Market Access, Trade and Enabling Policies Project (MATEP)

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

Quarterly Report #12

For the period: January - March 2009

March 2009

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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 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 value chains offering 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 and on tourism. At project inception, eight product value chains, along with tourism services, were selected for attention. These were horticulture, coffee, livestock, cotton, honey, paprika, maize and cassava. During implementation, MATEP expanded this number to include seeds, chili, groundnuts and dry beans in response to newly arising market opportunities.

The project has five closely interlinked components to achieve its export objective: Market Access, Trade and Enabling Policy, Tourism, Finance and HIV/AIDS. 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 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 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 will use $2 million in investment capital to create sustainable private sector investment funds that provide short-term export financing and medium-term investment capital to exporting enterprises. Finally, the HIV/AIDS component works to mainstream HIV/AIDS prevention activities into client business operations and, with its partners, designs and implements HIV/AIDS prevention programs.

Progress during the quarter:

This MATEP Quarterly Report covers the period from January to March 2009. In Market Access, focus on developing new markets, on promoting agricultural value chains and on client services, i.e. buyer linkage and enterprise support. In market development, MATEP facilitated export to Angola of 10mt of Maheu from a female entrepreneur. In the value chains, MATEP held a white bean value chain meeting involving a number of partners to review progress toward release of new bean varieties and to plan out steps for further trials and for seed multiplication. In the groundnut value chain MATEP conducted market surveys for groundnuts in the quarter and engaged potential buyers in groundnuts from South Africa and Europe. MATEP also helped client companies with plant layouts for groundnut processing and recommendations on required machinery. MATEP further focused on preparing for trade shows in South Africa and the Copperbelt with a view to exposing Zambian producers to potential markets both regionally and international.

Work in the Trade and Enabling Policy Component was principally in the area of value chain research. The major activity during the quarter under review was cleaning data for the Third Supplemental Survey to the 1999/2000 Post Harvest Survey. Activities also continued in policy research for the cotton, horticulture, maize and fertilizer value chains.

MATEP Tourism began preparations for the scheduled closedown of the component with implementation of the final component activities. During this quarter, MATEP worked with other Cooperating Partners in making organizing a more cohesive approach to working in the tourism sector and started joint preparations for participating in the second Zambia International Travel Show. MATEP conducted the final series of HCAZ Customer Care Training sessions. In improving international marketing, MATEP provided support to BIMM Travel to participate in the Finnish Travel Fair – MATKA and the American Adventure Convention. MATEP concluded research projects that covered the Competitiveness of the Tourism Sector, Grading and Standards Review, Tourists Perception of Zambia, and started the research on the Zambian Domestic Market Research. MATEP also provided Internet Marketing Training o HCAZ and 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. The training provided current information on food safety, menu preparation and costing and pricing. MATEP also finalized preparations for Business Skills Training for TDCF recipients and for Mukuni handicraft sellers in Livingstone.

MATEP Investment Fund lending continued during the quarter with four small trade finance loans originated from the short-term investment fund. Total MATEP credit disbursements now stand at US$ 3,221,338 (at current exchange rates). This figure includes lending from MATEP directly and loans originated by MATEP and financed out of ZATAC resources.

In MATEP's HIV/AIDS component, implementation of Year Four of the project's Year 4 HIV/AIDS activities continued with the various implementing partners namely: Hotel and Catering Association of Zambia (HCAZ), Mazabuka District Business Association (MDBA), Zambia Export Growers Association (ZEGA), Ministry of Labour and Social Security (MLSS), Michigan State University (MSU) through the Food Security Research Project (FSRP) and the Central Statistical Office (CSO).

The MATEP project continued to meet or exceed its indicator targets in both its Performance Monitoring Plan (PMP) and Operating Plan (OP). Indicator values for mid-year FY09 along with the annual targets can be found in tables at the end of this report. The exception is with finance component targets for the MATEP Investment Fund is falling behind both in terms of loans issues and value of lending. In part, this is because MATEP is spending more effort leveraging loans from other institutions rather than relying solely on MATEP funds. In part, it is because MATEP has become more rigorous in screening and approving loan applicants. In part, it is due to conditions in the economy too.

Many Zambian exporters are struggling during the current global recession and credit crunch. International demand is clearly weaker than previously experienced by exporters. Export growth projections have been revised downwards by most companies and many export contracts have, in fact, been cancelled. Lower copper prices have particularly affected the DRC market, a key market for Zambian non-traditional exports. Lower copper prices have also affected domestic demand in Zambia too. As a result, companies have become much more reluctant to expand, to take on loan liabilities and to put up the collateral required for obtaining MATEP Investment Fund loans.

A possible silver lining to the recession is significant moderation in the value of Zambia's kwacha against the U.S. dollar (the kwacha value fell to K 5,580 per dollar compared to K3,565 per dollar in September 2008). This will help exporters with kwacha-based costs of production whose export sales are denominated in dollars. It will not help exporters selling to South African since the rand depreciated strongly as well. Unfortunately, it also will not help horticultural and floricultural exporters who sell principally into the U.K. These exporters earn revenue in U.K. pounds but have largely U.S. dollar production and have been hit hard by the dollar's appreciation against the pound. A number of growers, in fact, have ceased production in the last six months.

On the administrative side, Market Access Associate Heath Siandula was moved and is now situated at the ZATAC offices; this was to enhance coordination of the MATEP Fund, managed by ZATAC and also to pave the way for a smooth transition of the Fund at the close of the MATEP project in 2010. MATEP provided positions for four student interns during the quarter – two were placed with client firms and two worked in the MATEP offices. Hambulo Ngoma, one of the interns, will continue with MATEP when he finishes his degree in May.

This Quarterly Report is divided into eight sections. After the Introduction are five sections, one on each of MATEP's components: Market Access, Trade and Enabling Policy, Tourism, Finance and HIV/AIDS. Each section reviews progress achieved during the quarter based on activities listed in MATEP's Workplan. An Implementation Calendar for the upcoming period is presented for each component. In the final two sections, mid-year data for MATEP's Performance Monitoring Plan (PMP) indicators and Operational Plan (OP) indicators are presented. 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. Since the MATEP project ends in April 2010 – the middle of both the fiscal year and Zambia's agricultural season – MATEP will conduct its final survey in September 2009. The PMP presented in this report reflects this change.

MARKET ACCESS COMPONENT

During the quarter, market access activities centred on market developments, value chains and client services, i.e. buyer linkage and enterprise support. In market development, MATEP facilitated export to Angola of 10mt of Maheu from a female entrepreneur. In the value chains, MATEP held a white bean value chain meeting involving a number of partners to review progress toward release of new bean varieties and to plan out steps for further trials and for seed multiplication. In the groundnut value chain MATEP conducted market surveys for groundnuts in the quarter and engaged potential buyers in groundnuts from South Africa and Europe. MATEP also helped client companies with plant layouts for groundnut processing and recommendations on required machinery. MATEP further focused on preparing for trade shows in South Africa and the Copperbelt with a view to exposing Zambian producers to potential markets both regionally and international.

There is no doubt that the global recession and reduced prices for metals on the international market have had a negative effect on business in Zambia. Job lay-offs and scaled down or scrapped expansion plans by mines have meant less capacity for food consumption at related household levels but more importantly, less institutional demand for food items. Supply into the DRC has been particularly affected, but MATEP clients exporting into the region have indicated a more cautious approach from buyers.

MARKET DEVELOPMENT - REGIONAL TRADE

- **Angola:** MATEP stared working with a new client Glymo Enterprises, which is led by a female entrepreneur, Elly Mwale. Glymo Enterprises has been exporting small quantities of Maheu to Angola and is interested in scaling up her activities. 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 obtain an import order from Angola for 40mt of Maheu, with a sales value of US$ 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.

