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The Competitiveness and Trade Expansion Program

# COMPETITIVENESS AND TRADE EXPANSION PROGRAM

QUARTERLY PROGRESS REPORT

APRIL 1 – JUNE 30, 2010



**15 JULY 2010**

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## ACRONYMS

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

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

## A. QUARTERLY HIGHLIGHTS

In Quarter 3 COMPETE continued to extend its impact by linking East and Central African producers to regional and international markets. COMPETE technical advisors are active in every link of the value chain and trading system, from supporting grassroots smallholder farmers to increasing their volumes of tradable surplus to influencing regional policy decisions that will smooth the flow of trade across borders. COMPETE takes a holistic approach to enhancing economic growth and increasing regional and international trade. For example, COMPETE's staple foods component doesn't just support the increase of production for food subsistence only; rather, it supports efforts that allow farmers to increase their tradable surpluses and become competitive regional market players. Similarly, COMPETE's ECA Trade Hub isn't simply looking to promote the one-off trade deal. Instead, they are attempting to change the way international businessmen view Africa. Through brands like Origin Africa and events like "Fiber to Fashion," COMPETE's trade team is raising the profile of Africa as a sourcing destination for apparel and textiles.

Highlights from Q3 include:

### **Transit and Trade Efficiency on Select Transport Corridors Improved**

- **Tracking East African Trade Corridors.** COMPETE completed the process of defining and developing baselines for tracking the performance of East Africa's trade corridors on standardized basis. This has involved compiling procedural requirements for exporting and importing a standardized cargo of goods by ocean transport from the point of origin to the point of destination. COMPETE has also identified and partnered with potential data sources from both the public and private sector who include, freight forwarders, transporters, shipping lines, customs brokers, Customs authorities, port officials and banks provide information on required documents and cost as well as the time to complete each procedure.
- **Single Window.** COMPETE transit cemented a working partnership with the Kenya National Single Window Project; the Seamless Transport Committee on Trade Facilitation (involving the East African countries of Kenya, Uganda, Rwanda, Burundi and DRC); and the Customs Directorate of the EAC Secretariat to pave the way for on the ground interventions by COMPETE to improve border efficiency through Joint Inspections at key international trade borders
- **KRATI curricula.** COMPETE partnered with the Kenya Revenue Authority Training Institute (KRATI) to develop a dedicated regional curricula to strengthen private sector capacity to better understand trade rules and regulations so as to operate more effectively and efficiently across borders
- **Port of Mombasa.** COMPETE transit provided technical strategic support to the Port of Mombasa, the key node in the East African transit logistics chain, to re-design and re-orient its operations with a focus on strengthening working partnerships with port users and benchmarking performance. This was achieved through a Strategic Planning Retreat held for 65 Senior Managers of the Kenya Ports Authority (KPA)
- **Eastafriancorridors.org** is in the process of being populated with regional project data and materials for the Resource Library. While it is undergoing this population it is available to stakeholders and other interested parties at <http://staging.eastafricancorridors.org>
- **Border MOUs.** COMPETE is in the process of signing MOUs with Busia, Malaba and Namanga. In doing so, COMPETE will be the first donor program to achieve border agency commitment to joint inspections and verification.

## Access to Trade and Investment Finance Improved

- **Infrastructure Finance / Agriculture Value Chain Investment - Pension Funds and Insurance Funds.** A two day event was held in Nairobi in May. The event was attended by USAID EA mission as well as USAID EGAT. COMPETE Finance component collaborated with the AfDB, the Commonwealth Secretariat, and Aureous (Commonwealth Development Corporation) to create a working group that addresses the issues of mobilizing investment into equity versus debt instruments, a source of capital crucial to the development of the EAC.
- **Development Credit Authority (DCA).** COMPETE Finance developed a proposal for the establishment of a pilot DCA LPG of USD 3million supporting a loan portfolio of up to USD 6 million. The DCA will help small farmers gain access to productive equipment and technology that will allow them increased participation in regional trade and markets.
- **Value chain financing training.** In conjunction with validation workshops, COMPETE Finance delivered value chain finance training to 30 males and 7 females in Kenya and 33 males and 12 females in Uganda.
- **ATI and COMESA Risk Mitigation** - During the quarter COMPETE in collaboration with ATI launched a marketing campaign to create awareness of export credit insurance to the potential beneficiaries of the product within the COMPETE's value chains specifically in cotton and textiles and AGOA. A marketing brochure targeting this group has been prepared and will be used to train partners on the benefits and structure of the export credit insurance product. The insurance cover will enable the businesses trade on open terms and facilitate access to credit from banks, both leading to business expansion.

