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RATES PROGRAM

**Second Quarter Progress Report – FY 2006
January 2006 to March 2006**



April 15, 2006

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

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
CFI	Computer Frontiers International
COMESA	Common Market for East and Southern Africa
CMS	Coffee Marketing Specialist
CQI	Coffee Quality Institute
CTMS	Cotton/Textile Marketing Specialist
DRC	Democratic Republic of Congo
EAC	East African Community
EAFCFA	East African Fine Coffee Association
ECA Hub	East and Central Africa Global Competitiveness Hub
ECAPAPA	Eastern and Central Africa Program for Agricultural Policy Analysis
ESA	East and Southern Africa
ESADA	Eastern and Southern African Dairy Association
FARA	Fixed Amount Reimbursable Agreement
FEWS NET	Famine Early Warning System Network Project
FOODNET	Post Harvest and Marketing Research Network for Eastern and Central Africa Project

GDA	Global Development Alliance
GHA	Greater Horn of Africa
GPS	Global Positioning Systems
IBAR	Inter-African Bureau for Animal Resources
IEHA	Initiative to End Hunger in Africa
ICO	International Coffee Organization
IGO	Intergovernmental Organization
IMCS	Independent Management Consulting Services
IRC	International Relations Committee
IT	Information Technology
ITI	International Technology Investment Ltd.
KRA	Kenya Revenue Authority
LOL	Land O'Lakes
LTC	Livestock Trade Commission
M&E	Monitoring and Evaluation
NSB	National Standards Bureaus
NTB	Non Tariff Barrier
PIR	Project Intermediate Result
PLP	Pastoral Livelihood Program
PMP	Performance Monitoring Plan
RATES	Regional Agriculture Trade Expansion Support Program
RATIN	Regional Agricultural Trade Intelligence Network

REDSO	Regional Economic Development Services Office
PIVA	Partner Institutional Viability Assessment
RTO	Rates Trade Office
SCAA	Specialty Coffee Association of America
SO	Strategic Objective
SPS	Sanitary and Phytosanitary
TBD	To-Be-Determined
UHT	Ultra High Temperature
USAID	United States Agency for International Development
VCA	Value Chain Analysis
WTO	World Trade Organization
WWC	Worlds Wildest Coffee Conference and Exhibition
ZCGA	Zambia Coffee Growers Association

I. Introduction

This report summarizes the progress of the RATES program during the second quarter of FY 2006. This was an extremely busy time for the program with each component initiating a number of key activities that kept the team on the road and traveling throughout the quarter. One of the major highlights of the quarter was the 3rd Annual African Fine Coffees Conference and Exhibition that drew more than 450 participants and was a major success for our regional partner, the Eastern African Fine Coffees Association (EAFCA). The East African Grain Council is gaining momentum starting in Kenya with the private sector leading the charge. The dairy program is gearing up for their annual conference in May. Not to be left behind, the African Cotton Textile Industry Federation (ACTIF) reached consensus among the membership and released a white paper to suggest changes in the AGOA legislation. Below is a short overview of RATES to set the stage for the progress report:

A. Overview of the RATES Program

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

RATES overall goal is to increase the volume and value of agricultural trade within the East and Southern Africa region and between the region and the rest of the world. RATES is a commodity-focused activity and currently supports five commodity value chains including specialty coffee, maize, cotton and textiles, livestock, and dairy. Through policy advocacy, lobbying, public relations and marketing, RATES is expanding private sector contributions to regional trade initiatives in East and Southern Africa.

RATES is designed to assist REDSO and its partners to further the mission's Integrated Strategic Plan (ISP). Specifically, RATES falls under the mission's Strategic Objective (SO) 5—Enhanced African Capacity to Achieve Regional Food Security. The rationale behind this objective is that the Greater Horn of Africa (GHA) will become a food secure region only when Africans and their organizations have the capabilities needed to



direct the process. This is based on a valid assumption that actions taken to strengthen institutions, improve the availability of technologies, increase cooperation and reduce policy and regulatory constraints will provide the foundation for reducing food insecurities in the region. REDSO has identified four indicators to measure achievement of this result:

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

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

B. The RATES Results Framework

Project Goal

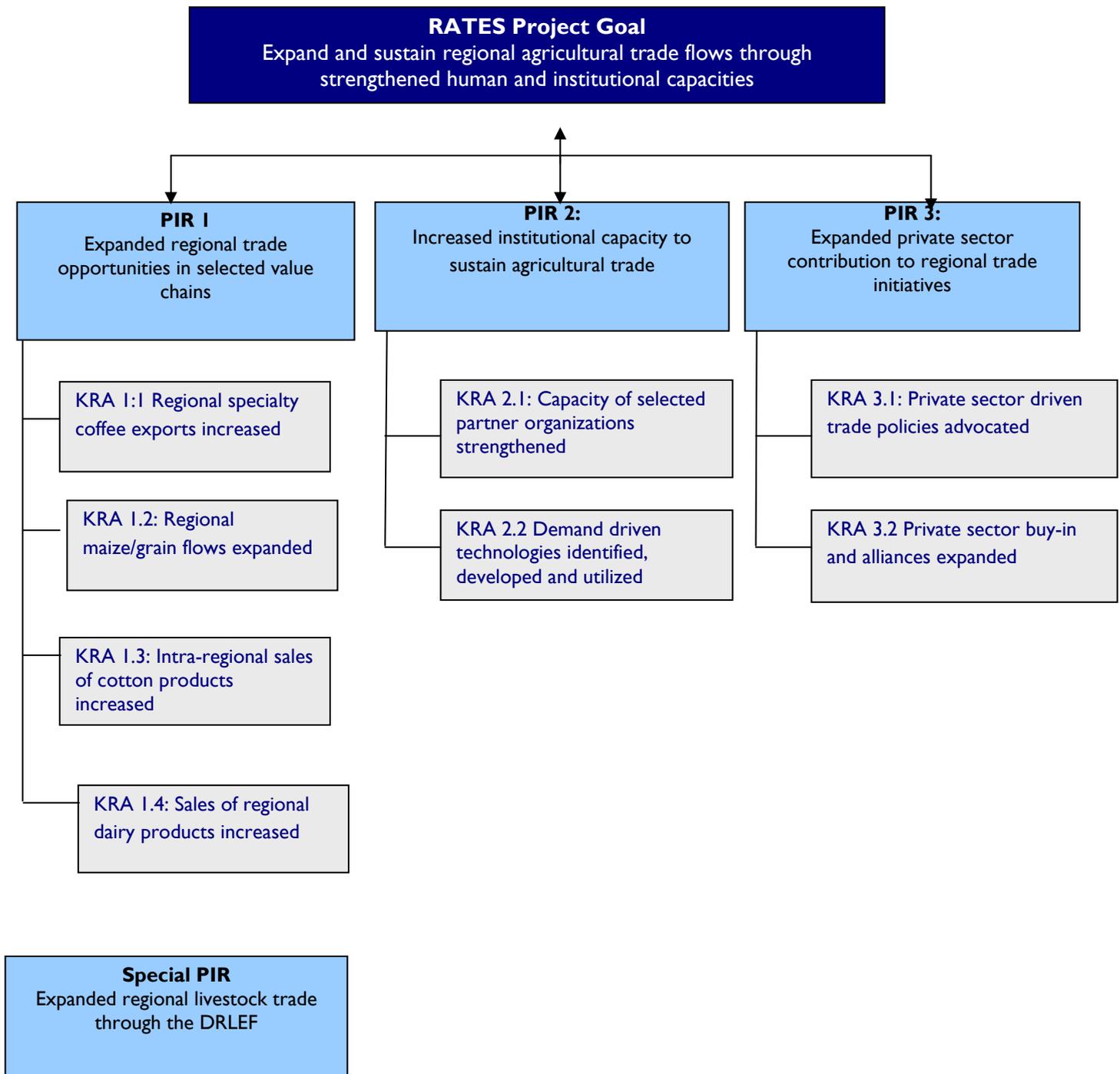
The project goal presented in the box to the left reflects the position of RATES within the SO 5 framework and guides strategic thinking with regard to project approach and identification of appropriate project intermediate results areas.

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

RATES Project Goal

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

Exhibit I. RATES RESULTS FRAMEWORK



"The way forward to building a food secure region is by increasing the value and volume of agricultural trade within the East and Southern Africa region and globally..."

**Stephen Walls, COP
RATES**

PIR 1: Expanded agricultural trade opportunities in selected value chains. This PIR provides the driving force for implementation. There are four KRAs in this PIR, each one focused on achieving identified results within a targeted value chain. In the approach to our management, each commodity program is coordinated by a commodity specialist who is responsible for managing implementation of activities and achievement of results. The specialists are backed by the core group that includes policy specialists, institutional support specialists and marketing and promotion specialists.

PIR 2: Increased institutional capacity to sustain agricultural trade. In this PIR, we address the challenge of building regional capacity to sustain enhanced trade by assisting partners to develop programs through which they can sustain trade initiatives over time. RATES is assisting partners to incorporate initiatives related to improving the availability and application of technology (whether agronomic technologies or information and communications technologies); setting up and operating market access networks; and/or developing policy and regulatory frameworks to support effective advocacy. There are two KRAs in this PIR and results will be measured in terms of increases in the viability of partner institutions and specific technologies adopted.

PIR 3: Expanded private sector contribution to regional trade initiatives. In this PIR, we place emphasis on building effective private/public sector dialogues, particularly through increases in private sector participation in policy initiatives and promotion activities. This PIR captures the results of our activities carried out to assist partners to expand the involvement of private sector entities within their programs and to package and develop market-linked initiatives that expand private sector investment in RATES-supported activities. There are two KRAs in this PIR. PIR results will be measured in terms of increases in private sector involvement in policy change and in increases in investment through buy-ins and participation in RATES-brokered alliances.

PIR 4: Program management, monitoring and evaluation. RATES is a large and ambitious project, with three key components, several inter-related activities and multiple countries and stakeholders. Program management is, in effect, the fourth component of RATES. Good management is integral to every aspect of the project, and therefore must necessarily be part of every component and activity. There are two KRAs in this PIR covering management systems and

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

Special PIR: Expanded regional livestock trade through the Djibouti Regional Livestock Export Facility (DRLEF). This PIR was added to the RATES program to accommodate a special Change Order to the RATES contract that added support to completing a regional livestock export facility in Djibouti. Results for this short-term activity are reported in a separate document.



II. Progress to Date

PIR 1: Expanded regional trade opportunities in selected value chains

KRA 1.1: Specialty Coffee Exports Increased

Strategy. The Eastern African Fine Coffee Association (EAFCA), the regional body representing nine Eastern African coffee producing countries, is the regional trade flow leader for the fine coffee program. RATES' long-term strategy is to have EAFCA positioned as a major actor in the marketing and promotion of Eastern African fine coffee in regional and international coffee markets, and to set a course of action that leads to its sustainability.

The two primary member-driven services required from the EAFCA secretariat are: 1) assistance in the promotion and overall expansion of the market for their fine coffee; and 2) direct member assistance to better understand how to deliver a better product to the market. This includes an emphasis on capacity development with the long-term target of sustainability that is explained in detail under KRA 2.1.



Chris von Zastrow, RATES coffee specialist (center) moderating a session at the WWC 3 conference that included Ted Lingle, Executive Director of SCAA (speaking) and Lindsay Bolger, Green Mountain Coffee Company.

The EAFCA and RATES annual work plans for coffee are similar; developed by the EAFCA/RATES team and approved by the EAFCA Board of Directors. RATES will be contributing to the EAFCA effort through technical assistance and financial support. Chris von Zastrow, the RATES Coffee Marketing Specialist, is assigned as the Technical Advisor to EAFCA and is based in their Kampala office. EAFCA has applied to the RATES Partner Fund to augment their 2006 program budget. All EAFCA marketing and program efforts take into account activities implemented at the country level by bilateral missions. EAFCA and RATES have strong working relationships with many of the bilateral projects including

APEP, SCOPE, SPEED, ACE, PEARL, LEAD, ZATEC, Technoserve-Tanzania, ADAR, and SALES.

Progress on key activities

Activity I. Support EAFCA's program for market expansion and promotion.



"Bwana Kahawa", the coffee drinking mascot of EAFCA.

At the start of the project in 2002, RATES was instrumental in developing the regional marketing theme of "the World's WILDEST Coffee", which together with its lion logo, "bwana kahawa", has been successful in creating name association and international "brand awareness". RATES and EAFCA are working with the private sector, both in the region and in the primary consuming countries to build on this theme and monitor trends relating to market needs. RATES will continue to support EAFCA to encourage its membership to participate in all the major international coffee exhibitions. The market awareness campaign has already had dramatic and positive effects on the regional reputation.

The most important of these events is the annual African Fine Coffee Conference and Exhibition (AFCCE) conference, affectionately known as the Worlds Wildest Coffee Conference (based on the first conference's theme and mascot). This annual event creates a unique opportunity for hundreds of important buyers to visit the region and the third AFCCE took place in February 2006 at Mt. Kilimanjaro, Arusha, Tanzania. This event requires serious forward planning and preparation, illustrated by the ongoing work for the fourth AFCCE to be held in Ethiopia in 2007, an event that was promoted at Arusha.



Lindsay Bolger of Green Mountain Coffee Company discussing coffee marketing opportunities with Dr. Jane Goodall at the WWC 3 conference.

