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RATES PROGRAM

**Third Quarter Progress Report – FY 2008
April 2008 to June 2008**



July 15, 2008

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



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Acronyms

ACA	African Cotton Association
ACTESA	Alliance for Commodity Trade in Eastern and Southern Africa
ACTIF	African Cotton and Textile Industries Federation
ACP	Africa Caribbean and Pacific
AFCCE	African Fine Coffee Conference and Exhibition
AGM	Annual General Meeting
AGOA	African Growth and Opportunity Act
APEP	Agricultural Productivity Enhancement Program
ASARECA	Association for Strengthening Agricultural Research in East and Central Africa
CAADP	Comprehensive African Agricultural Development Program
CCIA	COMESA Common Investment Area
CFC	Common Fund for Commodities
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
C-T-A	Cotton, Textile and Apparel Continuum
DFID	Department for International Development
DRC	Democratic Republic of Congo

DRLEF	Djibouti Regional Livestock Export Facility
EAC	East African Community
EAFC	East African Fine Coffee Association
EAGC	East African Grain Council
ECA Hub	East and Central Africa Global Competitiveness Hub
ECAPAPA	Eastern and Central Africa Program for Agricultural Policy Analysis
EPA	Economic Partnership Agreement
ESA	East and Southern Africa
ESADA	Eastern and Southern African Dairy Association
FARA	Fixed Amount Reimbursable Agreement
FEWS NET	Famine Early Warning System Network Project
FOODNET	Post Harvest and Marketing Research Network for Eastern and Central Africa Project
FSD	Financial Services Deepening Trust
GDA	Global Development Alliance
GHA	Greater Horn of Africa
GMO	Genetically Modified Organism
GPS	Global Positioning Systems
GTPA	Grain Traders and Processors Association
HS	Harmonized Standard
IBAR	Inter-African Bureau for Animal Resources
ICAC	International Cotton Advisory Committee
ICO	International Coffee Organization

IEHA	Initiative to End Hunger in Africa
IGO	Intergovernmental Organization
IT	Information Technology
ITI	International Technology Investment Ltd.
ITMF	International Textile Manufacturers Federation
JGI	Jane Goodall Institute
KEBS	Kenya Bureau of Standards
KMDP	Kenya Maize Development Project
KRA	Kenya Revenue Authority
KSA	Knowledge sharing and Analysis Project
LOL	Land O'Lakes
M&E	Monitoring and Evaluation
MOU	Memorandum of Understanding
NEPAD	New Economic Partnership for Africa's Development
NFRA	National Food Reserve Agency (Malawi)
NSB	National Standards Bureaus
NTB	Non Tariff Barrier
NWG	National Working Group
OE	Organic Exchange
PIR	Project Intermediate Result
PIVA	Partner Institutional Viability Assessment
PMP	Performance Monitoring Plan

RATES	Regional Agriculture Trade Expansion Support Program
RATIN	Regional Agricultural Trade Intelligence Network
REDSO	Regional Economic Development Services Office
REGI	Regional Economic Growth and Integration
RTFP	Regional Trade Facilitation Program
RTO	Rates Trade Office
SADC	Southern African Development Community
SCAA	Specialty Coffee Association of America
SCAE	Specialty Coffee Association of Europe
SCAJ	Specialty Coffee Association of Japan
SPS	Sanitary and Phytosanitary
STR	Simplified Trade Regime
TOH	Taste of Harvest
UHT	Ultra High Temperature
USAID	United States Agency for International Development
VCA	Value Chain Analysis
WRS	Warehouse Receipt System
WTO	World Trade Organization
WWC	Worlds Wildest Coffee Conference and Exhibition
ZCGA	Zambia Coffee Growers Association

I. Introduction

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

2. Quarterly Progress by Commodity

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



Nick Hutchinson, Chairman of the EAGC, speaking at the WRS Launch in Nakuru

2.1 Maize/Grains

The maize program, under the banner of “Maize without Borders” is focused on improved trade facilitation through a more structured regional marketing system. Key to the implementation of this program is RATES’ support to grain trade associations throughout the region including the Eastern Africa Grain Council (EAGC) and the Grain Traders and Processors Association (GTPA) of Malawi.

