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## **RATES PROGRAM**

### **Annual Performance Monitoring Report**

#### **PMP**

**October 2005 to September 2006**



**October 15, 2006**

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**Annual Performance Monitoring Report**

**October 2005 to September 2006**

**Submitted by:**

**Chemonics International Inc.**

**A USAID-funded Project  
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## Table of Contents

Table of Contents .....	ii
ACRONYMS .....	iii
Executive Summary .....	1
A. Overview of RATES .....	5
B. The RATES Results Framework .....	6
A. Project Level Impact .....	7
B. PIR 1: Expanded agricultural trade opportunities in selected commodities .....	13
KRA 1.1: Specialty coffee exports increased.....	15
KRA 1.2: Increased value of maize .....	18
KRA 1.3: Sales of cotton/textiles increased.....	21
KRA 1.4: Sales of dairy products increased .....	25
C. PIR 2: Increased institutional capacity to sustain agricultural trade.....	27
KRA 2.1: Capacity of selected partner organizations strengthened.....	30
KRA 2.2: Demand-driven technologies identified, developed and utilized .....	37
D. PIR 3: Expanded private sector contribution to regional trade initiatives .....	39
KRA 3.1: Private sector-driven agricultural trade policies advocated.....	40
KRA 3.2: Private sector buy-ins and alliances expanded .....	42

## ACRONYMS

ACTIF	African Cotton and Textile Industries Federation
AGM	Annual General Meeting
AGOA	African Growth and Opportunity Act
ASARECA	Association for Strengthening Agricultural Research in East and Central Africa
CFI	Computer Frontiers International
COMESA	Common Market for East and Southern Africa
CMS	Coffee Marketing Specialist
CQI	Coffee Quality Institute
CTMS	Cotton/Textile Marketing Specialist
DRC	Democratic Republic of Congo
EAC	East African Community
EAFCA	East African Fine Coffee Association
ECA Hub	East and Central Africa Global Competitiveness Hub
ECAPAPA	Eastern and Central Africa Program for Agricultural Policy Analysis
ESA	East and Southern Africa
ESADA	Eastern and Southern African Dairy Association
FARA	Fixed Amount Reimbursable Agreement
FEWS NET	Famine Early Warning System Network Project
FOODNET	Post Harvest and Marketing Research Network for Eastern and Central Africa Project
GDA	Global Development Alliance
GHA	Greater Horn of Africa
GPS	Global Positioning Systems
IBAR	Inter-African Bureau for Animal Resources
IEHA	Initiative to End Hunger in Africa
ICO	International Coffee Organization
IGO	Intergovernmental Organization
IMCS	Independent Management Consulting Services
IRC	International Relations Committee

IT	Information Technology
ITI	International Technology Investment Ltd.
KRA	Kenya Revenue Authority
LOL	Land O'Lakes
LTC	Livestock Trade Commission
M&E	Monitoring and Evaluation
NSB	National Standards Bureaus
NTB	Non Tariff Barrier
PIR	Project Intermediate Result
PLP	Pastoral Livelihood Program
PMP	Performance Monitoring Plan
RATES	Regional Agriculture Trade Expansion Support Program
RATIN	Regional Agricultural Trade Intelligence Network
REDSO	Regional Economic Development Services Office
PIVA	Partner Institutional Viability Assessment
RTO	Rates Trade Office
SCAA	Specialty Coffee Association of America
SO	Strategic Objective
SPS	Sanitary and Phytosanitary
TBD	To-Be-Determined
UHT	Ultra High Temperature
USAID	United States Agency for International Development
VCA	Value Chain Analysis
WTO	World Trade Organization
WWC	Worlds Wildest Coffee Conference and Exhibition
ZCGA	Zambia Coffee Growers Association

## **Executive Summary**

RATES is a commodity-focused program concentrating on an integrated value chain approach in four commodities: specialty coffee, maize, cotton and textiles, and dairy. Through policy advocacy, lobbying, public relations, and marketing, RATES is expanding private sector contributions to regional trade initiatives in East and Southern Africa (ESA). The project does this successfully because it provides, through its personnel, highly-valued commodity knowledge and organizational expertise. By bringing people who share a common cause together in associations, RATES has begun to create regional capacity with an impact on trade expansion.

This fourth annual Performance Monitoring Report (PMP) is based on the RATES Results Framework and is one of two parts of the RATES Annual Report. It provides highlights of key results and reports on project-level indicators that accurately documents RATES progress on meeting programmatic and contractual objectives. The second component of the annual report is a separate narrative Progress Report that further documents results with component highlights, success stories and photographs providing a very complete summary of RATES progress during the last year.

To date, RATES has made significant and successful progress towards achieving the results set forth in the strategic plan. As a result, the project is making a major contribution towards improving the livelihoods of East Africans. As a regional program without “foot soldiers” on the ground, RATES must rely on bilateral programs and other key national partners to follow through on many of the linkages that RATES is able to initiate. This close collaboration with these programs at the grass roots level is one key to RATES success to date. Some of the key preliminary results/highlights during the past 12 months include:

### **Maize**

- Formal grain trade across the region during the calendar year 2005 was reduced due to severe drought conditions in a number of the target countries. Total grain trade was valued at \$19 million compared to \$8 million in grain traded during the 2001 baseline period. A significant amount of unrecorded maize was detected by RATES cross border monitors that were not include in the formal trade figures. This resulted in a 59% reduction in trade as recorded for the same period as last year, but still well above the baseline year.
- Several countries instituted export bans as a result of reduced maize production. In spite of these bans, maize continued to flow through informal and undocumented channels. This could partially explain the increase in unrecorded trade, as traders were using informal trade routes to avoid the bans. This trade totalled to over \$50 million in cross-border trade.
- RATES continued to promote the “Maize without Borders” concept and the program is now taking this initiative to the next logical step by supporting the creation a more structured trading system within the region. In this regards, the newly formed East African Grain Council (EAGC) is leading the charge in public/private cooperation to develop a strategy for better coordination between the private sector and government policy makers.

- With RATES support, the EAGC also hopes to promote innovative programs such as warehouse receipt schemes and other collateral management systems to allow commercial trade to react to food security needs within the region by providing known quantities of grain in secured warehouses.
- Although overall regional exports were reduced due to the drought conditions, our data shows that the region has recovered from the effects of the reduction of exports coming out of Zimbabwe with other countries picking up this trade.
- The Regional Agricultural Trade Intelligence Network (RATIN) continues to serve as a leading source of agricultural market information locally, regionally and internationally. There are now over 1400 subscribers to the Monthly Newsletter and Weekly Price Review bulletin available through the [www.ratin.net](http://www.ratin.net) website. RATIN will be incorporated into the EAGC during FY 07.
- RATES supported [www.tradeafrica.biz](http://www.tradeafrica.biz) continues to gain momentum as the only fully-integrated grain trade linkage site operating in Africa. During the FY 06 reporting period, the site posted over \$250 million in combined offers to buy and sell grain.

## **Coffee**

- The value of specialty coffee exports continued to increase significantly driven by higher overall world coffee prices up significantly from an all time low in 2003. There has been a renewed interest in East African coffees that has also increased competition for the best grades of specialty coffees from the region. The value of specialty coffees exported totaled over \$162 million representing a 289% increase from the 2001 baseline year. The region saw a 28% increase over last year's value.
- Rwanda made great strides in developing its specialty market as well as did Tanzania that also showed significant gains and increased interest from the US coffee industry. The Burundi specialty industry also showed a sign of recovering as peace takes hold.
- RATES' strategy on increasing specialty coffee exports is to work through EAFCA, a regionally-focused specialty coffee organization with chapters in ten coffee producing countries in the region including Burundi, Democratic Republic of Congo, Ethiopia, Kenya, Malawi, Rwanda, Tanzania, Uganda, Zambia, and Zimbabwe.
- As a result of RATES support to the EAFCA Secretariat, EAFCA is on the verge of becoming a sustainable organization. We are also seeing dividends from our intensive marketing and awareness campaigns through EAFCA. East African coffee producers are selling more of their coffee into international markets, with a Tanzanian producer and Rwandan cooperative earning the coveted "black apron" award from Starbucks. Similarly, WWC conferences have attracted numerous international buyers including Peets Coffee and Tea and Starbucks.

- The RATES project has supported EAFCA’s program for market expansion and promotion by developing activities and events that promote the region’s coffees and that raise the profile and prestige of the organization. An illustrative list of events supported by RATES and attended by EAFCA members includes: Coffee and Tea Conference and Exhibition in Hamburg, Germany; World Wildest Coffee (WWC), and National Cupping Competitions; and Tastes of Harvest. These events have been very successful; through the WWC, EAFCA has earned enough profit to sustain its operating budget for the whole of next year.

## **Cotton/Textiles**

- RATES has helped the region to increase cotton/textile sales to over \$325 million in 2005 compared to the 2001 baseline totals of \$253 million, representing a 28% increase in trade.
- RATES is focusing on the regional textile industry as a main buyer of regionally (and mostly smallholder) produced lint, and as a seller of textile products to the apparel sector taking advantage, where applicable, of opportunities provided under African Growth and Opportunity Act (AGOA).
- Operating under the premise that the resulting increase in regional demand for cotton will translate into improved market opportunities for smallholder farmers, RATES has been working with the industry to develop and strengthen regional markets as well as promoting and implementing programs for improved regional competitiveness that position the sector to take advantage of national, regional, and export markets.
- RATES’ vision of industry ownership of the program through African Cotton and Textile Industry Federation (ACTIF) continues to gain momentum and is becoming increasingly recognized as an entity that will generate serious advantages within the region as a unified, pragmatic and credible reference point for the future in regional, African and international trade affairs.
- ACTIF has achieved an impressive track record of international and regional recognition in a very short period of time and RATES is working with ACTIF leaders on a dedicated effort to form a pragmatic institutional structure that will lend itself to member needs and sustainability over time.
- [www.cottonafrica.com](http://www.cottonafrica.com) continues as a leading success story of a web-based trading site. The site has over 250 registered users and is the number one key word search result on Yahoo and Google for the words “cotton” and “Africa”. Since coming on line in 2003, traders have posted an impressive \$435 million in cotton products on the site.

## **Dairy**

- Regional exports of dairy products for 2005 reached a total of \$ 6.9 million. This was 166% above the 2001 baseline value of \$2.5 million. As with maize, dairy exports were down compared to last year by about 5 % due to the drought conditions in several of the most important dairy producing countries.

- To date, RATES has made significant progress in developing systems for inter-regional market linkage systems, development of systems for improved market information, building a regional trade community through ESADA, improving product competitiveness and strengthening national dairy associations.
- RATES (under the auspices of COMESA and the EAC) sponsored the region's second Regional Dairy Conference held in Kampala in 2006.
- RATES assisted COMESA and the EAC in becoming major players in resolving a number of bilateral dairy trade disputes including issues between Uganda and Kenya and Zambia and Kenya.
- COMESA and ESADA signed an MOU of mutual collaboration in May 2006 at the African Dairy Conference and Exhibition held in Kampala, Uganda.

### **Policy**

- RATES strategy is to identify trade policy and regulatory issues that negatively affect regional trade flows and to initiate policy and regulatory change through regional policy making structures (COMESA, EAC and SADC) and to support the implementation process.
- RATES worked closely with COMESA to help accelerate the implementation of the COMESA Simplified Trade Regime (COMESA-STR), a simplified reporting procedure that allows for smaller values of commodities to pass through regional borders with less red tape.
- The RATES policy team, through ESADA, worked closely with COMESA and EAC in completing a regional dairy SPS protocol geared towards providing a sustainable solution to the SPS related trade barriers to regional trade in dairy products.

### **Private sector contributions to trade initiatives**

- Private sector contributions to RATES-supported events have been increasing every year since the start of the programs. Direct buy-ins to RATES activities totaled almost 4.9 million dollars in FY 06. Total contributions over the life of the project have so far totaled over \$11.1 million.
- Over 1,300 private and public sector stakeholders actively participated in RATES-supported activities during FY06. With RATES support, our partners conducted 42 training events. Through participation in business forums, policy and trade roundtables and international marketing and trade activities, these companies and individuals are now better able to take advantage of trade opportunities that are now occurring as a result of an improved trading environment created through RATES' policy work.
- These firms are actively advocating for policy and trade reforms and are working closely with regional organizations such as COMESA and the EAC to assist these regional governmental organizations to formulate policy based on private sector and industry participation.

## Section I. Introduction

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### A. Overview of RATES

The Regional Agricultural Trade Expansion Support (RATES) program is a five-year USAID/East Africa-funded program implemented by Chemonics International Inc., in collaboration with International Technology Investment Ltd. (ITI), Integrated Development Consultants (IDC), the Imani Development Group (Imani), Computer Frontiers Inc. (CFI), Independent Management Consulting Services (IMCS), and Land O' Lakes Inc.

RATES was designed to assist REDSO (now USAID East Africa) and its partners to further the mission's Integrated Strategic Plan (ISP). Specifically, RATES falls under the mission's Strategic Objective (SO) 5, Enhanced African Capacity to Achieve Regional Food Security.

