



USAID
FROM THE AMERICAN PEOPLE



Market Access, Trade and Enabling Policies Project (MATEP)

Contract No: 690-M-00-05-00078

Annual Report #4 (October 2008 - September 2009)

October 2009

This publication was produced for review by the United States Agency for International Development. It was prepared by Development Alternatives, Inc.

7600 Wisconsin Avenue, Bethesda, MD Tel: 301-771-7600, Fax: 301-771-7777, www.dai.com

Market Access, Trade and Enabling Policies Project (MATEP)

Annual Report #4 October 2008 - September 2009

MATEP Project Office:
Plot #3828 Parliament Road
PostNet Box 246, Private Bag E10
Lusaka, Zambia
Tel: 291569, Email: matep@dai.com

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


Development *Alternatives*, Inc.

TABLE OF CONTENTS

INTRODUCTION	2
MATEP SUCCESS STORIES – FY 2009	7
MARKET ACCESS COMPONENT	8
TRADE AND ENABLING POLICY COMPONENT	25
TOURISM COMPONENT	38
FINANCE COMPONENT	45
HIV/AIDS COMPONENT	49
MATEP “PMP” Indicators – FY09	55
MATEP “OP” Indicators – FY09	58
ANNEX 1: MATEP PMP Data Collection Methodology	60
ANNEX 2: Environmental Review Report	63

Market Access, Trade and Enabling Policies Project (MATEP)

Annual Report #4 *October 2008- September 2009*

INTRODUCTION

Background: The MATEP project is a five year USAID economic growth project designed to increase Zambia's exports of agricultural and natural resource products and tourism services into regional and international markets. It is a results-oriented project that is intended to *make exports happen*. Local demand, beyond basic food needs, is limited and only by exporting will Zambia be able to raise the incomes of its rural population.

The export baseline is \$405 million, and over the course of the project MATEP will contribute to raising these exports to \$600 million. To do so, the project focuses on eight core value chains and on tourism. The value chains are horticulture/floriculture, honey, groundnuts, beans, coffee, paprika/chili, maize/seed, handicrafts, cotton/textiles, livestock and wood products. Exports of these eight, plus tourism, offer the greatest potential for growth over the project horizon, as well as for impact on Zambia's economy and population, owing to interventions of the project. MATEP will also assist stakeholders in responding to opportunities in other value chains as they arise.

The project has five closely interlinked components to achieve its export objective: Trade and Enabling Policy, Market Access, Tourism, Finance and HIV/AIDS. The Trade and Enabling Policy component focuses on domestic policies and regulations that constrain Zambia's exports as well as on regional and international trade agreements under which export growth can expand. The Market Access component focuses on identifying foreign markets into which Zambia can sell and on working with exporters to successfully complete transactions in those markets. MATEP targets both regional markets and more distant markets in Europe, America and Asia for Zambia's exports. The Tourism component focuses on raising Zambia's profile as a premier, multi-faceted tourist destination in Africa, as a location for international conferences and on tourism training. With the Finance component, MATEP operates a \$2 million investment fund and uses its technical assistance resources to help small and medium scale export and tourism enterprises access formal sector credit. Finally, the HIV/AIDS component works to mainstream HIV/AIDS prevention activities into client business operations and, with its partners, designs and implements sustainable HIV/AIDS prevention programs.

MATEP is a consortium made up of five organizations led by Development Alternatives, Inc. of Bethesda, Maryland. Other consortium members include the International Executive Service Corps; Michigan State University; ECIAfrica, a South African-based firm, and the Zambia Agribusiness Technical Assistance Centre (ZATAC), based in Zambia.

Progress achieved: MATEP continued meeting or surpassing its Performance Monitoring Plan and Operational Plan targets this year, however some indicators fell short with severe problems in Zambia's horticulture and coffee sectors this year. The principal indicator measuring exports - value of agriculture/natural resource/tourism based exports - reached \$798 million, well in excess of the target \$620 million. Among MATEP's value chains, exports of paprika, chili and honey performed

the best. In the horticulture/floriculture sector, four out of the five largest firms MATEP works with were either in receivership, ceased production or greatly reduced production during the year. In the coffee sector, Zambia's two largest companies were in receivership while other firms reduced acreage by uprooting trees. Exporters in these sectors struggled during the year against reduced demand, due to the global economic slowdown, concurrent with significantly higher production costs.

MATEP provided BDS capacity building support to 81 firms during the year, against a target of 65 and provided training to 2,292 individuals compared to a target of 400. For the indicators of consultative processes with the private sector, trade and investment diagnostics and public-private dialogue mechanisms MATEP reported double target values for the year. Details of these and other targets are provided in the PMP and OP tables at the end of the report.

Market Access: The objective of the Market Access Component continues to be increasing access to local, regional and international markets for Zambian agricultural and natural resource products. Interventions are market driven, with a focus on facilitating export deals for our Zambian clients. The Market Access component works with an increasing number of clients (totaling 81 during the year) by providing services that enable clients to identify markets, meet buyer expectations and overcome weak links the value chains. Highlights of the year in terms of new export markets included: in Botswana, the stocking of Zambian canned goods, honey, groundnuts, beans, Maheu, and long life milk on supermarket shelves throughout the country; in South Africa, the launch of Zambian brand retail honey through a major distributor; in Angola, an \$80,000 export deal by a small scale female entrepreneur; and in the U.S., significant headway toward stocking Zambian specialty foods in major American supermarkets.

MATEP continued facilitating trade show participation by Zambian companies, the biggest of which is Africa's Big Seven Show in Johannesburg where the show chairman remarked "*the Zambian stand is getting better every time, this is a beautiful stand.*" MATEP was chosen by the organizers to make a live presentation on a CNBC Africa TV program and Zambian companies reported enquiries with an estimated total value of over \$2 million. At the Copperbelt Mining, Agricultural and Commercial Services Show a visitor to the MATEP pavilion of Zambian processed foods and handicrafts remarked, "*this makes you proud to be Zambian.*" The MATEP pavilion won second prize at the show. MATEP also organized Zambian participation in the African Aid Relief Expo held in South Africa which brings together buyers and suppliers of products for aid relief in Africa. The show accords participants an opportunity to learn the procurement system by various aid agencies and to develop partnership with other suppliers in order to bid for large supply tenders.

Major advancements were made in several value chains during the year, including achieving "release" status of a new white canning bean that will be instrumental in growing bean exports from Zambia in the coming years. Introducing, and now distributing the bean, as well as establishing links to major international buyers is described in an accompanying MATEP Success Story. MATEP continued activities at reestablishing groundnuts as a major export crop from Zambia, as well. Most important in the groundnut value chain has been introducing techniques of aflatoxin control and establishing links to European buyers interested in purchasing large annual volumes from Zambia.

MATEP has worked with many clients helping develop credible business plans and prepare financing applications directed to various finance institutions. A total of 19 Zambian firms received such assistance this year, four of which have been successful in leveraging funds so far. Other approvals appear to be imminent.

Trade and Enabling Policy: MATEP conducts detailed value chain research through the Food Security Research Project (FSRP) to better understand how the agricultural economy works and through collaboration with public and private sector stakeholders, to influence government trade and agricultural policy. Research focuses particularly on the maize, horticulture, cotton and fertilizer value chains. During the year' MATEP/FSRP cleaned data for the Urban Consumption Survey (UCS)

and the Third Supplemental Survey of over 7,000 rural households across the country. Cleaned data from both surveys have been posted on the MSU/FSRP server for use by team members in their various analyses and a report on the UCS data has been drafted.

Through a Maize Value Chain Study, MATEP/FSRP has documented: major shifts in crop production patterns from a maize dominant to a much more diversified current pattern of production; a reduction in rural poverty rates, which corresponds to growth in smallholder production of crops other than maize; shifts in the region to structural food deficits; and a dramatic reduction in maize marketing and processing costs. MATEP/FSRP continued analysis of fertilizer profitability bringing out implications for government policies, the impacts of the Fertilizer Support Programme (FSP) on input markets and smallholder fertilizer use. A stakeholder study tour to Kenya, Tanzania and Malawi led to new proposals for fertilizer policy reforms presented to government, donors and others. This was the third year in which wholesale horticultural trade flows and retail and wholesale prices data have been collected and a rich database has been created. Data now exists on 34,039 lots of tomato, rape and onions entering the main wholesale market in Lusaka (Soweto) and 16,867 wholesale/first seller and 10,537 retail price observations for these commodities. This rich data base has been a source of analysis of the horticultural market dynamics which will contribute to the development of the horticultural value chains. In cotton, MATEP/FSRP remained engaged on a practical policy level and has continued to utilize its research results to contribute towards eventual enactment of the revised Cotton Act. In the interim, a Cotton Board was created and FSRP/MATEP was named an official advisory member of the Board in order to advise on activities and issues in the cotton sector.

Tourism: MATEP's approach to developing Zambia's tourism is market driven, promoting Zambia's competitive advantages to the right markets and the right travelers with the right product. Also, MATEP targets the smaller "up and coming" tourism enterprises in place of more well established firms. It is the smaller firms in Zambia that provide a large proportion of tourism services - approximately 80% of tourist beds - and are the establishments in most need of improving standards and product delivery.

During the year, MATEP conducted the final series of Hotel and Catering Association of Zambia (HCAZ) Customer Care Training sessions with a total of 104 participants drawn from Solwezi, Chipata, Mansa and Kasama. MATEP also provided Internet Marketing Training to HCAZ and Travel Agents Association of Zambia (TAAZ) members in Lusaka, the Copperbelt and Livingstone. The component provided Restaurant training to HCAZ members and a number of training institutions in Lusaka and the Copperbelt. This training provided current information on food safety, menu preparation and costing and pricing. MATEP also provided Business Skills training for 16 participants drawn from Mukuni Park Curio Sellers Association in Livingstone.

During the year under review, MATEP Tourism concluded its Trade Show Support to HCAZ and TAAZ members with a total of 40 participants undergoing trade show preparation training. In addition, MATEP provided support to eight firms and associations to meet part of the cost of attending the World Travel Market in London, England. While at WTM the beneficiaries underwent two training sessions on how best to prepare for trade show presentations and the do's and don'ts when making sales pitches.

MATEP finalized research on the cost of doing business in tourism and on tourist perceptions. MATEP contributed to work on Tourism Grades and Standards and MATEP worked with the Zambia Tourism Board (ZTB) U.S. Office in finalizing a Marketing Database, too. As a result of MATEP technical assistance to TCZ in preparing a position paper on the increased visa fees, government reduced visa fees for British and American tourists. MATEP's Tourism component is coming to an end in April 2009. However MATEP will continue to liaise with its key partners during the remainder of the project.

Finance: Since inception, the MATEP Investment Fund, managed by the Zambia Agribusiness Technical Assistance Centre (ZATAC), has disbursed \$3,274,289 in short-term and medium term facilities to export oriented agribusinesses and tourism businesses. Forty-one (41) loans have been disbursed servicing the following 17 sub-sectors: Canned horticultural produce, processed beef, bio-coal, handicrafts, horticulture (cucumbers), honey, wet blue leather, molasses, groundnuts, organic cotton, paprika, poultry, seed, soy cake, textile/garments, tourism lodging, and trade shows.

Of the total loans disbursed, a value of \$1,254,154 has been repaid, representing 38% of the total funds disbursed. A further 52% are performing loans in repayment or rescheduled/restructured (\$1,703,621 of disbursed capital) and 10% have defaulted (\$316,514), though much of this default total is in the process of being recovered through ZATAC lawyers. Of the current loan portfolio, 85% of the loans are performing, representing 73% of current loan portfolio funds.

The total number of loans and the total value disbursed are both slightly below target levels, 42 loans instead of 45 and \$3,274,289 disbursed instead of \$3,500,000, respectively. The low number of loans is due to the fact that large loans – over \$200,000 - accounted for a significant proportion of total capital disbursed. Less capital was available for additional loans. Further, a number of loans required rescheduling and/or restructuring which has served to reduce revolving capital available for new lending.

As the MATEP project nears completion, it is proposed that Investment Fund assets be granted to ZATAC in order for ZATAC to continue revolving operations of the fund in the future. The fund has been efficiently managed by ZATAC, Ltd. since the start of the project and as a Zambian company, ZATAC has an important presence both in the SME finance sector and in the smallholder-oriented agriculture sector. Further, many of the Investment Fund assets are in the form of performing loans which will continue to be repaid over time. ZATAC staff, with good knowledge of Investment Fund clients as well as the history and performance of each loan asset are best placed to maximize recovery of Investment Fund assets.

HIV/AIDS: MATEP has been receiving “wrap around” funding from the President’s Emergency Program in AIDS Relief (PEPFAR) in order to deliver HIV/AIDS "A/B" prevention messages to private sector clients with whom we are working. MATEP originally tried to find a traditional HIV/AIDS organization to run its PEPFAR program, however found that none were willing to tailor their standard products to the type of activity MATEP felt would be most beneficial to its exporting clients. So MATEP developed its own program which has been rolled out to numerous clients during project implementation.

Working mainly through business associations, MATEP helps build capacity in the associations for them to deliver HIV/AIDS services to their memberships. In the past year, MATEP partnered with Zambia Chamber of Small and Medium Business Associations (ZCSMBA) to incorporate HIV/AIDS activities into businesses of a number of District Business Associations. Initially, MATEP worked with the Mazabuka District Business Association (MDBA). After seeing the success of Mazabuka’s program, ZCSMBA asked that MATEP extend its program to cover additional DBAs in Zambia. In 2009, MATEP has been implementing an expanded version of the Mazabuka program in six more districts in Eastern Province. ZCSMBA is the third association that MATEP has collaborated with since inception of the HIV/AIDS component. The other two big programs have been with the Zambia Export Growers Association (ZEGA) in the first and second year and the Hotels and Caterers Association of Zambia (HCAZ) in the second and third year of the project.

In the year under review, MATEP has trained a total of 1,696 individuals for delivery of HIV/AIDS prevention messages. Of this total, 17 are Trainers of Trainers and 1,679 are Awareness Educators. The AEs, in turn, rolled out programs of HIV/AIDS message delivery to 45,028 individuals in Eastern, Southern, Lusaka, Central and Copperbelt provinces of Zambia. MATEP's PEPFAR targets for the year ending September 2009 were to train 1000 Awareness Educators and reach 25,000

individuals with prevention messages. MATEP expects to continue exceeding its PEPFAR targets in the remaining months of the project

MATEP is expecting additional PEPFAR funds to expand its HIV/AIDS prevention work in Zambia. When these funds are available, MATEP will extend the ZCSMBA HIV/AIDS prevention program currently being implemented in six Eastern Province districts to an additional set of districts in Eastern, Southern and Central provinces. The anticipated total number of Trainers-of-trainers to be trained is 19; Awareness Educators, 3,500; Direct Message recipients 230,800; and 461,600 final beneficiaries.

Environmental Assessments: MATEP conducts quarterly environmental assessments with its clients in order to ensure that environmental consequences of USAID-funded activities are identified and considered in the design and implementation of activities prior to final decision to proceed and in an event that the company is already in operation; to provide information and analysis of the overall effects on environment, human health and welfare and means and measures to mitigate and monitor these impacts. To date, environmental assessments were conducted with Majoru Investment Limited, Freshpikt Limited, Kabwe Tannery Limited, Kamano Seed Company Limited, Mushitu Safaris and Zambia Extracts Oils and Colourants and a separate report was prepared on the forestry sector and wood harvesting. An Environmental Report on Scrollex, Ltd. is attached as an annex to this report.

Exchange rates: Zambia's exporting and tourism sectors continued to suffer under a strong local currency as well as exchange rate volatility. The Zambia kwacha started FY08 at K3,872 to the U.S. dollar, reaching a level of K3,139 in June 2008 and ended FY08 at K3,565 (see chart below). The strong kwacha severely hurts exporters and tourism operators who see their revenue, being forex denominated, fall sharply, while their costs remain largely unchanged. Note that the strong kwacha affects MATEP's budget too, which was developed based on a stronger 2005 exchange rate and now faces considerably higher cost in U.S. dollar terms.

This report is divided into eight sections. After the Introduction is a section with six MATEP Success Stories. This is followed by five sections, one on each of the MATEP components: Market Access, Trade and Enabling Policy, Tourism, Finance and HIV/AIDS. Each section reviews progress achieved based on activities listed in MATEP's Workplan. A Workplan Implementation Calendar for the remainder of the project is presented for each component. The final section presents MATEP's Performance Monitoring Plan (PMP) indicators and Operational Plan (OP) indicators. Annexes to the report contain the methodology for collecting and reporting PMP indicator data and an Environmental Review of a MATEP client.

With respect to the PMP, MATEP conducts a bi-annual survey of clients in March and September. Data collected in these surveys is incorporated into the PMP. With the project ending in April 2010 – the middle of the agricultural season and the fiscal year - the survey conducted for this report will be MATEP's final client survey.

MATEP SUCCESS STORIES – FY 2009

1. New White Canning Bean
2. Leveraging Development Finance
3. Female Entrepreneur Exports into Angola and Botswana
4. Zambian Handicrafts Sell in U.S.A.
5. Hotels and Caterers' Association Launches HIV/AIDS Workplace Policy
6. HIV/AIDS Prevention in Mazabuka

MARKET ACCESS COMPONENT

MATEP's Market Access component strengthened its demand driven and sustainable (cost sharing) service provision to clients, industry and strategic partners during FY09. Among the highlights of the year were: Progress with efforts to penetrate the U.S. specialty foods market bringing Zambian food processors closer to putting quality, competitive food products on U.S. market shelves; Links with the U.K. retailer Twin Trading and the Fair Trade organization brought renewed hope for competitive access for groundnuts into the European market; Small scale women entrepreneurs successfully entered new regional and international markets with MATEP assistance; The honey, groundnut and white bean value chains made significant progress in international competitiveness and market access with MATEP support; and Zambian products and industry continued to be successfully marketed at International Exhibitions such as the Santa Fe International Folk Arts Market in New Mexico and the Africa Big Seven Exhibition in Johannesburg.

The DRC, an important trading partner for Zambia, was significantly affected by the global economic down turn and many of the large mining firms scaled back operations, whilst some closed. This affected market demand for goods and services and MATEP clients seeking opportunities in that country witnessed a reduction in momentum. However new inroads were made in supplying markets in Botswana, Angola and Malawi. The economic meltdown in Zimbabwe and the subsequent need for humanitarian assistance and rebuilding the agricultural base provide lucrative opportunities for Zambian seed and food producers; again MATEP is worked with its clients to position Zambian firms to exploit this opportunity. Poor cost competitiveness, exchange rates and difficult intra-regional logistics continued to be major macro level challenges in Zambian exporters successfully accessing regional markets. Other constraints were quality compliance and other non-tariff barriers. At the firm level, entrepreneurship skills and a focus on low hanging fruit in business and new market development have been the greatest challenge to increased foreign market access.

During the year under review, MATEP also strengthened collaboration with other export and business development service providers, notable among these was continued collaboration with the Zambian Development Agency (ZDA), the Netherlands Development Organization (SNV), the World Bank Market Innovation and Improvement Facility (MIIF) managed by Africare, and the USAID Southern African Global Competitiveness Trade Hub in Botswana.

This market access component report is broken down into three sections. The first two focus on market development, first with respect to regional trade and then value chains. The regional trade section looks specifically at how Zambian businesses have taken advantage of regional markets. The value chain section focuses on efforts to develop new value chains and build competitiveness in existing value chains. The third section, client services, recounts specific firm level activities that MATEP has supported.

MARKET DEVELOPMENT - REGIONAL TRADE

Distributors play a major role in markets for food products in developed markets. This is less true in the Southern Africa region and even less so in Zambia. However, the role of distributors is growing and MATEP has tried to link exporters into this evolving system. The distributor system is strongest in South Africa, followed by Namibia and Botswana. This year, even in unsophisticated markets like DRC, the supply of food, agricultural and natural resource products is increasingly channeled through local distributors. Supply to international agencies, such as the UN, is also increasingly channeled through "local based" distributors. This makes distribution of new products in a market faster and more efficient, however often the costing structure for these agents can erode the margin of the supplier.

MATEP has worked during the year to identify and engage with food distributors/agents that can market Zambian products and handle all the in-country issues relating to distributing and promoting the products. In the DRC, the trend has been to establish operational bases, as there is still uncertainty over the reliability of independent distributors. MATEP has also worked with those its clients in more clearly understanding their cost structures for effective product pricing.

Another dynamic in regional trade has been a strengthening of the Zambian kwacha, again making Zambian exports less competitive. The kwacha, which lost value during the international financial crisis, rose considerably as the price of copper, Zambia's biggest export, recovered. In spite of policy pronouncements to diversify Zambia's economy away from copper, the structure of the economy has changed little over the years so that prospects in the mining industry still dominate most economic variables.

MATEP continued assisting clients promoting Zambian products at regional trade shows with MATEP support focusing on market intelligence, buyer targeting, and arranging business-to-business meetings. Since multiple Zambian exports attend such shows, MATEP also coordinates the logistics of booking stands, shipping samples, etc. Successful show attendance depends on significant advance preparations – both with buyers and with exporting clients. MATEP ensures clients are ready; with export ready product, product information and volumes; an understanding of the business environment they are exporting into; information about their prospective buyers.

Regional markets

Botswana: Culminating many months of preparatory efforts on the part of MATEP, Scrolllex Investment, Inc., acting as Zambian agent for Zambian exports, shipped its first order of assorted Zambian products to Choppies, a major supermarket in Botswana. This initial shipment of 2mt worth \$6,000, is expected to lead to a continuing stream of shipments in the future. During the year, Zambian retail packaged honey made its debut on Botswana supermarket shelves with a trial shipment of 1.2mt of honey was supplied by Ubuchi Capital Enterprises and Glymo Enterprises signed a supply agreement at the MATEP offices with Starlink (Pty) Ltd of Botswana, a large food distributor. The agreement is for supply of various products including maheu, honey, long life milk, groundnuts, beans and other commodities. The first shipment from Glymo will be for for 30mt of assorted commodities valued at \$40,000.

South Africa: Forest Fruits, the largest exporter of Zambian organic honey, launched their retail honey product during the year. MATEP has provided considerable support in marketing and market information to Forest Fruits, as well as in product development. This year Forest Fruits signed a distributorship agreement with a South African based firm to market their various bee products (honey, propolis, beeswax and beeswax candles) in South Africa. The distributor will also manage distribution of these products in Botswana.