☞ **3rd Annual African Fine Coffee Conference and Exhibition, Arusha Tanzania.** The Arusha Conference was an unprecedented success, beating the attendance and revenue records of all previous conferences. WWC 3 attracted over 470 producers, traders and coffee stakeholders. In addition to the key regional players, approximately 200 of the attendees were serious buyers and roasters from outside the African continent. This year saw EAFCA taking over most of the critical functions of organizing and managing the event and highlights their progress in reaching their goal of financial sustainability within the next three years. Revenues generated from conference fees and the exhibition booths, combined with travel related expenses paid by the participants (all who were self funded), totaled a GDA estimated value at US \$

“The market could see the rally accelerate between now and May. Reasonable upside target is \$1.75 if not higher...”

**Judith Chase-Gaines
Coffee Analyst**

The event attracted a number of international coffee industry luminaries including Mary Williams, co-founder of Starbucks, Jerry Baldwin, founder of Peets Coffee, Nester Osorio, executive director of International Coffee Organization (ICO), Rick Peyser, president of Green Mountain Coffee, Ted Lingle, executive director of Specialty Coffee Association of America (SCAA), Mick Wheeler, executive director of Specialty Coffee Association of Europe (SCAE), were among the many distinguished presenters and participants on the three day program. The conference theme of “Africa: The Future of Specialty Coffee” was especially appropriate in light of the bullish market projections by Judith Chase-Gaines, a renowned coffee market analyst.

Judith’s Price Predictions—Through 2007-08

- The current rally reflects the need to draw down supplies in consumer hands to cover the gap in production during 2005-06. The market could see the rally accelerate between now and May. Reasonable upside target is \$1.75-\$2.00 if not higher.
- Although the market will be better balanced in 2006-07, a large surplus will not occur. The market should not skid to the lows seen the past year. It would be surprising to see the market below \$1.00-\$1.10. If the Brazilian crop is under 43-45 million bags, the market will have to keep climbing.
- The stage is set for a another strong price advance in 2007-08, the next off year for the Brazilian crop.
- There is no cushion for additional production problems. Market would be forced to soar to unprecedented levels



Judith Chase Gaines’s annual market forecast is a favorite at the WWC conferences.

Some Photo highlights of the 3rd WWC Conference and Exhibition

Exhibition



More machinery suppliers participated this year than at any other exhibition.



The vice president of Tanzania opened the exhibition and enjoyed visiting with the exhibitors. Here he is receiving a gift from the Burundi delegation.



Munali Coffee Estates from Zambia are key supporters of the conference and have made a number of buyer contacts at the exhibition.

Conference



Jeremy Block of Dorman's Coffee addressing the participant on regional issues.



The conference broke attendance records with every session well attended.



Jerry Baldwin of Peets Coffee addressing the crowd and encouraging the African producers.

RATES assisted EAFCA to hold national level “Taste of Harvest” cupping competitions to select the top five coffees per EAFCA country. At the conference, a team of internationally known cuppers, many who came as volunteers under the USAID supported Coffee Quality Institute’s (CQI) Coffee Corps, judged the “Taste of Harvest” coffees presented by the ten member countries of EAFCA (Burundi, DR Congo, Ethiopia, Kenya, Malawi, Rwanda, Tanzania, Uganda, Zambia and Zimbabwe). The judges included Lindsey Bolger (USA), Sunalini Menon (India), Arnaldo Leiva (Costa Rica), Stephen Leach (USA), and Daniel Mulu (Ethiopia). The top two winners from each country that scored over 80 on the SCAA specialty coffee scoring criteria (a score of 80 or higher is required to be considered specialty coffee by SCAA standards),



Head judge, Lindsay Bolger of Green Mountain Coffee Company judging the best of the Taste of Harvest coffees.



Manes Alves of Coffee Lab International provided handheld electronic scoring devices .



Emmanuel Mtiti of JGI getting cupping lessons from Kelly Peltier, a RATES coffee marketing consultant.

were presented awards. Of the 40 coffees tasted, thirty scored over 80 with several top scorers from Burundi, Kenya, Tanzania, and Ethiopia approaching an impressive 90 on the international scale rating fine and specialty coffees. This is a strong indication of the progress EAFCA has made in being able to identify top coffees in the region.



Starbucks is now offering Rwandan coffees under their prestigious Black Apron coffees.

As a service to its membership, EAFCA has provided an intensive year of cupping, milling, brewing and grading trainings. The trainings have been implemented in association with the CQI Coffee Corps volunteers. It is clear that the message of quality and consistency is being communicated with five of the total eleven Starbucks “Black Apron” coffees originating from EAFCA members. A number of buyers and roasters have commented that they are now seeking out and purchasing more coffees from the EAFCA origins because of the fact that their customers are demanding the unique and distinctive flavors of the coffees. Suppliers are also able to more consistently provide these better quality coffees to the buyers because of successful EAFCA training programs.

Conference presentations ranged from market pricing and stock analyses to the experiences of exporters and importers. Panel discussions were held on a number of relevant topics including the feasibility of a regional African coffee auction, certification and sustainability, processing, relationship coffees and the demystification of the European, Japanese and US markets. USAID Washington staff Carol Wilson and Chris Kosnik gave a presentation on the future of USAID’s support to the coffee sector.



COP Stephen Walls discussing the JGI Partners Fund grant with Dr. Jane Goodall.

The keynote speaker at the final dinner was world famous primatologist and UN Messenger of Peace, Dr. Jane Goodall, whose TACARE project has been supported by USAID Tanzania for a number of years. The Jane Goodall Institute (JGI) also receives support for their conservation coffee marketing efforts through the RATES Partners Fund. In her speech, Dr. Goodall highlighted the relationship that coffee has with conservation, environment, wildlife and quality of life. She also spoke of JGI’s efforts to support small holder coffee farmers who are being encouraged to protect lands that will provide the leafy corridor for chimps to travel from the Gombe Park to other regions/countries with chimp populations. With the

“I remember well our (EAFCA’s) first formative meeting in Kampala in 2001...Since then many good things have happened to EAFCA and to the coffees of East Africa...most of it a result of the substantial efforts of people in this room...”

Jerry Baldwin, Founder of Peets Coffee.

marketing of a Jane Goodall brand coffee, these small farmers should substantially benefit from the sales of their coffees under the JGI label sold through roasters such as Green Mountain Roasters and others who expressed a very strong interest in marketing these coffees. Green Mountain executives visited the cooperatives in Kigoma area prior to the conference and were very encouraged with the coffees they cupped and the level of the production in the region surrounding Gombe.

As in previous years, the Arusha conference was effective due to the wide range of coffee industry players from African small holders who recognize the value of investing in attending such an event to the largest coffee roasters and buyers from leading worldwide companies and international markets. The giant UCC of Japan attended for the first time and, like Starbucks who attended for the second consecutive year, indicated interest in purchasing more African origins as a result of their attending the conference. Market development progress was indicated by the fact that virtually all the major coffee import houses were present and had exhibition booths. Present companies included Neumann Gruppe, Volcafe, ED&F Mann, C. Dorman and Taylor Winch.

EAFCA, with the assistance of RATES, is already undertaking preparations for the next WWC 4 event to be held February 15th-17th, 2007 in Addis Ababa, Ethiopia.



Meet the Buyer events. As part of these activities, RATES has been assisting EAFCA in the hosting of special “Meet the Buyer” events that have become increasingly popular with the buying sector and has proven successful at forging strong market linkages with members. EAFCA has now developed the capacity to plan and host these events on their own, and RATES continues to monitor and provide minimal assistance as needed to ensure success. Upcoming meet the buyer events:

- Specialty Coffee Association of America, April 7-10, Charlotte North Carolina.
- Specialty Coffee Association of Europe, May 20, Bern, Switzerland.

Regional promotional activities. EAFCA will continue to explore new international market opportunities for specialty coffee. One focus area is Africa itself where new interest in specialty coffee has recently surfaced in South Africa. EAFCA has recently won a \$170,000 grant from RTFP (DFID) based in Pretoria to promote member coffee there. This program, although not USAID funded, is incorporated into the general program that includes the 2007 Conference and Taste of Harvest activities which are supported through RATES.

☞ **South Africa Promotion.** The EAFCA team of Chris von Zastrow and Robert Nsibirwa traveled to South Africa and conducted two meetings to kick start this effort. The first was a very successful meeting with key representatives of the RSA coffee trade which, by their own admission, was the first time they had met as a group in twelve years. The end result was a strong endorsement of the EAFCA strategy and their commitment to the program. The team also met with the RTFP staff at the IMANI office to fine tune the details of the program. It was agreed that adjustments be documented and sent on to RTFP for approval.

☞ **Barista competitions.** In addition, a focus on domestic coffee consumption in EAFCA member countries has become a viable activity with the noticeable influx of specialty coffee roasting/retail companies, some of which are now strong EAFCA members. EAFCA is once again assisting the Kenya Chapter this year to hold a Barista championship in April/May 2006. The winner of the national championship will go on to compete in the world championships held in Sweden in May 2006.

Activity 2: Support EAFCA's program of member services to enhance product quality. EAFCA has done a superb job of providing member services to enhance product quality. As part of activities projected within its strategic plan, EAFCA is devoting significant resources to the delivery of member-demanded services including workshops and training that focus on the improvement of coffee handling within the market chain. Specific activities include training (and training of trainers) for cuppers, millers, roasters and exporters that address the deterioration of quality of coffee as it moves from farm to end-user. Such services are in demand by members and are taking place at venues throughout the region.

☞ **Taste of Harvest competitions- Chapters.** The need for a harmonized definition of specialty coffee in the region and abroad, as well as the development of technical skills to determine the quality of coffee, are very important to the market. To build the capacity to recognize the difference between fine and mediocre coffee, EAFCA launched a new member promotional and service event last year: "The Taste of Harvest". This program assists member countries to identify and select their best coffees following internationally accepted cupping criteria and to promote their products at the "Taste of Harvest" event that took place at the African Fine Coffee Conference and Exhibition in February, 2006 in Arusha, Tanzania. EAFCA is ably assisted in this activity by Coffee Corps volunteers, a program funded under USAID/GDA, and managed by David Roche of the Coffee Quality Institute, a subsidiary of the Specialty Coffee Association of America. Six volunteers, along with Chris von Zastrow, traveled to Burundi, Rwanda, Malawi, Zambia and Tanzania to train a total of 30 cuppers in the selection process and to hold a national level cupping competition to select the best of the best. Over 25 specialty coffees from specific origins have been selected to participate in the TOH regional competition in Arusha, 2006.

Progress this quarter:

- **Uganda:** The Uganda EAFCA Chapter held their Cupping and Grading Workshop on January 11-13, 2006 under the tutelage of Coffee Corps Volunteer Aleco Chigounis. The workshop, held at the UCDA

facilities, attracted 20 participants including eight women cuppers.

- **Ethiopia:** The Ethiopian Chapter held their Cupping and Grading Workshop on January 17-20 at the Central Liquoring Unit in Addis Ababa. Fourteen samples of Ethiopian's best arabica were submitted for the Taste of Harvest competition and eighteen participants were trained in the art of liquoring by Aleco Chigounis who was assisted by Daniel Mulu, a well known Ethiopian cupper. The course included training on the SCAA grading format and what overseas buyers require in a specialty coffee.
- **Kenya:** The Kenyan Chapter held a Cupping and Grading Workshop on January 23rd-27th, 2006 at the Coffee Board of Kenya cupping laboratory. Thirty participants including 6 women cuppers, worked with thirty-nine Taste of Harvest samples under the instruction of Aleco Chigounis.

☞ **Taste of Harvest Competitions- Regional:** EAFCA's African Taste of Harvest featured some of the region's best coffees from this year's crop. These coffees were originally submitted to competitions in each of EAFCA's member countries, and were ranked in the top five at national level. The top two coffees from each country were selected by an international panel of judges at the 3rd African Fine Coffee Conference. There were 12 international judges that performed the selection.

The judges were well known specialists from the coffee trade and represented all the four regions of the consuming world. The head judge was Lindsey Bolger (Green Mountain Coffee Company, USA). Other judges were: Menno Simons (Trabocca B.V., The Netherlands), Mane Alves (Coffee Lab International, USA), Daniel Mulu (Kraft Foods, Ethiopia/Workbek, Ethiopia), Sunalini Menon (Coffee Lab Private, India), Arnaldo Leiva (Coffee Source, Costa Rica), Julio Paiz Martinez (Mitsubishi Coffee, Japan), Mauricio Murillo (Mr. Coffees Barista Training School, Australia), Taro Suzuki (Saza Coffee, Japan) and Craig Holt (Atlas Coffee, USA).

Again, repeating the success of the TOH in Zambia, several buyers participating at the Arusha Conference expressed interest in purchasing some of the coffees that performed

well at the Taste of Harvest. EAFCA is putting in place a mechanism to have winning coffees at the next TOH competition in Addis Ababa available for bidding by buyers.

☞ **Conservation coffees.** RATES recently awarded a Partners Fund grant to the Jane Goodall Institute (JGI) of Tanzania to be used to support nine coffee cooperatives bordering the famous Gombe Stream National Park. JGI, an international network of organizations committed to addressing the complex issues that threaten chimpanzees in the wild, also works to meet the needs of surrounding communities and affected stakeholders. Over the last decade, JGI Tanzania has been supporting farmers in the villages near Gombe National Park by providing training and seedlings. JGI and RATES recognized that more specialized support to the farmers was necessary in order to make improvements to the coffee quality and market access in western Tanzania.



