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## RATES PROGRAM

Third Quarter Progress Report – FY 2006  
April 2006 to June 2006



**July 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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**Submitted by Chemonics International Inc.**

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

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## **Acronyms**

ACTIF	African Cotton and Textile Industries Federation
AFCCE	African Fine Coffee Conference and Exhibition
AGM	Annual General Meeting
AGOA	African Growth and Opportunity Act
ASARECA	Association for Strengthening Agricultural Research in East and Central Africa
CCIA	COMESA Common Investment Area
CFI	Computer Frontiers International
CIP	Coffee Improvement Program
COMESA	Common Market for East and Southern Africa
CMS	Coffee Marketing Specialist
CQI	Coffee Quality Institute
CTMS	Cotton/Textile Marketing Specialist
DRC	Democratic Republic of Congo
DRLEF	Djibouti Regional Livestock Export Facility
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.
KEBS	Kenya Bureau of Standards
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

PVoC	Pre Export Verification of Conformity
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
SCAE	Specialty Coffee Association of Europe
SCAJ	Specialty Coffee Association of Japan
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 third quarter of FY 2006. The third quarter was highlighted by a number of key activities in each of RATES-supported component commodities and partner organizations. One of the major highlights of the quarter was the 2<sup>nd</sup> Annual African Dairy Conference and Exhibition that was organized by our partner, the East and Southern African Dairy Association (ESADA). This conference drew some of the major dairy luminaries from around the world and offered industry players a great opportunity for networking and deal making. The African Cotton and Textile Industry Federation (ACTIF) traveled to Washington to attend the annual AGOA forum and met with key AID Washington personnel. The Eastern African Fine Coffees Association (EAFCA) continued to promote regional coffees around the world and hold a number of training and market promotion activities. They also focused on promoting East African coffees in South Africa. The 2<sup>nd</sup> annual Kenya Barista Championship was a major success. RATES continued to work closely with COMESA and the EAC and conducted a briefing for regional Trade Ministers and the Council of Ministers meeting held in Kigali in May. All in all, this was another busy quarter for the RATES team. Below is a short overview of RATES to set the stage for the progress report:

**“The RATES program is about getting sustainable results...”**

**Mr. Earastus Mwanacha  
Secretary General  
COMESA**

### **A. Overview of the RATES Program**

The Regional Agricultural Trade Expansion Support (RATES) program is a five-year USAID East Africa-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 USAID East Africa and its partners to further the mission's Integrated Strategic Plan (ISP). Specifically, RATES falls under the mission's current 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. USAID East Africa 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**

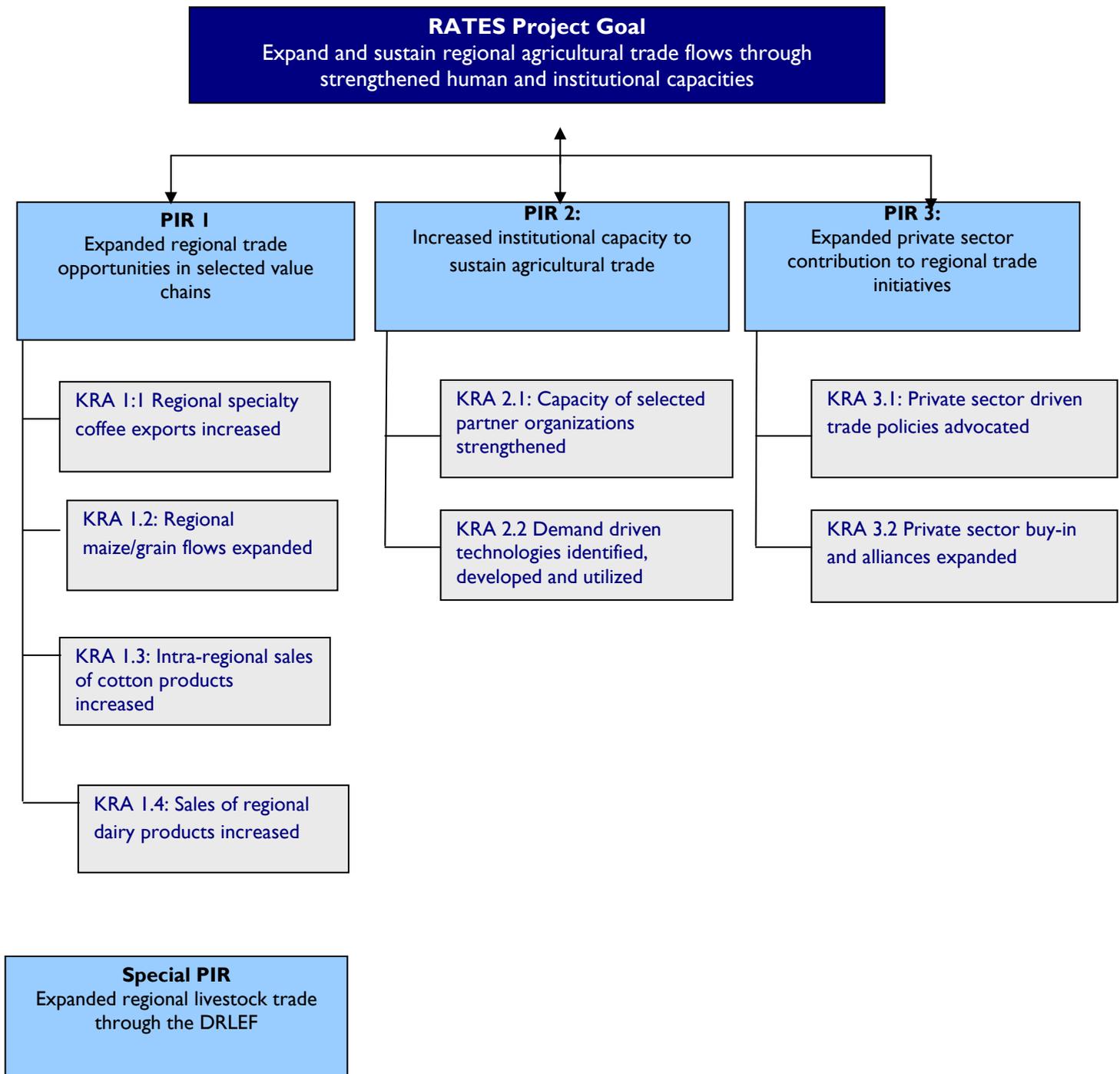
The project goal presented in the box to the left reflects the position of RATES within the SO 5 framework and guides strategic thinking with regard to project approach and identification of appropriate project intermediate results areas.

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 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.

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



Chris von Zastrow (right), the RATES Coffee Specialist, promoting EAFCA coffees at the SCAJ Annual conference in Japan last year.

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.**

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 (WWC), 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.

☞ **SCAA – Charlotte, April 7<sup>th</sup> to 10<sup>th</sup>, 2006.** Robert Nsibirwa and Chris von Zastrow along with over 45 members represented EAFCA at the Specialty Coffee Association of America Conference and Exhibition in Charlotte North Carolina in April this year. Assisted by Kelly Peltier under contract by RATES, EAFCA had an impressive booth which was used by most of the EAFCA members. The Coffee Board of Tanzania and Main Traders Ltd. of Uganda deserve special mention for the assistance they gave in manning the booth. Several African countries had display booths of their own but Ethiopia, Zambia, Burundi, Kenya and Rwanda also accessed the EAFCA booth as a main meeting point. Well attended by over 7,000 delegates, the SCAA event was a unique opportunity for EAFCA to promote its members coffee, especially the TOH winners that were available for presentation. Of course EAFCA used the event to promote its own



**The Exhibition hall at the SCAA Annual Conference held in Charlotte, NC in April.**



**The EAFCA booth was very active with potential buyers at the SCAA Charlotte conference.**

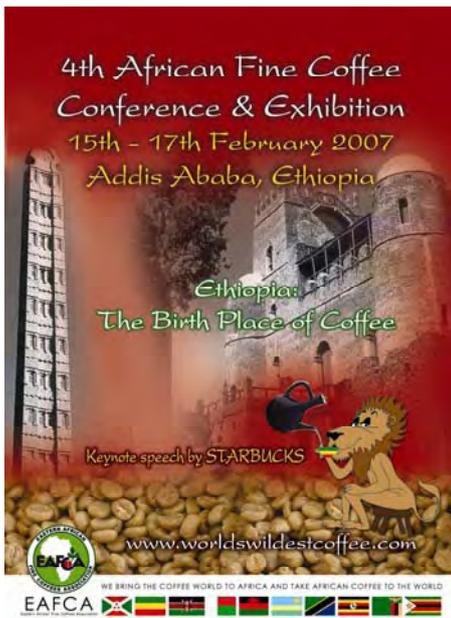


**Buyers lining up at the EAFCA booth to taste coffees selected from EAFCA members.**

☞ **SCAE – Bern, Switzerland, May 17<sup>th</sup> to 22<sup>nd</sup>, 2006.**

The staff from the EAFCA Secretariat, along with 7,000 other coffee aficionados and 25 EAFCA members, attended the Specialty Coffee Association of Europe’s “World of Coffee” Conference and Exhibition in Bern Switzerland. Primarily there to promote member’s coffee, EAFCA also used the opportunity to endorse their own AFCCE/WWC4 event, to pitch new EAFCA membership and to network with notable coffee buyers and roasters from around the world.

Using their Taste of Harvest Pavilion as a “base”, over 25 EAFCA members from Africa were able to conduct business and network while assisting EAFCA staff with booth management. The “best of the best” coffees from member countries, identified through the TOH competition held at the WWC3 in Arusha, were available for presentation, and were in high demand at the booth.



**Flyer for the next WWC 4 to be held in Addis in 2007.**

☞ **4<sup>th</sup> Annual African Fine Coffee Conference and Exhibition, Addis Ababa, Ethiopia.**

EAFCA, with the assistance of RATES, is already undertaking preparations for the next WWC 4 event to be held February 15<sup>th</sup>-17<sup>th</sup>, 2007 in Addis Ababa, Ethiopia. The EAFCA team of Robert Nsibirwa, Chris von Zastrow and Ludovica Bellingeri traveled to Addis Ababa on June 20<sup>th</sup> to secure hotel and conference venues and to identify vendors for the event. They also made important contacts with relevant government ministries and agencies, which are also incorporated into the Host Country Conference Committee, including the Office of the Deputy Prime Minister and the Ministries of Agriculture, Tourism, and Tea, Coffee and Spices.

The team also met with and developed collaborating agreements with key donor projects including Steve Humphrey of the Fintrac managed USAID/ATAE project, Joshua Walton of the ACDI/VOCA managed USAID/ACE project, and the EU/Coffee Improvement Project (CIP) managed by Surenda Kotecha.