- **Trade Shows:** During the quarter, MATEP continued to work with clients to prepare for their participation in selected exhibitions and shows. The targeted shows are: the Copperbelt Agriculture, Mining and Commercial Show, the Africa Big 7 Exhibition and to a lesser extent, the Lusaka Agriculture and Commercial Show. MATEP is also exploring participation in Apimondia, an international trade show targeting the honey industry. The fair will be held in September, in France.

- **Democratic Republic of Congo:** During the quarter, MATEP responded to a request from a client to assess the viability and modality of establishing offices in Lubumbashi. MATEP broadened the Scope of Work to gather information of potential use to a wider set of clients. The work, initially planned for March will now be conducted in April

MARKET DEVELOPMENT - VALUE CHAINS

- **Dry bean value chain:** In January, MATEP held a one-day meeting with stakeholders to review Year 1 progress for the release of new white bean varieties and to discuss issues pertaining to year 2 activities. All invited stakeholders attended and the results for year 1 trials from the Seed Certification and Control Institute (SCCI) and the Zambia Agriculture Research Institute (ZARI) were very positive, particularly for OPSKW1 and Teebus varieties. Framer groups that had participated in year 1 trials also had very positive experiences with the two varieties. Results included: Higher yields; Shorter growing period; Shorter cooking time; Better taste and palatability; and Better disease resistance (OPS KW1).

As a result of this meeting, 1.5mt of white bean seed was distributed for year 2 results. Other decisions made during the meeting were: to pursue the implementation of the SADC protocol on seed; to look at organic production of varieties, particularly for Teebus RR1 which is resistant to rust; and to multiply seed after the official seed release by targeting 15ha of seed production under large scale commercial farmers and 10ha under small scale production.

During the quarter, MATEP also responded positively to a request from SCCI for conducting and monitoring of trials of the said varieties in year 2; further MATEP participated in an SCCI field day held in March, where we highlighted the need for research and seed certification to consider market demand when developing or introducing new varieties.

- **Groundnut value chain:** MATEP continued to work closely with various stakeholders in the groundnut value chain and during the quarter conducted marketing and market access surveys for clients and engaged buyers in South Africa and Europe. MATEP also worked with clients to leverage funding. Industry-wide support is detailed immediately below, whilst support to clients in the value chain is outlined further below in the Client Services section.

    Groundnut plant and machinery expert: MATEP engaged the services of a South Africa-based consultant with over 30 years experience in the industry to provide advice to MATEP clients on groundnut processing. He worked principally with Farm Foods Africa, Scrollex Investments and Speciality Foods. The consultant's advice centered on factory buildings, plant lay out, new machinery recommendations and operation of currently installed machinery. He continues to work with these companies, identifying suppliers of equipment, collecting and forwarding quotations. It is likely he will help with installation and personnel training at a later stage.

    Twin Trading Ltd: To help clients understand and navigate the challenges in exporting groundnuts and groundnut products to Europe, MATEP has been communicating with the procurement and standards advisor for Twin Trading Ltd., of the UK, Richard Kettlewell. In January, MATEP met with Mr. Kettlewell in Lilongwe where he was conducting an assignment with groundnut producers in Malawi. Mr. Kettlewell is responsible for identifying potential suppliers into Twin Trading and other groundnut buyers, and working with farmer organizations to improve their access into the European groundnut market. MATEP also met with Ms. Doreen Chanje an independent consultant who works with farmer groups and food processors to obtain Fair Trade certification and to introduce quality assurance systems within food value chains. The purpose of these meetings with the two consultants was to examine groundnut activities in Malawi and explore opportunities for the consultants' technical support in developing the Zambian groundnut value chain, including access into the European market. MATEP also visited a grading and sorting plant that had been commissioned in Lilongwe in November 2008.

    Regional Groundnut Value Chain Meeting: A major focus during the quarter was the preparations for a regional meeting on developing the groundnut value chain. The meeting scheduled for Chipata from the 3rd – 7th of May 2009 will look at improving regional competitiveness (Zambia, Malawi & Mozambique) and developing a 3 year strategy for access into the EU market for Zambia. The meeting is expected to host 50 participants, with 20 participants from the UK, South Africa, Malawi and Mozambique as well as from Zambia.

    Marketing and Quality Assurance Surveys: During the quarter, MATEP helped clients in the industry obtain a better understanding of the market access challenges particularly for those targeting the EU market. In addition to engaging Richard Kettlewell of Twin Trading, MATEP also engaged David Greef of Canon Garth, a large buyer based in the UK with previous experience of procurement from Southern Africa. MATEP also engaged Bernhilda Kalinda, a food scientist, to develop a quality assurance template that companies could use to improve and monitor the quality standards. This information will be circulated during the regional groundnut meeting. MATEP also engaged the services of James Phiri, a marketing specialist with over 10 years experience in the industry, who conducted a survey of the local market opportunities for groundnuts and peanut butter.

General Mills Concept Note: MATEP submitted a Concept Note to the General Mills Science & Technology Transfer Initiative. General Mills is one of the world's leading food companies and the initiative is intended to leverage talents and skills of the company's research and development and engineering staff as well as its world class facilities to offer knowledge, skills and expertise to organizations in Africa. The concept note submitted by MATEP focuses on technology for managing and testing aflatoxin in food and food processing technology in the groundnut value chain.

- **Horticulture: Processed specialty foods**: During the quarter MATEP made significant headway in the process of developing specialty foods destined for the US market. Our partners in this effort are Talier Trading of the US and three local companies: Freshpikt Ltd, Sylva Foods Ltd and Peco Ltd. MATEP coordinated efforts to develop seven food products, which were identified by the buyer during a previous trip, towards reaching a quality level for export to the U.S. As a result of activities during the quarter, Sylva Foods began preliminary development of peanut sauce, cassava and sweet potato soups and cassava muffins. The National Institute for Scientific and Industrial Research (NISIR) and the Zambia Bureau of Standards (ZABS) have been identified as the most appropriate institutions to help with the laboratory work for food analysis and formulation activities. The target is to complete product development including formulation, analysis and packaging within the next quarter and to have US FDA registration procedures for the foods concluded as well. MATEP has been working closely with the SAGC Hub in Botswana on this activity.

- **Wood and handcrafted products:** During the quarter, MATEP concluded planning for a South African handicrafts consultant who will work with the Mfuwe Community Craft market over the coming year. The objective is to help MCC develop the infrastructure, institutional framework and handicraft products for more effective sales to tourists visiting South Luangwa Park. The consultant is expected to arrive in Zambia in April to commence activities under this assignment.

CLIENT SERVICES: BUYER LINKAGES & ENTERPRISE SUPPORT

- **Farm Foods Africa Ltd**: During the quarter, MATEP facilitated a site assessment conducted by a team comprising: Ian Matten (groundnut plant & machinery expert); David Bwalya, (architect and building consultant); Michael Kruger (financial consultant) and Felix Mtonga (operations and communications consultant). The team's task was to view and evaluate various properties that had been short listed as possible sites for the shelling, grading and sorting plant and the peanut butter factory. The proposed plant will be one of the most advanced groundnut processing facility in the region, outside of South Africa with a capacity to shell, grade and sort 6,000mt of groundnuts annually. The team conducted field visits in the Eastern Province from 18 – 21 January and visited more than 9 sites in Chipata, Katete and Nyimba. A site in Chipata was selected. The team was also visited buying sites and helped FFA develop a system to manage its procurement logistics. MATEP also responded to a request from FFA for support in conducting an environmental project review, for their processing plant in Lusaka; requirements for certification and a list of consultants to prepare the project documents have been recommended by the Environmental Council of Zambia and communicated to FFA. MATEP also worked closely with FFA to develop a 3 year business plan and is working with FFA to leverage funding for their plant and operations.

- **Scrollex Investment Ltd**: Scrollex was one of the companies that benefited from Ian Matten's technical support services; he advised them 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. As with Farm Foods Africa above, Scrollex Investments is in need of an environmental project review, for their processing plant in Lusaka; requirements for certification and a list of consultants to prepare the project documents have also been communicated to Scrollex.

