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## **RATES PROGRAM**

**First Quarter Progress Report – FY 2008  
October 2007 to December 2007**



**January 15, 2008**

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



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

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## **Acronyms**

ACTIF	African Cotton and Textile Industries Federation
AFCCE	African Fine Coffee Conference and Exhibition
AGM	Annual General Meeting
AGOA	African Growth and Opportunity Act
ASARECA	Association for Strengthening Agricultural Research in East and Central Africa
CCIA	COMESA Common Investment Area
CFI	Computer Frontiers International
CIP	Coffee Improvement Program
COMESA	Common Market for East and Southern Africa
CMS	Coffee Marketing Specialist
CQI	Coffee Quality Institute
CTMS	Cotton/Textile Marketing Specialist
DFID	Department for International Development
DRC	Democratic Republic of Congo
DRLEF	Djibouti Regional Livestock Export Facility
EAC	East African Community
EAFA	East African Fine Coffee Association
EAGC	East African Grain Council
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
FSD	Financial Services Deepening Trust
GDA	Global Development Alliance
GHA	Greater Horn of Africa
GMO	Genetically Modified Organism
GPS	Global Positioning Systems
HS	Harmonized Standard
IBAR	Inter-African Bureau for Animal Resources
ICAC	International Cotton Advisory Committee
ICO	International Coffee Organization
IEHA	Initiative to End Hunger in Africa
IGO	Intergovernmental Organization
IMCS	Independent Management Consulting Services
IRC	International Relations Committee
IT	Information Technology
ITI	International Technology Investment Ltd.
ITMF	International Textile Manufacturers Federation
JGI	Jane Goodall Institute
KEBS	Kenya Bureau of Standards
KMDP	Kenya Maize Development Project

KRA	Kenya Revenue Authority
LOL	Land O'Lakes
M&E	Monitoring and Evaluation
MOU	Memorandum of Understanding
NSB	National Standards Bureaus
NTB	Non Tariff Barrier
NWG	National Working Group
PIR	Project Intermediate Result
PIVA	Partner Institutional Viability Assessment
PMP	Performance Monitoring Plan
RATES	Regional Agriculture Trade Expansion Support Program
RATIN	Regional Agricultural Trade Intelligence Network
REDSO	Regional Economic Development Services Office
REGI	Regional Economic Growth and Integration
RTFP	Regional Trade Facilitation Program
RTO	Rates Trade Office
SCAA	Specialty Coffee Association of America
SCAE	Specialty Coffee Association of Europe
SCAJ	Specialty Coffee Association of Japan
SO	Strategic Objective
SPS	Sanitary and Phytosanitary
STR	Simplified Trade Regime

TBD	To-Be-Determined
TOH	Taste of Harvest
UHT	Ultra High Temperature
USAID	United States Agency for International Development
VCA	Value Chain Analysis
WRS	Warehouse Receipt System
WTO	World Trade Organization
WWC	Worlds Wildest Coffee Conference and Exhibition
ZCGA	Zambia Coffee Growers Association

## I. Introduction

This report summarizes the progress of the RATES program during the first quarter of FY 08. The format conforms to the reporting requirements as spelled out in the 12 month extension modification (Modification 10) of the Chemonics International contract. This includes a summary of the progress of each commodity and the policy component of the program.

## 2. Quarterly Progress by Commodity

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



### 2.1 Maize/Grains

The maize program, under the banner of “Maize without Borders” is focused on improved trade facilitation through a more structured regional marketing system. Key to the implementation of this program is RATES’ support to grain trade associations throughout the region including the Eastern Africa Grain Council (EAGC) and the Grain Traders and Processors Association (GTPA) of Malawi. The EAGC can play a critical role in the development of a more structured grain trading system in the region. As part of this effort, RATES has been working to increase the capacity of the EAGC to assume a coordination role by supplying traders and producers with the necessary instruments to trade in a more structured manner. RATES is also assisting EAGC in assuming an oversight role on ware house receipt (WRS) schemes by developing the rules of trade governing these activities. Working together, some promising results are:

- Promoting a more structured grain trading system (STS). The EAGC implemented a number of activities aimed at creating the building blocks necessary for creating a more

structured grain trading system in the region. They also attended a number of important meetings held in the region that focused on strengthening commodity exchanges, developing simplified trading regimes and linking small scale farmers to Food AID agencies. Below is a summary of key activities:

- Providing arbitration training. With support from RATES and USAID Kenya's Maize Development Program (KMDP), the EAGC organized a series of training workshops in October and November aimed at building a cadre of arbitrators that will help increase the region's capacity to use arbitration as a dispute resolution mechanism for grain trade players in Kenya, Uganda and Tanzania staff. This training focused on arbitration and contract dispute resolution and will contribute to building a pool of qualified arbitrators that could be called upon to resolve grain trade/contract disputes once standardized contracts are accepted by the trade.