Dr. Jane Goodall discussing the Gombe project with a group of US roasters.

Under the Partners Fund grant, JGI Tanzania will establish a technologically-advanced coffee laboratory at its Education Center in Kigoma and employ a skilled coffee specialist/cupper to oversee quality control efforts. The coffee specialist will work closely with individual farmers and cooperatives to assist them in increasing the quality and consistency of their output. As indicated above, Dr. Jane Goodall and the TACARE staff participated in the WWC 3 conference and met with a number of roasters and buyers.

☞ **EAFCA Training Programs:**

- **Best Field Practices – Arusha, Tanzania (20th – 22nd February 2006).** The two day training was held immediately after the 3rd African Fine Coffee Conference & Exhibition held on 16th – 18th February 2006 in Arusha, Tanzania. All 25 places available for participants were filled for the course which took place at the Ngurdoto Mountain Lodge in Arusha, Tanzania, augmented with field trips to several coffee producing locations in the Usa river region of Arusha. The farms visited included Finca Estate owned by Fatuma A. Faraji, an EAFCA member and Shade Trees Farm owned by Leon Christianakis.

Five volunteer trainers from the Coffee Quality Institute (CQI) carried out the training and shared

their knowledge on the current trends in farming practices, not only for better quality, but also for environmental, traceability and transparency issues required by consuming countries. The trainers were David Roche, Chief Technical Director, Coffee Quality Institute, Dr. Peter Baker, CAB International, Daniel Mulu, Kraft/Taloca, Ethiopia, Julio Martinez Pais, Mitsubishi Corporation, Guatemala and David Gibson, Chemonics International.

Some of the topics covered at the two day workshop included:

- Nutritional deficiency identification
 - Farm management and scouting techniques
 - Quality factors such as harvest and processing
 - Traceability and certification issues
 - Pests and diseases
 - Pruning, shade management and general husbandry
- **Coffee Roasting, Blending and Cupping – Moshi, Tanzania (20th – 21st February 2006):** The two day training was held immediately after the 3rd African Fine Coffees Conference & Exhibition held on 16th – 18th February 2006 in Moshi, Tanzania. The roster was full with 25 participants who traveled to Mazao Limited in Moshi, Tanzania, where the course took place.

Five volunteer trainers from the Coffee Quality Institute (CQI) carried out the training and shared their knowledge on batch and sample roasting, the effect that various roast levels and profiles have on coffees, blending for flavor profiles and cupping of blended coffees for quality production. The trainers were Sunalini Menon, Jeff Watts, Mane Alves, John Sanders and Alistair Durie.

The participants came from some of the following companies and agencies:

- Tanzania Coffee Research Institute (2)
- Burka Coffee Estates Limited (1)
- USAID – SALES Project (2)
- Finca Estate, Tanzania (1)
- Coffee Board of Kenya (1)

- Smallholder Coffee Farmers Trust (1)
- Mbinga Coffee Curing Company Limited (4)
- Satemwa Tea & Coffee Estates Limited (1)
- Kahangi Estate (1)
- Munali Coffee/Mubuyu Farms Limited (1)

Activity 3: Improve EAFCA’s capacity for program delivery and communication. RATES has been working with EAFCA over the past three years to improve their capacity for program delivery and communication and are very pleased with EAFCA’s progress. Last year, EAFCA declared that improved services to members would be its main theme and as a result they succeeded in upgrading the Taste of Harvest program. RATES will continue to work with EAFCA to upgrade its capacity to deliver services and new workshops and training programs will be developed.



Chungu Mwila of COMESA shaking hands with Leslie Omari, the Chairman of the Board of EAFCA at signing of the MOU.

☞ **Membership.** A proactive membership drive last year has been re-emphasized this year as they continue to move towards their membership goal of 250. Service is based on a “value for money” approach convincing prospective members that services provided by EAFCA are beneficial to their coffee business. Membership kits with a calendar of events and other promotional materials have been prepared and disseminated. EAFCA chapters continue to hold “coffee clubs” in all member countries, an activity which really took off last year. These club meetings take the form of multi-purpose business lunches or evening functions with members and interested stakeholders. The coffee clubs will include programs geared towards member promotion, WWC advertising, sponsor searches, and current coffee marketing information of interest to the participants. The Ethiopia Coffee Club took place in January and had over 50 guests and members and was graced by the Minister of Agriculture, a strong supporter of the Addis Ababa Conference in 2007.

☞ **Calendar of Activities.** The Secretariat has continued to implement on schedule the activities on the calendar of events as of March, 31st 2006. EAFCA Calendar of Events for 2005/06 was distributed at the 3rd African Fine Coffee Conference & Exhibition in Arusha, Tanzania in February 2006.

☞ **MOU with COMESA:** EAFCA and COMESA signed a MoU at the Annual General Meeting (AGM) in Arusha, Tanzania. This was a historical landmark between the two

organizations that should help further the efforts of both organizations in increasing trade in the region. The MoU was signed by the EAFCA Chairman, Mr. Leslie Omari, and the COMESA Secretary General, Mr. Erastus O. Mwencha.

☞ **The Buzz.** The weekly electronic “Bwana Kahawa” Buzz has continued to be published and disseminated on time every week. The Buzz continues to be a very popular on-line weekly coffee news update and its subscription continues to grow as does its content.

KRA 1.2: Regional Maize flows expanded through formal trade

Strategy. The RATES Maize Program has the long-term objective to improve the flow and expand the availability of maize in ways that will contribute to regional market stabilization and food security. The program monitors the availability of maize throughout the region, provides improved supply and price information to traders, facilitates the flow of trade information, supports structured market systems (i.e. commodity exchange), and links food aid operations with the commercial sector. RATES also collaborates with mission projects such as ACE in Ethiopia, SCOPE and APEP in Uganda, and KMDP in Kenya that support expanded production and market systems.



Bicycle “traders” still dominate small-scale cross-border trading.

The maize program, under the banner of “Maize without Borders”, has two key components. The first component, focused on improved trade facilitation, is managed through a trade facilitation office and two complementary websites: www.ratin.net, a market information site, and www.tradeafrica.biz, a trade linkage site. This component also facilitates the move towards structured marketing systems that is gaining momentum in the region. The second component is policies and regulations that tend to inhibit trade. RATES has initiated a joint private/public sector policy rationalization/harmonization initiative that was launched in 2003 through the auspices of COMESA and EAC. This program is managed under PIR3/KRA 3.1.

Background: RATES, in collaboration with COMESA and other stakeholders, held the first Regional Grain Trade Summit held October 12th and 13th, 2005 in Nairobi. For the first time, all key players involved in the east and southern African regional grain industry met together as a group to map out a regionally focused strategy for grain trade market development within COMESA. The event attracted over 300

participants from 20 countries including COMESA, EAC and SADC as well as Europe and the United States. The event was primarily self-financed highlighting the importance given to the summit topics by the participants. The key summit presentations and workshop discussions centered on public, private and donor sector investment/intervention options, the role of food aid and national grain reserves and their impact on trade, competitiveness. Additional presentations focused on farm to market systems and trade finance including collateral management, commodity exchange, and warehouse receipts, and steps towards enacting effective trade policy for improved regional trade. The summit report and workshop conclusions can be found on www.tradeafrica.biz. The annual work plan, on which this progress report is based, was defined by the deliberations of the summit.

Progress to date:

Activity I. Promote an inter-regional and multi-sector grain trade network. RATES will continue to meet and work with the national working groups, some of which have evolved into national trade associations that operate on a non-funded volunteer basis. The RATES Trade Office will continue to network with the working groups and trade associations to pursue both components of the maize program: 1) to empower them to participate in the policy harmonization process, especially at the national level to assert their expertise and influence to encourage results; and 2) to engage them in a broader regional approach, networking them together for commercial trade, and creating forums to encourage more efficient trading systems. It is also planned that these working groups/associations will be expanded this year to include stakeholders actively engaged in structured trade systems – warehouse receipts and commodity exchange – targeting collateral management firms, banks, trade associations and existing parastatal marketing agencies.

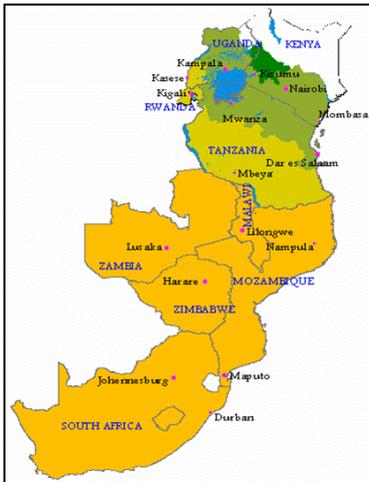
☞ **Cross Border training.** RATES, in conjunction with PESA, a USAID bilateral mission project managed by DAI in Tanzania, conducted its second small cross border trader training workshop in Arusha on March 8th. This one-day event brought together customs and standards officials from both Kenya and Tanzania, as well as over 40 cross border traders who deal in maize (of concern to RATES), citrus and vegetables (of concern to PESA). The common problem affecting stakeholders of both projects was the



Steve Njuria of RATES (center) posing with several small traders who participated in cross border training and received inexpensive moisture meters as part of the activity.

difficulty of moving produce from Tanzania to Kenya, and visa versa. The EAC Traders Handbook, authored and published by RATES under the auspices of EAC, was used as a reference guide for the course.

☞ **Maize handbook.** EAC Secretariat and RATES officially launched the publication of the Maize Border Traders Handbook on February 14th in Dar es Salaam. The event took place at the New Africa Hotel and attracted an audience of over 50 stakeholders and government officials. The handbook is already in circulation and has been effectively used at traders’ workshops.



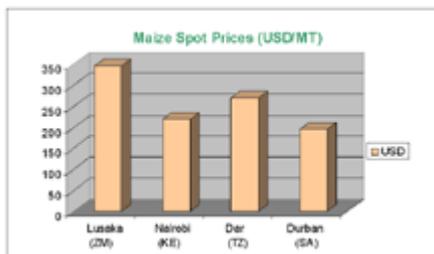
Regional maize flows are provided in the biweekly trade bulletin.

☞ **FAO workshop.** To build RATES’ capacity in the formation of public and private sector initiatives, Stephen Njuka, the RATES’ maize marketing specialist, attended a FAO workshop on March 23rd and 24th in Pretoria that highlighted the importance of “Partnerships Between Government and the Private Sector to Overcome Food Shortages”. Co-sponsored by the University of Pretoria, Steve presented the RATES’ strategy on PP partnerships in its work on policy rationalization.

☞ **Bi-weekly trade bulletin.** To strengthen network systems, a bi-monthly trade bulletin, “Bi-Weekly Trade Brief”, is emailed to member organizations listed in the maize trade directory, and through the www.tradeafrica.biz website. The bulletin provides a synopsis of maize trading within COMESA, targeting price changes, cost and availability, and policy news or events that have direct impact on grain trading.

Activity 2. Strengthen inter-regional market information systems and trade linkages. To address the challenges of providing “real time” market information and management of both the www.RATIN.net and www.tradeafrica.biz sites. This office serves as the RATES “call center” where trade inquiries are proactively pursued through the internet, email, telephone, SMS and radio. All site “hits” and trade inquiries are monitored and tracked for transactional viability and completion. The RATES trade office maintains an extensive trade directory of private companies and public sector agencies connected to the maize, bean and pulse trade.

➔ www.tradeafrica.biz: A key program task is to increase the participation of new stakeholders engaged in regional food security procurement and distribution activities. The target group includes World Food Program, Food for Peace, National Strategic Grain Reserves, marketing boards, commodity exchange programs, warehouse receipt programs and a number of NGO's involved in food security programs (i.e. CARE, SOS, and CRS). The first step is their adoption of the www.tradeafrica.biz site as the key linkage to sources of maize and other food for their food distribution program. Most food relief agencies already access the www.RATIN.net site for their weekly updates on grain production, price and availability. Aside from benefiting from a transparent and regionally-based food-linkage system, it is also important that food-aid agencies coordinate their programs with the commercial grain sector to achieve an improved balance of *aid* with *trade*.



There are several new features on www.tradeafrica.biz that have been included this quarter:

- Access to INCOTERMS 2000, a GAFTA derived international set of trade terms that define responsibilities of buyers and sellers.
- Access to the RATIN monthly trade bulletin.
- Updates freight charges for the EAC member states.



Table I. Volume and value of business postings for maize on www.tradeafrica.biz for FY 2006.

Inquiries to Buy Maize	Historical 2005 totals	Quarter 1 Oct 1–Dec 31	Quarter 2 Jan 1–Mar 30	Quarter 3 Apr 1–Jun 30	Quarter 4 Jul 1–Sep 30	Cumulative Total -2006
Volume in MT	845,290	151,400	274,580			425,980
Value in USD	162,744,270	24,163,000	48,123,300			72,286,300
Average Price USD/MT	190	160	175			168

Offers to Sell Maize	Historical 2005 totals	Quarter 1 Oct 1–Dec 31	Quarter 2 Jan 1–Mar 30	Quarter 3 Apr 1–Jun 30	Quarter 4 Jul 1–Sep 31	Cumulative Total-2006
Volume in MT	723,767	109,000	144,455			256,355
Value in USD	118,108,280	23,879,000	38,889,940			62,768,940
Average Price USD/MT	190	219	269			241

“We are pleased to see a regional market information system coming under COMESA’s management and would like to be part of this process”.

