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The Competitiveness and Trade Expansion Program

COMPETITIVENESS AND TRADE EXPANSION PROGRAM

QUARTERLY PROGRESS REPORT

APRIL 1 – JUNE 30, 2009

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ACRONYMS

ACTESA	Alliance for Commodity Trade in East and Southern Africa
ACTIF	African Cotton Textile Industries Federation
AfDB	African Development Bank
AGCI	African Growth and Competitiveness Initiative
AGOA	African Growth and Opportunity Act
ASEAN	Association of Southeast Asian Nations
B2B	Business to Business
BDS	Business Development Service
CAADP	Comprehensive African Agricultural Development Program
CET	Common External Tariff
CMA	Customs Management Act
CMMI	Capability, Maturity, Model Integration
COMESA	Common Market of East and Southern Africa
COMPETE	Competitiveness and Trade Expansion Program
COP	Chief of Party
CQI	Coffee Quality Institute
CRS	Catholic Relief Services
DCA	Development Credit Authority
DFID	U.K. Department for International Development
EAC	East African Community
EAFCA	East African Fine Coffee Association
EAGC	East Africa Grain Council
EC	European Commission
ECA	East and Central Africa
EPA	Economic Partnership Agreement
EU	European Union
FAO	Food and Agriculture Organization
FBO	Farm Based Organization
FEMCOM	COMESA Federation of Women in Business
FSD	Financial Sector Deepening Trust, Kenya
GSFR	Global Food Security Response
HCA	Horticultural Council of Africa
IBM	Integrated Border Management
IFC	International Finance Corporation
ITC	International Trade Centre
ITCM	Integrated Transit Corridor Management
JICA	Japan International Cooperation Agency
KRA	Kenya Revenue Authority
KSA	Knowledge Sharing and Skills Analysis
LEAD	Livelihoods and Enterprises for Agricultural Development, USAID/Uganda
NCPB	National Cereals and Produce Board of Kenya
OSBP	One Stop Border Post
P4P	Purchase for Progress
PMP	Project Management Plan
RADDex	Revenue Authorities Digital Data Exchange
RATES	Regional Agriculture Trade Expansion Program

RATIN	Regional Agriculture, Trade, Information Network
RCMRD	Regional Center for Mapping and Resources Development
RCTG	Regional Customs Transit Guarantee
RECs	Regional Economic Communities
RRA	Rwanda Revenue Authority
RTA	Regional Trade Association
RUDI	Rural Urban Development Initiative
SC	Specialty Coffee
SCAA	Specialty Coffee Association of America
SCAE	Specialty Coffee Association of Europe
SF	Staple Foods
SME	Small and Medium Enterprise
STR	Simplified Trade Regime
STS	Structured Trading System
TFI	Transit Facilitation Instrument
TRA	Tanzania Revenue Authority
UNCTAD	UN Conference on Trade and Development
URA	Uganda Revenue Authority
USAID	United States Agency for International Development
WBC	World Barista Championship
WCO	World Customs Organization
WFP	World Food Programme
WRS	Warehouse Receipts System
WTO	World Trade Organization

A. QUARTERLY HIGHLIGHTS

Executive Summary

The Competitiveness and Trade Expansion Program (COMPETE) program is now officially up and running at full speed. The 3rd quarter was a ramping up period that was facilitated by having a core team on the ground at start up. Chief of Party, Stephen Walls and a core technical and support team (including Barry Fisher, Diana Walls and Vincent Kaabunga) transitioned over to COMPETE from the Regional Agriculture and Trade Expansion (RATES) program, that was also managed by Chemonics International. This along with significant support from the Global Food Security Response (GSFR) program allowed for an accelerated start up.

Over the course of the last three months, we have brought on board a stellar team of professionals that include Shemmy Simuyemba, senior transit advisor and deputy chief of party, David Adolwa senior private sector transit advisor, Yusuf Majan, transit specialist, David Featherstone, senior customs advisor, Michael Smith, RADDEX systems specialist, Bernard Kagira senior trade policy specialist, Matt Troniak, senior finance advisor, Finn Holm Olsen, director of the Trade Hub, Robert Karanja, AGOA resource advisor, Barry Fisher, cotton textiles and apparel specialist, Stephen Humphreys, senior staple foods advisor, Maria Mullei, staple food s specialist, Isaac Tallum, senior private sector grain specialist, Diana Walls, Grants Manager, Vincent Kaabunga knowledge management specialist, Susan Ellison-McGee, communications specialist, James Ndiangui, senior finance manager, and Fredah Murugu, office manager. Our office, now in Gigiri, is closer to the client, facilitating face to face communication on project issues.

The COMPETE program was officially launched on April 15, 2009 in a one-day workshop attended by 80 partners and stakeholders. This kick-off event was attended by key partners including COMESA, the EAC, bilateral mission staff, regional trade association heads, other donors, and key stakeholders. Partners expressed appreciation/enthusiasm for COMPETE's innovative approach.



As the program is building on the success of the RATES and ECA Trade Hub, the COMPETE team has been able to continue some of the key relationships formed under these toe programs.

Finn Holm-Olsen led a group of private sector flower producers from Ethiopia, Kenya, Mauritius and Tanzania to a successful SuperFloral trade show held in Atlanta in June 09.

With COMPETE support, ACTIF was instrumental in assisting COMESA to come up with a regional cotton to fabric strategy that was launched at the COMESA Heads of State meeting held in Victoria Falls in May 09.

During the quarter, the COMPETE team has made a concerted effort to engage with USAID/EA staff, USAID bi-lateral missions, development partners, regional economic communities to keep them informed about COMPETE through formal briefings, the COMPETE website, www.competeafrica.org, and the project newsletter.

COMPETE is off to an exciting start. Meet the team that is enhancing economic growth and food security in East and Central Africa:

Meet the COMPETE Team

Stephen Walls, Chief of Party

Stephen Walls has spent the greater part of his 25-year career in the field, with more than 15 implementing agriculture and trade projects in Kenya, Tanzania, Burundi, and Cameroon, among other places. Mr. Walls is a seasoned, successful COP, most recently leading USAID's six-year, \$26.4 million RATES program to impressive results. Prior to joining RATES as COP, Mr. Walls accumulated extensive work experience as senior manager of a portfolio of agribusiness export and regional food security projects; as country director in Tanzania for TechnoServe, responsible for developing regional and international markets for value-added products; and as COP of a microenterprise support project in Burundi.

Reducing Barriers to Trade, Transit Team

Shemmy Simuyemba, Deputy Chief of Party and Senior Transit Facilitation Advisor

Shemmy has dedicated nearly his entire professional life to regional integration in Eastern and Southern Africa, working early in his career with UNCTAD in Malawi and SADC's Transport and Communications Commission in Mozambique, and later for donor-funded projects like ECA Trade Hub and RATES in Kenya and Zambia respectively. He led the stakeholder consultation process that resulted in the adoption of SADC's Protocol on Transport, Communications, and Meteorology, which paved the way for private sector participation in infrastructure. With RATES, he facilitated high-level negotiations in COMESA leading to the adoption of harmonized grades and standards and adoption of the STR intended to formalize informal cross-border trade.

David Adolwa, Private Sector Transit Advisor

David joins the COMPETE team as Private Sector Transit Advisor. He brings extensive transit experience as quality and supply chain manager from SDV Transamni.

David Featherstone, Customs Advisor

David is a seasoned customs specialist with forty years of experience in international trade procedures, requirements and best practice and of trade facilitation measures in Liberia, Jamaica, Georgia, Lithuania, Albania, Montenegro, Rwanda, Zambia, Zimbabwe, Egypt, Afghanistan, Jordan and Iraq. His technical competences include implementation of UNCTAD's ASYCUDA computer system. David has extensive practical experience in UK and EU standards and international best practice, including import, export and transit cargo clearance and collection of duties and taxes both manually and by computer, anti-smuggling controls, crew and passenger controls, search of ships, aircraft, cars and freight vehicles.

Bernard Kagira, Trade Policy Advisor

Bernard is a leading expert on regional trade policy and regulatory issues including customs unions, common market structures, rules of origin, regional and multilateral trade regulatory requirements, and trade in services. Bernard made numerous trade policy recommendations under the USAID RATES project leading to harmonized standards, tariffs, and customs documentation and continues this work under COMPETE.

Yusuf Majan Kisigwa, Private Sector Transit Specialist

Yusuf brings several years of experience from the private sector. He joins COMPETE from Cargill in Mombasa, Kenya. Yusuf headed up the Import and Export Department and Communication and Customer Care section. He was responsible for all documentation for goods in transit within COMESA as well as execution, usage and maintenance of all customs security bonds for transit goods, bonded and transit warehouses, and all customs agency bonds.

Michael Smith, RADDex Specialist

Michael Smith has worked directly with the governments of Eastern and Southern Africa and with regional institutions, EAC and COMESA. As a senior consultant for Bearing Point, Mr. Smith was responsible for managing a number of government projects in East Africa including the Revenue Authorities Digital Data Exchange customs modernization project, the development of a management system for the COMESA regional transit guarantee scheme.