- **Zamseed:** In February, 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. Zamseed is also one of the companies that have requested support in determining the viability and modality of setting up an office in Lubumbashi.

- **Kafakumbe Ltd:** Kafakumbe has expansion programmes including: an aloe vera processing plant; a bee keeping out grower scheme; a fish farming programme and a continuation of the wood harvesting satellite programme that MATEP supported last year. MATEP is working 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.

- **EPFC Ltd:** MATEP worked closely with EPFC Ltd and provided TA for the development of a Concept Note and Business Plan, to access US$ 150,000 from a World Bank Innovation Fund, managed by Africare. The proposal has passed the first two stages of approval; EPFC Ltd have also applied to MATEP for a loan of US$ 150,000.00

- **Ubuchi Ltd:** MATEP is working with Ubuchi Ltd to improve their product; the company seeks to introduce a hermetic seal for their premium packaged product and is seeking to set up a new operational base with improved processing facilities. In March, MATEP assisted with the development of a concept note submitted to Africare; it is expected to be considered by their technical in April. MATEP will also work with Ubuchi to submit a proposal to Root Capital.

- **Santa Fe Folk Art Market:** 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 has again been invited to participate in the 2009 Folk Art Market. The Women's groups have consistently improved their performance in these markets, raising US$22,000 and US$27,000 in sales in 2007 and 2008 respectively. During the quarter, MATEP approved further assistance to Hipego for expanded and improved participation of these women's groups in the 2009 SFIFAM.

Market Access Component: Implementation Plan

Activity	Year 4: Apr. (1–4), May (1–4), Jun. (1–4), Jul. (1–4), Aug. (1–4), Sept. (1–4)	Year 5: Oct. (1–4), Nov. (1–4), Dec. (1–4), Jan. (1–4), Feb. (1–4), Mar. (1–4), Apr. (1–3)
Regional Trade		
South Africa		
Follow up on market access for various products		
Inward buyer mission for pulped fruit and dried vegetables		
Africa Big Seven Show - Johannesburg		
Namibia		
Follow up on market access for various products		
DRC		
Study office presence in Lubumbashi		
CEO's Mission to Lubumbashi		
Follow up on market access for various products		
Botswana		
Facilitating supply to Choppies		
Market strategy for pulses, enriched foods and peanut butter		
Angola		
Follow up on market access for various products		
Market Development for Value Chains		
Regional Groundnut Value Chain Development Meeting		
Bean commercial trials and follow up		
Copperbelt Agriculture & Commercial Show		
Honey Fair - Apimondia and honey irradiation follow up		
Fruit value chain - processed fruit market analysis		
Buyer Identification		
Identify buyers, build database, develop relationships		
Exporter Services		
Identify/address SPS/grades/standards in target markets		
International Food Safety Certifications		
Environmental Assessments		
Client environmental reviews	* Jun. wk 3	* Sept. wk 3; * Dec. wk 3; * Mar. wk 4

TRADE AND ENABLING POLICY COMPONENT

Work in the Trade and Enabling Policy Component was principally in the area of value chain research. The major activity during the quarter under review was cleaning data for the Third Supplemental Survey to the 1999/2000 Post Harvest Survey. Activities also continued in policy research for the cotton, horticulture, maize and fertilizer value chains.

Cotton

Consistent with the overall MATEP objectives and approach, the objective of the 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 to build on research and policy dialogue by engaging stakeholders in a broad-based consultation process that will lead to a sector development plan with buy-in from key stakeholders and then implementation of that plan.

During the quarter, the following was accomplished:

- Review by Prof David Tschirley of the regulatory framework for cash crops (cotton and tobacco) grown in Zambia in order to help stakeholders understand the impact these regulatory frameworks have on the sectors. The review will also help to understand the differences and similarities of these two regulatory frameworks. To get the background information on the tobacco sector, FSRP met with the Tobacco Association of Zambia and Tobacco Board of Zambia. The information is being prepared by these two organizations.
- Stephen Kabwe presented a on the "Effective Public-Private Coordination in Zambia's Cotton Sector" and "Deliberations on the Cotton Act" at an ACF/FSRP organized outreach for the members of the Committee on Agriculture and Lands. The presentation showed the successful and unsuccessful periods of the cotton sector after liberalization. The presentation highlighted reasons for the successful and unsuccessful periods respectively. The presentation was aimed at highlighting the importance of the cotton sector so that amendments to the 2005 Cotton Act could be done expeditiously once they is taken to parliament by the Minister of Agriculture in June 2009.
- Stephen 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. The presentation also covered proposals of incorporating the ginning companies in distributing FSP fertilizers to cotton farmers. The main issues discussed among were the establishment of a Cotton Board to help regulate the industry and the inclusion of ginning companies in the distribution of FSP inputs. Hon. Kapita was pleased with this proposal and was willing to push it forward and he asked the team to write a proposal and submit it to State House. With the help of FSRP, CAZ and the ginners wrote the proposal and submitted it to the Ministry of Agriculture and State House for consideration.
- 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 present highlight about how the system works be made and presented to the ginning companies to create demand for the product.
- Had a meeting with CDT officers who are writing a Cotton News in Zambia for 2009. Basically, they came to ask if they can reproduce some policy briefs in the Cotton News Report 2008 which the Project has produced. For a start they want to include in their booklet three policy briefs: "An Urgent need for Effective Public-Private Coordination in Zambia," " Deliberation on the Cotton Act" and a policy brief on "Quality" and "Price" from a comparatively study.
- Stephen Kabwe conducted briefings for and provided logistical assistance to a team from the Commercial Standardization of Instrument Testing of Cotton Project which visited Zambia to inpect laboratories that are used to test the characteristics of cotton lint. They also visited Dunavant, Cargill and National Institute for Industrial Research (NISIR).

Horticulture

Given the relative lack of information on Zambia's horticultural system, our strategy emphasizes applied analysis leading to a National Stakeholders' Workshop, formation of a Horticultural Supply Chain Task Force and implementation of action plans developed by stakeholders.

During the quarter, the following was accomplished:

- 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 a paper for publication in a CABI Science monograph.
- *Wholesale market monitoring:* Continued work in horticultural wholesale market monitoring and development of quality standards. During this activity, horticultural conversion factors were developed for use in the analysis of Urban Consumption Survey and Third Supplemental Survey data.
- *Tomato value chain:* Work was completed on characterization of the tomato production and marketing system serving Lusaka, comparative analysis of Soweto price behavior and assessment of price variability on the level and variability of farmer returns. This work was conducted as Mukwiti's M.S. thesis.
- *Mobile phone based horticultural price and supply information system*: Consultations continued with ZNFU and between ZNFU and PROFIT on the implementation of the mobile phone based horticultural price and supply information system. ZNFU is revising the proposal for funding from PROFIT.
- *Horticultural price dynamics and trade flows:* This work has continued and is focusing on main sources (districts) and volume flows, price variations, season effects, quality and broker effects, linkages to retail systems in terms of sources of produce and price linkages (differentials) among others for rape, onion and tomato. A working paper entitled **"The Structure and Behavior of Vegetable Markets Serving Lusaka"** is being developed and will be ready in Q3 of 2009.

Maize

To address technology development and dissemination, public/private investment in input markets and high marketing costs that reduce farm level profitability and effective demand, our strategy emphasizes better informing on resource allocation decisions, redefining the role of government and international trade.

During the quarter, the following was accomplished:

- FSRP 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 providing guidance on how to deal with the crisis. In the month of January, 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 arrange 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.

- FSRP started discussions for the sector to look into the future, urging the industry and government to look at future implications of the current maize fiasco. For example, how will FRA sales of subsidized stocks affect the market of early maize crop that was soon to come on the market; how will FRA deal with the issue of strategic reserves given their limited current stocks; what will be the size of the main maize crop coming in April-May; how much is FRA likely to buy (depends on the size of the budget allocation); will 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" continues 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.