Angola: This oil and diamond rich economy, recently emerged from the throes of civil war and economic malaise, remains a significant opportunity for Zambian supply. Unfortunately, logistics (transport), trade barriers (lack of bilateral trade agreement) and language form a formidable barrier to accessing this market. Because prices for goods and services in Angola are well above the regional norm, there has been consistent effort to enter this market successfully. Over the years, MATEP has diligently explored different possibilities including focusing on provinces bordering Zambia, supplying via Namibia and consolidating cargo to make chartered flights economical. This year

MATEP pursued prospective exports of seed potato, table potatoes, cassava flour, honey and maheu¹. Only maheu exports seem to have developed into a sustainable export market to date.

Maheu exports to Angola are being conducted by Glymo Enterprises, which is led by a female entrepreneur, Elly Mwale. Working with MATEP, Glymo obtained an order from Angola for 40mt of maheu with a total sales value of US\$80,000. MATEP structured a trade finance facility as well after Ms Mwale's unsuccessful attempts to secure bank financing against the import order. The deal was structured in 10mt increments in order to reduce risks and the first shipment of 10mt was successfully exported in February 2009. To date, a total of 25.5mt of maheu had been exported to Angola by Glymo Enterprises.

Malawi: Due to MATEP efforts to forge a regional approach to groundnut exports, a joint export agreement was initiated during the year with a leading groundnut producer and exporter in Malawi, the National Smallholder Farmers Association (NASFAM). The agreement is targeting orders for a total of 470mt of groundnuts to the UK with a sales value of US\$493,000.

Zimbabwe: The economic down turn in Zimbabwe has opened opportunities for Zambian firms to supply food into that market. One client exported canned foods and peanut butter worth US\$100,000 during the last year. In September, arising from a MATEP facilitated participation in the UN Agencies African Aid Expo, Farm Foods Africa, a MATEP client, has received orders for white canning and speckled sugar beans and groundnuts.

Democratic Republic of Congo: Despite the numerous challenges with supplying the DRC market, MATEP clients continue to pursue exports into the country. The biggest challenges are with clearing goods at the Kasumbalesa border and with payments. Also, MATEP has found that most tenders for large food contracts - from the mines, international donor agencies and the DRC Government - give preference to "local" suppliers making it preferable for Zambian firms to find local agents or set up offices in DRC. To help clients understand the options for bidding on such tenders, MATEP engaged a consultant during the year to study agency options and the requirements for setting up offices in DRC. Several MATEP clients are pursuing these options and MATEP has organized a CEO mission to Lubumbashi to take the next steps. Further, MATEP liaised with the Zambian Consulate in Lubumbashi about airing series of television adverts about Zambia to coincide with Zambia's 45th Independence Anniversary.

United States Specialty Foods Market: Though not part of the region, activities promoting Zambian exports to the U.S. specialty food market merits attention here. MATEP made significant headway in the process of introducing Zambian products to the U.S. market during the year. With Talier Trading, a distributor of specialty foods to supermarkets throughout the U.S., MATEP identified a number of prospective export products and started the long process toward U.S. sales. Working with the Southern Africa Trade Hub, MATEP organized a visit by Talier Trading to 10 Zambian food producers in December 2008. Three companies, Freshpik Ltd, Sylva Foods Ltd and Peco Ltd, were selected as having collectively seven products that could sell in the U.S.

In the following months, MATEP coordinated efforts to develop the food products towards a quality level for export to the U.S. During the year, MATEP facilitated microbiological and chemical laboratory testing of the products by the Zambia Bureau of Standards (ZABS) and National Institute for Scientific and Industrial Research (NISIR). A local food scientist engaged by MATEP helped the companies with food analysis and development. A graphic designer engaged by MATEP worked on labeling and MATEP helped the companies identify and assess a number of packaging options.

¹ Maheu is a traditional food drink made from maize and sorghum. It has seen soaring demand in Angola, DRC and Botswana. During the year, SABMiller, the South African beverages giant, bought out the brand and production rights for Zambian maheu produced by Trade Kings at more than double the market value.

MATEP facilitated a second Talier Trading visit to Zambia in August 2009 during which the Freshpikt cherry pepper product reached export ready stage. When Freshpikt's next harvest of cherry peppers is harvested in November, production and exports will begin. The Sylva Food products - pumpkin leaf soup, sweet potato leaf soup, moringa soup, cassava baking mix (plain, chocolate and moringa) and mixed vegetable soup still have some production challenges to overcome before export readiness. The Peco cassava biscuit product has been put on hold for the present.

Trade shows

MATEP continued successful marketing and deal making through trade shows in the region. MATEP selects key show to focus on which have a good chance of generating actual business deals. We made sure exhibitors are ready and business-to-business meetings have been scheduled with targeted buyers. Company representatives must be abreast of trends, terminology and export / import requirements for the product they are selling. They must be prepared to discuss issues of shelf life, nutritional information, acceptable harvesting or processing practices, ethical relationships with outgrowers, international certifications, shipping routes and prices. Where appropriate, MATEP markets Zambian companies jointly under a "Zambia-MATEP" banner in order to increase Zambia's exposure in the shows. An important selling point to prospective buyers is that an organization like MATEP stands behind the exporters and helps the buyers with their due diligence. Although there is a collective marketing banner, each company markets their brands individually, since the deals will eventually be made with the individual company.

- **Copperbelt Mining, Agriculture and Commercial Services Show (CMACS):** CMACS 2009 was held from 27-31 May 2009 in Kitwe under the theme '*productivity in adversity*' with exhibitors drawn from across the Southern African region. CMACS is the Zambian trade show held closest to DRC and with a focus on mining, attracts visitors from the Congolese mining industry. MATEP facilitated participation of 12 organizations this year in order to accord these organizations an opportunity to widen their base within the local market and target the DRC. As with last year, MATEP organized a MATEP pavilion which received considerable attention from buyers, other show-goers, show organizers and the press. This years exhibitors in the pavilion included: Freshpikt Limited, Meshearles Enterprises Limited, Ubuchi Capital Enterprises Limited, Mpongwe Beekeepers, Lumuno Organic Farm, African Joy, Hipego Limited, Sylva Food Solutions, Zambia Agribusiness Technical Assistance Center (ZATAC), the Netherland's Development Organization SNV, the Zambia Honey Council (ZHC) and the Zambia Development Agency (ZDA).

Show-goers commented on being impressed with the level and quality of Zambian agriculture and natural resource products on display at the MATEP pavilion. One visitor to the stand remarked: "*this makes you proud to be Zambian.*" Products on display included textile products, handicrafts, processed foods, honey, coffee, and dried and packaged Zambian indigenous vegetables. MATEP facilitated TV and live radio coverage as well as announcement on the public address system, leading to a large number of visitors to the stand. The Ministers of Agriculture and Cooperatives and of Commerce, Trade and Industry as well as the Mayor of Kitwe City made favorable comments when visiting the stand.

Cash sales of over \$2,100 were made during the show and more importantly, companies were able to create business linkages that are expected to be much more valuable in the long run. A case in point was where Lumuno Organic Farm signed a dealership agreement with Lysos Import and Export limited and an initial order of about 800kg of chili valued at over \$1000 was placed by Lysos which Lumuno has already fulfilled

The MATEP pavilion won second prize in the category 'Investment and other Information Advisors' while Meshearles Enterprises and African Joy won 2nd and 3rd best prizes respectively under as exhibitors.

- **Africa's Big Seven Show (AB7):** For the 3rd consecutive year MATEP participated in AB7, the continent's largest food show. Starting this year, AB7 hosted the Southern African International Trade Exhibition (SAITEX) as well, greatly expanding show attendance. MATEP facilitated participation of 10 businesses and three industry associations at AB7 this year and an additional five companies sent their product samples for display by MATEP. AB7 this year was particularly successful for Zambian companies who reported enquiries with an estimated total value of over \$2 million. The chairman of AB7 management remarked "*the Zambian stand is getting better every time, this is a beautiful stand*". MATEP was chosen by the AB7 Show organizers to make a live presentation on a CNBC Africa TV program covering market access opportunities for African businesses.
- **Santa Fe International Folk Art Market (SFIFAM):** With support from MATEP, Hipego Ltd, the Kasholwasholwa Women's Resource Centre and the Kasonde Women's Club attended the 2009 SFIFAM in New Mexico, USA. This is the third year of their attendance in this "by invitation only" show. A total of 45 countries represented by 147 Artist participated in this year's SFIFAM and Julia Mutale or Hipego was invited to lead a peer presentation and group discussions about various craft cooperatives in Zambia.

A total of 754 Zambian baskets and 86 pieces of Tonga bead work were sold at the show, despite the economic slump being experienced in America. The Zambia booth sold product worth \$30,323, a 15% increase in turn over from the previous year's \$26,000.

- **African Aid Relief Expo (AARE):** AARE is an annual expo bringing together buyers and suppliers of products for aid relief in Africa. It accords suppliers an opportunity to learn the procurement system by various aid agencies and to develop partnership with other suppliers in order to bid for large supply tenders. The annual budget for aid relief in Sub-Saharan Africa is estimated at over \$5 billion, yet suppliers from within sub-Saharan Africa account for less than 5% of this total. Its clearly an opportunity worth pursuing. MATEP facilitated participation by four Zambia companies at the 2009 Relief Expo 2009, which took place 17-18 September 2009 in Johannesburg, South Africa. As a result of their participation, Farm Foods Africa has orders for \$100,000 worth of grains and SeedCo has received to invitations to submit bids for supply of seed from Europe and South Africa.
- **International Trade Centre Agribusiness:** MATEP also facilitated the participation of clients in the International Trade Centre Agribusiness Forum in Cape Town, South Africa. As a result of MATEP's participation in the forum, the regional groundnut project being promoted by MATEP has been included in proposals for support within the Beira Corridor project. Prior to the forum, groundnuts were not one of the value chains being considered under the project. Other synergies developed during the forum included possibilities for collaborating with the US Department for Forestry Services, SNV and Open Africa to promote community-based tourism packages in Zambia in the Northern and Eastern provinces of Zambia.
- **Global Expo Botswana (GEB):** GEP is an international agriculture and industrial expo held annually in Gaborone, Botswana. GEB is of interest to Zambia because of the great potential that Botswana offers as an export market for Zambian products and the recent successful exports into Botswana by MATEP clients. Recent signing of distribution agreements clearly indicates that this market is ready for a more focused market access approach. According to show organizers, the Botswana Export Development and Industry Authority (BEDIA), Botswana imports over 80% of its agriculture products and has a well developed school and public feeding program funded by the Government. Many products from Zambia including soya beans, sugar beans, groundnuts,

peanut butter etc., are highly suited to this Expo. MATEP has begun organizing for a Zambia pavilion at GEB later in the year.

- **Export product catalogue:** To get maximum impact from show attendance, MATEP has worked with the Zambia Development Agency (ZDA), the Zambia Tourism Board (ZTB) and exporting companies to develop an export products catalogue. The catalogue will be available for distribution at shows as well as for sending to prospective buyers. Outside covers of the catalogue have information about Zambia and about ZDA, ZTB and MATEP. Inside the catalogue is space for removable inserts for the exporting companies attending the respective show. Inserts have been developed for 13 companies so far.

MARKET DEVELOPMENT - VALUE CHAIN DEVELOPMENT

MATEP continued monitoring a number of value chains in order to determine the type and focus of possible project interventions. During the year under review, MATEP was most active in the groundnut, white bean, honey and seed value chains. Other value chains that received support include: horticulture, wood, handicrafts, spices and coffee. MATEP continued focusing on assisting Zambian companies in moving “up the value chain” in terms of producing higher value products and also worked to increase linkages in value chains involving smallholder Zambian producers.

Groundnuts provide a good example of benefits from pursuing a value chain approach. The potential for growth and for exports is large, but without attention to multiple links along the chain, little will be achieved. No varieties of groundnuts have been introduced in Zambia for the last 20 years, so preferred market varieties are absent from the country. Our exports to the E.U. dropped from over 50,000mt in the late seventies and early eighties, to around 500mt now. Further, standards for possible aflatoxin contamination has become extremely tight, yet Zambia has no testing capacity in the country and no shelling, grading and sorting factory for aflatoxin control. Yields by farmers are 600-700kg/mt, well under the international norm of 1.5-2.0mt/ha. With MATEP help working throughout the value chain, there are now efforts to introduce new market preferred varieties; upgrade aflatoxin testing capacities; and set up modern groundnut shelling, grading and sorting facilities. MATEP is also building regional links with producers and processors in Malawi and Mozambique in order to rekindle attention to the region from European buyers. With this approach, Zambia could see an export of 18,000mt of groundnuts into the EU from 2010-2012.

- **Groundnut value chain:** MATEP continued working closely with various stakeholders in the value chain to access lucrative groundnut markets in Europe and also in the region. With over 160,000ha of land annually under groundnut cultivation by rural small scale farmers, this industry has the potential for exponential growth. The major challenge facing the industry is meeting market grades and standards (particularly groundnut varieties and aflatoxin eradication). Another challenge is the low productivity levels. The 160,000ha currently cultivated could be producing a minimum annual harvest of 160,000mt at easily achievable yields of 1mt/ha and even 240,000mt at 1.5mt/ha yield. Large scale commercial production (of which there is currently none) could yield 2mt/ha of groundnuts.

Currently, the industry operates in an unsophisticated fashion with insufficient technology applied to harvesting, shelling, grading and sorting of groundnuts. Even blanching, roasting and peanut butter production is done using antiquated and small scale equipment. The product range in the industry is very limited, including: handpicked selected raw groundnuts, roasted (but poorly packaged) groundnuts and peanut butter. As indicated in our strategy for developing value chains, MATEP has worked with stakeholders related to every aspect of the chain. During the year notable achievements included: a regional groundnut meeting; the establishment of an industry association; the proposal for a regional (Malawi, Mozambique and Zambia) groundnut marketing company; new and active links with key buyers in Europe; a regional approach to new

variety introduction and aflatoxin management; and support to establish a modern processing factory in Zambia. Each of these activities is detailed below.

- **Regional Groundnut Workshop:** A major success in MATEP's support during the year was the organization and convening of a regional meeting on developing the groundnut value chain. The Regional Groundnut Value Chain Meeting was held from 4 -6 May 2009 in Chipata and was followed by a Zambia Strategy Meeting on 7 May 2009. A total of 58 participants attended the regional workshop with representation from: Zambia (seed producers, researchers, out-growers, traders and farmer groups), Malawi (researchers, growers and traders), Mozambique (traders, researchers and business people), South Africa (engineers and traders) and the United Kingdom (traders). The main objective of the regional meeting was to formulate an action plan to improve competitiveness of the regional groundnut value chain on international markets. Three tangible results emanated from this meeting: Firstly, participants set a target to export 10,000mt of quality compliant groundnuts into Europe by 2012. Second was the establishment of a Regional Task Force to follow up on issues identified as preventing competitiveness of the regional groundnut value chain (and would therefore hinder the successful export of 10,000mt). Third, the Zambia Strategy Meeting agreed to organize and structure the Zambia groundnut industry. A steering committee was formed to ensure the registration of the first ever Groundnut Industry Association of Zambia (GIAZ).
- **Groundnut Industry Association:** Zambia groundnut stakeholders meeting at the above mentioned Zambia Strategy Meeting highlighted 12 issues for developing the value chain and from these prioritized two: seed availability and quality, and organization of the Industry. The stakeholders agreed on forming an industry association whose objectives would include: setting industry standards; market information and linkages; food safety; extension services; promotion of groundnuts and related products (marketing) and lobbying of government and related agencies to support the groundnut industry. The association: the Groundnut Industry Association of Zambia (GIAZ), was successfully registered in August 2009
- **Regional Groundnut Marketing Company:** As a follow up to the Regional Groundnut Meeting, a Task Force established during the meeting convened in Lilongwe on 24 June 2009. During the meeting, Chibembe Nyalugwe (MATEP Market Access Advisor) was elected chair of the task force and a company with the interim name of MAMOZA - for Malawi, Mozambique and Zambia - was conceptualized. MAMOZA would be headquartered in either Chipata or Lilongwe with the specific role of contracting international buyers for product from Zambia, Malawi and Mozambique. MAMOZA would allow a regional approach to improved production, improved quality assurance and improved market access for the industry. Richard Kettlewell was engaged by MATEP as a short term consultant to advise MAMOZA on its structure and interaction with markets. As a result of the task force meeting, Twin Trading of UK contacted MATEP to explore the possibility of NASFAM and Farm Foods Africa supplying chalimbana groundnuts to Europe. The groundnuts would be procured in Zambia and exported to Malawi where a small NASFAM grading and sorting plant is operational. Aflatoxin testing would be conducted by NASFAM and ICRISAT in Lilongwe.
- **Link with key buyers in Europe:** To help clients understand and navigate the challenges in exporting groundnuts and groundnut products to Europe, MATEP kept contact with the procurement and standards advisor for Twin Trading Ltd. of the UK, Richard Kettlewell. Twin Trading is a key buyer of groundnuts supplying into various supermarkets in the UK and Europe. Mr. Kettlewell has over 30 years experience in procuring and supplying groundnuts to Europe and Asia from Asian, South American and African suppliers. He is responsible for identifying potential suppliers into Twin Trading and other groundnut buyers in the UK, and working with farmer organizations to improve their access into the European

groundnut market. MATEP is also working with Ms Doreen Chanje, an expert in helping farmer organizations and food processors obtaining Fair Trade certification and introducing quality assurance systems within food value chains.

Another key buyer in the UK with whom MATEP established links is Phil Brown, owner of Trigon, UK and with a thirty year history of buying and supplying groundnuts. Based in Europe, he has historically procured groundnuts from Zambia and Malawi, and knows the varieties grown here. Whilst he agreed that Europe is predominantly supplied by “runner” varieties, he is confident that some of the existing varieties in Zambia can be marketed in Europe, whilst the region makes effort to introduce the preferred market varieties. MATEP is working to facilitate the shipment of samples to Phil Brown.

- **Regional approach to new variety introduction and aflatoxin management:** MATEP worked closely with various stakeholders to identify and source new seed varieties for groundnuts. Seed companies involved in this include Zamseed and SeedCo. These companies have the potential of annual supply contracts totaling \$7.5m to be supplied to commercial and small scale producers in Malawi, Mozambique and Zambia. MATEP communicated with the Crop Science Department of North Carolina State University and ICRISAT to identify preferred varieties in different markets and source groundnut seed. Richard Kettlewell further engaged the Mars Candy Company in the UK for information on their preferred varieties. Accessing these seeds will require royalty agreements between Zambian seed companies and the holders of breeder rights.
- **Support to establish a modern groundnut processing factory in Zambia:** During the year under review MATEP supported development of a proposal that would see a modern factory for shelling, grading, sorting and correctly storing groundnuts. The proposal also includes a modern peanut butter factory. MATEP engaged the services of a South Africa-based consultant with over 30 years experience in the industry to provide advice on groundnut processing to Farm Foods Africa, Scrollex Investments and Specialty Foods. The consultant’s advice centered on factory buildings, plant lay out, new machinery recommendations, operation of currently installed machinery and on getting quotations for required equipments and machinery. A finance and management expert helped develop financial projections and business plans for the operation, and an architectural/management consultant to helped with the issues related to the drawing of plans and management of factory building construction. As a result of this a business proposal has been developed seeking to raise \$15m over three years, with \$4m needed for the initial factory in Chipata. The factory will have the capacity to produce 12,000mt of shelled, graded and sorted groundnuts and 3,000mt of peanut butter annually. It will have in-house aflatoxin management and testing capacity and will have purpose built warehousing to store the final products.

Other support to the groundnut value chain included marketing and quality assurance surveys. During the year, MATEP helped clients in the industry obtain a better understanding of the market access challenges, particularly for those targeting the EU market. MATEP worked with David Greef of Canon Garth, a large buyer based in the UK with previous experience of procurement from Southern Africa. Information from this survey was circulated during the regional groundnut meeting in May 2009. MATEP also hired of James Phiri, a marketing specialist with over 10 years experience in the industry who conducted a survey on the local market opportunities for groundnuts and peanut butter in Zambia. MATEP also engaged a consultant during the year to help identify and quantify groundnut availability in Eastern Province for an order received from the UK.

General Mills, one of the world’s leading food companies, has a Science & Technology Transfer Initiative as a Corporate Social Responsibility program which MATEP engaged

during the year. The initiative focuses on providing research and development and engineering expertise support from General Mills' staff to needs in of the African food industry. Areas of interest for the groundnut value chain are food safety, quality, nutrition and processing. MATEP Chief of Party met with Jeff Dykstra of General Mills to discuss support to various MATEP clients. MATEP submitted a Concept Note focusing on technology for managing and testing aflatoxin in food and food processing technology in the groundnut value chain.

- **Dry bean value chain:** Although Zambia is a prolific producer of beans and there is rapidly growing demand for beans regionally, Zambia cannot exploit the opportunity because the variety grown by Zambian farmers is not the preferred in the canning industry. If the right variety is introduced, Zambia could start exporting thousands of tons of beans and it would justify (economically) putting in a dry bean grading and sorting facility whose output could target the regional market. The new variety not only has high demand, which means farmers are assured of a market, but it has higher yields, so farmers get a better return for their effort.

MATEP began work in the bean value chain in response discussions with Tiger Brands Foods, the continent's largest food company who alone import 14,000mt of white beans annually and project their own demand will grow to 40,000mt over the next 8 years. The highlight of MATEP's intervention to date is the official government release of a market preferred variety in September of this year, released under the local name *Luangeni* (he name in local dialect of a river close to where some of the trials took place). The next anticipated highlight will be the export of the first consignment from Zambia to Zimbabwe. Another highlight this year is the successful trial of the bean by organic farming methods by Kasisi Agriculture Training Centre.

As part of ongoing efforts to develop this value chain MATEP organized two meetings involving major stakeholders in the white bean value chain. The first meeting was held in January 2009 and the second in July 2009. The meetings generally discussed organization and performance of bean trials, response of small scale and commercial farmers to the bean and planning for the multiplication of seed in anticipation of release of the seed in Zambia by the Seed Certification and Control Institute (SCCI).

- **Horticulture value chain:** During the year Alamo, a MATEP client, indicated that they had commissioned a potato grading and cleaning (brushing) plant. Alamo had partnered with a number of commercial farmers with considerable irrigation and cold room capacity for growing potatoes and approached MATEP about the possibility of exports for table potatoes into the region. MATEP conducted an analysis to evaluate the viability of exporting these products from Zambia during the year which concluded that Zambian potatoes would not be price competitive against South African suppliers, who were at the time the dominant regional supplier of potatoes. The research also found that the seasonal supply flow of potatoes in Zambia and South Africa was very similar, leaving no supply gap that Zambian producers can take advantage of.