Supporting structured trading activities. The EAGC can play a critical role in the development of a more structured grain trading system in the region. As part of this effort, RATES has been working to increase the capacity of the EAGC to assume a coordination role by supplying traders and producers with the necessary instruments to trade in a more structured manner.

- *Warehouse receipt program launched.* EAGC in conjunction with Kenya Maize Development Program (KMDP) and Regional Agricultural Trade Expansion Support (RATES) officially launched the much-awaited pilot warehouse receipt program (WRS) April 21st at the Nakuru Wheat

Silos in Nakuru. Attended by over 100 guests and stakeholders, this event highlighted the importance of creating a viable public private partnership (PPP) that could make a significant contribution to the recovery of the grain sector in Kenya. In his speech to the group, Dr. Wilson Songa, Agricultural Secretary of the Ministry of Agriculture spoke of the EAGC WRS activity as a perfect public private partnership. The WRS involves private sector participation in every phase of the program, including participation by growers, transporters, traders, storage managers, processors, millers, local banks, and input supply companies. It also involves various public sector organizations including the Ministries of Trade and Agriculture and the National Cereals Produce Board (NCPB). It includes a number of donors who are actively supporting the WRS pilot activity including USAID Kenya, USAID East Africa, the FSD Trust (a multi-donor endeavor) and SIDA.



USAID Kenya's mission director, Ms. Erna Kerst, chief guest at the WRS Launch in Nakuru, spoke of the USG's commitment to the maize sector

USAID Kenya's mission director, Ms. Erna Kerst, chief guest, spoke of the USG's commitment to the maize sector through the KMDP's support to maize producers and farmers associations. She also applauded the RATES program for promoting a "maize without borders" strategy aimed at enhancing grain trade in the region. After making her presentation, Ms. Kerst cut a ceremonial ribbon officially launching the warehouse activity. Other speakers included the Chairman of the Board of EAGC, Mr. Nick Hutchinson, the Executive Director of EAGC, Ms. Anne Mbaabu, a representative from the Ministry of Trade, Ms. Joyce Ogundo who represented the PS of Trade, the CEO of Equity Bank, Dr. James Mwango and Ms. Felistas Ndegwa of the FSD Trust who are providing direct financial support to the EAGC for piloting this activity.

The idea behind warehouse receipts is to have producers store their grain in secure warehouses and use the warehouse receipts as collateral for obtaining credit for immediate financial needs. A certified warehouse management firm will keep the maize in a secure warehouse in order for the farmers to sell their maize later in the year to benefit from increased maize prices that usually occur in months following the harvest.

Although many banks were reluctant to provide credit based on grain as collateral, Equity Bank has stepped up to develop a special financial product to serve this scheme.

Equity Bank's CEO, Dr. James Mwango, spoke of his bank's commitment to the activity and encouraged other banks to step up and participate. He gave an enthusiastic endorsement of the program. Getting more banks involved in the scheme is critical to its success.

To date, over 10,000 (90 kg) bags of maize have already been delivered to the warehouse and Equity Bank has already provided loans worth \$130,000 to producers who have delivered maize to the warehouse and obtained a warehouse receipt.

- *RATES and EAGC Team meet with WFP Executive Director.* The RATES grain trade team and Ms. Anne Mbaabu of the EAGC had an opportunity to meet with Ms. Josette Sheeran, the Executive Director, United Nations World Food Program (WFP) during her recent visit to East Africa region last week. Others in attendance included a number of key players in the grain value chain including a number of key leaders of local Kenyan farmer groups (who are working with EAGC on the pilot warehouse receipt pilot program), transporters, traders, warehouse operators, and Equity Bank who is also active in the warehouse receipt pilot activity.



UN WFP Executive Director Josette Sheeran and EAGC Executive Director Anne Mbaabu

The main objective of the meeting was for Ms. Sheeran's to hear, first hand, from the producers on the impact of soaring food and fuel costs on East African agriculture. The WFP is the largest single buyer and distributor of food in the region. In the past year, WFP has embarked on a program to buy 10% of their regional and local food requirements from small scale farmers. Unfortunately, this initiative has not yet taken off in Kenya.