**A total of 17 EAGC members have attained their arbitrator accreditation as a result of the training (group photo of the Uganda class).**

Mr. Peter Brown, a VOCA volunteer from the UK, conducted the training. Mr. Brown is a professionally qualified international arbitrator and mediator who specializes in the settlement of disputes relating to all agricultural products and commodities. The aim was to prepare the participants for taking the Chartered Institute of Arbitrators "Associate" examination.

A total of 38 participants from the three countries attended the course and 20 actually took the examination following the course (refereed by Mr. Brown). Out of the 20 who took the exam, 17 have since attained accreditation as EAGC arbitrators and 14 of the 17 EAGC arbitrators have attained Associate Membership of the Chartered Institute of Arbitrators.

- Supporting a pilot warehouse receipt system in Kenya. The EAGC has kicked off the pilot WRS activity in Kenya and is working with the KMDP and other partners to carry out this program. With RATES and Financial Services Deepening Trust (FSD) support, the EAGC has worked closely with Equity Bank to develop a special loan product for farmers participating in the scheme. This was a major achievement as Equity has agreed to accept the warehouse receipts without additional guarantees. They have also agreed to provide the farmers with loans against these

receipts based on per bag value of 800 Khs. The final price at selling of the grain is expected to be around 1,300 Khs.

The EAGC will be responsible for certifying the warehouses, engaging a warehouse management firm, developing the warehouse receipts and overseeing the overall program.

The KMDP is the primary partner on the ground and is working closely with farmers groups to aggregate their maize to go into the warehouses.

The first two warehouse sites were slated for Nakuru and Eldoret city. KMDP organized a partners meeting in early December in Eldoret to bring together all partners in this program and to work out the roles and responsibilities of each partner during the implementation phase. Participants included RATES, EAGC, Equity Bank, Lesiolo Grain Handlers, Unga Limited, Pembe Flour Mills, Mombasa Maize Millers, FSD, CPC, small holder farmer group representatives, Cereal Growers Association and NCPB.



**Anne Mbaabu, Executive Director of the EAGC discussing the details of the WRS program with farmer groups in Eldoret.**

Following this meeting, the group decided to drop the Eldoret warehouse site and focus the pilot program on the Nakuru location as there were some concerns over security at the Eldoret location.

Perhaps this was an ominous sign of things to come, as political unrest following the December 27<sup>th</sup> election has severely affected the main maize producing areas with many thousands of people displaced from their farms and many tons of maize lost in Eldoret.

In January, RATES will be working closely with the KMDP staff and the EAGC Secretariat to assess the impact of the ongoing unrest on the movement of the maize supply chain in Kenya.

This team will also develop strategies to ensure that harvested maize currently held by farmer groups in the affected areas is able to get into the value chain. There are pockets of maize that can be safely brought to the Nakuru warehouses.

This maize could be held or made available for immediate sale after drying (prices are very high). The idea is to get the maize into the formal supply chain so that farmers can

receive a fair price for their crop. The EAGC also wants to salvage the pilot WRS program and encourage farmers to get their maize into secure silos. Equity bank is still on board and millers are eager to participate. Although prices are high, middlemen are taking a big cut at the farm gate as their risks are very high as well to get this maize to the millers

Building the institutional capacity of the EAGC. The RATES team is continuing to work closely with the EAGC to ensure that this association continues beyond the RATES contract. Progress during the first quarter included:

- Project proposal preparation. The EAGC has taken on a very intensive development role in supporting the grain sector and have sought additional funding within the international donor community to continue this work.

SIDA proposal preparation. The EAGC has approached the Swedish International Development Agency (SIDA) with a proposal to support a 3-5 year project aimed at building a more structured grain trading system within the region.