- Chapoto and Jayne completed a draft working paper on, "Effects of Maize Marketing and Trade Policy on Price Unpredictability in Zambia" which will soon be circulated for comments.

- FSRP continued to monitor the maize grain and mealie meal prices in Zambia through interaction with stakeholders. Work continued on a policy synthesis analyzing the impacts of government response in dealing with the rising maize prices in Zambia.

- FSRP provided technical support to the MACO Early warning unit to prepare for the Crop Forecast survey. In addition, FSRP will assist the ministry to do data cleaning and timely dissemination of the crop estimates

- 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" – parts of this regional report have received media attention in Malawi, see: http://www.alertnet.org/thenews/newsdesk/IRIN/c58f6508f060f2726f83e2826db88147.htm

- A short updated policy synthesis on the current maize market situation in Zambia was prepared from this larger regional report. 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.

- MSU has worked on a maize model to estimate projected maize price levels this coming season in Zambia in light of the most recent CFS production forecasts and estimates of national maize demand. These price projections will be shared with the Ministry of Agriculture 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. In addition, we are planning to undertake focus group discussions and interviews of maize traders in June/July to better understand farmers' options for selling maize, the degree of competition among first buyers in remote rural areas, and their reasons for preferring to sell to alternative types of buyers. FSRP/MATEP has worked in March on the methods and survey design aspects of this study.

Fertilizer

This subcomponent deals with the issue of subsidy distribution by the state vs. development of a sustainable private sector distribution system within the context of the Agricultural Input Marketing Plan (AIMDP). Our pace of work has been slowed in the past 3 months due to the implementation of the 2008 Supplemental Survey.

During the quarter, the following was accomplished:

- FSRP/MATEP continued to work closely with ACF and MACO leadership to plan and implement a Zambia fertilizer reform study program. With the assistance of knowledgeable contacts in Kenya, Tanzania and Malawi a study tour programme was developed. From Jan 12-21, eleven Zambian participants and one FSRP/MATEP supported researcher traveled to these three countries to conduct the study tour. Resource materials on fertilizer reform programs for each country and for Zambia were collected and made available to the study team in order to facilitate learning. These materials were placed on a web site to maximize access. Resource Materials - Zambia Agricultural Fertilizer Programme Study Tour: Gaining Insights From On-Going Reforms in Malawi, Kenya and Tanzania. By ACF/FSRP

- FSRP/MATEP researchers also continued work with ACF to use existing CSO/MACO/FSRP rural household data to inform question 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 is 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 on campus are distilling major conclusions and lessons learned on improving the profitability of fertilizer use by smallholder farmers in Zambia. The main conclusions are 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.
- FSRP researchers worked with ACF and the fertilizer support programme study team in a 4 day writing workshop to develop a first draft of the ACF/FSP Study Team report.
- ACF/FSRP presented results from the FSP Reform Study Tour Report to Donor partners
- ACF/FSRP and Fertilizer Study Team members presented results from the FSP Reform Study Tour Report to Zambia Stakeholders on Feb 19 at ACF offices.
- ACF/FSRP presented cotton, fertilizer reform 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.
- 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 Feburary, 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.
        - Categorisation 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 Fertiliser 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 Fertiliser 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 Mutelekesha, Antony Chapoto, Margaret Beaver and Michael Weber
- FSRP/MATEP has 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.

Value Chain Research Implementation Plan

Activity	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sept.	Year 5 Q1	Year 5 Q2
	1 2 3 4	1 2 3 4	1 2 3 4	1 2 3 4	1 2 3 4	1 2 3 4	1 2 3 4	1 2 3 4	1 2 3 4		
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											
Assessment of regulatory structures for other cash crops											
Outreach with new Cotton Board (provisional on seating of Board)											
Stakeholder consultation/supply chain development implementation											
Horticulture											
Analysis and Report: Wholesale-retail linkages in fresh produce mkts											
Analysis and Report: Urban consumption patterns											
Analysis and Report: Trends in horticultural production & marketing											
Task Force formation and meetings											
Outreach activities for key policy findings											
Tomato value chain analysis											
Reports											
Outreach											
Market Information collection and dissemination											
Handover to ZNFU and training											
Selection of new markets											
Launching of new markets											
Supervision											
Continued data entry to maintain growing data base											

TOURISM COMPONENT

MATEP Tourism began preparations for the scheduled closedown of the component with implementation of the final component activities. During this quarter, MATEP worked with other Cooperating Partners in making organizing a more cohesive approach to working in the tourism sector and started joint preparations for participating in the second Zambia International Travel Show. MATEP conducted the final series of HCAZ Customer Care Training sessions. In improving international marketing, MATEP provided support to BIMM Travel to participate in the Finnish Travel Fair – MATKA and the American Adventure Convention. MATEP concluded research projects that covered the Competitiveness of the Tourism Sector, Grading and Standards Review, Tourists Perception of Zambia, and started the research on the Zambian Domestic Market Research. MATEP also provided Internet Marketing Training o HCAZ and 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. The training provided current information on food safety, menu preparation and costing and pricing. MATEP also finalized preparations for Business Skills Training for TDCF recipients and for Mukuni handicraft sellers in Livingstone.

IMPROVE INTERNATIONAL MARKETING

- **Zambia International Travel Show:** MATEP, working with CPs involved in tourism, will take part in the AFRICAST managed Zambia International Travel Show (ZITS) to be held at the Mulungushi International Conference Centre from 28 – 30 April 2009. This will be the second edition and exhibitors will be drawn from the local, regional, and international markets.
- **BIMM Travel – MATKA Travel Show and Adventure Convention:** MATEP provided 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.

CLIENT SERVICES

- **Request for Assistance: Kum'Mawa Lodge – Chipata:** MATEP assisted Kum'Mawa Lodge prepare an application for term finance to enable them complete civil works and procure soft and hard furnishing for the lodge under construction in Chipata.
- **Request for 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. The application is still in development.
- **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.

RESEARCH AND POLICY CHANGE

- **Competitiveness of the Tourism Sector:** MATEP assisted TCZ in conducting a competitiveness study in order to compare the competitiveness of 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. The information derived from a regional questionnaire suggests that a Zambian tourism enterprise is, on average, 60% to 100% more expensive to operate than one in our regional competitor countries. This percentage increases if senior staff costs are included. Zambia's tourism sector regulatory and operating environment is also uncompetitive, 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.

- **Grading and Standards:** MATEP provided technical assistance to MTENR in reviewing the Grading and Standards Report submitted by Grant Thornton Associates. MATEP engaged a tourism and hospitality consultant, James McGregor to undertake the review. The Final Grading and Standards Report was received and was forwarded to MTENR.
- **Follow up Research on Tourist Perceptions:** The Follow up research on tourist perceptions was finalized and submitted to MATEP and a copy submitted to ZTB for their comments and approval. A recurring theme was positive perceptions, with respondents citing the hospitability and good *"naturedness"* of the Zambian people. On the negative side, hardly any tourist was happy with the general conduct of unlicensed vendors, especially at Livingstone's Maramba market. The vendors are known to be *hyper-aggressive and nagging* in marketing and selling their products. At the exit point, 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.
- **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 research is underway with preparatory work complete and field interviews underway.

FORGE COLLABORATIVE ALLIANCES

- **Meeting with LTA – Tourism Development Advisor:** MATEP met with the Livingstone Tourism Association Tourism Development Advisor to work out 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 the request. This meeting gave rise to the Mukuni Park Curio Sellers Association Business Skills Training activity and the CPs devising a programme for assisting LTA develop its strategic plan.
- **Cooperating Partners Meetings:** MATEP attended a series of meetings of the tourism sector Cooperating Partners (CP) to learn what other donors are doing in the sector and to map a joint strategy on support. The CP also resolved to take space at the AFRICAST – Zambia International Travel Show (ZITS) in April 2009 and assist AFRICAST host a discussion with key stakeholders which would be moderated by a prominent broadcaster. An objective is to encourage debate on the inertia in implementing the sector and with various tourism sector legislation.

