



**Quarterly Progress Report
April-June 2003**

Submitted by:

Chemonics International Inc.

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ACRONYMS

ADAR	Agribusiness Development Assistance RAISE project
ADC	Agribusiness Development Center
AGOA	African Growth and Opportunity Act
ALINC	AGOA Linkages in Africa
ASARECA	Association for Strengthening Agricultural Research in East and Central Africa
BDS	Business development services
CABI	CAB International (Formerly Commonwealth Agricultural Bureau)
CAP	Commercial Agricultural Production project
CFI	Computer Frontiers International
CIAT	International Center for Tropical Agriculture
COMESA	Common Market for East and Southern Africa
CYMMIT	International Maize and Wheat Improvement Center
DES	DynaEntreprises Senegalaises project
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
FAO	Food and Agriculture Organization
FAOSTAT	Food and Agriculture Organization Statistical Databases
FEWS NET	Famine Early Warning System Network project
FOODNET	Postharvest and Marketing Research Network for Eastern and Central Africa project
GDA	Global Development Alliance
IBAR	Inter-African Bureau for Animal Resources
ICRISAT	International Crops Research Institute for the Semi-Arid Tropics
IDEA	Investment in Developing Export Agriculture project
IEHA	Initiative to End Hunger in Africa

IFAD	International Fund for Agricultural Development
IGAD	Inter-Governmental Authority on Development
IGO	Intergovernmental organization
IITA	International Institute of Tropical Agriculture
IMCS	Independent Management Consulting Services
IR	Intermediate Result
ISO	International Organization for Standardization
IT	Information technology
ITI	International Technology Investment Ltd.
LTC	Livestock Trade Commission
M&E	Monitoring and evaluation
NGO	Nongovernmental organization
OAU	Organization for Africa Unity
OECD	Organization for Economic Cooperation and Development
PMP	Project Management Plan
PMU	Project management unit
RAPID	Regional Activity to Promote Integration through Dialogue and Policy Implementation project
RATES	Regional Agriculture Trade Expansion Support Program
RCSA	Regional Center for Southern Africa
REDSO	Regional Economic Development Services Office
RFA	Request for application
RFP	Request for proposal
SADC	Southern Africa Development Community
SME	Small and medium enterprise
SPEED	Support for Private Enterprise Expansion and Development project
SO	Strategic Objective
SPS	Sanitary and phyto-sanitary
TATRADE	Trade for African Development and Enterprise
UFEA	Uganda Flower Exporters Association
USAID	United States Agency for International Development

Table of Contents

Introduction

RATES Results Framework
RATES Approach to Technical Implementation

Progress to Date

PIR 1: Expanded agricultural trade in selected subsectors

KRA 1.1: Coffee
KRA 1.2: Maize
KRA 1.3: Livestock
KRA 1.4: Cotton

PIR 2: Increased institutional capacity to sustain agricultural trade

KRA 2.1: Capacity of selected partner organizations strengthened
KRA 2.2: Demand-driven technologies identified developed and utilized

PIR 3: Expanded private sector contribution to regional trade initiatives

KRA 3.1: Private sector-driven agricultural trade policies advocated
KRA 3.2: Private sector buy-ins and alliances expanded

PIR 4: Program management, monitoring and evaluation

KRA 4.1: Management and coordination mechanisms established
KRA 4.2: Program monitoring and reporting needs met

Problems Encountered/Remedial Actions Taken

Duties and taxes
Regional travel restrictions

INTRODUCTION

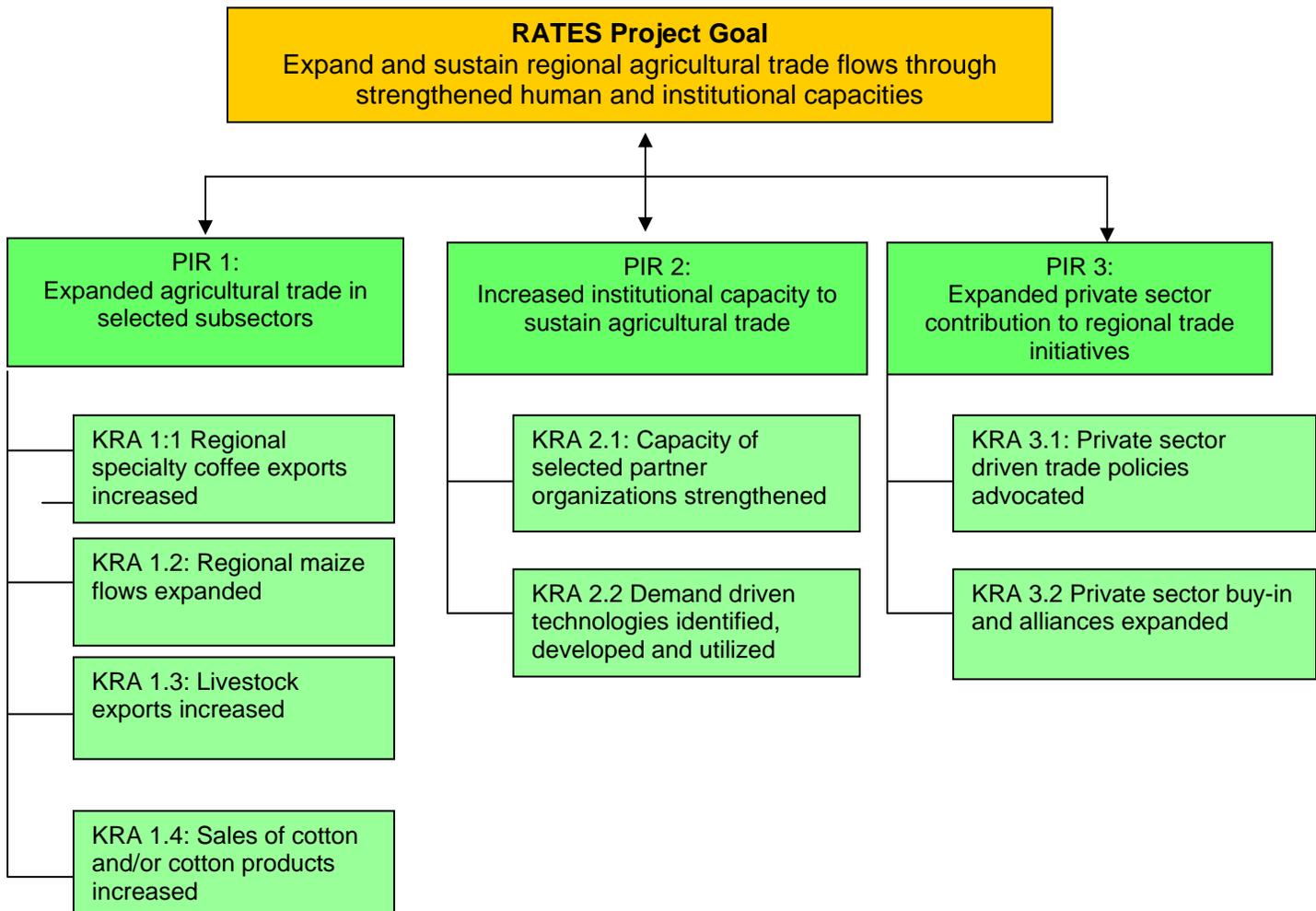
The RATES project will operate for a five-year period from October 1, 2002, through September 30, 2007. RATES activities are geared towards and principled on the belief that increases in economic growth can provide a means of attaining food security through increased production by small holder farmers,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

This progress report covers the period from April 1, 2003 – June 30, 2003. During this reporting period, RATES initiated a significant number of key activities aimed at achieving the project's end-of project results. Below is a summary of the RATES Results Framework and key results activities (KRAs) that guide the project's implementation and activities included in this report:

RATES Results Framework

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

RATES RESULTS FRAMEWORK



PIR 1: Expanded agricultural trade in selected subsectors. This PIR provides the driving force for implementation. There are four KRAs in this PIR, each one focused on achieving identified results within a targeted subsector. In the approach to our management, each commodity subsector strategy is coordinated by an individual who is responsible for managing implementation of successful initiatives and achievement of results within the commodity subsector.