**Stephen Walls, COP
RATES**

Table I illustrates the volume of business supported through the www.tradeafrica.biz website. There has been a 100% increase in “Inquiries to Buy” – from \$24 million to \$48 million – over the previous quarter. There has been a 62% increase over the previous quarter in “Offers to Sell” – from \$24 million to \$39 million. Both categories are following a similar volume trend to last year.

☞ **The RATIN Network.** Following a request from the Secretariat, RATES is working closely with COMESA’s staff to find an institutional home for RATIN within the newly emerging Food and Agriculture Marketing Information System (FAMIS) site. FAMIS is an ADB funded program that has recently contracted IITA for developing the new FAMIS site. This will be based on RATES experience of managing RATIN for the last three years. Although the new FAMIS site will be engineered from scratch, many of its components, formats, and data base systems can be based on the RATIN model.

Under COMESA management, FAMIS will target several countries from the 18 COMESA member states and will add new features. RATIN currently covers Rwanda, Uganda, Kenya and Tanzania and provides price and production information for maize, rice and beans.

RATES is also exploring a parallel option that RATIN, a well branded site in East Africa, be re-engineered to fit the technical MIS needs of the new East Africa Grain Council. The grain council initiative will act as a self-regulatory body for structured market systems and already covers the same four countries as RATIN. The domain name, RATIN, will be retained although the site will be re-designed to serve the members of EAGC.

👉 **Eastern Africa “Maize Availability” Balance Sheet.**
The RTO has refined and updated the balance sheet (Table 2) in collaboration with a number of key industry players including the Ministries of Agriculture in all four operating countries (Kenya, Uganda, Tanzania and Rwanda), the Tegemeo Institute of Research and Development in Kenya, regional traders through their various trade associations, millers, national food reserve agencies, FEWSNET and ports and cargo agencies. The regional maize balance sheet is now available on www.RATIN.net

Table 2. Estimated East Africa maize availability balance sheet: July 2005 to June 2006 (Minimum Quality Maize)

	KENYA	UGANDA	TANZANIA	RWANDA	EAST AFRICA
CARRY OVER STOCKS JULY 2005	337,561	34,293	135,323	24,228	531,405
IMPORTS					
Uganda	155,359		15,800	20,911	
Kenya		0	19,881		
Tanzania	52,208	0			
Rwanda		0			
Total East Africa Imports	207,567	0	35,681	20,911	
Imports from outside the region-DRC etc	0		0	1,000	1,000
Total Imports	207,567	0	35,681	21,911	
MAIZE PRODUCTION 2005-06					
Long Rains	2,574,260	322,000	2,857,000	69,264	
Short Rains	181,626	250,000	140,000	18,945	
Total Production per year	2,755,887	572,000	2,997,000	88,209	6,413,096
Post harvest loss, industrial use-seeds etc (10%)	275,589				
NATIONAL AVAILABILITY	3,025,426	606,293	3,168,004	134,348	6,945,501
EXPORTS					
Uganda			0	0	
Kenya		155,359	52,208		
Tanzania	19,881	15,800			
Rwanda		20,911			
Total exports to East Africa	19,881	192,070	52,208	0	
Exports outside the region	5,000		46,698		51,698
Total Exports	24,881	192,070	98,906	0	
NATIONAL CONSUMPTION	2,850,000	402,500	2,878,626	95,000	6,226,126
Available Maize by June	150,545	11,723	190,472	39,348	667,677



Activity 3: Promote synergies linking food aid with commercial trade. The WFP is the regions' largest net buyer of grain. USAID Food for Peace is also pursuing a new initiative for local procurement which is still in the review stage. The objective under this activity is to engage the food aid sector into the commercial trade systems, not only their use of the on-line trade sites but the conversion of their procurement process into a more transparent and trader-friendly operation. Discussions to date have been positive and RATES is optimistic that significant results will be achieved this year. Another goal of this activity is to gain food aid support and participation in the emerging structured market systems. Food aid agency and public sector recognition of the value of warehouse receipt systems and commodity exchanges would be an added bonus to those initiatives and would be a key element to their success.

☞ One of the ongoing tasks this year is to hold consultative meetings with food aid agencies, commercial traders, and other stakeholders to create synergies for improved procurement and distribution systems for food aid. This was successfully kick started last quarter through the Regional Grain Trade Summit where a special workshop was held to address this specific topic. Results of the workshop can be found on www.tradeafrica.biz.

☞ RATES is now invited to all WFP regional procurement meetings in Kampala. Such a meeting took place on January 13, 2006. Pam's participation lends weight to the RATES role in presenting the regional perspective on production and cross border trade and data which is normally found on the Tradeafrica and RATIN sites.

☞ **Collaboration with Food for Peace.** RATES and the Trade Office staff met with a FFP delegation from Washington on February 9 to deliberate on the FFP initiative to procure food within the region. Although the basic plan of operation had not yet been formulated by the team, RATES provided local insight into their planning process. This included:

- Support to organized farmer groups (especially those supported through bilateral mission programs).
- Support to structured trade systems as a means to sustain such operations long-term.



WFP planes loading food aid at the airport in Lockichokio, Kenya

- Use of the RATES supported trade linkage systems and networks including RATING.net and www.tradeafrica.biz.



South African Futures Exchange (SAFEX), a good example of a structured grain market.

Activity 4: Link and promote structured trade initiatives in the region. This is a new activity in the maize 2006 program work plan but has been a focus area for most of 2005. There are several initiatives throughout the region, supported by various donor and commercial entities that are engaged in the creation and operation of warehouse receipts, commodity exchanges, and collateral management. These include the World Bank working in Malawi on futures options with SAFEX, USAID supporting warehouse receipt efforts in Kenya and Uganda, CFC providing financial assistance to the Zambia warehouse receipt efforts. Other organizations including Rockefeller and DFID have also expressed interest in these initiatives. RATES has recognized the need to “connect the dots” between these individual efforts, with the long-term intent to link them together for trade and have them share their experiences during their development phases. The RATES role in this sector was strongly supported by the delegates at the Regional Grain Trade Summit and expectation is high to keep the momentum of that successful event moving.

☞ **Structured trading systems.** RATES has completed the “catalog” exercise of structured trading systems in the three target countries of Malawi, Zambia and Uganda. Kenya, Tanzania and Ethiopia still remain to complete the exercise. In Malawi and Zambia, the RATES staff held follow-up meetings to discuss structured systems:

- The Malawi Grain Traders and Processors Association has been formerly registered. This concept was planted by RATES in 2005 and has now grown into a functioning trade organization that is beginning to have an impact on grain trading policy in the country. RATES met with the association members on February 21, 2006 in Lilongwe and made a presentation on STS systems. Discussions were held on the possible RATES Partner Fund support to the Association that would create a more dynamic forum for influencing the appropriate private sector involvement in grain trade following the direction of structured systems.



Group photo of the Malawi Grain Traders Association.

RATES, with COMESA support, also sponsored a traders meeting in Zambia on February 23rd that included members of ZACA, the Zambia Millers

Association and leading government officials. ZACA was presented as a working model of a working warehouse receipt program that can be replicated in other COMESA countries.

“...CHC, (a leading trading company), is now using ZACA, as opposed to collateral managers, thereby reducing our warehousing costs by two-thirds...”

Chris Hawke, Director CHC)

☞ **Kenya Grain Council – now the Eastern Africa Grain Council.** One such group in Kenya, through the support of RATES and USAID/KMDP, is actively pursuing the formation of a sub-regional grain council. The concerned stakeholders, a “who’s who” of the Kenya grain industry, has met three times this program year to form a steering and executive committee and to map out the institutional design and operational mandate. Participating in the exercise are:

- Kenya Bankers Association
- Nairobi Stock Exchange
- Cereal Growers Association
- Kenya Millers Association
- Kenya Maize Development Project (USAID/Kenya and ACDI/VOCA)
- Kenya Cereal and Produce Board
- KACE
- Ministry of Trade
- Ministry of Agriculture
- RATES
- Louis Dreyfus
- ACE
- SGS

Led by RATES, progress in the institutional formation component is impressive with the approval of the institutional design and registration process at the January 25th meeting. The EAGC business plan exercise is nearly completed and fund raising will commence when the plan is finalized. EAGC should be a legally registered organization by July 1st, 2006. Work is continuing with the operational component (led by KMDP). A Structured Trading System (STS) seminar is planned for May for companies in the banking, milling, and trading sectors to introduce them to concepts that may be new to them.

☞ The RATES trade office staff visited the Kibaigwa Market in Dodoma, Tanzania on February 15th. Supported by the French government, the market is operated through a farmers association (MVIWATA) and is equipped by modern machinery capable of handling over 5000 metric

tons of maize and other produce per day. RATES perceives such business endeavors as a front-runner to more structured trading systems since the location and operation lends itself to efficient sub-regional trade of graded and sorted maize.

KRA 1.3: Regional Cotton/Textile Trade Increased

Strategy. The strategy in the cotton/textile sector has shifted slightly from previous years to focus on the programs initiated by the new African Cotton and Textile Industries Federation (ACTIF) whose programs still meet RATES' objectives of increased trade. Neither does the shift in program stray from the original target sector, the textile industry, as a main buyer of regionally (and mostly smallholder) produced lint, and as a seller of textile products to the apparel sector taking advantage, where applicable, of opportunities provided under AGOA. RATES is still operating under the premise that the resulting increase in regional demand for cotton will translate into improved market opportunities for smallholder farmers. ACTIF also has the mandate to develop and strengthen regional markets, to promote and implement programs for improved regional competitiveness that position the sector to work to best advantage in national, regional and export markets.



Cheryl Anderson, Deputy Mission Director REDSO visiting a thread making plant in Nairobi, Kenya

Background. RATES' vision of industry ownership of the program continues to gain momentum and is becoming increasingly recognized as an entity that will generate serious advantages within the region as a unified, pragmatic and credible reference point for the future in regional, African and international trade affairs. In this context, the 2nd steering committee of the African Cotton and Textile Industries Federation (ACTIF) will be held on 21st and 22nd of June 2006 in Nairobi, to chart its future strategy, conclude institutional arrangements and to establish proposals for the long term viability and sustainability of ACTIF.

The four sub-committees of ACTIF, each addressing key problem areas of regional investment, ginning and lint trade, inter-regional supply chain, and global trade initiatives continue to carry out research and analysis on the key issues that need addressing, and which also form the basis for the 2006 RATES annual work plan, a truly private sector demand driven plan.

RATES continues to coordinate its cotton/textile program closely with the ECA Global Competitive HUB, which shares

the concerns of the AGOA program. Liaison and collaboration is also maintained with the West Africa Trade Hub in Accra. RATES and the Hub projects schedule periodic meetings to ensure a smooth working relationship. RATES is also working closely with bilateral mission projects to ensure that RATES regional focus on trade facilitations and policy harmonization compliments national-level efforts. RATES has a strong working relationship with several bilateral projects including APEP, SCOPE, ACE, SALES, PESA, MATEP and PROFIT.

Progress to date:

Activity 1: Promote global market access. The ACTIF sub-committee for Global Trade Initiatives has been pro-active on their agenda to address regional issues pertaining to AGOA and to identify strategies to target the European market.

“A key element in the 2004/05 program is the direct industry ownership of the program...”

**RATES Work Plan
FY 2005/06**

☞ **ACTIF submits “White Paper” proposals on AGOA modifications.** Following the consensus reached in Addis Ababa on proposed modifications to the AGOA Reinforcement Bill, an AGOA “White Paper was submitted to the offices of the USTR for consideration and after due process, the proposals would hopefully be adopted. The key aspect of such a document being that a common position across the value chain could be reached, demonstrating the spirit of unity and common purpose within the region.

The “White Paper” proposes that the current AGOA third-country fabric Special Rule be gradually replaced by a simple value-added rule of origin, modeled after the Egyptian QIZ trade arrangement, with the specific percentages to be worked out in consultation with US stakeholders. The proposed new value-added rule of origin would apply to all AGOA beneficiary countries. Another significant modification is the call to include African textile mill products (yarns, fabrics and home furnishings, including made-ups) as being eligible for duty-free entry to the United States, which were hitherto denied preferential access. Reports to date indicate a general positive reception to the proposals.

To reinforce the AGOA “White Paper” and to present the ‘Face of Africa’, ACTIF will be sending a high level team to the United States in May 2006 to hold discussions with the US Administration, other relevant organizations/entities

and major buyers. The team will be comprised of key industry executives from Kenya, Mauritius and South Africa.

Activity 2: Investigate and disseminate sources of investment and finance. The target sector which is the weakest link in the regional supply chain is the spinning and weaving sector. Identifying investment opportunities for this sector is critical to the dynamics of the regional supply chain.

RATES is now working to identify regional, pan-African and international finance organizations with an aim to develop pro-investment schemes within the region.

Activity 3: Enhance inter-regional trade and supply chain. This activity has been a key focus of RATES for the past three years and significant progress has been made through the Cottonafrica.com trade site. Although the trade site will continue to be a key element of this activity, the program has been augmented and will be jointly pursued by RATES and the ACTIF subcommittee on interregional trade.



ACTIF members from Mauritius, South Africa & Kenya visiting a circular knitting plant in Mauritius.