Under this SO, REDSO identified four indicators to measure achievement of this result:

- Percentage increase of trade flows in selected commodities
- Number of policy changes adopted by regional inter-governmental organizations (IGOs)
- Number of formal partnerships to achieve food security objectives
- Increased public and private investments in the agricultural sector

Within this framework, RATES results (as per the Chemonics contract) will be measured in terms of significant increases in trade flows (35%) of selected commodities over the life of the project. These increases must, in turn, be sustainable in order to create the necessary agricultural growth that will lead to increases in rural incomes and corresponding decreases in regional food insecurity.

In 2003, REDSO re-examined its strategic plan in light of the launch of two USAID-wide initiatives, the Initiative to End Hunger in Africa (IEHA) and the Trade for African Development and Enterprise (TRADE), one of the regional Hubs for the Global Competitiveness program. As both of these initiatives complemented REDSO's existing agricultural program, the REDSO strategic plan was extended to 2008, making it consistent with the IEHA planning cycle.

The IEHA program was incorporated into REDSO's agricultural strategy by explicitly targeting smallholders and more actively building the alliances necessary to increase private and public sector investments in the agricultural sector. RATES expanded the scope of our activities to meet the goals of IEHA that were basically in line with the existing framework. RATES reports directly to IEHA on a number of specific indicators that are tracked across the region by all IEHA-supported countries and programs.

During 2006, REDSO underwent reorganization and a name change to USAID East Africa. The RATES program now falls under the Regional Economic Growth and Integration (REGI) office. RATES activities will be incorporated into the mission's new strategic plan. This plan is still under development and will adhere to the newly formed US Government's Foreign Assistance Framework that has recently been launched. RATES fully expects to adjust our program and provide input to this framework and emerging programs such as the African Global Competitiveness Initiative (AGCI) as a follow on to TRADE. Below is review of the RATES results framework:

## B. The RATES Results Framework

### Project Goal

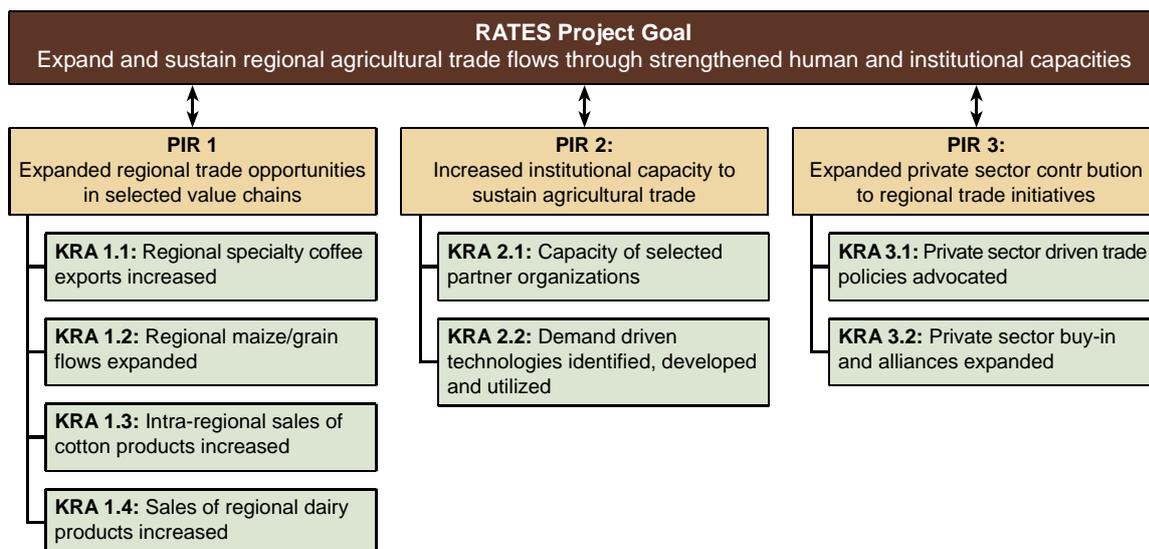
The project goal presented in the box to the right reflects the position of RATES within the SO 5 framework and guides strategic thinking with regard to project approach and identification of appropriate project intermediate results areas.

**RATES Project Goal**  
Expand and sustain regional agricultural trade flows through strengthened human and institutional capacities

The Results Framework for RATES is presented below. To achieve the RATES goal, RATES has identified three Project Intermediate Results (PIRs), each of which targets an area where RATES must achieve results in order to maximize contribution to SO 5 indicators. Each PIR is divided into key results areas (KRAs). KRAs provide the framework for identification and implementation of activities designed to achieve required results, govern the setting of benchmarks and targets and drive decisions that the RATES Center makes with regard to technical priorities.

### Exhibit 1. RATES RESULTS FRAMEWORK

**Exhibit 1. RATES Results Framework**



In the next section, we present a summary of results achieved during the project year for the period October 1, 2005 to September 30, 2006. These results also include the baselines established for each indicator where appropriate and tables and exhibits to further highlight our achievements.

## Section II. RATES Results

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### A. Project Level Impact

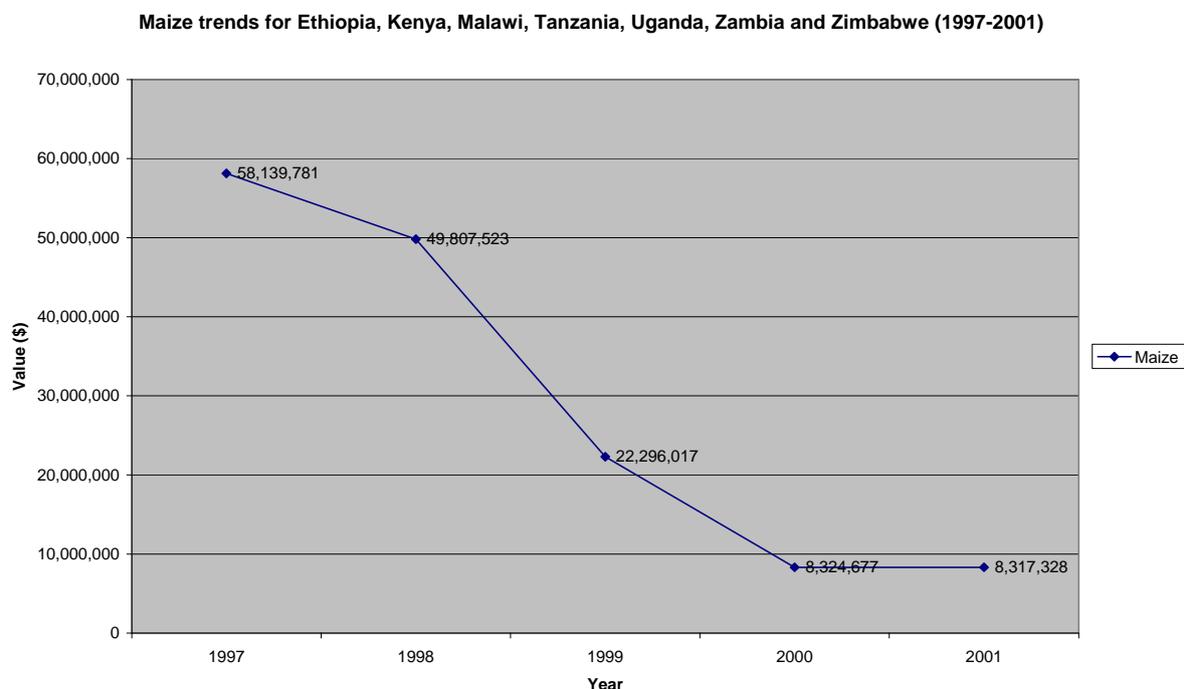
Below, RATES provides a detailed summary of project-level results to date. These have been captured quantitatively in terms of actual numbers where data are available, and qualitatively in terms of highlights and case studies of important achievements.

RATES has defined three indicators to capture achievement toward the project goal. These are:

- Percentage increase of agricultural trade in the region
- Number of policy changes adopted by regional and inter-governmental organizations
- Increased regional partner institutions capacity (defined by score on PIVA-Scale)

To establish baseline information on these indicators, RATES worked closely with the REDSO team and regional partners to determine the best source of primary data to develop our baseline database. For establishing baselines, we had to weigh the ease of obtaining data, the validity of data collected within the region, and the financial constraints of the project's ability to collect primary data itself. We also agreed that data would be based solely on officially-recorded formal trade data, as the project's objective is to decrease barriers to formal trade, and in doing so, will ultimately result in decreased informal trade in the targeted commodities.

#### Exhibit 2. Maize trend analysis for establishing a project-level baseline.



In establishing our commodity baselines, RATES conducted trend analyses for each of the project-supported commodities for the years 1997-2001 and determined that values for these commodities have been on a negative trend for the last five years (see Exhibit 1 for maize). Based on these data, RATES and REDSO agreed to utilize the calendar year 2001 as the baseline-year for determining achievement of project-level results. Based on the reporting cycles for our principal data providers, RATES will report results on a calendar year basis. The data presented in this report cover the period January 1-December 31, 2005.

For trade information on maize, dairy, and cotton, RATES utilized data from the Common Market for Eastern and Southern Africa (COMESA) and verified this information through RATES baseline studies and local sources of trade information such as local customs authorities. This data was further supplemented by surveys and direct data collection from RATES partners and beneficiaries.

Due to the unique nature of specialty coffee, a number of data sources were used for this commodity. As most official coffee trade data are composite figures that combine different varieties and qualities of coffee, RATES worked with additional data sources such as the Specialty Coffee Association of America (SCAA), the International Coffee Organization (ICO), and United States Department of Agriculture Foreign Agricultural Service (USDA/FAS) to determine the value of specialty coffee trade from each targeted country.

Unfortunately, there is no universally accepted definition of what constitutes “specialty coffee,” as the term frequently means different things to different people. This presents a challenge in capturing data related to exports of this market segment. Given this lack of precision in definition, it is extremely difficult to describe the market in a global way. This makes it equally challenging to determine a baseline or to report values of specialty coffee exported from the region.

For the purposes of this report, coffee export data provided to the ICO were used. Illustrative export values were extrapolated from price data also available from the ICO. Specialty coffees were valued at 20% above prevailing world “C” coffee prices as recorded by the New York Board. All other coffees were given the “C” price that is considered the fair average price (FAQ). The estimated percentages of coffees sold as specialty were based on auction information, discussions with traders, and price information provided by coffee boards and private producers.

For monitoring policy change, RATES has adopted the same methodology and terminology found in the USAID REDSO’s PMP plan under SO 5. Under this methodology, targeted policy changes are tracked as they move through the various stages to adoption. RATES is working closely with both COMESA and EAC and tracking the progress of trade policies as they move through the system.

For institutional capacity strengthening, RATES worked closely with USAID REDSO’s organizational development specialist to develop indicators based on the partner institutional viability assessment index (PIVA). This index is a participatory, rapid assessment tool used to evaluate and monitor performance of six organizational systems including governance, operations and management, human resources development, financial management, service delivery and external relations and advocacy.

Below, we list the three goal level indicators with baseline data for calendar year 2001 where applicable (Exhibit 3). These tables represent the composite totals across all commodities and partner institutions. As discussed above, the trade data is based on data up through December 31, 2005.

Following four years of operation, trade policy reform and institutional capacity strengthening results are starting to be captured at the goal level (Exhibit 3). In addition, a significant number of preliminary results have been achieved and are best captured at the KRA-level.

### Exhibit 3. Project Goal-Level Indicators

Percentage increase* in agricultural trade flows in the region	Baseline** Jan-Dec 2001*	Year 1 2002	Year 2 2003	Year 3 2004	Year 4 2005	Year 5 2006
Increased value of extra/inter-regional trade in selected commodities	\$324,572,718	373,614,706	\$392,417,233	\$652,834,561	\$514,254,006	
Percentage increase over baseline	NA	11%	15%	101%	58%	
Percentage over previous year	NA	15%	5%	66%	(-21%)	

\* Based on a selected number of countries for coffee, maize, cotton and dairy that was added in year 2.

\*\* Livestock data was removed from the baseline total after year 1 and to be tracked by AU-IBAR. For year 1 the correct baseline total including livestock was \$338,354,365.

Number of policy changes adopted by regional inter-governmental organizations	Baseline 2002	Year 1 2003	Year 2 2004	Year 3 2005	Year 4 2006	Year 5 2007	Totals*
Number of policy changes adopted by COMESA	0	0	3	2	3		8
Number of policy changes adopted by EAC	0	0	2	11	2		15
Number of policy changes adopted at the national-level	0	0	4	11	13		28
Total	0	0	9	24	18		51

\*Cumulative totals from baseline year through year 4.