The WFP is exploring with the EAGC strategies for training and linking farmer groups to WFP procurement programs through the EAGC network. Ms. Mbaabu, the Executive Director of the EAGC, made a presentation on the progress of the Warehouse Receipt pilot program and how WFP can participate by buying the warehouse receipts held by these farmer groups. One problem with local procurement has been the constraints of buying grain directly from individual small holders. By participating in the WRS pilot, the WFP can buy larger quantities of high quality grain that has been certified and inspected by an independent grain handler.

- *EAGC AGM and Special Roundtable on Kenya's looming food crisis.* EAGC held its second Annual General Meeting (AGM) on Thursday April 24th 2008. The AGM was immediately followed by a roundtable discussion where the Kenya Permanent Secretary for Agriculture, Dr. Romano Kiome, joined regional grain industry leaders in an open forum to discuss how best to address the looming food crisis in Kenya. The objective of the round table meeting was to engage both the private and the public sector into a genuine dialogue that would help avert a major food shortage in Kenya. The meeting attracted private sector players from Uganda and Tanzania as well as Kenya as the Kenya shortage has also had an impact on trade with these countries.

Dr. Kiome indicated that the GOK anticipated a deficit of 180,000MT this calendar year that could be managed through cross border trade from Tanzania and Uganda. According to the traders and millers that were present at the roundtable, the deficit is expected to be much higher than the government figure of 180,000MT. The millers indicated that they are already having problems sourcing maize even at the current high prices. The private sector also stressed to the PS that the government would have to act early to reduce the duties on grain if a shortage is expected and it becomes more apparent that the region can't meet the needs of the country.

As a result of this important dialogue with the private sector, the GOK eventually decided to remove the duties on maize, mainly based on the information provided by the EAGC. Kenya is expected to import grain from South Africa over the next few months to meet its food shortage.



NCPB grain silos in Eldoret that may not receive sufficient grain from farmers this year due to effects of the post election violence in Kenya

2.2 Coffee

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

EAFCAs as a leading origin of specialty coffees. With RATES support, EAFCA has played a critical role in raising the awareness of the region's coffees on world markets. The growing interest in African coffees is very encouraging. The market for specialty coffees is expected to continue to grow at a pace of 5-10% for the foreseeable future. Africa is well positioned to capture a greater percentage of this market. In fact, EAFCA has revised its vision to strive to become the number one origin of fine coffee in the world. To fulfill this dream, the region must take further steps to increase quality and quantities of fine coffees to meet this growing demand. Below are a few of EAFCA's ongoing activities:

- *EAFCAs members exhibit at the SCAA Conference and Exhibition.* EAFCA Secretariat sponsored a booth at this year's Specialty Coffee Association of America (SCAA) Conference & Exhibition that was held in Minneapolis, Minnesota from May 2nd to May 5th, 2008. Over 30 EAFCA member companies and organizations from 6 countries attended the SCAA event this year (all self funded). RATES provided a short-term coffee consultant, Kelly Peltier, to provide technical support on organizing the Meet the Buyer event and setting up and running the coffee tasting pavilion. This year's "Meet the Buyer" event "African Coffee Connection" was held this year on a paddleboat docked on the Mississippi river and was sponsored through the RATES Partner Fund and Green Mountain Coffees. Over 60 buyers and sellers attended this popular event. EAFCA networked extensively with international coffee players at the conference and was invited to attend.



The EAFCA booth at the SCAA in Minneapolis was a very popular meeting point as conference goers stopped to enjoy samples of EAFCA fine coffees

- *EAFCAs attends Specialty Coffee Association of Europe, (SCAE) "Wonderful Coffee" event in Copenhagen.* The EAFCA Secretariat organized a group of 16 African specialty producers and exporters to attend the 2008 SCAE "Wonderful Coffee." Conference and Exhibition held in Copenhagen, Denmark from the June 19th – 22nd, 2008. EAFCA sponsored a booth at the exhibition where members networked with buyers and roasters, mainly coming from the EU consuming countries. EAFCA staff manned a tasting pavilion that showcased coffees from 8 member countries. Coffees in the pavilion were selected from the 2007 Taste of Harvest top 5 winners and the 2007 Golden Cup winner from Rwanda.