**Promoting coffees through Barista competitions is a good way to raise awareness and increase domestic consumption.**



**Robert Nsibiwa, Executive Director of EAFCA crowns the 2<sup>nd</sup> Kenya National Barista champion, Ms. Jackie Mueni.**

☞ **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.** Last quarter, 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. The program commences next quarter with promotional events scheduled for Johannesburg, Durban and Capetown. EAFCA is being assisted in South Africa by Imani Consultants, a firm that is a RATES sub-contractor, but working under the RTFP/EAFCA grant for this program.
- **Kenya National Barista Championship, Nairobi, April 23-29, 2006.** 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 and RATES once again assisted the Kenya Chapter this year to hold the annual Barista final championship at the upscale Junction Shopping Mall on April 29<sup>th</sup>. But the event had several components to it starting with barista and barista judging training during the week of April 24<sup>th</sup>. Three CQI Coffee Corps volunteers, Annette Moldevaer from London, Tim Wendelboe of Norway and John Sanders from the USA, assisted in the training and judged in the elimination rounds.



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This year, over 70 contestants participated in several knockout rounds held at the Dorman's Coffee Training School in Nairobi until the final 13 competitors were identified for the finals. The winner of the national championship had a sponsored flight by Swissair to go on to compete in the world championships held at the SCAE Conference in Bern Switzerland in May 2006. Although the first place winner from Kenya, Jackline Mueni, placed 34<sup>th</sup> out of 43 contestants, she was the only participant from Africa.

- **SCAE Rwanda Tour, Rwanda, April 30<sup>th</sup> – May 6<sup>th</sup>, 2006.** This first-time one-week event was organized by the Specialty Coffee Association of Europe (SCAE) with logistical support provided by RATES and USAID/ADAR. The event was attended by 19 European participants from Ireland, UK, Norway, Ukraine, and Lithuania who spent the week touring 11 washing stations and dry mills operated by private sector investors and cooperatives based in Rwanda.

RATES and ADAR sponsored a special EAFCA Chapter "Coffee Club" function with over 60 participants from the Rwanda coffee sector and their European guests. Officials from USAID/Kigali and the American Embassy were also in attendance and were able to witness first hand the dynamics of EAFCA and their reciprocal



SCAE Rwanda Tour group members observe coffee pulping operations at local cooperative in Rwanda.

**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, is 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 for 2006/07 resumes in September 2006.



**Chief TOH judge, Lindsay Bolger, of Green Mountain Coffees scoring sample lots of regional coffees.**

☞ **Taste of Harvest Competitions- Regional:** 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), 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.



**RATES is supporting JGI's efforts to support small holder coffee farmers who are being encouraged to protect lands that will provide the leafy corridor for chimps.**



**Jane Goodall and her staff meeting with interested US roasters at the WWC3 conference who may become buyers for a JGI branded coffee.**

☞ **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.

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. With the 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.

Jane Goodall was the keynote speaker at the final Conference dinner event in Arusha. 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 USAID support, Rwanda has gained recognition for producing great specialty coffees.

☞ **EAFCO Training Programs:** The training program closes at the time of the WWC Conference and resumes in September 2006. 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.

**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, created an excellent newsletter and introduced the Bwana Kahawa Buzz, a weekly e-news flash. RATES will continue to work with EAFCA to upgrade its capacity to deliver services and new workshops and training programs will be developed.

☞ **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



Members get real value for money when they join EAFCA.



**EAFCA and COMESA have signed a MOU recently to help further regional cooperation and trade.**

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. EAFCA Calendar of Events for 2005/06 was distributed at the 3<sup>rd</sup> 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.



**Key Kenyan policy makers observing maize headed for food aid.**

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](http://www.ratin.net), a market information site, and [www.tradeafrica.biz](http://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.

**Progress to date:**

**Activity 1. 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.



Regionally-grown maize ready to be loaded on trucks for cross-border trading.

☞ **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](http://www.tradeafrica.biz) website. The bulletin provides a synopsis of maize trading within COMESA, targeting price changes, cost and availability, and policy news or events that have direct impact on grain trading.

☞ **The Malawi Grain Traders and Processors Association** has been formerly registered. This concept was promoted by RATES in 2005 and has now grown into a functioning trade organization with 20 members investing over \$7,000 in subscriptions 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. The RATES team of Steve Njukia and Pam Chesire, of the Trade Office, traveled to Malawi again in June 2006 and held discussions with MGTPA leaders regarding 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. A grant application is expected in July 2006.



**Pam Chesire of the RATES Trade office liaises daily with the regional trading community comprised of both large and small traders.**

**Activity 2. Strengthen inter-regional market information systems and trade linkages.** To address the challenges of providing “real time” market information and trade linkage sites, the RATES Trade Office was created in 2003 to manage both the [www.RATIN.net](http://www.RATIN.net) and [www.tradeafrica.biz](http://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 engaged in the maize, bean and pulse trade.

👉 [www.tradeafrica.biz](http://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](http://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](http://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*.

Recent additions to the [www.tradeafrica.biz](http://www.tradeafrica.biz) site include the following features:

- 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.



**Key countries involved in regional maize trade.**

**Table I. Volume and value of business postings for maize on [www.tradeafrica.biz](http://www.tradeafrica.biz) for FY 2006.**

<b>Inquiries to Buy Maize</b>	<b>Historical 2005 totals</b>	<b>Quarter 1 Oct 1–Dec 31</b>	<b>Quarter 2 Jan 1–Mar 30</b>	<b>Quarter 3 Apr 1–Jun 30</b>	<b>Quarter 4 Jul 1–Sep 30</b>	<b>Cumulative Total -2006</b>
<b>Volume in MT</b>	845,290	151,400	274,580	131,850		<b>557,830</b>
<b>Value in USD</b>	162,744,270	24,163,000	48,123,300	25,196,535		<b>97,482,835</b>
<b>Average Price USD/MT</b>	190	160	175	191		<b>175</b>

<b>Offers to Sell Maize</b>	<b>Historical 2005 totals</b>	<b>Quarter 1 Oct 1–Dec 31</b>	<b>Quarter 2 Jan 1–Mar 30</b>	<b>Quarter 3 Apr 1–Jun 30</b>	<b>Quarter 4 Jul 1–Sep 31</b>	<b>Cumulative Total-2006</b>
<b>Volume in MT</b>	723,767	109,000	144,455	49,000		<b>302,455</b>
<b>Value in USD</b>	118,108,280	23,879,000	38,889,940	13,834,333		<b>76,603,273</b>
<b>Average Price USD/MT</b>	190	219	269	282		<b>251</b>

Table I illustrates the volume of business supported through the [www.tradeafrica.biz](http://www.tradeafrica.biz) website. Volume of business for “Inquiries to Buy” is \$25 million this quarter which is standard for this time of year. Add this to the “Offers to Sell” of \$14 million; the total trade volume is \$39 million for the quarter and \$174 million for the year to date. Some key issues that may have impacted trade this quarter:

**Total Trade  
Volume of Maize  
for the Third  
Quarter**

**US \$ 39 Million**

1. Regional trade reduced considerably as Zambia and Ethiopia imposed export bans this quarter.
2. Tanzania, Malawi and Zambia main production season during this period with minimal harvesting. Most of the early harvest maize is still wet with high moisture content and not fit for regional trade. Most of the imports to Tanzania were from USA, and Malawi; and to Zambia from South Africa.
3. Kenya and Uganda had a vibrant cross border regional trading period, mainly in beans through Rwanda.
4. Noted interest from India, China, South Africa and Lesotho to import to COMESA region.
5. There is a climb in the average maize and bean prices this season. This may be a result of the high demand for food

within the region by the traders, millers, development partners and strategic grain reserves.

**Table 2. Volume and value of business postings for beans on [www.tradeafrica.biz](http://www.tradeafrica.biz) for FY 2006.**

Inquiries to Buy Beans	Quarter 1 Oct 1–Dec 31	Quarter 2 Jan 1–Mar 31	Quarter 3 Apr 1–Jun 30	Quarter 4 Jul 1–Sep 30	Cumulative Total
Volume in MT	11,000	21,300	15,020		<b>47,320</b>
Value in USD	3,060,000	6,912,000	6,508,667		<b>16,480,667</b>
Average Price USD/MT	278	324	433		<b>348</b>

Offers to Sell Beans	Quarter 1 Oct 1–Nov 30	Quarter 2 Dec 1–Mar 31	Quarter 3 Apr 1–Jun 30	Quarter 4 Jul 1–Sep30	Cumulative Total
Volume in MT	1,000	13,600	6,000		<b>20,600</b>
Value in USD	295,000	6,015,000	2,808,000		<b>9,118,000</b>
Average Price USD/MT	295	444	468		<b>443</b>

👉 **The RATIN Network.** Following a request from the COMESA 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. 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.

The COMESA/AMPRIP team met with the RATES staff at our office in Nairobi on April 24<sup>th</sup> to finalize the technology exchange process. RATES will lend technical assistance to COMESA and the IITA staff on the development of the FAMIS website.

**Total trade  
volume of beans  
for the Third  
Quarter**

**US \$ 9.3 Million**



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 Eastern 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](http://www.RATIN.net)

**Table 3. Estimated East Africa maize availability balance sheet: July 2005 to June 2006 (Minimum Quality Maize)**

ESTIMATED EAST AFRICA MAIZE AVAILABILITY BALANCE SHEET JULY 2005 TO JUNE 2006 (MINIMUM QUALITY MAIZE)					
	KENYA	UGANDA	TANZANIA	RWANDA	EAST AFRICA
<b>CARRY OVER STOCKS JULY 2005</b>	337,561	34,293	135,323	24,228	531,405
<b>IMPORTS</b>					
Uganda	163,178		14,680	22,580	
Kenya		0	25,581		
Tanzania	50,069	0			
Rwanda		0			
<b>Total East Africa Imports</b>	<b>213,247</b>	<b>0</b>	<b>40,261</b>	<b>22,580</b>	
Imports from outside the region-DRC etc	0		0	1,000	1,000
<b>Total Imports</b>	<b>213,247</b>	<b>0</b>	<b>40,261</b>	<b>23,580</b>	
<b>MAIZE PRODUCTION 2005-06</b>					
Long Rains	2,574,260	322,000	2,857,000	69,264	
Short Rains	181,626	250,000	140,000	18,945	
<b>Total Production per year</b>	<b>2,755,887</b>	<b>572,000</b>	<b>2,997,000</b>	<b>88,209</b>	<b>6,413,096</b>
Post harvest loss,Industrial use-seeds	275,589				
<b>NATIONAL AVAILABILITY</b>	<b>3,031,106</b>	<b>606,293</b>	<b>3,172,584</b>	<b>136,017</b>	<b>6,945,501</b>
<b>EXPORTS</b>					
Uganda			0	0	
Kenya		163,178	50,069		
Tanzania	25,581	14,680			
Rwanda		22,580			
<b>Total exports to East Africa</b>	<b>25,581</b>	<b>200,438</b>	<b>50,069</b>	<b>0</b>	
Exports outside the region	10,000	2,000	46,698		58,698
<b>Total Exports</b>	<b>35,581</b>	<b>202,438</b>	<b>96,767</b>	<b>0</b>	
<b>NATIONAL CONSUMPTION</b>	<b>2,850,000</b>	<b>402,500</b>	<b>2,878,626</b>	<b>95,000</b>	<b>6,226,126</b>
<b>Available Maize by June</b>	<b>145,525</b>	<b>1,355</b>	<b>197,191</b>	<b>41,017</b>	<b>660,677</b>



**“... support for a more structured grain trading system by the RATES Program fits well in my wish list of having regional commercial markets and opportunities for price risk management mechanism that will maximize opportunities for production and growth...”**

**John Magnay, Uganda Grain Traders Limited, at the International Task Force on commodity risk management in Pretoria, South Africa.**

**Activity 3: Promote synergies linking food aid with commercial trade.** In addition to the WFP, 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 system, 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. Another focus 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 year 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](http://www.tradeafrica.biz).