## Regional Trade Policies Strengthened and Integrated

- **EAC trade database.** COMPETE facilitated an EAC meeting of the National Experts on trade statistics between the 8<sup>th</sup> and 9<sup>th</sup> April 2010. The final output of the meeting was a decision that an EAC trade data base, modeled along the European Union Export Help Desk, should be developed. This data base will allow, for the first time in the EAC history of regional integration, for all countries' trade statistics and applicable tariffs and trade regulatory requirements to be captured on the same web-based data base. This will be a very powerful tool for monitoring impact of EAC trade policy and preparation of EAC trade review reports.
- **Harmonize regional standards for staple foods.** COMPETE is working with EAC and ACTESA to harmonize regional standards in staple foods. To date, there are drafts for 23 EAC standards for rice, beans and similar legumes, millet, sorghum, cassava and wheat.
- **Support EAC process of transformation to a fully fledged customs union** - The review of the EAC Common External Tariff was finalized, culminating to adoption of the new EAC Common External Tariff (CET) rates by the Council of Ministers in April. The input of USAID/COMPETE was focused on tariffs applicable on Cotton, Textile and Apparel and Staple Foods. During the July/September Quarter, the Trade Policy Advisor will sensitize the RTAs on the applicable CET Rates in EAC effective 1<sup>st</sup> July 2010.
- **Joint EAC/USAID/COMPETE Work Plan on Implementation of EAC Food Security Action Plan** - During the quarter a joint EAC/COMPETE work plan towards support for implementation of the EAC Food Security Action Plan was prepared. This provided an opportunity for COMPETE to advance the work on food security in EAC from a regional trade angle beyond the

Action Plan and the Draft Declaration of the yet to be held Special EAC Summit on Food Security.

### **Regional Supply/Value Chains, Industry Linkages and Financial Resources Enhanced**

- COMPETE held a meeting of the Cotton, Textiles and Apparel Value Chain Strategy Working Group in Nairobi on April 27<sup>th</sup>. Fifty six stakeholders from around the region discussed issues impacting the competitiveness of the CTA value chain. COMPETE and the stakeholders addressed some of the deficiencies in the COMESA document and agreed to a more manageable set of nine priorities (outlined in the competitiveness section).
- COMPETE held 5 national value chain validation meetings in Q3. The meetings held in Kenya, Uganda, Rwanda, Zambia and Malawi were attended by 202 private sector, donor and government representatives. The meetings were designed to review the value chain reports, validate the trade policy issues and debate the issues impacting competitiveness of the staple foods sector. The meetings allowed COMPETE to engage stakeholders in a discussion of national level issues while at the same time forcing them to think about their industry within the broader regional context.
- **Connect EAGC with other sources of MIS information** Links to the RATIN website have now been made with COMPETE grantees ACE and ZAMACE. Information concerning the volume of trade and daily pricing on Staple Foods and other agricultural commodities will be available from Malawi and Zambia, which will increase coverage and provide more regional information to both buyers and sellers. Modalities are currently being looked at to enable this information to be captured on the RATIN Website.
- **Regional Storage Capacity Inventory Study.** A quick snap-short survey of grain storage facilities has now been carried out in Kenya and Uganda. Interactive real-time maps have been made listing the major grain stores, around which we can consolidate our collection and bulking activities in the future. These 2 maps have been put into the East African Corridors website, and links will be made to RATIN.
- **Regional policy mechanism for management of export/import restriction - Food Balance Sheet** National food balance sheets were completed in the following countries through USAID/COMPETE support: Zambia, Malawi, Burundi and Rwanda. The food balance sheet for Ethiopia is expected in July 2010. COMPETE also provided support to EAGC in finalization of the food balance sheet for Kenya, Uganda and Tanzania. The outcome of this exercise will be used in assembling a regional food balance sheet to be posted in RATIN and availed to ACTESA as one of the key outputs of COMPETE/ACTESA collaboration.
- **Training on Maize Standards and Good Farming Practices.** COMPETE through its support of EAGC prepared a trader's handbook and trainer's manual on EAC maize standards. A joint regional (COMESA/ACTESA, EAGC and COMPETE) Training of Trainer's (ToT) Course to expand training on EAC maize standards covering eight COMESA English speaking countries is planned for September 9<sup>th</sup> and 10<sup>th</sup> to be held in Nairobi. The focus of the ToT course and training materials is **from Farm to Store**. Fifty participants, six from each of the eight COMESA English speaking countries are expected to attend.
- **Regional Commodity Exchange and Warehouse Receipts Systems.** COMPETE is working with the Government of Kenya (NPCB) to expand warehouse receipts/structured trading systems as well as developing a commodities exchange, leveraging off the work already done by USAID