<b>Institutional capacity of partner organizations strengthened</b>	<b>Baseline PIVA score</b>	<b>Interim PIVA</b>	<b>Interim PIVA</b>
Total PIVA score for EAFCA	251	313	
Total PIVA score for ESADA	237	TBD	
Total PIVA score for ACTIF	151	TBD	
Total PIVA score for EAGC	160	TBD	

\*ESADA legally registered in 2005: Interim PIVA to be conducted in FY 07

\*\*ACTIF legally registered in 2006: Interim PIVA to be conducted in FY 07

\*\*\*EAGC legally registered 2006: Interim PIVA to be conducted in FY 07

### **Progress on goal-level results are provided below:**

**Indicator: Percentage increase in agricultural trade flows.** Regional agricultural trade was significantly affected by the weather in 2005. Severe drought in a number of RATES-targeted countries resulted in reduced production that resulted in decreased volumes of commodities available for export. Several countries imposed regional export trade bans on food security crops such as maize and other grains, even in some cases where mild surpluses actually existed, e.g., Zambia. This negatively impacted on officially recorded trade among a number of countries.

### **Below is a brief summary of goal-level trade data:**

- Since RATES start up in October 2002, RATES-supported industries have exported over \$1.89 billion in specialty coffee, maize and grains, cotton and textile products and dairy. RATES is well above the 35% target increase for meeting its end-of project (EOP) trade results.
- RATES has provided direct support to over 2,000 agricultural exporting and manufacturing firms in the region over the last four years (FY 02-FY 06) that are now networked in national and regional trade organizations.
- RATES has assisted over 250 of these national and regional trade organizations to better serve their members. These organizations reach thousands of individual producers and processors and allow RATES to leverage its resources to support the maximum number of beneficiaries.
- For 2005, total regional trade in RATES-supported commodities exceeded \$514 million compared to the 2001 baseline total of \$324 million, representing a 58% increase in trade over the baseline period.
- Trade was however 21% less than exports recorded for the same period last year. This could be mainly contributed to the unfavorable climatic conditions that reduced production. Total trade for all commodities totaled a little over a half billion dollars.

- Since 2003, the COMESA region has exported approximately \$2.5 billion in cotton and apparel to the US under the provisions of AGOA. ACTIF has been an active leader in promoting the AGOA legislation and advocating for a continuation of this initiative with an inclusion of certain textile products to be added in the eligible AGOA products. Since the start of the RATES cotton/textile program in 2003, over \$1 billion in cotton lint, yarn and fabric have been traded through RATES supported firms.

**Indicator: Number of policy changes adopted by regional inter-governmental organizations.** COMESA and the EAC are making steady progress in promoting regional integration and are key RATES partners. RATES strategy is to create enough momentum to challenge the existing “protected” trade mentality and to change the political will of policy makers to open up their markets to interregional trade. Some indicators of progress:

### **COMESA and EAC**

- EAC reviewed and harmonized eight new dairy standards including standards for butter, yoghurt UHT milk, raw cow’s milk and pasteurized milk. This resulted from a number of national-level consultative meetings and a series of RATES supported regional negotiations.
- At the RATES-supported EAC dairy roundtable meeting, dairy policy makers from the three countries agreed to cease the practice of blocking cross border trade in pasteurized milk. Using the justification of seasonal supply issues, countries were basically using a NTB to protect domestic producers. This was a major decision that should increase the free flow of pasteurized milk among regional dairy producers and allow companies to increase production. A particular case in point was Brookside Dairies which cited frustration in trying to export pasteurized milk into the region because of these objections.
- COMESA formally adopted a mechanism for monitoring and facilitating the elimination of NTBs and passed this responsibility to the member States for implementation.
- The COMESA-Simplified Trade Regime (STR) was formally adopted as part of the COMESA Customs regime. The aim of this simplified procedure is to remove unnecessary paperwork for trading smaller quantities of selected commodities. This has paved the way for the process of adoption of the STR at the national level.
- COMESA signed Memorandums of Understanding (MOUs) with two RATES supported industry associations (ESADA and EAFCA).

## National level changes

Over the last few years, there has been a number of major “free trade” legislation passed by the regional organizations. The real challenge is to see these initiatives implemented at the national level which is the real test for a more liberalized trading regime.

- Kenya, Uganda and Tanzania acted to remove constraints to dairy trade based on seasonal objections to the movement of pasteurized milk.
- Kenya changed their national coffee act to allow for a second window and direct sales of coffee.
- Uganda enacted a warehouse receipt bill that formalizes a key component of the Maize without Borders initiative.
- Kenya, Uganda and Tanzania started implementation of the EAC customs union that came into effect in January, 2005. The custom tariff for maize is now zero rated.
- Malawi adopted a change in policy allowing for commodity risk management on their maize balance sheet. This represents a major shift in government policy on procuring grain reserves that allows for differential “futures” trading.
- Kenya government agreed to accept the findings from the Zambia Kenya trade dispute roundtable and have formed a task force to address the issues raised by Zambia to resume trade in dairy products.
- Zambia passed warehouse receipts legislation in 2004 which is now being implemented by local producers.
- Tanzania adopted a new strategic plan for revitalizing the cotton sector.
- In Ethiopia, there was a proclamation (372/2003) that has opened the door for an aggressive start up of a warehouse receipt program involving the Government of Ethiopia, IFPRI and private sector stakeholders.
- Uganda imposed a ban on selling and distributing raw unprocessed milk in cities to encourage consumers to buy pasteurized milk; the aim of the ban is to encourage commercial investment in the processing sector.
- On the negative side, Zambia and Malawi enacted temporary grain export bans during crop year 2005. Zambia also introduced a 10% excise duty on selected dairy products that could harm overall sales. ESADA is actively supporting the Zambia Dairy Processors Association (ZDPA) to lobby for the removal of this tax.

**Indicator: Institutional capacity of partner organizations strengthened.** RATES is supporting the ability of implementing partners to provide important trade support services on a sustainable basis. RATES uses the Partner Institutional Viability Assessment (PIVA) tool for evaluating progress in institutional development. This tool measures an organization's progress in six key areas of institutional development and ranks the organization on a scale from start up to maturity for a number of indicators in areas such as operations and management, financial management, service delivery and external relations. This work is further highlighted under KRA 2.1. Below are key results:

- At the regional level, RATES has fostered the development of regional associations in each commodity sector. This includes the Eastern African Fine Coffees Association (EAFCA), Eastern and Southern African Dairy Association (ESADA), African Cotton and Textile Industries Federation (ACTIF), and the newly formed East Africa Grain Association (EAGC).
- RATES continues to provide long term technical assistance to these organizations from assisting in their formation and registration to conducting strategic planning and sustainability workshops. RATES staff are working hand in hand with the leadership of these organizations and providing day-to-day advisory services.
- Within the framework of RATES and our work through association partners, we have provided direct support to over 2,000 agricultural exporting and manufacturing firms in the region over the last four years (FY 03-FY 06).
- Through technical assistance and financial support, RATES has assisted over 250 national and regional trade organizations to better serve their members. These organizations reach thousands of individual producers and processors and allow RATES to leverage its resources to support the maximum number of beneficiaries.
- RATES has helped these organizations to train over 6,000 individuals. This assistance has included training of firm-level technical staff in areas such as grades and standards, product enhancement, certification, international marketing, investment and finance, differential trading, business planning and strategic planning, policy advocacy and lobbying and understanding regional and international trade issues. Producers have received trainings that will help them improve their production and increase the quality of their products to meet international standards.

## **B. PIR 1: Expanded agricultural trade opportunities in selected commodities**

PIR 1 provides the driving force for project implementation. There are four KRAs in this PIR, each one focused on achieving expanded trade within a targeted commodity value chain. Below is a summary of results to date:

#### Exhibit 4. PIR 1: Expanded agricultural trade in selected commodities

Expanded agricultural trade opportunities in selected commodities (extra/inter-regionally)	Baseline 2001	Year 1 2002	Year 2 2003	Year 3 2004	Year 4 2005	Year 5 2006
Increased value of specialty coffee exported	\$60,099,073	\$74,390,917	\$88,344,960	\$125,848,824	\$162,122,946	
Increased value of regional maize trade	\$8,317,328	\$43,048,190	\$31,252,068	\$47,476,231	\$19,550,940	
Increased export of cotton products	\$253,565,110	\$238,335,614	\$267,235,066	\$472,335,071	\$325,674,647	
Increased sales of dairy products	\$2,591,208	NA	\$5,585,139	\$7,232,284	\$6,905,472	
Total values for selected commodities with dairy added	\$324,572,718	\$373,614,706	\$392,417,233	\$652,892,410	\$514,254,005	
Percentage increase over baseline		11%	15%	101%	58%	
Percentage increase over previous year		11%	5%	66%	(-21%)	

**\*Dairy was added November 2003. Livestock data has been excluded from the RATES' calculation after 2002. The correct baseline total for year 1 that included livestock was \$338,354,365.**

#### Some preliminary results during FY 06

As indicated above in Exhibit 4, the region continues to experience an increase in trade over the 2001 baseline for the four commodities. Combined trade was 21% less than recorded last year for the same period and can be attributed to the unfavorable production conditions in many of sample countries due to prolonged drought. Below are some important trade details:

- Grain trade for 2005 was significantly lower than the same period in 2004 and officially recorded at around \$19.5 million verses \$47 million for the same period last year. However RATES picked up significant amounts of cross border “informal” trade that increased as a result of export bans imposed by several countries experiencing reduced rain. This trade would have increased the values to around \$70 million. RATES is initiating a study to determine if the recent zero rating of custom duties on grain is affecting the reporting of trade at the border and thus skewing the trade information flowing to COMESA.
- Cotton production was also negatively affected and our data shows reductions in exports from a number of countries that had shown tremendous strides in revitalizing their industries. Total exports of lint, yarn and fabric totaled \$514 million compared to the 2001 baseline of \$324 million, representing a 58% increase over the baseline year. Compared to results from 2004, exports were down 21 % compared to the same period last year. This was weather related in countries like Zambia but also due to political and economic instability in countries like Zimbabwe. Both Zambia and Zimbabwe showed significant reductions in lint trade. On the positive side, there was an increase in intra-regional exports of the three cotton categories of lint, yarn and fabric. These exports increased to approximately \$38 million in 2005 compared to \$28 million for the 2001 baseline period. We also recorded major increases of lint exported from the region

directly to Kenya. Kenya usually has a deficit in cotton production and must look for outside sources to meet the textile industry needs for lint.

- The value of specialty coffee exports was 27% higher than last year and over 200% above the baseline values. Specialty coffee export values totaled over \$162 million for 2005/2006. This is another strong indication of the recovery of overall world coffee prices and the regional industry. In addition, the region is receiving substantially more interest from international buyers. Information received from a number of European and US buyers indicate that many companies are gearing up their purchase of African specialty coffees. This is a very encouraging sign for regional producers.
- Dairy exports for 2005 had a total value of \$6.9 million compared to a value of \$2 million during the 2001 baseline period. This represents a 166% increase for this small but growing industry. Dairy exports were marginally down from the same period last year by 4.5 % mainly as a result of reduced supplies of raw milk. On a brighter note, the fledgling regional cheese industry showed a 30 percent increase in sales mainly through intensive marketing campaigns.

Below, we provide a detailed summary of each commodity:

### **KRA 1.1: Specialty coffee exports increased**

The Eastern African Fine Coffee Association, (EAFCA), a regional coffee organization representing nine Eastern African coffee-producing countries, is RATES' lead partner in implementing the RATES' fine coffee strategy. RATES long-term strategy is to support EAFCA's efforts to position itself as a major actor in the marketing and promotion of Eastern African fine coffees in regional and international markets and to set a course of action that leads to its sustainability.

- Activities continued to focus on supporting EAFCA's growth and development in the areas of market expansion and product enhancement. Also a significant amount of assistance was provided to help EAFCA develop and refine systems aimed at building long-term sustainability and included developing membership and communication strategies, writing proposals for additional funding and defining an overall fund-raising strategy (see Section 2.1).
- As a result of RATES unwavering support to EAFCA, EAFCA is on the verge of becoming a sustainable organization. Also, East African coffee producers have started to gain international recognition as highlighted by the recent award of Starbuck's coveted Black Apron award to a Tanzanian producer and a Rwandan cooperative. Through the promotional efforts of the WWC conferences, numerous international buyers have increasingly become aware of Africa's emerging specialty coffee industry. Last year, international and regional industry players contributed over \$2 million in support of the conference through registrations, sponsorships and booth rentals.