MATEP also worked with FREPEGA, a group of Lusaka based small scale farmers to look at the possibility of directly supplying South African buyers with baby vegetables. The challenge the farmers had was market access, due to lack of a pack house facility and finance for inputs and irrigation. MATEP worked with the group to explore possibilities of contract packing by larger local pack houses that had excess capacity. MATEP also worked with the group to put together a financing proposal so that they could source funds for the activity. The group eventually signed an agreement for the lease of a pack house and cold rooms with the ZEGA Training Trust and is finalizing their finance proposal.

MATEP also worked with a South African based organization specializing in drying of fruit and vegetables. MATEP is linking this group with a MATEP client doing local fruit and vegetable

drying in Kabwe called Chankwakwa. The intention is to upgrade the technology being used by Chankwakwa, and jointly pursue and supply large orders for dried fruit and vegetables.

Further activities in this value chain include conducting a study to assess the viability of Zambian products and producers accessing local and export markets for pulped and dried fruit and vegetables. Field work in Zambia was conducted from 25 November – 12 December 2008. This was in view of the significant challenges being faced in exporting fresh fruit from Zambia

- **Handcrafts:** During the year under review, MATEP worked with Tribal Textiles to set up a community craft centre based in Mfuwe for more effective sales of handicrafts to tourists visiting South Luangwa Park. Tribal Textiles is one of the largest handicraft exporters in Zambia and are based in Mfuwe, Luangwa Valley, Zambia's prime destination for tourists seeking wildlife viewing. Tourists that visit the Luangwa Valley also buy curios and other handicrafts, providing an opportunity for income generation for local craftspersons, however issues of quality, design and consistency are challenging this trade. Tribal Textiles is leading an initiative to ramp up an existing community craft centre and MATEP engaged a South African handicrafts expert, Solly Levy, to work with the community craftsmen.

The first phase of this assignment was undertaken in April 2009 with a focus to understand the existing practices as regards the craft business in Mfuwe and identify crafters to work with. Other areas of focus in the first phase were on product development to help the crafters understand the importance of a good product and be able to meet customer expectations. The approach used to reach out to crafters in the area was through workshops where presentations covering the following topics were made during the first and second visits during the year under review;

Phase 2 was undertaken during August 2009. It started with a review of Phase 1 to assess, amongst other things, the impact of the new products and designs developed in Phase 1. Based, in part, on these findings further product development work was undertaken and at the same time an assessment of the various workshops held (costing/pricing, customer handling/sales, quality etc) was undertaken to assess take-up and absorption. Based on these findings certain of the modules were repeated in the Phase 2 visit.

The review of the impact of the new products and designs produced an overwhelming positive response with nearly all of the crafters experiencing increased sales especially in the new products. To the degree that some of the new designs were 'not in stock' because they had sold so fast! Out of the ten groups that participated, four have shown significant improvements, with another four showing some improvement and the final two, despite efforts, showing very little progress. An interesting, unplanned for development has emanated out of the new products in that the crafters have seen an increase in 'wholesale' sales. This is essentially sales generated through the various lodges and camps as well as for Tribal Textiles.

- **Honey Value Chain:** MATEP continued work in the honey value chain during the year participating in the Zambia Honey Platform meeting held in April 2009 in Kitwe and in September in Lusaka. The meetings developed a three year work plan dealing with eight strategic areas: production, marketing, investment, research, information dissemination, strategic partners and organizational support for the industry. Many critical issues were discussed during the meeting including the organization of the industry, improved quality and marketing. Follow up by MATEP will include a mapping exercise to provide detailed data on honey production areas and producers; support to improve visibility of Zambian honey on the international market by enhancing the Zambia Honey Council website; ongoing support for marketing Zambian honey at local and international fairs and conducting a survey to determine local demand for honey. Towards the effort to improve honey marketing at international exhibitions, the Zambia – MATEP's Zambia stand at the AB7 had a stand alone section entirely devoted to Zambian honey.

Other work in the honey value chain included ongoing efforts towards eliminating irradiation requirements for honey exported to South Africa for the supply of retail packaged and organic honey. During the year under review, the second bee disease survey was initiated, completed and submitted (two surveys for AFB presence are required each year, with results submitted to the Department of Agriculture in South Africa). MATEP worked with Zambia's Department of Plant Quarantine and Phytosanitary Services (PQPS) and consultants to follow up with the South Africa Department of Agriculture on the second survey results.

MATEP is also working with a client to raise financing and provide STTA for the establishment of a modern bee product processing factory and a commercial bee farm. The detail of this support is outlined below.

CLIENT SERVICES: BUYER LINKAGES & ENTERPRISE SUPPORT

The client services part of the Market Access Component focuses on providing clients with business development services that lead to exports. Business development services to clients include short-term technical assistance, market linkage support, identifying and screening buyers, addressing grades and standards issues, capacity and/or technology development, financing and other services. Client services are demand driven: either the client comes to MATEP with a specific export requirement or a buyer has contacted MATEP about possible supply from Zambia. MATEP focuses on helping clients identify buyers for their products and provides the initial buyer/seller link up. MATEP work in this subcomponent focuses on "right-matching," as the correct link is critical to the potential success of the initial business deal and a longer term sustainable relationship. MATEP closely gauges a potential client's ability to service a market vis-à-vis volumes, quality, and consistency and business acumen. A total of 52 market access clients are receiving business development services from MATEP.

- **Talier Trading inward buyer mission:** MATEP worked with the Trade Hub in Botswana to assist in identifying potential suppliers to Talier Trading Group, a food distributor and specialty food development organization with offices in the United States and France. Talier Trading works with international specialty food manufacturers to create market linkages in the United States. They are particularly known for pioneering ethnic sections into mainstream supermarkets across the United States. Talier Trading features over thirty different products from around the world; the most recent addition to their range is the Africa Specialty foods which have been introduced to most shelves in thousands of stores (including Whole Foods, Winn Dixie, Krogers, Safeway, Shaws and Food Emporium).

MATEP developed a program of firm visits for Talier's CEO, Mr. Jim Thaller, during a visit to Zambia in late 2008 to meet with the potential suppliers. MATEP also facilitated meetings with Government Agencies like Zambia Development Agency (ZDA) and the Citizens Economic Empowerment Commission (CEEC) during this first visit to see how these organizations can channel their support to the development of the specialty foods industry. In a report after returning to the US, Jim Thaller stated,

"One word sums up my visit to Zambia...potential. I've seen few countries in Africa as ready to brand themselves in the specialty food market as Zambia. Sylvia's, Peco, Freshpikt, Mpongwe Organics, Luano Honey, Forest Fruits and others all have tremendous products near export readiness. From the government side, I was happy to see such a willingness on behalf of MATEP, ZDA, CEEC and the Agri-business Forum to help these Zambian companies achieve international exposure."

Following this initial visit, MATEP worked with a select number of firms helping to develop their products, packaging, pricing and labeling as well as conducting lab testing with the objective of eventual stocking on U.S. store shelves. During this time the number of products and firms was

pared down to those with the greatest commitment and potential. A second visit by Talier Trading in August of 2009 moved the final products closer to export readiness and one product, Freshpikt cherry peppers, is expected to be ready for export by the end of 2009.

- **African Joy:** Since they began receiving MATEP support, African Joy has continued to grow; increasing sales, staff and operations as well as quality and capacity to meet international orders. MATEP has played a major role in this company's growth, providing ongoing support in the form of market linkages, marketing and increased production capacity. During the year, MATEP assisted African Joy's participation in trade shows in Namibia, South Africa and Canada and at the Fiera Del Levante 2009, an International Selling Trade Fair in Bari Italy. In narrating her experience at the Italian fair, African Joy proprietor, Joyce Mibenge indicated that she had begun discussions with a businessman based in Italy to stock her products.
- **Freshpikt:** During the year under review, MATEP worked with Freshpikt, Zambia's only canning factory, in various ways as outlined below:
 - **Cherry peppers:** Freshpikt cherry peppers is one of products selected to for export to the U.S. by Talier Trading, but major changes were needed in product packaging and labeling. MATEP assisted in identifying appropriate glass packaging, in designing an attractive and informative label and the lab analysis of the peppers.
 - **Canned products:** MATEP also helped Freshpikt responding to prospects for supply of canned fruits and vegetables to market access into the U.S. by an Australian-based buyer MATEP also began work with Freshpikt to improve supply of raw pineapples into their processing facility. This is as a result of an MOU that Freshpikt signed for canned pineapples; the buyer met Freshpikt during their attendance of the AB7 Show which was organized by MATEP.
 - **RUTF unit:** Freshpikt is interested in using the extrusion plant in its factory to develop a new product line, ready to use therapeutic foods (RUTFs). These are high energy products that are mainly used in humanitarian and other public feeding programs. MATEP provided technical information on the quality specifications and composition of RUTFs that are used by international aid agencies.
 - **White beans:** Freshpikt is one of the companies that MATEP is working with in introducing the new white bean variety – *Luangeni*. Freshpikt have been involved with procuring crop from farmers, testing the variety, processing trials in their factory and commercial production on their farm. Freshpikt have expressed delight at the performance of the bean. MD Midge Drakes who has had extensive experience in baked bean production and white bean farming indicated he had not come across a bean with such robust growth and prolific seed production. Their winter trials exceeded 3.6mt / ha under irrigation. The bean has also performed exceptionally in their canning trials.
 - **Financing:** MATEP is working with Freshpikt to identify equity investors to raise sufficient working capital to ramp up operations. Freshpikt has secured huge orders for canned pineapples from their Australia distributor as well as in South Africa, fine beans from a French company, as well as ongoing demand for their tomato and baked bean products and working capital is needed to meet these orders.
 - **Trade shows:** Freshpikt is also a regular participant trade shows and has attended most of all the shows MATEP supported during the year.
- **Zamseed:** Zamseed is another MATEP client participating in multiple activities. During the year, Zamseed participated in trade shows; seed supply into the region and enhanced market access into the DRC.
 - **Trade shows and international meetings:** MATEP assisted Zamseed participation in the International Trade Centre organized "Buying from Africa for Africa" meeting to coordinate supply of agricultural products and inputs into the UN system, including WFP, FAO, UNHCR. Zamseed participation in this activity was important as its supply of seed

into DRC and Angola which is mainly conducted by UN agencies. The meeting included over fifty companies from ten African countries. Zamseed met with FAO DRC, FAO Mozambique, International Federation of Red Cross (IFRC), and International Council for the Red Cross (ICRC), World Food Program South Africa, the ADRA Mozambique team, and Care International Zimbabwe. The meeting with FAO DRC led to official registration of Zamseed in the FAO supplier register meaning that Zamseed can now work directly with FAO; previously they were operating through an agent. Additionally, in February 2009, MATEP provided assistance to Zamseed to enable them attend the 2009 Africa Seed Trade Association Annual Meeting. The annual networking event allows both market linkages and sharing of information on developments in the seed industry.

- **DRC:** MATEP worked with Zamseed on assisting setting up offices in DRC. Zamseed is the key client driving the activity to establish a business presence in the DRC and the firm is considering opening an office in Lubumbashi with local DRC shareholding.
 - **Regional seed supply:** MATEP is working with Zamseed as a partner in introducing improved groundnut and bean seed in Zambia. Zamseed is working in close collaboration with ICRISAT in determining basic and certified seed requirements for four groundnut varieties already released in the region. Zamseed will directly handle the multiplication of basic seed for the new groundnut variety MGV5 and will supervise production of certified seed with out-growers based in Chipata for the same variety. As stated earlier, MATEP also worked with Zamseed to respond to an Angolan buyer for seed potatoes
- **EPFC Ltd:** Easter Province Farmers Cooperative, Limited works with 1,100 farmers based in the Eastern province. MATEP worked closely with EPFC in the selection of groundnut and white bean varieties for their farmers to grow and EPFC plays a key role in developing these value chains. MATEP helped arrange a visit to examine South African groundnut processing facilities and assisted in developing two financing proposals: one for a grant facility from a Dutch development organization and a second from the World Bank Innovation Fund, managed by Africare. The proposal was approved and is awaiting disbursement formalities.
 - **Borassus:** Borassus (now in receivership) is one of the 3 largest exporters of fresh baby vegetables from Zambia. Over time, Borassus has diversified their product range by responding to market trends for healthier foods. They have significant quantities of organic mange tout and sugar snaps that they are targeting to San Francisco and New York. With the help of the SAGC Hub in Botswana, MATEP provided the information on the procedures for these products to enter the US during the year under review.
 - **Tasheni Farms:** This was a new client in poultry production that has the capacity for producing over 100,000 birds. MATEP worked with Tasheni Farms to overcome capacity constraints and to enable them export into DRC. During the year, MATEP linked Tasheni with Savanna Beef, and a supply contract between the two clients was drawn up initially to cater for Savanna sales into Shoprite and SPAR stores around the country. This is intended to provide a stepping stone to exporting dressed poultry into the DRC and Angola. Savanna has a separate poultry abattoir with a capacity of 200,000kg of processed poultry per month.
 - **Mukwa Creations:** MATEP worked with Mukwa Creations for production of pens from indigenous hardwoods (mainly mukwa and rosewood trees) taken as scrap off-cuts from sawmills. MATEP assisted the company with labeling and suitable brand name development, and “tested” the market by marketing a few samples. The company had challenges with quality supply inconsistency but with MATEP assistance, significantly improved their pen quality leading to a reduction in rejection rates from 60% to 35%. During the year under review, MATEP approved a short-term loan of \$3,500 to improve stock of pen kits used to assemble the pens and also to enable the company procure from the U.S. a second lathe to increase production capacity. MATEP also supported Mukwa Creations to improve their business operations, both in product

supply and business management. Since the support that MATEP provided to Mukwa Creations, the company has been able to attract an equity partner who will bring both capital and considerable market access to the company. The company is shifting from their premises in Kitwe, to premises provided by the equity investor in Lusaka.

- **Ubuchi Capital Enterprise Ltd:** During the year, Ubuchi made significant progress: making their first export; growing their market presence and brand on the local market; and successfully applying for financing under the World Bank matching grant fund, managed by Africare. The Ubuchi Liquid Gold product is the fastest moving honey product and has the most shelf space devoted to honey in SPAR Arcades. A trial shipment to Choppies of Botswana was successful and Choppies have indicated willingness to sign a longer term supply contract directly with Ubuchi. Ubuchi has been strengthening its supply security from bee keeping groups before it approaches Choppies for a long term supply contract. Ubuchi has since signed supply MOU's with beekeeping groups in Kaoma, Mumbwa, Kapiri and Mwinilunga (around the Kaleni hills area). Ubuchi intends to purchase 3,500 modern top bar hives, 50% of which will be distributed to bee keeping groups it is working with. The balance of 50% will be placed on their planned corporate commercial bee farm. All these efforts are to ensure that Ubuchi has a secure year round supply of quality honey.

MATEP played a major role in Ubuchi accessing \$300,000 for their expanded operations. In March 2009, MATEP worked closely with Ubuchi to develop a concept note and later business plan which was submitted to the World Bank Market Innovation and Improvement Facility managed by Africare. In September 2009 Africare officially informed Ubuchi that their application was successful and disbursement awaits various legal and administrative formalities. MATEP has also worked closely with SNV Zambia to source equity investment in Ubuchi for a further US\$ 600,000. During the year, a due diligence was successfully conducted by the proposed investor.

- **Savanna Beef:** MATEP provided STTA to Savanna Beef during the year to help senior management design and package their expansion program with a view to obtaining financing and supplying institutional markets in Zambia, the DRC and Angola.
- **Farm Foods Africa Ltd:** Farm Foods Africa (FFA) received assistance in conducting a site assessment, evaluating various properties that had been short listed as possible sites for a groundnut shelling, grading and sorting plant and the peanut butter factory. The proposed Farm Foods Africa plant will be one of the most advanced groundnut processing facilities in the region, outside of South Africa, with a capacity to shell, grade and sort 6,000mt of groundnuts annually. Attention was also given to developing a system to manage procurement logistics. MATEP also worked closely with FFA during the year to develop a three year business plan and is working with FFA to leverage funding for their plant and operations. With MATEP support, a business plan budgeted at \$4 million was concluded during the year and FFA is now in advanced negotiations to raise the capital to fund the business.
- **Scrollex Investment Ltd:** Scrollex was one of the companies that benefited from a food processing expert MATEP engaged by MATEP during the year. Ian Matten's technical support services to Scrollex included advise on the layout of their plant and necessary equipment for their water and juice bottling factory, and peanut butter factory. Mr. Matten also provided Scrollex with quotations for peanut butter making machinery.
- **Kafakumbe Ltd:** MATEP worked with Kafakumbe in developing expansion programs for their aloe vera processing plant; bee keeping out grower scheme; fish farming program and continuation of the wood harvesting satellite program that MATEP supported the 2008. MATEP worked with Kafakumbe to leverage funding from Root Capital and Africare/World Bank for these activities. Root Capital is nonprofit finance organization whose mission is to support the

development of businesses operating in environmentally sensitive areas. They provide credit and financial services to SME's and rural producer organizations. Further, with support from MATEP, a Concept Note was developed and successfully submitted to MIIF during the year for the development of a fingerlings hatchery. The only hatchery functional at the time was a privately owned one in Chirundu and stopped supplying fingerlings to the Zambian fish industry. The hatchery proposal has since successfully passed technical evaluation stage and the process of developing a full business proposal should commence soon.

- **Hipego Ltd:** Over the past two years, MATEP working with Hipego Ltd has provided the Kasholwasholwa Women's Resource Centre and The Kasonde Women's Club with financial, logistical, administrative and marketing support for sale of their traditional baskets. This support led to the groups' participation at the Santa Fe International Folk Art Market (SFIFAM) in New Mexico, USA in 2007 and 2008. In view of their performance in 2007, the group was re-invited (participation is by invitation only) in 2008 and 2009 Folk Art Market. The Women's groups have consistently improved their performance in these markets, raising \$22,000 and \$27,000 in sales in 2007 and 2008 respectively. MATEP has been very instrumental in providing support to Hipego for various trade show attendance.
- **Leather Industry Association of Zambia:** LIAZ sought MATEP support for Meet in Africa (MIA) attendance during the year under review, Meet in Africa is a leather exhibition fair that brings together tanneries, manufacturers, business houses and traders in Africa. Europe and the Far East are also represented at the fair. MIA is held every two years and was held in April 2009 in Khartoum, Sudan. LIAZ sent Mr. David Daka, the LIAZ Coordinator, to MIA to represent the association. A collaborative effort between MATEP, ZDA and the Eastern and Southern Africa Leather Industries Association Facilitated LIAZ participation.
- **Capital Fisheries:** MATEP worked with Capital Fisheries during the year to submit a concept note for the establishment of a canning factory for buka buka fish on the banks of Lake Tanganyika. This cannery would have provided increased supply of canned fish and enabled them to better supply export markets. The cannery would also have allowed increased storage and shorter distance & time between harvesting and processing of fish. This would have reduced the vulnerability of Capital Fisheries to price spikes during the season that fish harvesting is banned in Zambia. Although the concept note was approved, Capital Fisheries shareholders opted not to submit a business plan to MIIF at this time.
- **Sylva Food Solutions:** Sylva Foods is the largest indigenous fruit and vegetable processing and packaging company in Zambia. MATEP has been working closely with Sylva Food Solutions to develop foods for the US specialty market under the Talier Trading initiative. During the year under review, Sylva Foods has had two visits from Talier Trading and received technical support in product development. Packaged traditional soups and muffin pre-mixes are the focus of food development activities with Sylva Foods.
- **Mpongwe Beekeeping Enterprises:** MATEP has worked with Mpongwe Beekeeping Association in collaboration with SNV Zambia. Our activities during the year focused on their participation in the Copperbelt Agricultural and Commercial show in Kitwe and the Africa big 7 show in Johannesburg.
- **Lumuno:** Lumuno Organic Farms is an agri-business firm in the Kasisi area of Chongwe district in Lusaka province. Lumuno Farms practices organic farming very extensively and has not used synthetic fertilizers and chemicals for the past three rainy seasons/years. They came to MATEP to seek assistance in expanding the organic chili processing with the prospect of exporting the product. MATEP facilitated their participation in the Copperbelt Agriculture and Commercial Show in May 2009. As a result of their exposure at this event, Lumuno has since

been visited by the Nigerian High Commissioner who has indicated interest in facilitating Lumuno chilli exports to Nigeria. A sample of chilli was sent to Nigeria where it was positively received, the potential buyers have requested that the seeds in the product be removed. Additionally, the Japanese International Cooperative Agency (JICA) also visited Lumuno at the Copperbelt show and have since linked Lumuno to an organisation called JETHRO based in South Africa that promotes exports into Japan.

- **Glymo:** Glymo Enterprises, led by a female entrepreneur Elly Mwale, succeeded in exporting Maheu to Angola. Glymo approached MATEP to seek assistance to furnish an order from an Angolan buyer; she had tried unsuccessfully on several occasions to obtain a bank loan to assist expand her trade capacity and in frustration, had closed all her bank accounts, stating: *“my banks are of no use to me when I need them for my business”*. Working with MATEP, Glymo obtained an import order from Angola for 40mt of Maheu to be executed in 10mt batches, with a total sales value of \$80,000. MATEP structured a trade finance facility in order for Glymo to execute the order and the first shipment of 10mt was successfully exported in February 2009 and as at the year of the year, a total of 25.5mt of Maheu had been exported to Angola by Glymo Enterprises.
- **Frepega:** MATEP worked with the Fresh Produce Exporters and Growers Association (FREPEGA), a group of Lusaka based small scale farmers to look at the possibility of directly supplying South African buyers with baby vegetables. The challenge the farmers faced was market access, due to lack of a pack house facility and finance for inputs and irrigation. MATEP worked with the group to explore possibilities of contract packing by larger local pack houses that had excess capacity. MATEP also worked with the group to put together a financing proposal so that they could source funds for the activity. The group eventually signed an agreement for the lease of a pack house and cold rooms with the ZEGA Training Trust and is finalizing their finance proposal.