Increasing domestic consumption. EAFCA has developed a domestic consumption program as a way of increasing awareness in member countries and increasing competition for the best coffees. Part of this effort involves supporting National Barista Competitions to select African baristas to compete in the World Barista Competition

- *Kenya 4th National Barista Champion.* EAFCA and the local Kenyan retail industry held the 4th Annual Kenya National Barista Competition in April. The winner went to Nairobi Java House's John Muli who won on cumulative points. John is the first repeat winner of the Kenya National Barista competition.

This year's finalists were all at an extremely high technical level and Marcus Boni, chief judge, noted that "this was one of the most impressive fields at a national level competition that I have ever observed." Close behind John Muli, was Jimmy Njoroge, also of Java House, who came in as a very close first-runner up. Jimmy also won two of the individual awards for best signature drink and best cappuccino. C. Dorman's Nicodemus Nabakwe came in second-runner up closely behind Jimmy. Bridget Carrington, Managing Director of C. Dormans noted that any of the final six could easily represent Kenya in the World Barista Championships.



Nairobi Java House's John Muli (holding tee-shirt) is the 2008 Kenya National Barista Champion.

In addition to RATES, this year's competition was sponsored by over 15 local and international companies, including Brussels Airline, who provided a free ticket for John Muli to travel to Copenhagen to compete in the World Barista Championships. EAFCA received over \$5,000 in cash and in-kind sponsorships from a number of local companies. Marcus Boni of Intelligentsia Coffee (a coffee company out of Chicago) served as volunteer head judge. Air Kenya and Sarova Lodges gave Marcus a free safari to the Masai Mara for serving as the head judge and trainer.

- *EAFCA members compete in 9th World Barista Championships (WBC).* EAFCA (through private sector sponsorships) also supported 3 national baristas champions (from Zambia, Kenya and Uganda) to compete in the 9th WBC held in conjunction with the SCAE event. In Copenhagen. A total

of 52 countries battled it out for the World Barista Title. Although, Africa did not win the crown, Kenya's John Muli came in a respectable 14th, Uganda came in 34th, and Zambia struggled a bit coming in at 45th. EAFCA continues to receive strong support from John Saunders of Hines Coffee out of the US and Bridget Carrington of Dorman's Coffee who have been mentoring the regional baristas. It is just a matter of time before an EAFCA member will be named WBC champion.

2.3 Cotton/Textiles

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

Progress on Global Trade Initiatives. As a sign of ACTIF's growing relationship with the regional organizations, ACTIF has continued to provide input into the on-going EPA negotiation process during the second quarter.



EAFCA TOH winners at the Starbucks Facility in Lucerne, Switzerland.

- Support to the EU Economic Partnership Agreement (EPA) process. (ACTIF) supports a regional value chain approach that allows for different product transformations (value additions) to occur either within the same country or in a number of different countries within the region. These transformed or value-added products could still be imported into the EU duty-free under the EPA agreement. This approach encourages regional integration and could increase the competitiveness of the region's cotton and textile industry (see policy section for details).

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

With RATES support, ACTIF participated in a number of important industry meetings during the quarter. Below, is a summary of these events:

- *UNCTAD's 12th Ministerial Conference.* Barry Fisher, RATES cotton textile specialist (and interim executive director of ACTIF) participated in the World Investment Forum (WIF) Interactive sessions held in conjunction with the

UNCTAD's 12th Ministerial Conference that took place in Accra, Ghana from April 18-20, 2008. This special WIF forum was held in collaboration with the International Trade Centre (ITC) who has been working closely with ACTIF.

There was also a closed door session organized by ITC that focused on the cotton/textile sector in Africa and the group discussed ways to move forward a regional strategy in the cotton, textiles & apparel sectors. This forum also provided an excellent opportunity for ACTIF to establish contacts and to cement an excellent working relationship and future partnership with the International Trade Centre.

