

The Link

A Value Chain Approach to Doing Business in Africa



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COMPETE
The Competitiveness and Trade Expansion Program

The Newsletter of the USAID Competitiveness and Trade Expansion Program (COMPETE)

Origin Africa: Celebrating the Spirit, Style, and Innovation of Modern Africa

By Barry Fisher, USAID COMPETE Cotton/Textile Specialist

Reinvigorating Africa's cotton and textile sector was the theme behind the inaugural Origin Africa Designer Showcase which was held on 28th April 2010 in Nairobi, Kenya. The event was sponsored by USAID COMPETE in partnership with African Cotton & Textile Industries Federation (ACTIF) and shone the spotlight on 12 up and coming designers and design students from Kenya, Ethiopia, Uganda and Tanzania. Using fabric and production facilities and material donated by ACTIF members, the designers put together stunning collections that drew rave reviews from the audience. Over one hundred and eighty guests attended, including a surprise appearance and opening remarks from Kenyan Prime Minister, the Rt. Honorable Raila Odinga, and the African Union Commission Deputy Commissioner, Mr. Erastus Mwencha and USAID East Africa mission director, Lawrence Meserve. Twenty five countries were represented, including 18 from Africa along with industry leaders and buyers from India, USA, India, Ghana, Nigeria, Switzerland and the Netherlands.

The showcase coincided with the ACTIF annual general meeting and public launch of the federation, including its new trade linkage website, www.cottonafrica.com. The overall concept of the event was to identify the designer talent in the region, not just those that are emerging, but also



the latent and promising talent that cannot progress because of a lack of resources, contacts or opportunity.

USAID COMPETE developed the Origin Africa concept as a means to capture the spirit, style and innovation of modern Africa in the textile/clothing, specialty foods and floriculture sectors. The Origin Africa Designer Showcase aimed to raise the profile of Africa as sourcing destination and to highlight the creativity and innovation of the African

cotton, textile and clothing industries. USAID COMPETE also strives to change perceptions about doing business in Africa for international buyers.



The collections were reviewed by a panel of judges drawn from a cross section of the international fashion and apparel industry. Mike Nzioki of Kenya was the winner of the student category and was awarded a three month internship at Viva Africa Designs in Kenya. In the professional category, Samson Ssenkaaba of Xenson Art Brand emerged as the winner and received automatic entry to the "Origin Africa – Fiber to Fashion" event to be held in Mauritius in November 2010. Chad Schofield, a leading US apparel buyer and one of the judges for the event, shared his market

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Origin Africa: Celebrating the Spirit, Style, and Innovation of Modern Africa

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expertise with the designers at a workshop where he provided training and guidance on how to target specific markets and how to make one's product 'commercial.' Overall, the Origin Africa Designer Showcase proved to be a highly successful event that provided opportunities for local talent and local manufacturers to work

together to develop a strong African fashion industry. It also provided an opportunity for designers to network, present their latest designs and talents, and showcase African fashion to the world at large.

The follow-on event, the Origin Africa "Fiber to Fashion" Mauritius, will

cover a Pan-African base of design entries from eight countries, with the spotlight on modern fashion "Made in Africa". A key component will be providing a platform for business. It will promote trade opportunities from fiber to fabric, from corporate wear to fashion, and from clothing manufacturers to accessories. It will

also be a forum for US and EU buyers to market their business and requirements to Africa and for sellers to market and profile their business and products to the region, and globally. Innovation, new fabric technologies, product development and graphic designs will also be featured.

Horticulture, COMPETE's Newest Value Chain

By Alexander Fernando, USAID COMPETE's Horticulture Specialist

COMPETE's newest value chain is staple horticulture which includes fresh and processed regionally traded fruit and vegetables such as onions, tomatoes, cabbages and mangoes as well as roots and tubers such as cassava and sweet potatoes. Intra-regional trade in staple horticulture is estimated conservatively at over \$2 billion USD annually. Though it has traditionally received little government or donor attention, it surpasses the horticulture export industry in revenue.

Alexander Fernando started as the USAID COMPETE's Horticulture Specialist in February. With several years experience managing agricultural value chain interventions in East Africa, Fernando is a welcome addition to the staple foods team. The position will not cover traditional export horticulture, though the project's Trade

Hub supports floriculture exports to the US under AGOA. Similar to trade in other staple foods, the bulk of regional horticulture trade is through informal channels (estimated as high as 80-95% by volume) and therefore does not show



Tanzanian farmer sorting her produce for sale at the local marketplace in Lushoto

up in national trade statistics. The goal of the new position, as in all of COMPETE's value chain work, is to increase regional trade by 30% in value and volume. COMPETE will do this by increasing tradeable

surpluses and by reducing barriers to trade.