- ☞ RATES is now invited to all WFP regional procurement meetings in Kampala. RATES’ participation lends weight to our role in presenting the regional perspective on production and cross border trade and data which is normally found on the Tradeafrica and RATIN sites.
- ☞ On April 24<sup>th</sup>, the Trade Office Team met with representatives from Feed the Children (K) who work in collaboration with FFP and WFP. Seeking advice on starting a local procurement program, RATES provided useful information and contacts and instructed them on the use of [www.tradeafrica.biz](http://www.tradeafrica.biz) and [www.RATIN.net](http://www.RATIN.net).
- ☞ On May 23<sup>rd</sup>, RATES received a special invitation to attend the NCPB maize stock consultative meeting. Normally attended by millers and government officials, the Trade Office Team will now be a recognized participant in the proceedings that cover food relief stock management.

**Activity 4: Link and promote structured trade initiatives in the region.** This is a new activity in the 2006



maize 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 programs for 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 five target countries of Malawi, Zambia, Uganda, Kenya, and Ethiopia. The RATES staff held meetings in Ethiopia and Malawi this quarter to discuss structured systems:

☞ RATES, with COMESA support, sponsored a traders meeting in Zambia on February 23<sup>rd</sup> 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. Mr. Martin Hamusiya, the Chief Warehouse Examiner with the ZACA-Zambia Agricultural Commodity Agency, was invited to participate in the EAGC Symposium on July 5<sup>th</sup>, 2006 in Nairobi to present ZACA as a case study on warehouse receipt systems.

☞ RATES, in collaboration with the USAID/APEP Project, organized a meeting of grain industry stakeholders in Kampala on May 24<sup>th</sup>, 2006. The meeting was chaired by Mark Wood of APEP who had technical and logistical support from Steve Njuki, Pam Chesire, Bridget Okumu, Tom Carr and Steve Walls of RATES. Well attended by representatives from USAID, WFP, Rural Sales Project, Ministry of Marketing, NRI, UGTL, Stanbic Bank, and the Uganda Commodity Exchange, the meeting presented a



**WFP’s regional procurement office making a presentation at a RATES-supported meeting in Kampala.**

wide spectrum of views and approaches to STS but converged on the overall concept that STS is the right direction that Uganda should take. The group made a key decision to pursue a warehouse receipt program using organizations present to form a task force and map out a way forward.

**“...Although the grain market in Ethiopia has been liberalized for over almost ten years, the marketing system has not yet achieved the desired results of a structured trading system...we support RATES efforts in Ethiopia...”**

**Ethiopian Grain Trader**

☞ Steve Njukia attended the Annual Meeting of the International Task Force on Commodity Risk Management in South Africa from the 15<sup>th</sup> to 18<sup>th</sup> of May. Sponsored by the World Bank, in collaboration with the Swiss Secretariat for Economic Affairs, the Netherlands Ministry of Foreign Affairs and the Standard Bank of RSA, the forum focused on the needs to assist public and private sector to reduce the gap between risk management problems and market solutions. Also covered was government response to weather, natural disasters and price shock.

☞ The RATES Trade Office Team visited Addis Ababa, Ethiopia from June 27<sup>th</sup> to June 30<sup>th</sup> 2006 for an update of the current grain trade status, and to identify and categorize ongoing warehouse receipt and commodity exchange initiatives. The team met Addis Ababa Grain Traders Association, Ethiopian Grain Trade Enterprise, WFP, Fintrac Inc, FEWS net, HAWAS agribusiness Plc, Ministry of Agriculture and Rural Development, Marketing Department, Warehouse Receipt System Implementation Office and USAID Ethiopia.

Although the grain market in Ethiopia has been liberalized for over almost ten years, the marketing system has not yet achieved the desired results of a structured trading system. Like most of the countries in the region, the Ethiopia marketing system is still constrained by seasonal price fluctuations, inadequate storage facilities, quality and standards awareness and enforcement, inadequate market information system, among others.

For this reason, the Government of Ethiopia, together with the development partners, is promoting the establishment of a working warehouse receipt system and a vibrant commodity exchange. The major promoters of these initiatives are the Ministry of Agriculture and Rural Development, IFPRI, IFAD, USAID, and the World Bank. To push forward this initiative, a taskforce has been formed that brings major players in the industry, i.e.

traders, farmers, and government representatives. In addition, a Warehouse Receipt System Implementation Office has been created under the Ministry of Agriculture and Rural Development. It is envisaged that a Commodity Exchange pilot will start its operations in January, 2007 and the Warehouse System pilot program has already started:

- Warehouse Operator: The Ethiopian Grain Trade Enterprise (EGTE) with warehouses located at 8 sites selected as pilot sites with eight warehouses each with a capacity of 5,000x8 = 40,000 tones total capacity.
- Crops: For the pilot phase wheat, coffee, sorghum and maize have been selected.
- Lending institutions: The commercial bank of Ethiopia will be the major credit institute to be involved in the system. However, six private commercial banks have also expressed their interest and are expected to join the system based on the volume of the business and the demand for credit.
- Depositors: Depositors expected to participate in the system include primary cooperative societies and cooperative unions, private commercial farms, exporters and local traders.



RATES maize specialist, Stephen Njuria addressing the EAGC symposium.

☞ **Kenya Grain Council – now the Eastern Africa Grain Council.** The grain industry in Kenya has been very pro-active in pursuing the formation of a sub-regional grain council. The concerned stakeholders, a “who’s who” of the Kenya grain industry, has met five times this program year (meeting this quarter on April 11<sup>th</sup> and May 30<sup>th</sup>) to form a steering and executive committee and to map out the institutional design and operational mandate. With the ongoing support of RATES and USAID/KMDP, the participating stakeholders 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

**“I must admit that I didn’t know what some of these initiatives actually do. From today’s presentations, it is clear that we all share the same aspirations and goals hence the need to work together. The RATES Program must keep this momentum going.”**

**Fred Mwesigye,  
Commissioner at the  
Ministry of Tourism,  
Trade and Industry,  
Uganda.**

Led by RATES, progress in the institutional formation component is impressive with the approval of the institutional design and registration process at the January 25<sup>th</sup> meeting. The EAGC business plan exercise is completed and has the approval of the Steering Committee; fund raising will commence next quarter. Registration documentation has been prepared (Memorandum of Association and Articles of Association) and a Nairobi-based lawyer is handling the registration process which should be completed in July 2006.

The EAGC Steering Committee met twice this quarter on April 11 and May 30 with both events sponsored by participating stakeholders. RATES contracted a consultant to construct an operational manual for EAGC , a critical document if an August start-up is to be realized. Work is continuing with the operational component (led by KMDP).

☞ **The Eastern Africa Grain Council Symposium.** The Eastern Africa Grain Council (EAGC), with support from RATES and KMDP, hosted a Warehouse Receipt Systems symposium for over 60 participants on July 5<sup>th</sup>, 2006, at the Silver Springs Hotel, Nairobi. Organizations represented at the symposium include Ministry of Agriculture, donors, government parastatals (National Cereals and Produce Board of Kenya), traders and processors, producer associations, research institutions, banks, insurance brokers, inspection companies and transporters. The objective of the symposium was to capture a wider audience of stakeholders engaged in the grain trade value chain, and demonstrate the mechanics of warehouse receipting and how it is envisaged to work in the Eastern Africa region.

Successful and practical case studies from Uganda and Zambia were presented to conceptualize these new structured trading systems, The case studies gave a synopsis of how warehouse receipting would benefit the farmers, traders, processors, input suppliers, banks, warehouse keepers, and all those players engaged in one

way or another in facilitating the movement of grain from farm to fork. The team successfully addressed the “what’s in it for me” issues and most questions were directed to the Zambia and Uganda STS programs. Significant interest was generated at the event and there were several inquiries on registration procedures (not yet in place), even from the Zambia speaker.



### **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 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.

**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 2<sup>nd</sup> steering committee of the African Cotton and Textile Industries Federation (ACTIF) was held on 21<sup>st</sup> and 22<sup>nd</sup> 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.

**“...A (African) regional textile entity is essential in bringing industries together and acting with unity of purpose in the face of current global challenges...”**

**Lori Denham, Senior Vice President, US Retail Industries Leaders Association**



Map showing countries with ACTIF membership.

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 and the Southern Hub in Gaborone. 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.

### Progress to date:

**Activity I: 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.

👉 **ACTIF delegation attends AGOA 2006 in Washington DC, meets buyers.** The delegation consisted of a high level team compromised of Jas Bedi (Kenya), Igsaan Salie (South Africa), Lilowtee Rajmun (Mauritius) and Jack Kipling (South Africa); accompanied by Barry Fisher of RATES. The visit took place from 27<sup>th</sup> May to 9<sup>th</sup> June 2006, with the main purpose being to introduce ACTIF to the cotton, textiles and apparel stakeholders in the USA; to establish communication channels, form alliances and linkages; to discuss trade issues and other areas of mutual interest; to disseminate, highlight and profile the AGOA amendment proposals contained in the ACTIF “White Paper”; to attend and participate in the 5<sup>th</sup> Forum of the African Growth and Opportunities Act (AGO), encompassing the Private Sector Forum, Civil Society and sessions of the US State Department and African Governments.



The ACTIF Team in Washington : L-R Jack Kipling (South Africa), Barry Fisher (RATES), Lilowtee Rajmun (Mautitius), Jas Bedi (Kenya) & Igsaan Salie (South Africa).

**Pre-AGO Forum meetings.** Most of the meetings had the common theme of introducing the ‘face of ACTIF’ to the numerous stakeholders involved in the cotton, textiles and apparel sectors in the US; to discuss trade issues and other areas of mutual interest and to profile the AGOA amendment proposals contained in the ACTIF “White Paper”. Good communication channels were established, alliances were formed and important linkages were created.



A modern knitting plant in Mauritius.

The meeting focus was orientated towards two main groups: the first being with US Government agencies and other public bodies, principally USAID and USTR; the second group being national associations and organizations representing private sector business interests across the fiber to apparel value chain. In all, twenty meetings took place over a four day period.