**Nick Hutchinson of UNGA Mills and Chairman of EAGC explaining to the farmers the banking arrangement with Equity Bank.**

During the first quarter, RATES staff provided extensive technical assistance to the EAGC to help them develop the SIDA proposal documents. RATES also worked with SIDA personnel and provided input to the proposal review and institutional assessment. The assessment was a pre-requisite for the funding request. SIDA engaged a short-term institutional specialist who spent three weeks with the EAGC Secretariat and Board. RATES also engaged a specialist in Logframe (LFA) matrix development to train the EAGC executive director on putting together an LFA following EU and SIDA guidelines. This project will have a value of approximately \$ 2.5 million and will be focused on increasing commercial market access to small scale grain farmers.

DFID funding for WRS funding. In addition to the SIDA proposal, RATES worked with the EAGC to complete a proposal to the DFID-funded FSD trust to fund a pilot warehouse receipt program in Kenya. The EAGC is playing a management and coordinating role in this effort. This is a collaborative program among RATES, EAGC, KMDP, the FSD and Equity Bank. The FSD has approved the grant with a value of US \$450,000 and the EAGC has begun implementation of the program .

## 2.2 Coffee

RATES strategy in promoting specialty coffee exports has been to work through the Eastern African Fine Coffees Association (EAFCA), the regional body representing nine Eastern African coffee producing countries. RATES' long-term goal is to position EAFCA as a major actor in the marketing and promotion of Eastern African fine coffees in regional and international coffee markets. RATES and EAFCA are working with the private sector, both in the region and in the primary consuming countries to build on strong relationships and market linkages. Some promising results:

5th Annual Fine Coffee Conference and Exhibition. EAFCA held a breakfast press conference in October to mark the official launch of the 5<sup>th</sup> Annual Fine Coffee Conference and Exhibition to be held in Kampala next February, 2008. This pre-conference event provided a good opportunity for EAFCA to reach out to the local coffee industry and government agencies to get behind and support the event. As of the end of December, confirmed registrations and sponsorships are also well ahead of last year and EAFCA can expect 450-500 attendees this year in Kampala.



**A South African barista competing at the RSA National Barista competition held at the EAFCA booth at the Fine Food and Wine Show.**

Fine Food and Wine Show in South Africa. EAFCA made a major effort on enhancing its market access in the region by participating in the South African Fine Food and Wine Show held in Johannesburg in late October. This effort is part of EAFCA's regional marketing campaign that is targeting the South African coffee market that has not traditionally consumed Eastern African coffees.

With support from RATES and DFID, EAFCA had a large multi-faceted exhibition booth that allowed member companies to highlight their coffees in an "African Pavilion". The booth included an African coffee bar that served fine Eastern African coffees. EAFCA South Africa, who spearheaded the effort, also held the South African National Barista Competition at the show.

Taste of Harvest events. EAFCA was very busy in November holding three Taste of Harvest (TOH) cupping competitions in Malawi, Zambia and Tanzania. RATES provided support for a Coffee Corps volunteer from the US coffee industry, Mr. Marty Curtis, to serve as trainer and chief judge for all three

competitions. These competitions are held in all EAFCA countries to identify some of the best coffees produced in the region and to provide training and feedback to local producers on the “fine art” of producing specialty coffees.

This year, Starbucks Coffee Company will also sponsor the winning TOH producers (from each TOH competition) to visit the Starbucks facilities in Switzerland. Interestingly, seven of the fourteen Starbucks prestigious Black Apron coffees have come from EAFCA countries and most of the African winners are EAFCA members. The winning Taste of Harvest coffees will be highlighted at the upcoming African Fine Coffees Conference and Exhibition to be held in Kampala in February 2008 (see [www.eafca.org](http://www.eafca.org) for details).

### 2.3 Cotton/Textiles

The African Cotton and Textiles Industry Federation (ACTIF) is RATES' key partner in carrying out the cotton textile program. This regional organization is still in its infancy but making significant progress on improving the enabling environment for the cotton/textile sector. The ACTIF board and membership has been very proactive in this regard. The ACTIF subcommittee for Global Trade Initiatives has been a leader in addressing global and regional issues such as the European Economic Partnership Agreements (EPA) trade agreements. Below is a summary of major activities during the quarter:



**ACTIF is RATES principal partner in the cotton textile sector.**

#### Support to the EU Economic Partnership Agreement (EPA) process.

As a sign of ACTIF's growing relationship with the regional organizations, ACTIF was called upon during the first quarter to provide input into the on-going EPA negotiation process. (see detailed discussion under policy). The principal issues being addressed for textiles and apparel are the rules of origin and product transformation criteria. ACTIF held consultations with its membership and has obtained consensual input for incorporation into the negotiation round with the EU. Due to the complexities of the negotiations and the need to obtain, where possible, a balanced position catering for the interests of the various sub-sectors, a transitional agreement has been reached between the EU and the east and southern Africa ACP grouping, the provisions of which will take effect from 1<sup>st</sup> January 2008. This interim agreement will be sufficient to enable companies to continue to trade with the EU under preferential terms. During the course of 2008, further negotiations will take place with the aim of producing a more comprehensive EPA, which will give more time to produce and

conclude a more all-embracing trade arrangement.

ACTIF as a major player in the international cotton textile arena.

With RATES support, ACTIF participated in a number of important industry meetings during the quarter and made a major presentation at the CCA business summit held in Johannesburg in November. Below is a summary of these events:

- *International Cotton Advisory Committee (ICAC) Plenary.* The ICAC's 66<sup>th</sup> plenary meeting was held from 22-26 October 2007 in Izmir, Turkey with the theme being "Strategies for National Competitiveness". 521 people participated in the meeting, including representatives from 44 governments and 9 international organizations. Mr. Jas Bedi, Chairman of ACTIF, together with Barry Fisher and Fred Kong'ong'o from RATES attended. The event provided opportunities for information exchange, consensus building and the discussion of bilateral issues and complimentary activities of ACTIF, for subsequent dissemination across the region. Sessions and workshops covered issues concerning competitiveness strategies in the production of cotton, textile and garment industries; cotton production's social, environmental and economic performance and the effect of global warming; multilateral trade negotiations; regional efforts to protect quality brands and logos; and developments in biotech cotton.



**The ICAC Plenary Meeting is an important venue to promote the interests of the African cotton and textile industry.**

An added activity at the plenary was a buyers/sellers networking event organized by the International Trade Centre (ITC), held at the historic Izmir Mercantile Exchange. There was a significant turnout of Turkish businesses and the ACTIF "desk" received large interest from prospective buyers and sellers of both cotton and textiles. This information has been disseminated to ACTIF members.

- *6<sup>th</sup> Biennial US-Africa Business Summit of the Corporate Council on Africa (CCA).* This event, which was the first time that CCA have hosted the US-Africa Business Summit on the African continent, was held in Cape Town, South Africa from 14-16 November 2007 and attracted some 2000 delegates from across Africa, the USA and Europe. Chairman of ACTIF, Jas Bedi, addressed delegates in a workshop panel entitled "Opportunities and Challenges for the African Apparel and Textile Sector". His presentation engendered lively debate, putting forward tangible ideas for

improvements to AGOA and in terms of sustainable trade with the US, posing the question of what lies beyond the current term of AGOA preferences when they expire in 2012. As usual, the event provided excellent opportunities for networking and as a platform to further expose ACTIF and its activities to the regional and international business community.

- *International Textile Manufacturers Federation (ITMF) 2007 Conference.* ACTIF Chairman, Jas Bedi, and Barry Fisher participated in the ITMF 2007 annual conference held in Cairo, Egypt, from 17-21 November 2007; the theme of the conference was “Textile Competitiveness in an Integrated World”. With ACTIF being a member of the ITMF, Bedi and Fisher were able to participate in the official member proceedings of the Spinners Committee, Joint Cotton Committee and the Committee of Management. In addition, other sessions and workshops covered international market developments, organic cotton, the carbon challenge as it relates to the implications of global warming, supply chain management/retailing, and the global textile machinery market situation, among other topics. The meeting provided an invaluable opportunity to network with the leading textile organizations and companies world-wide and to generally discuss bilateral issues and simultaneously create exposure and recognition for ACTIF in Europe and other regions.



**ITMF: L-R Terry Townsend (Exec Director, ICAC), Barry Fisher, Mr. Skenjana Mzukisi, International Trade Administration Commission, South Africa**

*Developing the regional cotton/textile value chain.* ACTIF is exploring opportunities for expanding the supply chain and searching for niche markets where African companies can successfully compete in the world market. Below is a summary of work in this area:

- *Regional Organic Cotton Supply Chain Forum.* RATES staff has begun preparing for holding a major regional forum on organic cotton in Kampala in June 08. This important regional event will be held in close collaboration with the Ugandan Cotton Development Organization (CDO), the National Organic Agricultural Movement of Uganda (NOGAMU) and the Ginners & Exporters Association of Uganda. A number of key tasks were completed in the first quarter:

The California based Organic Exchange (OE) will co-host this event in collaboration with ACTIF and Uganda

stakeholders. The Kampala forum will immediately follow the IFOAM Congress in Italy. OE and others key players involved in organic cotton who will be attending this meeting in Italy will then travel on to Kampala for the forum.