Matthew Troniak, Finance Advisor

Matt joins COMPETE as finance advisor. He is a senior finance specialist with more than 30 years of experience working with private and public sectors in emerging markets conducting strategic planning, development, financing, and administration of development and finance institutions including government departments, banks and MFI's. Matt has extensive experience working with central banks and ministries of finance addressing policy issues related to privatization, corporatization, and private sector development in Liberia, Rwanda, Mauritius, Iraq, Morocco, Palestine, Algeria, Nigeria, and Indonesia.

Value Chains Team**Barry Fisher, Cotton/Textile Sector Specialist**

Barry is among the leading experts on African cotton, textiles, and apparel. He brings knowledge of and practical experience in every aspect of the industry - farm-level production, processing, product specifications, export development (including AGOA), financing, research, and trade policy - acquired through more than 30 years of private sector experience, all of which have been in Africa. He initiated the formation of the African Cotton Textile Industries Federation, ACTIF, whose activities include creating networking opportunities and strategic alliances and disseminating trade information.

Steven Humphreys, Staple Foods Specialist

Steve began his 25-year career in agricultural inputs sales, marketing, and training before focusing on donor-funded agricultural export projects in East and Southern Africa. As chief of party of the Agribusiness and Trade Expansion Program in Ethiopia, he provided strategic and technical direction to work in four export production sectors, recently expanding the warehouse receipts program and start up the Ethiopian Commodity Exchange that involves trade of maize, wheat, and haricot beans. In Uganda for the USAID Investment in Developing Export Agriculture (IDEA) project, Steve advised small and large-scale growers on horticultural production and marketing, cold storage, and air freight.

Maria Mullei, Staple Foods Specialist

Maria is COMPETE's senior staple foods specialist with 27 years of international agricultural project management experience. Maria bring extensive experience managing agricultural market systems development, value chain approaches to agricultural productivity and marketing; strengthening smallholder farmers to enter commercialized agriculture; assessment and critique of host country agricultural strategies; and strengthening agricultural market linkages. Maria designed and managed numerous projects enhancing agricultural input and linking them to the private sector.

Isaac Tallum, Private Sector Grain Advisor

Issac brings extensive experience in the commodities trading industry. Before joining COMPETE Isaac was Trading and Marketing Manager for Itochu Corporation working in energy and commodity trading in Kenya and Tanzania.

East and Central Africa (ECA) Trade Hub and AGOA Team**Finn Holm-Olsen, AGOA Export Business Development Advisor**

Finn's 16-year career has centered on advancing trade between the US and Africa. As the ECA Hub AGOA advisor, Finn was the technical and management lead for AGOA activities

in 18 countries. In this role, he gained experience second to none in educating firms about AGOA's objectives, provisions, procedures, and eligibility requirements. Finn has designed and implemented technical assistance and capacity building activities for regional firms and governments, as well as designed market linkage strategies for export-ready firms.

Robert Karanja, AGOA Business Linkages Coordinator

Robert brings a wealth of experience to the ECA Hub. Most recently he served as Regional Director for the NGO Aid to Artisans in South Africa where he helped promote the commercial crafts sector in Southern Africa. Previously Robert was the AGOA Program Coordinator for the ECA Trade Hub where he developed National AGOA Strategies for Ethiopia, Congo Brazzaville and Tanzania.

Project Support Team

Diana Walls, COMPETE Partnership Fund Manager

Diana serves as COMPETE's training coordinator and partnership fund director. Ms. Walls brings more than 20 years of overseas work experience in project operations, grants management, and training program coordination in compliance with USAID regulations. She formerly managed the RATES' \$2.1 million Partner's Fund, disbursing grants to and building the capacity of regional trade associations. Under COMPETE Diana will manage the \$24 million partnership grants fund.

Vincent Kaabunga, Knowledge Management and Analysis Specialist

Vincent holds a master's degree in information technology. For the past five years he has been supporting the regional ICT needs of RATES and its partners, developing interactive database applications, and leading data collection and reporting requirements.

Susan Ellison-McGee, Communications Specialist

Susan joins the COMPETE team as communications specialist. She has over 20 years experience in knowledge management, web development, communications and media relations in Papua New Guinea, Ukraine, the Philippines, Bangladesh, Pakistan and Sri Lanka. At the Asian Development Bank, Susan managed a \$10 million grant portfolio for the Japan Fund for ICT which pioneered innovative IT applications and services throughout Asia. Prior to joining COMPETE, Susan managed country office operations, donor coordination and communications for the World Bank in Bangladesh.

Erin Torre, Operations Manager

Erin is an international development specialist with seven years of experience in project management, business development and project communications. Currently serves as Manager of Chemonics International's Zambia Medical Injection Safety (MISP) and Uganda AIDS Capacity Enhancement (ACE) projects, providing administrative, financial, personnel and contractual support to the field office.

Fredah Murugu, Office Manager

Fredah has spent her 20-year career supporting the administrative needs of USAID projects with a variety of implementing partners. For RATES, she has proved herself a team player who ensures a smooth functioning office by deftly handling international travel arrangements; liaising with USAID, government bodies, and service providers; organizing meetings and national conferences; and demonstrating superb negotiation, communication, and multi-tasking skills.

James Ndiang'ui, Finance Manager

James holds a Bachelor of Commerce in accounting and is a certified public accountant. Prior to his five years of service as finance manager on RATES, James served as a financial accountant for PricewaterhouseCoopers.

Global Food Security Response

The Global Food Security Response (GFSR) is a U.S. Government initiative intended to promote sustainable food security in Africa. The strategy of the GFSR is to work with players in the regional value chain for staple foods, processed, nutritious and therapeutic foods to expand markets for farmers, traders and processors so as to ensure timely availability of food and unimpeded movement of food from surplus to deficit areas. The GFSR seeks to:

- Improve the enabling environment for regional trade in staples as a result of improved and harmonized policies and regulations and their implementation
- Improve regional trade in staples (primarily maize, beans and pulses, root tubers)
- Reduce time and transaction costs to move goods and other staples from areas of supply to areas of demand within countries and across the region efficiently
- Link small farmers to efficient market information systems and markets
- Improve market opportunities for processing firms involved in the value chain for high-nutrient therapeutic foods and specialty foods
- Accelerate the participation of the ultra poor in rural growth so as to improve their livelihoods.

As an implementing partner under the Global Food Security Response, COMPETE works to remove policy barriers to the trade of staple foods, strengthen regional markets, introduce appropriate and/or cutting edge technologies that will increase production and reduce post-harvest loss, and increase access to these markets for small holders. COMPETE focuses its transit activities on corridors that are most important to the trade of staple foods and will work to remove logistical barriers all along the staple foods value chain.

B. PROJECT INTERMEDIATE RESULTS

B.1 PIR 1: Reduced Barriers to Trade

KRA 1.1 Select Transport Corridor Efficiency Improved

Staffing up the Transit Component of COMPETE was the highest priority during the quarter. David Adwola, Private Sector Transit Advisor, and Yusuf Majan, Private Sector Transit Specialist, Matt Troniak, Finance Advisor, and David Featherstone, Customs Advisor joined the team in May.

The Transit Team engaged in consultations with a diverse range of key stakeholders including private sector players along the transit value chain, relevant public sector institutions and other donors to ensure an informed approach to developing COMPETE interventions in transit that optimize communication, coordination and impact.

Transit Data Resource Library

An initial meeting was held with Regional Center for Mapping and Resources Development (RCMRD) and AfDB on potential hosting of a web-based resource library for transit data.

Revenue Authorities Digital Data Exchange (RADDEX)

The revenue authorities of Tanzania (TRA) and Malawi (MRA) convened for a one week in Dar es Salaam, Tanzania from May 4 through May 8, 2009 to assess progress on the RADDEX initiative since support ceased last year June, and then to provide preliminary training to the new technical teams from MRA and TRA. The workshop was a valuable first step in formulating COMPETE's approach to continued support in customs connectivity. The border post under review is located between Tanzania and Malawi at Songwe (Malawi) /

Kasumulu (Tanzania). The concept of a regional platform was also introduced at this meeting and though it received support it is still deemed a long term solution.

In early June consultations were held with the revenue authorities of Uganda and Rwanda. The Uganda Revenue authority (URA) now operates RADDEx live between URA & Kenya Revenue Authority (KRA) at the Busia and Malaba border posts. There are an estimated 900-1000 new declarations transmitted each day from KRA to URA relating to border traffic at Malaba and Busia. This includes Kenyan exports as well as transit goods. URA also operates a pilot with live data between URA and Rwanda Revenue Authority (RRA) at the Gatuna border. RADDEx has had such an impact on enforcement that some transporters have chosen to enter Uganda through the Mutukulu on the Uganda/Tanzania border post where RADDEx is not yet in operation even though the diversion means a much longer route.



The RADDEx user application has been extended for both customs and clearing agents to provide enhanced functionality. Additional borders were identified as the next candidates for RADDex roll-out. Consultations were held with key EAC Customs Administrations to outline an implementation plan and adopt an integrated approach to cover all EAC countries and major borders. In addition, consultations were held with COMESA on the systems interface requirements and modalities for collaboration between RADDex and COMESA's ASYCUDA Web-based Transit Transfer Customs Module.