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



A model sauntering down the runway in a Sylvia Owori original organic cotton dress at the Dunavant sponsored fashion show held during the Organic Cotton Conference in Kampala

- *Regional Organic Cotton Supply Chain Forum.* The Africa Cotton and Textile Industries Federation (ACTIF), in collaboration with the Organic Exchange and the local Ugandan cotton industry, held a regional organic cotton conference in Kampala, Uganda from June 25-27, 2008. The conference presented the opportunities in organic cotton as well as the challenges of producing organic cotton and adding value throughout the entire cotton-textile-apparel (C-T-A) process. Participants included small scale cotton producers, ginner, spinners, weavers, apparel makers, and policy makers from 27 countries. The conference also provided a major opportunity to market and promote "Brand Africa" organic cotton products to the world, and to develop strategies aimed at increasing Africa's competitiveness in this sector. This self-funded industry event had the support of 12 major sponsors coming mostly from the regional supply chain.

The highlight of the conference was a gala dinner and fashion show sponsored by Dunavant Cotton to draw attention to the now fully operational integrated organic value chain in Uganda. With the support of a USAID Global Development Alliance (GDA), Dunavant now supports local organic cotton production in Uganda, including buying the crop from farmers to gin locally, all under certified organic procedures. The ginned cotton is

then spun into cloth by Southern Range Nyanza Textile (Nytil) Mill in Jinja. Ugandan Fashion Designer Sylvia Owori has teamed with Southern Range to design and produce an all-organic cotton fashion line for both women and men.



Sylvia Owori, who is one of the region's top fashion designers, was on hand at the gala dinner to show her glamorous fashions to the conference attendees and special guests, who included several government ministers and other regional dignitaries. Set in the gardens of the Faze 2 restaurant in Kampala, the models strode down a raised runway above the heads of very appreciative guests who were quite surprised at the quality and beauty of the designs. The show concluded with representatives of the entire value chain — the farmer who grew the cotton, the ginner who ginned it, and the textile mill owner who wove the fabric — coming on stage for a round of applause with designer Sylvia Owori.

The quality of this show could leave no doubt that the region has the capacity to produce high quality cotton textiles and apparel, and that with continued support and

encouragement, the region can become an important player in this sector.

- *Investment/Finance survey completed.* The regional investment and finance survey conducted by RATES has been completed. This survey has identified possible facilities and sources of finance options with an aim of increasing opportunities for financing available to ACTIF members. Based on the survey findings, ACTIF is now developing an electronic database to be made available to its membership next quarter.
- *COMESA's Regional Industry Strategy for Cotton, Textiles and Apparel.* RATES cotton/textile team is working closely with ACTIF to provide input and direction to COMESA on developing a comprehensive regional strategy for the cotton, textile and apparel industry. The ACTIF team has completed a revised strategic plan to submit to COMESA for review during the next regional cotton strategy meeting.



2.4 Dairy

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

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

Fourth Annual Dairy Conference and Exhibition

ESADA has announced the rescheduling of the 4th African Dairy Conference and Exhibition now to be held in Nairobi from August 6-8th at the Safari Park Hotel. The conference (that was originally scheduled for June 08) was re-scheduled as a result of the recent post-election problems in Kenya. This conference and exhibition is a first class dairy trade show that provides an opportunity for regional and international dairy industry players to meet, network and share the latest information on the global and regional dairy industries. Special

The ACTIF team at the Cotton and Textile Strategy Meeting held at the COMESA Secretariat

sessions will also address the recovery of the Kenya dairy sector. Registration for the conference is now up on the www.dairyafrika.com website.

Regional Dairy Promotion

ESADA continues to promote value added dairy products which offer good opportunities for regional trade:

- *ESADA Member Launches Premier Line of Yogurt.* ESADA member, Mrs. Lucy Karuga, managing director of Eldoville Farm located in Karen (Nairobi) recently announced the launch her new product line: Premier Choice yogurt, in June 2008. This premium line of yogurt is just the latest in Eldoville's growing portfolio of dairy, vegetable, and fruit products for sale to institutions, the hospitality industry, and retail outlets.



Ms. Lucy Karuga, managing director of Eldoville Farm proudly showing Brie Cheese products at her dairy in Karen

Eldoville Farm is a woman-owned company that has concentrated on building a niche market for ready to cook and eat dairy and horticultural products in Kenya. They now have supply contracts with most major hotels in Kenya and are a key supplier of prepared side dishes for the National Airport Services (NAS) who supplies business and economy class food products to all the major airlines servicing Kenya. Having gone from marketing the cream from a single cow 20 years ago, Mrs. Karuga's now employs 80 full-time workers and generates sales in the range of 7 million Kenyan shillings a month.