PIR 2: Increased institutional capacity to sustain agricultural trade. In this PIR, we address the challenge of building African capacity to address food security issues by assisting partners to develop programs through which they can sustain trade initiatives over time. RATES assists partners to incorporate initiatives related to improving the availability and application of technology

(whether agronomic technologies or information and communications technologies); setting up and operating market access networks; and/or developing policy and regulatory frameworks to support effective advocacy. There are two KRAs in this PIR; the PIR is measured in terms of policy changes accomplished through interventions and in terms of increases in the viability of partner institutions.

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

****PIR 4: Program management, monitoring and evaluation.** RATES is a large and ambitious project, with three key components, inter-related activities and multiple countries and stakeholders. Program Management, is in effect the fourth component of RATES. Good management is integral to every aspect of the project, and therefore must necessarily be part of every component and activity. To achieve project goals, We must have defined policies and procedures, information-sharing mechanisms, and monitoring and reporting systems in place.

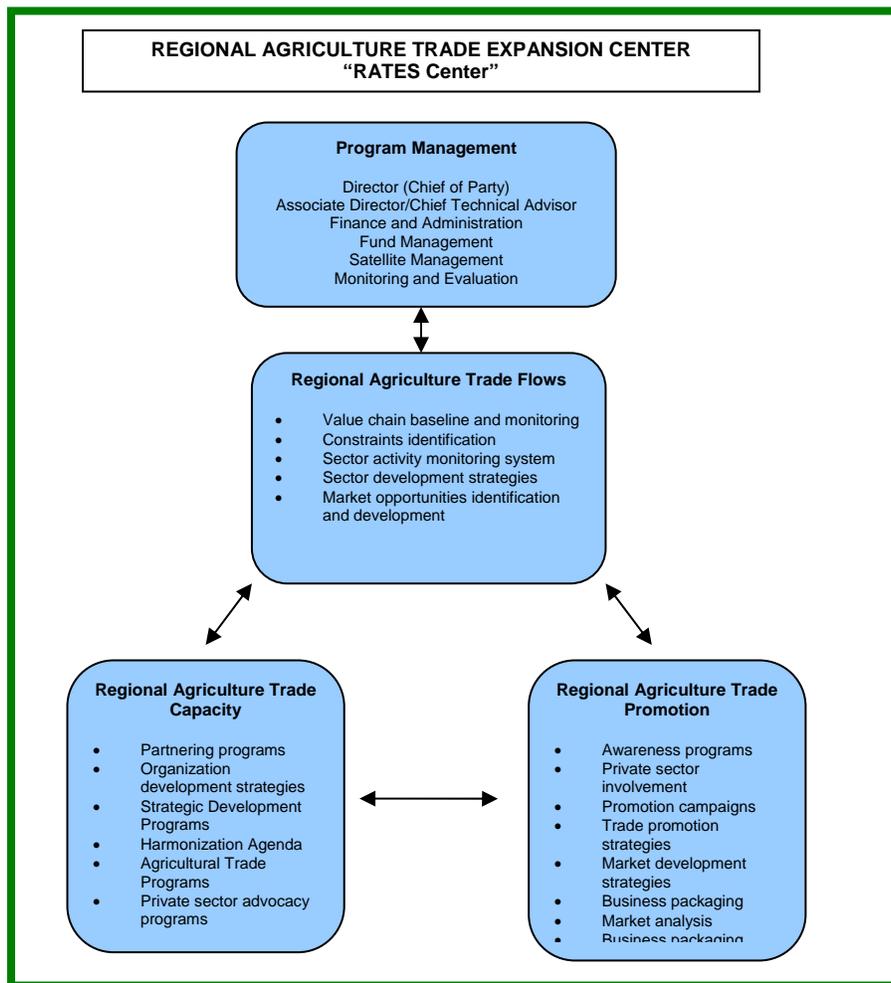
RATES Approach to Technical Implementation and Management

RATES is implemented through three technical components:

- Regional Agriculture Trade Flows: Focused on expanding agricultural trade flows in selected subsectors
- Regional Agriculture Trade Capacity: Focused on increasing the capacity of institutional partners to sustain trade flow initiatives.
- Regional Agriculture Trade Promotion: Focused on expanding private sector contributions to regional trade initiatives

The RATES program management strategy is illustrated in Exhibit 1. The RATES center (hub) and satellites operate in three components that support achievement of the project results described above. The Regional Agriculture Trade Flows Component is the focal point of the strategy supported by Regional Agriculture Trade Capacity Component and the Regional Agriculture Trade Promotion Component. This graphic illustrates the organization of the Center and shows the key functions that are carried out within each of the Center’s operating units.

Exhibit 1



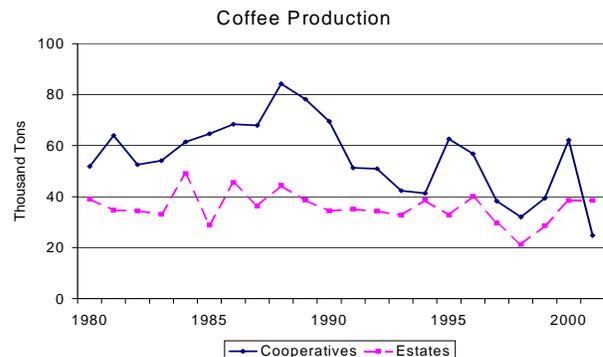
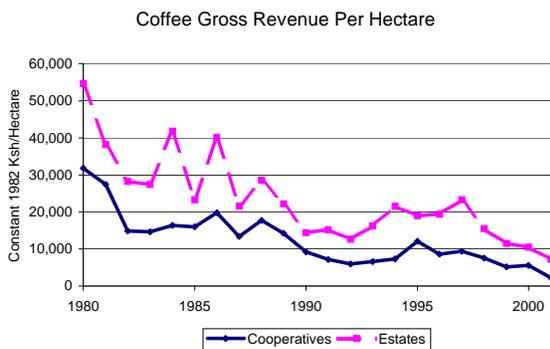
PROGRESS TO DATE

PIR 1: Expanded agricultural trade in selected subsectors

KRA 1.1: Specialty coffee exports increased

Strategy. The majority of coffee producers are smallholders living in remote rural areas who depend heavily on the cash income from their own harvest and temporary picking work for survival. USAID is committed to creating sustainable smallholder coffee systems and to working to improve local capacities to produce and market high quality coffee, thereby increasing the price farmers earn for their product. Within this context, USAID seeks to enhance the quality, competitiveness and profitability of Eastern African coffees in global markets and improve income for producers in the region.

The coffee industry is in crisis due to world wide over supply which has led to a dramatic reduction in prices. This down turn has had a negative effect on farmers' incomes and has resulted in a reduction in the supply from Eastern Africa. It has been seen that the only segment of the coffee market which is increasing is the specialty or fine coffee niche. The prices paid for superior quality coffee are actually on the rise while the rest of the market falls. The following example from Kenya illustrates the coffee market environment in the region.



GRADE	PRICE RANGE [\$]	PRICE RANGE
	Sale 34	Sale 33
AA	76-283	82-243
AB	22-128	47-103
PB	67-79	50-85
C	22-65	44-56
TT	40-78	48-73

KCT Coffee Sale June 17, 2003

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



Strategic interventions during the quarter were primarily focused on; promotion and increasing awareness of the specialty coffees of Eastern African origin; alliance building with key partners such as Coffee Corps, Specialty Coffee Associations of America and Europe; institutional capacity strengthening; developing private sector partnerships and finalization of the memorandum of understanding between RATES and EAFCA.

Progress on activities under KRA 1.1 is presented below:

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

In order to identify the market needs for specialty coffees at the international demand level, RATES/EAFCA utilized the excellent opportunity provided by attendance at the Specialty Coffee Association of America (SCAA) Exhibition to undertake an informal market assessment. A 10 question survey sought information on past purchasing of Eastern African coffees by origin, type and

purpose (i.e.; roasting, resale, etc.). The information gathered is useful as a baseline to derive estimated percentages of those actively buying – 10% of respondents had purchased coffee from all 6 countries, while 69% had purchased from Kenya or Ethiopia, thus the event was reaching the right market. The bulk of the coffee purchased by this group was Arabica (83%) for sale (82%).