- **USAID.** The delegation presented an overview of the activities of ACTIF giving the USAID team a good understanding of its origins and its value as a vehicle for increasing competitiveness and growth within Africa, increasing trade and market access both regionally and internationally, enhancing communication and business linkages across regions in Africa, and as a credible and ‘representative’ private sector reference point for global agencies and trade organizations. ACTIF expressed its appreciation to the USG for its support, as it was the USAID/RATES initiative and the existence of AGOA, that were the catalysts in the formation of ACTIF.
- **USTR.** Discussions centered on AGOA, the pending expiry of the third country rule of origin and the way forward. Against this background, it was established that Rosa Whitaker (Whitaker Group) had been circulating a ‘competing’ AGOA modification document, which was largely at variance with ACTIF’s position, calling for a straight extension of third country fabric, the continued exclusion of Mauritius and South Africa and that the (ACTIF proposed) inclusion of textile products under AGOA, only be applied to petroleum producing countries. The support of the Whitaker proposal was thought to be confined to only three countries, Nigeria included. It was agreed that the underlying need was for a common position and even though the Whitaker position may not be widely representative, it was still necessary to create dialogue and discuss a rational way forward.



An aspect that had not been fully appreciated by the USTR was that China itself was not self sufficient in yarn and fabric production and actually imported 50% of its requirements from third countries. The question then posed was how Africa could be expected to source its raw material input requirements from within

Africa, when even the powerhouse of China could not source from internal origins.

USTR officials did not express any opposition to ACTIF's value added proposal, but advised that ACTIF members must be prepared to defend its position in the light of possible resistance from the US textile industry which has historically been opposed to such a basis.



It was agreed that a strong apparel sector drives the textile industry, that 'certainty' is the key, that a critical mass for textiles will start to occur with the access of textile products to the US market, that a position of equity and fairness should apply to Mauritius and South Africa (exceptions having already been applied to Namibia and Botswana) as regards access to the full provisions of AGOA.

It was observed that prevailing political issues in the US could potentially detract from other issues such as AGOA, which in reality meant that the "easy route" of a mere third country extension could well be the result. ACTIF would of course resist such "easy route" but in this context, it was put that the "deal broker" could be the introduction of textiles and made-ups under the AGOA provisions for all AGOA eligible countries, with no discrimination on the 'origin rule' for Mauritius and South Africa.

**"...Which is best?  
Expansion or  
Extension?.." (in  
reference to AGOA  
modifications)**

**Florie Liser  
Assistant USTR for  
Africa**

- **NCTO.** The US National Council of Textile Organizations (NCTO) reaffirmed its accord with the ACTIF concept of a regional/Africa grouping and the unity of purpose that it strove to achieve. Cass Johnson, the NCTO President, advised that they were actively considering emulating the ACTIF initiative by forming a Western Hemisphere Textile Council, and would keep ACTIF informed of developments in this regard.

Discussion centered on AGOA and the ACTIF proposals, particularly as regards the inclusion of textile products and non-discrimination of Mauritius and South Africa under the AGOA sourcing provisions. It was advised that during the last round of AGOA negotiations when AGOA was extended to 2015, together with the third country provision extension to





2007, NCTO did not resist because at that time, assistance and support to the US position was forthcoming from African countries in the WTO arena. NCTO advised that subsequent to this, there has been a distinct lack of support from Africa (perhaps by default and not intention). Mauritius was cited as the only African Government providing such support in Geneva. It was noted that although ACTIF had in December 2005 (coinciding with the WTO Hong Kong Ministerial) expressed its written support and endorsement of the US NCTO position on a STS, no other African Government aside from Mauritius, had officially voiced its support.

Bottom line was that in consideration of support for the ACTIF position on the inclusion of textile products under AGOA, and the inclusion of South Africa under the sourcing provisions, it would require four or five African countries to “step out” and voice their support in Geneva.

- **Whitaker Group.** In a follow up to the USTR meeting and in an attempt to arrive at consensus, discussions were held with Rosa Whitaker on her competing position on AGOA. Agreement was reached on the three core principles, these being that:
  - Meaningful and practical steps must be taken to ensure the continuation of a viable apparel industry in Africa;
  - Meaningful and workable incentives for increased use of US/African origin yarns and fabrics must be created to encourage vertical integration; and
  - Meaningful inducements to attract investment in textile production in Africa to make vertical integration possible.

The differences lay in the technical measures to be used to achieve these principle objectives. The point was strongly made that the ACTIF position had the combined support of actual businesses involved in both the textile and apparel sectors from fourteen sub-Saharan countries, a position not enjoyed by the Whitaker proposal. It was agreed to continue dialogue.

**Trade Organizations/Buyers.** Very similar sentiments flowed through each of the meetings with the various US

**“...We need to balance textile and apparel needs...” (on AGOA)**

**Florie Liser  
Assistant USTR for  
Africa**

national trade organizations and buyers, with all expressing support for the ACTIF initiative, a concept that was essential in bringing industries together and acting with unity of purpose in the face of current global challenges. A point made that was perhaps difficult to digest from an Africa perspective, was that AGOA is not a big priority to the retail sector right now and there was currently a lot of 'fatigue' as far as trade arrangements/negotiations were concerned. It was recommended that Africa interests attend trade shows worldwide, not just in the US, and that the initial approach should be to showcase Africa and constantly put it "on the map & on the mind"; a strategy currently being introduced by ACTIF.

In terms of competitiveness, an observation was made that Africa had so much to offer that was different to what the Western world could provide, and this advantage should be grasped. It was felt that at this stage of its development, Africa should concentrate on creating a quality brand, build a reputation, and create "a storey" "out of Africa" – this would be unique.

### **AGOA Forum meetings**

- **The private sector forum** aimed to provide a platform for representatives of the private sector and government to discuss ways to improve the business environment in African countries and expand opportunities under AGOA. Topics covered included African textiles and apparel trade, growing agricultural trade under AGOA, increasing U.S. private sector investment in Africa, infrastructure development, and financing investment and trade.

Deputy U.S. Trade Representative Karan Bhatia stressed that direction on the way forward for AGOA was needed from the private sector; that investment was needed; and that Africa needs people who are willing to invest in the 'people'. He also welcomed the introduction of the five year, \$200 million African Growth and Competitiveness Initiative (AGCI) as a means to enhance growth, market access and competitiveness.

The Forum highlighted business concerns relating to the impending expiration of the current third country fabric rule of origin and sought ways of addressing the way forward. The Assistant USTR for Africa, Florie Liser,

**"...Africa needs people who are willing to invest in the 'people'..."**

**Karan Bhatia  
Deputy USTR**

advised that the US Government did not yet have a position on AGOA modifications, but stressed that:

- There was a need to balance the textile and apparel needs.
- An immediate short term solution was required to ensure the survival of the apparel sector.
- Measures needed to be taken to ensure that both the apparel and textile sectors became more competitive.



**Congressional staffers were available to discuss AGOA issues.**

- **The State Department and Ministerial Sessions.** These meetings covered wide ranging trade topics with perhaps a crucial point being made by the Secretary of State, Condoleezza Rice, that one of the key aspects that the US Government could do, together with the action of African governments themselves, was “helping Africans trade more freely together and between countries”; one of the precise objectives of ACTIF and the RATES program.

- Senegalese Minister Gadio called for trade measures that would assist in an AGOA transition process, attract foreign investors, and reinforce the role of the private sector; a process that was very much part of the RATES objective.
- In another parallel to the work and objectives of RATES and ACTIF, USAID Administrator Randall Tobias stated that intra-Africa trade and regional collaboration was essential to develop the continent, attract investment, accelerate economic growth, and create jobs.



**2006 AGOA Civil Society Forum**  
June 6-7, 2006 • Washington, DC

- **Civil Society Forum.** Again, a wide range of issues were covered, but as this Forum was conducted concurrently with the two day Ministerial program, only selected sessions were attended. In the AGOA context, it was recognized that the casual links between market access, increased trade, economic growth and poverty reduction were tenuous and that the large local constraints and complexities had to be addressed if more open trade was to translate into poverty reduction. From the buyers’ perspective, it was asserted that any trade options must make business sense, be commercially viable, must have speed to market and be cost effective; philanthropic ideals can only go so far; and that in the new AGOA



**Congressman McDermott meets ACTIF at Civil Society Reception.**

trading environment, there had to be a plan, an urgent plan, as businesses could not operate in a vacuum of uncertainty; precisely the core basis of ACTIF's "White Paper".

A keenly awaited session was the Congressional "Town Hall" meeting on the future of AGOA, featuring leading Congressman including Congressman Bill Thomas (R-CA and Chairman of the Ways and Means Committee), Jim McDermott (D-WA), Ed Royce (R-CA), Charles Rangel (D-NY) and Doe Payne (D-NJ). Chairman Thomas clearly stated that he did not favor the continuation of AGOA preferences that actually discourage economic development by not considering the need for a vibrant textile sector to support a successful apparel industry.

**Activity 2: Investigate and disseminate sources of investment and finance.** As has been emphasized before, 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 continues its work to identify regional, pan-African and international finance organizations with an aim to develop pro-investment schemes within the region.

**"Many US companies have a 'fear factor' approach to Africa..."**

**Steve Hayes  
President of CCA**

☞ **The Corporate Council on Africa (CCA).** In the July 2006 visit to Washington D.C., discussions were held with the CCA and given that one of its prime objectives was to facilitate US investment in Africa, it was clear that good synergies existed between ACTIF and CCA. The President of CCA Steve Hayes, advised that many US companies have a 'fear factor' approach to Africa and it was therefore vital that communication, dialogue and linkages be formed to create an awareness of what Africa had to offer – in effect, a promotional and 'information dissemination' campaign was needed. In this context, one of the measures that ACTIF would initiate would be discussions with the USAID funded 'South African Business Linkages Program' (SABLE), which had made significant inroads in increasing investment and trade between the US and the southern African region, and which had reportedly resulted in the creation of 12000 jobs. ACTIF and CCA would continue collaboration efforts in this regard. This initiative would be pursued to also explore the potential of investment from Europe and Asia; the latter being particularly important to

attract “high appetite” Asian investment into Africa, with a careful distinction in interpretation between investment “into Africa” and market penetration “of Africa”.

**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 inter-regional trade.



☞ **World Bank Initiative.** While AGOA offers opportunities for garment manufacturers to take advantage of markets in the U.S., sub-Saharan African countries continue to under-utilize these opportunities due to a lack of capacity in one or more parts of this value chain, and most importantly, due to the absence of a sustainable regional strategy that integrates comparative and competitive advantages offered by African countries along various parts of the cotton-to-garment value chain.

A substantial amount of work in the cotton-to-garment value chain has already been undertaken by RATES, but further analytical work is required to assess the best way forward to integrate the competitive and comparative advantages offered at the individual country level to formulate an Africa-wide strategy. Such a strategy will take into account both exogenous factors that impact the cotton-to-garment value chain, and conditions within Africa that continue to undermine the ability of enterprises to take full advantage of market opportunities in the U.S. and EU markets.



In this context, discussions have been held with the World Bank to explore ways to help improve the competitiveness of the cotton-to-garment industries in Africa and in particular, the need to develop and implement an integrated regional strategy to reduce reliance on inputs and purchasing agents from Asia. ACTIF has now submitted a proposal seeking World Bank support in developing and implementing a regional integration strategy.