Market Access Component: Implementation Plan

Activity	Year 5																						
	Oct.			Nov.			Dec.			Jan.			Feb.			Mar.			Apr.				
	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3
Regional Trade																							
South Africa																							
Follow up on opportunities for honey, white beans, groundnuts, peanut butter and other products																							
Market survey																							
Zimbabwe																							
Honey Industry field trip																							
Follow up on opportunities for humanitarian aid relief supply																							
DRC																							
Work with clients on operational presence in Lubumbashi																							
Botswana																							
Facilitate supply to Choppies and Star Link																							
Market strategy for pulses, enriched foods and peanut butter																							
Malawi and Mozambique																							
Joint exports of groundnuts to Europe																							
Market Development for Value Chains																							
Support to Groundnut Industry Association																							
Bean stakeholder meetings and follow up with commercial trials																							
Honey - honey irradiation follow up																							
Fruit value chain - inward buyer mission, pulping possibilities and follow up																							
Exporter Services																							
Client support for food safety certifications																							
Specialty food export development																							
Work with NSIR and ZABS for international accreditation																							

TRADE AND ENABLING POLICY COMPONENT

Agricultural and food security policy in Zambia revolve around the widely accepted goals of income growth, food security, and equity considerations. But progress toward these goals can rarely be achieved without an understanding of how the agricultural economy really works, which requires up-to-date information, analysis, and subsequent dissemination and education. The role of the Michigan State University/Food Security Research Project (FSRP) within the MATEP Project is to convert analysis into local analytical capacity and improved policies through intensive collaboration with public and private sector stakeholders in the agricultural sector. FSRP/MATEP is based on the premise that improved empirical information about the behavior of farmers, consumers, and marketing agents can improve agricultural sector decision making, private sector performance and private/public sector partnerships in Zambia.

FSRP/MATEP activities revolve around four important agricultural value chains in Zambia: maize, fertilizer, cotton, and horticultural commodities. Activities conducted in the period under review (October 1, 2008 through September 30, 2009) are described below for each value chain. First, however, we describe important cross-cutting activities that all staff were involved in during this period.

CROSS-CUTTING ACTIVITIES

All FSRP/MATEP staff participated during the period under review in cleaning data for the Urban Consumption Survey (UCS) and the Third Supplemental Survey of over 7,000 rural households across the country. Cleaned data from both surveys have been posted on the MSU/FSRP server for use by team members in their various analyses. This cross-cutting activity contributes to the work on all value chains. A report on the UCS data has been drafted, and work on detailed analysis in sub-sectors such as maize and horticulture has started. A new classification of smallholder farmers in Zambia has been developed using data from the Third Supplemental Survey, in addition to the first and second such surveys. These two data bases will continue to contribute to analysis for some time.

MAIZE

Major focus: FSRP/MATEP in Years 1 and 2 focused on developing a better understanding of smallholder production and marketing patterns and how these patterns have shifted over the past decade, in order to understand how maize (and broader sectoral) marketing and trade policies could be designed to better serve the needs of small farmers and consumers. Our premise and goal is that policy makers will increasingly rely on available information and evidence about the agricultural sector and allow their views to be influenced by clearly articulated research evidence if it is made available to them through a collaborative process involving government analysts in the generation of the evidence. This is an on-going process, and one which required in Years 1 and 2 the development of closer working ties between FSRP/MATEP and new senior Ministry staff. The focus in Year 2 was on several new analyses including examining how government maize marketing policies affect maize price levels and stability. Year 2 analysis has also focused on the region's transition to structural maize deficits, their causes, and the impacts on food prices. FSRP/MATEP has also documented the impressive decline in real maize marketing and processing margins since the reform of maize markets in the early 1990s. This continued in Year 3 and in addition, FSRP/MATEP focused on identifying opportunities to improve food security and rural income growth in light of the dramatic rise in world food prices since 2007, as well as conducting new analysis on urban maize consumption patterns and food security policy.

Major accomplishments: Through the Maize Value Chain Study, FSRP/MATEP and our MACO partners have documented several important trends in Zambian agriculture:

- Major shifts in crop production patterns from one where maize was the dominant crop in smallholder production and sales, to a much more diversified current pattern of production. Though maize remains the dominant crop in production, accounting for about 30-40 percent of the value of total farm output in the smallholder sector, other staple crops such as cassava, fresh vegetables, crops and livestock production have increasingly become important to smallholders' food security and income generation in recent years.
- Reduction in rural poverty rates, which corresponds to major growth in smallholder production of crops other than maize.
- A shift in the region to structural food deficits, especially driven by events in Zimbabwe, rising demand in the DRC, and a deliberate policy shift to reduce surplus maize production in South Africa. This situation affords many opportunities for Zambia if it can improve the efficiency of its maize production and marketing system through cost-reducing public goods investments.
- A dramatic reduction in maize marketing and processing costs, which has conferred major benefits to urban consumers and net maize purchasing smallholder farmers. Unfortunately, many of these efficiency gains have been eroded since the rise in food prices due to events in world markets. However, the food prices that consumers are currently paying in 2008 would have been even higher had these cost reductions in milling and retailing not taken place.

Using evidence from this and other research activities, FSRP/MATEP has been informing policy makers, donors and other sector stakeholders including parliamentarians through papers, presentations, meetings, dialogue and other outreach activities on: trends in Zambian agriculture since 1980; achievements, challenges and opportunities for continued poverty alleviation and growth in Zambia's agricultural sector; maize and fertilizer marketing; agricultural marketing and finance system; maize trade policies to improve farmer incentives and food security; and tracking public expenditure to the agriculture sector.

Policy presentations/engagements

- Jayne made a presentation on World Food Prices and the Political Economy of Food in Eastern and Southern Africa at Michigan State University. Center for the Advanced Study of International Development, CASID. Women and International Development (WID) Program, Center for Gender in Global Context. November 7, 2008. The presentation has been posted on the MSU/FSRP website.
- FSRP/MATEP met with ZNFU analyst (John Fynn) in the last quarter of 2008 to review the current maize supply and demand situation. This review was to share current information and ideas with ZNFU in the context of the report that was being prepared by a ZNFU facilitated working group on rising prices in Zambia.
- Weber participated in an ACF sponsored meetings to review SADC regional grain reserve proposal.
- FSRP/MATEP continued to interact with stakeholders in trying to gather more information about how the government of Zambia is dealing and responding to the domestic rising retail maize grain and maize meal prices as well as provide guidance on how to deal with the crisis. In the month of January 2009, Grain Trades Association of Zambia (GTAZ) Chairman and Secretary General visited with FSRP to give an update and seek counsel on their predicament regarding FRA reluctance to buy their stocks but rather give millers preferential treatment. FRA, with pressure from various groups and politicians, had begun to sell subsidized maize to millers and arranged imports of 35 000 metric tones of non-GMO maize. Unfortunately, up until end of January no agreement on the price at which FRA would buy traders' stocks had been yet reached but discussions to buy expensive excess millers maize stocks before selling it back to them at subsidized prices were concluded. Traders remained optimistic that FRA would agree to buy traders stocks. This fact-finding work by FSRP was necessary to simply understand the policy decisions that are being taken -- the first step toward being able to analyze their impacts.
- FSRP/MATEP initiated discussion into the future of the sector, urging the industry and government to look at the future implications of the current maize fiasco. For example, how would FRA sales of subsidized stocks affect the market of early maize crop that was soon to come

on the market; how would FRA deal with the issue of strategic reserves given their limited current stocks; what would be the size of the main maize crop coming in April-May; how much was FRA likely to buy (which depends on the size of the budget allocation); would traders be motivated to aggressively go out and buy grain from farmers as they did last year given the current stocks they are holding?

- The draft international development working paper by Jayne et al on, “Rising World Food Prices and their Implications for Food Security Policy in Eastern and Southern Africa” continued to attract a lot of attention. For example, IRIN published an article on Malawi/Zambia food crisis drawing mainly from this study. The paper is also getting a great deal of attention in the Malawian press. A short updated policy synthesis on the current maize market situation in Zambia is being prepared from this larger regional reporter.
- FSRP/MATEP continued to monitor the maize grain and mealie meal prices in Zambia through interaction with stakeholders. Despite the government subsidy to millers, maize grain prices remained high. For example, in Lusaka, the retail maize grain prices in January 2009 was K1756/kg, February 2009 K1803/kg, and March 2009 K2017/kg. The new crop started coming on to the market in March 2009 though moisture content is still high. There were reports that farmers in Southern Province were selling early maize grain at K25,000 per 50kg bag (approx K500/kg), whilst some farmers in Chipata in the Eastern Province were said to have found a lucrative market in Malawi selling their grain at K95,000 Kwacha per bag (about K1819/kg). These reports provided FSRP/MATEP with yet another opportunity to provide wise counsel to MACO and the Stocks Committee not to take this as a threat but a market opportunity that should be harnessed. The current thinking was to set a very high floor price to discourage sales of grain to Malawi.
- FSRP/MATEP provided technical support to the MACO Early warning unit to prepare for the Crop Forecast Survey (CFS) in the early months of 2009. It worked on model to estimate projected maize price levels the following marketing season in Zambia in light of the most recent CFS production forecasts and estimates of national maize demand. These price projections were shared with MACO to provide guidance on proposed FRA activities to lessen the potential for disruptions in the functioning of the maize marketing system in the 2009/10 marketing year.
- The FSRP Team spent the first half of May helping MACO and CSO clean the CFS data before the announcement of the crop forecast by the Minister of Agriculture. The exercise was time consuming because of many issues regarding data collection and entry which affected the quality of the data. As a result of FSRP’s continued efforts in highlighting problems with the MACO/CSO data weighting files due to enumerator under listing, CSO finally agreed to review the weighting procedures and updated the weights for 2008/9 crop estimates. FSRP encouraged dialogue between the stocks committee and MACO early warning unit responsible for the CFS and proposed a lock up session to discuss and agree on the estimates before the minister announces the crop estimate and food balance sheet. The estimates were shared with GTAZ and ZAMACE, and FSRP encouraged MACO to disseminate this information widely to help FRA and private buyers have ideas as to where to go to get maize tonnage. Jan Nijhoff assisted MACO with generating more accurate maize grain utilization estimates which are used in the generation of the national food balance sheet.
- Chapoto, Jayne and Weber collaborated with Dr. Gelson Tembo, Lecturer from the University of Zambia on a paper entitled “[Fostering Agricultural Market Development in Zambia](#).” Presented at the Zambia National Symposium, Harnessing the Potential of Agriculture to Meet the Increasing Demands from a Growing Population at the University of Zambia, Lusaka, Zambia. April 7-8, 2009. The presentation by Dr. Tembo attracted some local press coverage and a report can be found at <http://www.lusakatimes.com/?p=10911>
- FSRP outreach team met with the Minister of Agriculture and Cooperatives, Dr, Brian Chituwo to provide him with some basic information on: likely maize supply and demand in the Southern Africa region in the forth-coming marketing season; why it was important for FRA to set policies consistent with protecting some potential export options, and to especially, not announce any FRA indicative prices until the crop forecast is finished and balance sheet announced.

- Mason et al produced a draft report “Are Staple Foods becoming more expensive for urban consumers in Eastern and Southern Africa? Trends in Food Prices, Marketing Margins, and Wage Rates in Kenya, Malawi, Mozambique and Zambia” which was presented at the Institute for African Development Conference, “Food and Financial Crises and their Impacts on Achievement of the Millennium Development Goals in Africa” on May 1-2, Cornell University, New York. A final version of this paper was also published as an FSRP working paper: [Are Staple Foods Becoming More Expensive for Urban Consumers in Eastern and Southern Africa? Trends in Food Prices, Marketing Margins, and Wage Rates in Kenya, Malawi, Mozambique, and Zambia](#). Nicole Mason, T.S. Jayne, Cynthia Donovan, and Antony Chapoto. IDWP 98. June 2009.
- Weber, Kabaghe and Chapoto met with the Chief Executive of FRA to share with him some insights on issues to consider when dealing/discussing the maize indicative price or rather maize floor price for marketing season 2009/10, stocking up of FRA strategic reserves, maize production costs and Zambia National Farmers Union (ZNFU) and private sector participation. Most of the stakeholders were happy with the announcement of FRA buying price of K65,000 per 50kg bag. Unfortunately, ZNFU still persists that this price is low compared to farmers production costs and is advocating for an increase in the floor price up to K85,000. We trust that the notes FSRP provided to the FRA Chief Executive will continue to be handy as the issue of maize pricing is being discussed.
- Chapoto shared insights from the cross-country price instability study at the FAO Regional Expert consultative meeting on use and impact of trade and domestic policy interventions on cereal value chain in Eastern and Southern Africa held in Tanzania, June 3-4, 2009. [Measuring the impacts of trade barriers and market interventions on maize price instability: Evidence from Eastern and Southern Africa](#). A. Chapoto and T. S. Jayne. Presentation at the Regional Consultation Workshop on: “The Use and Impact of Trade and Domestic Policy Interventions on Cereal Value Chain Stakeholders in Eastern and Southern Africa”. Dar es Salaam, Tanzania, June 3-4, 2009.
- ACF/FSRP organized a High Policy Level dialogue meeting with ministers at Protea Lodge in Chisamba on 15 August 2009. Among other issues, maize marketing and trade policy in Zambia was discussed. The meeting noted that the continuation of ad hoc government marketing and trade policy was hampering growth of the agricultural sector in terms crop diversification, regional marketing opportunities and crop productivity. In addition, the removal of the grain marketing council from the Agricultural Marketing Act proposal by MACO would render the proposed changes ineffective because without an independent board to monitor the sector then the status quo will persist. Stakeholders were urged to pressure for the inclusion of the council when the bill comes to the committee stage.
- FSRP/MATEP started work on impacts of FRA operations on smallholder livelihoods with data collection from FRA and other sources. A draft working paper is expected in the 4th quarter.
- As part of the maize value chain study, Dingi Banda from MACO is working on “distributional effects of maize price levels on smallholder welfare” for his M.S thesis, though a working paper will be produced as well.
- Chapoto interacted with a WFP, Purchase for Progress (PFP) Monitoring and Evaluation officer who wanted input on the current maize situation in Zambia and some thoughts on whether WFP procurement via ZAMACE was a good idea given the fact that the program should benefit small-scale farmers. Main highlights of this discussion were:
 - Zambia had a surplus according to the CFS 2009 and retail market maize prices in August ranged from were K40,000 to K70,000 per 50kg bag suggesting lower farm gate prices. The unfortunate development is that government has deviated from its promise to buy limited quantities for strategic reserve by announcing a more than double FRA supplemental allocation. Limited maize exports have been allowed.
 - Utilizing the market by PFP was the best approach and benefits will trickle to small holder farmers especially if the problems with storage are addressed (e.g. through warehouse receipts).

Policy synthesis

- “[Marketing Policy Options for Consumer Price Mitigation Actions in the 2008/09 Maize Marketing Season in Zambia](#)”. This policy synthesis was written to stimulate discussion on how to effectively deal with the impending shortage of maize grain during the following lean season between November 2008 and March 2009.
- FSRP/MACO policy synthesis on “[Marketing Policy Options for Consumer Price Mitigation Actions In the 2008/09 Maize Marketing Season in Zambia](#)” continues to get some visibility, see <http://zambian-economist.blogspot.com/2008/11/to-import-or-not-to-import-2nd-edition.html>.
- A short updated policy synthesis on the current maize market situation in Zambia was prepared from the report on “The 2008/09 Food Price and Food Security Situation in Eastern and Southern Africa”. The policy synthesis highlighted concrete steps that can be taken when Zambia has a future production shortfall to avoid the situation experienced in 2008/09 when food prices surge over import parity levels.
- Weber produced a draft policy brief on changes in small and medium –scale household maize production and marketing patterns between CSO/MACO/FSRP National-Level Supplemental Survey Periods 2004 and 2008.

Policy reports/publications

- Govereh, Jayne and Chapoto published a working paper on [Assessment of Alternative Maize Trade and Market Policy Interventions in Zambia](#).
- Jayne, Chapoto and others completed a draft report on assessing the impact of the rising food price situation in 2008/09 on food insecurity and changes in anticipated 2009 production patterns in Zambia and the southern Africa region more generally. The report has been posted on the MSU website as a draft International Development Working Paper.
- Chapoto and Jayne a completed a draft working paper on, “Effects of Maize Marketing and Trade Policy on Price Unpredictability in Zambia”.
- Given the important new developments in Zambia and other countries in the region, Jayne et al, updated the working paper on “The 2008/09 Food Price and Food Security Situation in Eastern and Southern Africa” – and parts of this regional report have received media attention in Malawi, see: <http://www.alertnet.org/thenews/newsdesk/IRIN/c58f6508f060f2726f83e2826db88147.htm>.
- Jayne and Chapoto produced a working paper on analysis of the impacts of FRA operations and government trade policies on the level and volatility of maize prices in Zambia. Results of this study indicate that certain government trade policy actions, while intending to stabilize maize prices, actually appear to destabilize them, e.g., export bans and delays between announcing intentions to import and actual timing of import. These findings will be shared and discussed at future outreach events in Zambia to apprise MACO colleagues of how certain trade policy changes could help stabilize maize prices, especially in years of production shortfalls. A report was completed from this work: [Effects of Maize Marketing and Trade Policy on Price Unpredictability in Zambia](#). Antony Chapoto and T.S. Jayne. FSRP Working Paper No. 38. June 2009.

Major focus areas for the remainder of the project: During the remaining period of the project, FSRP/MATEP will continue working on the implications of the change in world food prices on local and regional food market conditions and impacts, in collaboration with local stakeholders in Zambia. This will include analysis of how changes in world food, fuel and fertilizer prices are anticipated to affect the maize price surface in Zambia, how policy choices and investment decisions may alter the level and stability of maize prices, and identifying strategies that will exploit the opportunities that higher farm prices may provide to improve the living standards of the Zambian population. It will also continue looking at urban staple foods consumption patterns using the UCS data.

FERTILIZER

Major focus: FRSP/MATEP under this component continued analysis of fertilizer profitability bringing out implications for government policies, the impacts of the Fertilizer Support Programme

(FSP) on input markets and smallholder fertilizer use. The aim was to assess fertilizer profitability under the new fertilizer and grain price environment likely to prevail in Zambia following the trebling of fertilizer prices in 2008. Support to the AIMD plan including follow-up research also continued.

Accomplishments: FSRP/MATEP worked closely with ACF and MACO to plan and implement a stakeholders study tour for the Zambia fertilizer reforms to Kenya, Tanzania and Malawi (12 to 21 January 2009). FSRP utilized its knowledge and understanding of the fertilizer developments and networks in these countries to help structure the visit. The materials collected and made available to the team were posted on a web to maximize access: [Resource Materials - Zambia Agricultural Fertilizer Programme Study Tour: Gaining Insights from On-Going Reforms in Malawi, Kenya and Tanzania](#). Based on experiences on the tour, a report as well as proposed reforms was presented to the Government as well as the donor community and stakeholders on different occasions. The reforms were generally well received by most stakeholders though consultations are continuing with the hope of implementing these reforms by next farming season (2010/11). [Agricultural Consultative Forum \(ACF\) & Food Security Research Project \(FSRP\) News: Information on the Fertilizer Support Programme \(FSP\) Review 2009](#).

Detailed description of important activities and results

- Developed a draft policy synthesis from the paper "Fertilizer Subsidies and Sustainable Agricultural Growth in Africa: Current Issues and Empirical Evidence from Malawi, Zambia and Kenya".
- Kasweka and Jones analyzed fertilizer purchase behavior among households in the supplemental panel survey of 2001 and 2004. Looked at the changes in the distances households covered to collect fertilizer from an outlet between the two surveys. Variations in the distance traveled by type of outlet (government or commercial) and by the district profile (near or far from line of rail) are being looked at.
- FSRP/MATEP also continued work with ACF to use existing CSO/MACO/FSRP rural household data to inform questions about production, marketing and consumption, as well as fertilizer use, among different categories of small and medium-size smallholder households in Zambia. This analysis and associated outreach was aimed at improving the targeting of assistance and economic services to smallholders. See: [Background Materials to Support the Feb 4, 2009 Budget Analysis Presentation: Small and Medium-Scale Household Income and Other Characteristics by Quintile of Household Per-Capita Land Use - 2004](#). Tadeyo Lungu, Augustine Mutelekesha, Antony Chapoto, Margaret Beaver and Michael Weber
- Jayne, Black and others at MSU distilled major conclusions and lessons learned on improving the profitability of fertilizer use by smallholder farmers in Zambia. The main conclusions were that – given the general conditions that farmers face – fertilizer applied to maize is profitable only in a relatively small number of geographic areas and farmer conditions. Factors that greatly affect the profitability of fertilizer use include (i) whether the fertilizer is delivered to farmers on time; (ii) application rates – standard 4x4 bag recommendations result in lower returns than lower rates; (iii) plowing techniques; (iv) recent mortality or illness of adult household members; (iv) soil type. The findings can be used by the Ministry of Agriculture, out grower companies, and NGOs to provide more geographically disaggregated recommendations to farmers. Other conclusions relate to targeting of FSP. Targeting relatively poor households will result in greater incremental fertilizer use in the country.
- ACF/FSRP presented cotton and fertilizer reforms and 2009 agriculture budget background information to the Parliamentary Committee on Agriculture and Lands, and other key stakeholders at a workshop at Ibis Garden on 20/21 Feb. The FSRP web site posting of policy presentations from this outreach work are:
 - ACF/FSRP Sharing Evidence-Based Research Results with the Parliamentary Committee on Agriculture and Lands: Selected Policy Background Information Towards More Effective GRZ and Private Sector Investment to Reduce Rural Poverty and Improve Food Security. Ibis Garden, Chisamba Area, 20/21 February, 2009.
 - [Agenda](#)