Coffees from each of the 7 member countries were served at the EAFCA booth. This survey was completed by those who sampled the coffees and thus should express informed opinions. A full 94% said they would be interested in learning more about the coffees of Eastern Africa.



BEFORE

AFTER

As can be seen from the photo, the EAFCA booth was very well attended! Each country had its own exhibition area/table which enabled good buyer interaction.

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

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

assisting EAFCA and establishing linkages either through relationship coffee, cupping exchanges or sales.

It is important to note that at the Boston SCCA event, over 85% of the EAFCA member participants were self sponsored. Total direct and indirect private sector contribution for this event amount to USD\$205,000.00 which out weigh the RATES expenses for this intervention by about 4:1. This investment by the private sector is already paying off with one participant reporting a sale to a new US client valued at \$60,000.

Extremely important market data about eastern African competitiveness was received through the EAFCA members' participation in the coffee cupping undertaken by the Roasters guild. Coffees from each country were sent to California for roasting and then cupped in Boston. Being judged for quality against the other leading coffees in the world provides valuable information about the regional and country specific strengths and weaknesses. The EAFCA coffees cupped from 57.61 for a Ugandan washed robusta (actually very good as rest are arabicas) to 74.48 for a Burundi Kirundo rated in the following categories:

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

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

RATES also sponsored an EAFCA booth at the Tea & Coffee World Cup exhibition in Rome, Italy in June. This event provided the opportunity to learn more about the needs of the European market as they were the primary target audience. The bulk of coffee sold from Eastern Africa is exported to Europe and thus, this is a very important market for EAFCA members. Though the World Cup had the highest ever attendance, it was far smaller than the SCAA. Thus, in

depth meetings with the buyers in attendance were possible and substantial market information was gathered for options which shall form a part of the strategic competitive framework. 17 EAFCA members exhibited coffee from 5 countries exhibited their coffees in Rome. All the participants were from the private sector and 100% self sponsored for direct and indirect GDA contribution of over \$56,000.00. Countries represented in the EAFCA booth included Kenya, Uganda, Rwanda, Burundi and Ethiopia, the Zambians has their own booth adjacent to EACFA and their coffee was served in the EACFA booth. The initial attendance survey results indicate that participants were very pleased with the event and felt it would increase their business and provided valuable information about their competitive positioning in the markets, as well as excellent contact with buyers.



Some of the EAFCA team in Rome: Burundi, Zambia, Ethiopia, Rwanda, Uganda & Kenya

Strengthen member country chapter marketing strategies. In order to assist member country chapters in developing their strategies, two components are critical. The first is in depth knowledge of each individual producer country's current and anticipated status, and the second is open discussions with all coffee stakeholders to share their visions for coffee marketing and the role EAFCA can play to assist them in achieving goals.

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

As the AGM in Ethiopia was cancelled and stringent travel restrictions have been in place, there has been little opportunity to meet individually with the country chapters to work on strategy and hold stakeholder discussions. Several chapters have managed to meet during this quarter and of note are the election of officers and pending registration in several chapters.

The occasion of the Coffee Corps coming to Africa in August 2003 to visit all EAFCA member countries, will provide a platform for learning more about the coffees of the countries through the cupping training. Additionally, industry meetings are being planned by RATES which shall invite the major stakeholders in the coffee sector of each country, (except Kenya and Burundi due to travel restrictions), to learn about EAFCA and the specialty movement. This will serve as a major marketing effort to build up the chapters which are currently small and are not always representative of the industry.

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

RATES is proud of the fact that EAFCA has 22 new paid up members since March, largely as a result of word of mouth of the successes in Boston and Rome and thus the marketing strategy is working. Once the membership is expanded after the industry meetings, RATES will be sponsoring a series of chapter strategic development retreats which will assist each chapter in forming its plan for increasing the chapter and the sales of specialty coffee. This will all occur in the next quarter.

The timing for the chapter strategy retreats is excellent as the Tanzania specialty marketing rules and regulations were signed on May 9, 2003, the Kenya government has a task force investigating the option of direct marketing for specialty coffee and the Ethiopian are considering introducing a dual auction system for specialty versus non-specialty coffees. These changes will dramatically and positively impact on EACFA members.

Develop a private sector driven East Africa regional marketing strategy.

The launching of the regional marketing theme:



“The World’s WILDEST Coffee – Eastern African Origin”

at the SCAA event in May, 2003 was very successful. The buyers responded very well to the slogan and logo and interest was created in the coffees and the African Fine Coffee Conference and Exhibition in Nairobi, February, 2004. 58% of those surveyed expressed interest in attending the event which has been borne out by several registrations already received! The regional theme has been further developed on the web site www.worldswildestcoffee.com which is currently averaging over 4,000 hits per week. This site informs viewers about the coffee from the region, trade contacts, as well as publicizing the 2004 event.

Boston saw the launch also of a regional team spirit which will endure beyond slogans. This was the first time that the member countries had joined together to exhibit and promote as a group, and the effect was electric. Members from all countries realized the benefits of marketing regionally as the issues of requiring consistency of supply and quality could be addressed in the



regional context of harvest seasonality and limited quantity supplemented from neighboring countries. The US buyers also made the point that these coffees are not all well known and thus the opportunities presented by EAFCA to sponsor the booth itself and thus allow wider participation and increased market awareness was reinforced. Each country had its' own table and area and the layout worked very well as a prospect could taste the coffees, decide which was preferred and then meet with the marketing team from the country.



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

This was also true in Rome in July, where team spirit and cooperation were strong and is best expressed by a quote from a participant;

“ I appreciated all the teams for their full cooperation, everybody was really friendly and helpful, I actually needed this as I was alone, Thank you all! The promotional methods we all used were really a good idea, we all were trying to sell our coffee in new ways, in regards to Ethiopian coffee mostly in the past the export association promoted the coffee showing the traditional ways. But now this strategy has been changed to strictly selling our coffee in the buyer tradition, not the seller tradition and that makes EAFCA’s methods of promotion different than previously. In this globalized world, the market has become the buyers’ and not the sellers’ anymore. Buyers have many different options. Let us work together to change our strategy to a new dimension, let us care about our coffee quality, be punctual in our delivery, most of all let us give coffee to the buyers with TRIPLE A QUALITY. ... Thank you for this making this tremendous opportunity happen!”

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

Support EAFCA marketing and promotion program. Participation at the SCAA trade fair in Boston was extraordinary with over 60 members attending on a voluntary and self financed basis! Rome was approximately 20 (as several from Ethiopia were unable to obtain visas). Much of this success is due to RATES' assistance in developing the concept and theme for the booths which have provoked excitement and enthusiasm from participants. The news of the success has spread and over 20 new fully paid members have joined EAFCA since March out of a total paid membership of 34! There can be no doubt that successful events such as Boston and Rome are the best promotional tools available to EAFCA and RATES will continue our support in this endeavor.

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

RATES has recently contracted a communications officer to serve on a part time basis in the Kampala secretariat office. This professional will be responsible for developing marketing and promotional materials for the organization, including a newsletter, brochure and improved web site. RATES has already begun reconstruction of www.eafca.org and there is substantial work required to fully utilize the potential of this medium. For now, www.worldswildestcoffee.com is successfully promoting EAFCA to the tune of some 4000 hits per week.

The August industry meetings in Uganda, Rwanda (to include team from Burundi), Tanzania (to include team from Kenya), Ethiopia and Zambia will be the major EAFCA marketing event of the quarter ahead. Morning through lunch working meetings inviting important coffee industry stakeholders and trade flow leaders in each country. The program will provide detailed information about the benefits of joining EAFCA, the 2004 conference, as well as a presentation on the economic benefits of increasing the flow of specialty coffee by the VP from Peets Coffee (USA).