☞ **Collaboration with COMESA.** Good collaboration continues and at the recently held ACTIF steering

committee meeting, the COMESA senior Trade Advisor, Mr. Mwansa Musonda, briefed members on current regional and international trade issues that COMESA was involved in, and for which the input of ACTIF was sought. It was agreed that such mutual cooperation would be of significant benefit to the region, public and private sectors alike, and this would continue to be a major component of ACTIF's activities. Reinforcing this commitment for collaboration, ACTIF members proposed a draft Memorandum of Understand (MOU) which would be submitted to the COMESA Secretary General for consideration and adoption.

**Table 4. Value of business postings on [www.cottonafrica.com](http://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	\$43,991,070		\$75,736,245
Offers to Sell (USD)	\$156,011,637	\$4,233,400	\$7,339,291	\$34,928,132		\$46,543,115
<b>TOTALS (USD)</b>	<b>\$169,999,014</b>	<b>\$31,816,600</b>	<b>\$11,501,266.</b>	<b>\$78,919,202</b>		<b>\$122,279,360</b>

 **Progress on [www.cottonafrica.com](http://www.cottonafrica.com).** Although businesses have demonstrated an increasing preference to place their 'detailed' enquiries via e-mail instead of directly onto the website due to concerns of spam (an increasing irritant) and the potential to compromise commercially sensitive information, general postings have seen a significant increase over the last quarter. This can in part be attributed to a concerted drive on the part of the cotton/textile trade office to issue a regular "e-news flash" and information service, which has generated greater awareness and demand. In comparison to the last quarter, enquiries to buy have seen an impressive 973% increase (to \$44 million), offers to sell a 379% increase (to \$35 million), an overall rise of nearly 600% in three months.

**Trade postings up  
\$68 million on Q2**

**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. Work on informing governments on the activities and objectives of ACTIF and the need for a regional integration policy continued.



Attendees at the Tanzania cotton subsector meeting held in Mwanza.

☞ **Tanzania Cotton Sub-Sector Annual Conference.** RATES’ Barry Fisher attended and participated in the annual Tanzania Cotton Sub-Sector Conference, held in April in Mwanza. The meeting was called for the purpose of evaluating the cotton development in the country, five years after the first Cotton Sector Meeting, which was also held in Mwanza.

- The key factors that emerged were that despite the problems facing the sector, which included poor productivity (*old methods*), poor research / unreliable seed, poor infrastructure / irrigation, little in-country value addition and a synthetic contamination problem (the latter having cost the country \$26 million in the last three years), there were positives. A number of the identified problems had been ironed out and as a result, production has risen from 196,000 bales during the 1999/2000 season to 700,000 bales during the 2005/06 season. It is anticipated that in the next two or three seasons, production will have risen to 1,400,000 or more bales; and if better use of agricultural inputs is applied, production could be as high as 1,500,000 bales.
- Added measures to be introduced were to introduce laws to govern the contamination of cotton and to enhance collaboration and liaison between stakeholders; in this context, a “Smart Partnership” contract between the Tanzania Cotton Association, the Tanzania Cotton Growers Association and the Government was entered into and signed accordingly.

“Tanzania has a ‘Plan’ for significant expansion (of cotton production)...”

**Dr. Joe Kabissa,  
Director General,  
Tanzania Cotton Board**

☞ **International Cotton Advisory Committee (ICAC)**  
An overview of the activities of ACTIF was presented and support for the initiative was expressed. Membership in



the ICAC was discussed and it was put that it should be viewed as one component of a comprehensive cotton sector development strategy. The ICAC coordinates its work closely with the private sector through the Private Sector Advisory Panel to ensure that the work and discussions in the ICAC are of relevance to the real-world problems faced by those who earn their livings from the production, handling and processing of cotton. Tangible benefits include increased access to statistics and technical information, funding for cotton research through the Common Fund for Commodities (CFC), access to developments in production research, organic cotton production, transgenic cotton, fiber testing equipment and increased retail-level demand enhancement activities.

It was agreed that ACTIF and the ICAC would continue close collaboration and would ensure that information and awareness of the activities of both organizations were disseminated to their respective members.

**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 continue to be the 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 (AGOA, ITMF, ICAC, COMESA, EAC etc.).
- Establish industry positions on trade issues and disseminate as appropriate

**“Intra-Africa trade and regional collaboration essential to develop the continent”**

**USAID Administrator  
Randall Tobias**

☞ **ACTIF Steering Committee Meeting.** The ACTIF steering committee meeting, held on 21<sup>st</sup> and 22<sup>nd</sup> June in Nairobi, dealt with AGOA issues, institutional matters, its five year strategic plan, election of Board members and the future plans for the Federation as a whole.



**ACTIF's new Board of Directors**

- Participation at the meeting and membership of ACTIF, increased to seventeen countries with the addition of Mozambique, Namibia and Sudan.
- Members adopted a draft 'Articles of Association' and proposed bye-laws, which would now be submitted to conclude the registration process of ACTIF as a corporate, non-profit entity.
- The interim Executive of ACTIF was dissolved and a Board of Directors comprised of two representatives from each of the ginning/lint trade, textile and apparel sectors, was elected. The new composition reflected a good geographical balance across the region, and included Kenya (textiles), Madagascar (apparel), Mauritius (apparel), South Africa (textiles), Uganda (ginning/lint) and Zimbabwe (ginning/lint). Jas Bedi (Kenya) was elected Chairman, with Igsaan Salie (South Africa) as his Vice.
- The four sub-committees of ACTIF, each addressing key areas of regional investment, ginning and lint trade, inter-regional supply chain, and global trade initiatives were re-constituted and work plans were established. A key activity for all in the coming months, and one which was reinforced at a meeting between ACTIF and twelve African Ambassadors in Washington DC, was to heighten the liaison and dialogue with Governments at national level, to ensure greater awareness of the work of ACTIF and to ensure a good understanding of issues, which would assist in discussions and position taking at forums such as the WTO.
- The meeting incorporated a strategic planning session, the results of which would be disseminated once finalized.

👉 **The African Cotton and Textiles Summit & Exhibition.** As reported in the last quarter, ACTIF was due to hold its African Cotton and Textiles Summit and Exhibition in Cairo, Egypt from 13th to 16th November 2006. However, part of the outreach program to attract participation from significant and relevant companies in the US, Europe and from Asia, it became obvious that additional exposure was needed to gain recognition before we would get meaningful commitment. Perhaps more importantly, in addition to the Summit & Exhibition, there are a number of other activities that ACTIF is committed to/involved in during the year and it is considered that given the time frame, there would just not be sufficient

time and resources to achieve an overwhelmingly successful event - which is the only basis upon which we do it. Added to this, it has been established that there are also a number of competing events that many have made commitments to participate in (exhibitions included), and which would certainly detract from attendance at the ACTIF function. After due consideration of all of these factors, it has been decided to postpone the event to a date to be decided.



As an alternative interim re-orientation of its strategy, ACTIF would now adopt a “meet the buyer” focus as far as the textile and apparel sectors were concerned. This would entail participation at appropriate external trade and exhibition events such as Material World and the Magic Apparel Trade Showcase in the US, and research on possible ACTIF participation will be investigated.

- Material World is known as the largest global sourcing event for fabric, trims and new technologies, providing direct access to fabric buyers and sourcing managers throughout the United States and the Americas, with attendance being put at about 30,000.
- Magic started some seventy years ago, its main focus being on branded apparel sourcing and fashion, showcasing the \$181 billion US apparel industry. It is reportedly the best show of its kind, with around 100,000 buyers passing through the event. It also incorporates a ‘Seminar Series’ staged for the duration of the event and covers a variety of topical subjects, an area that ACTIF could participate in.



ACTIF will be also be researching participation at trade shows worldwide, not just in the US, as in the new global economy, many brands and retailers had shifted international focus and had established major outlets in Europe and Asia.

#### **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 is working 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 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.

**"...ESADA's core mandate is to promote trade of high quality dairy products..."**

**Kip Arap Lang'at,  
Executive Director of  
ESADA.**

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. There is also evidence that lack of harmonized standards, unclear SPS protocols, and national policies are impeding cross-border trade flow of dairy products and the resolution of these NTB are highlighted in the work plan. This is a sound strategy to pursue, especially as it highlights issues that may inhibit improved domestic production and consumption.

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, Parmalat 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.

We have also received information that the privatization of the Dairy Corporation is imminent and the ownership and management of that organization by a legitimate business concern will factor greatly into the development of the dairy industry in Uganda and will have a positive affect on the cross-border trade of processed products (i.e. UHT milk).



☞ **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](http://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.



Uganda Dairy Processors Association, one of the national-level associations receiving assistance.

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 counties that otherwise would not be able to afford membership. ESADA has also signed a "reciprocal" membership MOU with the Indian Dairy Association and they attended the Kampala ADC in Kampala as the chief guest.

☞ **COMESA MOU.** COMESA and ESADA signed an MOU of mutual collaboration in May 2006 at the African Dairy Conference and Exhibition held in Kampala, Uganda. Signed by Mr. Erastus Mwencha, the Secretary general of COMESA and John Anglin, the Chairman of ESADA, the

MOU recognizes ESADA as the leading regional dairy trade association and encourages ESADA to play the private sector role in policy deliberations led by COMESA and its member states.

☞ **South Africa.** ESADA has drafted 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.

Moses Nyabila was invited as the ESADA guest speaker at the annual South African Dairy Technology Symposium in Cape Town SA. Held at Gordon’s Bay Cape Town on 24<sup>th</sup> – 27<sup>th</sup> April 2006, Moses delivered a presentation on the *African Dairy Situation and Investment Opportunities for RSA companies in Africa*. He also used the opportunity to highlight the 2<sup>nd</sup> African Dairy Conference and Exhibition scheduled for Kampala in May, and urged RSA companies to participate.

☞ **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. The next issue is due out soon focusing on the success of the ADC.

☞ **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 2006. Access to appropriate dairy production and processing equipment is a key issue and ESADA has linked a local Ethiopian equipment/input distributor, AI Impex, to known equipment manufactures and suppliers, many of whom are listed in the [www.dairyafricatrade.com](http://www.dairyafricatrade.com) directory.

AI Impex was very active at the ADC in Kampala aggressively marketing its products with participating delegates from the processing sector. Through the new USAID/LOL dairy project, Ethiopia was well represented at the ADC with six delegates from dairy companies and cooperatives. Their attendance was of great benefit in linking them to Indian, South African and East African suppliers.



**John Anglin, Chairman of the Board of ESADA, signing an MOU with COMESA at the 2<sup>nd</sup> Annual ADC Conference.**



H.E. Yoweri K. Museveni, President of the Republic of Uganda officially opened the 2<sup>nd</sup> Annual ADC event.

