot 6981, Katanga Road off Mungwi Road. The nearest residential areas from the plant are George compound which lies to the north-west and Matero compound that lies to the north of the Plant.

The plant construction was designed in such a way that it did not lead to;

- a) Any displacement of people or farm plots
- b) Affect quantity, quality, reliability and accessibility of water
- c) Cause erosion or salinity in nutrient concentrations of the soil
- d) Affect populations and habitats of fauna
- e) Spread diseases and pathogens on environmental health
- f) Affect composition and density of natural vegetation, productivity and key species and
- g) Affect the key species of special ecosystems

2.2 National Environmental policies and Procedures

Zambian environmental policies and procedures are enshrined in the Environmental Protection and Pollution Control Act (EPPCA) No.12 of 1990. The Act provides for the protection of the environment and the control of pollution; to establish the Environmental Council and to prescribe the functions and powers of the Council; and to provide for matters connected with or incidental to the foregoing. The EPPCA defines environment as "...land, water, air and other external influences and conditions which affect the development and life of all organisms including man"

The following statutory instruments under the Environmental Protection and Pollution Control Act have been passed for the purposes of enhancing implementation and effectiveness of the EPPCA:

- The Waste Management (Licensing and Transporters of Waste and Waste Disposal Sites) Regulations, Statutory Instrument Number 71 of 1993
- The Water Pollution Control (Effluent and Waste Water) Regulations, Statutory Instrument Number 72 of 1993
- The Pesticides and Toxic Substances Regulations, Statutory Instrument Number 20 of 1994
- The Ozone Depleting Substances Regulations, Statutory Instrument Number 27 of 2000 and
- The Hazardous Waste Management Regulations, Statutory Instrument Number 125 of 2001

In addition, the Environmental Council of Zambia assigns inspection and other implementation roles to all District Councils through the Local Government Act of 1991 that covers the establishment of

local authorities and local government administrative system associated with waste management in Zambia.

3. Evaluation of Potential Environmental Impacts.

Based upon the plant conducted tour and discussions with management of Capital Fisheries Limited, three possible sources of potential negative environmental impacts were identified and these were:-

- The Waste Management (Licensing and Transporters of Waste and Waste Disposal Sites) Regulations, Statutory Instrument Number 71 of 1993; in particular the management of solid waste.
- The Water Pollution Control (Effluent and Waste Water) Regulations, Statutory Instrument Number 72 of 1993
- The Pesticides and Toxic Substances Regulations, Statutory Instrument Number 20 of 1994

3.1 Waste Management.

Management of various types of waste in Zambia continues to pose a big challenge. This is evidenced by the perennial recurrence of disease such as cholera, dysentery and in some cases the contamination of water resources, air and soil/land.

Potential negative environmental impacts from solid waste management activities will include:

1. Increase in disease transmission or threaten public health
2. Contaminate ground or surface water
3. Create greenhouse gas emissions and other air pollutants
4. Damage ecosystems
5. Injure people or property
6. Discourage tourism and other businesses

At Capital fisheries Limited, solid waste is created in the form of the cardboard boxes and the plastic used for packaging. Other waste that is created is mostly biodegradable such as the fish intestines, scale and the actual fish that goes bad. This is all disposed of at the government dump site situated in Chingwere near Matero using trucks that have high drop sides to avoid any spillages when moving the waste materials. The water used to clean the fish goes directly into the sewer system network on the plant that has a septic tank. No amount of waste is allowed to remain on the plant premises for long; it is disposed of as soon as it can be moved. Working areas are very well ventilated and kept clean with the use of “BioKleen” disinfectant produced by Cleanliners. This is a very safe product that is kept out of reach of the general working populous and is handled by experienced cleaning staff.

3.2 The Water Pollution Control

Water is one of the essential elements important to the good health of humans. The safety of these water sources is very important for humanity to survive. Water is one medium through which disease can be spread. Contamination/pollution of water sources is a concern for all due to the impacts this can have to the environment and public health, which are as follows:

- a) Debilitating disease and death, loss of drinking water sources and increased costs
- b) Native plants and animals harmed and associated land, water and coastal ecosystems degraded
- c) Fresh water resources depleted
- d) Increased disease transmission from standing and stagnant water.