Upcoming activities for next quarter

- Identify EAFCA chapter action plans to expand the fine/specialty coffee programs
- Prepare EAFCA Regional Strategic/Business plan
- Finalize 6 National Chapter Strategic Development Plans
- Continue with planning for Nairobi "World's Wildest Coffee Exhibition"
- Follow up with market linkages opportunities coming out of the SCAA and Rome Exhibitions

- Host Cupping trainings in 5 countries
- Host Coffee industry meetings in 5 countries
- Design program for internet auction
- Begin pilot coffee Appellation program in Uganda
- Improve EAFCA web site and information network

KRA 1.2: Regional maize flows expanded

Strategy. The strategy for this KRA is to launch a “Maize without Borders” initiative by working directly with major traders and organizations within the marketplace to support the smooth flow of product, at competitive prices, throughout the region.

The second quarter was characterized on the one hand by late rains in Kenya, Uganda, and Tanzania; and on the other hand by bumper harvests in Zambia and Malawi. Traditionally, maize planting continues through the months of April in parts Kenya, Uganda, and Tanzania. However, the planting season in Kenya was delayed due to late rainfall which was inadequate in some parts, while floods caused extensive damage to crops and homestead in the western region. This led to an increase in maize prices from KES 850/= per bag (USD 131/MT) in mid April to KES 1450/= per bag (USD 230/MT) mid June in Nairobi. In Uganda, planting was delayed by up to 30 days but since the rains were consistent from the start, albeit late, the yields are expected to be normal. However, the late rains in Tanzania were unreliable and below average. As a result, the Government of Tanzania has imposed an export ban on maize and maize products.

In the south of Tanzania, Malawi and Zambia were harvesting their crop beginning April through May. Malawi had a good crop of over 2.0 million MT partly credited to the distribution of the “Starter Pack” (a pack of free inputs with fertilizer, maize seed, and legumes seed for 0.1 ha) to 2 million households at a cost of USD 12.3 million. The good harvest in Malawi came on the back of a carry-over stock of over 250,000 MT from food aid and government imports. This has forced prices to plummet to less than USD 80/MT in major trading centers. This might be good news for Tanzania, especially in the southern highlands which were affected by poor rains. Zambia also had a good harvest and is still holding relatively large surpluses of maize that was exacerbated by an export ban imposed by the Government. In a nutshell, one major factor that has affected maize trading in the region during this period is an export ban imposed by Tanzania, and the continuity of the same in Malawi and Zambia (countries that could export surplus to Tanzania).

Market mapping and assessment in target countries. Maize value chain assessments were completed in all target countries. The recommendations from these papers were used to establish the basis for conducting national-level maize consultative workshops. Copies of each report were distributed to participants prior to the workshops, and a presentation of the major findings were made by the consultants engaged to carry out the studies.

Define private sector approaches to “Maize without Borders”. RATES continues to identify and short-list the major trade flow leaders in countries under both surplus and deficit conditions (Appendix 2). Aside from the meetings and interviews arranged during the consulting and mapping process, RATES staff have visited several target countries and met with private sector companies engaged in maize trade. In addition, several USAID Missions have been visited and key officials met to identify areas of collaboration and assistance to complement ongoing maize trade activities supported under mission projects.

Develop national position papers and hold national workshops. Following the value chain analysis assessment carried out in the first quarter and second quarter in six countries, we embarked on holding consultative workshops in five of the target countries with a view of bringing together all key players in the maize marketing chain. The objective of these workshops included presenting the “maize without borders” concept to both private sector stakeholders as well as government officials, gathering comments and auditing the recommendations given in the value chain studies, and starting the process of building dialogue between private and public sector with a focus of engaging in trade policy harmonization negotiations with COMESA and ECA.

The workshops were held as follows;

Country	Workshop Venue	Location	Date the workshop was held	Number of Participants
Uganda	Hotel Africana	Kampala	April 15 th , 2003	36
Kenya	Holiday Inn	Nairobi	April 29 TH , 2003	46
Tanzania	Royal Palm Hotel	Dar es Saalam	May 15 TH , 2003	45
Malawi	Hotel Victoria	Blantyre	May 13 TH , 2003	23
Zambia	Holiday Inn	Lusaka	June 4 TH , 2003	77
Zimbabwe	Postponed	-	-	0
Total				227

The workshops were very successful with over 70% invited participants attending. The workshop discussions were formed on the basis of;

- ✓ Maize Marketing Challenges within the country and cross-border trading,
 - ✓ Maize Marketing Information Requirements by all stakeholders along the chain,
 - ✓ Phytosanitary Requirements,
 - ✓ Quality and Health Standards
 - ✓ Customs Regulations.
- In **Uganda**, the discussions were more focused on ways of removing export trade impediments along the Kenya/Uganda border while the Kenya workshop was more focused on imports issues and local production.



A cross border bicycle trader on the Kenya-Uganda border

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



Participants of the Kenya Maize Workshop

In the southern region, the **Malawi** workshop came at a time when the country was caught in a situation of a bumper harvest and unsold maize from the previous season and imports. An export ban still exists, and for this reason, most private sector participants wanted the government to develop a maize import/export policy that's predictable. It also emerged that Malawi has no enforced grain standards. Lack of specified standards that are acceptable was identified as a major challenge to millers when buying maize and to the Strategic Grain Reserve purchases for longer time storage.

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



A group session at the Tanzania Maize Workshop

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

The Zambia Minister of Agriculture at the Zambia Maize Workshop



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

Support development of regional Trade Intelligence Network. One of the major impediments to trade highlighted by participants in our workshops was the lack of reliable market information, a vindication of our efforts to support RATIN in collaboration with FOODNET and FEWSNET. In this regard, RATES has started the process of collating all relevant regional maize trade policy to be uploaded on the RATIN website under construction. With an understanding that a website is only relevant if it provides up to date content, our maize specialist participated in a crop estimate and food balance sheet workshop in Arusha on May 27th – May 29th, 2003. The objective of the Arusha workshop was to discuss:

- the process of setting up production and trade meetings in each of the target countries who will participate in crop estimates, food balance forecast, and policy advocacy with broad representation from the key stakeholders.
- the establishment of data flow channels such that all components of the forecasting information service are in place, with designated personnel and duties.
- how to integrate national MIS data into a single point regional database.
- development of a web based platform that will provide information analysis on regional agricultural trade in addition to archiving all agricultural production data and trade policy issues.

In the coming quarter, the maize specialist will put more effort in developing a RATES Trade Office that will link buyers and sellers across the region via internet, phone, fax, and email. The emphasis will be on delivery of commercial information from FOODNET and FEWSNET to meet our goal of increasing regional maize movement across the borders. Nevertheless, as we await the completion on the first phase of the website in the next quarter, we have connected several millers to potential traders in Tanzania, Malawi, and Zambia. Our aim is push for the eventual lifting of export bans in these respective countries in order for formal trade to take place.

Problems encountered

The major problem we encountered this quarter was on how to bring Zimbabwe on board. Although we undertook a value chain analysis study, we encountered problems verifying the results and recommendations because of the political unrest that hit that country from end May. We tentatively planned on inviting key maize trade players to our Zambia workshop but when street riots broke out in Harare; our invitees decided not to travel

Upcoming Activities for next quarter

- Ethiopia Value Chain Analysis study; in progress
- Visit Ethiopia; 1st week of July
- Ethiopia workshop; last week of August
- Preparation of a Regional Policy Matrix paper
- RATIN program continues
- Website online, work ongoing
- Trade Officer recruit
- Maize Commodity Specialist to follow-up on trade linkages



KRA 1.3: Livestock exports increased

Strategy. AU-IBAR is the institutional partner for the livestock sector program. The long-term strategy for the livestock program is to work with and through IBAR to set up a **Red Sea Livestock Trade Commission** that will operate with private sector approaches to open the lucrative Middle Eastern market to livestock from the Greater Horn of Africa. To do this effectively, the Red Sea Livestock Trade Commission will be set up to harmonize, regulate and supervise the livestock trade from Africa to the Middle East. Through information, training and technical support, the Commission will also support private inspection and quality assurance services and the integrity of the livestock trade services. The goal for the effort is to support delivery of quality, disease-free livestock from GHA countries to a Middle Eastern market valued at anywhere from \$600 million to \$1 billion per year.