What is staple horticulture? Don't staple foods refer to maize and rice? How is staple horticulture related to staple foods and food security? These are some questions that might come to mind when first hearing about COMPETE's new value chain.

Foremost is the issue of nutrition and food security. As school-children in developed countries learn from an early age, fruit and vegetables form part of a healthy and balanced diet. In developing countries, diets from poor households typically rely overwhelmingly on a single crop with low nutritional value, such as maize or cassava. The World Health Organization and Food and Agriculture Organization of the UN recommend a minimum daily intake of 400 grams

of fresh fruit and vegetables per person or about 150 kg per person per year. Most of the countries in which COMPETE works in east and central Africa currently consume about 40% of this requirement, ranging from 27 kg per person per day in Ethiopia (about 18% of the WHO/FAO requirement) to 114 kg in Kenya (about 78% of the requirement).

Not only does a more balanced diet improve nutrition, but growing fruit and vegetables also makes a significant contribution to food security. Growing horticultural products as part of a range of staple food sources also helps to mitigate risk of smallholder farmers in the case of crop failure. Growing horticulture products also makes a significant contribution to household income as fruit and vegetable are high-value, can be grown in a small area and have short

Horticulture, COMPETE's Newest Value Chain

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growing periods (typically 3 months or less). This important contribution of staple horticulture to food security - known to development practitioners and academics for some time - is now entering the regulatory and public realm as well. The East Africa Community (EAC) and Common Market for East and Southern Africa (COMESA) have included horticulture in their definition of staple foods and in their regional staple foods strategies. In addition, horticulture will play a key role in the new USAID food security initiative, "Feed the Future" (FTF). FTF



defines food security as availability, access and improved utilization of food that results in better nutrition and increased stability. FTF further aims to reduce risks and vulnerabilities and increase gender equality and environmental sustainability.

COMPETE's approach to increasing regional trade involves consulting key private and public stakeholders to identify the critical bottlenecks to this trade



and developing interventions that form a regional competitiveness strategy to deliver tangible results in a 1-2 year timeframe. As a regional project, the focus is on interventions that support the work of individual country programs and initiatives but falls outside their mandate. This will draw on the project's technical expertise in transportation, customs, finance, policy and competitiveness.

COMPETE is currently undertaking a trade flow and regional value chain analysis including meeting with stakeholders in the key countries. In the fall of 2010, COMPETE will convene a regional working group to validate the findings and develop a regional competitiveness strategy and reform agenda to be rolled out through key private and public partners. Stay tuned in these pages for more information.

Intra-regional trade in staple horticulture is estimated conservatively at over \$2 billion USD annually.

Kenya Transport Association Supports Truckers in Transition to the Electronic Cargo Tracking System

The Kenya Transport Association (KTA) held a one-day Electronic Cargo Tracking System (ECTS) sensitization workshop on June 16th, 2010. The workshop was designed to quell the anxieties of truckers who must conform to the Kenya Revenue Authority's (KRA) mandate of installing ECTS on any truck that uses the Mombassa Port by June 30th, 2010. As of a week before the workshop, only 400 of the 20,000 mandated cargo trucks had installed the requisite tracking system. Much of this delay could be blamed on the high cost of ECTS and the lack

of knowledge surrounding the device. KTA's research shows that the tracking reader will cost East African truckers as much as \$845 per unit, a stark contrast to the \$200 price of tracking readers in countries such as Israel. On behalf of East African truckers, KTA is asking KRA to delay the ECTS mandate until more suppliers enter the market, which



will drive down the cost of trackers.

ECTS uses Radio Frequency Identification (RFID) technology to communicate the status of trucking cargo in real time. ECTS can detect if there is any change to a container, or if the seal has been compromised. Once operational, ECTS will eliminate the need for roadblocks and convoy escorts, greatly reducing the time of travel across the Northern Corridor. KTA is fully supportive of ECTS once more suppliers have entered the East African market and more truckers have been

educated regarding the need and benefits of ECTS.

USAID COMPETE is working with KTA to strengthen its capacity, including developing industry standards, promoting self-regulation and conducting evidence based advocacy. COMPETE has supported KTA by promoting best practices, which has elevated KTA's capacity and visibility to take on evidence-based advocacy. A key component of this capacity building has been a \$250,000 partnership grant that has put KTA on the path to growth and long-term sustainability.