## Exhibit 5. KRA 1.1: Increased value of specialty coffee

<b>Increased value of specialty coffee</b>	<b>Baseline 2001</b>	<b>Year 1 2002</b>	<b>Year 2 2003</b>	<b>Year 3 2004</b>	<b>Year 4 2005</b>	<b>Year 5 2006</b>
Increased value of specialty coffee exported from Burundi	\$325,093	\$131,315	\$225,720	\$3,553,638	<b>\$2,487,020</b>	
Increased value of specialty coffee exported from Ethiopia	\$42,633,524	\$50,617,406	\$36,491,400	\$50,452,906	<b>\$68,944,163</b>	
Increased value of specialty coffee exported from Kenya	\$14,407,945	\$17,531,064	\$38,016,000	\$42,920,429	<b>\$56,201,143</b>	
Increased value of specialty coffee exported from Malawi	*	*	\$240,900	\$125,606	<b>\$170,183</b>	
Increased value of specialty coffee exported from Rwanda	*	*	\$2,869,020	\$11,314,017	<b>\$15,348,466</b>	
Increased value of specialty coffee exported from Tanzania	\$1,840,033	\$5,220,758	\$6,824,400	\$15,179,579	<b>\$16,151,205</b>	
Increased value of specialty coffee exported from Uganda	\$146,538	\$79,075	\$316,800	\$479,056	<b>\$1,417,519</b>	
Increased value of specialty coffee exported from Zambia	\$515,815	\$279,366	\$580,800	\$1,375,763	<b>\$917,586</b>	
Increased value of specialty coffee exported from Zimbabwe	\$230,124	\$531,934	\$2,779,920	\$447,830	<b>\$485,662</b>	
<b>Total values</b>	\$60,099,073	\$74,390,917	\$88,344,960	\$125,848,824	<b>\$162,122,946</b>	
<b>Percentage increase over baseline</b>	NA	24%	46%	109%	<b>289%</b>	
<b>Percentage increase over previous year</b>		24%	19%	42%	28%	

\* Insignificant <1% or not recorded as specialty

\*\* Data source: ICO, SCAA, coffee boards, and private companies

### A brief summary of the trade data:

- As a result of RATES work and in close collaboration with a number of USAID supported bilateral programs and local partners working at the grass roots level, the region recorded over \$162 million of specialty coffee exports during the 2005/2006 coffee season compared to only 60 million dollars in exports of specialty coffee recorded in 2001. Specialty coffee sales have increased over the last four years at an average rate of over 25% per year, a very encouraging trend.
- Through RATES interventions that have focused on highlighting African fine coffees, a number of international firms have re-discovered Eastern African coffees and are now investing in African coffee producers through alliances with local communities. For example, Starbucks has recently invested over two million dollars in Ethiopian and Kenyan coffee industries by supporting local communities to better process their coffees. Ethiopia sold over \$ 86 million last year (2005/2006) in specialty coffee and Kenya sold over \$ 56 million of these premium coffees that generally attract prices at least 20% higher than those of the lower commodity grade “C” coffees.

- RATES is working with EAFCA and bilateral programs to ensure these premiums are returned to small holder farmers by supporting Fair-Trade, Utz Kapeh and other certification programs. Starbucks plans to triple purchases of Ethiopian coffees in 2007 through their CAFÉ practices that guarantee higher returns to producers. Starbucks has committed \$660,000 over the next two years to include Kenyan Arabica coffee in its global coffee sustainability initiative.
- A number of other companies are buying substantially more specialty African coffee as a result of EAFCA/RATES promotional campaigns. Peet's Coffee and Tea is working closely with Tanzanian cooperatives and recently increased their sales to over \$3 million from a local cooperative group, Kilicafe, an EAFCA member. EAFCA member and coffee roaster, Green Mountain Coffees out of Vermont, is training local producers in Rwanda and has been in the forefront of the remarkable recovery of the Rwandan coffee industry. Better coffee quality and higher international prices increased Rwanda's coffee export revenue to \$38.3 million last year with specialty coffees accounting for over \$15 million of this total. Lindsay Bolger, chief buyer for Green Mountain has served multiple times as a Coffee Corps volunteer for EAFCA.
- RATES has assisted EAFCA in working closely with the US coffee industry through the Specialty Coffee Association of America (SCAA)'s Coffee Quality Institute (CQI) and their volunteer Coffee Corps program. With RATES support, Coffee Corps has provided over 50 US coffee industry volunteers that have provided training in cleaning, processing, roasting, cupping, brewing and marketing coffees. Training under this program has helped over 6,000 African producers, processors, and millers to improve the quality of their coffees and thus achieve higher prices from international buyers.
- Rwanda has made significant strides in improving their position in world coffee markets. Efforts led by PEARL and ADAR, two USAID Rwanda projects, have led to lucrative contracts between Rwandan growers and US and European companies. Green Mountain Coffee from the US has entered into a number of key contracts with local cooperatives. The value of specialty exports out of Rwanda totaled over \$15 million. Starbucks now features Rwanda Blue Bourbon coffee under their famous Black apron series.
- RATES is supporting the Jane Goodall Institute to promote sustainable "conservation" coffees that are grown near chimpanzee habitats in the Gombe Stream National Park. The goal is for local producers to protect the habitat while gaining a sustainable livelihood from their coffee. Through a RATES Partners Fund grant, JGI has built a cupping laboratory and hired a professional coffee advisor to support local communities. RATES has linked a number of buyers to JGI. There is already very strong interest among US and other international buyers to market a JGI brand coffee. The first shipments of Gombe coffees have been bought by companies such Starbucks and Green Mountain Coffees.

## **KRA 1.2: Increased value of maize**

Maize is the major food crop in the region and a key component of national-level food security strategies. However, it is not uncommon for certain parts of the region to be hit by severe seasonal food shortages despite available maize stocks in nearby countries. The distance between the supply and demand of maize can be measured in terms of both kilometers from supply and in terms of the number of cross-border barriers inhibiting trade. The RATES maize program has the long-term goal of improving the flow of maize and expanding the availability within the region. This will contribute to stabilizing the regional maize market and help in reducing the large swings in maize prices seen during periods of deficit. The RATES maize program follows a regional theme of “Maize without Borders” as a concept launched by RATES through the auspices of COMESA. We are now moving to promote the concept of creating a more structured grain trading system to take grain trading to the next level. The recent formation of the East African Grain Council (EAGC) is a major step forward. This organization that started as an alliance between all the major public and private sector grain industry players will hopefully become the model for similar councils forming at both the national and regional level.

### **Some preliminary results during FY 06**

To address the challenges of managing real-time market information, the RATES trade office was opened in September 2003. This office is staffed by a commodity specialist, a trade office facilitator, and RATIN manager. The office manages the two RATES-support sites, [www.ratin.net](http://www.ratin.net) and [www.tradeafrica.biz](http://www.tradeafrica.biz). The trade office operates a pro-active call center that manages trade inquiries, market intelligence analysis, and a trader’s network that is linked through various electronic platform channels including the internet, email, telephone, SMS and radio.

### **Progress to date**

- RATES is strengthening the formation of a regional trade networks and continually “pushes the envelope” on developing strategies for increasing grain trade within the region. The recent launch of the East African Grain Council (EAGC) is a major milestone in this effort. Government policy makers are beginning to change their attitudes towards the free movement of grain across their borders. The COMESA and East African Community (EAC) Heads of State have endorsed the “Maize without Borders” concept that aims to improve the smooth flow of maize from surplus to deficit areas.
- On a continual basis, RATES holds business forums and grain trade meetings with national stakeholders to promote the structured trade concept and encourage public and private sectors to hold regular dialogue on key trade issues. Illustrative meetings held include the Southern African Development Community/Strategic Grain Reserve Workshop, New Partnership for Africa’s Development/Inter-Governmental Authority on Development Conference, EAC Customs Union Meetings, World Food Programme Procurement Workshop, and Food Aid Round Table meeting.

- RATES is successfully overseeing the management and expansion of the Regional Agricultural Trade Intelligence Network (RATIN). RATIN is an alliance and partnership among the major food security agencies and private grain traders. RATIN continues to be the leading source of agricultural market information, and has over 1,400 subscribers to the monthly newsletter and weekly price review bulletin. RATES has also continued the Famine Early Warning System Network (FEWSNET) Project's cross-border data collection activities and has signed new service contracts with the FEWSNET-supported price and border monitors.

**Exhibit 6. KRA 1.2: Increased value of regional maize exported (both inter/extra-regional)**

<b>Increased value of regional maize exported* (both inter/extra-regional)</b>	<b>Baseline 2001</b>	<b>Year 1 2002</b>	<b>Year 2 2003</b>	<b>Year 3 2004</b>	<b>Year 4 2005</b>	<b>Year 5 2006</b>
Increased value of maize exported from Ethiopia	\$638,045	\$317,797	\$48,241	\$1,661,656	<b>142,708</b>	
Increased value of maize exported from Kenya	\$381,798	\$20,579,659	\$1,185,072	\$1,469,306	<b>\$1,554,571</b>	
Increased value of maize exported from Malawi	\$607,323	\$25,733	\$6,527,434	\$7,050,577	<b>0</b>	
Increased value of maize exported from Tanzania	\$2,550,546	\$19,614,875	\$16,763,148	\$14,959,948	<b>\$8,566,060</b>	
Increased value of maize exported from Uganda	\$2,759,000	\$2,226,877	\$4,358,586	\$6,403,298	<b>2,671,248</b>	
Increased value of maize exported from Zambia	\$1,344,017	\$268,763	\$1,715,841	\$15,929,552	<b>\$6,609,975</b>	
Increased value of maize exported from Zimbabwe	\$36,599	\$14,486	\$653,746	\$1,894	<b>\$6,378</b>	
<b>Total values **</b>	<b>\$8,317,328</b>	\$43,048,190	\$31,252,068	\$47,476,231	<b>\$19,550,940</b>	
<b>Percentage increase over Baseline year (2001)</b>	<b>NA</b>	418%	375%	571%	<b>135%</b>	
<b>Percentage increase over previous year</b>		418%	<b>(-27%)</b>	52%	<b>(-59%)</b>	

\* Formal trade as reported to COMESA on a calendar year basis

\*\* RATES recorded approximately 50 million dollars in unrecorded trade in 2005, not shown as formal trade.

### **A brief summary of the trade data:**

- Formal grain trade data was somewhat difficult to analyze this year because of inconsistencies in export numbers with a significant increase in “unrecorded trade” data being picked up by RATES cross border monitors, especially from East Africa. Grain traded during 2005 had a total value of \$19.5 million compared to the 2001 baseline value of \$8.3 million representing a 135% increase over the baseline year. However, formal trade was down 59 % from the same period last year and can be explained by the drought conditions and by the fact that traders are still avoiding formal border procedures to avoid paying a number of levies imposed on cross border trade. This trade becomes unrecorded by customs when bags of maize are carried by hand across the border to awaiting trucks.
- Much of this unrecorded trade was formal in the sense it was handled by some fairly major trading companies but was not recorded by customs staff at the borders. This trend was verified through telephone surveys to a number of trading companies that indicated substantial regional grain sales that were not recorded at the borders this year. This trade significantly exceeded official data provided by COMESA and national customs offices. This trade totaled more than \$50 million. The fact that maize is now zero-rated on duties could partially explain why some border customs officers are not documenting this trade.
- As there are a number of possible explanations for this observation, RATES will conduct a brief study to determine the effects of free flowing maize on the collection of trade statistics by customs officers at selected borders. There could be other non tariff barriers that are still preventing traders from using the formal system. One way to avoid border procedures is to hire bicycle traders to take maize across the border as non commercial maize. The trader simply buys the grain as if were domestically produced and thus not recorded.

### **Trade volumes on [www.tradeafrica.biz](http://www.tradeafrica.biz).**

This trade promotion site allows maize buyers and sellers an opportunity to post offers on the site both for domestically supplied and interregional traded. In Exhibit 7, we provide results for the site. During FY 06, users posted over \$100 million in offers to sell maize with offer to buy maize exceeding \$130 million. The principal clients for buying maize include millers, strategic grain reserves and government procurement agencies. Although a substantial amount of this trade is met by domestic markets, regional clients are using [www.tradeafrica.biz](http://www.tradeafrica.biz) as a price discovery mechanism. WFP is using [www.tradeafrica.biz](http://www.tradeafrica.biz) prices as benchmark tender prices.

**Exhibit 7: [www.tradeafrica.biz](http://www.tradeafrica.biz) :Volume and value of business postings**

Inquiries to Buy Maize	2005 totals	Quarter 1	Quarter 2	Quarter 3	Quarter 4	2006 Totals
Volume in MT	845,290	151,400	274,580	131,850	157,900	715,730
Value in USD	162,744,270	24,163,000	48,123,300	25,196,535	32,799,441	\$130,282,276
Average Price USD/MT	190	160	175	191	207	182

Offers to Sell Maize	2005 totals	Quarter 1	Quarter 2	Quarter 3	Quarter 4	2006 Total
Volume in MT	723,767	111,900	144,455	49,000	108,050	413,405
Value in USD	118,108,280	23,879,000	38,889,940	13,834,333	23,541,320	\$100,144,593
Average Price USD/MT	190	213	269	282	217	242

**KRA 1.3: Sales of cotton/textiles increased**

To meet our objectives in the cotton/textile sector, RATES is focusing on the regional textile industry as a main buyer of regionally (and mostly smallholder) produced lint, and as a seller of textile products to the apparel sector taking advantage, where applicable, of opportunities provided under AGOA. Operating under the premise that the resulting increase in regional demand for cotton will translate into improved market opportunities for smallholder farmers, RATES has been working with the industry to develop and strengthen regional markets. RATES is promoting and implementing programs for improved regional competitiveness that position the sector to work to best advantage in national, regional and export markets.

A key element in the FY 06 program is the direct industry ownership of the program and RATES has been meeting with key cotton/textile companies to promote the concept of regional integration of the supply chain. To make this happen, RATES has been encouraging regional networking through the [www.cottonafrica.com](http://www.cottonafrica.com) trade linkage site launched last year that provides trade linkage systems and trade information.