Eldoville came to the Government of Kenya's attention as a model integrated farming and processing operation, one that conforms to the highest quality control standards, including HAACP certification. Though Mrs. Karuga is very ambitious, she expanded her business only as rapidly as her ability to maintain control of production standards, never taking shortcuts. That approach has helped Eldoville's dairy products consistently take home a number of top awards from ESADA's annual cheese festivals and exhibitions that are held with RATES support.

2.5 Policy

RATES has identified a number of trade policy issues that affect regional trade flows and has initiated a process of change through the regional policy making structures (COMESA, EAC and SADC) with the active participation of the regional trade associations (ESADA, EAGC and ACTIF).

Harmonization of a number of product standards.

This effort is building upon the earlier RATES policy work that has led to regional harmonization of a number of product standards. These include:

- *Regional Dairy Standards.* The final round of negotiations aimed at completing the COMESA regional dairy standard harmonization process was held in October in Lusaka at the COMESA Secretariat. During the 2nd quarter, RATES policy team worked with COMESA to circulate the joint COMESA/EAC standards to the stakeholders for purposes of enlisting their support ahead of the scheduled meetings of the EAC and COMESA Standards Committees in April 2008. Additionally, COMESA provided a progress report on the implementation of regionally harmonized standards at the Joint Meeting of Ministers of Trade, Industry and Finance held in Addis Ababa on April 4, 2008. The Ministers reiterated the need for the COMESA Secretariat to expedite the adoption of regionally harmonized standards in readiness for the Customs Union and noted in particular the progress achieved for maize and dairy standards.



RATES policy advisor, Bernard Kagira (right), is leading RATES effort in assuring private sector participation in regional and international policy formulation

- *Dairy SPS Protocol.* The protocol was presented just after COMESA SPS Committee adopted the COMESA SPS Protocol which provides for commodity specific protocols as the basis for the COMESA Green Pass System. COMESA and EAC are using dairy as the commodity to be used in fast tracking the introduction of the green channel.

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

- *Economic Partnership Agreements (EPA) negotiations.* RATES senior policy advisor, Bernard Kagira, recently attended the second round of EAC-EC negotiations of the comprehensive Economic Partnership Agreement (EPA) that took place in Brussels from April 6th and 11th. As part of the ongoing negotiation discussions, the EU has expressed concern that the three trading blocks (SADC, EAC and COMESA) have different criteria concerning rules of origin. This could lead to abuse of privileges under the free trade arrangements and non-EPA countries could use

these differences as possible loop hole to enter the EU market duty-free. This issue was discussed at length at the Brussels meeting and is an issue that the African Cotton and Textile Industry Federation (ACTIF) has been following very closely.

The EU is insisting on similar rules of trade within East and Southern Africa before agreeing to this accumulation process. At the Brussels meeting, the EAC (with countries belonging to either COMESA or SADC in addition to the EAC) has agreed to explore with COMESA and SADC the possibility of jointly negotiating the rules of origin with the EC. This was a land mark decision as there has been no common approach to this issue before this meeting. The EAC is requesting for a joint negotiation meeting to be held in May to discuss harmonizing the different rules of origin to meet the EU requirements.

3.0 Association Capacity Building

Over the three months, the RATES team has provided intensive training to each of regional private sector trade associations (EAFCA, EAGC, ESADA and ACTIF) on how to develop marketable funding proposals using different approaches such as a Logframe matrix and Results framework. With the help of a professional facilitator, senior staff from each association worked with the RATES commodity specialists to identify a number of problems/issues that could be addressed with additional funding and developed the proposal concepts and budgets for addressing these constraints.

As a result of the training, EAGC submitted a revised proposal concept paper to the Swedish International Development Agency (SIDA) for supporting a more structured grain trading system. This proposal was approved in late June for US \$ 2.6 million EAFCA has submitted a revised proposal concept to the Common Fund for Commodities (CFC) to support efforts aimed at increasing the region's capacity to meet coffee quality certification requirements. This proposal has been approved by th ICO and awaiting funding from the EU. The other two associations will be completing proposals in the near future and ACTIF has revised its input to the regional cotton textile strategy for COMESA based on this exercise.