and others in the region. **COMPETE structured traded specialist, Ian Goggin, is currently seconded to the National Cereals and Produce Board (NCPB).**

- **COMPETE Structured Trade Specialist, Ian Goggin, supported ACE develop “Bid Volume Only” (BVO) component to the ACE trading platform – producing more timely, accurate and usable date. Collaborative efforts between RATIN and ZAMACE are on-going to link BVO data to RATIN and other regional African exchanges.**
- **COMPETE partner ACE, Agricultural Commodity Exchange for Africa Trust, held its most successful “Bid Volume Only” (BVO) sessions during quarter 3 with trades equaling 1, 883, 660.80 USD.** Of this, WFP signed contracts at 8 separate BVO sessions, whilst the commercially operated SENWES signed a contract for 2000 MT Soya @ 50.5 kwacha per kg from producer organizations in the Ntchisi District of Malawi, worth **683, 000.00 USD.**
- **Through the Coffee Quality Institute (CQI), COMPETE supported EAFCA’s participation in the Specialty Coffee Association of America’s (SCAA) annual Expo in Anaheim, CA.** The event encouraged networking amongst buyers and sellers and will lead to strong future sales of East African coffees
- **CQI held an Advanced Cupper Training in Tanzania** that focused on advanced cupper training as the first step to prepare cuppers for a future Q Grader training course.
- **COMPETE supported a CQI comprehensive market assessment for East African coffees** that identified which market segments provide the greatest opportunity to grow the value and volume of Eastern African coffee exports
- **An overview of Ethiopia’s Coffee Value Chain was completed.** This survey includes timely information on Ethiopia’s production, traders, middlemen, wet and dry processing, agents, warehouses and exporters
- **ACTIF with support from COMPETE organized its first Origin Africa Designer Showcase on April 28<sup>th</sup>, 2010.** The Designer Showcase featured the work of 12 design students and promising designers from Ethiopia, Kenya, Tanzania and Uganda. Using fabric and production facilities donated by ACTIF members, designers were challenged to create a capsule collection of garments ready for commercial production. By reaching out to the African design community, ACTIF is tapping into the potential of building a domestic market for African produced fashion and setting the stage for economic growth across the cotton value chain.
- **ACTIF (the African Cotton & Textile Industries Federation) is developing a ‘white paper’ on proposals for AGOA going forward.** This document is currently being validated by private sector companies throughout the region, and will then be taken to Washington end July/beginning August, coinciding with the AGOA Forum meeting. ACTIF members will be working to promote some form of permanency to AGOA, which will include proposals for a number of other variations to the current trade provisions. It is hard to forecast the outcome, but a “feel” of the receptiveness of the proposals should be known after ACTIF’s visit.
- **Kenya Cotton-to-Clothing Strategy Validation Workshop, Nairobi, Kenya.** In collaboration with the International Trade Center (ITC), the Kenya Association of Manufacturers (KAM), the Kenya Cotton Development Authority (CODA), ACTIF and the EU-All ACP Agricultural Commodities Program, COMPETE participated in a workshop to validate and align the Kenya national cotton-to clothing strategy with that of the COMESA regional plan. The meeting was held on 7<sup>th</sup> June 2010 in Nairobi, and 35 stakeholders participated. The overall result of the workshop was the agreement to adopt and incorporate the regional strategy components into the