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

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

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

Identify market requirements and potential for private sector involvement. RATES and AU-IBAR have been planning a program to identify market parameters and opportunities in Yemen, United Arab Emirates, Saudi Arabia, and Egypt. These market studies will provide important market information collected in interviews with target buyers, government and private sector health officials, transporters and other key players.

Interviews and market data are currently being collected in the UAE and in Egypt which will provide information on the constraints to trade and the competitive advantage of countries like Australia.

Analyze information on health, transport, policy, legal, and regulatory considerations for the Red Sea LTC. Much of this work has been done through the in-country stakeholder meetings that have taken place from November 2002, to March 2003, and can be found in the individual reports. The reports in process will also provide valuable information on these issues.

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

A team has been fielded to Djibouti to undertake this project which includes:

- Dr. J Kevin Silver (USA) veterinary specialist & team leader
- Abdiweli Mohamed (Canada) livestock economist
- Yacob Aklilu (Ethiopia) feed economist
- Civil Engineer & Hydrologist recruited from Djibouti
- Ephantus Wahome (USAID) environmental specialist

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



Livestock at the port

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

- LTAs in Eritrea, Zambia, Burundi, Tanzania and Somalia are weak and are in the interim formation stage. Some have stalled due to leadership and sustainability issues.
- Associations in Sudan have existed for some time and are operating, but have considerable public sector involvement.
- Djibouti and Kenya associations are fairly new but follow a private sector approach and are formed by the livestock traders. Both are very active and have started to acquire assets and pursue market linkages.

Draft business plan and legal framework for Red Sea Livestock Trade Commission (RSLTC). RATES hopes to play a key role in the institutional

formation of RSLTC. RATES and AU-IBAR are finalizing the contract process that will allow for the start of key activities including legal services required for the comprehensive registration process and institutional design process.

RATES is providing direct technical assistance for the operational business planning process. This activity will be provided by core RATES staff and will focus on assessing the actual staffing and financial resources required to operationalize the LTC. Break even budgets will be produced and a variety of income producing strategies will be examined. The market supply information gathered in African and the demand from Middle East will be important factors in this plan. It is anticipated that this plan will be finalized in the next quarter but preliminary work has already begun.

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

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

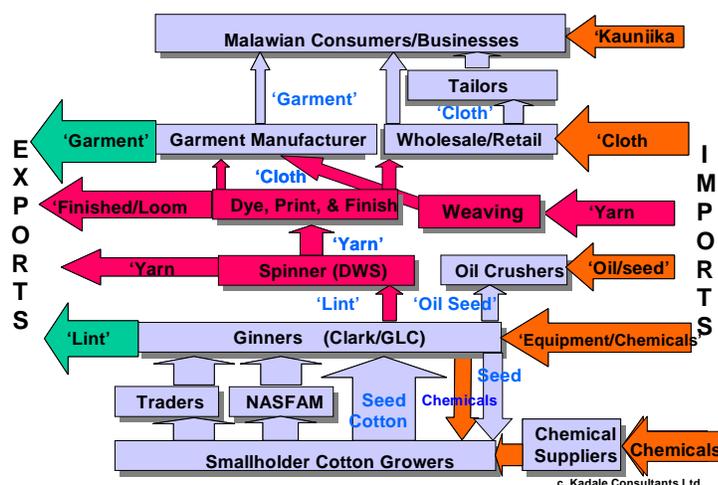
Applications to the RATES partner's fund for a Fixed Amount Reimbursable Agreement (FARA) have been received from LTC/AU-IBAR for additional institutional support including staffing of a science editor. These will be reviewed once the grant's manual has been approved by USAID and activities should begin in the next quarter.

Upcoming Activities

- Complete Fixed Amount Reimbursable Agreement (FARA) with AU-IBAR
- Complete market assessments (supply & demand side) Begin legal registration process and documentation
- Continue Institutional design and framework
- Provide core support of operational business plan
- Analyze feasibility study of Djibouti holding facility
- Assist in construction of Djibouti holding facility if appropriate
- Begin demand driven market studies in the Middle East

KRA 1.4: Sales of cotton increased

Strategy. The cotton initiative follows a similar implementation approach to that of maize with the program starting with the completion of cotton marketing assessments in six key countries. Due to the unique nature of the cotton sector with its distinct and separate links in the value chain (production ⇒ ginning⇒textiles ⇒ apparel) these country-assessments will be supplemented by a regional assessment of the trade flow of lint and textiles to identify key constraints to trade.



Source: Kadale Consultants, Blantyre, Malawi

Cotton Value Chain Assessments. Five of the seven planned cotton value chain analyses have been completed (Kenya, Uganda, Malawi, Zambia, Zimbabwe), with Tanzania and Ethiopia scheduled for early next quarter. It is clear from the assessments that the production and textile sectors are the weakest links in the four-link chain (ginning and apparel being the other two).

Country	Consultant	Completion Date
Uganda	Peter Olupot	April 2003
Kenya	Peter Kegode (RATES Center)	April 2003
Zimbabwe	Imani Consultants.	April 2003
Malawi	Imani Consultants	April 2003
Zambia	IMCS	May 2003
Tanzania	ACE Consultants	Pending - July 2003
Ethiopia	Agridev Consultants	Pending - Aug 2003

Main Issues. It is clear that there are two main issues affecting the cotton sector: a weak production base with some of the lowest yields in the world, and a decaying and outmoded textile sub-sector with potential investors wary of the short-term AGOA horizon. However, we do see significant evidence of near-

future down-stream investment by the apparel sector into “commodity specific” textile manufacturing; with the aim of producing the type and volume of fabric required by their apparel contracts. Tri-Star in Uganda and Alltex in Nairobi are examples of companies following this approach. Part of the rationale driving this investment is the AGOA conditionality that requires regional sourcing of fabrics by 2004. The “top end” companies with financial resources are able to do this; but their investment, although significant, is limited to specific equipment to meet internal apparel contract demands. New \$50 million textile mills serving the national or regional apparel sector are not in vogue at the moment and, with the exception of Mauritius and South Africa, there has been limited expression of interest in this type of investment.

There is also evidence in Zambia of another type of investment – a consortium of industry players that cover all four links of the chain thus guaranteeing production volumes of desired cotton varieties that are ginned, spun and woven into desired products for a specific apparel product(s). It is not yet clear if they are focusing on internal needs only or plan to serve the region.

The ginning sub-sector is gaining confidence - with its under-capacity problems (due to low production levels) offset by with a strengthening of the lint price (by roughly 250% over the past 12 months). Market projections indicate that cotton prices should remain stable over the next few months providing a sound environment for producers and ginners (and RATES) to operate in. Despite this good news, some gins have been closed and/or up for sale. Clark Cotton, a major player in the southern region is selling its ginning operation in Uganda due to low through-put, and Cargill, a major player in Zimbabwe, has closed its two gins in Tanzania for similar reasons. Ginning operations in Uganda, Tanzania and Kenya, where the gins are owned by many competing companies, differ greatly from operations in Zimbabwe, Malawi, Zambia, and Swaziland where between one to three companies may operate in defined zones.

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

Inter-regional Study on Textiles. RATES is focusing on the flow of product to and from the textile section of the cotton chain to determine if there are significant trade and policy constraints of moving lint to textile; and moving textile to apparel on a regional basis. This regional study started on June 16th with the recruitment of Dr. John Cockcroft who has completed his first leg of his assignment with visits to Kenya, Uganda, Tanzania, and Mauritius. Dr. Cockcroft

will continue the regional assessment next quarter with visits to South Africa, Malawi, and Zambia. His main objective is to meet with trade leaders in the cotton private sector to assess their needs and to identify their issues with moving product (lint and textiles) within the region. His recommendations will guide the formation of RATES intervention programs to improve trade flow within the regional cotton (lint and textile) sector.

The recruitment of the RATES Commodity Specialist for Cotton has been unnecessarily delayed due to recruitment issues with the main candidate. To avoid any further delay, advertisements for the position has been posted in Eastern and Southern African newspapers and applications are now being reviewed. The position should be contracted early next quarter.