Villages Commercialize for Market Gain

Mugambi K. Mutituuri of Mwegiki, Kenya proudly posed with his Grain Savings Passbook. He had just deposited seven, 90kg bags of maize into his community's new Commercial Village Store (CVS). Rather than sell his seven individual bags to middlemen at a significantly lower price, Mutituuri is banding together with smallholder farmers from his Mwegiki community. The goal is to increase their bargaining power by directly attracting buyers with a large store of high quality maize. "When I sold to middle men, I would get maybe 700 (Ksh) per bag. Selling as a community, I can get twice that," said Mutituuri.

Mutituuri is one of the many Mwegiki community members who gathered on April 28th, 2010 to welcome USAID COMPETE and USAID East Africa to their new Commercial Village Store (CVS), a project implemented by Farm Concern International (FCI) with USAID COMPETE support. In the words of FCI, "Commercial Villages are a hybrid of farmer groups, farmer associations, co-operatives, marketing association and agro-enterprises operating as business units offering smallholders optimal opportunities as market play-



Mwegiki community member, Mugambi K. Mutituuri, displays his FCI Grain Savings Passbook

ers." In short, CVSs are designed to increase storage capacity for smallholder farmers, enabling them to reduce post-harvest losses and increase their food security and sustainable access to markets. Mweru is just one of 22 CVSs in Kenya. Each CVS consists of up to 500 households. USAID COMPETE is supporting 56 CVSs across Kenya, Uganda, Rwanda, Tanzania, and Zambia (representing around 130,000 individuals), with plans to roll out to Malawi and

"When I sold to middle men, I would get maybe 700 Kenyan Shillings per bag. Selling as a community, I can get twice that."

Ethiopia.

For CVSs to work, the town has to invest in the idea. In Mwegiki, Chief Murungi Ntiba and local community member, Juliana Kaburia Jasper, were indispensable forces for rallying community support. Jasper is a retired school teacher who had Mutituuri in one of her first classes. When asked a

question about the Mwegiki CVS, Mutituuri turned to Jasper for answers. He calls her the "custodian of information." Jasper worked tirelessly with FCI to galvanize the community toward embracing the CVS concept. A concept that one of FCI's founding directors, Mumbi Kimathi, characterizes as an "aggressive approach to leave subsistence farming and become commercial farmers."

During our visit, Jasper spoke on behalf of the community, FCI, and stakeholders alike: "Our vision is to change the mindset of the community so that in 10 years to come they will have an improved standard of life." It's working. The community is energized and the Mwegiki store is nearly full. A buyer from PISU and Company



Juliana Kaburia Jasper alongside an FCI staff member

Villages Commercialize for Market Gain

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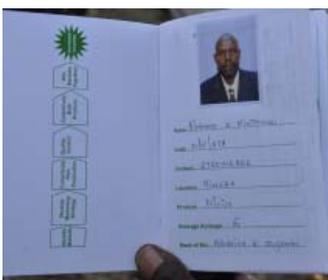
Ltd., one of Kenya’s largest suppliers, joined the festivities on April 28th. While we didn’t hear any negotiations between the town and PISU representative, the Mwegiki store had clearly attracted the buyer’s attention -- The Mwegiki community is becoming a market player.

“Our vision is to change the mindset of the community so that in 10 years to come they will have an improved standard of life.”



Mwegiki community member drying maize

An Up Close Look at the Grain Savings Passbook



The ‘Grain Savings Passbook’ is a perfect cross between a national passport and bank check book. The front page is branded with ‘Kijiji Products’ – a logo that represents top quality products marketed by poor communities – and contains a series of personal identifiers. The inside is similarly exacting: a passport size photo and a series of dated deposit lines with weight specifications and current market prices.

The Grain Passbook is a simple concept of documentation that has proved invaluable to USAID COMPETE and Farm Concern International’s (FCI) mission of enhancing community empowerment through pro-poor market development initiatives and the commercialization of poor households in Sub-Saharan Africa. Through record keeping

documents like the Grain Saving Passbook, FCI is gaining local buy-in for commercialization. With Grain Passbooks, farmers have a tangible representation of the investments they are making and the prices they are seeking. The passbooks, also backed with USAID COMPETE and FCI branding, relieves the stress of verbal understandings with defined accountability. The accountability is so clear that local banks have accepted passbook entries as equity for farmer loans.