Regional Customs Transit Guarantee (RCTG)

COMPETE Customs Advisor, David Featherstone, Finance Advisor, Matthew Troniak participated in a COMESA led consultative meeting in Rwanda on the Regional Customs Transit Guarantee (RCTG). The meeting provided a basis for COMPETE to identify target opportunities for value added interventions to help COMESA roll-out the RCTG in a holistic manner.

One Stop Border Posts (OSBP)

Discussions took place with key private sector players in Uganda– truckers, clearing and forwarding agents, exporters and importers – as well as the Ugandan Ministry of Transport which identified transit transport problems. Transit bottlenecks at Malaba (Kenya/Uganda border) are one of the most critical constraints affecting transit movements along the Northern Corridor and are a major cost factor for the landlocked countries of the EAC – Uganda, Rwanda, Burundi and parts of the DRC.

COMESA/EAC Regional Facilitation Instruments

COMPETE is working with COMESA and EAC to increase utilization of regional transit facilitation instruments such as regional axle load limits, the Yellow-card insurance scheme and the regional carrier's license. During the quarter, the team completed a review of all Transit Facilitation Instruments (TFIs) under the EAC and COMESA regional integration framework. A draft Statement of Work to assess recommended TFI interventions was prepared. The study has been deferred pending input from the Transit Partner's Work Planning meeting scheduled for Mombasa mid-July 09 and work planning sessions with EAC and COMESA scheduled for July and August respectively. These consultations will help define priorities for COMPETE interventions.

Transit Facilitation Donor Coordination Meeting



Pending completion of the joint USAID-DFID Transportation logistics study, COMPETE will organize a donor coordination meeting on transit facilitation for the region. In preparation for that meeting, initial discussions were held with key donor partners – DFID; JICA, AfDB, USAID Bilateral Missions (Uganda) on ongoing and planned programs on transit corridors and borders. Outcomes of the Transit Partner’s Work Planning meeting and consultations with COMESA and EAC

will help frame the agenda for this donor coordination meeting.

KRA 1.2: Regional Trade Policies Strengthened and Integrated

USAID/EA organized a formal meeting with the EAC Secretariat to introduce the COMPETE project and plan for a detailed EAC/COMPETE work planning session. The meeting paved way for COMPETE to pursue policy work within the EAC framework. The work planning session to integrate EAC Secretariat views into COMPETE program is scheduled for July 21st 2009.

Trade Policy Study

During the quarter, Bernard Kagira, Trade Policy Advisor laid the groundwork for a study of EAC and COMESA member trade policies that affect food security and flow of staple foods between countries. The study will look at staple food products such as maize, wheat, rice, sorghum, millet, beans and pulses (pigeon pea, cow pea, and chickpea), cassava and ground nuts. The studies will be undertaken in Uganda, Kenya, Rwanda, Ethiopia, Tanzania, Malawi and Zambia in July 2009.

Implement WTO and WCO Policy Standards for the Regional Trade of Staple Foods

The COMPETE team met with EAC representatives to review the EAC’s Customs Best Practices and Trade Facilitation report. The report’s findings along with the EAC Customs Management Act will form the basis for identifying specific elements of the WTO and WCO policy standards that may not already be in use. With GSFR support, a work program to implement these policies will be finalized with EAC Customs Officials during the planning session on 21st July 2009.

Support Harmonization and Implementation of EAC and COMESA Simplified Trade Regime (STR)

During the quarter the transit/trade team reviewed the current status of implementation of STR in the EAC and in COMESA. In both organizations, the STR is being implemented albeit slowly. Impediments to full



implementation arise from lack of awareness of STR and inaccessibility of documents at border posts. Lack of harmony between EAC and COMESA STRs pose a challenge in the EAC. After consultation with the EAC, it was agreed that COMPETE will focus its support on EAC Simplified Rules of Origin, while exploring the possibility of introducing the COMESA Simplified Customs Document to the EAC in the medium-term, in order to ensure harmony



between EAC and COMESA STR.

KRA 1.3: Access to Trade and Infrastructure Finance Improved

Underdeveloped financial markets in the region hurt business and governments alike. Access to finance is limited and economies of scale for financial products are weak. As a result, transaction costs remain high and alternatives to donor financing for regional trade and infrastructure are few. As a first step to improving access to finance, Finance Advisor, Matthew Troniak, and members of the COMPETE team met with a variety of development partners, financial institutions, government bodies and RECs to understand the big picture of where there are impediments to finance in the region and where there are opportunities for improvement.

In May 2009, the USAID/EA and the COMPETE team met with the African Development Bank to explore opportunities for leveraging AfDB's credit guarantee facility with a potential regional USAID Development Credit Authority (DCA).

The team worked with the East Africa Grain Council (EAGC) and the National Cereals and Produce Board (NCPB) of Kenya to take steps towards establishing a new regional commodities exchange and setting up a regional warehouse receipts mechanism with corresponding funding for related warehouses.



In consultation with AfDB, IFC and other donors, the team explored lending instruments that target agriculture and agricultural industry value chains. Chief aims would be to build capacity, introduce warehouse receipts, launch purchase order finance tools and risk mitigation tools such as loan guarantee and loan insurance companies. Increased lending in the agriculture sector may necessitate changes in banking laws to enable banks to be proactive players this sector.

Planned Activities for Next Quarter

COMPETE interventions in transit will be guided by the Integrated Transit Corridor Management (ITCM) approach which is a holistic framework for dealing with challenges of high transportation costs by looking at the entire transit transport logistics chain as well as bringing value added approaches related to finance, value chains, ICT and technology innovations, and working with key private sector players to identify sustainable solutions that bring down the cost of doing business and promote the overall competitiveness of the region within a defined regional policy framework for transit transport efficiency improvements.

Focus for the next Quarter will be on the following activities:

- Convene Partner's Transit Work Planning meeting on enhancement of efficiencies along the East African Corridors as a way of obtaining key stakeholder input and information for the Transit Value Chain Study and interventions in transit as a whole
- Identify additional borders for installation of RADDex and interface with both COMESA and EAC as well Customs Administrations in the target countries to ensure an integrated approach. Apart from Malaba (Kenya/Uganda), other potential borders identified are; Gatuna (Uganda/Rwanda); Busia (Kenya/Uganda); Mutukula (Uganda/Tanzania); Songwe (Tanzania/Malawi); Gisenyi (Rwanda/Eastern DRC); Namanga (Kenya/Tanzania);and Moyo/Nimule (Uganda/Southern Sudan). A final determination will have to be made based on traffic volumes, relevant value chains

and inputs from Customs Authorities to select those borders where COMPETE interventions are likely to have the greatest impact.

- Assess the institutional structure and functional modalities of the RCTG including financing options in close consultation with key players including financial and insurance institutions.
- Assess the Malaba OSBP to define operational and financing options and also to introduce the Integrated Border Management (IBM) approach to addressing border operations throughout the EAC region.
- Assess and identify Transit Facilitation Instruments (TFIs) for priority interventions working with key players such as truckers, clearing and forwarding agents, exporters and importers at the operational level and with COMESA and EAC at the policy level.
- Develop user guide for EAC Simplified Certificate of Origin in English and Kiswahili, build awareness of the program through training the trader sessions.
- Convene the Transit Facilitation Donor Coordination meeting involving key donors – JICA, DFID, World Bank, AfDB and EU among others to inform the design of transit interventions so as to foster synergies and coordination.
- Identify potential private sector institutions along the Transit Value Chain for possible strengthening as implementation partners through the COMPETE Partnership Fund including undertaking needs/grant-worthiness assessments as feasible.
- Undertake mapping of the Northern and Central Corridors through a physical drive-through to have first hand appreciation of the state and situation of the Corridors and to document transit procedures and processes.
- Initiate transport logistics value chain studies for Cotton, Textiles and Apparel (CTA); Specialty Coffee (SC); Staple Foods (SF) with specific focus on Southern Sudan/Uganda link.
- Identify and assess viability of regional finance interventions such as regional long-term capital market using bonds, implementation of the COMESA RCTG (Regional Customs Transit Guarantee), regional private equity investments in new and existing businesses to spur economic growth and employment, creation of regional credit information sharing system (credit bureaus), facilitation of regional trade and investment in financial services supporting value chains including banking, investment and insurance.



B.2 PIR 2: Increased Competitiveness and Trade in Select Regional Value Chains

KRA 2.1: Capacity of RTAs Improved

Recommend Additional Value Chains

COMPETE is in process of evaluating additional value chains that will be supported by the COMPETE project. In addition to cotton, specialty coffee and maize, up to three value chains will be identified for support. Indicative areas for future value chains include horticulture and floriculture. A Staple Foods value chain will be added under the GSFR component.

Develop Value Chain Competitiveness Strategies

COMPETE will engage a Competitiveness Advisor to assist the core value chains teams in developing competitiveness strategies for each of the selected value chains including staple foods, specialty coffee, and cotton/textiles/apparel targeted by the partner RTAs. The value chains teams will look at all value adding and non-value adding activities and estimate the costs associated with each state of production. With this information, sector specialists will design appropriate interventions to reduce inefficiencies and improve the competitiveness of each sector.