RATES has been coordinating its cotton/textile and other programs closely with the ECA Global Competitive HUB, based in Nairobi, and the Southern HUB in Gaborone, especially where it concerns the AGOA program. RATES and the Hub projects schedule periodic meetings to ensure a smooth working relationship and RATES is working closely with bilateral mission projects to ensure that RATES' regional focus on trade facilitations and policy harmonization compliments national-level efforts. RATES has a strong working relationship with all of the bilateral projects including APEP, SCOPE, SPEED, ACE, ZATEC, SALES and PESA.

## Some preliminary results during FY 06

- With RATES support and technical assistance, the African Cotton and Textile Industry Federation (ACTIF) is now a legally registered entity. It has created a Board of Directors and currently recruiting an interim Executive Director for the Secretariat. RATES has supported ACTIF to conduct an intensive strategic planning exercise that culminated in a three-year implementation plan that should move ACTIF from start up to the next stage in institutional development.
- ACTIF is starting to be perceived by the regional industry and the international trade community as the “go to” organization in the region for cotton and textile trade issues. ACTIF members reached consensus on desired changes in the AGOA legislation that could be of benefit to both the textile and apparel industries. This compromise approach was put together by ACTIF members in an AGOA “White Paper” that has been widely distributed and could have an impact on pending AGOA legislation in the US Congress.
- The RATES supported trade site [www.cottonafrica.com](http://www.cottonafrica.com) has generated major interest from the regional cotton and textile industry and is now the number one site on Yahoo for searching cotton trade. Since coming on line in 2003, traders have posted \$435 million in cotton products on [www.cottonafrica.com](http://www.cottonafrica.com) for trading.

### Exhibit 8. KRA 1.3: Increased value of cotton exported

	Baseline 2001	Year 1 2002	Year 2 2003	Year 3 2004	Year 4 2005	Year 5 2006
<b>Increased value of cotton exported</b>						
Increased value of cotton products exported from Ethiopia	8,552,293	8,384,413	\$12,003,295	\$7,701,472	<b>\$4,768,502</b>	
Increased value of cotton products exported from Kenya	629,008	803,899	\$2,053,812	\$3,159,197	<b>\$1,349,021</b>	
Increased value of cotton products exported from Malawi	4,528,847	4,947,808	\$5,173,121	\$20,470,259	<b>\$15,080,351</b>	
Increased value of cotton products exported from Mauritius	29,617,635	34,629,685	\$28,959,144	\$36,388,123	<b>\$18,553,944</b>	
Increased value of cotton products exported from Tanzania	34,685,057	30,481,211	\$45,650,219	\$78,632,064	<b>\$93,737,928</b>	
Increased value of cotton products exported from Uganda	4,997,432	10,972,494	\$17,397,565	\$39,436,784	<b>\$28,873,457</b>	
Increased value of cotton products exported from Zambia	29,761,061	37,710,569	\$47,014,531	\$147,092,347	<b>\$79,638,769</b>	
Increased value of cotton products exported from Zimbabwe	140,793,777	110,405,535	\$108,983,379	\$139,454,825	<b>\$83,672,675</b>	
<b>Total values</b>	<b>\$253,565,110</b>	\$238,335,614	\$267,235,066	\$472,335,071	<b>\$325,674,647.00</b>	
<b>Percentage increase over baseline</b>	NA	<b>(-6%)</b>	5%	86%	<b>28%</b>	
<b>Percentage increase over previous year</b>		<b>(-6%)</b>	12%	77%	<b>(-31%)</b>	

### **A brief summary of the trade data:**

- RATES measures cotton/textiles exports both in the intra and extra-regional categories. We also separate commodities by HS codes for lint (HS 5201 and 5203), yarn (HS 5205) and fabric (HS 5209/10/11/12).
- Exports of cotton and textile products for 2005 had a combined value of \$325 million compared to the 2001 baseline value of \$253 million. The 28% increase in cotton/textile trade over the 2001 baseline can be attributed to an increase in both lint and yarn trade, which overall has seen a rise of 40% and 30% respectively.
- Regional exports were down from last year by 31%, with significant reductions from Zambia and Zimbabwe due to unfavorable growing conditions.
- In woven fabrics, there has been a decline of 8% primarily due to reduced exports from Mauritius. A number of apparel factories closed down as a result of the end of the Multi-Fiber Arrangement (MFA) and in the previous year, this resulted in reduced domestic consumption of fabric and increased exports. However, Mauritius seems to be weathering the post-MFA storm and this year new factories have opened and investments worth \$60 million have poured in.
- In a bid to boost export manufacturing and to become the first viable alternative to China, the Mauritian industry is set to focus on markets in other African countries such as Kenya, Tanzania, Uganda, Mozambique, Ethiopia, Zambia and Madagascar.
- Tanzania has now emerged as the top exporting country with a growth level of 251% over the baseline, primarily due to progressive policies in the cotton/lint production sector. Industry action has centered on measures to improve production and reduce contamination, the latter having a serious negative affect in previous years on producer returns and of the reputation of Tanzania cotton as an origin. If current efforts to improve all facets of production continue and in an organized way, Tanzania is set to become one of the major fiber producers in Africa, and is already surpassing Zimbabwe in terms of production. One example of the confidence that is manifesting itself in the cotton sector in Tanzania is that of Cargill. Some years ago, Cargill pulled out of Tanzania because the sector was inefficient, disorganized and chaotic. Last year, Cargill returned to Tanzania and because of the improved environment, is now one of the major buyers of Tanzanian cotton lint.
- While relatively small compared to others in the region, Uganda has shown significant increases across the fiber to fabric value chain. In the cotton/lint sector, Dunavant has increased its investment in ginning. Other major players such as Cargill and Rheinhardt are also implementing grower support schemes due to the improved business environment and progressive policies through these private/public partnerships.
- Significant investments have occurred in the textile sector, mainly by Southern Range Nyanza and Phenix Logistics, the only two vertically integrated mills in Uganda. Southern Range Nyanza has heavily invested in backward integration and has installed state of the art weaving and knitting machines to improve fabric quality. The company scooped the prestigious Investor of the Year award in recognition of distinguished efforts to turn around the textile sector in 2005.

- Phenix Logistics, the only mill spinning organic cotton in East Africa, has grown its organic business by 100% and has developed new export markets to Kenya, Tanzania, Mauritius and Ethiopia. The company has also invested heavily in plant modernization to cope with increased demand. The initial investment of \$2.1 million is to be followed by an additional \$3.4 million for the anticipated expansion in production. The company plans to increase market access to the USA, the European Union and Japan.
- Uganda has moved a step ahead in beating the September 2007 expiry of third party fabric sourcing under the AGOA initiative by clinching a deal with an American investor to set up a spinning, weaving and dyeing mill. The new \$20 million investment is a joint venture between Tri-Star Apparel and ISIS Pacific Capital Inc, a New York-based textile and garment company.

**Trade volumes on [www.cottonafrica.com](http://www.cottonafrica.com).**

A total of \$191 million in offers to buy and sell were posted on the site (Exhibit 9) during the year, up from \$169 million in 2005, an increase of 13%. As a result of enquiries posted on [www.cottonafrica.com](http://www.cottonafrica.com), significant interest has been generated in the supply and trade of organic cotton throughout the value chain. New business has consequently been created in the supply of organic raw cotton lint, yarn and fabric with new markets being developed between Uganda and Kenya, Tanzania, Mauritius and the USA. This increased and more visible demand profile for organic fiber created by [www.cottonafrica.com](http://www.cottonafrica.com) has also stirred new interest in the production of organic cotton in Tanzania.

**Exhibit 9: [www.cottonafrica.com](http://www.cottonafrica.com): Value of business postings for FY 05.**

Postings	Totals for 2005	Quarter 1	Quarter 2	Quarter 3	Quarter 4	TOTALS 2006
Enquiries to Buy (USD)	\$13,987,376	\$27,583,200	\$4,161,975	\$43,991,070	\$35,935,500	<b>\$111,671,745</b>
Offers to Sell (USD)	\$156,011,637	\$4,233,400	\$7,339,291	\$34,928,132	\$33,072,280	<b>\$79,615,395</b>
TOTALS (USD)	\$169,999,014	\$31,816,600	\$11,501,266	\$78,919,202	\$69,007,780	<b>\$191,287,140</b>

#### **KRA 1.4: Sales of dairy products increased**

The RATES dairy program is focused on the development of extra/inter-regional export markets, initially targeting countries in the region with products that have regional demand. To pursue this program, RATES is working actively with its key partner, the Eastern and Southern African Dairy Association, ESADA, formed in 2005 for the expressed purpose of expanding markets for its members.

RATES is working with ESADA to provide core technical support on programs and member service delivery. Core support is also available to kick-start association programs that address inter/extra regional trade issues. ESADA services include market information, trade linkage systems, policy advocacy, regional and international representation, and specific training opportunities that address key trade constraints, i.e. grades and standards, SPS, and health and safety.

#### **Some preliminary results during FY 06**

- ESADA got a major boost in international and regional recognition by holding a very successful 2<sup>nd</sup> Annual African Dairy Conference and Exhibition held in Kampala. Launched by Ugandan President Yoweri Museveni, this event attracted major dairy players from the region who attended the conference or booked booths at the exhibition. Held as a profit generating event, ESADA was able to achieve approximately \$50,000 in net profit and sponsorships that will be used for covering operational costs for the organization.
- RATES worked closely with EAC and ESADA in harmonizing dairy standards in the EAC region that has already created several substantial cross-border investments from Kenya into Uganda and Tanzania. RATES is also working closely with COMESA to fully harmonize dairy standards across all COMESA countries. Through ESADA, the regional dairy industry is now cooperating on an unprecedented basis.
- With RATES support, ESADA is beginning to tackle major non tariff barriers to dairy trade and recently led a landmark meeting of key government agencies and leading commercial dairy firms to openly discuss real case studies of impeded trade and lost trade opportunities. Hosted by the EAC Secretariat, facilitated by ESADA and sponsored by RATES, the roundtable approach to resolving trade disputes has set a precedent to be emulated on a periodic basis.
- COMESA and ESADA signed a MOU in May 2006 at the African Dairy Conference and Exhibition held in Kampala, Uganda. Signed by Mr. Erastus Mwencha, the Secretary general of COMESA and John Anglin, the Chairman of ESADA, the MOU recognizes ESADA as the leading regional dairy trade association and encourages ESADA to play the private sector role in policy deliberations led by COMESA and its member states.
- ESADA also signed an MOU with the Milk Producers Organization of South Africa to adopt their “Dairy Mail Africa” publication as a partner ESADA publication. Several ESADA articles have been printed in this publication since the agreement. Funded entirely through advertising, ESADA will assist with distribution, stories and advertising through its ESADA membership.

### Exhibit 10. KRA 1.4: Increased value of regional dairy products exported

<b>Increased value of regional dairy products exported (both inter/extra-regional)</b>	<b>Baseline 2001</b>	<b>Year 1* 2002</b>	<b>Year 2 2003</b>	<b>Year 3 2004</b>	<b>Year 4 2005</b>	<b>Year 5 2006</b>
increased value of dairy Products exported from Kenya	\$423,106	NA	\$583,693	\$633,285	\$2,347,620	
increased value of dairy products exported from Malawi	\$118	NA	\$1,045	\$1,203,571	\$25,114	
increased value of dairy products exported from Zimbabwe	\$258,273	NA	\$3,647,113	\$4,642,990	\$3,981,785	
increased value of dairy products exported from Zambia	\$1,845,684	NA	\$661,690	\$337,438	\$400,982	
increased value of dairy products exported from Uganda	\$32,861	NA	\$550,465	\$164,629	\$81,362	
increased value of dairy products exported from Rwanda	\$0	NA	\$138,021	\$192,521	\$68,609	
increased value of dairy products exported from Tanzania	\$31,166	NA	\$3,112	\$58,343	\$0	
<b>Totals</b>	\$2,591,208	NA	\$5,585,139	\$7,232,284	\$6,905,472	
<b>Percentage Increase over baseline</b>		NA	118%	179%	166%	
<b>Percentage over previous year</b>			118%	29%	(-5%)	

\*RATES intervention in dairy sector was initiated in year 2 of the project.

#### A brief summary of the trade data

Although a small but growing industry, dairy is an important revenue earner for millions of small holder producers in the region. RATES goal is to bring more players into the formal sector that will improve the quality and safety of the dairy products available to consumers and increase the prices paid to local producers who meet quality and SPS. A summary of the data includes:

- Intra-regional exports of dairy products have increased to about \$7 million in 2005 compared to the 2001 baseline of \$2 million, representing a 166% increase over the baseline. Compared with exports of 2004, exports for 2005 were reduced by about 4 % from the same period last year.