At Capital Fisheries, fish is received at the receiving bay where the boxes (for imported fish) are put in the cold rooms. Some fish is repacked into smaller packs, sometimes called family packs. These are then returned into the cold room to chill. Most, if not all of the fish bought locally has to be washed thoroughly on arrival and then packed in the cold room. This water so used goes into the company sewer system that has a septic tank that is quite a distance from the nearest source of water. There is no risk of underground or surface water being contaminated as the sewer system is designed in such a

way that no water escapes. The company system is connected to the city main sewer system. This ensures the maximum efficiency in waste disposal.

3.2.1 Air Pollution

Air pollution includes the release of dangerous gases into the atmosphere. The effects of this may be to human health from breathing polluted air, depletion of the ozone layer leading, global warming and/or general climatic changes.

At Capital Fisheries, the company uses diesel to run generators that keep the facility equipment running in the event of any power outage. The fumes from the generators are directed into high chimneys that make exposure to them near impossible. Being gaseous, they are not visible and make it quite difficult to notice. The company would like to embark on more eco-friendly means of running their operations, for instance, the waste carton boxes are not burnt at the plant site. This is all aimed at trying to minimize the release of the dangerous gases.

3.3 The Pesticides and Toxic Substances Management

Uncontrolled pesticide use can lead to several unintended and harmful environmental effects. These include:

- a) Contamination of soil and water
- b) Contamination of surface and ground water
- c) Pesticide drift from intended target
- d) Effects on non-target organisms
- e) Disruption of natural control
- f) Pesticide resistance
- g) Externalities, accounting for economic costs of human health and environmental impact.

At Capital Fisheries, very little use is made of pesticides and toxic substances. This is not to say that no chemicals are used, but the chemicals used are disinfectants and cleaning agents that are stored in safe places. Capital Fisheries realizes the importance of keeping food products far from dangerous chemicals or substances. Employees only have any contact with the fish is when locally purchased fish is being washed or when fish is being repacked into smaller packs, otherwise the fish stays in sealed boxes. This reduces the chances of any foreign and harmful substances contaminating the product. The empty chemical containers and expired chemicals are disposed of into deep pits or land fills and burnt. In this way the company has and maintains an environmentally designed pest and disease control system.

4. Recommended threshold decisions and mitigation actions.

Capital Fisheries displays a very high level of hygiene awareness and cleanliness. There employees are always dressed in protective clothing (boiler suites) complete with head gear and rubber boots. The only area that may have harmful effects on the environment and this is due to the lack of technology available to properly incinerate solid waste. Human beings do find themselves at these dump sites and expose themselves to the empty chemical containers that, should the technology to incinerate been available, would have been dealt with. The following is recommended:

4.1 Recommended threshold of disposal of solid waste

Due to the nature of the Zambian weather (high temperatures for most of the year) Solid waste can pose a major threat to public health. We recommend that the use deep land fills continue being used and covered to avoid scavengers from sifting through the garbage. Land fills are easier to manage. Considering the bio-degradable nature of most of there waste, this is the best method.

5. Mitigation and Monitoring Guidelines

We recommend the following mitigation and monitoring guidelines:

- Collect and transport solid waste in containerized trucks to avoid spillage. The Plant Manager should monitor this activity.
- Design sanitary land-fills and ensure appropriate siting for disposal of expired chemicals and empty containers. The Production Manager should monitor this activity.
- Establish sound administrative management that will implement environmentally sound design activities in its operations to minimize accidents at place of work.

6. Conclusion

We take note and commend management efforts to see through the Hazard Analysis of Critical Control Points (HACCP) certification as this will help mitigate some low-risk environmental impacts. A number of HACCP trained employees are available and should be made good use of by the organization.

Given the findings and mitigations recommended, Capital Fisheries operations will not have adverse effects on environment.