COMPETE Impact Index

COMPETE will engage a Competitiveness Advisor to develop the methodology and index that shall be used to measure growth in the competitiveness of the selected value chains arising from the interventions of the COMPETE program.

The index will be based on indicators related to the areas of COMPETE's direct intervention, including but not limited to, transit times, non-tariff barriers, numbers of customs documents and others. Although various issues may affect competitiveness at a national level, the COMPETE program's regional mandate prescribes that the value chain competitiveness index may comprise only of components that cut across the region. Work is expected to commence early in Q4.

Develop or Update RTA Sustainability Plans

Staple Foods

COMPETE is cooperating with the Eastern African Grain Council (EAGC) as a principal partner in carrying out our GFSR-funded activities. This regional trade association (RTA) is comprised of millers, processors, traders, and producers from all of the GFSR targeted countries, and is supported by multiple donors. Through training programs, market information dissemination and direct market linkage services, the EAGC serves as a connective link between the region's players in the staple foods value chains. The EAGC will host the third Regional Grains Summit November 2-4, 2009 in Dar-es-Salaam, Tanzania.



The SF team met frequently with the East Africa Grain Council (EAGC) secretariat to advise on strategic planning and restructuring operations. The team supported capacity building initiatives at the EAGC Secretariat as they prepared their grant application for the COMPETE Partnership Fund. The team reviewed EAGC's existing and future human resource requirements as well as operating expenses to allow for expansion in the region. The team also identified gaps in the recruitment program for the upcoming quarter.

COMPETE has engaged key policy makers in the region on convening a high level forum of strategic grain reserve authorities to develop a more transparent, information based and market driven strategy for evoking export bans of strategic staple foods. The SF team supported EAGC in their successful lobbying effort which persuaded the Government of Kenya to remove VAT on purchase of grain storage and handling equipment.

Cotton/Textiles/Apparel

The African Cotton Textile Industries Federation (ACTIF) Secretariat opened a fully-equipped permanent office at Hevea Office Park in Westlands, Nairobi. This now gives ACTIF the necessary core tools to commence independent office functionality.



Since inception, ACTIF has not had permanent staff, and due to initial funding constraints, it has relied on the assistance of the now completed RATES program, together with COMPETE, to provide expertise on a 'caretaker' basis. During the quarter, cotton/textiles/apparel (CTA) specialist, Barry Fisher, worked with the ACTIF Secretariat on their staffing and recruitment plan and the recruitment of a new Executive Director. Initial funding for 'start-up' staffing has been made possible through the COMPETE Partners Fund, and additional/alternative sources will be a priority of the new management team. An Executive Director has been identified and will start in July 2009; other essential support staff will be in place during the course of July and August.

Coffee

COMPETE has entered into a training agreement with the Coffee Quality Institute (CQI) to develop the specialty coffee industry in East Africa. As part of this agreement CQI works closely with the Eastern African Fine Coffees Association (EAFCA). CQI consultant Kelly Peltier-Amoroso met with EAFCA parties at the EAFCA Secretariat in Kampala, Uganda in May to develop strategies for upcoming marketing and promotional events and to discuss preliminary planning for future technical assistance.

EAFCA is in the process of preparing the program for its Annual African Fine Coffee Conference and Exhibition to be held in Mombasa, Kenya February 2010. This event aims to bring together buyers and suppliers of Africa's Finest coffees for the purposes of education, technical assistance, networking, trade, and to exchange ideas about how to promote and position East African Coffees in the specialty coffee marketplace. Given that the event will take place in Mombasa, the transit hub of East Africa, the conference program is being designed to include speakers from the transportation industry which would be a new topic for the conference. In addition, the Annual EAFCA Conference will scale up its networking activities to include a special conference track for coffee buyers to encourage more buyer participation at the conference, to showcase winners of the Taste of Harvest competition through cupping and tastings for international buyers, and to promote the conference at various coffee events prior to the conference.



CQI is also working with EAFCA on the EAFCA booth at the SCAA Conference in 2010. Outside of promotional events, Coffee Corps volunteers are helping EAFCA gain increased technical competence and expertise through assistance with national barista competitions and taking preliminary steps to organize a Women in Coffee Africa chapter.

During the reporting period, EAFCA organized the first ever coffee judging workshop in Africa to certify judges for the annual World Barista Championship (WBC). The workshop

was held in Nairobi, Kenya on March 20th – 21st 2009 and was carried out with assistance from the Specialty Coffee Association of Europe (SCAE) and CQI's Coffee Corps volunteers. Out of 14 candidates, only three passed the intensive two day training and examination program. All three are women and are certified as WBC judges in the Sensory category. More information can be found in the Success Stories section of this quarterly report.

In terms of future sustainability, EAFCA can be a stronger advocate for its members by joining with other regional trade associations in raising concerns about transportation and logistics issues. If strong alliances are made with the transportation industry, EAFCA could offer value added services and build upon existing membership by providing a quick transport delivery service to port or by providing a service to consolidate lots from different countries.

Develop RTA Sustainability Index

Staple Foods – EAGC

COMPETE's Knowledge Management and Analysis Specialist, Vincent Kaabunga, gathered data on EAGC trainings, and provided assistance in developing Monitoring and Evaluation criteria. The team will employ the Capability, Maturity, Model Integration CMMI approach for process integration and project improvement to develop a baseline for tracking capacity.

Build the Capacity of RTAs

Staple Foods – EAGC

During the quarter, the SF team worked with the EAGC on a number of initiatives to strengthen the capacity of the organization including discussions about revising the existing management structure to allow for expansion that includes the staple foods portfolio. The team recommended that the EAGC open offices in Uganda and Tanzania and recruit necessary staff to support these satellite offices. The SF team recommended that EAGC take steps to attract new members, increasing total membership from 55 to 80 by year end. The team participated in the EAGC Annual General Meeting including election of a new board, advised on amendments to EAGC's constitution to improving functioning of the Secretariat. The SF team introduced prospective members to EAGC and monitored continuing growth in membership.

EAGC management and the SF team met with the NCPB of Kenya to discuss the handover of select NCPB warehouses to EAGC. EAGC will pilot use of an updated Warehouse Receipts System (WRS) to manage these warehouses.

Discussions were held on developing a strategy to expand RATIN so that it provides timely, accurate, and valuable service to members as well as becoming an income generating site in the future.

“Cotton is more than a commodity...it's about food security....as an example, 80% of vegetable oil in Zimbabwe is manufactured from cotton seed, the cake is the major source of animal feeds, and the proceeds from cotton lint sales are used to finance staple food production”.

Robin Jarvis, ACTIF Director

The SF team met with the Financial Sector Deepening (FSD) Trust of Kenya to monitor EAGC's performance in utilizing FSD funds for warehouse receipts systems. FSD confirmed their continued support for WRS work undertaken by EAGC in Kenya.

Build the Capacity of the EAGC to Attract More Direct Linkages Between Smallholders and Buyers



During the quarter, the Staple Foods team worked with EAGC to position the Council as the focal point for ongoing work in cereals market development in East and Southern Africa. This helped to elevate EAGC in its collaboration with governments in the region and other multilateral institutions that are working in the cereals sector, such as the FAO and UNCTAD. As a result of this intervention EAGC has been selected by the NCPB to provide support for the overhaul of the cereals pricing and marketing policy,

focusing on legal and institutional reform geared towards establishment of a commodity exchange that runs as an autonomous private sector institution. In addition, in a pilot program EAGC will take over management of two NCPB warehouses in Eldoret and Kitale.

Develop 5 Year Competitiveness Strategies

The Staple Foods team has prepared a statement of work to engage consultants to develop competitiveness strategies for new staple foods value chains encompassing beans, rice, pulses, sorghum, millet and cassava. The studies will cover Ethiopia, Kenya, Malawi, Rwanda and Tanzania and are due to begin in July.

Conduct Assessment of the Processed Food Value Chain

As part of the GSFR mandate, the SF team identified processors who are manufacturing nutritious, fortified, therapeutic foods for distribution in emergency relief programs. It is helping these processors source raw materials, if possible, from smallholder groups. Traceability systems will be put in place to ensure the raw material meets quality standards.

Cotton/Textiles/Apparel – ACTIF

COMESA Regional Cotton-to-Clothing Industry Strategic Plan



Following the COMESA Heads of State directive in Djibouti in 2006, ACTIF, with significant input and assistance of the now completed RATES program, and currently with COMPETE, has been actively engaged in assisting COMESA establish its long term regional industry strategy for the cotton, textile and clothing sectors. In collaboration with the International Trade Centre (ITC) and stakeholders across the region, numerous meetings were held to validate the detail and content of the strategic plan. Following this process, the strategic plan document was

formally launched and presented by ACTIF at the Business Forum of the 13th Summit of the COMESA Heads of State in Victoria Falls, Zimbabwe held on 4 June 2009. After some years in the making, the COMESA cotton-to-clothing regional strategy is now a reality, and has been formally adopted by the COMESA.