IMPROVE TOURISM SKILLS

- **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.
- **HCAZ Customer Care Training:** Two sessions of Customer Care Training for HCAZ were conducted. The initial session ran from 28 January to 6 February 2009 and was held with the same group that received internet marketing training. The second starting on 25 March and running up to 4 April 2009. Training locations were as follows:

- **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.
- **Solwezi:** 16 – 18 March 2009 – at Changa Changa Motel with 30 participants attending.
- **Chipata:** 26 – 28 March 2009 at Luangwa House with a total of 12 participants attending.
- **Mansa:** 30 March – 1 April 2009 at Murundu Guest House with a total of 33 participants attending.
- **Kasama:** scheduled for 1 – 4 April at Sinamu Lodge with a total of 29 participants attending.

The participants expressed happiness in the training sessions and were particularly happy with the one on one training sessions as they addressed their particular situations. 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 by the consultants for participants. It is hoped that these systems will greatly enhance the small establishments' operations.

- **Business Training for TDCF Recipients:** The consultant for the Tourism Development Credit Fund (TDCF) Business Skills Training, Mr. Nathan De Assis, was engaged and final preparations for the training worked out with MTENR. However, due to the slow pace of putting logistical arrangements in place by MTENR the scheduling of the training was pushed forward to April 2009.
- **Business Training for Mukuni Curio Sellers Association Members:** MATEP received a request from the Mukuni Curio Sellers Association to provide business skills training along the same line with the TDCF Recipients Business Training. Mr. Nathan De Assis has been engaged to undertake the assignment. As in the TDCF Recipients training, this training will be undertaken in April 2009.
- **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, and Lusaka Hotel

ADMINISTRATIVE

- **Monitoring & Evaluation STTA:** In preparation for the component closedown, MATEP started making preparations for the final monitoring and evaluation and final report writing.

Tourism Component: Implementation Plan

Activity	Year 4						Year 5						
	Apr.	May	Jun.	Jul.	Aug.	Sept.	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 4	1 2 3 4	1 2 3 4	1 2 3 4	1 2 3 4	1 2 3 4	1 2 3 4	1 2 3
Forge Collaborative Alliances													
CPs Meetings	*												
Client Services													
Support to Associations													
Support to Enterprises													
Research and Policy Change													
Domestic Market Research													
Improve Tourism Skills													
HCAZ Training STTA													
Business Training - Mukuni Curio Sellers Association													
Business Training - TCDF													

FINANCE COMPONENT

This section of the report outlines progress in implementation of the MATEP Investment Fund through the Zambia Agricultural Technical Assistance Centre (ZATAC). Total MATEP credit disbursements now stand at US$ 3,221,338 (at current exchange rates). This figure includes lending from MATEP directly and loans originated by MATEP and financed out of ZATAC resources.

Performance in the Finance Component vis-à-vis targets for the MATEP Investment Fund is falling behind both in terms of loans issues and value of lending. In part, this is because MATEP is spending more effort leveraging loans from other institutions rather than relying solely on MATEP funds. In part, it is because MATEP has become more rigorous in screening and approving loan applicants. In part, it is due to conditions in the economy too.

Many Zambian exporters are struggling during the current global recession and credit crunch. International demand is clearly weaker than previously experienced by exporters. Export growth projections have been revised downwards by most companies and many export contracts have, in fact, been cancelled. Lower copper prices have particularly affected the DRC market, a key market for Zambian non-traditional exports. Lower copper prices have also affected domestic demand in Zambia too. As a result, companies have become much more reluctant to expand, to take on loan liabilities and to put up the collateral required for obtaining MATEP Investment Fund loans.

- **Short-term credit** to export-oriented agribusinesses and tourism enterprises:
    - Four new short-term trade finance loans were issued during the quarter.
    - Total short-term disbursements stand at US$ 2,290,512.
    - Total disbursements made under the MATEP/ZIF Short-Term Credit Facility stand at US$1,616,490.
    - Total disbursements made under ZATAC Ltd loans initiated by MATEP stand at US$674,022.

- **Medium-term credit** for export and tourism enterprises:
    - Total disbursements made under the MATEP/MIF stand at US$ 930,826.
    - A final installment disbursement of US$2,157 was made to Mukwa Creations.

- **Remediation**
    - Legal recovery procedures commenced on Global Export Bureau (GEB) by the ZATAC lawyers have produced results with GEB surrendering titles to the security for liquidation of the outstanding amount of the facility.
    - Rijay Farm has surrendered their original title deed to the farm and the original white book for the Canter vehicle that where put up as security for the facility they obtained. This was after failing to fully pay for the facility
    - Two companies have expressed interest in purchasing the repossessed Cheetah equipment has previously attracted no buyers. ZATAC with the help of MATEP hired a consultant to conduct a valuation of the equipment to facilitate its sale.
    - ZATAC and MATEP had a joint meetings with a number of clients to discuss and pursue late repayments:
        - With Freshpikt, it was resolved that ZATAC would assume a subordinate claim on Freshpikt land and facilities; Zambia State Insurance have the primary claim, though the collateral value is substantially in excess of the two claims. The matter has been put to the lawyers to draw up the terms of the agreement.

  - Nangaunozye Fashions reaffirmed that they will be making payment by the end of April 2009. They explained that they could not make payments due to the fact that they were robbed in the beginning of 2009.
  - ZEOCo revealed that they had encountered operational problems and short comings with their target markets, however committed themselves to making payment of US$50,000 each in April, June and August. They have since prepared post dated cheques to that effect.
  - With ChoiceNuts, it was proposed the Freshpikt take over the operations and liabilities of ChoiceNuts. This was in the view of putting operations in the charge of a company with a more reliable asset base and management team.
  - Mpongwe Bulima could not make their proposed repayment dates due to a slump in operations and have assured ZATAC that they will be making payment by June 2009 after their member farmers have harvested and sold their produce.
  - Ubuchi has consigned to ZATAC tall future collections due to them. This remains to arrange with the Ubuchi clients themselves.
  - Kamano committed themselves to making payments as collections are realized.
- Clients were called and reminded of their dues.
- Debit Notes were sent out to clients.

- **Leveraging resources**

  MATEP has been working with several institutions attempting to access funds from those institutions for MATEP clients. These institutions include:
  - **Root Capital:** 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. MATEP is linking clients in the Sustainable Forestry, Honey Harvesting, Commodity and Poultry industries to this support.
  - **MIIF:** The Market Improvement and Innovation Facility is a World Bank financed fund implemented by Africare in Zambia. The facility provides matching grants aimed at improving marketing with innovative approaches that benefit various value chains where small holders participate. After a year-long period of operations but no disbursements, MATEP has been working with MIIF to restructure their terms to better reflect conditions of Zambian SME finance and to help companies apply for MIIF funding. MATEP is also assisting companies structure applications that combine requests for MIIF grant funding with applications for MATEP loan financing (or loan financing from another source). To date, MATEP has assisted seven clients prepare such applications: Eastern Province Farmers Cooperatives Ltd, Farm Foods Africa, Kafkumbe Training Centre, Lake Best Fisheries, Shorthorn Farmers Cooperative, Ubuchi ltd, PECO Ltd, Freshpikt Ltd and Sylva Foods Ltd.
  - The Citizens Economic Empowerment Commission (CEEC) was established by Act No. 9 of 2006, of the Laws of Zambia. Its purpose is to: promote the economic empowerment of targeted citizens, citizen empowered companies, citizen influenced companies and citizen owned companies in accessing, owning, managing, controlling and exploiting economic resources. As one of its empowerment tools, the CEEC manages a Citizen's Economic Empowerment Fund through which it is able to provide commercial loans to companies, businesses or individuals that meet certain criteria. MATEP has assisted Farms Food Africa and Tasheni Farms prepare such applications to CEEC.
  - EVD is an agency of the Ministry of Economic Affairs of the Netherlands. It supports initiatives in international business through various products and services including: loans, grants, business linkage services, business investment services and market linkages. MATEP has assisted EPFC and FFA prepare applications to EVD.