National Kenya Cotton to Textile task force report, setting the stage for an organized and regional collaborative approach to the industry issues in Kenya.

### **Increased Trade and Investment between the U.S. and East and Central Africa Trade Hub**

- **Exports to U.S. Increased**

\$U.S.19 million in exports from East and Central Africa to the U.S. deals under the African Growth and Opportunity Act (AGOA)

- Apparel Exports – \$17.8 million from firms in Ethiopia, Kenya, Tanzania
- Cut flower sales upwards of \$1 million.
- Crafts - The ECA Hub, in collaboration with Kenya’s Export Promotion Council, organized in May a Crafts Exhibition which showcased the latest high-end commercial crafts to a large U.S. buyer of handicrafts – Cost Plus World Market. The company visited Kenya as part of a buyer mission supported by the ECA Hub. The exhibition doubled as a buyer/seller meeting where contacts were made and orders placed.
- Two Kenyan companies, Premier Foods (exporter of barbecue sauces) and Frigoken (exporter of canned vegetables), have signed agreements with a US company, LBB Imports, to import their products.
- ECA Hub links Pennsylvania based hospitality products company, AMG, with ADDIS Garments, a women’s owned company in Addis Ababa, Ethiopia. Buyer has placed orders for placemats with an expected yearly turnover of USD 1 million.
  - This August, ECA will take ADDIS Garments to the Magic Trade Show in Los Vegas.
- Superior Uniform Group, a US company specializing in uniforms and medical scrubs, recently decided to source **\$7.5 million** worth of products (previously sourced from Pakistan) from East Africa. This deal is a direct result of COMPETE’s Friends of Africa Apparel Board of Advisors meeting, and subsequently, a buyers mission organized by the ECA Hub, which visited Kenya, Tanzania, Ethiopia, Swaziland and Lesotho.
- The Orvis Group, a high-end US apparel catalogue company, has decided to place **\$5 million** worth of orders with six Mauritian companies: Texto, RT Knits, Palmar, Jack Teller, Floreal and Shivani. Part of this business was formerly sourced from Sri Lanka. The company’s sourcing director, Ronald Smith, is a board member of Compete’s Friends of Africa advisory board and the ECA Hub has assisted Orvis with matchmaking at the MAGIC trade show. The above is expected to lead to repeat orders, hence ongoing business.
- **Specialty Foods Potential in East Africa. Two Kenyan companies, Premier Foods (exporter of barbecue sauces) and Frigoken (exporter of canned vegetables), have signed agreements with a US company, LBB Imports**, to import their products. All products will be in active distribution in the US by the fourth quarter of 2010. Both companies received intensive ECA Hub technical assistance followed by support to exhibit at the Fancy Foods show in New York in June 2010; the meeting and signature took place at the latter.
- **Origin Africa Go To Event.** The ECA Hub (Holm-Olsen and Mazingue) and CTA (Fisher) traveled to Mauritius in May to plan for the ‘Origin Africa Mauritius: Fiber to Fashion’ event to take place in November 2010. Meetings were held with key government and collaborating partners. At a cocktail to publicly launch the event, covered widely by the press, the new Trade Minister made his first public address and underscored the government’s firm support for COMPETE’s initiative. ECA Hub’s signed Memorandum of Understanding with Enterprise Mauritius