COMESA Assistant Secretary General, Programs, Stephen Karangizi, said, “The development of the regional Cotton-to-Clothing Strategy is a great milestone in the process of developing the regional value chain and trade. COMESA will use the document to coordinate all donor interventions in the region. COMESA is happy that the synergies

developed between ACTIF, ITC and COMESA has successfully produced the first ever regional Cotton-to-Clothing value strategy in Africa. It is COMESA's hope that the same zeal and speed will continue during the implementation".

In developing the strategy, ACTIF and RATES/COMPETE provided the technical assistance, coordination and facilitation of the private sector participation, COMESA provided the coordination and facilitation of the public sector, with the International Trade Centre (ITC) providing technical assistance and consultancy support. The development of this COMESA strategy was an excellent example of how the private sector, a regional economic community and an international organization can collaborate and develop synergies together, achieving a tangible result. The next stage is the implementation phase, and a Strategy Implementation Committee has been formed, of which Mr. Fisher is a member. ACTIF will be the main implementing partner and a significant revenue stream should flow from this activity.

*"This strategy is not a regional strategy but a strategy for the region; it will provide the much needed entry point for various interventions in the value chains thus ensuring proper coordination".
ITC was thus pleased to have participated in the process".*

*Matthias Knappe, Director
International Trade Centre*

Trade Hub Business to Business (B2B) Event

The cotton/textiles specialist attended what is now an annual Trade Hub B2B event, aimed at linking buyers from the U.S. and Europe to producers within Southern Africa and other African countries. The event was held at Leriba Lodge in Centurion, South Africa from April 21 to 22. Nearly 60 companies attended the event representing a cross-section of the apparel industry within and outside Africa. These included buyers, sourcing houses, South



African retailers and African producers of textiles and apparel. No reports have yet been received as to the potential business concluded as a result of the event, but it certainly provided a forum for networking and establishing business contacts. An observation is that an event such as this should not be an isolated activity that occurs once a year, but rather that trade facilitation initiatives should have a constant or more frequent platform, as a means to increase trade.

Coffee

COMPETE/CQI met with EAFCA to discuss how EAFCA can build on its past successes and promote quality East African coffee regionally and globally. An area in need of strengthening for EAFCA is buyer outreach. COMPETE/CQI discussed the potential of embedding a CQI consultant as an EAFCA Buyers Liaison. This liaison would assist in linking buyers with exporters of East African coffees, actively promote the Annual EAFCA conference to buyers, organize coffee tours and buyer visits, and develop monthly newsletter to buyers for offerings.

CQI offered several recommendations to EAFCA on specific activities to expand its recognition and outreach. These proposed activities include:

- Organize cupping promotions in the U.S., Europe and Japan. In key coffee importing cities plan with a local partner to feature each EAFCA country's qualities and cup profiles. These types of events have proven to be very successful in creating awareness and interest in these countries coffees.

- Attend Roasters Guild conference in August 2009 in Portland, Oregon to promote the EAFCA conference, recruit speakers, design buyers track with key industry/roaster leaders, and organize pre-post training activities. Create monthly newsletters to roasters and importers about offerings of coffees.
- Approach specific roasters and encourage an EAFCA featured coffee for specific roasters like Green Mountain or Allegro in the U.S., Solberg and Hansen in Europe, or Doutour in Japan. Explore an agreement for a featured coffee from each East Africa country for each quarter. Arrange sample sending from the various countries and negotiate and organize the featured country.
- Roasters Guild Tour – Every year the U.S. Roasters Guild sets up a tour to a different country. EAFCA should host a tour in a member country around the EAFCA conference. This would provide an opportunity to encourage buyers to attend the event. Ideally such a tour could be organized in time for the 2010 EAFCA conference.

Bi-lateral Mission Collaboration

All of the value chain teams, together with the other COMPETE components aim to meet with as many bi-lateral missions in the region to set the stage for future collaboration, information sharing, and the basis for future engagement. This includes providing support to bi-laterals in translating regional policies for national implementation, together with support to governments to undertake policy and legislative reforms in support of regional and market integration. The first collaborative meeting was held in Kampala, Uganda on 22 June 2009.

KRA 2.2: Awareness of Harmonized Standards Enhanced

Build Awareness of Dairy and Maize Standards

COMESA has recently initiated the Alliance for Commodity Trade in Eastern and Southern Africa (ACTESA) to facilitate regional trade in staple foods, including livestock and livestock products. A multilateral program supported by multiple donors, ACTESA contributes to Pillar II (Markets and Infrastructure) and III (Food Security) of CAADP, the Comprehensive African Agricultural Development Programme of The African Union/NEPAD. COMPETE is working with ACTESA and other trade programs of COMESA, building on the principle of “maize without borders” to overcome policy and regulatory barriers and link smallholder farmers with markets across the region.

Harmonized standards for maize have been adopted by EAC and COMESA. Countries in the region are following through with implementation of these standards, although Uganda has requested that maize moisture content standards be revisited. Trade Policy Advisor, Bernard Kagira, is working with the Uganda Bureau of Standards and Government of Uganda on this issue.

EAGC Maize standards have been posted on the RATIN website at the following link:
<http://www.ratin.net/documents/EAC%20Maize%20Traders%20Hand%20Book%20-%20November%202005.pdf>

Now that the standards are in place at the regional level, the task is to raise awareness about the standards with producers, trade associations and farmer-based organizations (FBOs). The main target groups for this awareness campaign are the Warehouse Receipt Clusters, groups of 500 smallholder farmers, an initiative which is being championed by the EAGC.

The Staple Foods team and the Trade Policy Advisor have prepared harmonized standards for rice and wheat and these proposed standards will be reviewed by COMESA and EAC. The team is now looking at harmonized standards for other staple foods.

KRA 2.3: Smallholder Access to Commercial Markets Increased

Provide EAGC Smallholder Outreach Support

During the quarter, the team undertook a number of steps to extend EAGC's outreach to smallholder farmers. The SF carried out a value chain assessment and identified potential partners. The SF team met with Farm Concern and other production oriented NGO's that have a well established network of FBO's. The SF team created connections between Farm



Concern and WFP's Purchase for Progress (P4P) initiative. Linkages have been formed between Farm Concern and EAGC so that surplus staple foods produced by smallholder farmers can enter the marketing chain. Smallholder farmers can be organized into groups of 500 households, creating a "Commercial Village". Surplus staple foods generated by a Commercial Village can be collected and warehoused. Collection and bulking into bigger storage facilities will increase opportunities for FBOs to sell to bulk buyers. Ideally, this will alleviate some

post harvest losses, which currently amount to a loss of 40 – 60% on all smallholder farmer staple food crops across the region, and increase the volume of staple foods available for trade.

Future collaboration with Farm Concern is being discussed. The SF team also met Catholic Relief Services (CRS) to start planning to assistance to similar programs in the marginal production areas of Eastern Kenya.

In northern Uganda, COMPETE and the local EAGC office are working with a large international trading firm to include staple foods extension training as part of their overall support to contract growers. The EAGC will develop the curriculum and provide the training of trainers that are working with these producers. This is part of a broader effort to build regional market services that will facilitate the recovery of food production in northern Uganda and southern Sudan, areas with high potential coming out of years of conflict.

COMPETE has identified a local manufacturer in Uganda who is producing an air-tight grain storage tank that can be used for home and community use to greatly reduce post harvest losses. The EAGC is interested in promoting this technology to member organizations.

Build Capacities of Farmer-based Organizations

Through selected NGO partners such as Farm Concern, COMPETE is looking at tripartite financing arrangements for building and operating warehouses for FBO's that will use a warehouse receipts system. This will involve management by EAGC, financing by a private bank as well as some grant funding from COMPETE, with eventual ownership of the facility being passed on to the legally registered FBOs. Harriet Odembi at EAGC has been working on initial training for smallholder groups in Kenya. Due to uneven rainfall during the long rains season, surplus quantities of staple foods may be limited to the Northern Rift Valley. Efforts will focus on warehousing in Eldoret and Kitale in bulking and collecting for WRS.

Promote Smallholder Participation in a Structured Trading System (STS)

The COMPETE team contacted the Rural Urban Development Initiative (RUDI) in Tanzania to find out how COMPETE can build upon the initial success RUDI has had with a simple warehouse receipts program. The Staple Foods team met with the Allied Cereal Growers Association of Uganda to evaluate their progress to date and plan for similar intervention. The team also met with private sector companies and NGOs to evaluate the best options for organizing extended buying points and asked for proposals.

Link WFP P4P Program and Other Donor Initiatives to Smallholder Production of Staple Foods

COMPETE met several times with WFP P4P representatives. WFP P4P has indicated that they can exercise flexibility in purchasing small quantities of staple foods from farmer groups; usually WFP procures staples in 100 ton increments. WFP wants to procure as much as 15% of their annual requirements from smallholder farmers. WFP P4P is willing to provide Wikal tents as temporary storage facilities at local collection points. EAGC will assist in ensuring that surpluses purchased from FBOs meet WFP quality standards. Initial efforts have focused on NGOs working with farm based organizations that will have a tradable surplus of staple foods this year.