- Kenya's export of dairy products grew by almost 300% during FY 06. This came about as a result of an increased export drive by the processing industry. The newly re-organized KCC re-entered the Ugandan Tanzanian, Rwandan and Burundian markets. Products included UHT milk, butter, milk powder and ghee. They also resumed production of milk powders and secured export orders from Uganda and Tanzania. Brookside re-entered Uganda, Burundi and DRC and increased its presence in Tanzania by securing a contract to supply UHT milk to the United Nations Peace Keepers based in Burundi and DRC. Farmers Choice, a major regional meat and processed foods distributor, emerged as the lead distributor of value added dairy products from Kenya.
- Uganda exports dropped to \$81,000 in 2005 compared to \$164,000 for the same period last year. Although a fledging industry that has undergone some recent restructuring, this drop in exports could be attributed to the continued non tariff barriers blocking access to the Kenya and Rwanda markets. Processors also experienced quality and logistical problems that hurt their expanding into export markets. Uganda's Gouda Gold and Alpha Dairies began export of cheese, long life milk and butter to Kenya and Tanzania. The value remains relatively small but growing.
- Tanzania exports to Kenya grew marginally with increased exports of yoghurt and fermented milks by International Dairy of Arusha and New Mara Dairy of Musoma. New Mara Dairy initiated exports to western Kenya after learning of the opportunity at the RATES-supported EAC Customs Protocol Workshop in Dar es Salaam.

### **C. PIR 2: Increased institutional capacity to sustain agricultural trade.**

RATES is supporting the ability of implementing partners to provide important trade support services on a sustainable basis. This is measured by conducting PIVA assessment of each organization at a number of intervals of development (usually during start up) and after a period of time. RATES has conducted two PIVA assessments for EAFCA, already a legal entity at the beginning of RATES. As other organizations have become legally registered, RATES has conducted baseline PIVA assessments and will conduct an interim assessment next year. To date, we have initial PIVA scores for ESADA, ACTIF, and the EAGC that were formed as a result of RATES support. These scores are shown in Exhibit 11 below.

There are two KRAs in this PIR. Progress is measured in terms of increases in the viability of partner institutions to sustain trade as measured by the PIVA scale. Progress towards assisting our partners to improve their capacities is shown in the next section.

**Exhibit 11. PIR 2: Increased institutional capacity to sustain agricultural trade**

<b>EAFCA</b>	<b>Baseline PIVA FY03</b>	<b>Interim PIVA FY06</b>
<b>Increased institutional capacity to sustain agricultural trade</b>		
Increased management systems of selected partners	124	157
Increased financial management of selected partners	42	52
Increased service delivery of selected partners	24	29
Increased external relations of selected partners	61	75
<b>Total PIVA Index Scores</b>	251	313
<b>Percentage Increase</b>		24.7%

<b>ESADA</b>	<b>Baseline PIVA FY05</b>	<b>Interim PIVA FY 07</b>
<b>Increased institutional capacity to sustain agricultural trade</b>		
Increased management systems of selected partners	120	
Increased financial management of selected partners	29	
Increased service delivery of selected partners	20	
Increased external relations of selected partners	68	
<b>Total PIVA Index Scores</b>	237	
<b>Percentage Increase</b>		

<b>EAGC</b>	<b>Baseline PIVA FY 06</b>	<b>Interim PIVA FY07</b>
<b>Increased institutional capacity to sustain agricultural trade</b>		
Increased management systems of selected partners	84	
Increased financial management of selected partners	17	
Increased service delivery of selected partners	14	
Increased external relations of selected partners	45	
<b>Total PIVA Index Scores</b>	<b>160</b>	
<b>Percentage Increase</b>		

<b>ACTIF</b>	<b>Baseline PIVA FY 06</b>	<b>Interim PIVA FY07</b>
<b>Increased institutional capacity to sustain agricultural trade</b>		
Increased management systems of selected partners	75	
Increased financial management of selected partners	17	
Increased service delivery of selected partners	13	
Increased external relations of selected partners	46	
<b>Total PIVA Index Scores</b>	<b>151</b>	
<b>Percentage Increase</b>		

## KRA 2.1: Capacity of selected partner organizations strengthened

RATES supports the ability of implementing partners to provide important trade support services on a sustainable basis. Work in this KRA during the work plan period targeted partner institutions with which RATES is providing technical and financial support.

### Exhibit 12. KRA 2.1: Capacity of partner organizations strengthened (EAFCA)

<b>EAFCA Capacity of partner organizations strengthened*</b>	<b>Baseline FY02</b>	<b>Year 1 FY03</b>	<b>Year 2 FY 04</b>	<b>Year 3 FY 05</b>	<b>Year 4 FY 06</b>	<b>Year 5 FY 07</b>
Increase in paid memberships	\$12,420	\$18,857	\$17,700	\$27,900	\$33,000	
Number of services provided	0	5	20	55	165	
Increase in revenues generated**	\$19,429	\$269,977	\$339,000	\$656,000	\$898,390	
Number of chapters formed***	6	9	10	10	11	
Number of trainings held	0	10	38	45	40	
Number of members trained	0	243	477	952	766	
Number of board meetings held****	1	3	13	5	4	

\* Includes data from EAFCA.

\*\* Includes grant monies and sponsorships received during the year.

\*\*\* Includes existing chapters

\*\*\*\* Includes executive committee meetings

### Some preliminary results during FY 06

#### EAFCA

RATES is assisting EAFCA to provide market and technical development services that support and add value to the programs of its members, promote aggressive regional and international market development and position EAFCA in the longer-term to maximize opportunities for revenue generation and sustainable operation. RATES support to EAFCA also includes financial support to the Secretariat in the form of a Partners Fund grant. Some key preliminary progress includes:

**Management systems.** RATES worked with EAFCA this year to develop a long-term strategy for growth and sustainability. Substantial capacity has been built in this regard and the process has been used at the board level to build awareness of long-term objectives of the organization. EAFCA is reaching a critical stage in its goal for financial sustainability and RATES is helping this organization explore options for additional funding and revenue generating activities.

- RATES assisted the EAFCA Executive Committee to review their constitutional viability, secretariat staff requirements, chapter formation and to make recommendations for changes and adjustments necessary to reflect the structural and governance systems desired by the Board. What remains to be done is to harmonize the chapter constitutional format to that of the new association format, and to assess human resource development as EAFCA continues to grow and mature.

**Financial management.** RATES encourages a fiscal strategy that requires EAFCA-derived revenue to be targeted for overhead costs to ensure that core costs are covered by internal revenues, versus donor input, and serves as a key step in developing a program for long-term sustainability.

- EAFCA's institutional strength and operational reputation stands it in good stead in attracting donor funding. The Swedish Chambers, in conjunction with SIDA, identified EAFCA as the implementing partner for its new two-year specialty coffee marketing program that targets EAFCA's East African membership. DFID's RTFP grant of \$175,000 to EAFCA will support marketing efforts in South Africa. Both of these new programs were launched last quarter at the African Fine Coffee Conference (AFCCE) and Exhibition in Arusha. Efforts are currently underway to resubmit the EAFCA ProInvest proposal with RATES technical assistance.
- Over the past two years, RATES' support to EAFCA for organizing regional coffee events and conferences such as the Taste of Harvest competition and the AFCCE has been aimed at developing internal event management capacity and providing a revenue stream for long term financial and institutional sustainability. This objective has been achieved with significant success. For the 2006 program year, EAFCA is relying on its own program manager to plan, prepare and implement nine training workshops, eight cupping competitions, three international trade events and its own conference and exhibition.
- To keep staff requirements to a minimum and to maximize efficiency, EAFCA independently contracts a conference management company to handle the planning, preparation and implementation of the AFCCE. Last quarter, the AFCCE in Arusha was considered a significant success with the largest participation ever in a logistically challenging location. RATES contribution was minimal with some "behind the scenes" support, and we consider EAFCA's management independence a significant success story. Work is well underway on the planning and preparation for the AFCCE taking place in Addis Ababa in February 2007.

**External relations.** EAFCA has previously signed MOUs with the SCAA, SCAE and the SCAJ and ICO.

- This year, COMESA requested that EAFCA sign an MOU recognizing EAFCA as a leading voice in the coffee sector. This is another sign of EAFCA's growing reputation as "the go to" organization for issues on specialty coffee.

**Exhibit 13. KRA 2.1: Capacity of partner organizations strengthened (ESADA)**

<b>ESADA Capacity of partner organizations strengthened*</b>	<b>FY02</b>	<b>FY03</b>	<b>FY 04</b>	<b>Baseline FY 05</b>	<b>FY 06</b>	<b>FY 07</b>
Increase in paid memberships				0	\$3,000	
Number of services provided				0	10	
Increase in revenues generated**				0	\$178,000	
Number of chapters formed***				0	7	
Number of trainings held				0	5	
Number of members trained				0	437	
Number of board meetings held				0	3	

\* Includes grant monies and sponsorships received during the year.

\*\* Includes existing chapters

**ESADA.** Executives at the October 2004 Dairy Summit passed a unanimous resolution to form a regional dairy processors' association and RATES dedicated financial and technical resources over the past year to assist in their structural development process and to initiate a program of services to their membership. After a very successful first year which saw the inauguration of the African Dairy Conference and Exhibition, the ratification of the ESADA constitution, formation of an independent Secretariat, and election of the first Board of Directors. RATES directed resources this year on capacity to deliver program activities that meet ESADA's mission statement and association objectives (Exhibit 13).

**Management systems.** ESADA was officially registered this year which opened the door to more independent operations. The MOU with KAM was allowed to lapse in February 2006.

- The ESADA Secretariat got a new face lift this year with the recruitment of Dr. Kipkirui Lang'at as its new full-time Executive Director. Dr. Lang'at, a veterinarian by profession, headed up the recruitment process for a new Program Manager that was hired by ESADA in July, 2006. New office systems and institutional management manuals for staff policy, accounting, and procedures are being implemented.
- A new ESADA Chairman was elected at the Board meeting held in Kampala on May 23<sup>rd</sup>, 2006 prior to the start of the African Dairy Conference and Exhibition. Sandress Nyirenda, the current Chairman of the Zambia Dairy processors Association, is the Marketing Director for Parmalat Zambia. The rest of the Board continues their two-year term with one year remaining.

- RATES core staff are providing essential support for event planning, administrative systems, policy advocacy, and strategic planning. Tom Carr, the RATES technical director and institutional development advisor, has been assigned to attend board meetings and advise on institutional growth and member service issues.
- ESADA has started the process of long-term strategic thinking to lay the ground work for sustainability, membership service, management and purpose. A key strategic planning meeting was held for the Board in August 2006 that has resulted in a three year strategic plan that is currently under review by the Board.

**Financial management.** After breaking with KAM, ESADA has moved decisively on opening new bank accounts and recruiting a part time accountant. RATES assisted the accountant with a new chart of accounts and the financial reporting system is more responsive. ESADA initiated, with BOD approval, a complete audit of the accounts managed by KAM and the financial and operational system will soon be under total ESADA control.

- RATES has assisted ESADA with its annual planning and budget process and is providing support on grant and proposal writing. ESADA will receive continued support through the RATES Partners Fund until it is able to generate additional revenue through trade shows, sponsorships, and other donor support.

**Service Delivery.** Finding new markets and increasing investment in the dairy sector is a major focus of ESADA's service delivery program.

- ESADA has successfully held two annual marketing events that have attracted significant interest and participation of its members. The Secretariat is building capacity to organize and manage the event. With RATES support, ESADA has engaged an event planner to organize all major events rather than hiring permanent staff for this purpose

**External Relations.** ESADA signed a memorandum of understanding (MOU) that ushered in ESADA (including all 7 member countries) as members of IDF. IDF membership is expected to spur international interest in Africa leading to increased investment inflow and technology transfer.

- ESADA signed a MOU with COMESA during the Annual Dairy Conference held in Kampala in April 06.

**Exhibit 14. KRA 2.1: Capacity of partner organizations strengthened (ACTIF)**

<b>ACTIF* Capacity of partner organizations strengthened*</b>	<b>FY02</b>	<b>FY03</b>	<b>FY 04</b>	<b>Baseline FY 05</b>	<b>FY 06</b>	<b>FY 07</b>
Increase in paid memberships				0	TBD	
Number of services provided**				0	125	
Increase in revenues generated				0	\$10,000	
Number of chapters formed***				0	22	
Number of trainings held				0	7	
Number of members trained				0	105	
Number of board meetings held				0	1	

\*Not yet legally registered (expected 10/06)

\*\* includes market leads through cotton Africa and telcons

**ACTIF.** ACTIF has achieved an impressive track record of international and regional recognition in a very short period of time. RATES is working with ACTIF leaders on a dedicated effort to form a pragmatic institutional structure that will lend itself to member needs and sustainability over time (Exhibit 14).

**Management systems.** The ACTIF (re-registration) steering committee met in Nairobi in June 06 and agreed unanimously to dissolve both the interim steering committee and the executive committee to be replaced by the first Board of Directors.

- Elections for the first Board of Directors and Board Officers took place in June and Mr. Jas Bedi was elected Chairman for a two-year term. The first annual general meeting (AGM) will take place early next year.
- RATES assisted ACTIF to prepare the Articles of Association and Memorandum of Association to register ACTIF as a Limited Liability Company without Share Capital. We are currently working with a local attorney to complete the documentation and formally register ACTIF in Kenya with registration to be completed in October 2006. The institutional design (completed in January 2006), approved by the steering committee has been converted into a draft set of bylaws which is being reviewed by the ACTIF members.

**Financial management.** Although RATES is acting as the interim secretariat for ACTIF during the 2006 program year, such an arrangement is understood to be temporary during the start-up transition period.