The RATES cotton team traveled to Uganda in October to kick-off the planning process with local stakeholders and is getting support from USAID Uganda and the APEP project.

- *Investment/Finance survey initiated.* RATES has recently engaged IMANI, a RATES sub-contractor, to assist ACTIF to conduct a survey on investment and financing opportunities in the cotton textile sector. This survey will identify all possible facilities and sources of finance options with an aim of increasing opportunities for financing available to ACTIF members. From the survey findings, ACTIF will develop an electronic database to be made available to its membership. The final survey report and database will be completed by December 2007 and will be available on [www.cottonafrica.com](http://www.cottonafrica.com) .



**Organic Exchange will co-host the upcoming organic cotton conference with RATES and ACTIF.**

#### Important external missions to the region

- *The US International Trade Commission (USITC).* In October, RATES and ACTIF met with Ralph Watkins, Senior International Analyst (Advanced Technology Division) and Erland Herfindahl, International Trade Analyst (Industry Services Division) of the USITC who were conducting a survey of the textile industry in Kenya. ACTIF provided a summary of industry structures, trade related issues, regional markets and production/consumption issues.
- *International Cotton Advisory Committee (ICAC).* In November, RATES and ACTIF met with the Terry Townsend, Executive Director of the ICAC, who was on a familiarization visit to Kenya, and who had just recently become a full member of the ICAC.
- *African Cotton Association (ACA)* .In December, RATES and ACTIF received representatives of the West African based African Cotton Association who were touring the region to drum up support for a regional annual meeting of the ACA to be held in Lusaka, Zambia from 13-15 March 2008. Mr. Fahala (Permanent Secretary) and Mr. Kumi (Board member) were briefed on ACTIF activities and of developments in the region as a whole. It was agreed that

ACTIF would assist the ACA in disseminating information on the Lusaka meeting and would also plan to participate.

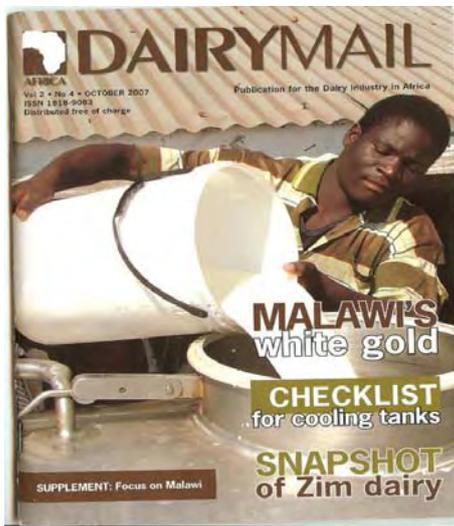
## 2.4 Dairy

The RATES dairy program is focused on the removal of extra/inter-regional export market trade constraints and promoting intra-regional exports of dairy products. RATES works primarily through the Eastern and Southern African Dairy Association (ESADA), the regional dairy association created with RATES support.

During the last year of the program, RATES has provided ESADA with a Partners Fund grant and has dedicated additional resources for providing technical assistance to ESADA and the national associations through our consortium partner, Land O' Lakes. Below is a summary of progress to date:

Supporting regional harmonization and integration of the dairy sector. RATES has initiated a number of policy reforms in the dairy sector and has been providing assistance to the industry to reach consensus on harmonizing standards across the region: These include:

- *Regional Dairy Standards.* The final round of negotiations aimed at completing the COMESA regional dairy standard harmonization process was held in October in Lusaka at the COMESA Secretariat. Held under the auspices of COMESA (with the participation of the East African Community (EAC) Secretariat), the meeting involved all major dairy stakeholders including national bureaus of standards, dairy regulators and dairy industry players. Delegates included members from 15 COMESA countries and Tanzania.