Finance Component: Implementation Plan

Activity	Year 4																								Year 5																										
	Apr.				May				Jun.				Jul.				Aug.				Sept.				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	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3
Short-term lending																																																			
Continue export loan operations	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Quarterly review of ZIF operations				x														x												x																					
Annual ZIF audit																x																																			
MATEP ST Loan Fund Disposition																					—	—	—	—																											
Medium-term lending																																																			
Continue loan operations under MTF	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Quarterly review of MIF operations				x														x												x																					
Annual MIF audit																x												x																							
Medium-term Fund Disposition																					—	—	—	—																											
Leveraging via financial intermediation																																																			
Continue intermediation and leveraging	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—

HIV/AIDS COMPONENT

In Zambia, HIV prevalence has decreased slightly from 15.6% to 14.3% this is according to the 2007 Zambia Demographic Health Survey (ZDHS) report. However, none of these decreases are statistically significant and the prevalence rate of HIV/AIDS still remains a major threat to Zambia's continued new export growth. MATEP, through funds obligated from the President's Emergency Program for AIDS Relief (PEPFAR), is conducting community outreach HIV/AIDS prevention programs that promote abstinence and/or being faithful with its export and tourism clients.

In the quarter under review, MATEP continued with the implementation of Year Four of the project's HIV/AIDS activities with the various implementing partners namely: Hotel and Catering Association of Zambia (HCAZ), Mazabuka District Business Association (MDBA), Zambia Export Growers Association (ZEGA), Ministry of Labour and Social Security (MLSS), Michigan State University (MSU) through the Food Security Research Project (FSRP) and the Central Statistical Office (CSO).

MDBA HIV/AIDS Activities

- **MDBA HIV/AIDS awareness program:** During the quarter just ended MATEP focused on HIV/AIDS awareness and prevention trainings for MDBA groups and also commenced a lower level of training of intermediaries for delivering HIV/AIDS prevention messages among individual entrepreneurs of MDBA. The number of individuals trained as Awareness Educators totaled 468. These AEs will roll out and deliver HIV/AIDS prevention messages to an average of 50 members of their respective groups. Training of the lower level message intermediaries in the same period totaled 1080 individuals, trained in groups of 30 individuals per session for approximately two hours per session. A total of 36 sessions were conducted during the quarter. Each intermediary is expected to deliver HIV/AIDS prevention messages to at least 5 other individuals in their workplace or community. This program has been developed to cater for the Mazabuka DBA SMEs which has a membership exceeding 6,000 individuals, along with their families and surrounding communities. To date a total of 5,400 individuals have received HIV/AIDS prevention messages.
- **Translation of HIV/AIDS brochures into Tonga:** MATEP in the quarter under review, begun translations into Tonga of the English HIV/AIDS awareness and prevention brochures selected for use to implement the HIV/AIDS program. 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 and also the high demand for HIV/AIDS materials in the local language.

HCAZ HIV/AIDS Activities:

- **HCAZ Workplace Policy Development:** During the quarter under review, MATEP finalized preparations for the HCAZ workshop on HIV/AIDS workplace policy development and conducted the workshop on Wednesday 18th February, 2009. The workshop was led by MATEP's HIV/AIDS advisor Dr Paolo Craviolatti MATEP's consultant. A total of 22 HCAZ executive members from Lusaka, Central, Eastern, Southern, Copperbelt and North Western provinces of Zambia participated in the workshop. A draft HIV/AIDS workplace policy for the industry was developed and will be finalized by May 2009.
- **HCAZ rollout program:** During the last quarter, MATEP commenced preparations for Phase III of the HIV/AIDS prevention and awareness training programs with HCAZ members. A list was drawn indicating establishments and contacts of HCAZ members interested in participating in Phase III of the program and MATEP then used this list to identify and contact the establishments to designate individuals/employees that will undertake the training in HIV/AIDS awareness and prevention.

ZEGA HIV/AIDS Activities

- **ZEGA/NZTT HIV/AIDS program:** MATEP initiated discussions with PEPFAR implementers that offer other HIV/AIDS services to ensure continuity of HIV/AIDS activities in ZEGA member farms. Two of these PEPFAR implementers included: Zambia Health Education and Communication Trust (ZHECT) and the Society for Family Health (SFH). MATEP intends to link the ZEGA member farms that have received MATEP awareness and prevention training to the services of these other implementers.

  MATEP also conducted World AIDS Day activities on two ZEGA farms in December 2008. A total of 701 individuals received HIV/AIDS prevention messages during the events.

MLSS HIV/AIDS Activities:

- **MLSS message roll-out program:** MATEP followed-up with the MLSS on delivery of HIV/AIDS awareness and prevention messages by MLSS labour inspectors in the course of their inspections of business enterprises in Zambia. The MLSS has further proposed a half day's refresher training in HIV/AIDS awareness and prevention.
- **Workplace Policy Checklist:** MATEP followed-up with the MLSS HIV/AIDS contact person on the use of the HIV/AIDS policy checklist by their labour inspectors. Discussions were also initiated on the possibility of revising the checklist to incorporate current HIV/AIDS information.

Central Statistics Office Activities:

- **Labour force Survey-FSRP/Central Statistical Office (CSO):** During the quarter under review, MATEP followed-up with CSO to finalize the number of households reached with HIV/AIDS prevention and awareness messages by enumerators that conducted field data collection for the countrywide labour force survey. The survey targeted 30,000 households in all the 9 provinces of Zambia. MATEP had previously trained 15 CSO master trainers on HIV/AIDS prevention and awareness at a training workshop in Lusaka and 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. MATEP also continued to discuss further collaboration with CSO regarding the incorporation of the HIV/AIDS component into the various upcoming CSO national workshops and surveys.
- **MSU/FSR Marketer's survey**: MATEP followed up with the two FSRP enumerators who are conducting the marketer's survey in Lusaka based markets. 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.