## **B. PROJECT INTERMEDIATE RESULTS**

### **B.1 PIR 1: Reduced Barriers to Trade and Investment**

#### **KRA 1.1: Transit and Trade Efficiency on Select Transport Corridors Improved**

##### *Promote integrated, seamless transit logistics operations on the Northern and Central Corridors*

The COMPETE Transit Team continued to engage with the two principal institutions the Transit Transport Coordination Authority of the Northern Corridor – TTCA-NC (for the Northern Corridor/Port of Mombasa route) and the Transit Transport Facilitation Agency of the Central Corridor – TTFA-CC (for the Central Corridor/Dar-es-Salaam Port route) to coordinate interventions to improve efficiency and reduce costs. The Transit Team also continued to respond to the logistical challenges facing value chains specifically horticulture.

During the quarter, the Transit Team also strengthened strategic partnerships with the following:

- The Kenya National Single Window Project (NSW)
- The Seamless Transport Committee
- The Kenya Ports Authority (KPA)
- East African Community Secretariat Directorate of Customs and Trade
- Uganda Shipper's Council (USC)
- Transit Partner Associations (KSC, KTA and FEAFFA)

**Promote Capacity Building Training at Major Posts Leading to Joint Inspections.** COMPETE completed the design of interventions leading to Joint Inspections and creation of One Stop Centers at key border posts handling international traffic. In this context, borders are defined as consisting of the maritime ports of Mombasa and Dar-es-Salaam as well as hinterland borders. COMPETE has targeted the following borders for interventions:

- Port of Mombasa
- Port of Dar
- Namanga (Kenya/Tanzania)
- Busia (Kenya/Uganda)
- Malaba (Kenya/Uganda)
- Gatuna (Uganda/Rwanda)
- Akanyaru (Rwanda/Burundi)
- Gisenyi (Rwanda/DRC)
- Nimule (Uganda/Southern Sudan)

##### *Port of Mombasa*

The Port of Mombasa is the gateway to Eastern Africa serving not only Kenya but also the hinterland countries of Uganda, Rwanda, Burundi, Eastern DRC, Southern Sudan as well as Northern Tanzania, Ethiopia and Somalia. The Kenya Ports Authority (KPA) which operates the Port of Mombasa is a statutory body under the Ministry of Transport of Kenya. In May 2010, COMPETE facilitated a Strategic Planning Retreat that involved sixty-five (65) Senior Managers of KPA led by the Acting Managing Director, Gichiri Ndua which was held at Sun and Sun Hotel, Kikambala which addressed the following:

- Detailed review of KPA's institutional, operational, policy, legal framework in support of KPA's Business Plan across all the nine KPA Divisions
- Identification of strategic interventions required to improve port operations. These include:

- Introduction of the Single Window System
- Improved interface between KWATOS (Kilindini Waterfront Automated Operating System – KPAs IT System) and SIMBA (Kenya Revenue Authority’s Customs IT System)
- Restructuring to a landlord port status
- Improved client interface not just in Kenya but also in the hinterland countries
- Strengthening of the One-Stop-Center for cargo clearance within the Port
- Addressing sensitive issues like nepotism, corruption, political interference and measures that can be put in place to mitigate risk
- Setting and getting the Port of Mombasa to commit to performance targets in terms of:
  - Container Dwell Times
  - Ship Turnaround Times
  - Port Efficiency

Activities during the next quarter will focus on continued technical assistance support to KPA to operationalize the Business Plan with COMPETE’s particular focus being strengthening of the One-Stop-Center.

#### *Port of Dar*

The COMPETE Transit Team held consultations with Senior Managers of the Port of Dar-Es-Salaam and also toured the Port and the concessioned Container Terminal in early June 2010. This resulted in improved understanding of the structure, operation and performance of the Port of Dar and agreement on potential COMPETE support to Dar port to institute a Community Based System (CBS)/One-Stop Center for clearance of cargo as has been done for the port of Mombasa. This will be the focus of activities during the next quarter.