- As part of the inter regional dialogue process and the need for closer interaction with SADC, the ACTIF Chairman and RATES' Barry Fisher attended the annual general meeting of the South African Textile Federation (Texfed) in Cape Town to present ACTIF as an association and to explain its activities. Very constructive dialogue took place with Texfed members, which further cemented collaboration efforts for the future. Fruitful discussions were also held with the Clothing Council of South Africa and the South African Textile Industry Export Council (SATIEC), and a basis for future interaction and cooperation was agreed.
- Discussions were also held with the executive of Cotton SA in Pretoria, and a presentation on the activities of ACTIF was made. Again, the support of Cotton SA for the ACTIF initiative was reaffirmed.
- A visit was made to SADC in Gaborone and discussions centered on ACTIF participating in the SADC business forum, which would be launched in April 2006. This arrangement would see the start of closer ties and cooperation with the southern African body.

- Collaboration with COMESA continued with a briefing to senior staff in Lusaka on current ACTIF activities and exploring areas of mutual cooperation. During the course of the Zambia visit, meetings were held with the USAID funded MATEP and PROFIT projects and it was agreed that RATES would provide regular updates on developments in the regional arena which could be of benefit at the bilateral level.

Table 3. Value of business postings on www.cottonafrica.com -2006

POSTINGS	Historical Totals - 2005	Quarter 1	Quarter 2	Quarter 3	Quarter 4	TOTALS 2006
Enquiries to Buy (USD)	\$13,978,376	\$27,583,200	\$4,161,975			\$31,745,175
Offers to Sell (USD)	\$156,011,637	\$4,233,400	\$7,339,291			\$11,572,691
TOTALS (USD)	\$169,999,014	\$31,816,600	\$11,501,266.			\$43,317,866

Activity 4: Integrate production, ginning and lint trade into the regional system. The lint trade is the closest link to the production sector (and smallholder farmers) and although the program is focused on trade, it is important to include this sector into the regional trade system to ensure the fiber to fabric linkage.

☞ **The ACTIF Production, Ginning and Lint Trade Activities.** Efforts to highlight the need to increase cotton promotion and identify an innovative 'African' program and possibly create an African 'cotton mark', with the aim being to invigorate the sector and create significant demand enhancement, continued. Initial contact with the International Forum for Cotton Promotion (IFCP), which was considered a potential partner for such a program, was made. Work on informing governments on the activities and objectives of ACTIF and the need for a regional integration policy continued.

“Through www.cottonafrica.com website, we at wotol have noted improved business arising from numerous contacts and enquiries. We have so far registered sales arising from a wide network of customer base realized from your site...”

Andrew Faraja.
www.wotol.com

☞ **Bremen International Cotton Conference.** RATES sponsored the participation of Dr. Dan Mwaisengela, a member of the ACTIF production, ginning and lint trade committee, at the 8th Bremen International Cotton Conference. Significant benefit was gained from networking with cotton stakeholders on strategies on common issues, and to expose ACTIF to a large international audience. The final record of proceedings and conference outcome will be submitted to RATES when published.

Activity 5: Promote ACTIF as the regional voice.

ACTIF is perceived by the regional industry and the international trade community as the “go to” organization in the region for cotton and textile trade issues. The membership base must be strong and active, the Secretariat must be professional and decisive, and the programs and services must be well implemented. ACTIF will move from the concept stage to the organizational stage during 2006. The following tasks will be a major focus for next quarter:

- Design and develop ACTIF website for the promotion of Cotton/Textile Summit and other ACTIF activities.
- Firm membership structure and encourage active participation.
- Representation in regional and international forums (GOA, ITMF, ICAC, COMESA, EAC etc.).
- Establish industry positions on trade issues and disseminate as appropriate



RATES and ACTIF participating in the ICAC to promote regional issues.

☞ **ACTIF Executive Meeting.** The ACTIF executive meeting, held on 22nd February, dealt with AGOA issues, institutional matters, the summit and exhibition to be held in Cairo in November and the future plans for the Federation as a whole. A proposed institutional design and formation process was tabled and agreed upon. The document has been distributed to all national associations for agreement and endorsement.

☞ **The African Cotton and Textiles Summit & Exhibition.** ACTIF will be holding the African Cotton and Textiles Summit and Exhibition in Cairo, Egypt from 13th

to 16th November 2006. The theme of the event will be “Brand Africa – Lets do business”.

The Summit will encompass stakeholder interests across the fiber, textiles and apparel value chains, and the focus will be on ‘business’, presenting Africa as a viable, sustainable supply source, business partner and as a destination for investment. It will provide an excellent mix of speakers who will address a wide range of topical issues, sometimes controversial and fiery, and which will provide a rare opportunity for businesses throughout the value chain to network, explore investment opportunities, create linkages and develop partnerships.

Some of the highlights will include:

- Cotton promotion and branding issues, new market access, innovative and specialty/niche products fair-trade concerns and an insight into the comparative pricing of seed cotton and lint across Africa.
- How to convert regional and international trade agreements/arrangements into real time business opportunities, competitiveness through logistics, finance, and investment and joint venture development.
- AGOA issues and “where to”, new market potential and ‘smart partnerships’, the fashion component and “Brand Africa”.

KRA 1.4: Regional Trade in Dairy Products Increased

Strategy. The program for RATES activities in the dairy sector is focused on the development of extra/inter-regional export markets, initially targeting countries in the region with products that have regional demand. To pursue this program, RATES will work actively with its key partner, the East and Southern African Dairy Association, ESADA, formed in 2005 for the expressed purpose of expanding markets for its members. The dairy program differs significantly from the other commodity programs due to supply issues, mainly the current limited supply of an exportable product. The eight national dairy studies in 2004, conducted jointly by RATES and ECAPAPA/ILRI, revealed that there is no country within COMESA that is self sufficient in milk products. The studies also indicated that the installed processing capacity has a regional average of only 30%. Domestic milk consumption is



ACTIF Executive Committee meets in Nairobi.



Milk products are finding their way on the shelves of local super markets, but overall consumption is still low in the region.

also very low, averaging about 36 liters per person throughout the COMESA region (compared to the WHO recommended consumption of 200 liters per person). One may be tempted to conclude that the region doesn't have an inter/extra "trade" problem since there is little to trade, but rather a domestic liquid milk production and consumption problem.

However, RATES has recognized that there is a significant need for free and transparent ebb and flow of milk products throughout the region based on seasonal supply highs and lows, along with a focus on value added processed goods (UHT, yogurt, cheese, and ice cream) that do have a regional market. This is a sound strategy to pursue, especially as it highlights impediments to trade that may inhibit increased production and consumption.

"...No country in COMESA is self sufficient in dairy products and the installed regional capacity has a average of only 30%..."

RATES/ECAPAPA Dairy Study, 2004.

Background

The RATES/COMESA Regional Dairy Summit in October 2004, attended by executives of all the key dairy processors in 12 different COMESA countries, passed a resolution to form a regional dairy processors association, now known as ESADA. Key issues that led to this unanimous decision included the lack of regional market information, limited knowledge on potential trade partners and their respective products, and the absence of a regional voice in the international dairy arena. The fact that imports to COMESA countries valued at \$684 million over a five year period far exceeded the \$25 million over the same period that was traded between them, has created an urgent sense of unity among the ESADA stakeholders and encouraged the conclusion that it was better to work together than apart. RATES and ESADA will focus on the objective of increased inter regional capacity to compete with the extra regional COMESA import trade that represents 95% of the dairy market. This is the ESADA "window of opportunity" and it is significant.

In 2003, RATES initiated a subcontract with the Nairobi Land O'Lakes (LOL) regional office to provide a long term dairy marketing specialist, Moses Nyabila, based in the RATES office. LOL brings significant institutional and technical strength to the program including several bilateral mission supported dairy projects in the regional that compliment the RATES' field support structure.

The work plan for 2006 addresses the key elements of concern expressed by the dairy executives and the work plan

was developed and approved by the ESADA Board of Directors. This supports the RATES methodology that encourages industry ownership of the program; laying the foundation for regional networking, trade linkage and trade information that is sustained by the industry itself. The plan also identifies and provides institutional support to national and regional organizations that are key players in advocating policy reform and promoting inter-regional trade initiatives.

Progress to date:

Activity I: Strengthen systems for inter-regional market linkage systems. RATES is working with ESADA to implement a program of linking trade and investment partners together. Examples of this activity include:

☞ **Uganda.** The Dairy Corporation of Uganda is a parastatal dairy company that has been targeted for privatization. RATES/ESADA is providing assistance to Dairy Corp through the RATES Marketing Specialist, Moses Nyabila, to attract strategic partners to revive its UHT processing line with the aim of exporting to Tanzania and Rwanda. Potential partners include Daribord of Zimbabwe, Pamalat of South Africa and Brookside of Kenya (all ESADA members), and partnership proposals have been drafted and sent to these companies. Tetra Pak of Kenya and Land O' Lakes of Uganda have agreed to lend technical support for this activity, and the Dairy Development Agency of Uganda is supporting the initiative on behalf of the GOU.

☞ **Kenya.** ESADA/RATES is promoting annual market size dairy product surveys in member countries starting with Kenya, working through KDPA. Two service providers, Steadman Group and Research International, were identified and presented their survey proposals to KDPA and the Kenya Dairy Board. The members selected the Steadman Group which is now in the process of compiling a cost-sharing package which they will "sell" to the KDPA stakeholders.

☞ **Trade linkage site.** The www.DairyAfrica.com trading platform is now live and is being used to support buyers and sellers of dairy products. Site promotion and training will continue next quarter and statistics on the site will be presented at that time. Registration is brisk following the

promotional email sent through the trade directory last quarter.

Activity 2: Strengthen the Regional Trade Community through ESADA and its Affiliate National Associations.

RATES is working with the regional association to provide core technical support on programs and member service delivery. Core support is also available to kick-start association programs that address inter/extra regional trade issues. ESADA services include market information, trade linkage systems, policy advocacy, regional and international representation, and specific training opportunities that address key trade constraints, i.e. grades and standards, SPS, and health and safety.



Most associations at the national level already receive bilateral mission support and other assistance, and Land O' Lakes has been instrumental in the formation of most of them through bilateral mission support. RATES will augment the ongoing efforts to national associations with assistance that focuses on the main activity objective: increased intra/extra regional trade. In collaboration with LOL country projects, RATES is utilizing core staff for programs related to marketing and promotion, policy advocacy, institutional development and strategic business planning. Short term technical assistance is also an option and access to grants under the Partner's Fund is available under specified conditions.

☞ **Support to ESADA.** ESADA is increasing its international exposure through its membership with other leading institutions. ESADA signed an MOU with IDF that allows for direct regional membership which is essentially providing a discounted membership category for LDC countries that otherwise would not be able to afford membership. ESADA has also signed a "reciprocal" membership with the Indian Dairy Association and has invited them as the chief guest for the Kampala ADC in May.

☞ **RTFP proposal.** With RATES assistance, ESADA has submitted a grant proposal this quarter to the DFID RTFP program based in Pretoria, South Africa. If approved, this grant will focus on the value chain and value added initiatives. ISO Certification training for processors will be provided and quality assurance in the supply chain will be address through producer workshops.

☞ **South Africa.** ESADA has signed an MOU with the Milk Producers Organization of South Africa to adopt their “Dairy Mail Africa” publication as a partner ESADA publication. Several ESADA articles have been printed in this publication since the agreement. Funded entirely through advertising, ESADA will assist with distribution, stories and advertising through its ESADA membership.

☞ **Dairy News.** ESADA has its own newsletter, Dairy News, which is currently going into its fourth issue, timed to coincide with the ADC in May.

☞ **Ethiopia.** The new LOL dairy project in Ethiopia is a target of ESADA/RATES technical support and Moses Nyabila paid them a visit in February. Access to appropriate dairy production and processing equipment is a key issue and ESADA has linked a local Ethiopian equipment/input distributor, Al Impex, to known equipment manufactures and suppliers, many of whom are listed in the www.dairyafricatrade.com directory. Ethiopian attendance at the forthcoming African Dairy Conference in Kampala in May would be of great benefit in linking them to Indian and East African suppliers that will be exhibiting their products.

Activity 3. Improve Sector Competitiveness. This is a new activity for the dairy program that focuses on product quality and delivery systems. ESADA and RATES is working collaboratively with other international dairy associations from the United States, India and the International Dairy Federation to provide technical support for training programs, research and on-site support.



The Danone investment team visiting with the management of Brookside Dairy in March 2006

“My work in Kenya has been greatly facilitated by the RATES office allowing me to accomplish in one week what would normally have taken four.”

**Fleming Morgan,
Senior Vice President
of Danone Yogurts.**

☞ **Danone Investment.** The Senior Vice President for Danone, Middle East and Africa, Fleming Morgan and his staff others visited Kenya in March 2006 to discuss joint venture investment with Spin Knit and Brookside. Danone, based in France, is the fourth largest dairy company in the world. The visit was facilitated by RATES/ESADA and Mr. Morgan met with RATES staff at the RATES Center on March 21 and expressed his appreciation for the assistance he has received.

☞ **Dairy sector survey.** The IFC funded (through DANIDA) Dairy Sector Competitiveness Survey requested and promoted by ESADA is undergoing a contractor bidding process. The survey is scheduled to commence in May 2006, and ESADA will be monitoring its progress. The objective of the survey is to identify investment opportunities along the dairy supply chain.

☞ **African Agricultural Capital.** Preliminary discussions with AAC (African Agricultural Capital) have been held this quarter. AAC has agreed in principle to invest in private sector breeding projects in East Africa, a program that ESADA is strongly endorsing and promoting.