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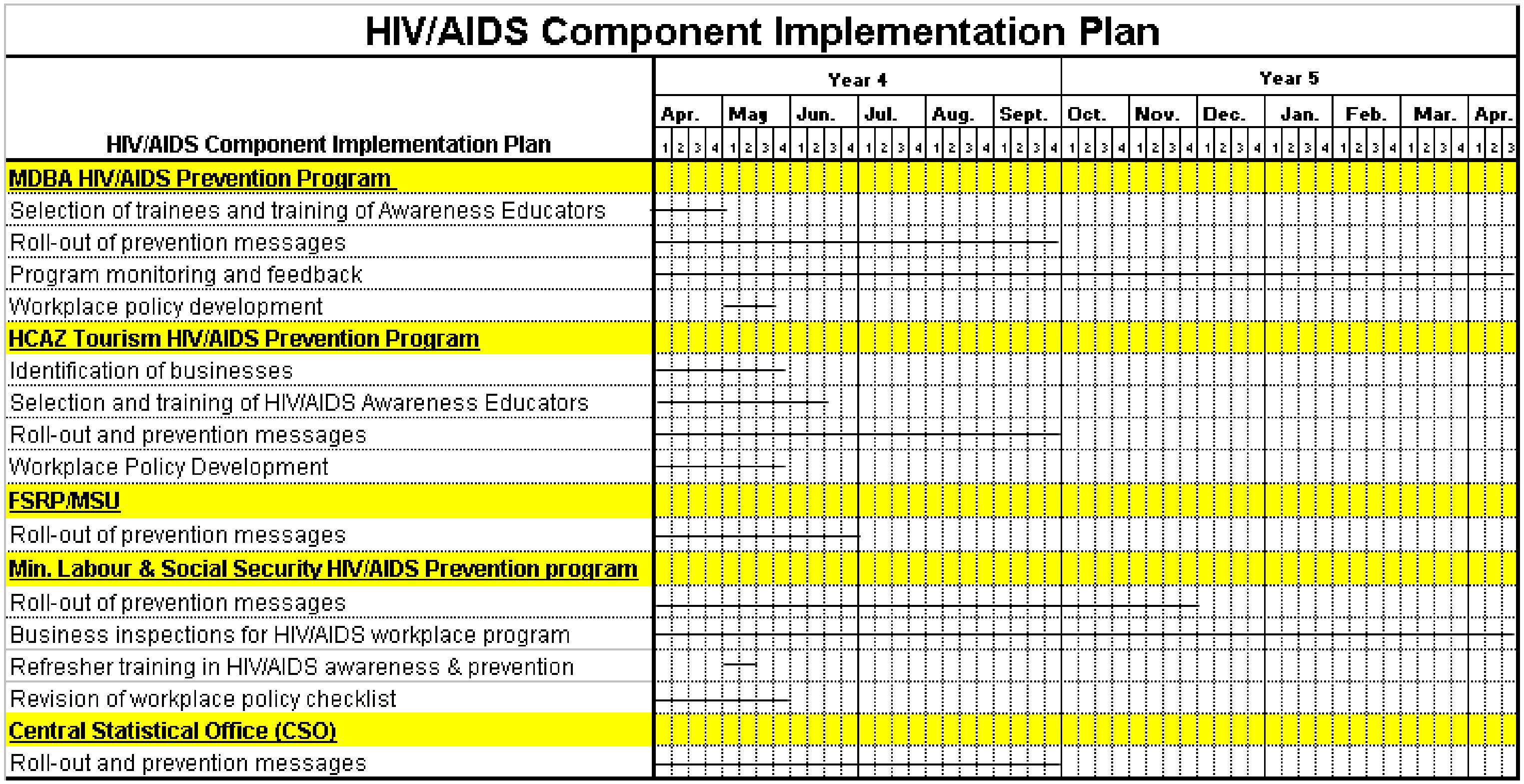

HIV/AIDS Component Implementation Plan
Year 4
Year 5
Apr. May Jun. Jul. Aug. Sept. Oct. Nov. Dec. Jan. Feb. Mar. Apr.
1 2 3 4
HIV/AIDS Component Implementation Plan
MDBA HIV/AIDS Prevention Program
Selection of trainees and training of Awareness Educators
Roll-out of prevention messages
Program monitoring and feedback
Workplace policy development
HCAZ Tourism HIV/AIDS Prevention Program
Identification of businesses
Selection and training of HIV/AIDS Awareness Educators
Roll-out and prevention messages
Workplace Policy Development
FSRP/MSU
Roll-out of prevention messages
Min. Labour & Social Security HIV/AIDS Prevention program
Roll-out of prevention messages
Business inspections for HIV/AIDS workplace program
Refresher training in HIV/AIDS awareness & prevention
Revision of workplace policy checklist
Central Statistical Office (CSO)
Roll-out and prevention messages

MATEP "PMP" INDICATORS – MID YEAR FY09

	INDICATOR		FY06	FY07	FY08	FY09	Original FY09 target
			TARGET and ACTUAL				
	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	357	
	1.1 Value of ANR-based exports, $M	Target	275	305	348	420	370.0
		Actual	323	402	405	257	
	1.2 Value of estimated tourism receipts, $M	Target	150	160	170	200	180.0
		Actual	171	180	191	100	
2	Value of export/tourism transactions reported by assisted firms, $M (revised target)	Target	20	52	90	100	77.5
		Actual	40	58	94	51	
	3.1 Value of export transactions reported by assisted firms, $M	Target	19	50	60	75	75.0
		Actual	39	55	71	37	
	3.2 Value of tourism transactions reported by assisted firms, $M (revised target)	Target	1	2	30	25	2.5
		Actual	1	3	23	14	
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	32,738	
	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	2,366	
	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	30,372	
4	Value and volume of exports of targeted commodities reported by assisted firms						
	4.1 Paprika/Chili	Value, $'000	485	1,050	635	573	
		Volume, tons	450	932	460	184	
	4.2 Horticulture	Value, $'000	20,105	36,446	39,812	15,896	
		Volume, tons	4,292	5,644	8,944	2,629	
	4.3 Coffee	Value, $'000	12,900	8,300	8,749	2,923	
		Volume, tons	6,000	3,483	3,324	1,110	
	4.4 Honey	Value, $'000	510	520	273	136	
		Volume, tons	300	271	174	47	
	4.5 Seed	Value, $'000	1,524	4,572	15,348	5,099	
		Volume, tons	1,459	4,858	15,929	5,115	
	4.6 Livestock products	Value, $'000	2,422	1,979	2,963	727	
		Volume, tons	1,086	2,121	3,680	638	
	4.7 Cotton/textiles	Value, $'000	25	145	222	164	
		Volume, tons	1	12	17	6	
	4.9 Groundnuts/Beans	Value, $'000	-	1,023	579	23	
		Volume, tons	-	1,300	663	90	

	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	75	
		Volume, tons	250	656	365	34	
	5.2 Horticulture	Value, $'000	5,680	2,591	4,978	3,172	
		Volume, tons	1,187	612	1,571	311	
	5.3 Coffee	Value, $'000	4,515	2,656	2,088	-	
		Volume, tons	2,100	1,115	793	-	
	5.4 Honey	Value, $'000	-	-	5	12	
		Volume, tons	-	-	1	4	
	5.5 Seed	Value, $'000	1,524	4,572	15,210	5,099	
		Volume, tons	1,459	4,858	15,818	5,115	
	5.6 Livestock products	Value, $'000	1,644	383	961	163	
		Volume, tons	993	229	1,034	80	
	5.7 Cotton/textiles	Value, $'000	23	136	198	172	
		Volume, tons	1	11	17	6	
	5.9 Groundnuts/Beans	Value, $'000	-	1,023	796	35	
		Volume, tons	-	1,300	938	104	
6	Value and volume of purchases from smallholders of targeted commodities reported by assisted firms						
	6.1 Paprika/Chili	Value, $'000	176	125	34	11	
		Volume, tons	114	85	31	11	
	6.2 Horticulture	Value, $'000	166	318	565	482	
		Volume, tons	546	164	333	328	
	6.3 Coffee	Value, $'000	16	15	14	-	
		Volume, tons	8	6	5	-	
	6.4 Honey	Value, $'000	200	113	379	269	
		Volume, tons	400	210	331	259	
	6.5 Seed	Value, $'000	450	836	409	478	
		Volume, tons	1,564	2,590	622	123,788	
	6.6 Livestock products	Value, $'000	428	1,181	1,614	565	
		Volume, tons	965	3,335	1,552	660	
	6.7 Cotton/textiles	Value, $'000	-	-	-	3	
		Volume, tons	-	-	-	-	
	6.8 Groundnuts/Beans	Value, $'000	-	340	1,000	74	
		Volume, tons	-	1,300	1,859	128	

	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	38	
		Female	Target	5	8	15	15	20
			Actual	3	5	10	11	
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%	79%	
		Female	Actual	50%	90%	87%	83%	
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	3,114	
		Female	Target	300	600	900	800	1,100
			Actual	211	486	557	595	
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%	70%	
		Female	Actual	90%	96%	93%	85%	
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	77	
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	36,501	
		Female	Actual	16,210	7,539	8,306	19,539	
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	1,548	
		Female	Actual	62	138	152	1,003	
Training-related indicators								
15	Number of people completing training seminars (in export skills, policy reform, tourism, etc.) (revised target)	Total	Target	50	400	400	400	400
			Actual	232	529	455	596	
		Female	Target	20	160	160	160	160
			Actual	121	203	191	361	