The Dar Port serves Tanzania as well as Malawi, Zambia, DRC, Rwanda, Burundi and Uganda. Dar is linked to two rail systems – TAZARA which connects to the Southern African railways (Cape gauge – 1.067 meters) and Tanzania Railways Ltd (formerly Tanzania Railways Corporation) linked to the East African railway network (1.0 meter narrow gauge). Dar is served by major Shipping Lines. There is a Dar Port Modernization Program at a cost of US\$500 mill is funded by the World Bank and bilateral donors – Sweden, Norway, Finland, Italy, Australia, UK and Denmark which is on-going. The project covers infrastructure upgrading, equipment renewal, port modernization and productivity enhancement.

#### *Border Posts*

Design of interventions at the major border posts were completed during the quarter, and implementation partnerships forged with the Kenya Single Window Project, the Seamless Transport Committee, the Northern Corridor Secretariat and the EAC Secretariat paving the way for Joint Inspections and creation of One Stop Centers for the clearance of cargo. During the next quarter COMPETE will commence border sensitization and training of Border Agencies as a way of getting them to buy-in to the process and commit to Joint Inspections. During the coming quarter, implementation of this strategy will focus on first, joint operations by Border Agencies within individual countries and subsequently, cross-border bilateral operations.

National interventions will start with Kenya and then Uganda and Rwanda

Cross-border bilateral operations will be conducted as follows:

- Kenya/Tanzania
- Kenya/Uganda
- Uganda/Southern Sudan

- *Uganda/Rwanda*
- *Rwanda/Burundi*
- *Rwanda/DRC*

#### *Partnerships with Corridor Authorities*

***Dar Corridor Committee:*** The COMPETE Transit Team forged a working partnership with the Dar-es-Salaam Corridor Committee (DCC) and had a working session with the DCC Executive Director, Peter Masi. The scope of the DCC covers Tanzania, Malawi, Zambia and DRC and is considered a part of the “Southern” rather than “Eastern Corridors”. The DCC works closely with the Southern Africa Trade Hub (SA Trade Hub). COMPETE was invited to and attended the Task Force meeting intended to devise resource mobilization strategies to put the DCC on the path to sustainability. This meeting also enabled synergies with the SA Trade Hub.



The major difference between the East African Corridors (both Northern and Central) as opposed to the Southern African Corridors (Maputo, Walvis Bay and Dar) is that the former are public-sector oriented while the later have a public-private sector (PPP) framework whereby their Boards have representation from both the public and private sector and the Corridors push more the trade facilitation agenda of the private sector and not a Government driven agenda. While the Northern Corridor has provided a model that has been adapted by the Dar Corridor in terms of user fees, the Northern Corridor in turn, needs to adapt the PPP framework that has worked so well in Southern Africa. This is an example of an area where COMPETE and the SA Trade Hub are working together to learn from each other’s best practices.

During the next quarter, the COMPETE Transit Team will foster to strengthen the working relationship with the DCC as well as the SA Trade Hub.

***Central Corridor Secretariat:*** A Planning Strategy session was held between Shemmy Simuyemba of COMPETE and Central Corridor Staff - Rukia Shamte, Executive Director and Frank Ngoga the newly recruited Customs Expert formerly from the Rwanda Revenue Authority (RRA). Potential areas of collaboration identified between COMPETE and the TTFA-CC which will be pursued from the next quarter include:

***Industry Standards:*** - the Central Corridor needs to develop a partnership with the private sector Corridor users as a way of helping to foster development of transparent industry standards on the Corridor. The TTFA-CC should take the lead setting standards for service providers on the Corridor.

***Corridor Information:*** – Development of methodology to benchmark and provide regular feedback to stakeholders on Corridor performance as a way of promoting a transparent public/private framework for monitoring and reporting on Corridor Performance.