Expand the Reach and Commodity Focus of RATIN

At present, RATIN provides market prices, cross-border data, trade policy updates and production and consumption data for seven of fifteen border posts in East Africa. COMPETE with assistance from GSFR is working closely with EAGC to extend RATIN's coverage to new borders and include more commodities. Currently corridor management authorities in East Africa do not have the capacity to provide additional data to RATIN. Progress is dependent on recruiting a new RATIN team to be headed by a seasoned MIS expert.

KRA 2.4: Cross-cutting: Efficiency of Staple Foods Transport Improved

Assessment of Uganda/Sudan Spur of the Northern Corridor

SF team lead, Steven Humphreys visited USAID Uganda mission in June to brief the USAID Uganda mission about the COMPETE program and meet with local partners to discuss transport issues in the region. A follow up visit is planned for July to meet with USAID Uganda mission and the Livelihoods and Enterprises for Agricultural Development (LEAD) project to ensure that programs complement each other. This will include a field visit to Northern Uganda to identify key players in staple foods collection, bulking and storing with a view to review time and transaction costs and promote market linkages trading into Southern Sudan.

Expand RATIN Coverage of Customs and Transport Procedures

With assistance from the COMPETE Trade Policy Advisor, RATIN is expanding its data resources to become a one stop source for information about current customs and transport procedures. During the quarter, tariff information for staple foods was prepared for uploading to the RATIN website.

Planned Activities for Next Quarter

- Commence Value Chain assessments for maize, coarse grains, pulses, and other staple foods. Upon completion of the value chain studies and selection of COMPETE's target value chains, prepare assessment information needs relating to staple foods stakeholders.

- Undertake an assessment of processed foods from livestock including powdered milk and tinned meat
- Undertake assessment of region's capacity to produce fortified, nutritious processed foods locally and determine if there are opportunities for smallholder farmers to enter the supply chain. Once identified, COMPETE will provide targeted technical assistance to help firms meet the specific requirements of the relief agencies.
- Organize a competitiveness workshop involving the COMPETE team and USAID program managers to present a short review of the various competitiveness indices that are currently being used by the World Bank and others to track the region's competitiveness.
- Develop COMPETE Impact Index to measure impact of COMPETE activities.
- Staple Foods – Assist EAGC in developing job descriptions for MIS expert and Economist.
- Staple Foods – Support EAGC's expansion program in Uganda and Tanzania.
- Staple Foods – Assist EAGC in organizing regional workshops to sensitize EAC members on EAC Simplified Certificate of Origin.
- Staple Foods – Assist EAGC in mobilizing outreach to smallholder farmers by supporting FBOs activities in bulking and storage, establishing Community Village Stores, expanding RATIN's resource base to include data on wheat and rice and ensuring wide participation in outreach to smallholder farmers, particularly women.
- Staple Foods - Identify NGO service providers working with smallholder farmers and determine potential COMPETE Partnership Fund grantees for qualified organizations that can contribute to the GSFR mandate.
- Staple Foods - In conjunction with EAGC, conduct regional workshop on Warehouse Receipts System.
- Staple Foods - Assist EAGC in improving its market information / buyer alert systems.
- Staple Foods - Conduct a Regional WRS (Best Practices) Workshop. COMPETE is providing support to EAGC to conduct a major regional forum in October 22-23 in Lusaka, Zambia on Warehouse Receipt Systems (WRS). The aim is to review the lessons learned and to tease out the best practices for implementing these schemes in the region.
- Cotton – Assist ACTIF in developing an institutional sustainability plan, identifying priority technical assistance needed to strengthen ACTIF's capacity, improve ACTIF's use of market intelligence and attract more trade linkages with SMEs and buyers.
- Cotton - Assist ACTIF in formulation of a regional position paper on sustainability of AGOA for presentation at the AGOA Forum and structure a value chain approach for support of AGOA activities of the ECA Trade Hub.

- Cotton – Analyze EU and EPA positions on the rules of origin and obtain regional consensus. Submit position to COMESA, EAC and SADC.
- Cotton – Participate in and assist ACTIF in planning for the Implementation Phase of the COMESA Cotton Industry Strategy.
- Cotton – Coordinate technical assistance for apparel shop floor training in Ethiopia and Rwanda.
- Cotton – Identify a CTA consultant to work with the initial transport/transaction study.
- Cotton - In collaboration with the ECA Trade Hub, assess the viability and impact of establishing a U.S.-based trade linkages advisor as a means of increasing trade.
- Cotton – Conduct a textiles and apparel ‘demand’ side study of U.S. and EU markets.
- Cotton – Conduct a regional ‘supply’ side study.
- Coffee - CQI/EAFCA continue preparations for Annual EAFCA Conference, identifying keynote speaker.
- Coffee - Undertake assessment of Transport logistics issues affecting coffee producers in EA.
- Coordinate with ACTESA to develop policy that addresses sensitive seasonal bans/restrictions on exports and imports, as well as sanitary/phytosanitary and other quality standards.
- Visit Uganda and Southern Sudan for to undertake assessment of the NUSU Spur.
- COMPETE will conduct an assessment of the Uganda/Sudan spur of the Northern Corridor and three other border points which have been critical bottlenecks to enhanced trade of staple foods in the region. These assessments will guide intervention that be initiated early in FY 2010 to reduce the time and cost of transporting staple foods.

The African Global Competitiveness Initiative

The African Global Competitiveness Initiative (AGCI) is a \$200 million, five year Presidential initiative aimed at promoting the export competitiveness of enterprises in sub-Saharan Africa (SSA) in order to expand African trade with the United States, other international trading partners and regionally within SSA. AGCI builds on the African Growth and Opportunity Act (AGOA) and works with other donor initiatives, including the World Bank's Making Finance Work for Africa and the multilateral infrastructure Consortium for Africa.

AGCI's overall objective is to promote export competitiveness of enterprises in SSA. To achieve this AGCI has two main strategies, to provide technical assistance that advances export competitiveness and to support complementary activities that contribute to the objectives of AGCI. AGCI seeks to leverage with those of other USAID-funded programs and programs financed by other IFIs as well as with investment resources from the private sector. AGCI strives to achieve a greater development impact through a multiplier effect.

B.3 PIR 3: Increased Trade and Investment between the U.S. and East and Central Africa

KRA 3.1: Ability of ECA Countries to Engage in Multi-lateral Trade Negotiations Increased

Provide Trade Agreement Technical Support

COMPETE provided support to ACTIF in formal submission of ACTIF position on Rules of Origin for the EAC-EC Economic Partnership Agreements (EPAs). This position is instrumental in ensuring that EPAs contribute towards deepening integration of the cotton, textile and apparel industry in the region through the regional value chain approach. ACTIF will need to stay engaged until the negotiations on the Rules of Origin are finalized in order to ensure the position is adopted by the EC as well.

KRA 3.2: US and ECA Firms Taking Advantage of Opportunities under AGOA Increased

Promote ECA Hub and USAID Brand AGCI-AGOA Workshop.

Finn Holm-Olsen attended USAID's one day AGCI-AGOA Workshop in Nairobi on May 8 and provided an update on the AGOA Forum Private Sector day.

Intra-Hub Planning Meeting

Finn Holm-Olsen hosted a planning meeting at COMPETE offices on May 7 with representatives of the other Trade Hubs, where joint activities during the AGOA Forum and other collaborative activities were discussed.

Recommend Target AGOA Sectors

COMPETE/ECA Hub put forward as formal recommendations for concentration under the AGOA portfolio the following sectors: apparel; floriculture; specialty foods; and commercial crafts/handmade/home accessories.

Organize Trade Missions

SuperFloral Trade Show. COMPETE/ECA Hub organized an Africa Pavilion at the Super Floral trade show in Atlanta, GA, June 10-12. The Africa Pavilion showcased 14 companies from the region, including 3 from Ethiopia, 8 from Kenya, 1 from Mauritius and 2 from Tanzania, as well as the heads of each country's horticultural association representing a wide variety of cut flower exporters from their respective countries.



Results from the Super Floral show have been extremely positive. Exhibitors from the Africa Pavilion made tangible contacts with U.S. buyers and are currently following up on business leads.

The ECA Hub is also working closely with the newly formed Horticultural Council of Africa (HCA). HCA is an umbrella member organization of national associations formed to maintain the region's competitiveness in the horticultural export markets in both Europe and the US. HCA is planning on submitting an application for a grant under COMPETE's Partnership Fund to support some its strategic objectives and activities.

Develop and Disseminate AGOA Informational Materials

Tailor specific ECA Hub brochure is being designed. An AGOA Resource Center is being set up in the COMPETE office.

Lead AGOA Workshops

Mauritius AGOA Workshop.

Finn Holm-Olsen participated in several AGOA Week events in Mauritius, April 6-8. Mr. Holm-Olsen made two presentations: at an AGOA Workshop attended by 150 participants and a University roundtable discussion on trade under AGOA; and served as a panelist on the topic of AGOA on "Dossier", a live 75-minute television broadcast on Mauritian TV.