**“ ...This Conference and Exhibition under this year’s theme African Dairy: Rising to the Challenge is part of the African led solutions that we leaders have been calling for...”**

**H.E. President Yoweri K. Museveni**

☞ **Zimbabwe.** Dr. Lang’at, the new Executive Director of ESADA, attended the annual general meeting of the Dairy Farmers Association of Zimbabwe on June 28<sup>th</sup> to introduce ESDA to their membership and to promote the ADC scheduled for Zambia in 2007. Dr. Lang’at was accompanied by Sandress Nyirenda, the new ESADA Chairman who representing both Zambia/Parmalat and ESADA. They were able to make key contacts with other visiting dairy officials from South Africa and Mozambique and created significant interest in the next ADC.

**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 (see KRA 3.2).

**Activity 4. 2nd African Dairy Conference and Exhibition -Kampala.** Over 200 people from over 20 countries converged in Kampala’s picturesque Speke Resort at the shores of Lake Victoria to take part in the 2<sup>nd</sup> African Dairy Conference and Exhibition (2<sup>nd</sup> ADC & E). Under theme “African Dairy: Rising to the Challenge”, the event highlighted the opportunities and challenges facing the sub Sahara African dairy industry.

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.

☞ **Conference.** H.E. Yoweri K. Museveni, President of the Republic of Uganda officially opened the event. In his opening address, President Museveni has said the surest way Africa can overcome poverty and transform is by focusing on developing infrastructure, value addition of goods and opening up markets for goods and services. He implored Africans to strive for more than food security citing commercial dairy farming as an example, declaring that subsistence farming will never deliver Africa from poverty and malnutrition.

For three days, conference participants had the opportunity to listen to than 27 excellent presentations and speeches addressing the needs of the African dairy industry. The presentations focused on key value chain constraints and marketing and trade opportunities facing the regional dairy sector. Notable attendees included Mr. Aminesh Banerjee, President of India Dairy Association and Mr Jack Gherty, former President and Chairman of Land O'Lakes, Inc. In his key note address, Mr Aminesh Banerjee cautioned the African dairy industry against over reliance on donor aid and encouraged them to find ways to reduce the gap between the farm gate price of milk and retail. Jack Gherty challenged the dairy industry to strive for competitiveness in whatever they could do to survive the global onslaught.



**Jack Gherty, former CEO of LoL** addressing the delegates on characteristics of good leadership skills.



**The conference was well attended with over 200 participants attending from over 20 countries.**



**The Head Table included an impressive group of dairy luminaries including the president of the IDF, the head of the IDA.**



**Dr. Aminesh Banerjee, President of India Dairy Association** recalling the success of Operation White Flood in India.



**Mr. John Anglin, Chairman of ESADA,** presenting a gift of long steer horns to President Museveni.



**Mr. Christian Robert, Director General of the International Dairy Federation** receiving a membership check from ESADA.

**Exhibition.** The event attracted over 27 exhibitors from 14 different countries including India, South Africa, The Netherlands, France, Zambia, Uganda, UAE and Kenya. Exhibitors included dairy processors, packaging materials and equipment suppliers, manufactures and distributors of food ingredients, and veterinary pharmaceuticals suppliers.

Feed back from the exhibitors and participants indicate high levels of satisfaction with the overall organization of the 2<sup>nd</sup> ADC & E including conference presentations, participant mix and exciting social events. Exhibitors confirmed that they had made valuable contacts, conducted significant business meetings and that attending the event was an overall excellent investment of their time and finances.



**Brookside Dairies set up a very impressive milk bar that proved very popular with the participants.**



**Visitors were greeted with local entertainment during the Exhibition.**



**President Museveni visiting a local Ugandan cheese processor during his tour of the Exhibition.**



**Local dairy producers visiting some of the booths at the Exhibition.**



**US Ambassador to Uganda visiting the ADC Exhibition with ESADA board members.**



**Many local dairy processors took booths at the Exhibition.**



Paramount Dairies Ltd



Some of the many private sector sponsors for the 2<sup>nd</sup> Annual ADC.

The conference delegates were treated to an array of exciting social events which included a welcome reception with entertainment, an African cheese and wine tasting, special Indian dinner and live show, tours of the source of the Nile, Chimp Island Sanctuary and the City of Kampala. These events and other conference activities were commercially sponsored by Paramount Dairy, Combibloc SIG of UAE, Tetra Pak, Celtel, KLM-Kenya Airways, SN Brussels and USAID/RATES.

The conference was closed by the United States Ambassador to Uganda, Mr. Steven A. Browning, who emphasized the need for dairy processors in the region to work together to overcome challenges of supply chain inefficiencies, low milk consumption and stiff competition from other beverages. He said the US government through such programs as the Regional Agricultural Trade Expansion Support Program (RATES) and Land O'Lakes will continue to partner with regional governments and the private sector to promote the growth and development of the dairy industry in Sub-Saharan Africa.

**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.



United States Ambassador to Uganda, Mr. Steven A. Browning emphasized USAID's commitment to the dairy sector.

☞ **Trade Dispute Initiative.** A landmark meeting of key government agencies and leading commercial dairy firms met for the first time on March 24<sup>th</sup> in Arusha for the 1<sup>st</sup> 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 included:

- 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.



Discussions at the dairy roundtable in Arusha resulted in increased cooperation among EAC dairy decision makers and the private sector.

☞ **Zambia- Kenya trade dispute.** This dispute involves the rejection of Kenyan UHT milk imported into Zambia in 2004. ESADA and RATES, through COMESA intervention, have taken the lead in resolving the dispute. Kenya has prepared and submitted a response to the Zambian audit report, addressing the concerns voiced by the Zambian team. The next step is to bring key officials from both countries together for a round table discussion to conclude the dispute and set a way forward to commence trade. The ESADA office and the RATES representative based at COMESA, Lusaka, are following up.

☞ **East Africa Cheese and Wine Festival.** ESADA has a partnership with Exclamation Marketing Ltd. of Nairobi to hold the first wine and cheese event in Nairobi in August 26. Agro-Expo from South Africa has agreed to sponsor the cost of Christian Hansen of Denmark, a well-known cheese specialist to assist in the judging of the cheeses. Hansen will also conduct a training course preceding the event for ESADA cheese processing members.

**CALLING ALL CHEESEMAKERS!**

EASTERN AFRICA  
**cheese & wine festival**

SATURDAY 26th AUGUST 2006  
CARNIVORE GROUNDS

Cheese and wine tasting,  
product exhibitions,  
entertainment, family fun-day

AN ESADA EVENT • ORGANISED BY EXCLAMATION MARKETING LTD

The Premier Eastern Africa Cheese Festival will take place in Nairobi, Kenya on Saturday 26th August 2006 at the Carnivore Grounds. The event is set to bring together manufacturers, suppliers, importers, exporters and distributors in the cheese and dairy industry, and related products such as wines, delis and kitchenware, to showcase their goods to consumers.

- Promote your products
- Sample to consumers
- Demonstrate product usage
- Learn the latest technology in cheese making
- Get orders for your products
- Interact with industry experts
- Attend a seminar featuring top South African Cheese expert - Kobus Mulder and Bel expert P. Massiera amongst others.

To book your stand or sponsor the event,  
contact Carole on Tel: 254 20 444 2266  
cheese.fest@exclamationmarketing.co.ke  
info@exclamationmarketing.co.ke




## **PIR 2: Increased institutional capacity to sustain agricultural trade.**

**“RATES is supporting the ability of implementing partners to provide important trade support services on a sustainable basis.”**

**Tom Carr, RATES program**

**Introduction and approach.** Work under this component is linked to the support to regional trade association 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 (now USAID East Africa) 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 some of the partner institutions which RATES will work with during the course of project implementation. The goal will be to put the PIVA Index for RATES partner institutions into place 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 where REDSO has already initiated the PIVA process and other regional and national-level organizations that are at a more nascent level.

#### **Progress to date:**

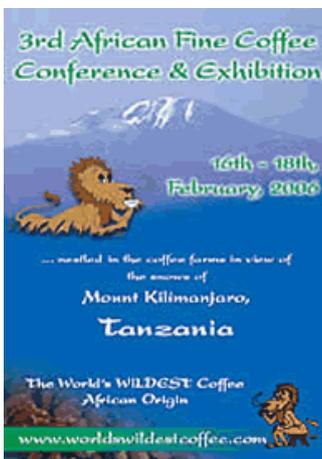
**Activity 1: Provide targeted support to EAFCA.** This activity is cross-linked to the work under KRA 1.1. RATES is assisting EAFCA to provide market and technical development services that support and add value to the programs of its members, promote aggressive regional and international market development,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

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 and programs that have been lacking at the Secretariat (see KRA I.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 and 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 later this year to develop sound work plans and fiscal budgets for next year, FY 2006/07.



EAFCA's institutional strength and operational reputation stands it in good stead in attracting donor funding. The Swedish Chambers, 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 last 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 is relying 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. Last 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. Work has started this quarter on the planning and preparation on the AFCCE taking place in Addis Ababa in February 2007.

☞ **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, 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.



**Dr. Kipkirui Lang’at (left), the new full-time Executive Director, greeting President Museveni at the ADC conference in Kampala.**

RATES is providing the services of Moses Nyabila, the Dairy Marketing Specialist to focus on specific trade and marketing activities (see KRA 1.5), 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 got a new face lift this quarter with the recruitment of Dr. Kipkirui Lang’at as its new full-time Executive Director. Dr. Lang’at, a veterinarian by profession, will start the recruitment process for a new Program Manager and will instigate new office systems and institutional management manuals for staff policy, accounting, and procedures.

A new ESADA Chairman was elected at the Board meeting held in Kampala on May 23<sup>rd</sup>, prior to the start of the African Dairy Conference and Exhibition. Sandress Nyirenda, the current Chairman of the Zambia Dairy processors Association, is the Marketing Director for Parmalat Zambia. The rest of the Board continues their two-year term with one year remaining.

ESADA was officially registered last quarter which opened the door to more independent operations. The MOU with KAM was allowed to lapse on its February 2006 date and ESADA moved decisively on opening new bank accounts and recruiting a part time accountant. RATES assisted the



**Sandress Nyirenda, the new ESADA Chairman introducing the US Ambassador to Uganda at the ADM in Kampala.**

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.

☞ **Membership strengthening.** Dr. Lang'at will address ESADA membership issues that need 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), and close collaboration and communication is required to ensure that a smooth working relationship is maintained to achieve desired results.

☞ **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.

**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. The ACTIF Steering Committee met in Nairobi on June 21<sup>st</sup> 2006 and agreed unanimously to dissolve both the Steering Committee and the Executive Committee. Elections for the

 **Become a Member!**

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first Board of Directors and Board Officers took place on the 22<sup>nd</sup>, and Jas Bedi, was elected Chairman for a two-year term. The first task will be to confirm ACTIF membership through a formal application process. Technical Program Committees also met in July and reconfirmed their program outlines with minor adjustments.



The outgoing ACTIF steering Committee formally endorses a Board of Directors.

👉 **Institutional Design.** RATES has prepared the Articles of Association and Memorandum of Association to register ACTIF as a Limited Liability Company without Share Capital. We are working with a Nairobi lawyer to complete the documentation and formally register ACTIF in Kenya; registration should be completed in July 2006. The institutional design (completed in January 2006), approved by the steering committee has been converted into a draft set of bylaws which is being reviewed by the ACTIF members.