MATEP "OP" INDICATORS – FY08

Mid-Year - FY 2009

INDICATORS	TARGET AND ACTUAL				
		FY06	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	5
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	12
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	1
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	77
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	1
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	0
2.5. Numbers of participants in USG supported trade and investment capacity building trainings.	Target	-	50	50	50
	Actual	55	96	230	125
	M/F		M:66/F:30	M:124/F:106	M:59/F:66
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	4
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
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/decree 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	19
	M/F		M:25/F:35	M:29/F:33	M:17/F:2

Mid-Year - FY 2009					
INDICATORS	TARGET AND ACTUAL				
		FY06	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/decree 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	19
	M/F		M:25/F:35	M:29/F:33	M:17/F:2
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	13
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%	37%*
5.9. Percent change in value of purchases from smallholders of targeted commodities	Target	-	15%	15%	15%
	Actual	0	83%	23%	39%*
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	6
6.4. Number of SME's receiving USG assistance to access bank loans or private equity	Target	-	6	6	6
	Actual	2	6	11	11
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	1

* For mid-year reporting, data show percent of last year's figure achieved so far this year. End of year reporting will show percentage change from the previous year

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

ZAMBIA SEED COMPANY LIMITED

(Vegetables and cash crop products)

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 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, Zambia Seed Company 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:**

Zambia Seed Company Limited is an agricultural and horticultural seed producing and marketing company that was established in 1981 as a parastatal, though was privatized in 1991. The company is run by a management team that is answerable to a Board of Directors. The company is limited by shares and the employees are allowed to buy shares in the company. Zamseed is one of the leading seed companies in Zambia and in the southern African region with quarterly sells averaging about 2,500 metric tons.

1.3 Description of Activities

As mentioned earlier, Zamseed is in the business of producing and marketing of agricultural and horticultural seed. The company obtains the bulk of its raw materials from thirty (30) contracted seed multipliers that are supervised and monitored regularly while the rest is multiplied on a company farm that is located some ten miles north of Lusaka city centre along the Great North road. The seed produced is tried and tested before distribution or marketing. The testing is quit rigorous. The products dealt with include; all vegetables indigenous to Zambia like cabbage, rape, okra, Chinese cabbage and other more exotic vegetables like spinach, cauliflower, etc. Seeds are also produced for cash crop production: sunflower, soya beans, maize, sorghum, millet, wheat, etc. Vegetable seed is generally packaged in vacuum packed sachets or tin cans while cash crop seed are packaged in plastic vacuum packs and polypropylene bags of varying sizes from 2, 5, 10, 25 and 50kgs. Customized pack sizes are done for bulk buying clients.

1.3.1 Vegetable Seed products

Zamseed have a laboratory on the plant premises manned by Mr. Moonga a qualified Seed Technologist were all seed that comes on to the grounds are tested. Seed from the Zamseed farm is tested on-farm first and then on arrival at the plant. These tests are conducted with consultation with the Seed Control and Certification Institute (SCCI) of Zambia, the highest recognized seed certifier in the country. They are aimed at assuring quality and involve a moisture test, a physical test (cleanliness – free of foreign agents and particles), purity (with regards to variety) and germination (vigor given favorable conditions).

Once tests are completed the seed is ready for vacuum packing in the well-labeled foiled packs and tin cans in readiness for supply to its outlets and agents retail stores with proper seals. This is done to avoid the risk of imitation seed traders from repackaging or selling under the ZAMSEED trade name.

1.3.2 Treated Cash Crop Seed

The testing that is subjected to cash crops is as rigorous as that for vegetable seeds. When the seed arrives it is first weighed at the weigh bridge and off loaded at the receiving bay were it is physically inspected for impurities and any other foreign particles.

At this point officers from the laboratory pick random samples and check for moisture content, physical test, purity and germination. Should the seed pass the tests, it is then sent through the cleaning machine, otherwise it is rejected sent back to its supplier. All seed that comes to Zamseed is subjected to this screening process. The seed is moved to the hopper were the seed is blown clean using big fans and then made to go through sieves. The seed is put through a sorting machine were the seed is selected according to sizes (this is standard practice for maize) and is then packed in polypropylene bags. The seed is then stacked in the storage shed. From the shed the seed is taken to the mixing and treating machine. This treatment machine has a holding chamber where treatment chemicals are added. The most commonly used treatment agents are Malathion - a colored insecticide for maize, Malathion and Vitavax – also a colored insecticide for wheat and Thiram – also an insecticide for cowpeas, groundnuts and beans. Once treated, the seed moves into a bagging outlet that loads the seed into pre-pack packaging, it is weighed and then sent for sealing and storage.
Seed in the storage shed is fumigated using a motorized mist sprayer. The fumigant used is aluminum phosphide and the seed is kept covered by tents until ready for distribution.

2. Country and Environmental Information

2.1 Locations Affected

The company is situated in the light industrial area north-west of central town along Buyantanshi Road off Lumumba Road. The nearest residential areas from the plant are George compound which lies to the north-west and Matero compound that lies to the north of the Plant.

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
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 conducted tour and discussions with management of Zambia Seed Company 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. This is evidenced by the perennial recurrence of disease such as cholera, dysentery and in some cases the contamination of water resources, air and soil/land.

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 Zambia Seed Company Limited, solid waste is created in the form of the empty grain bags, empty packaging for the chemicals used as treating agents and seed spoilt during processing. The rest of the waste created is biodegradable such as the spoilt seed. The toxic items like the plastic and empty chemical containers are disposed of in government designated waste disposal areas in Chingwere north of Lusaka using trucks with high drop-sides to avoid spillages on transportation. Lusaka Waste Management Unit collects some of the waste like the debris collected on the grounds and that from the administration area. The canteen and rest rooms are kept in good clean order by Zamseed cleaners who are well trained. The working areas are kept tidy to avoid any accidents due to slippery floors because of spilt seed on the floors or chemicals and water. The floors are swept regularly after every process is concluded.

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 Zambia Seed Company Limited, waste water that is generally generated is from that used to clean the floors of the working areas and that which remains after treatment of the seed. This water goes straight to the company sewer system that has a septic tank that is connected to the main council sewer system run by the local municipal authority.

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 Zamseed, the company uses diesel to run generators that keep the facility equipment running in the event of any power outage. The fumes from the generators are directed into high chimneys that make exposure to them near impossible. Being gaseous, they are not visible and make it quite difficult to notice. The company would like to embark on more eco-friendly means of running their operations, for instance, the waste grain bags, empty packaging for treatment chemicals and administration waste paper would not be burned at the plant site. This is all aimed at trying to minimize the release of the dangerous gases.

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.

Zamseed maintains an environmentally designed pest and disease control system for pesticides and toxic substances. The chemicals used are seed treatment, disinfectants and cleaning agents that are stored in safe places. Zamseed keeps the chemicals securely out of the way and under very tight security. Empty chemical containers and expired chemicals are disposed of into deep pits or land fills or are burnt.

4. Recommended threshold decisions and mitigation actions.

Zambia Seed Company displays a high level of hygiene awareness and cleanliness. Their employees are always dressed in protective clothing (boiler suites) complete with head gear and rubber boots. The only area that may have harmful effects on the environment and this is due to the lack of technology available to properly incinerate solid waste. Human beings do find themselves at these dump sites and expose themselves to the empty chemical containers that, should the technology to incinerate be available, would have been dealt with. The following is recommended:

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 the use deep land fills continue being used and covered to avoid scavengers from sifting through the garbage. Land fills are easier to manage. Considering the bio-degradable nature of most of there waste, this is the best method.

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.
- Design sanitary land-fills and ensure appropriate siting for disposal of expired chemicals and empty containers. The Production Manager should monitor this activity.
- Establish sound administrative management that will implement environmentally sound design activities in its operations to minimize accidents at place of work.

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, Zambia Seed Company operations will not have adverse effects on environment.