- Following the planned registration by October 2006, ACTIF will be well positioned to start the Secretariat formation phase of their development. This will include the recruitment of a permanent Executive Director and the application for a Partners Fund grant to help finance operations for the next year (FY 07).

**Service delivery.** As part of the major service delivery to members, ACTIF has created a vibrant trade network through [www.cottonafrica.com](http://www.cottonafrica.com). This has generated major interest from the regional cotton and textile industry.

- A number of international buyers are contacting the ACTIF office and seeking suppliers of cotton and textile products. ACTIF sends these requests by e-mail to registered members or contacts the member directly with more detailed information concerning the request.
- ACTIF is also serving as a major policy advocacy voice for the region. The association has formed committees focused on the main issues affecting the sector. These include production, ginning and lint trade, interregional supply chain, investment and finance, and global trade initiatives.

**External relations.** ACTIF has developed a number of strategic partnerships numerous regional and international partner organizations. A few are listed below:

- International Cotton Advisory Committee (ICAC) - Washington D.C.
- International Textile Manufacturers' Federation (ITMF) - Zurich, Switzerland
- International Trade Centre (ITC) (UNCTAD/WTO) - Geneva, Switzerland
- The office of the United States Trade Representative (USTR)
- Corporate Council on Africa (CCA) - Washington D.C.
- The US National Council for Textile Organizations (NCTO)
- The US National Cotton Council (NCC)
- The US Association of Importers of Textiles & Apparel (USAITA)
- The US Retail Industries Leaders Association (RILA)
- The American Apparel & Footwear Association (AAFA)
- COMESA
- EAC
- SADC
- World Bank
- The African Cotton Association (ACA) - West Africa

**Exhibit 15. KRA 2.1: Capacity of partner organizations strengthened (EAGC)**

<b>EAGC Capacity of partner organizations strengthened*</b>	<b>FY02</b>	<b>FY03</b>	<b>FY 04</b>	<b>Baseline FY 05</b>	<b>FY 06</b>	<b>FY 07</b>
Increase in paid memberships				0	TBD	
Number of services provided**				0	125	
Increase in revenues generated**				0	\$20,000	
Number of chapters formed***				0	21	
Number of trainings held				0	3	
Number of members trained				0		
Number of board meetings held				0	1	

\* Includes grant monies and sponsorships received during the year.

\*\* Includes market leads

\*\*\* includes interim steering committees

**EAGC.** This program has been demand driven by key trade leaders in Kenya and RATES is collaborating closely with the USAID Kenya’s KMDP project in supporting the creation of the EAGC (Exhibit 15).

**Management systems.** RATES, in collaboration with the KMDP project, assisted the interim steering committee to prepare the institutional design. The design has been approved by the steering committee and the EAFC will move to have the association registered by the end of next quarter 2006.

- The Articles of Association and Memorandum of Association for a Limited Liability Company without Share Capital have been drafted and are being submitted for registration with the assistance of a local attorney.

**Financial management.** The alliance has been primarily self-funded with each member covering costs for attending the initial organizational sessions.

- RATES assisted EAGC to prepare the first business plan of the council which will be instrumental in recruiting local donor support. RATES also assisted in preparing the operational manual, rules of trade and arbitration rules also important to EAGC start-up in October 2006.

**Service delivery.** As the EAGC is still in start up phase, member services are still being developed. Once the EAGC Secretariat is fully operational, it will develop templates for standard contracts, warehouse certification, documenting the dispute settlement process, and develop the procedures for enforcing of rules of grain trade among members.

**External relations.** The EAGC has already formed alliances with several major associations including the US Grain Council and the US Wheat Associates. As the structured trading program comes on line, EAGC will work closely with other commodity exchanges including SAFEX out of South Africa.

**KRA 2.2: Demand-driven technologies identified, developed and utilized**

**Strategy:** RATES strategy is aimed at utilizing information technologies (IT) to expand the number of private sector beneficiaries having access to market and trade information. RATES is also forming linkages with technology and research networks relevant to the RATES-supported commodities. RATES has formed partnerships with ongoing bilateral development projects that promote increased trade and with selected private service providers who offer specialized technical expertise (Exhibit 16).

**Exhibit 16. KRA 2.2: Demand driven technologies identified developed and utilized**

Demand driven technologies identified developed and utilized	Baseline FY02	Year 1 FY03	Year 2 FY 04	Year 3 FY 05	Year 4 FY 06	Year 5 FY 07
Linkages formed with research networks	0	4	7	7	8	
Number of trade networks formed	0	3	4	5	10	
Number of unique hosts accessing IT-based trade sites*	0	12,000	19,540	51,000	54,106	
Number of companies accessing technologies	0	300	1,464	2,304	2,114	

**Some preliminary results during FY 06**

**Coffee**

RATES provided assistance to EAFCA to develop an interactive web site to publicize the WWC and to promote coffees from the region. The [www.worldswildestcoffee.com](http://www.worldswildestcoffee.com) site has attracted substantial attention, and has now been integrated into the [www.eafca.org](http://www.eafca.org) site. The site is appearing on the first pages in certain search engines such as Yahoo, Google, etc. This site is now fully under the management of EAFCA and statistics are not provided in this report.

**Maize**

One of the major impediments to trade highlighted by participants in both national-level and regional workshops was the lack of reliable market information. RATES worked closely with FEWSNET and FOODNET to create a regional trade intelligence network (RATIN) and the [www.ratin.net](http://www.ratin.net) web site. RATES now has total management responsibility for RATIN with significant input from FEWSNET. The key players in the regional network are the

commercial traders and millers and they are the main audience for RATIN and the RATES Trade Office where networking is facilitated.

To compliment the RATIN’s focus on price and production information, RATES designed a trade-linkage site, [www.tradeafrica.biz](http://www.tradeafrica.biz) accessed through RATIN to facilitate active trade communication between suppliers and buyers throughout the region. Managing “real time” market information and trade linkage sites is challenging and RATES has created the RATES trade office staffed by full-time trade office facilitator dedicated to the upkeep and management of both the [www.ratin.net](http://www.ratin.net) and [www.tradeafrica.biz](http://www.tradeafrica.biz) . This office serves as the RATES “call center” where the facilitator pro-actively manages trade inquiries through the internet, email, telephone, SMS and radio. All site “hits” and trade inquiries are monitored and tracked.

The RATES supported grain trade site, [www.tradeafrica.biz](http://www.tradeafrica.biz) , is frequently used by the regional grain trade and food relief agencies a major source of trade and market information. This site has helped catalyze more than \$230 million of grain trade through its interactive grain trading platform in FY 06. This site was visited by more than 10,986 unique users during this year (Exhibit 17).

**Exhibit 17. Web statistics for [www.tradeafrica.biz](http://www.tradeafrica.biz) for FY 06.**

Classification	Quarter 1 Oct-Dec 05	Quarter 2 Jan-Mar 06	Quarter 3 Apr-Jun 06	Quarter 4 Jul-Sept 06	TOTALS 2006
Successful requests	51,518	66,879	58,177	41,974	218,548
Average requests	580	789	655	573	2,597
Distinct pages requested	2,205	2,405	2,729	2,216	9,555
Distinct hosts served	1,948	2,562	3,699	2,777	10,986

Likewise, [www.ratin.net](http://www.ratin.net) is an important site for policy makers and traders to gather historical data regarding maize trade flows and other important trade statistics. In addition to the site, the trade office produces a monthly trade bulletin that is sent to small and large traders both in electronic and hard-copy formats. This site was used by 12, 326 unique visitors during FY 06 (Exhibit 18).

**Exhibit 18. Web statistics for [www.RATIN.biz](http://www.RATIN.biz) for FY 06.**

Classification	Quarter 1 Oct-Dec 05	Quarter 2 Jan-Mar 06	Quarter 3 Apr-Jun 06	Quarter 4 Jul-Sept 06	TOTALS 2006
Successful requests	50,436	44,437	46,059	47,315	181,354
Average requests per day	560	633	672	642	2,507
Distinct files requested	8,978	7,685	8,263	8,263	33,212
Distinct hosts served	2,870	3,048	3,266	3,266	12,326

## Cotton

The cotton industry web page, [www.cottonafrica.com](http://www.cottonafrica.com) continues its number one ranking in both the Yahoo and Google search engines with “cotton and Africa” as the key search words. Since its inception, [www.cottonafrica.com](http://www.cottonafrica.com) has seen \$435 million in offers to buy and sell posted on the site. During the past year, the value of postings has increased by 133% to \$192 million compared to \$169 million for FY 05. The content and information captured in the cotton trade directory has been expanded, providing a wider base and scope of companies captured in the data base. The number of registered traders on the site now stands at 300 an increase of 200% over the past year. In addition, over 30,000 unique users visited the site (Exhibit 19).

### Exhibit 19. Web statistics for [www.cottonafrica.com](http://www.cottonafrica.com) for FY 06

Classification	Quarter 1 Oct-Dec 05	Quarter 2 Jan-Mar 06	Quarter 3 Apr-Jun 06	Quarter 4 Jul-Sept 06	TOTALS 2006
Successful requests	116,477	152,378	214,362	177,803	661,020
Average requests	1309	1,787	2,446	2321	1,966
Distinct pages requested	3953	4,282	5,531	4650	18,416
Distinct hosts Served	4923	7,071	10,274	8526	30,794

## Dairy

The dairy industry web page, [www.dairyafrica.com](http://www.dairyafrica.com) has now been turned over to ESADA and is under their management. The site is currently being redesigned to include a trading platform similar to [www.tradeafrica.biz](http://www.tradeafrica.biz).

### D. PIR 3: Expanded private sector contribution to regional trade initiatives

In this PIR, we place emphasis on building effective private/public sector dialogues, particularly through increases in private sector participation in policy initiatives and promotion activities. This PIR captures the results of our activities carried out to assist partners to expand the involvement of private sector entities within their programs and to package and develop market-linked initiatives that expand private sector investment in RATES-supported activities. There are two KRAs in this PIR.

### Exhibit 20. PIR 3: Expanded private sector contribution to regional trade initiatives

Expanded private sector contribution to regional trade initiatives	Baseline FY02	Year 1 FY03	Year 2 FY 04	Year 3 FY 05	Year 4 FY 06	Year 5 FY 07	Totals*
Participation in policy initiatives and/or promotional activities							
Male	0	650	1,416	1,519	1,364		4,949
Female	0	125	315	392	329		1,161
Total	0	775	1,731	1,911	1,693		6,110
Total value of GDA contributions to regional trade initiatives	0	\$391,500	\$1,781,106	\$4,068,121	\$4,865,979		\$11,106,706

\* Results are cumulative from baseline year FY 02

## Some preliminary results during FY 06

Results for FY 06 were measured in terms of increases in private sector involvement in policy change and in increases in investment through buy-ins and participation in RATES-brokered alliances (Exhibit 20).

- RATES has held over 100 training events to promote trade and develop strong ties among regional trade leaders reaching over 6,000 participants. Through participation in business forums, policy and trade roundtables and international marketing and trade activities, these companies are now better able to take advantage of trade opportunities that are now occurring as a result of an improved trading environment created through RATES' policy work. These firms are actively advocating for policy and trade reforms and are working closely with regional organizations such as COMESA and the EAC to assist these regional governmental organizations to formulate policy based on private sector and industry participation.
- Private sector contributions to RATES-supported events have been increasing every year since the start of the programs. Direct buy-ins to RATES activities totaled almost \$4.9 million. Total contributions over the life of the project have so far totaled over \$11.1 million.

### KRA 3.1: Private sector-driven agricultural trade policies advocated

The strategy for this KRA is to identify issues and constraints to regional trade flows and to bring them to the appropriate regional policy making forums for action and adoption. Below, we present the status of policy reform to date:

#### Exhibit 21. KRA 3.1 Private sector-driven trade policies advocated

Private sector-driven trade policies advocated	Baseline FY02	Year 1 FY03	Year 2 FY 04	Year 3 FY 05	Year 4 FY 06	Year 5 FY 07	Totals
Analytical work conducted	0	16	67	18	10		111
Dialogue occurring on policy/regulatory issues (numbers of participants)	0	388	945	1,245	1,223		3,801
Public/private policy forums created	0	7	31	46	17		66
IGOs debate policy change (number of meetings)	0	6	13	16	12		47

\* Results are cumulative from baseline year FY 02

## Some preliminary results during FY 06

RATES is working closely with private sector trade flow leaders who are continually consulted in the process of identifying constraints to increased trade. RATES strategy is to increase the regional IGO's capacity to better serve the trading community in RATES-supported commodities (Exhibit 21).

### **Analytical work**

RATES and our implementing partners have prepared a number of technical reports over the life of the project to support trade policy change or to create awareness among policy makers at regional and national level on the need for policy change. Some important analytical work during FY 06:

- Draft SPS Dairy Protocol written in collaboration with Land of Lakes and ESADA.
- AGOA White Paper written by ACTIF.
- Study on the regional rules of trade for EAGC for the East Africa written by RATES staff.
- Study on the status of warehouse receipt programs and commodity exchanges written by RATES staff.