AGOA Forum 2009

The AGOA Forum 2009 will be held in Nairobi this year. COMPETE has been active in organizing a private sector forum, Realizing the Full Potential of AGOA Through Expansion of Trade and Investment, which will take place on 4 August 2009. Additional information can be found at www.agoaforumkenya.go.ke.

Propose AGOA Expansion Strategies

COMPETE/ECA Hub has proposed that a newly created Apparel Trade Linkage Advisor position be based in the U.S. given the position's concentration on developing and managing ties between exporters in the region and U.S. buyers. A key programmatic gap (across all Hubs) at present is the lack of such U.S. representation. COMPETE/ECA Hub also hired Robert Karanja as the AGOA Business Linkages Coordinator. Mr. Karanja brings a wealth of experience to the ECA Hub from previous assignments on the ECA Trade Hub and more recently in Johannesburg, South Africa where he managed a regional NGO working in the commercial crafts sector in Southern Africa.

Activities Planned for Next Quarter

- **Specialty Foods Short Term Technical Assistance.** Short Term consultant Jim Thaller will visit Nairobi from August 2-12. He will serve as a panelist at the AGOA Forum and also undertake an assessment of the specialty foods sectors in Kenya and Ethiopia.

- **Textiles/Apparel Short Term Technical Assistance.** Short Term consultant Mike Phillips will provide targeted technical assistance to two firms in Ethiopia (Almeda and MAA Textiles) and Rwanda (UTEXRWA). It is expected that the intervention will correct shop-floor deficiencies at the two largest vertically-integrated factories in Ethiopia, eventually leading to significant orders in the U.S. All three firms will be exhibiting within the Africa Pavilion at the upcoming MAGIC apparel show in Las Vegas, NV.
- **AGOA Forum 2009.** www.agoaforumkenya.go.ke. Finn Holm-Olsen and Robert Karanja continue to plan for the AGOA Forum private sector workshop as members of KAM's organizing committee. Finn Holm-Olsen is coordinating and will serve as moderator for the "AGOA Nuts & Bolts Toolkit" session; Robert Karanja will be a session panelist. Finn Holm-Olsen is also assisting U.S. Trade Representative's office with a Specialty Foods panel during the main Ministerial Forum.

Barry Fisher, the cotton/textiles specialist, has represented both COMPETE and ACTIF on the private sector organizing committee. He recruited two key-note speakers for the opening plenary session, notably Trevor Robertson, Vice President and Managing Director of Sourcing for Polo/Ralph Lauren, one of the world's leading brands. Mr. Fisher has also structured the textiles and apparel break-out session panel, "The AGOA Supply Chain – how it can work". This session will demonstrate a positive regional integration and value addition "story" that is simple and can be replicated. It will also show how challenges can be turned into opportunities and will reveal how certain strategies can help to achieve this.



Finance Advisor Matthew Troniak will moderate a session on "Making trade support instruments work better". This session will review the various mechanisms available, particularly in Financing, to support trade.

- **MAGIC Trade Show.** COMPETE/ECA Hub is, in collaboration with the other Trade Hubs, organizing an Africa Pavilion at the MAGIC show, August 30-September 2. Seventeen of the 23 companies making up the Africa Pavilion will come from East and Central Africa.
- **Apparel B2B/Matchmaking Service.** COMPETE/ECA Hub has contracted with US-based short term consultant Mr. Jean Claude Mazingue to design and implement a customized matchmaking service at the MAGIC show for all of its companies. Over 600 buyers are being targeted and each ECA Hub company will have a full schedule of meetings with pre-identified buyers over the course of the four day MAGIC apparel show.
- **US-Africa Business Summit.** Finn Holm-Olsen will represent COMPETE at the Biennial Summit, hosted by the Corporate Council on Africa (CCA) and taking place in Washington, DC, September 29-October 1.

C. PROJECT SUPPORT ACTIVITIES

Administration and Financial Management

The COMPETE Policies and Procedures manual has been updated. Once recruitment of new staff is complete, a staff training assessment will be conducted. All staff are briefed on Chemonics' Standards of Business Conduct.

Partnership Fund Management

A Grants manual has been drafted and has been submitted to USAID for their review. Partnership Fund manager Diana Walls met with regional trade associations EAGC, EAFCA and ACTIF to assess their grant proposals. It is expected that the first round of grants will be awarded early in Q4.

Monitoring and Evaluation

KMA Specialist, Vincent Kaabunga and Chemonics PMP Specialist Sarah Gjorgijevski prepared a comprehensive Project Management Plan (PMP). The PMP consolidates indicators and targets for monitoring contract performance. The draft PMP was shared with USAID and their comments have been incorporated in the final version of the document.

Communications

During the quarter, the COMPETE project logo was finalized and submitted to USAID for their approval. The logo and other communications materials, including a COMPETE fact sheet, were outlined in the Branding and Implementation Plan submitted to USAID in May. The COMPETE website, www.competeafrica.org, was launched along with the COMPETE newsletter, The Link.



D. PARTNERSHIPS AND LINKAGES

Outreach

COMPETE-hosted Events and High Level Visits

During the third quarter, the COMPETE team hosted the following events and visitors:

- On March 17, 2009 COMPETE organized Donor Coordination Transport meeting in Nairobi.
- On April 14, USAID/EA REGI Director, Candace Buzzard, and Trade Advisor Stephanie Wilcock visited the COMPETE offices for a project kick-off meeting.
- On April 20, USAID Food Security Advisor Peter Ewell visited the COMPETE offices to discuss Global Food Security issues.
- On May 7 COMPETE hosted an Intrahub planning meeting for the ECA, West Africa, and Southern Africa Trade Hubs.

- On June 8, Dr. Andrew Ngone from the COMESA Secretariat visited the COMPETE offices.



- From June 11- 13, Members of the COMPETE Team, Finn Holm-Olsen and Nicole Cupp organized the Africa Pavilion at the SuperFloral show in Atlanta, GA. Flower growers and horticulture association representatives from Ethiopia, Kenya, Mauritius and Tanzania participated in this event which is the largest event for volume buyers of cut flowers in the United States. For more information, see the Success Stories section of this quarterly report.

Participation in External Events

During the third quarter, COMPETE participated in the following external events:

- From April 6-8 Mr. Finn Holm-Olsen attended the Mauritius AGOA Week in Port Louis, Mauritius.
- From April 19 - 23, Mr. Barry Fisher attended the Business to Business sourcing event for textiles and apparel organized by the Southern African Global Competitiveness Hub in, Johannesburg, South Africa.
- On April 24 members of the COMPETE team, Chief of Party Stephen Walls, Senior Trade Advisor, Bernard Kagira and RADDEX advisor, Michael Smith, and USAID East Africa Regional Trade Advisor Stephanie Wilcock visited Arusha, Tanzania to formally brief members of the EAC Community Secretariat about the COMPETE program.
- From May 4-8, Mike Smith participated in a workshop for the revenue authorities of Tanzania and Malawi in Dar es Salaam, Tanzania. The workshop was organized by the Southern African Global Competitiveness Hub.
- On May 8 Members of the COMPETE Team, Shemmy Simuyemba, Barry Fisher, Steve Humphreys, Finn Holm Olsen and Susan Ellison-McGee attended USAID Africa Bureau's AGCI-AGOA Day at the Windsor Hotel in Nairobi, Kenya. Messrs. Simuyemba and Fisher participated in a panel discussion on regional trade hub best practices. They gave a presentation about COMPETE and how this program integrates trade hub activities with the development of value chains and corresponding trade infrastructure.

- On May 14 Mr. Steven Humphreys participated in a panel discussion, "Towards priority actions for market development for African farmers" at the AGRA-ILRI Markets conference in Nairobi, Kenya.
- From May 24 – 27, USAID Regional Trade Advisor, Stephanie Wilcock and members of the COMPETE team (Stephen Walls, Shemmy Simuyemba, Michael Gold, Matthew Troniak, and David Featherstone) visit the African Development Bank (AfDB) headquarters in Tunis, Tunisia to brief staff about the COMPETE program.
- From 30 May – June 3 Shemmy Simuyemba attended the COMESA Council of Ministers and Summit Meetings at Victoria Falls, Zimbabwe
- From June 2-4 Mike Smith visited Kilgali, Rwanda and Kampala, Uganda to brief revenue authorities about RADDex.
- From June 3-4 Steven Humphreys and Bernard Kagira attended the EAGC/FAO regional consultation workshop in Dar es Salaam, Tanzania.
- From June 4-5, Shemmy Simuyemba attended the COMESA Business Forum in Victoria Falls, Zimbabwe. Mr. Simuyemba gave a presentation on COMPETE and how the program builds on the successes of RATES and the ECA Trade Hub. A major highlight of the Business Forum was the launch of the Regional Strategy for "Cotton-to-Clothing Value Chain" and formal submission of the strategy by Rob Jarvis of ACTIF to the COMESA Assistant Secretary General Stephen Karangizi.

For more information, see Trip Report – COMESA Business Forum by Mr. Simuyemba.