Regional Cotton Assessment

Ginning Sector



(regional flow of lint to textile sector)

Textile Sector

(regional accessibility of lint and regional flow of textiles to apparel sector)



Apparel Sector

(regional accessibility of thread, yarn and woven/knitted fabrics)

Upcoming activities next quarter

- Recruit Cotton Specialist and posting to Lusaka
- Complete all cotton value chain assessments
- Complete regional study on lint and textiles
- Continue dialog and collaboration where appropriate with USAID Country Missions
- Begin preliminary planning for a regional cotton meeting
- Continue close dialog with ECA and Southern AGOA program

PIR 2: Increased institutional capacity to sustain agricultural trade

KRA 2.1: Capacity of selected partner organizations strengthened

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

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



MOU Signing Ceremony at UCDA offices in Kampala

Other major activities of note during this quarter have been:

- RATES has hired a full time business association development specialist, Ms. Kimberly Hickok Smith, to work with EAFCA in developing financial sustainability.
- RATES provided core support at both the international coffee exhibitions in Boston and Rome in order to develop institutional capacity in marketing, booth design, training in client interaction, etc.
- RATES hosted a meeting of the board of directors of EAFCA in order to ensure that key issues were voted on in the proper institutional format.
- RATES provided technical assistance in the form of market specialist consultant to train Boston participants on entering the US market.
- RATES is also assisting EAFCA in the forward planning of the African Fine Coffee Exhibition scheduled for February 2004 in Nairobi. This self-funding activity has been highly promoted in Boston, Rome and the web site with informational material, early registration promotions, and safari packages. This exhibition, following the theme of “The World’s Wildest Coffee - Eastern African Origin” is designed to put EAFCA on the world specialty coffee map. Revenue earned from this 100% cost recovery event will also cover the major share of the EAFCA administrative costs for 2004 and is thus a major step towards sustainability. RATES has hosted several steering committee meetings for this event and is encouraging EAFCA to take a very business like approach to the event.
- RATES has been instrumental in designing and assisting EAFCA to provide member services which has resulted in a 64% increase in paid members to the organization.
- RATES is working with EAFCA members to update its operational business plan and put it into the form of a Strategic Development Program that outlines EAFCA core programs for the next three years. This EAFCA Strategic Development Program will start with the chapter planning meetings scheduled next quarter.
- Part of the planning process requires EAFCA to bring itself up-to-date on the individual member country coffee market situation and “snapshot” market assessments, highlighting specialty coffee, and base-line data collection have been underway during this quarter. Drafts are complete for Rwanda, Tanzania, Kenya with several others in process. John Schluter, a regional coffee market expert and trader, has been contracted to provide technical expertise to these assessments from the viewpoints of both the locally based exporter as well as an EU based trading company (UK and Switzerland).
- RATES is assisting EAFCA in organizing the Coffee Corps visit to include 3 teams; members of the advisory board, international cupping trainers and trainees from 7 member countries. This promises to be a major undertaking, especially considering the travel restrictions in place in the region.

- RATES has hired a professional communications officer for the Kampala secretariat whose responsibilities include assisting EAFCA with; the eafca.org web site, development of a monthly newsletter, a promotional brochure, etc.

Provide Targeted support to Red Sea Livestock Trade Commission.

The LTC is not yet formally registered and all of its formative activities are in preliminary stages, thus RATES hopes that it shall be a major influencing factor in the design of the eventual structure and functionality of the commission. RATES hopes to assist LTC to generate activities which are revenue producing in order to avoid becoming a donor driven organization.

- RATES is assisting LTC through the development of an operational business plan which will provide a more realistic framework for growth than the previous budgets and plans on the table.
- RATES attended the Steering committee meeting to determine ways in which RATES can assist LTC in formalizing their structure.
- RATES is assisting LTC through fielding of a team to analyze the feasibility of a holding facility which could be the primary source of revenue to make the commission sustainable.

Upcoming Activities for next Quarter

EAFCA

- Finalize market assessments
- Provide core assistance to EAFCA to develop an operational business plan
- Continue to assist EAFCA to develop a full revenue generation and sustainability plan
- Organize the Copper trainings in 5 countries
- Organize the Coffee industry stakeholder meetings in 5 countries
- Continue to work with EAFCA to provide valuable member services and increase membership
- Work with the WWC steering committee on the 2004 exhibition
- Form pro active subcommittees for the 2004 exhibition

RedSea Livestock Trade Commission

- Finalize operational business plan
- Complete feasibility study for Djibouti Holding Pen
- Assist in formalizing the RSLTC

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

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

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

Develop the Partner Fund's Operational Manual. RATES submitted the Draft Partners' Grant Fund Manual to the USAID/REDSO team in early May, 2003. A meeting was held in mid-May to discuss the various procedures in implementing both grants and partner funds and it was agreed that the criteria for granting partner's funds would be specified to only include those organizations and individuals who are currently working as a partner to RATES. RATES is awaiting the approval from the Contracting Office on the draft manual.

Identify and support appropriate information networks. RATES is working closely with Shaun Ferris of FOODNET (Kampala) and Nick Maunder of FEWSNET (Nairobi) to design an effective Regional Trade Intelligence Network (RTIN). The web page design for this activity has been contracted to Computer Frontiers International (CFI), a RATES consortium partner, and work started in March this quarter in Kampala. Computer Frontiers will also explore mechanisms for exchanging and disseminating market information including the use of call centers to feed data into the network. The possibility of using cell phone SMS and e-mail technology, radio and other media is also being explored as a means of providing real time data to traders and producers.

Computer Frontiers has also been contracted to work with the EAFCA Secretariat to re-design an improved web-site that will move EAFCA into the international specialty coffee marketing scene and will increase their capacity to communicate with its member chapters. CFI will also improve EAFCA's data management capacity that will set the stage for market information services, member profiles, appellation systems, and market linkage (bid/offer) systems.

CFI has been contracted to provide in-house ICT capability for the RATES Center. Vincent Kabunga has been transferred to the RATES office in Nairobi in a full time capacity to management the new network system in the new RATES'

office location, to participate in the web-site design and to operate the site when on-line.

RATES is exploring technology options, especially ICT systems for data base management and market information for other commodities as well. Such systems may compliment the cotton lint/textiles program and the RSLTC.

Upcoming activities for next quarter

- Support the development of the RTIN
- Assist EAFCA develop their MIS and web page
- Develop RATES web page
- Initiate Partner Fund interventions
- Update list of service providers

PIR 3: Expanded private sector contribution to regional trade initiatives

KRA 3.1: Private sector-driven agricultural trade policies advocated

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

Assist COMESA and EAC to promote intra-regional agricultural trade for RATES supported commodities. RATES held two meetings with COMESA and EAC respectively, to map out strategy for addressing policy and regulatory constraints that were identified by the baseline studies. Preliminary results of these studies were shared during the debriefing sessions. Both COMESA and EAC recommended that a regional conference be held, under the auspices of COMESA and EAC to validate the results of the studies and to chart out plan of action to implement the recommendations. RATES has consequently identified second week of September for this conference, subject to the approval by COMESA and EAC during a joint RATES/COMESA/EAC planning meeting scheduled for 30th July 2003.

Project activities in the area of trade policies and regulations in the quarter cut across maize, cotton and coffee, focusing primarily on baseline assessment and identifying opportunities for policy harmonisation and creation of enabling trade regulatory environment.

Maize

Country policy studies. Four country studies on were completed during the quarter. This include Zambia, Malawi, Tanzania and Zimbabwe. Final reports, which combine market assessment and policy review are now available. Ethiopia

study was commissioned during the quarter and is expected to be completed in the course of July 2003.

National Consultative Workshops. Three national workshops were held to disseminate market assessment and policy review baseline reports in Malawi, Tanzania and Zambia. The inputs of these workshops have since been integrated in the final study reports.

Regional Policy Paper. A synthesis paper, based on the country studies and inputs received from national stakeholder workshops (with exception of Ethiopia, where the workshop is yet to be held) was undertaken. Draft report is being improved after incorporating case study of Ethiopia in the first week of July.