### **Dialogue through networking**

Through participation in business forums, policy and trade roundtables and international marketing and trade activities, these companies are now better able to take advantage of trade opportunities that are now occurring as a result of an improved trading environment created through RATES' policy work. These firms are actively advocating for policy and trade reforms and are working closely with regional organizations such as COMESA and EAC to assist these regional governmental organizations to formulate policy based on private sector and industry participation. Examples of networking include:

- Maize structured trade meetings in Uganda, Kenya, Malawi, Ethiopia and Zambia
- Workshop on capacity building and cross-border trade facilitation
- National consultative meetings on dairy standards
- Ethiopian commodity exchange task force (ECE)

### **Public/private sector policy forums**

RATES organized a total of 17 public/private sector forums and 12 IGO level meetings to pursue the policy agenda. Some key forums included:

- EAC dairy roundtable in Arusha
- EAC dairy standards meetings (both national and regional)
- Dairy roundtable in Zambia to resolve Kenya/Zambia dispute
- RATES briefing to the Council of Ministers in Rwanda
- AGOA forum
- EAGC steering committee
- ACTIF

### **IGO's debate policy change**

RATES has placed a RATES policy advisor in the COMESA secretariat to ensure that RATES-supported policy platforms move through the adoption process. Part of this work requires constantly updating COMESA member countries of the work in progress.

Key presentations to COMESA included:

- Report on RATES to COMESA Ministers of Agriculture
- Report on RATES to 20<sup>th</sup> Council of Ministers
- Report on RATES to 18<sup>th</sup> Trade and Customs Committee
- Status report on implementation of COMESA Programs

- Status report on COMESA Simplified Trade Regime (COMESA-STR)
- Report on RATES to 21<sup>st</sup> Council of Ministers
- Report on Strategic Leadership Program

### **KRA 3.2: Private sector buy-ins and alliances expanded**

As mentioned earlier, RATES serves as the catalyst for market linkages and business alliances. With a far-reaching (COMESA-wide) regional mandate to improve the policy environment and to promote and increase market awareness of selected commodities, RATES staff cannot work directly at the farmer level or with individual companies on a sustained basis. RATES works directly with trade flow leaders such as regional associations that have a greater outreach and impact due to their large membership base. We also try to tailor our interventions to benefit the value chain or industry as a whole.

RATES must rely on national level partners such as USAID projects and other NGO-supported efforts to reach down to the farmer level. This linkage is critical to the success of our work. This partnership has worked well and has resulted in a number of sustainable partnerships between regional buyers and sellers (Exhibit 22).

As mentioned in the introduction to this result, the private sector has contributed over \$11 million in supporting their industries through our regional associations.

#### **Exhibit 22. KRA 3.2: Private sector buy-ins and alliances expanded**

<b>Private sector buy-ins and alliances expanded</b>	<b>Baseline FY02</b>	<b>Year 1 FY03</b>	<b>Year 2 FY 04</b>	<b>Year 3 FY 05</b>	<b>Year 4 FY 06</b>	<b>Year 5 FY 07</b>	<b>TOTAL</b>
Alliances formed with private sector companies (number)	0	4	13	20	30		67
Value of private sector buy-ins/alliances*	0	\$391,500	\$1,781,106	\$4,068,121	\$4,865,979		\$11,106,706

\* refers to direct buy-in to RATES activities

### **Some preliminary results during FY 06**

#### **Coffee**

The world specialty coffee industry is built upon strong relationships formed between buyers and sellers. Many specialty coffees are sold through small roasters and retailers and have a client base that want to know about the coffees that are bought and sold in these outlets. Some examples of key alliances during 2006:

- RATES has assisted EAFCA to form a very close working relationship with the US coffee industry through the SCAA's Coffee Quality Institute (CQI) and the Coffee Corps in a cost sharing arrangement. In 2006, Coffee Corps provided 14 volunteers who provided training in cleaning, roasting cupping, brewing and marketing coffees. Coffee Corps volunteers are generally drawn directly from the coffee industry and some of the top names in specialty coffee have signed up for volunteer assignments. Many of these Coffee Corps volunteers have continued to provide assistance and coaching after they return home and have established commercial linkages as a result of a Coffee Corps intervention.

- RATES has been assisting EAFCA in the hosting of special “Meet the Buyer” events since the 2003 SCAA Conference and they have become increasingly popular with the buying sector and have proven successful at forging strong market linkages with members. EAFCA has now developed the capacity to plan and host these events on their own and RATES continues to monitor and provide minimal assistance as needed to ensure success. Two recent success stories include recent purchases of four containers of Malawi specialty coffees by Café Imports in conjunction with Stumptown Coffees, a direct result of interactions at these meetings.
- A number of companies are buying substantially more specialty African coffee as a result of EAFCA/RATES promotional campaigns. Peet’s Coffee and Tea is working closely with Tanzanian cooperatives and recently increased their sales to over \$3 million from a local cooperative group, Kilicafe, an EAFCA member. Peet’s founder, Jerry Baldwin, served as the keynote speaker at the 3<sup>rd</sup> Annual African Conference and Exhibition held in Arusha in February 06. Peet’s Coffee and Tea has also provided their senior vice president in charge of buying coffees, Jim Reynolds, to serve as a Coffee Corps volunteer in Tanzania.
- Green Mountain Coffee from Vermont has formed a sustainable alliance with smallholder cooperatives in Rwanda through the excellent work of the PEARL project. Senior executive, Lindsay Bolger of Green Mountain, has served several times as a Coffee Corps volunteer trainer over the past three years. She first served as a judge at the first World’s Wildest Coffee Conference and travelled directly from the conference to Rwanda to visit local producers with PEARL personnel. Rwanda cooperative coffees have gained worldwide recognition for their quality and the PEARL program for its work on the ground. This is a good example of how national programs can pick up on the interest created through RATES interventions and carry these efforts to fruitful and sustainable conclusions.
- RATES/EAFCA has made a concerted effort to promote regional coffees to companies such as Starbucks that had significantly reduced their purchases of African coffees due to the uncertainties of this market. Starbucks executives have attended a number of RATES-supported marketing events and most recently travelled to Zambia to attend the WWC2 event. Starbucks recently bought about 200 tons from an EAFCA grower who met their principal buyer at the conference. In Seattle during the SCAA conference in 2004, Starbucks met with EAFCA members including the Kenyan delegation to discuss possible interventions. Starbucks has recently announced that they will contribute up to US \$600,000 to support conservation coffees efforts in Kenya. In addition, Starbucks recently awarded a Tanzanian grower the coveted “Black Apron” designation for his coffee that is sold exclusively through Starbucks. This award was presented at the WWC2 conference.
- RATES is supporting the Jane Goodall Institute to promote sustainable “conservation” coffees that are grown near chimpanzee habitats in the Gombe Stream National Park. The goal is for local producers to protect the habitat while gaining a sustainable livelihood from their coffee. Through a RATES Partners Fund grant, JGI has built a cupping laboratory and hired a professional coffee advisor to support local communities. RATES has linked a number of buyers to JGI. There is already very strong interest among US and other international buyers to market a JGI brand coffee. The first shipments of Gombe coffees have been bought by companies such Starbucks and Green Mountain Coffees.

- Sustainable Harvest, an importer who supplies many small and medium roasters in the US, has recently visited Kigoma and is committed to work with USAID East Africa-supported Ecologic Finance to purchase coffees from the JGI-supported groups. Jane Goodall was also a keynote speaker at the 3<sup>rd</sup> Annual Coffee Conference and Exhibition where she met the head of Sustainable Harvest, David Griswold, and discussed forming this alliance.
- In collaboration with the Rwandan coffee industry and the USAID ADAR program, RATES provided Partner Fund support to allow a group of European buyers to visit the coffee growing regions of Rwanda with the aim for these buyers to purchase more Rwandan coffee. Rwanda is targeting this market segment and has seen private sector investment increasing with the recent 51% purchase of Rwandex, a parastatal coffee processor, by Switzerland's Sucafina SA for \$1.1 million. Sucafina will spend an additional million dollars in upgrading the hulling and grading plant near Kigali, in the next three years.

### **Maize.**

RATES has intensified efforts to create alliances between private sector industry players and government policy makers at the national-level to help ensure sufficient supplies of grain in the region. One of the key factors leading to bad decisions concerning grain trade has been the lack of information and communication between these various players in the industry. RATES has conducted numerous business forums to improve public-private sector dialogue especially concerning the impact of the EAC customs union protocols. There are clear signs of increased cooperation among the private traders and public sector decision makers. There are now a number of private/public sector associations planning strategies and policy in the areas of maize trade, food security and strategic grain reserves. Some examples include:

- In Kenya, RATES has supported efforts of the Kenya Stock Exchange to explore a functioning commodity exchange in Kenya perhaps tied to the SAFEX in South Africa. The first steps are identifying key storage facilities and grain suppliers. This effort includes forming an alliance between the Kenya Stock Exchange, local banks, certification companies such as Cotecna and SGS, the KMDP, a USAID-Kenya funded project, and the NCPB. This initial effort has subsequently led to the formation of the EAGC.
- RATES is supporting efforts to promote synergies linking food aid with commercial trade. This entails working with WFP, the region's largest net buyer of grain, and USAID Food for Peace to form alliances with the commercial sector. The objective is to engage the food aid sector into the commercial trade system, not only their use of the on-line trade sites but the conversion of their procurement process into a more transparent and trader-friendly operation. Another focus of this activity is to gain food aid support and participation in the emerging structured market systems. Food aid agency and public sector recognition of the value of warehouse receipt systems and commodity exchanges would be an added bonus to those initiatives and would be a key element to their success.

- RATES has given a small Partners Fund grant to the Malawi Grain Traders Processors Association (GTPA) to assist in their efforts to create a viable traders association.. This alliance was formed to represent the interests of the private sector grain trade industry in Malawi. The formation of this group came out of the initial meetings sponsored by RATES in 2004 that brought together, for the first time, all the public and private sector stakeholders to develop a strategy for developing the commercial grain sector and better coordinate the sector.

### **Cotton/Textiles**

RATES supported the efforts of key stakeholders and national trade associations representing the ginning, spinning, weaving and apparel sectors throughout the East and Southern African region (Cape to Cairo) to form the Africa Cotton and Textile Industry Federation (ACTIF). Since the start of the RATES cotton/textile program, over one billion dollars in cotton lint, yarn and fabric have been traded. Under the AGOA legislation, the COMESA region has exported approximately \$2.5 billion dollars in cotton and apparel to the US since 2003. ACTIF has been the leader in advocating for an extension of the AGOA legislation to provide opportunities for investment in the textile sector by adding this sector to allowable AGOA imports and to extend the third country fabric provision to maintain investment in the apparel sector.

- As indicated previously, Phenix Logistics has developed new export markets to Kenya, Tanzania, Mauritius and Ethiopia and is projected to reach over six million in sales of organic yarn, fabric and apparel next year. The company has also invested heavily in plant modernization to cope with increased demand.
- The PILGRIM apparel brand from Hamburg, Germany has been linked to cotton lint suppliers in Africa as a project to promote REAL TRADE (a German version of 'Fair Trade', aiming to develop trade with Africa). The fashion brand PILGRIM is searching for suppliers of cotton from Africa for use in apparel woven and knitted apparel. The potential for this linkage, which has been created through cottonafrica.com and with the trade office direct, is large and is poised to generate many millions of dollars worth of orders for African suppliers.
- Bedi Investments Ltd and Sun flag of Kenya have started linkages with South Africa to introduce kikoyis (a product that has been traditionally confined to East Africa) to new markets in southern Africa. Initial interest and demand has been exceptionally high which is a good example of exporting traditional products from one region of African into another. The "Kikoy African Wrap" is becoming very popular in the beach tourism market.
- Sochema Co., one of the largest trading companies in Cairo with more than 20 years of experience in commercial, industrial and business development fields in Egypt, has been successfully linked to cotton yarn suppliers from Swaziland, Kenya, Zimbabwe, South Africa and Mauritius. The company is exploring the possibility of importing 30,000 to 40,000 MT of cotton yarn annually from eastern and southern Africa, a potential market value of \$100 million. Egypt only produces LS (long staple) and ELS (extra long staple) cottons and therefore to feed its mills with the required shorter staple fiber, Sochema has to source from outside. It is now looking at Africa to substitute from its traditional suppliers in Greece.

- Uganda has moved a step ahead in beating the September 2007 expiry of third party fabric sourcing under the AGOA initiative by clinching a deal with an American investor to set up a spinning, weaving and dyeing mill. The new \$20m investment is a joint venture between Tri-Star Apparel and ISIS Pacific Capital Inc, a New York-based textile and garment company. The proposed mill will be set up within the existing Tri-Star premises at Bugolobi in Kampala within six months. Pacific Capital has for the past two years been buying garments from Tri-Star.

### **Dairy**

Following the success of EAFCA, RATES has worked closely with the regional dairy industry, especially the processing sector, to organize and form a regional association that would provide a platform to promote the industry and advocate the regional harmonization of dairy standards. ESADA (with support from RATES) organized the first African Dairy Conference and Exhibition held in May 2005 and the second Annual Dairy Conference and Exhibition in Kampala in May 2006. From these efforts, ESADA was able to net approximately \$35,000 from direct industry sponsorships.