**DAIRYMAIL, ESADA's quarterly magazine produced in collaboration with Agric-connect out of South Africa.**

RATES supported national consultative meetings that allowed member countries to reach consensus and involve maximum private sector participation in the process. Delegates in Lusaka debated the standards for fresh milk, UHT, butter, yogurt and four other dairy quality standards. Following a number of marathon negotiating sessions, the group finally reached consensus on a draft set of harmonized regional standards. Now that this hurdle has been crossed, RATES is working with COMESA to ensure that the final standards are adopted by the COMESA Council of Ministers meeting to be held next month.

Strengthening the capacity of dairy trade organizations. RATES efforts have focused on building ESADA's capacity to provide services to its national association membership. Below is a summary of important activities during the first quarter:

RATES, EASDA and Land O'Lakes (LOL) held a joint work planning meeting in December to coordinate activities supported through a RATES Partners Fund grant to ESADA.

One of the key activities planned for this year will be the Annual ESADA Conference and Exhibition to be held in June 2008 in Nairobi. This event will be held in conjunction with the Kenyan Livestock Breeder Association's Annual Livestock Show which should greatly increase the participation to the EASDA event. RATES is supporting ESADA to organize and plan the event. ESADA has engaged Ludovica Bellengeri to serve as the ESADA event coordinator.



Services provided by ESADA. RATES supported ESADA's efforts to provide services directly to its membership. Below are some key activities for the quarter:

- *Tanzania Milk Processors Association (TAMPA).* In October, ESADA provided training to the Tanzania Milk Processors Association on how to establish a Savings and Credit Corporative Society (SACCOS).

**Participants in the ESADA training on SACCOS reviewing mandatory rules and regulations for starting a SACCOS.**

The training was conducted by Mr. Florian Haule, a SACCOS and dairy expert, who introduced the group to the concept of forming a SACCO and the opportunities and challenges of running a successful loan portfolio through a SACCOS. The local district cooperative officer provided details on the registration requirements for forming a SACCOS and was there to supervise the election of the SACCOS officials. The workshop was attended by 28 participants from all over the country including twelve women and sixteen men.

Immediately following the training, TAMPA moved forward with the registration process and elected the required management committee from the membership.

- *Malawi Dairy Processors Association (MDPA).* The dairy processing industry in Malawi has formed a national association. With ESADA support during the registration process, the MDPA is now formally registered. In addition, the ESADA executive director has been working with the

association and conducted a two-day workshop in November on how to set up and manage an association.

- *The Association of Milk Producers of South Africa (MPOSA)*. MPOSA has joined ESADA as the newest chapter representing South Africa. The association will be co-opted officially on the ESADA board during the next board meeting in May 2008.
- *Kenya Dairy Processors Association (KDPA)*. Since 2005, this once very vibrant association has become dormant as an advocacy group. ESADA and Land O'Lakes Kenya convened a stakeholders meeting in November to try to revive the association. As a number of policy issues will directly affect the industry as a whole, ESADA is working to highlight the benefits of processors working together within a national association.



**The Council of the European Union in session: The ongoing EPA negotiations will continue up through July 08.**

## 2.5 Policy

RATES has identified a number of trade policy issues that affect regional trade flows and has initiated a process of change through the regional policy making structures (COMESA, EAC and SADC) with the active participation of regional trade associations (ESADA, EAGC, ACTIF). This effort is building upon the earlier RATES policy work that has led to regional harmonization of a number of product standards.

### Promoting global market access for African cotton, textiles and apparel (C-T-A) Products.

- *Economic Partnership Agreements (EPA) negotiations*. With RATES support, ACTIF played a key role in providing input on the C-T-A sectors to the Economic Partnership Agreements (EPA) negotiations that took place during the quarter. RATES policy advisor, Bernard Kagira, attended all the meetings and provided technical assistance to the EAC. Bernard worked closely with ACTIF on getting input on a number of key provisions in the agreement.

The European Community (EU) and EAC Partner States (Burundi, Kenya, Rwanda, Tanzania and Uganda) met in Kampala in November to conclude negotiations on a framework agreement that will guarantee duty free and quota free access for goods exported from the EAC States to the EU.

The agreement is a first step towards a comprehensive Economic Partnership Agreement (EPA) that will establish a strategic trade and development partnership with the objective of promoting regional integration and also the integration of the EAC in the global economy. The negotiations will continue next year with a goal to conclude a comprehensive EPA no later than July 2009.