Trade Policy Information in the RATIN. During the quarter, trade policy information on maize trade was posted in the RATIN website for the six countries: Kenya, Uganda, Tanzania, Malawi, Zambia and Zimbabwe. This information covers areas such as tariff and non tariff charges, export/import regulations, quality standards (specifications and administration procedures), Phytosanitary requirements (specifications and administration procedures).

Cotton and Textile

During the quarter five country joint market and policy assessment baseline studies (Kenya, Uganda, Malawi, Zimbabwe and Zambia) were reviewed and comments forwarded to the national resource persons for completion (with exception of Uganda study, which was fairly complete). An analytical framework that was developed during the quarter will guide the revision of the country studies; particularly in their ability to help RATES identified the regional value chain for cotton lint, cotton yarn and fabric. At each point in the chain, the impact of trade policies and regulations is being analysed, and views of stakeholders sought on corrective actions aimed at enhancing trade in these commodities.

Coffee

Policy work in the coffee was limited to contribution in the design of the analytical framework to be applied in the joint market and trade policy assessment baseline studies. The coffee sector policy review in all EAFCA member countries, which was conducted by EAFCA will benefit the coffee policy work in RATES. The study report is yet to be released for consideration by the RATES team.

Livestock and livestock products

During the quarter, scope of product coverage was discussed among the RATES team and with the AU-IBAR team. This scope covers the following products:

- Live bovine animals (cattle)
- Live sheep and goats
- Live camel
- Meat of bovine animals (chilled or frozen)
- Meat of sheep and goats (chilled or frozen)
- Hides and skins

These commodities were identified to their Harmonized Standards (HS) codes to enable us determine the framework for policy review. Live camel could not however be identified to the HS 2002 codes at 8-digit level. Efforts will be made in the 4th quarter to establish how to capture trade information on camels. Baseline data for these commodities (with exception of live camel and hides and skins) were obtained for the period 1997 – 2001.

During the quarter, RATES mainstreamed the preliminary work (by EAC and AU-IBAR) on harmonisation of livestock trade policy in EAC region, to the RATES process of identification of activities in the livestock satellite for enhancement of livestock trade.

Monitoring and Evaluation

The trade policy team provided support to the M&E unit in identifying maize, cotton and textile and livestock to their respective HS classification and in sourcing and analysing baseline data for these commodities for the period 1997 - 2002. These data is due for presentation in a brainstorming meeting in RATES in early July.

Upcoming activities for next quarter

Maize

- Complete the Regional Policy Paper on maize trade in early July
- Regional maize trade conference to be held in mid September
- Review and up date maize trade policy information in the RATIN website
- Facilitate preparation of an EAC information hand book for maize traders to prepare them for trading season of the year 2003/2004 in EAC region
- Sensitise private sector, through private sector maize traders network on regional maize trade policy environment as a way of preparing them for participation at the regional maize trade conference

Cotton and textile

Completion of national market and trade policy assessment studies in Kenya, Uganda, Malawi, Zimbabwe, Zambia, Tanzania, Ethiopia and any other additional country that may be identified after the review of the regional trade flow of cotton lint, cotton yarn, fabric and apparel.

Livestock and livestock products

- Plan, in collaboration with AU-IBAR how to take forward the livestock trade policy harmonisation work that had already been started under the auspices of EAC.
- Commission baseline trade policy and regulations assessment studies in all key livestock producing and exporting countries in the COMESA.

Coffee

- Complete trade policy and regulations assessment studies in Uganda and Tanzania and commission and complete similar studies in EAFCA member countries.

KRA 3.2 Private sector buy-ins and alliances expanded

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

Identify and facilitate market linkages. Rates has initiated a number of activities to expand private sector buy-ins and alliances. Work has focused on coffee and maize during this quarter.

Coffee

Activities focused on launching a major Eastern African marketing and relationship building activity:

- This quarter, the RATES sponsored “Meet the Buyers event” at the SCAA in Boston which provided the framework for several private sector alliances. Discussions have already begun in earnest to hold a cupping exchange with US buyers and another adopt a farm program.

- EAFCA members themselves have provided important private sector support as they self fund travel, accommodation, etc. in order to participate in international exhibitions and meet with the buyers with whom they can trade.
- RATES will host a series of private sector coffee stakeholder meetings to open the floor to discussion of issues affecting the industry.

Livestock

Activities focused on building relationships between the LTC and the private traders. Dialogue needs to be increased and a private sector “buy in” to the idea is key to success.

- This quarter RATES began the market assessments which include interviews with stakeholders in the livestock production and trade
- RATES has initiated the feasibility study for the Djibouti livestock holding pen. The study will address private sector requirements of both buyers and sellers
- Next quarter, RATES will hold more interviews in several countries as part of the on going market assessment
- Next quarter, RATES will begin a major demand market analysis of the potential Middle Eastern markets and private sector partners

Maize

- RATES is excited over the recent flurry of action in the development of the Regional Trade Intelligence Network, and the RATIN web page www.ratin.net will soon be operational. There has been serious interest and inquiries expressed by large private sector maize traders in the region to conduct trade. While waiting for the system to become operational, the RATES Maize Specialist is playing the “honest broker” relaying inquiries to appropriate companies that may lead to the desired market linkages.



PIR 4: PROGRAM MANAGEMENT, MONITORING AND EVALUATION

Program Management

Program Management is integral to every RATES component and activity. To achieve project goals, well-defined policies and procedures, transparent information-sharing mechanisms, and effective monitoring and reporting systems are necessary.

KRA 4.1: Management and coordination mechanisms established

Strategy. As stated in the first RATES quarterly report, the RATES project requires strong coordination and management because of being a large and complicated project. To enable RATES to provide quality and timely service to

both external and internal clients, efficient administrative support is a critical focus of the project. It is crucial to establish and maintain streamlined accounting, financial, and administrative procedures. Because RATES is a regional program and there are a wide variety of technical program activities under the project, RATES recognizes that all components must work both separately and together to complete them. To ensure that RATES functions in a streamlined manner, and to establish these coordination mechanisms, the project will put two strategies into place. These are to define roles and responsibilities and inter-relationships among components, and to establish and maintain clear program management procedures. RATES has been helped in this strategy by the hiring of a full-time local office manager whose responsibilities include the further development of streamlined management systems.

Continue RATES management systems. RATES continues to be a well-staffed and highly functional team of employees. As of July, 2003, the RATES project has 16 full-time employees which includes 4 long-term employees through the RATES subcontracts (IDC, ITI and Computer Frontiers). Within this quarter, RATES added a full-time Business Association Development Specialist and a Senior Office Manager. As in any project as complex as RATES, the management systems continue to be developed and modified for the specifications of not only Chemonics and USAID but also the Kenyan employment laws.

Policy and Procedures. RATES program management staff continued to revise and update the Policies and Procedures Manual, taking into consideration project needs and goals.

Office space. Chemonics International successfully made the final move on April 15, 2003 into the newly built-out 6,000 square feet at the new Westlands Office Park on Waiyaki Way Road. The move was a tremendous boost to the morale of the RATES team after working in uncomfortable and crowded temporary office space for the last 6 months. The new office space houses all three Chemonics' projects, with RATES occupying the largest area within the space. The move has allowed for much more productivity in RATES staff since the new office space, beautifully built out, provides quiet and individual work space and allows for the entire RATES staff to be physically together in one office.

Registration. Chemonics Kenya, now a not-for-profit company backed by shares, officially came into existence on April 23, 2003. The process to register Chemonics in Kenya was not easy since our particular situation (a USAID project not under a bi-lateral agreement) defied all of the norms with which the GOK was used to dealing. The registration process took approximately 5 months and involved laborious and expensive discussions with the Kenya Revenue Authority, Price Waterhouse Cooper auditors, local attorneys and senior home office legal

experts. Having official registration status as a company in Kenya has now allowed RATES to apply for a tax identification number for the withholding of taxes on local employees, amongst other advantages. However, it must be noted that being registered as Chemonics Kenya has not eliminated the hardship of paying the high duties and VAT on local and international procurement items. This one fact has had and will continue to have a large impact on the limited RATES budget as the project struggles to adjust to paying these taxes which were not anticipated or budgeted for in the original proposal.