Activity 4. Organize 2nd African Dairy Conference and Exhibition. This event is critical to ESADA’s program as it demonstrates value to members in promoting products on the regional and international scene and providing linkages between buyers and sellers, not just for finished dairy products, but for the supporting industries as well. The first ADC in May 2005 was successful in delivering the promised results and members and delegates appreciated the value for their investment. The key elements for this activity, scheduled for May 25th-27th 2006, are laid out in a separate conference management plan that covers the planning, preparation and implementation components.

☞ **ADC Update.** The following actions have been accomplished to date:

- Conference coordinator recruited and contracted
- Promotional brochure and flyer designed and printed
- Venue contract completed with Speke Resorts
- Contacts with sponsors conducted, 15 booths purchased to date
- Conference vendors identified, contracts finalized

- All 25 targeted speakers have signed up, conference program completed
- The President of the India Dairy Association (IDA), Mr. Amisnesh Bernejee, and the Director General of IDF, Mr. Christian Robert, have agreed to be key note speakers at the Kampala African Dairy Conference and Exhibition in May 2006. On their agenda will be discussions with ESADA officials on the way forward for the technology transfer initiative and other collaborative programs.
- The Uganda Host Country Conference Committee has been established and is meeting weekly. The HCCC has been very active and supportive and is probably one of the best host committees RATES has had to work with. The locally hired conference assistant is based at the LOL office at their expense and is working daily with the HCCC. The success of the ADC breakfast launch can be attributed her performance.
- The ADC was successfully launched on March 3rd in Kampala with over 100 Ugandan stakeholders and industry leaders attending a “Dairy Breakfast” at the Sheraton Hotel.



Meeting rooms at the Kampala Speke Resort in Kampala, a perfect setting for the 2nd African Dairy Conference and Exhibition.

Activity 5. Expand markets for regionally produced dairy products. This is the mainstay of the ESADA program and forms the basis for their Mission Statement. It is linked to activities 1-4 and requires strong core support from the policy program (see KRA 3.1). A key role of the association, implemented with RATES assistance, is the harmonization of regional standards and SPS protocols, and the resolution of trade disputes within the region using recent knowledge of trade regulations and trade imbalances that now affect the region. The new EAC customs union protocols, well known to the RATES policy team, will be monitored and capacity transferred to the regional members to enable them to effectively plan their marketing strategies within the changing regulatory environment.

☞ **Trade Dispute Initiative.** A landmark meeting of key government agencies and leading commercial dairy firms met for the first time on March 24th in Arusha for the 1st East Africa Dairy Trade Roundtable, to openly discuss real case studies of impeded trade and lost trade opportunities. Attended by directors of the three dairy regulatory bodies (DDA, KDB, and TDB) and by representatives of the three dairy processors' associations (KDPA, TAMPA, and UDPA), as well as the PS of the Ministry of Agriculture, Uganda and management officials from several concerned companies, the meeting created a forum for the first time to establish trade protocols between the three countries. Hosted by the EAC Secretariat, facilitated by ESADA and sponsored by RATES, the roundtable approach to resolving trade disputes has set a precedent to be emulated on a periodic basis. Key issues resulting from the roundtable include:



Participants of the Arusha dairy roundtable deliberating on eliminating trade barriers.

- Free movement of bulk raw milk across borders without NTBs.
- Additional charges (tariffs, duties, etc.) on dairy products.
- Delays in processing import/import licenses.
- Harmonized standards and SPS procedures.

☞ **Regional Standards Program.** This program is focused on the EAC region in the short-term with the intension of taking it into the COMESA stage at the appropriate time. The objective of the exercise is to work with the public and private sectors to harmonize grades and standards for a select group of dairy products that are commonly traded between EAC countries. Accomplishments to date include:

- Distribution of current EAC standards to ESADA membership and appropriate agencies (bureau of standards, veterinary departments, etc.) in the three EAC countries for their review and comments.
- Consultative meetings of public/private stakeholders in Tanzania and Kenya during this quarter to resolve differences and arrive at a common national level position. The meeting for Uganda is scheduled next quarter in April.

- The next step is the regional meeting scheduled in June 2006 to deliberate and finalize the standards on targeted products.
- The final stage of the program will be to incorporate the EAC standards program into the COMESA agenda.

☞ **Regional SPS Program.** This program is closely tied to the regional standard harmonization program with the intent to remove constraints that inhibit trade amongst EC and COMESA member states. Scheduled to start next quarter, RATES will prepare and submit a SPS Protocol to be considered by both EAC and COMESA.

“...Considering the deficiencies in the Kenya dairy industry in milk and dairy products standards and control measures to meet Zambian regulatory and food safety requirements...the Kenya dairy industry as a whole will have to rectify these deficiencies before exporting to Zambia...”

Kenya Dairy Audit Report

☞ **Zambia- Kenya trade dispute.** This dispute involves the rejection of Kenyan UHT milk imported into Zambia in 2004, and ESADA and RATES, through COMESA intervention, has taken the lead in resolving the dispute. Stakeholders prepared a scope of work (SOW) for an official government audit team from Zambia that came to Kenya between the 2nd and 13th of October 2005 to review Kenya’s SPS and veterinary inspection systems. The assessment team held an exit briefing with officials of the GOK before their departure and has prepared and submitted their assessment report through the GOZ this quarter. Kenya is preparing a response to the report, addressing the concerns voiced by the Zambian team. The ESADA office and the RATES representative, based at COMESA, Lusaka, are following up.

PIR 2: Increased institutional capacity to sustain agricultural trade.

Introduction and approach. Work under this component is linked to the support to trade flow leaders described under each commodity. Our implementation approach to this component responds to REDSO’s institutional support approach and to RATES’ project management needs. It builds on REDSO’s work to introduce the Partner Viability Assessment (PIVA) index tool as a mechanism for defining institutional competency areas and measuring increases in capacity in these areas. REDSO has completed and/or has initiated the PIVA process with a number of the partner institutions with which RATES will work during the course of project implementation. The goal will be to get the PIVA Index for RATES partner institutions into place as soon as possible

so that it can continue to guide the ways in which RATES structures its activities in support of these partners.

KRA 2.1: Capacity of selected partner organizations strengthened

Strategy: RATES is supporting the ability of implementing partners to provide important trade support services on a sustainable basis. Work in this KRA during the work plan period will target regional associations such as EAFCA that REDSO has already initiated the PIVA process and other regional and national-level organizations that are at a more nascent level.

Progress to date:

Activity 1: Provide targeted support to EAFCA. This activity is cross-linked to the work under KRA 1.1. RATES is assisting EAFCA to provide market and technical development services that support and add value to the programs of its members, promote aggressive regional and international market development, and position EAFCA in the longer term to maximize opportunities for revenue generation and sustainable operations.



Bwana Kahawa, the EAFCA Mascot designed with support from RATES

In addition to financial assistance, RATES is providing a full time coffee marketing specialist, Chris von Zastrow, with over 20 years of coffee marketing experience in both the United States and Africa. The coffee marketing specialist provides technical capability in developing and implementing marketing strategies that have been lacking at the Secretariat (see KRA 1.1). Chris and the secretariat staff are also supported through RATES core staff that provides institutional support in event implementation, constitutional review, membership growth, business planning, and sustainability strategies.

☞ **Financial management.** RATES encourages a fiscal strategy that requires EAFCA-derived revenue to be targeted for overhead costs first to ensure that core costs are covered by internal revenues, versus donor input; a key step in developing a program for long-term sustainability. On an ongoing basis, we monitor funds distributed through the RATES Partners Fund which EAFCA accesses during FY 2005/06. RATES will work with the EAFCA secretariat this later this year to develop sound work plans and fiscal budgets for next year - FY 2006/07.

EAFCAs institutional strength and operational reputation stands it in good stead in attracting donor funding. The Swedish Chamber of Commerce, in conjunction with SIDA, identified EAFCA as the implementing partner for its new two-year specialty coffee marketing program that targets EAFCA's East African membership. DFID's RTFP grant of \$175,000 to EAFCA will support marketing efforts in South Africa. Both of these new programs were launched this quarter at the African Fine Coffee Conference and Exhibition in Arusha. Efforts are currently underway to resubmit the EAFCA Proinvest proposal with RATES technical assistance.

☞ **Conference planning and implementation.** Over the past two years RATES' support to EAFCA for organizing regional coffee events and conferences such as the Taste of Harvest competition and the African Fine Coffee Conference and Exhibition (AFCCE) has been aimed at developing internal event management capacity and providing a revenue stream for long term financial and institutional sustainability. This objective has been achieved with significant success. For the 2006 program year EAFCA has relied on its new Program Manager to plan, prepare and implement nine training workshops, eight cupping competitions, three international trade events, and its own conference and exhibition. To keep staff requirements to a minimum and to maximize efficiency, EAFCA independently contracts a Conference Management company to handle the planning, preparation and implementation of the AFCCE. This quarter, the AFCCE in Arusha was considered a significant success with the largest participation ever in a logistically challenging location. RATES contribution was minimal with some "behind the scenes" support, and we consider EAFCA's management independence a significant success story.

☞ **Strategic planning.** RATES will work with EAFCA this year to develop a long-term strategy for growth and sustainability. Substantial capacity has been built in this regard and the process has been used at the board level to build awareness of long-term objectives of the organization. A key strategic planning meeting has been scheduled for the board in September 2006.

☞ **Structural Adjustments:** Last year the EAFCA Executive Committee requested assistance from RATES to review their constitutional viability, Secretariat staff

requirements, and chapter formation and to make recommendations for changes and adjustments necessary to reflect the structural and governance systems desired by the Board. These assignments were completed during the 2005 work plan year. What remains to be done is to harmonize the chapter constitutional format to that of the new association format, and to assess human resource development as EAFCA continues to grow and mature. The EAFCA Board has invited Thomas Carr, the RATES Technical Director, to sit as an ex-officio member for the second year to guide them on these issues.

☞ **Program expansion.** We will continue to explore new opportunities to develop national chapters and member trade associations within the scope of the EAFCA strategic objectives. Prime examples of this initiative are the Kenya National Barista Championship and the support to the Jane Goodall Foundation for their coffee programs in Tanzania.



Activity 2: Provide targeted support to the East and Southern Africa Dairy Association –ESADA. Executives at the October 2004 Dairy Summit passed a unanimous resolution to form a regional dairy processors' association and RATES dedicated financial and technical resources over the past year to assist in their structural development process and to initiate a program of services to their membership. After a very successful first year which saw the inauguration of the African Dairy Conference and Exhibition, the ratification of the ESADA constitution, formation of an independent Secretariat, and election of the first Board of Directors; RATES is directing resources this year on capacity to deliver program activities that meet ESADA's Mission Statement and association objectives.

RATES is providing the services of Moses Nyabila, the Dairy Marketing Specialist to focus on specific trade and marketing activities (see KRA I.5), and other RATES core staff will provide essential support for event planning, administrative systems, policy advocacy, and strategic planning. Tom Carr, the RATES Technical Director, is available to attend board meetings and advise on institutional growth and member service issues.

☞ **Secretariat systems improvement.** The ESADA Secretariat is still in its formative stage and requires institutional management manuals for staff policy, accounting, and procedures. ESADA was officially registered this quarter which opened the door to more independent operations. The MOU with KAM was allowed to lapse on its February 2006 date and the ESADA Executive Director moved decisively on opening new bank accounts and recruiting a part time accountant. RATES assisted the accountant with a new chart of accounts and the financial reporting system is more responsive. ESADA initiated with BOD approval, a complete audit of the accounts managed by KAM and the financial and operational system will soon be under total ESADA control.

In March 2006, the BOD approved the recruitment of a new full-time Executive Director, and with the recent resignation of the current part-time ED and the Program Manager, the way is now clear to create a new vibrant Secretariat by May 2006 that will lead ESDA into the future.

☞ **Membership strengthening.** The ESADA membership process needs to follow the EAFCA example with a clear systematic program that includes member categories, term membership, membership cards and certificates, calendar of events, new member kits and membership promotion. This activity includes a renewed focus on its member associations which forms the national-level foundation for regional integration activities. Since many associations are newly formed and institutionally weak, they require assistance to formulate strategies and better serve their membership. It is recognized that many national associations participate in bilateral mission programs through projects known to RATES (i.e. Land O'Lakes, SCOPE, SALES, etc.) and close collaboration and communication is required to ensure that a smooth working relationship is maintained to achieve desired results.

The ESADA Secretariat was finalized its membership “package” this quarter and the African Dairy Conference and Exhibition in May has created momentum in firming up membership subscriptions.

☞ **Planning and budget process.** RATES will assist ESADA with its annual planning and budget process for next year – starting in August 2006 to conform to the scheduled BOD meeting. ESADA is ready to move into the process of long-term strategic thinking – to lay the ground work for sustainability, membership service, management and purpose. A key strategic planning meeting has been scheduled for the Board in August 2006 to coincide with the planned BOD meeting.

To augment the ESADA operations and budget, RATES assisted in the development of a DFID sponsored RTFP grant that was submitted this quarter. RATES recognizes that newly formed regional trade associations need sufficient time and resources to develop and mature, and actively assists in the search for other donor partners which have similar views.



ACTIF ~ African Cotton & Textile Industries Federation.