- Radio News Summary on Proposed Fertilizer Reforms: Sunday, 22 Feb, 2009 (ZNBC Radio 4 - ZNBC Four). To listen: [Download MP3 file\(2MB\)](#)
- [Background Information on the Rural Smallholder Farm Sector: What Does Empirical Information Tell Us About Maize Sector Productivity and Related Agricultural Input Use?](#) Antony Chapoto and Michael Weber.
- [Categorization Tables: Small and Medium-Scale Household Income and Other Characteristics By Quintile of Household Per-Capita Land Use - 2004](#)
- [Effective Public-Private Coordination in Zambia's Cotton Sector: Deliberation on the Revised Cotton Act.](#) Stephen Kabwe, FSRP.
- [Strengthening the Cotton Act of 2005.](#) The Cotton Working Group
- [Study Team Report on Proposed Reforms of the Zambian Fertilizer Support Programme \(FSP\).](#) Coillard Hamasimbi, ZNFU
- [Voucher Programme Presentation.](#) Mark Woods, Rob Munro, Brett and Brent Magrath.
- [Draft Report on Proposed Reforms for the Zambian Fertilizer Support Programme.](#) The Fertilizer Review Team
- [Public Agriculture Spending: Trends & Key Trade-offs.](#) Jones Govereh
- [Trends and Spatial Distribution of Public Agricultural Spending in Zambia: Implication for Agricultural Productivity Growth.](#) Jones Govereh, et al. 2009
- [Discussing the 2009 National Budget for Zambian Agriculture.](#) ACF/FSRP Research Staff. Antony Chapoto and Michael Weber. Presented at the Agricultural Consultative Forum Annual Stakeholders Breakfast Budget Workshop, Pamodzi Hotel, Lusaka, Zambia. 04 Feb. 2009
- [Background Materials to Support the Feb 4, 2009 Budget Analysis Presentation: Small and Medium-Scale Household Income and Other Characteristics by Quintile of Household Per-Capita Land Use - 2004.](#) Tadeyo Lungu, Augustine Mutelekeshu, Antony Chapoto, Margaret Beaver and Michael Weber
- FSRP/MATEP completed a draft report entitled "Factors Influencing the Profitability of Fertilizer Use on Maize in Zambia," which provides information that can help inform the government's consideration of how to restructure its fertilizer subsidy program. [Factors Influencing the Profitability of Fertilizer Use on Maize in Zambia.](#) Zhiying Xu, Zhengfei Guan, T.S. Jayne, and Roy Black. FSRP Working Paper No. 39. Lusaka, Zambia. June 2009.
- ACF/FSRP prepared written and oral testimony (presented on April 4, 2009) on FSP reforms to be presented at the invitation of the Parliamentary Committee on Agriculture and Lands. Written materials and the oral presentation were also published on the ACF and FSRP web sites. The researchers also reappeared a second time at the Ag and Lands Committee (on May 5, 2009) to continue the discussion of FSP reforms.
- FSRP researchers (Weber and Chapoto) did additional work with Donor CP in preparation of a second round of written communication between Donor CP and GRZ on FSP reform options. This involved preparation of additional analysis from the Crop Forecast data for 2008/2009 on fertilizer use and source by District. This information was incorporated into Donor CP communications with GRZ.
- ACF/FRSP researchers (Kabaghe, Nijhoff, Jayne) prepared outreach materials and made presentations at a COMESA sponsored AAMP meeting at Victoria Fall organized under the theme 'Getting Fertilizers to Farmers: How to do it, who should do it, and how it should be done'.
- Presented coming policy attractions for discussion at a meeting of donor cooperating partners and the ACF/ FSRP research/outreach team. [Coming Policy Attractions – An Overview of On-Going Research & Potential Outreach.](#) By the ACF/FSRP Team. ACF Offices, June 2, 2009.
- Presented Comments and Handouts to Inform Discussion of Rural and Urban Food Security Issues in Zambia at a Meeting To Introduce the EU Food Facility For Rapid Response the Soaring Food Crisis. [Comments to Inform Discussion of Rural and Urban Food Security Issues. PowerPoint presentation.](#) By The ACF/ FSRP Research/Outreach Team, Presented by Michael Weber & Hyde Haantuba Chrismar Hotel, 6 May, 2009. [Characteristics of Small and Medium-Scale Crop-Growing Households in Zambia: Preliminary Comparison of Results from CSO/MACO/FSRP National-Level Supplemental Surveys in 2003/04 and 2007/08 Crop](#)

[Marketing Seasons](#). Tadeyo Lungu, Antony Chapoto, Margaret Beaver and Michael Weber. (Draft for Review, 4 May, 2009). Handout 1.

- Testimony to the Parliamentary Committees on Agriculture and Lands on Performance of the Fertilizer Support Programme in Zambia. Hyde Haantuba and Nawiko Masiye, Agricultural Consultative Forum, and Antony Chapoto and Michael Weber, Food Security Research Project. National Assembly, Parliament Building, Lusaka. 22 April 2009
 - Written Submission - 1) [On Fisheries](#); and 2) [On Performance of the Fertilizer Support Programme](#)
 - Oral Presentation - [On Performance of the Zambian Fertilizer Support Programme](#)
- Presented a paper on fostering agricultural markets development at the Zambia National Symposium, Harnessing the Potential of Agriculture to Meet the Increasing Demands from a Growing Population. Held at the University of Zambia, Lusaka, Zambia. April 7-8, 2009. [Fostering Agricultural Market Development in Zambia](#). Gelson Tembo, Antony Chapoto, T.S. Jayne and Michael Weber.
- Press coverage on ACF/FSRP and Donor CP input and discussion of FSP reform during this reporting period was as follows:
 - [COMESA bemoans poor attention to agriculture - Post June 27,2009](#)
 - [Zambian Economist FSP Reform](#)
 - [MACO Sent Packing on FSP April28 09 Times of Zambia](#)
 - [ACF on-FSP April28 09 Zambia Daily Mail](#)
 - [OpenFSPtoCompetition Times 42609](#)
 - [FSP Post Daily Mail April28 09](#)
 - [Crop Forecast Kickoff Times Ap_17_09](#)
 - [Crop Forecast Kickoff Daily Mail Ap_17_09](#)
 - [Minister Chituwo on Food Costs and FSP](#) - Post, April 8/09
 - [Editorial - On Fertilizer Support Programme](#). Times, April 8
- ACF/FRSP made a presentation at the ministers' retreat workshop on the proposed reforms of the Fertilizer Support Programme in Zambia and why the adoption of the proposed recommendations had stalled. The new PS showed an interest to help move the proposals forward before the start of the 2010/2011 agricultural season and requested ACF/FSRP to propose a detailed implementation structure and plan for inclusion into the 2010 budget. As a follow up to the Ministers retreat, Kabaghe and Chapoto worked with ACF on drafting implementation structure and plan. This note was subsequently presented to the PS by Kabaghe and ACF. Among other recommendations, the team recommended that MACO sets up an independent Programme Implementation Unit (PIM) which reports to the Policy and Planning Department of the Ministry. At the policy level, the PIM will be guided by a Steering Committee comprising of the PS (chairperson), Director of Policy and Planning, MACO, Director of Budgets- Ministry of Finance and representatives from the farming community, the fertilizer Association of Zambia, the Seed Association of Zambia, Agro-Chemical Association of Zambia Bankers Association of Zambia and the Chairperson of the Agro NGO Forum (PAM)

Major focus areas for the remainder of the project: During the remainder of the project, FSRP/MATEP will continue interacting with ACF, MACO and other stakeholders in assisting to move the FSP reforms forward and conduct any necessary analysis including that relating to the Agricultural Inputs Management Plan (ADMP) and fertilizer profitability.

HORTICULTURE

Major focus: Given the relative lack of information on Zambia's horticultural system, this component's approach emphasized applied analysis in the first year analysis on horticultural price dynamics and trade flows in subsequent years. Work on price dynamics and trade flows allowed development of an SMS based price and supply information system, as availability of such information to stakeholders facilitates the development of more efficient and effective horticultural

markets. FSRP/MATEP has collaborated closely with the Zambia National Farmers' Union, traders and farmers among others in these efforts. The rationale is to generate data for applied research while at the same time feeding information for practical use in the horticultural supply chain.

Major accomplishments: FSRP/MATEP spent a considerable part of the year under review cleaning the UCS and Third Supplemental Survey data which have been finalized, as well as developing a general report on various aspects of urban households' consumption patterns. The year marked the third year in which wholesale trade flows and retail and wholesale prices data have been collected and a rich database has been created, consisting of data on 34,039 lots of tomato, rape and onions entering the main wholesale market in Lusaka (Soweto) and 16,867 wholesale/first seller and 10,537 retail price observations for these commodities. This rich data base has been a source of analysis of the horticultural market dynamics which will contribute to the development of the horticultural value chains and will continue to do so for a long time.

Detailed description of key activities and results

- *Wholesale market monitoring:*
 - Continued the collection and processing of (a) sub-hourly prices for tomato, rape, and onions three days per week in Soweto market, (b) individual lot volumes for every lot entering Soweto market for those same days, (c) the geographical origin of each lot (specific area within a district), and (d) price data in Chilenje open air market and Shoprite and Melissa supermarkets twice per week. Developed conversion factors for various fruits and vegetables in Lusaka for use in the project's various surveys data analysis.
 - Work on a brochure with good quality pictures of different standards of tomato, rape and onion has continued and will be discussed with stakeholders. This brochure will be used to raise awareness of quality standards among farmers and traders, at the same time that prices are reported on the basis of these standards once transmission of SMS prices commences.
- *Tomato value chain:* Work involving characterization of the tomato production and marketing system serving Lusaka and comparative analysis of Soweto price behavior and assessment of price variability on the level and variability of farmer returns, has been completed as Ms. Mukwiti Mwiinga's M.S. thesis. Additional work on tomato price variability in Zambia has continued and will be presented as an FSRP Policy Synthesis.
- *Mobile phone based horticultural price and supply information system:* Implementation of this market information system by ZNFU was delayed due to unexpected circumstances regarding funding. Consultations have continued with ZNFU and the union is committed to this activity and will implement it as soon as funding is in place. In the mean time FSRP/MATEP has continued transmitting price and supply data to ZNFU for testing purposes.
- *Horticultural price dynamics and trade flows:* Hichaambwa completed a first draft of a working paper entitled "The Structure and Behavior of Vegetable Markets Serving Lusaka". The analysis looks at the importance of vegetables (tomato, rape and onion) in consumption budgets of Lusaka households, wholesale supply characteristics, main market flow channels and price behavior.
- Mukwiti Mwiinga and David Tschirley participated in a conference on "Socio-Economic research in vegetable production and marketing in Africa", organized by ICIPE in Nairobi, Kenya. The two presented work from Ms. Mwiinga's M.S. thesis and are working now to develop an FSRP Working Paper as well as a chapter for publication in a CABI Science monograph.
- Based on work with Hichaambwa and other colleagues from MSU and Kenya, Tschirley presented a paper entitled "Modernizing Africa's Fresh Produce Supply Chains without Rapid Supermarket Takeover: Towards a Definition of Research and Investment Priorities" at the conference "Towards priority actions for market development for African farmers", sponsored by International Livestock Research Institute, Nairobi. May 13-15, 2009 and will also be put out as an FSRP Working Paper. The presentation can be downloaded at:

<http://www.aec.msu.edu/fs2/zambia/index.htm#pp> or
<http://www.aec.msu.edu/fs2/zambia/presentations.htm>

Major focus areas for remainder of the project:

- Analysis of urban consumption data to understand the roles of horticultural traditional markets and modern ones, urban consumption patterns of fresh produce and other foods, and policy and investment implications;
- Analysis of the Third Supplemental Survey data to examine trends in horticultural production and marketing;
- Conduct more outreach activities in view of increased volume of empirical data being generated from applied research, with a view towards formation of a Horticultural Value Chain Development Task Force;
- Ensure the handover of the horticultural marketing information system to ZNFU while (a) assisting them to design and pilot the system in two additional markets, (2) continuing to monitor the quality of data collection and (3) maintaining the growing data base.

COTTON

Major focus areas: Consistent with the overall MATEP objectives and approach, the objective of cotton policy activities is to strengthen the link of smallholder farmers to a value chain with good potential for growth in volume and value. Our approach is first to build on previous research and policy dialogue by FSRP by engaging stakeholders in a broad-based consultation process that will lead to sector development initiatives with buy-in from key stakeholders. Following Zambia's participation in a multi-country study of cotton sector reform and stakeholder critical discussion of the organization and performance of various cotton sectors of Sub Saharan Africa and lessons learnt for the Zambian sector, the FSRP/MATEP strategy has been conducting selected additional research as identified by stakeholders.

Major accomplishments: FSRP/MATEP has remained engaged on a practical policy level and has continued to utilize its research results to contribute to forward momentum towards eventual enactment of the revised Cotton Act. In the absence of passage of those revisions, the Cotton Board was seated under the authority of the 2005 Act and FSRP/MATEP was named an official advisory member of the Board. The project has continued to interact with the Cotton Board advising on activities and issues in the cotton sector as well as other matters pertaining to the board's activities. The project has also participated in a multi-country comparative study on regulatory frameworks of the cotton sector. This work came out of the earlier multi-country comparable study on cotton reforms and will draw stakeholders to broader experiences of the impacts these have on the cotton sector in Sub Sahara Africa.

Detailed description of important activities and results:

- Stephen Kabwe made a presentation on the "Effective Public-Private Coordination in Zambia's Cotton Sector: Deliberations on the Cotton Act" at an outreach meeting organized for the members of the Committee on Agriculture and Lands by ACF/FSRP. The presentation highlighted the cotton sector's tendency towards boom and bust periods, and underlying causes of this behavior were explored. The presentation was meant to inform participants regarding the importance of the cotton sector in Zambia and the particular challenges that it faces, in part, so that amendments to the 2005 Cotton Act could be passed when Parliament opened later on.
- Kabwe participated in the International Cotton Advisory Council's annual meeting as part of the official Zambian delegation in Ouagadougou, Burkina Faso. The theme of the conference was "Technologies for Cotton Development". For further information and a statement from the ICAC secretariat, see:

www.icac.org/meetings/plenary/67_ouagadougou/documents/english/e_statement_2008.pdf

- Kabwe attended a meeting at State house where CAZ and the Ginners presented to Hon. Kapita (Presidential Aid for Special Projects) the issues affecting the cotton sector in Zambia, along with a draft proposal for incorporating ginning companies into the distribution of FSP fertilizers to cotton farmers. Hon. Kapita was pleased with this proposal and asked the team to write a proposal and submit it to State House. Kabwe, with input from Tschirley, then worked with CAZ and the ginners to write the proposal in the context of how cotton ginners could participate in a reformed FSP that more effectively promoted the development of private fertilizer markets. This effort drew on intensive work by FSRP/MATEP on fertilizer policy reform in the country. The proposal was submitted to the Ministry of Agriculture and State House for consideration.
- Cotton Board's Smallholder Outgrower Information System: Work on this system has involved several elements.
 - Kabwe attended a meeting at CAZ where the IT personnel from CAZ and a representative from the company that designed the database highlighted how the system works. One major pitfall is that the ginning companies have not appreciated the system which has resulted in not using it the way it was supposed to. It was agreed that a meeting to highlight how the system works be made to the ginning companies to create demand for the product.
 - Kabwe and Tschirley (by Skype) participated in a meeting with Cotton Association of Zambia to strategize on how to move forward with an information system on the credit status of smallholder cotton farmers in the country. This system is expected to be the precursor to a credit bureau for the sector. As part of its role as a non-voting advisory member of the Board, FSRP/MATEP agreed to initially host the database on its server and to strategize with the newly formed Cotton Board on how to use the resulting data to improve understanding of and programs in the sector.
 - As a follow up to issues of creation of the database, the Cotton Board does not want to restrict itself to reviewing just one database before making a decision which databases would be adopted. Kabwe has been involved in discussion with the secretariat on these issues. Therefore, the Cotton Board will now review the database of Dunavant, in addition to the CAZ data base. A meeting to make a presentation on this database is organized.
- Kabwe worked with Cotton Development Trust officers to publish three cotton policy briefs in Cotton News in Zambia for 2008. The briefs, drawing on Policy Syntheses that the project has produced, are entitled: "An Urgent need for Effective Public-Private Coordination in Zambia. Deliberation on the Cotton Act", "Quality" (assessing how Zambia compares to its African neighbors in performance on cotton lint quality) and "Price" (likewise comparing Zambia's performance in this dimension with its African neighbors). All these results were based on the earlier mentioned cross-country comparatively study.
- Kabwe prepared the visit to Zambia by Mr. Axel Drieling of Faserinstitut Bremen (Germany), head of the Commercial Standardization of Instrument Testing of Cotton Project, and Mr. Humphrey Shango of Tanzania Cotton Board, also a member of a Regional Testing Centre in Tanzania, in March 2009 to see the laboratories that are used to test the characteristics of cotton lint in order to harmonize and validation of reliability of cotton testing/ of cotton testing laboratories. The Commercial Standardization of Instrument Testing of Cotton Project was formed as part of continuing efforts to improve trade and processing of cotton lint internationally. The project is co-funded by the European Union and Common Fund for Commodities and is supervised by the International Cotton Advisory Committee.
- Tschirley and Kabwe made a presentation on cotton sector regulatory approaches in Africa at a virtual workshop sponsored by the World Bank. This work was part of a broader regional effort growing out of the previous work that FSRP did with colleagues from across the continent on cotton sector reform.
- Kabwe was appointed by International Cotton Advisory Committee to represent Zambia at a seminar on sustainable cotton production in April 2009 in Washington DC. He made a

presentation on the Evolution of the Cotton and Textile Industry in Zambia. A report highlighting important points and recommendations from the seminar was prepared and submitted to MACO.

- At the request of CAZ and GAZ, FSRP/MATEP prepared a profile of activities the project undertakes in the cotton value chain for the benefit of the newly seated Cotton Board. Working with Kabwe, Tschirley finished a draft of the regulatory report for Zambia.
- Kabwe participated in a meeting with Secretary to the Cotton Board. Among issues discussed were registration of smallholder farmers, registration fees and cotton levies. Learning from other Boards, Kabwe prepared a short briefing note for the secretary of the Board to follow for subsequent meetings.
- Tschirley began planning analytical work with Joey Goeb, M.S. candidate at MSU, evaluating the boom-and-bust cycles in Zambia's cotton sector and examining the impact of GRZ support to maize – in the form of FRA purchases and FSP fertilizer distributions – on decisions by smallholder farmers whether to plant cotton and how much. A research report is expected on this during 2Q10.

Major focus areas for remainder of the project:

- Finalize the report on the multi-country regulatory approaches in cotton sector in SSA.
- Meet with the Cotton Board leadership to review how FSRP/MATEP can best contribute with its research to resolution of key issues that the Board faces. First on the agenda is design of the information system on smallholder out-growers.

Value Chain Research Implementation Plan

Activity	Year 5																						
	Oct.			Nov.			Dec.			Jan.			Feb.			Mar.			Apr.				
	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3
Maize																							
Maize Value Chain Study: Improving food security and rural income growth																							
Urban Maize Consumption Implications for food security policy																							
Outreach activities for key policy findings																							
Fertilizer and Inputs																							
AIMD Plan follow-on research																							
Analysis of FSP impact on input markets and smallholder fertilizer use																							
Analysis of fertilizer profitability: implications for government policies																							
Outreach activities for key policy findings																							
Cotton																							
Regulatory approaches to cash crops in Zambia: Insights from cotton																							
Outreach with new Cotton Board																							
Stakeholder consultation/supply chain development implementation																							
Horticulture																							
Trends in horticultural production and marketing																							
Task Force formation and meetings																							
Tomato value chain analysis																							
Reports																							
Outreach																							
Market Information collection and dissemination																							
Handover to ZNFU and training																							
Selection of new markets																							
Launching of new markets																							
Data entry and supervision																							

TOURISM COMPONENT

MATEP's Tourism Component combines market access, policy, finance and HIV/AIDS activities structured around the needs of this important service sector. MATEP's approach to developing Zambia's tourism is market driven, promoting Zambia's competitive advantages to the right markets and the right travelers with the right product. Working with the public sector (through the Ministry of Tourism, Environment, and Natural Resources and the Zambia Tourism Board) and with the private sector (through the Tourism Council of Zambia and its member organizations), MATEP facilitates a coordinated strategy to brand Zambia and improve marketing, standards, new product development, human resource development and policy formulation.

MATEP's Tourism Component is comprised of five subcomponents: Improving International Marketing, Forging Collaborative Alliances, Client Services, Tourism Research and Improving Tourism Skills. The project re-oriented its assistance during the year targeting more of the smaller "up and coming" tourism enterprises in place of more well established firms. It is the smaller firms in Zambia that provide a large proportion of tourism services - approximately 80% of tourist beds are in establishments with less than 15 beds. These are also the establishments in most need of help with respect to product delivery and quality standards.

MATEP conducted the final series of Hotel and Catering Association of Zambia (HCAZ) Customer Care Training sessions with a total of 104 participants drawn from Solwezi, Chipata, Mansa and Kasama. MATEP also provided Internet Marketing Training to HCAZ and Travel Agents Association of Zambia (TAAZ) members in Lusaka, the Copperbelt and Livingstone. The component provided Restaurant training to HCAZ members and a number of training institutions in Lusaka and the Copperbelt. This training provided current information on food safety, menu preparation and costing and pricing. MATEP also provided Business Skills training for 16 participants drawn from Mukuni Park Curio Sellers Association in Livingstone.

During the year under review, MATEP Tourism concluded its Trade Show Support to HCAZ and TAAZ members with a total of 40 participants undergoing trade show preparation training. In addition, MATEP provided support to eight firms and associations to meet part of the cost of attending the World Travel Market in London, England. While at WTM the beneficiaries underwent two training sessions on how best to prepare for trade show presentations and the do's and don'ts when making sales pitches. MATEP also provided support to BIMM Travel to participate in the Finnish Travel Fair – MATKA and the American Adventure Convention.

MATEP finalized research on the cost of doing business in tourism and on tourist perceptions. The government-funded Grant Thornton report on Tourism Grades and Standards was also reviewed by MATEP and guidance provided on how to regulate Casinos as well. MATEP worked with the Zambia Tourism Board (ZTB) U.S. Office in finalizing the Marketing Database, too.

As a result of MATEP technical assistance to TCZ in preparing a position paper on the increased visa fees, government reduced visa fees for British and American tourists. MATEP worked with other Cooperating Partners in developing a more cohesive approach to working in the tourism sector and jointly participated in the second Zambia International Travel Show.

MATEP's Tourism component is came to an end in April 2009. However MATEP will continue to liaise with its key partners during the remainder of the project.

IMPROVING INTERNATIONAL MARKETING

A major constraint to Zambian tourism growth is inadequate marketing and the inaccessibility of information about Zambia in major American and European tourist markets. This is particularly apparent when comparing Zambia's penetration in these markets with its better-known regional competitors. While the Zambia Tourism Board's "Visit Zambia" campaign helped, the campaign was far smaller in scale than that of Zambia's regional competitors and more unfortunately, was conducted with little private sector participation. For example, ZTB's marketing budget is less than \$500,000 per year compared with South African Tourism annual marketing budget of approximately \$10 million.