👉 **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 July 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 (06/07).

👉 **Planning and Finance.** In July 2006, RATES assisted ACTIF members to develop an aggressive five-year long-term strategic plan. This strategic plan will influence the development of the annual work plan for 2006/07 which will be ready in September 2006. John McGrath of Imani Consultants was contracted to facilitate the development of the plan.

👉 **Membership Strengthening.** It was agreed in July at the Steering Committee meeting in Nairobi that ACTIF needs a clear commitment from the national membership structures that forms the membership foundation of ACTIF within the COMESA and SADC regions. Without this commitment, through a formal application/agreement process, the formation of ACTIF will stall. At the same time, it is recognized that many of these nationally-based trade associations are still in the formative stages and



The ACTIF Steering Committee in session developing a strategic plan for the organization.

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 at a conclusion on this concept.

☞ **COMESA 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 AMPRIIP 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.

☞ **National and Regional Capacity Building.** 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.

- **Eastern 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. Work done to date include:
  - RATES has prepared the institutional design, already approved by the steering committee last quarter, and will move to have the EAGC registered by the end of next quarter 2006. Articles of Association and memorandum of Association for a Limited Liability Company without Share Capital have been drafted and are being submitted for registration with the assistance of a Nairobi lawyer.





- RATES has contracted a local firm to prepare the first business plan of the council which will be instrumental in recruiting local donor support.
- Another consultant was contracted to prepare the operational manual, also important to EAGC start-up in July/August 2006
- **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. Steve Njukia and Pam Chesire met with the Malawi stakeholders in July 2006 to finalize the details and 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).

**Table 5. Web statistics for [www.tradeafrica.com](http://www.tradeafrica.com) for the 3rd 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	58,177		176,574
Average requests	580	789	655		2,024
Distinct pages requested	2,205	2,405	2,729		7,339
Distinct Hosts Served	1,948	2,562	3,699		8,209

[www.tradeafrica.com](http://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.

**Table 6. Web statistics for [www.cottonafrica.com](http://www.cottonafrica.com) for the 3rd 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	214,362		483,217
Average requests	1,309	1,787	2,446		5,542
Distinct pages requested	3,953	4,282	5,531		13,766
Distinct Hosts Served	4,923	7,071	10,274		22,268

[www.cottonafrica.com](http://www.cottonafrica.com) continues to experience continued interest from the cotton textile industry with a steady increase in users. [www.cottonafrica.com](http://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](http://www.RATIN.biz) for the 3<sup>rd</sup> 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	46,059		140,932
Average requests per day	560	633	672		1,865
Distinct files requested	8,978	7,685	8,263		24,926
Distinct Hosts Served	2,870	3,048	3,266		9,184

Likewise, [www.ratin.biz](http://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 USAID East Africa'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 2<sup>nd</sup> annual scientific workshop. This meeting is growing in importance a over 50 researchers attended a 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 policy decision makers, 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.

#### **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 1: Harmonize trade policies and regulations.**

This activity focuses on working with policy making institutions and decision makers 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 level 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 removal of non-tariff



barriers (NTBs) to and simplification of border formalities for cross-border agricultural trade, harmonizing grades and standards as well as 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 to facilitate consensus building paving the way for implementation of agreed measures.

☞ **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 standards have since been circulated to National Standards Bureaus for their input and comment in consultation with stakeholders in the respective countries. The comments will be considered during the upcoming COMESA standards committee meeting in 2006 at which the maize standards developed by COMESA and the EAC which currently have some variations will be harmonized into a single composite regional maize standard. Once a regional standard has been adopted, future work involves building capacity for the relevant government authorities particularly at international borders, handling cross-border maize trade, to effectively administer the new standards.



○ **Regional/EAC dairy standards.** Copies of the EAC standards were sent to ESADA members for their review and comments. National consultations on EAC Dairy standards covering the following products progressed to final stages in readiness for the regional consultative meeting: (1) Butter and whey butter, (2) unprocessed whole milk (raw milk), (3) condensed milk (4) yogurt, (5) Pasteurized milk, (6) (UHT Milk (7) Dried whole milk and skimmed milk powder. A regional meeting to facilitate the harmonization of the three countries' comments and integration of the harmonized comments into the regional standards is envisaged in the 4<sup>th</sup> quarter.

☞ **Harmonized SPS standards for dairy.** The RATES policy team through ESADA has been working closely with COMESA and EAC towards preparation for a dairy SPS protocol geared towards providing sustainable solution to the SPS related trade barriers to regional trade in dairy products. The regional SPS Dairy Protocol has been completed to draft level. The Protocol is due for circulation to the SPS Competent Authorities and private

sector dairy processors and traders for comments ahead of a regional forum to deliberate on the protocol as an instrument to enhance cooperation on management of SPS measures in the interest of facilitating trade in dairy products.

☞ **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. These papers were considered at three high-level COMESA policy meetings, namely, the Trade and Customs Committee (held in Lusaka, Zambia in April 2006), Intergovernmental Committee and Council of Ministers (held in Kigali, Rwanda in May 2006). RATES participation helped to obtain commitment from COMESA Trade Ministers on facilitation of regional agricultural trade and the need to remove barriers to such trade. Interaction with senior policy decision makers at these high-level meetings, also helped RATES to develop a better appreciation of the issues and challenges facing COMESA as COMESA seeks to consolidate the current Free Trade Area (FTA) and move towards a Customs Union by December 2008, the establishment of a COMESA Common Investment Area (CCIA) and COMESA’s position in multilateral negotiations under the EPAs (European Union) and WTO negotiations among others.



COMESA Trade Ministers meeting in Kigali.

☞ **Briefing of COMESA Trade Ministers.** During the COMESA Council of Ministers meeting held in May in Kigali, Rwanda, a dedicated forum was held to brief COMESA Trade Ministers and senior officials including Ambassadors on RATES activities and regional agricultural trade, highlighting successes and policy issues affecting regional agricultural trade. The RATES Chief of Party, Steve Walls and Technical Director Tom Carr presented the debriefs. This was a major advocacy success for RATES to get all the COMESA Trade Ministers in one room to obtain insights into RATES activities in coffee, cotton and textiles, dairy and maize and regional agricultural trade in general.

**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. During the quarter several submissions were received from a number of COMESA countries providing valuable information and insights into the specific circumstances of member States which need to be addressed if the COMESA-STR is to be implemented effectively. It is evident from these submissions that a blanket solution will not work. Rather, what is required is a regional framework tied to the specific situations of some countries. For example, countries like Ethiopia and Sudan with exchange controls in place require a different approach to countries like Zambia with fully liberalized exchange regimes which allow for free flow of currencies across borders. There is thus need for further consultations with selected member States to address their specific concerns. In addition, it is evident that training of border officials and traders is necessary to obtain buy-in on the system before start of actual implementation. The COMESA Trade and Customs Committee which met in Lusaka in April 2006 and the Council of Ministers which met in Kigali in May 2006 decided that in view of the foregoing considerations, the coming into effect of the COMESA-STR be deferred from July 1 to September 1, 2006 to accord countries adequate time to put the necessary instruments in place for the start of implementation. RATES has started the process of working with individual countries to implement the system.

**“This dairy roundtable meeting offers, for the first time, a forum for key policy makers and the private sector to discuss issues inhibiting trade in the EAC countries”**

**Bernard Kagira  
RATES**

☞ **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 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. The roundtable helped to table the issues surrounding cross-border trade in raw milk thus providing a basis for their resolution. It also helped to break down suspicions thereby helping to foster mutual trust and recognition of the interdependency of the three countries on cross-border milk trade. As part of this process, the Dairy Boards/Authorities have undertaken to provide information on the import/export regulations and requirements in each country for dairy trade as a way of promoting transparency in the management of cross-border milk trade and to spearhead development of EAC dairy standards.

☞ **Engage Kenya and Tanzania on Removal of PSI.** Kenya, through the Kenya Bureau of Standards (KEBS), has introduced ‘Pre-Export Verification of Conformity (PVoC) to standards’. PVoC is applicable on selected products. All RATES’ focus products (maize, dairy, coffee and fabric and textiles) are subject to PVoC. Tanzania has introduced a similar practice termed “Destination Inspection”. Both these practices are a form of NTB and add to the cost of doing business as importers are required to pay a fixed percentage of the value of imports to cover these requirements. The COMESA Council of Ministers at their May meeting in Kigali expressed concern on the PVoC)

currently being applied by Kenya, since the practice constituted an indirect form of pre-shipment inspection and led to increased transaction costs and delays in clearance of goods. RATES engaged KEBS to make a case for the exemption of regionally sourced agricultural products from this requirement. However, this is a delicate matter as it has revenue implications and RATES will continue to engage both Kenya and Tanzania to resolve this matter.

### **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](http://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. Positive feedback has been obtained from users in the COMESA countries who have indicated that the website fills a critical information gap. It is however, evident that the process of data collection to expand the content is a much more involving one than earlier envisaged because of the difficulties of getting timely responses from the countries concerned. This is however, a challenge that RATES is coping with. Discussions have also been held with COMESA to expand the scope of Tradecomesa to meet the needs of the COMESA Business Council (CBC), subject to additional funding being made available by COMESA.



☞ **MOU between COMESA and ESADA.** RATES facilitated the conclusion of a Memorandum of Understanding (MOU) between ESADA (Eastern and Southern African Dairy Association) and COMESA to serve as the basis for closer collaboration between the two organizations in promoting favorable policies in dairy across the dairy value chain. A brief ceremony was held during the 3<sup>rd</sup> African Dairy Conference and Exhibition held in at Speke Resort, Munyonyo, Uganda in May 2006 to sign the MOU. The MOU will facilitate

ESADA participation in relevant COMESA technical and policy meetings and this will enable key COMESA decision makers to be regularly updated by industry players on developments and issues affecting the dairy sector in the region. This also ensures sustainability of policy dialogue between industry players in the dairy sector and policy/decision makers in COMESA.

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

This activity is intended to provide synergies between RATES and relevant programs in order to evolve effective coordination, information sharing and value addition to each other's programs and activities.



**COMESA and ESADA signing the MOU in Kampala.**

☞ **Actualization of the IPPSD Strategic Planning Retreat.** During the second quarter, RATES through the Lusaka Office facilitated the IPPSD Division of COMESA to convene a one-day Strategic Planning Retreat. The aim was to re-orient the Division from a reactive ad-hoc approach to managing its activities to a proactive systematic approach in the design and implementation of its programs in agriculture, industry and private sector development to ensure that the division is focusing on a limited number of priorities and achievable results. During the second quarter, RATES assisted COMESA's IPPSD Division to implement some of the recommendations of the retreat. As a result of this, the following results were realized:

- Quarterly reporting of progress which will be consolidated into an Annual Progress Report for IPPSD. This is something new for the Division and will help track and report results on a systematic basis.
- Defining milestones for 2007. Each Unit within IPPSD has now defined milestones for 2007 as part of the process of preparing a consolidated Annual Work Plan for the Division for 2007 to match activities with resources and to facilitate better tracking and reporting on results.
- Working with the COMESA Trade Statistics Division to define a set of indicators which will be tracked and reported over time and which will provide a basis for preparing an Annual Statistical Bulletin for COMESA's

Agricultural Program for dissemination to COMESA member States and other stakeholders.