Activity 3: Provide targeted support to African Cotton and Textile Industries Federation (ACTIF). ACTIF has achieved an impressive track record of international and regional recognition in a very short period of time and RATES is working with ACTIF leaders on a dedicated effort to form a pragmatic institutional structure that will lend itself to member needs and sustainability over time. To this end RATES, working through the existing steering committee and the Executive Sub-committee, has completed an association design that will meet the demands and vision of the regional industry.

☞ **Institutional Design.** RATES has prepared a draft institutional design (completed in January 2006) that has been circulated on-line for review by the steering committee. The design was built upon a set of general formation guidelines that were approved by the committee at their first meeting in Johannesburg in 2005. The goal is to have the Association registered by the next (and last) Steering Committee meeting in June 2006.

☞ **ACTIF Secretariat.** Although RATES is acting as the interim secretariat for ACTIF during the 2006 program year, such an arrangement is understood to be temporary during the start-up transition period. Following the planned registration by June 2006, ACTIF will be well positioned to start the secretariat formation phase of their development. This will include the recruitment of a permanent Executive Director and the application for a Partners Fund grant to finance operations for the next year.

☞ **Planning and Finance.** RATES will assist ACTIF leaders to develop an aggressive long-term strategic plan and a forward thinking annual work plan for 2007. This will be implemented through the scheduled Steering Committee meeting in June 2006 and will be presented at the November 2006 conference and general meeting. It is anticipated that ACTIF will be ready to receive direct funding support for the 2007 program year and RATES will assist in identifying other potential donor sources, including USAID/RATES, and prepare grant proposals.

☞ **Membership Strengthening.** The strategy this year is to seek clear commitment from the national membership structures that forms the membership foundation of ACTIF within the COMESA and SADC regions. Without this commitment – in writing (MOU) for the short-term and with financial support in the long-term – the formation of ACTIF will not proceed past the concept stage. At the same time, it is recognized that many of these nationally-based trade associations are still in the formative stages and require assistance from RATES that will enable them to actively participate in the regional arena.

Activity 4: Provide targeted support to the regional grain trade initiative. Although no regional trade entity (public or private) exists at the regional level, the issue of a regional grain trade institution was discussed at the Regional Grain Trade Summit. The exact format and purpose of such an organ requires further debate and RATES will facilitate a program to arrive a conclusion on this concept.

☞ **Concept Brief.** RATES is supportive of a study to determine the merits and sustainability of a COMESA based regional grain trade facilitation unit, perhaps interlinked with the ADB/COMESA AMPRIP initiative.

Accessing local expertise and material, RATES will prepare a concept paper next quarter on the options available regarding a regionally based office/unit charged with monitoring and oversight of regional grain trade. Issues to be considered will include ownership/location, objectives/purpose, cost/ sustainability, need/acceptance, and management/operations.

☞ **Stakeholder Review and Input.** RATES will convene a small meeting of stakeholders representing COMESA, EAC, private sector (millers, traders), and public sector (MIS, commerce), donors (USAID, WFP) to review the concepts and options available that justify the creation of a new regional unit, and to seek their input into its concept design. The concept brief would then move to the second draft stage for a wider circulation. The follow-on process would be determined by the response of regional stakeholders. Such a unit would also require national support and donor sponsorship for its start-up and long-term operations. Momentum has been building by the private sector for the creation of national and sub-regional grain councils and associations and RATES has been active in support of these endeavors.

- East African Grain Council. This program has been demand driven by key trade leaders in Kenya and RATES is collaborating with the USAID/KMDP/Kenya project in the formative stage. RATES has prepared the institutional design, already approved by the steering committee this quarter, and will move to have the EAGC registered by the end of the forthcoming quarter. RATES has also contracted a local firm to prepare the first business plan of the council which will be instrumental in recruiting local donor support.
- Grain Traders and Processors Association of Malawi has requested RATES support in its formative efforts to gain recognition and begin its operation. This activity will collaborate closely with the USAID support Agricultural Commodity Exchange efforts and the EU supported food security programs. A Partners Fund application is expected soon.

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

Strategy: RATES strategy under KRA 2.2 is premised on using new and appropriate technologies to help promote private sector-driven trade initiatives. It involves utilizing information and communication technologies (ICT) to expand the number of private sector beneficiaries with access to market and trade information. It also involves forming networks and creating linkages with technology and research networks relevant to the RATES-supported commodities. RATES strategy depends on forming partnerships with on-going bilateral development projects to leverage resources and to work with programs that reach out to the grass roots level.

Progress to date:

Activity 1: Develop and support web-based trade and market/policy information web sites. As discussed in PIR 1 and PIR 3, RATES has developed a number of key market information, policy and trade sites. Tasks under this activity include maintaining and updating existing sites and transferring them over to relevant organizations (ESADA, ACTIF, and COMESA).

www.tradeafrica.com continues to attract a large number of users. Shortages of maize in parts of Kenya, Tanzania and Uganda helped spark increased requests for offer to buy maize on the site.

Table 4. Web statistics for www.tradeafrica.biz for 2nd quarter FY 06.

Classification	Quarter 1 Oct-Dec 05	Quarter 2 Jan-Mar 06	Quarter 3 Apr-Jun 06	Quarter 4 Jul-Sept 06	TOTALS 2006
Successful Requests	51,518	66,879			118,397
Average requests	580	789			1,369
Distinct pages requested	2,205	2,405			4,610
Distinct Hosts Served	1,948	2,562			4,510

Table 5. Web statistics for www.cottonafrica.com for 2nd quarter FY 06.

Classification	Quarter 1 Oct-Dec 05	Quarter 2 Jan-Mar 06	Quarter 3 Apr-Jun 06	Quarter 4 Jul-Sept 06	TOTALS 2006
Successful Requests	116 477	152,378			268,855
Average requests	1309	1,787			3096
Distinct pages requested	3953	4,282			8,235
Distinct Hosts Served	4923	7,071			11,994

www.cottonafrica.com continues to experience continued interest from the cotton textile industry with a steady increase in users. www.cottonafrica.com has reached number one on Google when “Cotton and Africa” are used as search words. Results show that users are moving around the site and taking advantage of its many features.

Table 6. Web statistics for www.RATIN.biz for 2nd quarter FY 06.

Classification	Quarter 1 Oct-Dec 05	Quarter 2 Jan-Mar 06	Quarter 3 Apr-Jun 06	Quarter 4 Jul-Sept 06	TOTALS 2006
Successful Requests	50,436	44,437			
Average requests per day	560	633			
Distinct files requested	8,978	7,685			
Distinct Hosts Served	2,870	3,048			

Likewise, www.ratin.biz is an important site for policy makers and traders to gather historical data regarding maize trade flows and other important trade statistics. In addition to the site, the trade office produces a monthly trade bulletin that is sent to small and large traders both in electronic and hard-copy formats.

Activity 2: Provide technical support to REDSO's Bio-safety Program. This activity involves working closely with the mission's bio-safety program and providing demand-driven technical support as required.

☞ **Biotech Conference.** RATES sponsored the participation of Ron Jarvis of COTCO, a member of the ACTIF production, ginning and lint trade committee, at the USAID-African Partnership in Biotechnology Conference held in Pretoria in November 2005. The final record of proceedings will be submitted to RATES when published.

Activity 3: Maintain collaborative relationships with regional research networks. RATES is continuing to work closely with partners such as ASARECA/ECAPAPA for carrying out specific commodity-focused activities. RATES has also linked with technical networks such as CORNET, ICRISAT, CIAT and other international and regional organizations as needed. Recently CORNET and EAFCA teamed up to hold the 2nd annual scientific workshop. This meeting is growing in importance as over 50 researchers attended and presented key papers on issues related to production, harvesting and processing.



The Association for Strengthening Agricultural Research in Eastern and Central Africa (ASARECA), a key RATES partner.

PIR 3: Expanded private sector contribution to regional trade initiatives

Introduction and approach. Work under PIR 3 is cross-linked to activities under PIR 1 and PIR 2 and driven by results from analysis and consultative forums held with trade flow leaders and national institutions regulating trade in the region. Activities focus on trade facilitation and improving the agricultural trade policy and regulatory environment and on expanding private sector involvement through buy-ins and alliances. There are two KRAs under this component

Progress to date:

KRA 3.1: Private sector-driven agricultural trade policies advocated

Strategy. The strategy for this KRA is to identify trade policy and regulatory issues that negatively affect regional trade flows and to initiate policy and regulatory change through regional policy making structures (COMESA, EAC and SADC), and to support the implementation process. For each of the target commodities, RATES is working closely with

private sector trade flow leaders who are actively involved in the process of identifying constraints to trade and working with the IGOs and public sector to arrive at pragmatic solutions. In many cases the private sector is represented by the new regional trade associations: EAFCA, ESADA and ACTIF. The RATES strategy is to increase the regional IGO's capacity to better serve the trading community in RATES-supported commodities.

Progress to date:

Activity I: Harmonize trade policies and regulations.

This activity focuses on working with policy making institutions to facilitate the adoption and implementation of trade policy platforms that have been identified through the RATES policy harmonization process. For example, the “maize without borders” platform has been formally adopted by COMESA. The dairy and cotton/textile policy platforms have also been completed with the conclusion of regional summits for each of these commodities last year. These two platforms have been adopted by COMESA and EAC. The challenge is to move the process to the next levels that will result in implementation of the frameworks within COMESA and the EAC member states. RATES has identified a number of key areas of focus including harmonizing grades and standards, sanitary requirements and food safety issues. These issues may require RATES to support a number of follow-up meetings and discussions among the key players and policy makers.



Discussions were lively at The Kenya dairy consultative meeting.

- ☞ **COMESA maize standards.** The RATES policy team solicited input from a targeted group of private sector players concerning the proposed COMESA-wide regional maize standards. These comments were forwarded to COMESA for consideration during the upcoming COMESA standards committee meeting.
- ☞ **Regional/EAC dairy standards.** Copies of the EAC standards were sent to ESADA members for their review and comments. During the quarter, RATES organized national level consultations on the EAC dairy standards in Tanzania and Kenya.
- ☞ **Harmonized SPS standards for dairy.** The Rates policy team worked closely with COMESA and EAC to develop a scope of work for preparing a position paper on

harmonizing sanitary requirements on dairy products, a process expected to be completed early next quarter.

☞ **COMESA trade meetings.** Our trade policy advisor in COMESA prepared two reports for consideration by senior COMESA trade policy makers at their meeting in April 2006. The reports were, “Status Report on the Implementation of the COMESA Simplified Trade Regime” and “Status Report on Agricultural Trade and the RATES Program”) as way of keeping policy issues affecting agricultural trade a priority on the COMESA regional trade policy agenda.

Activity 2: Improve regional trade facilitation. RATES has been actively working on a number of issues that could have an immediate effect of increasing efficiency at border posts including developing a simplified customs document that doubles as a certificate of origin. RATES also worked with the EAC to produce the grain traders’ handbook that also doubles as an “official” border post guide. This booklet has been pilot tested and proven a very useful tool to facilitate trade. A key element to the success of policy harmonization has been the active participation of the private sector, especially the national and regional trade associations who are key partners in the RATES program. This private/public partnership can be expanded to include the new concept of regional and national grain facilitation units for the facilitation of the maize trade.

☞ **Promoting the COMESA simplified trade regime.** RATES worked closely with several relevant COMESA Divisions (IPPSD and TCMD) to help accelerate the implementation of the COMESA Simplified Trade Regime (COMESA-STR). To move things forward, the Secretary General of COMESA sent official notification to all COMESA member states to review the list of eligible agricultural products and guidelines as a basis for the start of implementation of the COMESA-STR. COMESA held a workshop in Lusaka on March 17-18, 2006 to sensitize cross-border traders on the intricacies of the COMESA-STR. Participants included traders from DR Congo, Kenya, Malawi, Tanzania, Uganda and Zambia. The goal is for the COMESA-STR to become formally effective in the member States by July 1st 2006. The timing will be discussed during the upcoming meeting of the Trade and Customs Committee to be held in Lusaka in April 2006.

☞ **COMESA trade verification mission to Kenya.**

Shemmy Simuyemba, the RATES trade policy advisor based in Lusaka, traveled to Kenya as part of a COMESA trade verification mission from March 5-10, 2006. The purpose of the trip was for the COMESA Secretariat to consult with key private and public sector institutions in Kenya on issues affecting trade facilitation between Kenya and other COMESA countries. The team held a number of key meetings that included:

- Discussions with the Kenya Bureau of Standards regarding the introduction of the pre-export verification that has raised concerns from other COMESA countries as an NTB to trade and an indirect introduction of Pre-shipment Inspection (PSI).
- Consultations with the Kenya Bureau of Standards on harmonization of standards between COMESA and the EAC by ensuring that officials who sit on the respective standards committees of the two institutions coordinate.
- Meetings with Kenyan stakeholders to solicit their input and feedback on the Technical Audit Report prepared by a team of Zambian experts on status the Kenyan dairy industry in regards to Kenya meeting requirements for exporting dairy products to Zambia.
- Consultations with the PTA Bank and PTA Ze-Pre (Re-insurance company) on how they could get involved in supporting value addition and regional value chains through for example, the setting up of dedicated funds to support investment across the commodity value chain



RATES worked closely with the ESADA to facilitate a regional dairy roundtable meeting under the auspices of the EAC Secretariat.