In order to improve Zambian's profile in international tourism markets, MATEP worked with ZTB and the private sector Tourism Council of Zambia, Travel Agents Association of Zambia as well as with individual tourist establishments to offer strategic marketing assistance. Marketing assistance is grouped into three categories:

Branding Zambia

MATEP works to promote the Zambian brand in international tourism markets by assisting Zambian stakeholders to develop a more effective brand and by improving marketing strategies and materials. MATEP works with ZTB on national branding, with TCZ on destination marketing to specific markets and with TAAZ members in developing marketing materials.

Development of MICE Markets

Zambia's attractions make it a good destination for Meetings, Incentive travel, Conferences and Events (MICE). To help Zambia capture more of this lucrative international business market, MATEP works with TCZ and tourism establishments in Lusaka and Livingstone in developing marketing strategies and outreach materials. Whatever previous outreach there was to this market was fragmented and unstructured and had little effect.

Create Market Linkages

To follow up on branding and marketing, MATEP helps Zambian tourist establishments create specific linkages to international markets and potential buyers of tour packages. MATEP focuses particularly on tour operators and inbound wholesalers based in Europe and the U.S.

- **Trade Show Preparation Training:** Trade Show Preparation training was conducted in Lusaka on 5 and 6 November 2008 at Gemistar Safari Lodge. There were 15 participants drawn from both HCAZ and TAAZ membership. One of the key outcomes of this training was identifying the need for hoteliers and tour operators to work together in preparing tour packages and agreeing on a commission tariff structure. This was followed by training in Copperbelt Province, held in Ndola at the Mukuba Hotel from 26 – 28 November 2008 with 10 participants mainly drawn from the HCAZ membership. Then, training was conducted in Livingstone training at Crossroads Lodge from 2 – 5 December 2008 attracting a total of 15 participants mostly from the lodges in Livingstone. This training also aimed to provide support for firms attending the World Travel Market so as achieve maximum utility for the participants.
- **Trade Show Support – World Tourism Market (WTM):** MATEP provided partial support to eight participants to attend the World Tourism Market in London in November 2008. The assisted firms and associations are as follows:
 - Kambuku Guesthouse
 - McRoka Artcraft

- Limbo Guest Lodge
 - Mumana Pleasure Resort
 - Cutty Sark Travel
 - Zambian Safari Company
 - Hotel and Catering Association of Zambia
 - Voyagers
- **BIMM Travel – MATKA Travel Show and Adventure Convention:** MATEP provided partial support to BIMM Travel to participate in the MATKA Travel Show in Finland and the Adventure Convention in Reno, Nevada, USA. The two travel shows provided a marketing platform for BIMM Travel to market its travel and tours packages and enhance its hunting concessions visibility to the world’s top adventure tour operators.
 - **World Travel Market technical assistance:** While at WTM, the eight participants received technical inputs from MATEP consultant, James MacGregor, which focused on improving displays at the trade show, training in approaches to trade show marketing and help in arranging and then conducting interviews with wholesale tourism buyers. Two group training sessions were also held, one pre - and one post - WTM. Further, the participants learned the need to develop all-inclusive packages that would meet the buyers’ expectations.
 - **ZTB/USA marketing database:** MATEP worked the ZTB U.S. office in finalizing development of the client–enquiry database. This database will enable easy data entry, storage of key information about an organization and also facilitate easy dissemination of information to contacts listed in the database. The database will also assist with tracking updates on organizations and search key words for easy matching and subsequent follow up with the American and Zambian tour operators. In addition to the database, the consultant assisted the ZTB U.S. office address marketing materials issues still outstanding so as to make the operation of the database easy.
 - **Zambia International Travel Show:** Working with cooperating partners, MATEP participated in the AFRICAST organized Zambia International Travel Show (ZITS) at Mulungushi International Conference Centre. In addition, the MATEP Tourism Advisor moderated the seminars organized by HCAZ under the theme “Is Zambia ready for the World Cup 2010?” This was the second edition and exhibitors and visitors were drawn from the local, regional, and international markets.

FORGE COLLABORATIVE ALLIANCES

In order for the tourism sector to grow, Zambia must address a number of impediments to growth. These impediments include government policies that work against the sector and poor public infrastructure. In addition, marketing and tourism promotion efforts of the government and the private sector often have been uncoordinated, failing to benefit fully from each other’s efforts. MATEP works with both the public and private sectors, as well as with the donor community, to promote increased collaboration with all stakeholders. The core activities are:

Public-Private Dialogue

MATEP facilitates and provides technical assistance to the private sector in preparing for dialogue meetings with government over a myriad of issues as they affect the sector.

Harmonization and Collaboration

MATEP collaborates with other donors involved in the tourism sector to leverage each other’s activities for greater overall impact.

- **MATEP – SEED Project:** MATEP worked with the Livingstone Tourism Association (LTA) Tourism Development Advisor on an assistance package for LTA in developing their strategic plan and the business skills training needs of the Mukuni Park Curio Sellers Association. LTA ushered in a new Executive Committee headed by the Livingstone Lodges and Guest House Association (LILOGHA) chairperson, Mr. Kingsley Lilamono. In light of this development and the past experience working with LILOGHA in the course of HCAZ training, MATEP agreed to consider assistance requests. MATEP conducted Mukuni Park Curio Sellers Association Business Skills Training during the year and worked with Cooperating Partners (CPs) devising a program for assisting LTA develop its strategic plan.
- **Cooperating Partners Meetings:** MATEP attended a series of meetings of the tourism sector Cooperating Partners to learn what other donors are doing in the sector and to map a joint strategy on support. This was especially useful in planning the transition from MATEP closing down and what activities the CPs can take over.

CLIENT SERVICES

Client services include support to Business Service Organizations as well as firm-level assistance. With the business service organizations, MATEP offers support to increase both the sustainable strength of the organizations as well as service provision to their memberships. With individual tourism establishments, MATEP assistance addresses firm level constraints and also helps in accessing finance.

Support to Tourism Associations

MATEP provides technical support and capacity building assistance to the Tourism Council of Zambia (TCZ), the Hotel and Catering Association of Zambia (HCAZ), and the Travel Agents Association of Zambia (TAAZ).

- **HCAZ Strategic Development Plan:** MATEP finalized the HCAZ Strategic Development Plan. This was submitted to the HCAZ National Executive Committee for final approval and or comments and recommendations.
- **TCZ Submission to EAZ (Business Unusual):** MATEP worked with TCZ in preparing submissions to the Economics Association of Zambia to enable EAZ make submissions to Government on how to mitigate the effects of the economic meltdown as they affect the Zambian Tourism Sector.

Support to Tourism Enterprises

MATEP assists tourism enterprises in improving their business practices with practical hands-on assistance. Firms are also assisted in accessing finance for their operations and trade show participation.

- **Lake Side Lodge – Itezhi Tezhi:** MATEP received a request for assistance from Mrs. Kaande, who is a Director of Lake Side Lodge: they would like financial assistance to enable them finish civil works at their lodge on the shores of Itezhi Tezhi dam. They were advised on how to prepare a detailed financing proposal before an assessment can be made.
- **Ngulu Hotel - Mongu:** MATEP received a request for assistance from Ngulu Hotel in Mongu to provide a volunteer to work with the hotel for a period of 24 months. Due to the nature of the request, this was channeled to IESC and the Farmer – to – Farmer Programme for possible assistance.

- **Musaka Lodge Application – Chibombo:** MATEP assisted Musaka Lodge prepare an application for financial assistance to enable them finalize the construction of their lodge in Chibombo.
- **Kum’Mawa Lodge – Chipata:** MATEP received a request for assistance from Kum’Mawa Lodge. A series of meetings were held with the promoters, Mr. and Mrs. Nyirenda, who are constructing a lodge in Chipata and are looking for financial assistance to enable them complete civil works and procure soft and hard furnishing for the lodge. They submitted a business plan and financing proposal which is being reviewed.

TOURISM RESEARCH

MATEP provides technical inputs for research into tourism topics identified as key issues by both the public and private sectors. Issues may be policy issues, constraints to growth, improving tourism data in Zambia or operational issues for government or individual establishments.

- **Competitiveness of the Tourism Sector:** MATEP assisted TCZ in conducting a competitiveness study in order to compare Zambian tourism vis a vis other countries in the region. The final revised report was received and submitted for circulation for comments by other relevant stakeholders. Information derived from a regional questionnaire suggests that a Zambian tourism enterprise is, on average, 60% to 100% more expensive to operate than an enterprise in regional competitor countries. This percentage increases if senior staff costs are included. Zambia’s tourism sector regulatory and operating environment contributes to the uncompetitiveness with a raft of issues including: sector and local area planning; infrastructure; marketing; human resource development; policy; and regulation. These issues have been known for more than 10 years, but for a variety of reasons (lack of a coherent vision, ad hoc approaches, insufficient resources, insufficient private sector influence, and lack of continuity and perseverance) little has been achieved thus far.
- **Follow up Research on Tourist Perceptions:** MATEP conducted follow up research on tourist perceptions. A recurring theme was positive perceptions, with respondents citing the hospitality and good “*naturedness*” of the Zambian people. On the negative side, hardly any tourist was happy with the general conduct of unlicensed handicraft vendors, especially at Livingstone’s Maramba market. The vendors are known to be *hyper-aggressive and nagging* in marketing and selling their products. At exit points from Zambia, most of the interviewed tourists expressed satisfaction at their stay in Zambia, particularly the good inter-personal relations from Zambians and the magnificent view of the Victoria Falls.
- **Visa fees:** The Minister of Finance in his 2008 budget speech announced an increase of visa fees of 100% ,from US\$25 to US\$50, but with much greater increases for American (US\$135) and British (US\$140) visitors. Visa waivers and one-day visas were also abolished. Considering that over 80% of international visitors are from America or Britain, this was feared to lead to a reduction in numbers from these key markets as they divert to the neighboring countries where visa fees are lower or non-existent (particularly Botswana, Namibia, and South Africa). MATEP assisted TCZ undertake a quick survey on the likely economic impact of the visa fees, which was submitted to government. This was followed with further information tracking the effects of the fee increase. Government then reversed its differential visa fee structure for American and British tourists setting a single price of all single-entry tourist visas at \$50.
- **Grading and Standards Assessment:** MATEP conducted a thorough review of the draft Grading and Standards study prepared by Grant Thornton, South Africa. A tourism and hospitality consultant, James McGregor was contracted to undertake the review and in addition to an overall critique, provided insights into casino operations and regulations in response to a request from the Ministry of Tourism. In addition to the foregoing, MATEP provided

reference material to the ministry on casino regulation. The Final Grading and Standards Report was received and was forwarded to the ministry.

- **Domestic Tourism Market Research:** MATEP engaged a local consultant, Chiwama Musonda, to undertake market research on domestic tourism in Zambia aimed at assisting ZTB create focused and cost effective marketing strategies for the domestic tourists. The field work and stakeholder consultations were conducted and a final draft report is being prepared by the consultant.

IMPROVE TOURISM SKILLS

The Zambian tourism industry is desperately short of skilled human resources and existing workers' skills need to be brought up to international levels, too. Having recognized that the caliber of training offered in Zambia does not meet industry's needs, MATEP provides training through member associations such as TCZ, HCAZ, and TAAZ aimed at improving the skills set of the operatives. MATEP also provides institutional capacity building to the Hotel and Tourism Training Institute (HTTI) to give the HTTI lecturers up-to-date knowledge on international practices and trends. This, in turn, will improve the caliber of graduates from the institute.

- **HCAZ Customer Care Training:** The HCAZ Customer Care training was conducted in Solwezi, Chipata, Mansa, and Kasama from 16 March to 4 April 2009 with 104 participants. The HCAZ training has now covered all nine provinces in Zambia with 1,344 people trained in hotel management and customer care over a three year period from April 2006 to April 2009. The participants expressed satisfaction in the training sessions and were particularly pleased with the one-on-one training sessions as they addressed particular situations of individual firms. Most of the establishments did not have proper accounting systems in the rooms, kitchens, restaurants, and bars. Simple and easy to implement systems were developed for participants by the consultants. It is hoped that these systems will greatly enhance the small establishments' operations.
- **Internet Marketing Training:** Internet Marketing Training was conducted by MATEP consultant, Tim Beck. Training was held in three locations:
 - Ndola: 28 – 30 January 2009 – at the Mukuba Hotel, a total of 22 participants attending.
 - Livingstone: 01 – 04 February 2009 – at Crossroads Lodge with a total of 29 participants attending.
 - Lusaka: 05 – 06 February 2009 – at Longacres Lodge with a total of 16 participants attending.The training was well received with most participants expressing the sentiment that the one-on-one training needed more time to enable them to optimize their websites and build better web pages. However, due to time constraints, this was not possible.
- **Business Training for Mukuni Park Curio Sellers Association:** Acting on a request from the Mukuni Park Curio Sellers and the SEED Project, MATEP engaged a consultant Mr. Nathan De Assis, to undertake the training in Livingstone. It was from 6 – 10 April 2009 with a total of 16 participants. MATEP also held a debriefing meeting with the SEED Project Livingstone Tourism Advisor to provide guidance on the way forward. It was resolved that the curio sellers will require training in product development and later on in market access.
- **Restaurant Training:** MATEP conducted training focusing on restaurant costing, menu preparation and finance which was undertaken by David Ivey – Soto, an American restaurateur and trainer. This training was targeted at the hospitality training institutions (both students and lecturers) and HCAZ members in Kitwe and Lusaka covering the following institutions:

- Kitwe: Zambia Institute Of Business Studies And Industrial Practice (ZIBSIP) College from 16 – 18 March 2009 with 64 participants drawn from the college and Copperbelt based HCAZ members;
- Lusaka: conducted at Sylva Catering Services on 19 March 2009 with 54 participants drawn from the college and HCAZ members; at Chreso Ministries on 20 March 2009 with 57 participants; at HTTI on 24 and 26 March 2009 with 62 participants; and at SOS Children’s Village on 25 March 2009 with 43 participants.

The consultant also held a number of one-on-one training sessions with large hotels and restaurants such as Savoy Hotel, Southern Sun Ridgeway, Ocean Basket, Mulungushi Village, and Lusaka Hotel

ADMINISTRATIVE

Component close-out final report preparation: IESC prepared a Component Close-Out Report for the Tourism Component. As part of this exercise meetings were held with the prime stakeholders and client firms. Further, the final monitoring and evaluation was also undertaken at the same time.

FINANCE COMPONENT

MATEP's objective with respect to finance is to work with the formal sector and exporting enterprises in Zambia to introduce new modes of financing and new ways of working together in order to increase the flow of financing to exporting and tourism enterprises. The Finance Component of MATEP has three principal activities:

- (i) Disbursement, on a revolving fund basis, of \$1 million for the provision of short-term export credit – implemented through the ZATAC Investment Fund (ZIF). Under this facility, export-oriented and tourism companies receive short-term loans of up to one year for trade finance and other working capital requirements. This facility also includes loans to support participation in international exhibitions where a company is able to repay the participation loan through proceeds from sales of exhibited products. The general limit of MATEP financing is \$250,000 per client.
- (ii) Disbursement, on a revolving fund basis, of \$1 million for the provision of medium term export financing - by creating a new Medium-term Investment Fund (MIF). Under this facility, export-oriented and tourism companies receive medium-term loans of up to three years to support capital investments in plant and equipment as well as to support working capital requirements. This facility is designed to promote increased access to commercial financial markets for MATEP clients.
- (iii) Introduction of appropriate Discount Credit Authority (DCA) instruments. The MATEP Finance Component assisted in the analysis in the financial sector and the design, where appropriate, in DCA initiatives in order to increase access to finance for export-oriented and tourism companies through risk sharing between participating lending institutions and the US Government.

MATEP's Finance Approach

The Finance Component of MATEP is designed to strengthen the private sector and contribute positively toward the development of financial services for export-oriented agribusinesses and tourism SMEs. As such, the following principles guide MATEP's work:

- MATEP financial services strictly adhere to the principle not to distort, but to complement commercial financial services. As such, MATEP credit facilities are priced in line with prevailing lending rates in the commercial banking sector. Pricing is based market surveys periodically conducted by MATEP. It is because of this that financial institutions have found MATEP to be a compatible partner in structuring and leveraging partnerships with them.
- Where required and feasible, MATEP provides financial services to its private sector clients in manner that uniquely integrates these services with technical assistance in business plan preparation, market information and market development services.
- In selecting its clients, MATEP emphasizes the following success criteria:
 - Risk management
 - Profitability
 - Socio-economic impact of investments
 - Sustainability beyond MATEP financing

In order to identify suitable clients for its financial services, MATEP has followed an outreach strategy that emphasizes networking and return clients. Advertising has not been adopted as an option in order to contain demand of MATEP's financial services.

Performance Review

Since inception, MATEP has disbursed \$3,274,289 in short-term and medium term facilities to export oriented agribusinesses and tourism businesses. The disbursements include ZATAC loans initiated by MATEP. Forty-two (42) loans have been disbursed servicing the following 17 sub-sectors: Canned horticultural produce, processed beef, bio-coal, handicrafts, horticulture (cucumbers), honey, wet blue leather, molasses, groundnuts, organic cotton, paprika, poultry, seed, soy cake, textile/garments, tourism lodging, and trade shows.

Of the total loans disbursed, a value of \$1,254,154 has been repaid, representing 38% of the total funds disbursed. A further 52% are performing loans in repayment or rescheduled/restructured (\$1,703,621 of disbursed capital) and 10% have defaulted (\$316,514). The defaulting loan total is comprised of \$150,000 loaned to Cheetah Ltd, \$40,000 to Cris-b-Cucs, \$71,000 to Global Export, \$37,285 to Kabwe Tannery and \$18,229 to Rijay Farm). Much of this default total is in the process of being recovered through ZATAC lawyers. Of the current loan portfolio, 85% of the loans are performing, representing 73% of current loan portfolio funds.

Overall MATEP Loan Performance		
Category	Amount	%
Disbursed	3,274,289	-
Repaid	1,254,154	38%
Outstanding – Performing/rescheduled/restructured	1,703,621	52%
Defaulted	316,514	10%

The total number of loans and the total value disbursed are both slightly below target levels, 42 loans instead of 45 and \$3,274,289 disbursed instead of \$3,500,000, respectively. The low number of loans is due to the fact that large loans – over \$200,000 - accounted for a significant proportion of total capital disbursed. Less capital was available for additional loans. Further, a number of loans required rescheduling and/or restructuring which has served to reduce revolving capital available for new lending.

Performance in short-term and medium-term lending and in leveraging is as follows:

- Short-Term Credit to Export-Oriented Agribusinesses and Tourism Enterprises:** Total disbursements made under the MATEP/ZIF Short-Term Credit Facility to date stand at \$2,336,967, including disbursements initiated by MATEP as ZATAC Ltd loans. Subsectors supported with short-term loans include canned horticultural produce, handicrafts, horticulture (cucumbers), honey, wet blue leather, molasses, groundnuts, organic cotton, paprika, poultry, soy cake, textile/ garments, and trade shows. Of the total mid-term loans disbursed, \$1,042,824 has been repaid, representing 45% of the total funds disbursed.
- Medium-term credit for export and tourism enterprises:** Total disbursements made under the MATEP/MIF stand at \$ 937,322. Subsectors supported with medium-term loans include processed beef, bio-coal and tourism lodging. Of the total mid-term loans disbursed, \$211,329 has been repaid, representing 23% of the total funds disbursed.
- Leveraging of Finance:** MATEP’s strategy for increasing capital available to its clients includes leveraging resources from commercial financial institutions. This not only increases funds available to clients but goes a long way into introducing MATEP clients to commercial lending sources and building sustainable relationships between the two sides. MATEP has been very successful in leveraging financing. The principal leveraging partners have been the Zambia State Insurance Corporation (ZSIC), the ZATAC Investment Fund, Barclays Bank Zambia Ltd and the Africare Market Innovation and Improvement Facility. The sectors that have benefited from MATEP’s financial leveraging have included paprika processing, horticultural canning, honey exporting and groundnuts grading and processing.

Innovation

MATEP has endeavored to be responsive to the various needs of its clients by introducing innovations in the products and services provided. Services like the facilitation of Trade Show participation and attendance for export-oriented and tourism clients are some of the notable innovations. Hipego, Kasholwasholwa and African Joy have been beneficiaries of such products. Hipego and Kasholwasholwa attended trade shows in the United States of America (Santa Fe) winning prizes and making notable trade ties that encouraged follow up transaction. Repayments were made in full to MATEP. African Joy through MATEP were assisted to attend trade shows in Italy and also managed to broaden their horizons and linkages on the international scene and market.

Another measure taken during the year was the facilitation of a transaction for export into Angola and Botswana. Glymo Enterprises, a relatively new client, received an order to supply Super Maheu Energy drinks, a product of Trade Kings Limited Zambia. A total of two transactions were facilitated and a third is in hand for the Botswana Market. The forth coming transaction is for the supply of various commercial grains which is a product of the networking done by MATEP with regional clients and contacts.

Value Chain Capacity Building

MATEP offers technical assistance through the convening and organization of Workshops and Seminars. MATEP engages experts and possible clients who mainly are major players in the selected value chain. For example MATEP facilitated stakeholders in the groundnut value chain to meet and try to create an alliance with other regional players to meet significant market demand in Europe. This saw the birth of the Groundnut Industry Association of Zambia (GIAZ). Though GIAZ, groundnut producers have a platform to work with other industry players in Malawi, Mozambique, Britain, and South Africa.

MATEP offers technical assistance in the preparation of business plans for promising business concepts. This support usually involves MATEP engaging a business consultant to interactively mentor and coach an entrepreneur to develop a good concept into a fully-fledged bankable business plan. To this effect, MATEP has supported SMEs to prepare business plans in the textiles, food processing, wood processing and aquaculture sub-sectors.

Remediation

MATEP follows a policy of positive remediation of loan repayment problems affecting its clients. Business planning and market development technical assistance are usually a first step in risk management. Periodic monitoring of clients is undertaken to catch problems early and work with clients in finding solutions to emerging problems. Loan repayment advisory notes are sent to clients regularly from two months before their debt servicing is due. MATEP ultimately institutes legal recourse towards loan recovery where appropriate. Debt rescheduling has been necessity for many of the MATEP loans.