How it works: Farmers take their properly dried sacks of grain to the village store. FCI logs each farmers deposit along with the current market price, duplicating the information in the farmer’s passbook. In the process, smallholder level farmers learn the prerequisites, accurate and timely

information on available volumes and quality parameters, to lure potential buyers. The village then negotiates with buyers as a commercialized group, allowing them to gain more market access and better market prices. Through the group, farmers typically get double the selling price that they were getting as individuals. Additionally, with their new documentation knowledge, smallholder farmers can move into using warehouse receipts systems, allowing them to access commercial markets throughout the region. The organization of selling as a group takes a bit longer, but the payoff is worthwhile. The Grain Savings Passport is one innovation helping FCI and USAID COMPETE to reach their vision of commercializing African households for increased income and better livelihoods.

USAID COMPETE Joins the Export Promotion Council in Welcoming U.S. Handicrafts Buyer to Kenya

Twenty six vendors, representing the best of Kenya handicrafts, gathered at the Fairview Hotel on May 4th, 2010. Through the collaboration of the Export Promotion Council (EPC) and USAID COMPETE traditionally local vendors expanded their market horizons by meeting with one of the largest US commercial buyers of handicrafts, Cost Plus World Market.



The goal was twofold: to educate Kenyan vendors on the international quality standards necessary to become competitive in a global market and to negotiate orders for export.

The EPC has a mandate to enhance Kenyan export performance level by initiating measures to remove bottlenecks faced by exporters; formulate market strategies, identify export opportunities and inculcate an export culture. USAID COMPETE takes a holistic approach to addressing export constraints and promoting the opportunities available for African companies to increase their

competitiveness and trade with the United States and global markets. Together, EPC and USAID COMPETE are enlarging Kenya's export supply base by assisting new export enterprises and promoting new products for export.

One of the 26 vendors at the Fairview was Grover Ainsworth, a Peace Corps volunteer working with Nomadic Baskets, a weavers group in Ngurunit, Kenya made up of Rendille and Samburu women.



Mr. Ainsworth is passionate about his product. He speaks excitedly about the quality of his company's baskets and his efforts to streamline the product. He and the women weavers are currently working on basket templates that will allow several models of baskets to be stacked within one another – greatly reducing the bulk of shipping. Stephen Nalebeson is similarly passionate. Nalebeson, Procurement Manager of the Bombolulu Handicrafts Centre, trav-

elled from Mombasa to attend the one day handicrafts expo. The Bombolulu Handicrafts Centre is a project of the Association for the Physically Disabled in Kenya (APDK). Bombolulu employs 150-disabled craftsmen/women who produce jewellery, hand printed textiles, wood carvings and leather crafts. Their products are exported to 20 countries.

Amy Kawamoto, the Cost Plus World Market Representative, visited each of the 26 vendors in attendance. She assessed their products and gave advice on how to become more competitive. She also gave valuable information on customs procedures and the US handicraft market. And with some, she negotiated. Said Nalebeson, "Amy [Kawamoto of Cost Plus World Market] spent a lot of time with each vendor to educate us on the specifications our products need to meet to enter the US market. She gave us

tips on how to improve our products to match US consumer tastes. This was very useful information that I could only get from this kind of workshop."

Kawamoto walked away from the exposition praising the vendors and their selection of materials. She found the show to be "very well organized and productive." In turn, the vendors left with greater insight into the US market and a stronger awareness of the steps necessary to become market players in a global economy. The vendors' ambitions are clear. In the words of, Mohazo, the aim is "to be a world class supplier of gifts, decorative and functional items produced in East Africa that enlivens the lives of discerning people of the world." Collaborations between the EPC and USAID COMPETE are providing the market links and education to make East African vendors' goals a reality.



Cost Plus World Market buyer, Amy Kawamoto, discusses product with a Kenyan seller

The Agricultural Commodity Exchange for Africa Trust (ACE) Adds Bid Volume Only (BVO) Component to Trading Platform

By Ian Goggin, USAID COMPETE's Structured Trade Specialist

In May, with the help of a USAID COMPETE Partnership Fund grant of \$60,000 and the technical assistance of COMPETE Structured Trade Specialist, Ian Goggin, the Agricultural Commodity Exchange for Africa Trust (ACE) added a "Bid Volume Only" (BVO) component to their trading platform. The BVO element produces more timely, accurate and usable data. And, it gives smallholder farmers direct access to commodity exchanges.