- **RATES participation in Strategic Leadership Program.** The RATES Policy Advisor prepared a paper on “Value Added Exports in COMESA” which he presented to the Fourth Strategic Leadership Program (SLP IV) held in Kigali on May 16, 2006 targeted at senior COMESA policy makers and various donors supporting COMESA. The models being developed by RATES of creating trade constituencies around commodity specific trade associations were seen as a positive step in providing the basis for building capacity for sustainable value addition in the region. The objectives of the SLP IV were among others to, review progress in implementing the recommendations of the of SLP I-III; provide vision for the role that COMESA should play in the unfolding regional, continental and global environments; and to promote better practices in institutional arrangements, infrastructure development and promotion of valued added exports. USAID/East Africa supported COMESA’s Strategic Planning Division to convene the SLP IV.
- **Linkages between ACTIF and COMESA.** During the quarter, RATES facilitated linkages between ACTIF (African Cotton and Textile Industries Federation) and COMESA’s Trade Division with the participation of the COMESA Senior Trade Advisor, Mwansa Musonda, to the ACTIF Steering Committee held in Nairobi in June 2006. This helped COMESA to develop insights into practical issues facing industry in cotton and textiles, thus providing a basis for COMESA to devise its policies based on actual industry needs. In turn, ACTIF developed an appreciation of COMESA’s role in international trade agreements negotiations under WTO, EPAs and AGOA where cotton and textiles is a major issue. Both ACTIF and COMESA have acknowledged that this partnership and collaboration is mutually beneficial and should be sustained.



**COMESA attended the ACTIF Steering Committee meeting in Nairobi.**

**“ Starbucks, one of the major global players in the coffee industry, announced plans to triple the volume of coffee beans it buys from Ethiopia and the other coffee producing African countries beginning the 2007 season year...”**

**Hayal Alemayhehu  
The Daily Monitor, June 30<sup>th</sup>, 2006**

### **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 (KRAs 1-4) and Capacity Components (KRA 2.1):

**Activity 1: Identify and facilitate market linkages in RATES supported activities.** Tasks under this activity 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:

☞ **Coffee.** As discussed in PIR 1.1, RATES continued to provide support to EAFCA to hold a number of market promotion activities. As a result of these efforts, the region has experienced an increase interest in African coffees. Major coffee buyers such as Starbucks are gearing up their buying of specialty coffees from the region and have begun to provide dedicated technical support to a number of producers in the region. Some of the notable activities this quarter:

- **Meet the Buyer Event - SCAA, April 7-10, Charlotte North Carolina.** EAFCA once again “stole the show” with its signature “Meet the Buyer” event held at the Charlotte Museum of History. Over 220 guests attended the event that has been a key networking tactic for EAFCA for the past three years.

RATES has been assisting EAFCA in the hosting of special “Meet the Buyer” events since the 2003 SCAA Conference



The EAFCA “Meet the Buyers” event in Charlotte was well attended by international buyers.



European Buyers visiting a coffee washing station in Rwanda.

and they have become increasingly popular with the buying sector and have 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.

- **SCAE Rwanda Tour, Rwanda, April 30<sup>th</sup> – May 6<sup>th</sup>, 2006.** This first-time one-week event was organized by the Specialty Coffee Association of Europe with logistical support provided by RATES and USAID/ADAR. The event was attended by 19 European participants from Ireland, UK, Norway, Ukraine, and Lithuania who spent the week touring 11 washing stations and dry mills operated by private sector investors and cooperatives based in Rwanda. RATES and ADAR sponsored a special EAFCA Chapter “Coffee Club” function with over 60 participants from the Rwanda coffee sector and their European guests. Officials from USAID/Kigali and the American Embassy were also in attendance and were able to witness first hand the dynamics of EAFCA and their reciprocal
- **South Africa promotion.** 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,
- **Conservation coffees.** 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.
- **Private sector support.** RATES supported EAFCA in meetings with Starbucks to have this major US coffee roaster become a major sponsor of the 4<sup>th</sup> 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



Dave Gibson of Chemonics discussing conservation coffees with Jane Goodall.

meetings at the EAFCA booth between Starbucks and Kenyan officials during the SCAA show in Seattle.



☞ **Maize.** As mentioned in KRA 1.2, the maize component is focused on improved trade facilitation and manages two complementary websites: [www.ratin.net](http://www.ratin.net), a market information site, and [www.tradeafrica.biz](http://www.tradeafrica.biz), a trade linkage site. A few trade linkages noted through the trade office included:

- Rwanda to Burundi via Zambia: Rwandese trader, Sam Rubagumya linked to Zambia Miller (Superior Milling) to buy 5000mt of white maize and unimix for Burundi (Government) at 350/mt and 507/mt respectively.
- Grace Mijiga of Malawi GTPA linked to Lesotho trader, Padusto CC to buy 5,000mt of white maize. Offer at 350/mt.
- Kenya Trader, Mr. Kivuvani linked to NCPB Moi's Bridge and Wakulima Traders Association in Moi's Bridge to supply Tanzania market with 4000mt of maize. An indicative price offer of USD 256/MT.

..."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"**

☞ **Cotton/textiles.** A number of trade deals have developed through the networking taking place as a result of [www.cottonafrica.com](http://www.cottonafrica.com). Below are samples of a few:

- The PILGRIM apparel brand from Hamburg, Germany has been linked to cotton lint suppliers in Africa as a project to promote REAL TRADE (a German version of 'Fair Trade', aiming to develop trade with Africa). The fashion brand PILGRIM is searching for suppliers of cotton from Africa for use in apparel woven and knitted apparel. The potential for this linkage, which has been created through cottonafrica.com and with the trade office direct, is large and is poised to generate many millions of dollars worth of orders for African suppliers.
- Bedi Investments Ltd and Sun flag of Kenya have started linkages with South Africa to introduce kikoyis (a product that has been traditionally confined to east Africa) to new markets in southern Africa. Initial interest and demand has been exceptionally high – a good example of exporting the 'culture' and 'traditional' products from one region, into another new African



market. The “Kikoyi African Wrap” is becoming very popular in the beach tourism market.



- Sochema Co., one of the largest trading companies in Cairo with more than 20 years of experience in commercial, industrial and business development fields in Egypt, has been successfully linked to cotton yarn suppliers from Swaziland, Kenya, Zimbabwe, South Africa and Mauritius. The company is exploring the possibility of importing 30,000 to 40,000 MT of cotton yarn annually from eastern and southern Africa, a potential market value of \$100 million. Egypt only produces LS (long staple) and ELS (extra long staple) cottons and therefore to feed its mills with the required shorter staple fiber, Sochema has to source from outside. It is now looking at Africa, to substitute from its traditional suppliers in Greece.
- Uganda has moved a step ahead in beating the September 2007 expiry of third party fabric sourcing under the AGOA initiative by clinching a deal with an American investor to set up a spinning, weaving and dyeing mill. The new \$20m investment is a joint venture between Tri-Star Apparel and ISIS Pacific Capital Inc, a New York-based textile and garment company.

**“We have to take advantage of the locally produced cotton to add value which will result in significant cost savings especially with Uganda being a land- locked country, and to strengthen Uganda’s position as a supplier to AGOA eligible countries within the region,”**

**James Langford  
President Pacific Capital**

The proposed mill will be set up within the existing Tri-Star premises at Bugolobi in Kampala within six months. Pacific Capital has for the past two years been buying garments from Tri-Star. James Langford, the Pacific Capital President, who briefed President Yoweri Museveni on the project, said the necessary equipment had been sourced out of the US to utilize locally produced cotton. “We will ensure that we are able to use locally produced fabric not only for our own production but also export international quality fabric to the AGOA eligible regional markets”.

☞ **Dairy.** Dairy has also benefited from the formation of ESADA and a number of international firms are using ESADA a market linkage facilitator. As mentioned in section KRA 1.4, the ADC offered a perfect opportunity for networking and deal making. Some important linkages shaping up:

- **Exhibition.** The event attracted over 27 exhibitors from 14 different countries including India, South

Africa, The Netherlands, France, Zambia, Uganda, UAE and Kenya. Exhibitors included dairy processors, packaging materials and equipment suppliers, manufactures and distributors of food ingredients, and veterinary pharmaceuticals suppliers.

- **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 July 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.



Deals and relationships forming during the ADC conference.

**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. These are well described in other sections of this report. Below (Table 7), we highlight some of total results of the direct private sector involvement in RATES activities including workshops, trainings and other promotional activities for the first half of FY 06.

**Table 7: Number of private sector involved in RATES activities for the first half of FY 06.**

Indicators	Totals Oct 05-Mar 06
Number of agriculture-related firms benefiting directly from interventions	581
Number of male individuals who have received training	790
Number of female individuals who have received training	210
Number of producers' organizations, water user associations, trade and business associations, and CBOs assisted	132
Number of women's organizations/associations assisted	12
Number of public-private partnerships formed	18

#### **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 quarter, 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 continuing to review and maintain all operational management systems which are already in place and identify any areas that need revision to improve efficiency. RATES continues to provide support for staff recruitment, often pertaining to RATES supported association organizations, maintaining up-to-date personnel tracking systems, and conducting 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 USAID, 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.



“Meet the Buyers” event held in Rwanda by the RATES-supported Rwanda Fine Coffee Association.

**Partners’ Fund.** RATES received a number of Partners Fund applications this quarter and worked on conducting reviews of each application. Several applications were of particular interest to RATES. The Schluter group submitted a Partners’ Fund application focusing on quality improvement of the Kivu Arabica coffee in the Lubero/Beni area of the DRC which was of particular interest to RATES and is being followed up during the 4<sup>th</sup> quarter.

Following up on the FARA awarded to the Rwanda Fine Coffees Association (RFCA) in March, 2006, the 3<sup>rd</sup> quarter saw RATES supporting the grant further by sending Chris Von Zastrow to participate in the Specialty Coffee Association of

Europe's (SCAE) field trip to Rwanda. The Partners Funding covered the costs for the visit of the coffee washing stations in the field as well as a number of events that the RFCA organized in order to promote the Rwandan coffees to the visiting SCAE members.

**“RATES is very pleased to be part of the Rwanda success story and to be able to support the Rwandan coffee industry in finding new markets in Europe.”**

**Diana Walls  
RATES Partners Fund  
Manager**

In addition to the above new FARA, RATES continued to work closely with its other grant recipient, the Jane Goodall Institute/Tanzania in assisting them to implement their technical program. 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 successful African Dairy Conference which was held in Kampala in May, 2006.

#### **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 third 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 98 % of obligated funding. The RATES COP is working closely with the mission to facilitate the completion of Modification 9 that will add the necessary funding to the program.