☞ **EAC dairy roundtable meeting.** As previously described in section 1.4, RATES worked closely with the EASADA to facilitate a regional dairy roundtable meeting under the auspices of the EAC Secretariat. The purpose of the meeting was to bring together key dairy policy makers and private sector players to discuss issues inhibiting interregional trade in dairy products, especially from the EAC countries. Participants included the Directors of the three dairy regulatory bodies (DDA, KDB, and TDB) and by representatives of the three dairy processors' associations (KDPA,

TAMPA, and UDPA), as well as the PS of the Ministry of Agriculture, Uganda and management officials from several concerned companies. The meeting created a forum for the first time to establish trade protocols between the three countries.

Activity 3. Promote improved understanding of the regional trade environment.

☞ **Trade Information Monitoring and Reporting System (TIMRS).** The policy team has continued to support COMESA's efforts to develop a Trade Information Monitoring and Reporting System (TIMRS). With RATES support, the www.tradecomesa.com website is now up and running in COMESA. This site is intended to provide policy makers and the trading community key information on trade policies, regulations and procedures and on tips for conducting trade in the COMESA region. Rates has hired a short term web site specialist to populate the site with data received from all member States.



☞ **MOU between COMESA and EAFCA.** RATES facilitated a Memorandum of Understanding (MOU) between EAFCA and COMESA to serve as the basis for closer collaboration between the two organizations in promoting favorable policies in coffee across the coffee value chain. A brief ceremony was held during the 3rd African Fine Coffee Conference and Exhibition held in Arusha in February 2006.

The chairman of EAFCA, Leslie Omari and Mr. Chunga Mwila of COMESA shaking hands after signing a MOU between the two organizations.

Activity 4. Promote coordination and synergies with other programs/projects on policy.

With RATES support, the IPPSD Division of COMESA convened a one-day strategic planning retreat on March 28, 2006. The IPPSD works very closely with RATES and takes the lead in coordinating and managing COMESA programs in agriculture, private sector development, industry and investment. The purpose of this meeting was to allow the IPPSD staff an opportunity to step back and review their overall program with an aim of revising their strategy to ensure that the division is focusing on a limited number of priorities and achievable results.

KRA 3.2: Private sector buy-in and alliances expanded

Strategy. This KRA recognizes that meeting the challenges of expanding private sector involvement requires working directly within the value chain, designing activities that provide opportunities for business involvement in RATES activities, and promoting business-to-business linkages.

Key activities. The two activities in this KRA are closely cross-linked with activities under the Trade Flow (KRA 1-4) and Capacity Components (KRA 2.1):

Activity 1: Identify and facilitate market linkages in RATES supported activities. Tasks under this activity will center on the identification of market linkage opportunities that are a result of contacts and leads made during the marketing promotion and organizational support activities. RATES will conduct demand studies, support trade missions, establish trade-linkage websites, and assist with trade exhibitions. In some instances RATES may serve as a facilitator of commodity linkage opportunities to ensure that stakeholder satisfaction is maintained which leads to sustainable trade. Some notable linkages include:

“You all did a great job in Arusha and I am sure now that the conference has gathered enough momentum to assure its long term future. All our overseas buyers who attended said that they really enjoyed it and found it very useful. Well done!”

**Philip Schulter
Schulter Trading SA**

☞ **Coffee.** As discussed in PIR 1.1, RATES continued to provide support to EAFCA to conduct the 3rd Annual Coffee Conference and Exhibition (WWC3) in Arusha in February. This event is the premiere marketing opportunity for EAFCA members to meet buyers from all over the world. As in previous years, the Arusha conference was effective due to the wide range of coffee industry players from African small holders who recognize the value of investing in attending such an event to the largest coffee roasters and buyers from leading worldwide companies and international markets. The giant UCC of Japan attended for the first time and, like Starbucks who attended for the second consecutive year, indicated interest in purchasing more African origins as a result of their attending the conference. Market development progress was indicated by the fact that virtually all the major coffee import houses were present and had exhibition booths. Present companies included Neumann Gruppe, Volcafe, ED&F Mann, C. Dorman and Taylor Winch.

EAFCA, with the assistance of RATES, is already undertaking preparations for the next WWC 4 event to be held February 15th-17th, 2007 in Addis Ababa, Ethiopia.

- RATES is working with EAFCA to promote coffees to the South African coffee industry through the RTFP grant a project funded by DFID. The RATES coffee specialist accompanied a team from EAFCA to meet with the South African coffee industry to begin setting in motion a major marketing effort to promote East African coffees in South Africa,
- RATES is assisting the Jane Goodall Institute in Tanzania to promote a conservation coffee under the JGI label. Several international coffee companies have expressed strong interest in teaming with JGI including Green Mountain out of the US, Inter-American out of Germany and Mercanta out of the UK. Lindsay Bolger and a team from Green Mountain visited the cooperatives and met privately with Jane Goodall in Gombe to discuss the project.
- RATES supported EAFCA in meetings with Starbucks to have this major US coffee roaster become a major sponsor of the 4th Annual WWC conference to be held in Ethiopia next February. Starbucks has also recently invested about \$600,000 to support two cooperatives in Kenya. RATES helped set up the initial meetings at the EAFCA booth between Starbucks and Kenyan officials during the SCAA show in Seattle.

☞ **Maize.** The grain trade summit offered the perfect opportunity for traders and suppliers and buyers to meet and discuss deals. We have heard about a number of new market linkages that have occurred as a result of these. A few trades noted through the trade office include:

- Pisu Traders in Kenya have been linked to various Rwanda Traders (3000mt beans).
- The Busia Traders Association was linked to Agro Processors, Tanzania Millers (2500mt maize).
- The NCPB Kenya connected to were o Uganda and Rwanda Traders (4,000mt beans)

Cotton/textiles. A number of trade deals have developed through the networking taking place as a result of www.cottonafrica.com . Below are samples of a few:

...”Thank you cottonafrica.com for your great assistance - we have now managed to locate and source some great materials for our resort. Thanks again and kind wishes...”

**Suzie Kaya Mawa
Island Resort, Malawi”**

- Susan Inglis of “From the Mountain” (a textile sourcing firm) was looking for mills that made good quality fabrics in linen and/or cotton for the production of placemats. The enquiry was posted on www.cottonafrica.com and also we put them in touch with a number of potential suppliers, including MIRADO in Antananarivo, Madagascar.
- Another linkage was created with “From the Mountain”, this time for organic cotton yarn with Phoenix Logistics in Kampala. The enquiry was for 20 000 pounds (9 tonnes) of 30’s single count ring spun organic cotton yarn (combed or carded). The enquiry also included potential future interest for made-up organic t-shirts which Phoenix also produces
- Through www.cottonafrica.com and then by direct communication, the cotton team have established linkages for a US and Mexican company (Rooster Products International) in cotton canvas. As a result of this, the company is sending out a top level buying delegation in February 2006 to visit potential suppliers in Kenya and Ethiopia, and no doubt business will stem from this initiative.

☞ **Dairy.** Dairy has also benefited from the formation of ESADA and a number of international firms are using ESADA a market linkage facilitator.

- **Danone and Kenya dairy industry.** Danone, the world’s leading producer of fermented dairy products, along with their South African affiliate Clover, returned to Kenya to meet again with a short-list of potential local partners. Danone asked for RATES support in setting up these additional meetings with the main processors and the regional dairy association, ESADA. Danone indicated that they are very keen on using Kenya as a regional hub for marketing a new fortified yogurt product that will target low income households and be distributed through a very low cost distribution system that will provide income to the poor.

Activity 2: Maximize private sector contribution to RATES programs. The RATES team views private sector participation in, and contribution to, the development process equally as important as their involvement in the trade process. RATES will integrate corporate input into the planning and implementation process and will encourage companies to participate at RATES' planned events and marketing initiatives. RATES will also assist clients to identify trade initiatives that are attractive as investment (or involvement) opportunities for private sector companies.

👉 **WWC3 sets new attendance and revenue records.**

During the recent WWC3 conference, the local and international private sector contributed over US 2 million dollars in direct contribution to the event, either through registrations, booth rentals or sponsorships. Over 550 individuals attended (counting exhibitors) and over 200 companies were represented. EAFCA netted over \$250,000 in revenues from this contribution.

PIR 4: Program Management, Monitoring and Evaluation

Program management is integral to every RATES component and activity. To achieve project goals, well-defined policies and procedures, transparent information-sharing mechanisms, and effective monitoring and reporting systems are necessary. During this year, RATES' field administrative staff and the Chemonics' home office project management unit continued to maintain the financial, operational and administrative procedures that conform to USAID and Chemonics regulations.

KRA 4.1: Management and coordination mechanisms established

Strategy. To ensure that the project functions in a streamlined manner, the RATES project will continue to depend upon and maintain systems, tools and mechanisms to maximize the impact of the RATES project. The project will continue to develop and rely upon the efficient administrative support systems that the RATES project and Chemonics International have in place. Strategy will also include maintaining an efficient service oriented environment in which RATES operates.

Activity 1: Maintain program operations in support of project activities. Tasks include reviewing all operational management systems which are already in place and identifying any areas that need revision to improve efficiency. RATES continues to provide support for staff recruitment, often pertaining to RATES supported association organizations, maintain up-to-date personnel tracking systems, and conduct administrative training as needed. Performance review systems are in place and are implemented. The operations manager will maintain the integrity of all administrative procedures. Tasks include maintaining fiduciary responsibility for RATES. The operations manager maintains communication with Chemonics Home Office and USAID regarding contractual, financial, and administrative issues.

Activity 2: Ensure USAID contractual and financial accountability. Tasks include maintaining fiduciary responsibility for RATES and maintaining communication with Chemonics Home Office and USAID regarding contractual, financial, and administrative issues. Tasks also include preparing and managing all subcontracts. The project keeps well-maintained and documented systems of grants and partner funds administration. The RATES operations manager works closely with the project CO to conform to all mission requirements concerning bank accounts and advances under the grants mechanism, obtaining USAID approval of the applications for Partners Funding. RATES submits to REDSO, as necessary, "Requests for Applications" for support of Partners Fund funding. The grants manager will work to set up technical and financial support selection committees for every Partners Fund application. Finally, the grants manager will conduct regular reviews of all beneficiaries of the Partners Fund.

Partners' Fund. This quarter, RATES was pleased to be able to award one new FARA (Fixed Amount Reimbursable Agreements) to the following recipient:

- The Rwanda Fine Coffees Association (RFCA) was awarded RPF 008 for the amount of \$11,785.00 on March 8, 2006. The goal of the support is to assist the organization in organizing the upcoming Specialty Coffee Association of Europe (SCAE) annual field trip to Rwanda. It should be noted that the SCAE has selected Rwanda in 2006 for their annual field trip which they organize each year in a country producing specialty coffee. The field trip program is organized for a group of their members not

exceeding 24 participants. The Partners Funding will cover the costs for the visit of the coffee washing stations in the field as well as a number of events that the RFCA planned in order to promote the Rwandan coffees to the visiting SCAE members.

In addition to the above new FARA, RATES continued to work closely with its other grant recipient, the Jane Goodall Institute/Tanzania in assisting their participation in the upcoming Worlds Wildest Coffee Conference and Exhibition in Tanzania in February, 2006. RATES also worked closely with grantee, the East and Southern Africa Dairy Association (ESADA) in the management of their FARA RPF-007 and in their organization of the upcoming African Dairy Conference to be held in Kampala in May, 2006.

In order to continue to focus on the question of long-term sustainability for both EAFCA and ESADA, RATES again contracted the services of a short term conference coordinator, Ms. Ludovica Bellingeri to work with these two organizations. Ms. Bellingeri will work closely with both the RATES partner organizations as well as RATES in the overall conference coordination for the upcoming dairy conference (May, 2006 in Kampala, Uganda), the textile/cotton conference (November, 2006 in Cairo, Egypt) and the 4th African Coffee Conference (February, 2007 in Addis Ababa, Ethiopia).

KRA 4.2: Program monitoring and reporting systems maintained

Strategy. The strategy for this KRA is to effectively track RATES' planned activities and delivery of expected outputs and quantitative impacts. The M&E system is a management tool for systematically reviewing the project's progress, troubleshooting problems and issues during program implementation. It employs a combination of database, project management, spreadsheet, word processor and accounting packages. Training is provided to project staff and partners to operate the system. The M&E system forms the basis for semi-annual and annual progress reports to USAID.

Activity 1: Maintain the RATES M&E system. The RATES M&E system is a series of spreadsheets that form a detailed accounting of project activities. Information that is fed into the system is derived from reporting forms that are completed by the RATES staff. Tasks include periodically updating the M&E information systems and creating electronic

and hard copy data files. This also requires frequent consultations with the technical team to update the M&E system to ensure that it remains relevant to the program direction.

Activity 2: Collect M&E data and information on the program's progress and results. This activity involves a careful analysis of primary and secondary documents and reports, and requires close collaborations with the RATES technical team and partners to ensure that data and information is reliable and accurate. The M&E Specialist will collaborate closely with the technical team members and other relevant parties to update this information regularly.

Activity 3: Report M&E results semi-annually/annually to USAID. RATES has a number of USAID reporting requirements to fulfill. This includes contributing to the IEHA Semi Annual and Annual report, RATES annual PMP Report, and the RATES Annual Progress Report. The management and technical team all provide input for these M&E reports.

III. Problems Encountered/Remedial Actions Taken

RATES ran smoothly during the second quarter and experienced few problems and/or issues. One reoccurring issue is summarized below:

- **Incremental funding.** RATES is reaching a critical level of obligated funding. We do not anticipate any problems as long as FY 06 funding is not delayed. RATES is currently standing at 92% of obligated funding.