The World Food Programme (WFP) started using ACE to place a "bid volume only" (BVO), which is like a reverse auction where the suppliers compete on price against a specific volume required at a stated location. At the end

of the process, ACE hosts a physical trading session where suppliers place their offers against the bid in a transparent manner, for all to see. Whilst many of the suppliers choose to attend in person, it is not essential that they do so. The trading platform is Internet based, allowing those who cannot make the physical session

compares prices and transport costs, and then selects the most competitive offer (or offers). This facility is open to all and it is 100% transparent. WFP wants small operators and farmers to participate and thus they have waived performance bond requirements for small volumes. They will also accept delivery on

tion was initially promoted by the WFP, it is now being embraced by both public and private organizations as they have seen the potential benefits to all. ACE held its most successful "Bid Volume Only" (BVO) sessions to date during May and June with trades equaling 1,883,660.80 USD. Of this, WFP signed contracts at 8 separate BVO sessions, whilst the commercially operated SENWES signed a contract for 2000 MT Soya @ 50.5 kwacha per kg from producer organizations in the Ntchisi District of Malawi, worth 683,000.00 USD.

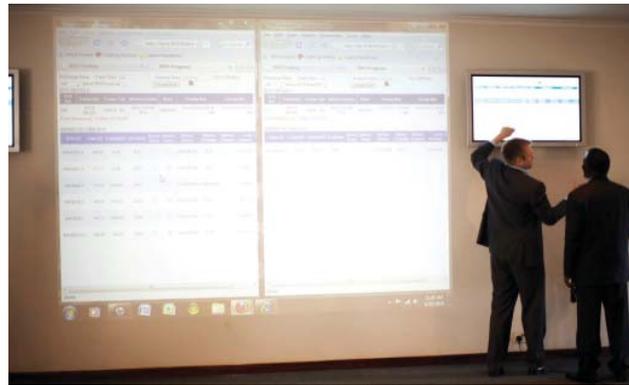


Photo Caption: Charlie Barnell, WFP

The BVO in practice. Smallholder farmers join ACE for a live trading session.

to participate, no matter where they are. When the session is done, the WFP

warehouse receipts.

Although the BVO func-

USAID COMPETE is facilitating ongoing collaborative efforts that will link BVO to other regional African exchanges.

International Floriculture Expo, Miami, FL, June 22-25

By Finn Holm Olsen, USAID COMPETE's Director of East and Central Africa Trade Hub

COMPETE's ECA Hub organized an 'Origin Africa: Grown Under The Sun' Pavilion in Miami, Florida. Building upon several years of successful cut flower exhibitions in the US highlighting East African growers, most recently the Super Floral Show in June 2009, this year's show – renamed the International Floriculture Expo - involved companies

from Kenya, Ethiopia and Mauritius. The Origin Africa Pavilion was a standout for the quality and variety of flowers displayed, and participants commented on the particularly good quality of the contacts made in Miami. Companies will be following up on opportunities generated over the coming months.



USAID COMPETE sponsored East African flower vendors at the International Floral Expo in Miami in June

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USAID COMPETE works to:

- Reduce barriers to trade
- Enhance the competitiveness of selected value chains including staple foods
- Promote investment and trade between the U.S. and East and Central Africa

For more information about COMPETE, visit our website, www.competeafrica.org or

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Events Calendar

Date	Event	Venue	Find Out More
29 June - 1 July	Northern Uganda Southern Sudan Business Forum	Gulu, Uganda	
1 - 2 July	CGA South Rift/Nyanza Field Day	Kisii, Kenya	
7 - 9 July	Value Chain Workshop and Food Balance Sheet Workshop	Dar es Salaam, Tanzania	
5 - 9 July	Partner organization assessment of East African Fine Coffees Associations (EAFCA)	Kampala, Uganda	
7 - 10 July	Curriculum Implementation Committee (CIC) - Support to FEAFFA and East African Revenue Authorities	Kampala, Uganda	
12 - 14 July	RADDEX 1.0 Assessment	Kampala, Uganda	
14 - 16 July	RADDEX 1.0 Assessment	Kigali, Rwanda	
13 - 15 July	International Apparel Sourcing Show	New York, NY	http://tiny.cc/klop7
15-Jul	COMPETE Friends of Africa Apparel Board of Advisors Meeting	New York, NY	
15 - 18 July	Africa Fashion Week	New York, NY	www.africafashionweekny.com
21 - 23 July	Training workshop with key private sector stakeholders to develop regional curricula on key trade facilitation issues	Mombasa, Kenya	
28 - 31 July	Harare, Zimbabwe Fashion Week	Harare, Zimbabwe	www.zimbabwefashionweek.com/
2 - 6 August	9th AGOA Forum	Washington, DC and Kansas City, MO	
15 - 18 August	MAGIC Apparel Trade Show	Las Vegas, NV	www.magiconline.com