The major remediation actions over the period included continuation of legal remedies to recover delinquent trade finance loans across the client base. To this effect MATEP and ZATAC engaged Freshpikt to work out a strategy to benefit both the client and the revolving fund with Freshpikt Ltd rescheduling their loan obligation and consolidating their loan with that of ChoiceNuts, acquiring all the assets of ChoiceNuts which has ceased operations. Freshpikt is also purchasing the Cheetah Paprika Powder Mill that was repossessed by MATEP/ZATAC with the purchase amount being added to the consolidated loan. The consolidation has been signed by all parties concerned and is being implemented by the MATEP/ZATAC legal team.

The lawyers have successfully been able to work out repossession of the proposed security from Rijay Farms in the form of the Mitsubishi Canter light truck and the small holding situated in Lusaka East. The truck is yet to be move to ZATAC for safe keeping until buyers can be found to liquidate both the Land property and the vehicle.

Global Export Bureau has also surrendered the proposed security to liquidate the facility obtained. This has been facilitated and concluded by the lawyers. The amount involved in this case is \$71,000.

Kabwe Tannery owed \$37,285 and is a company that has been bought by The TATA Group. The Zambia Development Agency managed the sale and is in the process of paying off debts of Kabwe Tannery. MATEP and ZATAC have been in constant communication with the ZDA and progress is deemed a high possibility.

Mpongwe Bulima owes \$2,740 and has also been contacted to make full repayment of the outstanding amount with the help and influence of the ADF project that is supporting and working in very close ties with the cooperative. The chairperson, realizing the ties between MATEP and ADF regarding the cooperative, has committed to make full payment.

Fallsway Timber (\$250,000), Nangaunozye (\$12,500) and African Joy (\$20,000) are also companies that owe for the facilities they obtained and are also being engaged to find amicable ways to meet their repayment plans. A client Cris-B-Cucs issued with \$40,000 has deserted the premises they occupied on lease leaving the fund with no legal option to pursue.

Fund Sustainability

As the MATEP project nears completion, it is proposed that Investment Fund assets be granted to ZATAC in order for ZATAC to continue revolving operations of the fund in the future. The fund has been efficiently managed by ZATAC, Ltd. since the start of the project and as a Zambian company, ZATAC has an important presence both in the SME finance sector and in the smallholder-oriented agriculture sector. Further, many of the Investment Fund assets are in the form of performing loans which will continue to be repaid over time. ZATAC staff, with good knowledge of Investment Fund clients as well as the history and performance of each loan asset are best placed to maximize recovery of Investment Fund assets.

MATEP is in the process now of conducting a valuation audit of Investment Fund assets. The audit has been contracted to the audit firm GeorgeBaison & Obed and is nearing completion. Upon completion, DAI will submit an Inventory Disposition proposal to USAID for transferring Investment Fund assets to ZATAC, Ltd.

HIV/AIDS COMPONENT

HIV/AIDS is a cross-cutting issue which borders on all aspects of public and private life. As part of the U.S. President Emergency Plan For Aids Relief (PEPFAR), MATEP has been receiving “wrap around” funding in order to deliver HIV/AIDS "A/B" prevention messages to private sector clients with whom we are working. MATEP originally tried to find a traditional HIV/AIDS organization to run its PEPFAR program, however found that none were willing to tailor their standard products to the type of activity MATEP felt would be most beneficial to its exporting clients. So MATEP developed its own program which has been rolled out to numerous clients during project implementation.

Working mainly through business associations, MATEP helps build capacity in the associations for them to deliver HIV/AIDS services to their memberships. In the past year, MATEP partnered with Zambia Chamber of Small and Medium Business Associations (ZCSMBA) to incorporate HIV/AIDS activities into businesses of a number of District Business Associations. Initially, MATEP worked with the Mazabuka District Business Association (MDBA). After seeing the success of Mazabuka’s program, ZCSMBA asked that MATEP extend its program to cover additional DBAs in Zambia. In 2009, MATEP has been implementing an expanded version of the Mazabuka program in six more districts in Eastern Province. ZCSMBA is the third association that MATEP has collaborated with since inception of the HIV/AIDS component. The other two big programs have been with the Zambia Export Growers Association (ZEGA) in the first and second year and the Hotels and Caterers Association of Zambia (HCAZ) in the second and third year of the project.

MATEP approach with HIV/AIDS is to first work with member companies of the associations trying to help management better understand HIV/AIDS prevention as a business issue, in addition to being a social issue. The business impact is clear - through worker sicknesses, absences and turnover (and the resultant retraining costs). But whenever budget belts need to be tightened, companies tend to cut HIV/AIDS activities as being “non-essential.” Next, MATEP asks companies to identify staff (1 per 50-100 workers) to be trained as Awareness Educators (AEs). With assistance from an HIV/AIDS expert based in South Africa, MATEP developed a training program for these AE trainees, teaching them about HIV/AIDS and how to deliver HIV/AIDS prevention messages to their co-workers. MATEP then takes this training program to the businesses (farms, lodges, factories, etc) and runs training workshops for the trainees. Each training session lasts two days with approximately 20 individuals attending.

Over the following several months, Awareness Educators then run mini-seminars for their co-workers based on a schedule they've developed during the training workshop (with schedules having been vetted by their supervisors). This rollout of HIV/AIDS prevention messages happens during work breaks, during lunches and after work hours. The Awareness Educators also distribute various brochures -in local languages - to reinforce the messages and for further distribution among workers, family and friends.

MATEP’s HIV/AIDS program has been enthusiastically received by business managers, by Awareness Educators and by the workers. When beginning the program with ZEGA, many member farms declined participation after our introductory discussion and presentation. They expressed skepticism whether a program such as the one proposed would work. But as word spread about the success of MATEP’s program, each of those skeptical farms approached MATEP asking to be included in subsequent phases. Even the initial participating farms have asked MATEP to train more of their staff as Awareness Educators and we've increased the number of training workshops in response. Farms also asked MATEP to extend the program into surrounding communities, recognizing the need for HIV/AIDS prevention messages in the communities in which their workers live. Since that first program, MATEP was subsequently approached to design programs for the Hotel

and Caterers Association of Zambia, the Ministry of Labour and Social Security, the Mazabuka District Business Association and then Eastern Province DBAs

In the year under review, MATEP has trained a total of 1,696 individuals for delivery of HIV/AIDS prevention messages. Of this total, 17 are Trainers of Trainers and 1,679 are Awareness Educators. The AEs, in turn, rolled out programs of HIV/AIDS message delivery to 45,028 individuals in Eastern, Southern, Lusaka, Central and Copperbelt provinces of Zambia. MATEP's PEPFAR targets for the year ending September 2009 were to train 1000 Awareness Educators and reach 25,000 individuals with prevention messages. MATEP expects to continue exceeding its PEPFAR targets in the remaining months of the project

To commemorate the World Aids Day which falls on December 1st, MATEP collaborated with HCAZ member establishments and ZEGA member farms to conduct HIV/AIDS activities at their individual establishments. Activities included quiz shows, delivery of sensitization messages to surrounding areas, drama performances, football and netball competitions and choir competitions. HCAZ members in Lusaka, Central and Copperbelt provinces also participated in the nationwide World Aids Day march which was conducted in each of Zambia's nine provinces. A total of 701 individuals participated in these events.

ZCSMBA HIV/AIDS Prevention Programs

ZCSMBA is a private membership based organization focused on business associations that provide and facilitate services to micro, small and medium enterprises (MSME) in Zambia. It is an apex body representing 70 business associations countrywide and membership is open to any business association that has a membership of 50 or more different MSMEs. After the success of MATEP's HIV/AIDS program in Mazabuka, ZCSMBA asked that MATEP extend its program to cover additional DBAs in Zambia.

MDBA HIV/AIDS Activities

MDBA has a membership exceeding 6,000 small medium entrepreneurs (SMEs) in Mazabuka District in Zambia's Southern Province. Initially, MATEP's work with MDBA involved exporter training, but with each training session MATEP conducted an HIV/AIDS prevention session as well. MDBA, recognizing that the high prevalence of HIV/AIDS was a major constraint to growth and competitiveness then asked MATEP to design an HIV/AIDS prevention program for the entire membership.

- **MDBA HIV/AIDS awareness program:** During the year just ended MATEP focused on direct message delivery of HIV/AIDS awareness and prevention messages to Mazabuka-based individual entrepreneurs. The total number of individuals trained as Awareness Educators was 618 who in turn trained 1,080 individuals as Message Intermediaries. There were two sessions conducted per day, one in the morning and one in the afternoon. The Message Intermediaries then delivered HIV/AIDS prevention messages to least five other individuals in their workplace or community. HIV/AIDS prevention and awareness brochures were also distributed to message recipients.
- **Translation and printing of HIV/AIDS brochures into Tonga:** MATEP during the past year completed translations the English HIV/AIDS awareness and prevention brochures into Tonga for use during the MDBA HIV/AIDS program. The translated materials were printed and distributed to the message beneficiaries. The need for the Tonga translations was prompted by the fact that MDBA is located in the Southern province of Zambia which is predominately a Tonga speaking area.

- **MDBA HIV/AIDS sustainability plan:** MATEP also worked with MDBA in order to develop a sustainability plan for the HIV/AIDS activities. Both MATEP and MDBA agreed that services of a full-time HIV/AIDS focal person to be based in Mazabuka should be engaged. The proposed assistance agreement for the program was then finalized and the identified individual recruited for an initial six months.

Eastern Province DBAs - HIV/AIDS Prevention Program

After the successful implementation of MDBA's HIV/AIDS activities, ZCSMBA requested MATEP to extend its program to other DBAs in the country. Discussions with ZCSMBA were concluded and six Eastern Province DBAs were identified for this activity namely: Chipata, Sinda, Lundazi, Katete, Chadiza and Nyimba. Five of the Eastern Province DBAs have 1,000 members each, while Chipata DBA has 3,125 members. DBAs have both individual members and members which are farmer groups (with approximately 25 farmers per group in the five DBAs and 100 farmers per group in Chipata). To date the total number of individuals trained as Awareness Educators in Eastern Province is 1,200, another 120,000 individuals were trained as Message Intermediaries who will then deliver the HIV/AIDS prevention and awareness messages to least two other individuals in their workplace or community

- **Eastern Province DBAs - HIV/AIDS activities:**
MATEP liaised with ZCSMBA to finalize the list of the six districts and to obtain information about membership and executive committees in each DBA. Plans were made to meet with each DBA executive committee to conduct sensitization of HIV/AIDS prevention needs, introduce proposed program of activities, obtain commitment for DBA contributions and identify individuals for leading HIV/AIDS prevention activities in the district.
- **Program Implementation:**
MATEP, in collaboration with the DBAs, identified and recruited a focal person and two trainers-of-trainers (ToTs) in each of the 6 districts. The focal person and ToTs from each district were then provided with a one-week Peer Education training course at Chresso ministries lodge in Lusaka. The Focal Persons, in the weeks after their training, then selected DBA members from their individual districts for training as Awareness Educators. In each of the 6 districts, 150 individuals were trained as AEs over a period of two weeks. The AEs then commenced the direct message delivery to 100 individuals per AE, approximately 15,000 individuals per district. These individuals, in turn, will roll-out the HIV/AIDS awareness and prevention messages to two other message beneficiaries. To date, a total of 4,002 have received training as direct intermediaries. Awareness Educators will report names and ID numbers of message recipients back to the Focal Person for checking and consolidation. The names and ID numbers are reported back to MATEP for consolidation and reporting to USAID/PEPFAR.
- **Sustainability plan:** As part of the program, MATEP worked with ZCSMBA and the DBAs in developing a sustainability plan for HIV/AIDS activities in each of the six districts. Both MATEP and the DBA agreed that services of a full-time HIV/AIDS focal person, to be based in each district, will be engaged for six months. The focal person will monitor implementation of the message delivery being conducted by Awareness Educators in their respective districts and District Coordinators are monitored in turn by the MATEP Senior HIV/AIDS trainer and HIV/AIDS Coordinator. Details of roll-out implementation are reported back by Awareness Educators and are modified as needed.

HCAZ HIV/AIDS Activities

The Hotel and Catering Association of Zambia (HCAZ), which was founded in 1963, is the oldest and largest member organization in tourism in Zambia, its members employ most workers in the tourism industry and the association has members in all of Zambia's nine provinces. HCAZ members

contribute to the Zambian economy through job creation, investment in construction, foreign exchange generation and taxes (VAT, PAYE, and direct taxes). HCAZ has 250 member establishments embracing hotels, motels, lodges, guesthouses, restaurants, fast food outlets, casinos, nightclubs as well as associate members.

MATEP and HCAZ initially collaborated in HIV/AIDS prevention by incorporating HIV/AIDS awareness sessions into tourism skills training programs that MATEP was conducting for HCAZ members. Along with HIV/AIDS prevention messages to workers, MATEP's training emphasized the importance of integrating HIV/AIDS prevention as part of business decision-making by HCAZ members. After HCAZ approached MATEP requesting an expanded HIV/AIDS prevention program, MATEP started a major new activity patterned after the success of MATEP's HIV/AIDS activities with ZEGA. In Phase I and II, of the HCAZ program, 390 trainees from HCAZ establishments were trained as HIV/AIDS Awareness Educators and HIV/AIDS prevention messages were delivered to 10,808 individuals. The second HIV/AIDS activity with HCAZ was the development of an HIV/AIDS workplace policy for the association and its membership.

- **HCAZ Workplace Policy Development:** The HCAZ HIV/AIDS workplace policy was officially launched on 9th September, 2009. During the year under review, a series of consultations were held between MATEP and the HCAZ Executive Committee and provincial-level HCAZ committees from throughout the country. The processes of consultation included two workshops designed first to brainstorm and draft and second to revise and vet the draft policy itself. The final version was again distributed for further comments, which were then included and the policy finalized. Participation in the two workshops to draft and revise the document was drawn from Lusaka, Central, Eastern, Southern, Copperbelt and North Western provinces of Zambia. The policy, now launched, aims to assist businesses in developing and improving their own policies and providing a standard within the association on how to tackle HIV/AIDS. It also provides a policy template that individual HCAZ member establishments can adapt and adopt for themselves.
- **HCAZ rollout program:** During the past year, MATEP in collaboration with HCAZ continued with HIV/AIDS prevention and awareness sensitization with HCAZ members. HCAZ liaised with establishments and contacts of their members interested in benefiting from the program. As part of the HCAZ sustainability plan, HCAZ would like to continue delivering HIV/AIDS awareness and prevention messages to their members.

ZEGA HIV/AIDS Activities

MATEP conducted Phase III of the ZEGA HIV/AIDS Program during the year. Phase III was designed to address needs of additional ZEGA farms as well as for previous participants who had experienced staff turnover and who requested outreach programs to surrounding communities. By the end of the year, MATEP had trained 45 farm workers as HIV/AIDS Awareness Educators and rolled-out training/education sessions to 7,170 individuals in farms, surrounding communities and schools.

Copperbelt Mining, Agriculture and Commercial Services Show

The HIV/AIDS component participated in this year's CMACS show as part of the MATEP pavilion. MATEP's Senior HIV/AIDS trainer conducted HIV/AIDS awareness and prevention message sharing directed to showgoers and distributed HIV/AIDS leaflets and badges. A total of 520 individuals benefited from the exercise. Also, discussions on MATEP's HIV/AIDS activities were held with Sanvik, Zambia Prisons Service, Kitwe Aids Task Force and the Ministry of Agriculture for possible future collaboration.

Central Statistical Office (CSO):

During the past year, MATEP collaborated with CSO and incorporated HIV/AIDS awareness and prevention message delivery in their Labour Force Survey which targeted 30,000 households in all the nine provinces of Zambia. The households were reached with HIV/AIDS prevention and awareness messages by enumerators that conducted field data collection for the countrywide labour force survey. MATEP had previously trained 15 CSO master trainers on HIV/AIDS prevention and awareness at a training workshop in Lusaka. The master trainers, in turn, trained 150 supervisors and 750 enumerators. When conducting the Labour Force Survey, these supervisors and enumerators delivered HIV/AIDS awareness and prevention messages and distributed literature to the households visited.

MSU/FSRP Marketer's survey

MATEP also trained two FSRP enumerators conducting the marketer's survey in Lusaka's based markets as awareness educators. The delivery of HIV/AIDS awareness and prevention messages as part of their survey is an on-going exercise. HIV/AIDS awareness and prevention brochures are also handed out and to date a total of 400 individuals have benefited from the exercise.

Ministry of Labour and Social Security (MLSS)

In the year under review, MATEP followed up with MLSS officers for feed back on the use of the HIV/AIDS policy check-list developed in 2008 for the Ministry with the assistance of MATEP. The policy checklist was developed over the course of two workshops with the MLSS officers and Labour Inspectors. After reviewing the HIV/AIDS policy checklist, the MLSS Permanent Secretary confirmed the checklist would be used in their inspection exercises of all private sector establishments.

Plans for the coming year: MATEP is expecting additional PEPFAR funds to expand its HIV/AIDS prevention work in Zambia. When these funds are available, MATEP will extend the ZCSMBA HIV/AIDS prevention program currently being implemented in six Eastern Province districts to an additional set of districts in Eastern, Southern and Central provinces. The anticipated total number of Trainers-of-trainers to be trained is 19; Awareness Educators, 3,500; Direct Message recipients 230,800; and 461,600 final beneficiaries.

MATEP “PMP” INDICATORS – FY09

	INDICATOR	TARGET and ACTUAL				Original FY09 target	
		FY06	FY07	FY08	FY09		
Trade/Export-related Indicators							
1	Value of ANR-based exports, including tourism receipts, \$M	Target	425	465	518	620	550.0
		Actual	494	582	596	798	
1.1	Value of ANR-based exports, \$M	Target	275	305	348	420	370.0
		Actual	323	402	405	591	
1.2	Value of estimated tourism receipts, \$M	Target	150	160	170	200	180.0
		Actual	171	180	191	207	
2	Value of export/tourism transactions reported by assisted firms, \$M (revised target)	Target	20	52	90	100	77.5
		Actual	40	58	94	77	
3.1	Value of export transactions reported by assisted firms, \$M	Target	19	50	60	75	75.0
		Actual	39	55	71	56	
3.2	Value of tourism transactions reported by assisted firms, \$M (revised target)	Target	1	2	30	25	2.5
		Actual	1	3	23	21	
3	Number of export/tourism transactions completed as reported by assisted firms (revised target)	Target	1,000	6,800	34,200	46,000	9,100.0
		Actual	4,884	13,637	46,781	53,504	
2.1	Number of export transactions reported by assisted firms	Target	750	3,800	4,200	6,000	4,600.0
		Actual	3,498	3,240	5,793	4,304	
2.2	Number of tourism transactions reported by assisted firms (revised target)	Target	250	3,000	30,000	40,000	4,500.0
		Actual	1,386	10,397	40,988	49,560	
4	Value and volume of exports of targeted commodities reported by assisted firms						
4.1	Paprika/Chili	Value, \$'000	485	1,050	635	920	
		Volume, tons	450	932	460	576	
4.2	Horticulture	Value, \$'000	20,105	36,446	39,812	30,257	
		Volume, tons	4,292	5,644	8,944	7,290	
4.3	Coffee	Value, \$'000	12,900	8,300	8,749	6,088	
		Volume, tons	6,000	3,483	3,324	1,900	
4.4	Honey	Value, \$'000	510	520	273	505	
		Volume, tons	300	271	174	181	
4.5	Seed	Value, \$'000	1,524	4,572	15,348	14,893	
		Volume, tons	1,459	4,858	15,929	17,197	
4.6	Livestock products	Value, \$'000	2,422	1,979	2,963	2,205	
		Volume, tons	1,086	2,121	3,680	744	
4.7	Cotton/textiles	Value, \$'000	25	145	222	98	
		Volume, tons	1	12	17	2	
4.8	Maize	Value, \$'000	-	-	-	-	
		Volume, tons	-	-	-	-	
4.9	Groundnuts/Beans	Value, \$'000	-	1,023	579	213	
		Volume, tons	-	1,300	663	421	

	INDICATOR	TARGET and ACTUAL				Original FY09 target
		FY06	FY07	FY08	FY09	
5	Value and volume of intra-regional exports of targeted commodities reported by assisted firms					
	5.1 Paprika/Chili	Value, \$'000	325	765	225	399
		Volume, tons	250	656	365	388
	5.2 Horticulture	Value, \$'000	5,680	2,591	4,978	1,831
		Volume, tons	1,187	612	1,571	597
	5.3 Coffee	Value, \$'000	4,515	2,656	2,088	-
		Volume, tons	2,100	1,115	793	-
	5.4 Honey	Value, \$'000	-	-	5	11
		Volume, tons	-	-	1	7
	5.5 Seed	Value, \$'000	1,524	4,572	15,210	14,893
		Volume, tons	1,459	4,858	15,818	17,197
	5.6 Livestock products	Value, \$'000	1,644	383	961	463
		Volume, tons	993	229	1,034	19
	5.7 Cotton/textiles	Value, \$'000	23	136	198	94
		Volume, tons	1	11	17	1
	5.8 Maize	Value, \$'000	-	-	-	-
		Volume, tons	-	-	-	-
	5.9 Groundnuts/Beans	Value, \$'000	-	1,023	796	213
		Volume, tons	-	1,300	938	421
6	Value and volume of purchases from smallholders of targeted commodities reported by assisted firms					
	6.1 Paprika/Chili	Value, \$'000	176	125	34	29
		Volume, tons	114	85	31	47
	6.2 Horticulture	Value, \$'000	166	318	565	277
		Volume, tons	546	164	333	314
	6.3 Coffee	Value, \$'000	16	15	14	-
		Volume, tons	8	6	5	-
	6.4 Honey	Value, \$'000	200	113	379	302
		Volume, tons	400	210	331	94
	6.5 Seed	Value, \$'000	450	836	409	199
		Volume, tons	1,564	2,590	622	474
	6.6 Livestock products	Value, \$'000	428	1,181	1,614	1,822
		Volume, tons	965	3,335	1,552	1,468
	6.7 Cotton/textiles	Value, \$'000	-	-	-	6
		Volume, tons	-	-	-	-
	6.8 Groundnuts/Beans	Value, \$'000	-	340	1,000	505
		Volume, tons	-	1,300	1,859	740