Of particular interest to the regional textile and apparel industry were two sections in the agreement that allows for cotton and textile originating from the region to enter the EU market on duty free and quota free basis and that the rules of origin were simplified to allow for a single transformation to take place in order for products to qualify for this duty free provision. This will enable the apparel industry to source fabrics from outside the region and still comply with this requirement.



- Adoption and Implementation of the COMESA simplified trade regime (STR) The RATES policy team in Lusaka provided on-going technical assistance to the COMESA Secretariat on keeping the STR process moving through the adoption process.

**RATES works closely with the COMESA Secretariat and has a RATES policy advisor based in Lusaka.**

The RATES team worked with COMESA, the EAC and lead agencies in each targeted country to set up national working groups (NWGs). The NWGs are comprised of key public and private sector entities involved in cross-border trade. The NWGs will serve as the mechanism for introducing the STR forms and guidelines (for use by customs officials and traders) at selected pilot border posts.

Of the ten pilot countries (Burundi, DRC, Ethiopia, Kenya, Malawi, Rwanda, Sudan, Uganda, Zambia, Zimbabwe) all except Ethiopia and Rwanda have set up the institutional framework at the national level for managing the STR. Eight countries have set up a NWG.

During the quarter, RATES staff traveled to Zambia, the DRC and Malawi to facilitate the formal launch of the NWGs in these countries. The meetings were important in addressing key issues of cross-border traders to allay concerns of the regulatory institutions involved in implementation of the STR and were critical in laying the groundwork for a smooth implementation of the STR.

*DRC.* The launch meeting was held in Kinshasa, DRC, on December 4, 2007 and was attended by 27 participants from 13 institutions and representatives of cross-border traders. A representative from the US Embassy in Kinshasa also participated. The meeting received high-level support from the Government of the DRC with the attendance of the Secretary General of the DRC's Ministry of External Trade, Albert Kwete Minga Bope.

*Malawi:* The launch meeting for the NWG for Malawi was held in Blantyre, Malawi on 11<sup>th</sup> December 2007 attended by 41 participants from 8 representative institutions and representatives of cross-border traders from all the regions of Malawi. The representatives of traders included, the National Association of Business Women; Malawi Women in Mining; and Cross-Border Traders Association among others.

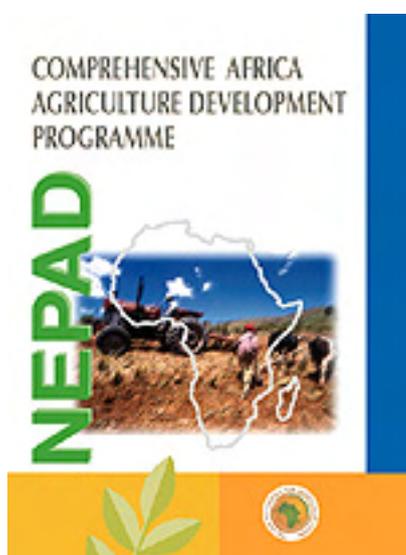
*Zambia.* The RATES policy team met with members of the NWG for Zambia to address key issues to the implementation of the STR in Chisamba on November 1, 2007.

Support to COMESA on CAADP. RATES has continued to provide on-going input to the CAADP development process within COMESA.

- *Staple food strategy.* RATES participated in a COMESA-sponsored workshop in November aimed at developing a staple food strategy for East and Southern Africa. Participants included donors, policy makers, NGO's and other stakeholders involved in food security, agriculture and economic growth programs.

During the workshop, the CAADP coordinators called for the creation of an Alliance for Commodity Trade in Eastern and Southern Africa (ACTESA). ACTESA will be a multi-donor effort led by COMESA to build regional cross-border alliances that will strengthen innovative market institutions and link chronically food insecure smallholder farmers with growing national and regional markets for staple foods.

- *Enhancing the [www.tradecomesa.com](http://www.tradecomesa.com) website to incorporate a section on CAADP.* During the quarter, RATES recruited an IT Web Design Expert (with CAADP funding) to enhance [www.tradecomesa.com](http://www.tradecomesa.com) to include a section for CAADP



that includes a summary of the CAADP process; the CAADP newsletter, summaries of meetings and CAADP contacts at COMESA Secretariat and member countries. [www.tradecomesa.com](http://www.tradecomesa.com) has now become a “one stop shop” for news and developments on CAADP.