Personnel Management Systems. RATES' program management team continued to develop the project's personnel management system. As recommended by Chemonics' local attorneys and in keeping with local employment and income tax law, RATES revised all local employees' employment contracts to identify Chemonics Kenya as the employer instead of Chemonics International.

Develop and install RATES IT systems. RATES successfully worked with a forwarding agent in order to clear the shipment of US-procured computers through the Customs Board in mid-April. RATES partner, Computer Frontiers, has worked diligently throughout the quarter in setting up and installing the RATES network ensuring smooth operations of the project. In addition to the RATES network, Computer Frontiers has developed and set up a shared remote network so that RATES staff can access the system from afar.

Document and disseminate lessons of experience. The process of designing a dynamic web page continues. RATES is working with a local web designer who is working to design a webpage that will allow RATES partners the opportunity to share in RATES findings. In addition, RATES is preparing a list of stakeholders that will receive e-mail updates. Others will receive a monthly bulletin of RATES interventions.

KRA 4.2: Program monitoring and reporting needs met

Strategy. The goal for this KRA is to implement a Monitoring and Evaluation (M&E) system to track RATES planned activities, delivery of expected outputs, and quantitative impacts. The data to be put into the M&E system will be obtained from three sources: data collected from the RATES administrative and operation records; data collected from RATES implementing partners; and data collected from external surveys. The M&E system will be used as a management tool for systematically reviewing project progress, troubleshooting problems and issues during project implementation. It will employ a combination of database, project management, spreadsheet, work processor and accounting packages. Training will be provided to project staff and partners to operate the system. The M&E system will be the basis for semi-annual reports to USAID.

The following main M&E activities were conducted during this quarter:

- Finalization of the Performance Monitoring Plan (PMP) document and submission to USAID-Kenya.
- Development of evaluation tools for commodity workshops and marketing events
- Analysis of participant responses on workshops and event evaluations.
- Preparation of workshop reports including evaluation reports.
- Planning and preliminary design of M&E MIS systems for inputting data, tracking and assessing progress of planned activities on selected commodities.
- M&E data collection from COMESA on RATES selected commodities.

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

A mixed methods approach influenced the development of the PMP document, in order to generate a holistic view of the program's progress, results and challenges. Both quantitative and qualitative methodologies were included as appropriate to the information needs, selected indicators and commodity component. The main methodologies included in the PMP document are:

- Business, trade and program document reviews
- Key informant interviews
- Case studies of selected businesses
- Site visits and observation
- Desk reviews of trade data
- Mini surveys (questionnaires and/or in person) with commodity traders
- PIVA tool

Coffee

- The Business Development Advisor for coffee commodity worked with M&E to analyze participants' responses to a questionnaire- developed by EAFCA at the SCAA trade fair in Boston, USA. The findings of this questionnaire were used by the Commodity Specialist and EAFCA to help prepare for the coffee trade fair in ROME. A follow-up survey questionnaire has been developed in collaboration with M&E and EAFCA , and is currently being implemented with participants of the trade fair in Rome.

Maize

- The M&E unit worked with the Maize Commodity Specialist to develop an appropriate M&E tool to measure progress and performance of the maize workshops which were held in Uganda, Kenya, Zambia, Malawi and Tanzania. The tool in the form of a workshop evaluation questionnaire was implemented at each workshop by the M&E Specialist who analyzed and

reported the results back to the RATES team. The team used these findings to guide the planning of subsequent workshops, to improve service delivery and participant identification.

- Baseline data on intra and extra COMESA maize trade was collected by the M&E Specialist and Trade Policy Advisor at the COMESA Statistics Office in Zambia. The data was compiled by the COMESA statistician who remitted it back to the M&E Specialist and Policy advisor via e-mail. The raw data is currently being analyzed and the findings will be summarized into a baseline report during the third quarter.

Cotton

- Baseline data on intra and extra COMESA trade of cotton, carded and/or combed and not carded and not combed, cotton lint, yarn, woven fabrics and textiles was collected by the M&E Specialist and Trade Policy Advisor at the COMESA Statistics Office in Zambia. This data was compiled by the COMESA statistician and sent via e-mail to the officers concerned at RATES. The findings are currently being analyzed and the results will be compiled into a five-year pre-program baseline report during the third quarter.

Livestock

- Baseline data on intra and extra COMESA trade of livestock was collected by the M&E Specialist and Trade Policy Advisor at the COMESA Statistics Office in Zambia. The data covered bovine animals, sheep, goats, fresh and chilled meats, hides and skins. This raw data was compiled by the COMESA statistician and sent via e-mail to RATES. The findings are currently being analyzed and the results will be compiled into a five-year pre-program baseline report during the third quarter.

Upcoming activities for the next quarter

- Analysis and reporting of baseline trade data from COMESA and other sources
- Web research and analysis of baseline data for Specialty Coffee
- Fine-tuning of evaluation tools for selected commodity activities
- Analysis of coffee survey findings
- Training of EAFCA on evaluation questionnaire development and analysis of responses.
- Development of M&E MIS tool for monitoring progress on RATES and partner activities

Problems Encountered

Duty-Free Status. The problem with the non-official status of the RATES project continues to be one of most importance to Chemonics International, causing, as it does, financial and administrative difficulties for the project. Unfortunately, RATES has still not learned from USAID if there has been any progress on the negotiations for establishing a bilateral agreement between REDSO and GOK. Needless to say, RATES had hoped that this complex matter would be resolved by now, and that we would fall under an agreement that would allow an “official donor project” status with the GOK. As RATES has heard no news we must assume that these talks are still in progress, and that, unfortunately, we will continue to suffer at the mercy of the KRA. It should also be noted that a major portion of the RATES budget is being spent here in Kenya.

RATES had intended to procure vehicles during this quarter but it has been disheartening to see that duties and VAT will add over 100% of the cost of the vehicle. RATES clearly would prefer spending these funds on direct assistance to our partners. It must be pointed out that these vehicles will be the property of the US government, and will be retained by USAID, not Chemonics International, at the end of the program.

To highlight the problems we encounter as “an unofficial project”, the below chart indicates the high cost of procuring vehicles without duty-free status:

Vehicle	Duty and tax free	Duty and tax paid	Additonal Cost
Nissan Terrano	\$19,000 (special donor fare)	54,000	\$35,000
Toyota Prado	\$25,000	48,000	\$23,000
Mitsubishi Pajareo	\$31,000	51,000	\$20,000
Jeep Cherokee	\$43,000	75,000	\$32,000

A review of the above indicates that RATES could purchase two Nissan Terranos for \$38,000, a very special fare offered for donor projects with duty exemptions. Under the duty paid scenario, RATES would be required to pay \$108,000 for these same vehicles. Differences can clearly be seen between procuring the duty-free Terranos and duty-paid Toyotas (the least costly vehicle) and would ultimately cost the program an additional \$58,000. This difference is a hefty penalty for the development program to absorb. Additionally, one can also see that the US-made vehicles (Jeep) would cost over \$150,000, a fact that must discourage the “buy-American” requirement. RATES’ frustration at seeing scarce resources being eaten away by these un-necessary taxes is high, especially as the new GOK has reinstated the duty-free privilege for donor-assisted projects in their new recently-vetted budget.

Travel Ban/Security Issues. The on-going heightened security concerns for Kenya which have resulted in travel bans on all in-coming travel continue to cause concern and difficulty for RATES project events. This has become especially apparent with the August, 2003 Coffee Corps Cupping Training event. This event, which includes high-profile coffee experts that RATES would like to bring to Kenya, will not be permitted to include any activities inside Kenya. This travel ban has also impacted upon any and all short-term technical advisors that RATES had planned to bring to Kenya, along with all activities in Kenya that RATES planned to implement. In addition, the unscheduled closings of the USAID Mission have impacted RATES' ability to obtain timely travel clearances for consultants.