	INDICATOR	TARGET and ACTUAL				Original FY09 target		
		FY06	FY07	FY08	FY09			
Finance-related Indicators								
7	Value of finance/capital accessed reported by assisted firms, \$M, cumulative	Target	2.0	5.0	10.0	18.0	15.0	
		Actual	5.4	8.2	15.8	18.8		
8	Number of MATEP Investment Fund loans, cumulative, disaggregated by gender	Total	Target	15	25	45	45	60
			Actual	15	26	33	41	
		Female	Target	5	8	15	15	20
			Actual	3	5	10	14	
9	Number of performing loans in the current loan portfolio - percentage, disaggregated by gender	Total	Target	80%	80%	80%	80%	80%
			Actual	71%	85%	80%	85%	
		Female	Actual	50%	90%	87%	88%	
10	Value of MATEP loans, disaggregated by gender, \$'000, cumulative	Total	Target	1,200	2,000	3,000	3,500	3,500
			Actual	1,053	2,592	3,050	3,274	
		Female	Target	300	600	900	800	1,100
			Actual	211	486	557	494	
11	Value of performing loans in the current lending portfolio - percentage, disaggregated by gender	Total	Target	90%	90%	90%	80%	90%
			Actual	89%	90%	81%	73%	
		Female	Actual	90%	96%	93%	64%	
BDS and HIV/AIDS-related Indicators								
12	Number of clients/entrepreneurs receiving BDS (revised target)	Target	25	55	65	65	65	
		Actual	48	73	68	81		
13	Number of people reached with HIV/AIDS A & B outreach programs (revised target)	Total	Target	30,000	15,000	15,000	25,000	15,000
			Actual	30,154	17,179	15,934	45,028	
		Female	Actual	16,210	7,539	8,306	23,686	
14	Number of people trained for delivery of HIV/AIDS prevention programs (revised target)	Total	Target	70	100	100	1,000	35
			Actual	132	342	285	1,696	
		Female	Actual	62	138	152	1,014	
Training-related indicators								
15	Number of people completing training seminars (in export skills, policy reform, tourism, HIV/AIDS, etc.) (revised target)	Total	Target	50	400	400	400	400
			Actual	364	871	740	2,292	
		Female	Target	20	160	160	160	160
			Actual	183	341	343	1,375	

MATEP “OP” INDICATORS – FY09

FY 2009					
INDICATORS	TARGET AND ACTUAL				
			FY07	FY08	FY09
Program Area: Trade and Investment					
Program Element 1: Trade and Investment Enabling Environment					
1.1. Number of consultative processes with the private sector	Target	-	4	4	4
	Actual	3	5	8	9
1.2. Number of USG supported training events held that related to improving the trade and investment environment	Target	-	2	2	2
	Actual	0	2	4	2
1.3. Number of participants in trade and investment environment trainings.	Target	-	40	40	40
	Actual	0	138	75	91
	M/F		M:78/F:60	M:56/F:19	M:32/F:59
1.4. Number of trade and investment environment diagnostics conducted	Target	-	6	6	6
	Actual	6	7	13	16
1.5. Number of legal, regulatory or institutional actions (not mentioned above) taken to improve implementation or compliance with international trade and investment agreements.	Target	-	3	3	2
	Actual	3	3	4	5
Program Element 2: Trade and Investment Capacity					
2.1. Number of firms receiving capacity building assistance to export	Target	-	55	65	65
	Actual	48	73	68	81
2.2. Number of USG supported training events held that provided training on topics related to investment capacity building and improving trade .	Target	-	3	3	3
	Actual	2	3	8	3
2.4. Number of firms receiving USG assistance that obtain certification with international quality control, environment and other	Target	-	1	1	1
	Actual	0	2	2	1
2.5. Numbers of participants in USG supported trade and investment capacity building trainings.	Target	-	50	50	50
	Actual	55	96	230	267
	M/F		M:66/F:30	M:124/F:106	M:130/F:137
Program Area: Financial Services					
Program Element 3: Financial Services					
3.1. Number of USG supported special funds loans issued this year	Target	-	10	10	10
	Actual	8	10	6	7
3.2. Value of USG supported special funds loans issued (in US dollars) this year	Target	-	0.8M	1.0M	1.0M
	Actual	0.6M	1.44M	0.5M	0.1

INDICATORS	TARGET AND ACTUAL				
			FY07	FY08	FY09
Program Area: Agriculture					
Program Element 4: Agricultural Enabling Environment					
4.1. Number of policy reforms analyzed as a result of USG assistance	Target	-	2	2	2
	Actual	1	4	2	2
4.2. Number of policy reforms presented for legislation/decrees as a result of USG assistance	Target	-	2	2	2
	Actual	1	2	1	1
4.4. Number of individuals who have received short term agricultural enabling environment training as a result of USG assistance (sex-disaggregated).	Target	-	40	45	45
	Actual	38	60	62	38
	M/F		M:25/F:35	M:29/F:33	M:29/F:9
Program Element 5: Agriculture Sector Productivity					
5.6. Number of producers organizations, water users associations, trade and business associations and community based organizations assisted as a result of USG assistance	Target	-	10	10	10
	Actual	8	14	18	20
5.7. Percent change in value of international exports of targeted agricultural commodities as a result of USG assistance	Target	-	11%	14%	14%
	Actual	0	38%	27%	-20%
5.9. Percent change in value of purchases from smallholders of targeted commodities	Target	-	15%	15%	15%
	Actual	0	83%	23%	11%
Program Area: Private Sector Competitiveness					
Program Element 6: Private Sector Productivity					
6.2. Number of public-private dialogue mechanisms utilized as a result of USG assistance	Target	-	5	5	5
	Actual	0	6	8	11
6.4. Number of SME's receiving USG assistance to access bank loans or private equity	Target	-	6	6	6
	Actual	2	6	11	19
6.5. Number of SME's that successfully accessed bank loans or private equity as a result of USG assistance	Target	-	4	4	4
	Actual	2	5	6	4

ANNEX 1: MATEP PMP DATA COLLECTION METHODOLOGY

1. Value of ANR-based exports, including tourism receipts
Sum of export and tourism data from 1.1 and 1.2.
 - 1.1 Value of ANR-based exports, \$M
Source: Export Review published by Export Board of Zambia
Description: Value of exports in 10 sectors: Agricultural products, Processed and refined foods, floricultural products, Textiles, Horticultural products, Gemstones, Animal products, Garments, Leather products, Handicrafts and curios.
Time frame: Annual data, July through June (third quarter data not available in time for reporting)
 - 1.2 Value of estimated tourism receipts, \$M
Source: Ministry of Tourism, Planning Division, Mr. Chabala
Description: Annual tourism revenues estimated by the Ministry of Tourism
Time frame: Annual data, July through June – taken from estimates from previous and current years.
Note: MATEP is working with the Ministry of Tourism to develop alternative estimates that will be based on tourism arrival and departure data and coefficients of spending per day for various categories of tourist.

Data for Indicators #2 – #7 are based on a MATEP Client Survey conducted twice each year. Survey forms are sent to MATEP clients reported data is first reviewed by MATEP staff for accuracy and consistency. Responses from 10% of clients, selected randomly, are subjected to follow up verification.

2. Number of export/tourism transactions completed reported by assisted firms
Sum of export and tourism data from 2.1 and 2.2.
 - 2.1 Number of ANR-based export transactions reported by assisted firms
Source: MATEP Client Survey
Description: Reported number of ANR-based export transactions by MATEP clients
Time frame: Survey conducted in September and March
 - 2.2 Number of tourism transactions reported by assisted firms
Source: MATEP Client Survey
Description: Reported number of tourism transactions by MATEP clients
Time frame: Survey conducted in September and March
3. Value of export/tourism transactions reported by assisted firms
Sum of export and tourism data from 3.1 and 3.2.
 - 3.1 Value of ANR-based export transactions reported by assisted firms, \$M
Source: MATEP Client Survey
Description: Reported value of ANR-based export transactions by MATEP clients
Time frame: Survey conducted in September and March
 - 3.2 Reported value of tourism transactions reported by assisted firms, \$M
Source: MATEP Client Survey
Description: Reported number of tourism transactions by MATEP clients
Time frame: Survey conducted in September and March

4. Value and volume of exports of targeted commodities reported by assisted firms
 Source: MATEP Client Survey
 Description: Subcategories of Indicators #2 and #3, reported value and volumes of targeted commodities by MATEP clients
 Time frame: Survey conducted in September and March
5. Value and volume of intra-regional exports of targeted commodities reported by assisted firms
 Source: MATEP Client Survey
 Description: Subcategories of #2 and #3, reported value and volumes of commodities to Eastern and Southern Africa by MATEP clients
 Time frame: Survey conducted in September and March
6. Value and volume of purchases from smallholders of targeted commodities reported by assisted firms
 Source: MATEP Client Survey
 Description: Reported purchases from smallholders by MATEP clients
 Time frame: Survey conducted in September and March
7. Value of finance/capital accessed reported by assisted firms, cumulative (borrowers perspective)
 Source: MATEP Client Survey and MATEP Investment Fund Report prepared by ZATAC
 Description: Cumulative sum of MATEP Investment Fund financing plus non-MATEP financing received reported by MATEP clients
 Time frame: Client Survey conducted in September and March, MATEP Investment Fund Report prepared Quarterly
8. Number of MATEP Investment Fund loans, cumulative, disaggregated by gender (lenders perspective)
 Source: MATEP Investment Fund Report prepared by ZATAC and MATEP Client Survey
 Description: Cumulative number of loans issued from the MATEP Investment Fund. Gender disaggregation calculated based percentage of female principals reported in MATEP Client Survey
 Time frame: Quarterly
9. Percentage of the number of loans currently on schedule for repayment, disaggregated by gender
 Source: MATEP Investment Fund Report prepared by ZATAC and MATEP Client Survey
 Description: Percentage of number of currently outstanding loans on schedule. Gender disaggregation calculated based percentage of female principals reported in MATEP Client Survey
 Time frame: Quarterly
10. Value of loans by USAID assisted institutions, disaggregated by gender (lenders perspective)
 Source: MATEP Investment Fund Report prepared by ZATAC and MATEP Client Survey
 Description: Cumulative value of loans issued from the MATEP Investment Fund. Gender disaggregation calculated based percentage of female principals reported in MATEP Client Survey
 Time frame: Quarterly
11. Percentage of the value of loans currently on schedule for repayment, disaggregated by gender
 Source: MATEP Investment Fund Report prepared by ZATAC and MATEP Client Survey
 Description: Percentage of value of currently outstanding loans on schedule. Gender disaggregation calculated based percentage of female principals reported in MATEP Client Survey
 Time frame: Quarterly

12. Number of clients receiving BDS
Source: MATEP client list
Description: Number of MATEP clients receiving services from the Market Assess, Tourism, Finance or Policy Components of the project. Does not include formal training assistance.
Time frame: Quarterly
13. Number of people reached with HIV/AIDS A/B outreach programs
Source: MATEP HIV/AIDS Report
Description: Number of people reached with A/B messages
Time frame: Quarterly
14. Number of people training for delivery of HIV/AIDS prevention programs
Source: MATEP HIV/AIDS Report
Description: Number of people trained for delivery of HIV/AIDS prevention programs
Time frame: Quarterly
15. Policy progress milestones – in development with USAID
16. Number of people completing training in formal training programs
Source: MATEP Training Report
Description: Number of people completing formal training. Formal training consists of a scheduled training program with a training agenda presented in a seminar or workshop setting based on previously prepared training materials and with participants receiving a certificate of completion.
Time frame: Quarterly

ANNEX 2: ENVIRONMENTAL REVIEW REPORT

SCROLLEX LIMITED (Agri-produce export company and bottled water) September 2009

1. Background and Activity Description.

1.1 Purpose and Scope of Environmental Review Report:

Regulation 216 which is the commonly used shorthand term for the Agency's Environmental Procedures, are codified in the Code of Federal Regulations (CFR) as 22 CFR Part 216 (also referred informally as Reg. 216 or Reg. 16). Regulation 216 makes it mandatory that an environmental review or initial environmental examination be undertaken for a client that has received assistance from USAID in order to:

- Ensure that environmental consequences of USAID-funded activities are identified and considered in the design and implementation of activities prior to final decisions to proceed;
- Assist countries in strengthening their environmental evaluation capabilities;
- Define limiting environmental factors that constrain the environment; and
- Identify activities that assist in sustaining or restoring the natural resource base.

Market Access and Trade Enabling Policies (MATEP) personnel undertook a site visit to a client, Scrollex Limited, to conduct an Environmental Review (ER), a formal process of providing information and analysis of the overall effects on environment, human health and welfare and means and measures to mitigate and monitor these impacts.

1.2 Background

Scrollex Limited is an agri-produce exporting and bottled water producing company that has been in existence for the last five (5) years. It is a privately owned Ccompany that is run by the sole owners, Vasco Lester Mwinjilo, his wife, and brother John Mwinjilo. At inception the company mainly concentrated on the export of various Zambian products into the region by sourcing and identifying markets. The products that were dealt with were groundnuts, beans, honey, canned foods and assorted grains from the open market. All these products were for the Botswana market and Zimbabwe. The company continues to look for other markets. The company also produces bottled water and ice for the Zambian market. Scrollex was conferred with an Investment License by the Zambia Development Agency (ZDA), meaning they can obtain equipment and input duty free.

1.3 Description of Activities

The Scrollex facilities in Lusaka consist of a warehouse, equipment for bottling water and an ice-making machine. For the last three years (since 2006), Scrollex has been producing and supplying ice rings, 2.5kg, and 5kg ice blocks to the Lusaka market and surrounding areas. Bottling water began in 2008 and the product has met with great success. Scrollex is also bottling water for other establishments and labeling with those establishments' business name and/or logo. The bottled water comes in 500mls and 750mls. It is planned that 2ltr, 5ltr and 20ltr packaging be introduced in the near future. It is important to note that the bottled water is treated using UV treatment.

The main raw material for Scrollex is water for the ice and bottled water. Water is pumped from a borehole on the premises of the plant and pumped into a holding tank that is close to the processing plant. The borehole is approximately 50 meters from the tank and about the same distance from the sewer system soak away and septic tank. This distance is far enough not to pose any pollution to the water source. This water is then passed through the UV treatment facility that leads to the two tanks at the beginning of both the ice processing and bottled water packaging lines.

1.3.1 Ice Production

This process starts with the water being tested for soluble, impurities and pH by the General Manager Mr. John Mwinjilo and/or the Production Manager. They are the only people with access to all the testing equipment and the various cleaning and disinfecting chemicals. Scrolllex has the Zambia Bureau of Standards license for acceptable standards in the industry. This license requires that a company's processing standards and procedures be examined annually. Once the water has been tested and the standards are met, processing starts. Tests are conducted for each production run. The water is moved into the chiller that forms the ice rings. The ice rings come as a result of the water being frozen along cooling poles and when frozen to the right temperature, the ice is harvested and collected in the holding chamber. The holding chamber has a hatch that is used to release the ice into the packages used. The ice is packed in 2.5 and 5kg packs that are weighed before being sealed. The ice packs and blocks are stored in refrigerated containers at low temperatures. The ice is distributed to the main major supermarkets and other clients. Direct orders are a common occurrence as well.

1.3.2 Bottled water Production

The water is pumped from the borehole to the tank like the water for the ice. This water also goes through the ultra violet (UV) treatment and led to the holding tank. This water is tested for impurities, mineral content and pH just like the water intended for the ice. Upon verification that the water meets the required standard, it is then pumped to the bottling section where the work force bottles and labels the water accordingly. This is according to orders from the clients for the branded water bottles. The "Aqua Ice" labeled water on the other hand is packed in bulk to satisfy the Lusaka and now the Copperbelt markets.

Employees have a clean and hygienic changing room where they can freshen up. Shower facilities are available. Employees dress in rubber gum boots and white work suits with head dresses for both male and female employees. The employees are trained on the production procedure and also receive health and safety training to enhance safety at the work place. Medicals are conducted for all the workers every six (6) months. This is done to keep hygiene standards at the recommended level according to Zambia Bureau of Standards (ZABS).

The Company has put in place a strict cleaning and maintenance policy and procedure that is followed very closely by both management and staff. The company is inspected on a regular basis by the municipal authority for hygiene.

2. Country and Environmental Information

2.1 Locations Affected

The company is situated approximately 15 kilometers south-east of Lusaka city center in the Ibex area along Leopards hill road near Bauleni compound. The closest resident to the plant are those in the smallholdings in Ibex and the Cooperative College.

The plant construction was designed in such a way that it did not lead to;

- a) Any displacement of people or farm plots
- b) Affect quantity, quality, reliability and accessibility of water
- c) Cause erosion or salinity in nutrient concentrations of the soil
- d) Affect populations and habitats of fauna
- e) Spread diseases and pathogens on environmental health
- f) Affect composition and density of natural vegetation, productivity and key species and/or
- g) Affect the key species of special ecosystems

2.2 National Environmental Policies and Procedures

Zambian environmental policies and procedures are enshrined in the Environmental Protection and Pollution Control Act (EPPCA) No.12 of 1990. The Act provides for the protection of the environment and the control of pollution; to establish the Environmental Council and to prescribe the

functions and powers of the Council; and to provide for matters connected with or incidental to the foregoing. The EPPCA defines environment as "...land, water, air and other external influences and conditions which affect the development and life of all organisms including man"

The following statutory instruments under the Environmental Protection and Pollution Control Act have been passed for the purposes of enhancing implementation and effectiveness of the EPPCA:

- The Waste Management (Licensing and Transporters of Waste and Waste Disposal Sites) Regulations, Statutory Instrument Number 71 of 1993
- The Water Pollution Control (Effluent and Waste Water) Regulations, Statutory Instrument Number 72 of 1993
- The Pesticides and Toxic Substances Regulations, Statutory Instrument Number 20 of 1994
- The Ozone Depleting Substances Regulations, Statutory Instrument Number 27 of 2000 and
- The Hazardous Waste Management Regulations, Statutory Instrument Number 125 of 2001

In addition, the Environmental Council of Zambia assigns inspection and other implementation roles to all District Councils through the Local Government Act of 1991 that covers the establishment of local authorities and local government administrative system associated with waste management in Zambia.

3. Evaluation of Potential Environmental Impacts.

Based upon the plant tour and discussions with management of Scrollex Limited, three possible sources of potential negative environmental impacts were identified and these were:-

- The Waste Management (Licensing and Transporters of Waste and Waste Disposal Sites) Regulations, Statutory Instrument Number 71 of 1993; in particular the management of solid waste.
- The Water Pollution Control (Effluent and Waste Water) Regulations, Statutory Instrument Number 72 of 1993
- The Pesticides and Toxic Substances Regulations, Statutory Instrument Number 20 of 1994

3.1 Waste Management.

Management of various types of waste in Zambia continues to pose a big challenge. The perennial recurrence of disease such as cholera, dysentery and in some cases the contamination of water resources, air and soil/land, is good evidence.

Potential negative environmental impacts from solid waste management activities will include:

1. Increase in disease transmission or threaten public health
2. Contaminate ground or surface water
3. Create greenhouse gas emissions and other air pollutants
4. Damage ecosystems
5. Injure people or property
6. Discourage tourism and other businesses

At Scrollex Limited, solid waste is created in the form of the cardboard boxes and the plastic used for packaging. There is not much other solid waste created at the plant, but there is dirt coming from clean of the premises. This is all disposed of at the government dump site situated in Chingwere near Matero using trucks that have high drop sides to avoid any spillages when moving the waste materials. A land fill has been dug on the premises for biodegradable trash. The rejected bottles go back to the suppliers. The water used to clean the working area and for freshening up of the employees is disposed of in the sewer system that ultimately leads to a soak away. Water that is rejected after testing and sampling is used to irrigate the sizable vegetable garden at the plant premises. The working area is very well ventilated and lit.

3.2 The Water Pollution Control

Water is one of the essential elements important to the good health of humans. The safety of these water sources is very important for humanity to survive. Water is one medium through which disease can be spread. Contamination/pollution of water sources is a concern for all due to the impacts this can have to the environment and public health, which are as follows:

- a) Debilitating disease and death, loss of drinking water sources and increased costs
- b) Native plants and animals harmed and associated land, water and coastal ecosystems degraded
- c) Fresh water resources depleted
- d) Increased disease transmission from standing and stagnant water.

At Scrollex Limited the water that is used for cleaning of the working areas is disposed of through the sewer system. The water that is used as input for production is managed and safeguarded very well. The water source is inspected and tested regularly by specialist engineers from the Environmental Council of Zambia (ECZ) and samples are taken for testing to the University of Zambia (UNZA).

3.2.1 Air Pollution

Air pollution includes the release of dangerous gases into the atmosphere. The effects of this may be to human health from breathing polluted air, depletion of the ozone layer leading, global warming and/or general climatic changes.

At Scrollex Limited there are no processes that have emissions. There are times however, when the backup generator is used in the event of a power outage. The emissions here are minimal

3.3 The Pesticides and Toxic Substances Management

Uncontrolled pesticide use can lead to several unintended and harmful environmental effects. These include:

- a) Contamination of soil and water
- b) Contamination of surface and ground water
- c) Pesticide drift from intended target
- d) Effects on non-target organisms
- e) Disruption of natural control
- f) Pesticide resistance
- g) Externalities, accounting for economic costs of human health and environmental impact.

At Scrollex, there is no toxic chemical agent employed.

4. Recommended threshold decisions and mitigation actions.

Scrollex has a very high sense of hygiene and it is evidenced by the way that the work environment is maintained and the way the work force operates. A specific schedule and detailed procedure on cleaning and maintenance is very closely followed. This schedule has specific goals and targets to achieve. Being an ice processing and water bottling plant hygiene is of the greatest importance and should be ensured by management and the workforce.

4.1 Recommended threshold of disposal of solid waste

Due to the nature of the Zambian weather (high temperatures for most of the year), solid waste can pose a major threat to public health. We recommend that deep land fills continue being used and covered to avoid scavengers from sifting through the garbage. The plastics and water bottles that get spoilt can be sent back for recycling.

5. Mitigation and Monitoring Guidelines

We recommend the following mitigation and monitoring guidelines:

- Collect and transport solid waste in containerized trucks to avoid spillage. The Plant Manager should monitor this activity.

- Establish sound administrative management that will implement environmentally sound activities in its operations to minimize accidents at place of work.
- Mechanization of the packaging process to further minimize human contact during the process of packaging the water and ice. Management should consider this seriously. The Production Manager should take the lead on this.

6. Conclusion

We take note and commend management efforts to see through the Hazard Analysis of Critical Control Points (HACCP) certification as this will help mitigate some low-risk environmental impacts. A number of HACCP trained employees are available and should be made good use of by the organization.

Given the findings and mitigations recommended, Scrollex Limited operations will not have adverse effects on environment.