- From June 22-26, members of the COMPETE Team (Stephen Walls, Matthew Troniak, David Featherstone, Steven Humphreys, Barry Fisher and Shemmy Simuyemba visited Kampala, Uganda to brief the USAID mission on the COMPETE program.
- From June 21-25, Mike Smith attended SATH workshop on the Trans-Kalahari Corridor in Gaborone, Botswana. The purpose of the meeting was to assess results of pilot testing the RADDEX system between Malawi and Tanzania and the ASYCUDA++ system at the Botswana / Namibian Border and determine priorities for systems interface and connectivity.
- From June 28-30, Matthew Troniak and David Featherstone attended Third Meeting of the Management Committee of the COMESA Regional Customs Transit Guarantee Scheme in Kilgali, Rwanda.

E. QUARTERLY PROJECT FINANCIALS

Expenses to-date

Pipeline projections

F. ATTACHMENTS/SUCCESS STORIES

Coffee Story

SuperFloral



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COMPETE
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SUCCESS STORY

THE SWEET SMELL OF SUCCESS: AFRICAN WOMEN ATTAIN INTERNATIONAL CERTIFICATION AS SPECIALTY COFFEE JUDGES



Photo: COMPETE

WBC Coffee Judges. From left to right: Erina Nigrini, Teija Lublinkhof and Mbula Musau



Photo: COMPETE

Mbula Musau, newly certified World Barista Championship Judge, at a coffee cupping competition in Burundi.

The World Barista Championship (WBC) Judges Certification Committee carries out certification workshops around the world every year to certify judges for the annual World Barista Championship. The first ever judging workshop in Africa was held in Nairobi, Kenya on March 20 - 21, 2009. Out of 14 candidates, only three passed the intensive two day training and examination program. All three are women and are certified as WBC judges in the Sensory category. They are Erina Nigrini representing Stil Coffee of South Africa, Teija Lublinkhof of Marika's Coffee in Zambia, and Mbula Musau from the East African Fine Coffees Association Secretariat in Uganda.

Mbula Misau is no stranger to the coffee industry. Mbula is the Quality and Marketing Manager for the East African Fine Coffees Association (EAFCA) and is a qualified cupper and Barista trainer with over ten years experience in the African and Latin America. EAFCA is the regional trade association for specialty coffee growers and with help from USAID's Competitiveness and Trade Expansion Program (COMPETE), and USAID's predecessor program, the Regional Agriculture Trade Expansion Support Program (RATES), EAFCA has focused its core mission on developing the quality and marketing of specialty coffees.

RATES/COMPETE brought in the Coffee Quality Institute (CQI) to work hand in hand with EAFCA on training staff in assessing quality coffee. CQI is the educational arm of the Specialty Coffee Association of America (SCAA). CQI believes that the coffee industry's quest for quality starts with certified professionals who stand by their senses. A CQI volunteer, John Sanders of Hines Coffee, worked with Mbula Misau to strengthen the institutional capacity at the East Africa Fine Coffee Association, training Mbula in coffee grading and assessing coffee quality. Mr. Sanders has also served as a volunteer judge as several African national efforts of CQI and RATES/COMPETE have resulted in expanded knowledge base of African coffee

professionals who can assess, cup and grade coffee according to international standards.

EAFCA directly links growers with major international roasters and retailers such as Starbucks, Peet's Coffee & Tea and Green Mountain Coffee. EAFCA's commitment to developing a high quality product that meets the demands of global consumers has put African coffee back on the map. Mbula is in charge of coordinating and implementing quality programs and trade and marketing activities for EAFCA and its 10 member countries, so it was no surprise that she wanted to add World Barista Championship Judge Certification to her credentials.

It is a rigorous process to become a WBC judge. Candidates may attain certification as Technical or Sensory judges, but not both. They must pass a series of tests including an intensive written exam focusing on the WBC Rules & Regulations and general coffee knowledge (growing regions, processing, varieties and how all those relate to cup quality). There are hands-on practical tests that involve coffee tasting exercises for sensory judges such as evaluation of Cappuccino and Espresso coffee and blind tasting and evaluation of various brewed coffees and assessment of technical skills for technical judges (evaluating coffee waste, station set-up, and work flow). The examinations were administered by representatives from the Specialty Coffee Association of Europe (SCAE) and who are part of the WBC Judges Certification Committee and they were assisted in facilitating the event by Bridget Carrington and staff from C. Dorman Limited.

WBC conducts judging certification programs to enhance judging competence in the region, to certify judges who will capably run National Barista Championships in Africa according to WBC standards, and to include judges from the region at the 2009 World Barista Championship (WBC) competition in Atlanta. As WBC Certified Sensory Judges, Erina, Teija and Mbula are part of a pool of volunteer judges that will evaluate the taste of beverages served in the 2009 competition, as well as, the creativity, technical skill and overall presentation of competitors.



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SUCCESS STORY

Opportunities Bloom for African Growers at SuperFloral Show in Atlanta



View of the Africa Pavilion at the SuperFloral Show in Atlanta



Horticulture Association Representatives at the SuperFloral Show. From left to right, Raifa Bundhun (Secretary General, Mauritian Horticulture Exporters Association, APEXHOM), Finn Holm-Olsen (ECA Trade Hub Advisor, USAID COMPETE), Jane Ngige (CEO, Kenya Flower Council, KFC), Stephen Mbithi (CEO, Fresh Produce Exporters Association of Kenya, FPEAK), and Solomon Sebhatu (Vice Chairperson, Ethiopian Horticulture Exporters Association, EPHEA), and Jacqueline Mkindi, (CEO, Tanzania Horticultural Association, TAHA.)

Photo: COMPETE

Photo: COMPETE

USAID East Africa's Competitiveness and Trade Expansion Program (COMPETE) under its East and Central Africa (ECA) Trade Hub component organized an Africa Pavilion at the SuperFloral Show (www.superfloral.com) which took place from June 10-12 in Atlanta, Georgia. SuperFloral is the largest trade show for volume buyers of cut flowers in North America and attracts participants from all over the world. Under the banner, "Grown Under the Sun: Africa Flowers", the show was attended by 14 companies from the region including 3 from Ethiopia, 8 from Kenya, 1 from Mauritius and 2 from Tanzania. Heads of each country's horticultural association representing a wide variety of cut flower exporters also attended.

Several U.S. buyers commented on the outstanding floral displays and high degree of professionalism in marketing and logistics from all of the Africa Pavilion participants. Buyers were enthusiastic about the variety and quality of flowers on display. A number of varieties of flowers drew keen interest including colored lilies from Kenya and tropical anthurium from Mauritius. East African flowers, particularly roses, have established a favourable niche in the market. These flowers are sold as "intermediates" or "sweethearts"; the roses on average have much smaller bulbs and shorter stems than those from Latin America. Their relatively small size gives them a competitive advantage: a much longer shelf-life (at least 14 days) due to the fact that they are lighter and therefore take longer to wilt and bend. The lighter weight and smaller size also makes them a better value for money when bunched in a bouquet, since a single bouquet of East African roses can contain many more stems. Buyers also noted that flowers from East Africa have more vibrant colors making them more appealing to consumers.

The highlight of SuperFloral was Africa Night which brought together participants from the Africa Pavilion and select buyers. Kenyan ambassador to the United States, Peter Ogego, opened the event and warmly thanked

USAID COMPETE for organizing and bringing together companies from throughout the region under an “Africa” umbrella. Other speakers, including COMPETE’s ECA Trade Hub Advisor, Finn Holm-Olsen noted that the given the complexity and challenges of the U.S. flower market, regional cooperation as represented in the Africa Pavilion is the key to success for all.

Results from the SuperFloral show have been extremely positive. Exhibitors from the Africa Pavilion made tangible contacts with U.S. buyers and are currently following up on business leads. K-Net Flowers from Kenya is responding to buyer requests for sample product which will likely result in new business. Another exhibitor, Peeush Mahajan, CEO of East African Growers wrote, “We enjoyed the show thoroughly and have made contacts which will definitely generate business.” SuperFloral delivered benefits for the show organizers and buyers too as Leslie Rosa organizer of SuperFloral commented, “The African Pavilion was an excellent addition to the show floor, and proved to be a stand-out with the product and companies in representation.” Building upon the East and Central Africa Trade Hub's previous three-year effort at the World Floral Expo in Miami, COMPETE's Africa Pavilion at Super Floral emphatically stated that African flowers in the U.S. are here to stay.

The COMPETE project has a goal of increasing the volume and value of flower exports by at least 30% over the next four years. To capitalize on the momentum generated at SuperFloral, COMPETE is working with growers and horticulture associations in the region to focus marketing their efforts on the “Africa flower” brand. Challenges, chiefly in transportation logistics and costs, still remain. COMPETE is also educating individual companies about the intricacies of the U.S. flower market so that they can participate in future SuperFloral trade shows. Fostering regional cooperation and developing the Africa brand will help give African flower growers an edge in competing in the global marketplace and increase sales. With more African flowers being shipped to the U.S., chances are that you will feel the warmth of the African sun the next time you buy flowers at your local market.