#### ***Facilitation Constraints involving the Tanzania Horticultural Industry***

During the quarter, the Transit Team continued to liaise with the Tanzania Horticultural Association (TAHA) to address constraints to the smooth flow of horticultural exports through the Northern Corridor and the Namanga (Tanzania/Uganda Border). This interaction will continue during the next quarter.

#### ***Benchmark and Track Performance Indicators on Transit Corridors***

COMPETE has completed the process of defining and developing baselines for tracking the

performance of East Africa's trade corridors on standardized basis. This has involved compiling procedural requirements for exporting and importing a standardized cargo of goods by ocean transport from the point of origin to the point of destination.

- Every official procedure for exporting and importing the goods is recorded - from the contractual agreement between the 2 parties to the delivery of goods - along with the time and cost necessary for completion
- All documents needed by the trader to export or import the goods across the border are also recorded. For exporting goods, procedures range from packing the goods at the warehouse to their departure from the port of exit
- For importing goods, procedures range from the vessel's arrival at the port of entry to the cargo's delivery at the warehouse
- The time and cost for ocean transport are not included. Payment is made by letter of credit, and the time, cost and documents required for the issuance or advising of a letter of credit are taken into account

COMPETE has also identified and partnered with potential data sources from both the public and private sector who include, freight forwarders, transporters, shipping lines, customs brokers, Customs authorities, port officials and banks provide information on required documents and cost as well as the time to complete each procedure.

#### Performance Baselines for the Northern Corridor

YEAR 2009 KRA 4.2.1 – TRADE AND INVESTMENT ENABLING ENVIRONMENT	KENYA		UGANDA		RWANDA	
	Export	Import	Export	Import	Export	Import
Number of procedures required to trade goods across borders	13	27	14	44	14	13
Cost to trade goods across borders	N/A	N/A	\$1,000	\$3,345	\$1,500	\$4,974
Number of days required to trade goods across borders	N/A	N/A	37	37	38	35

Source: COMPETE Transit

#### *Provide technical assistance support for the implementation of priority Transit and Trade Facilitation Instruments (TFFIs) for regional impact*

The bulk of shipments on the Northern Corridor both imports and exports are moved by road. Current estimates are that 96% of the traffic is moved by road and only 4% moves by rail/sea. COMPETE will work with key partners to accelerate the implementation of TFFIs that impact directly on road transport movements as these are likely to have the greatest impact and returns. These are also the TFFIs that have been prioritized by the two RECs, EAC and COMESA. In addition, assessment by COMPETE has shown that high shipping, maritime and port charges as well as delays in ports contribute up to 49% of the cost of transit. Interventions in this area will therefore, be accorded priority.

Despite regional agreement on TFFIs, a major weakness has been at implementation. While there has been a lot of discussion through a number of regional forums, no viable mechanisms have been defined to support implementation on the ground and this has contributed to the poor record of

implementation. COMPETE has identified lead institutions to drive each cluster of TTFIs. The priority TTFIs are: Procedures involving Shipping, Maritime and Ports; Carriers Licence and Transit Plates; Axle Load Limits, Vehicle Dimensions and Weighbridge Management. COMPETE's aim is to increase use of selected TTFIs by 20 percent with efforts focused on facilitation instruments directly impacting staple foods and also implementing the TTFIs on a harmonized basis across the region.

### ***Adoption of Regionally Harmonized Axle Load and Weighbridge Management Standards***

COMPETE has held consultations with the TTCA-NC on establishment of a Technical Working Group on Axle Loads and Weighbridge Management involving National Highway Authorities/Road Agencies along the Northern Corridor Countries – Kenya, Uganda, Rwanda, Burundi and DRC to address issues related to harmonized axle load limits, coordinated weigh-bridge management, and to promote compliance by truckers to stipulated weight limits.

Analysis by COMPETE has shown that Kenya is the major hindrance to adoption of uniform axle load limits across the region. Kenya, through the Kenya National Highway Authority (KeNHA) has moved its axle limits from 48 tonnes to 52 tonnes but this is still below the standard adopted under the Tripartite (EAC, COMESA, SADC) of 56 tonnes. COMPETE will work with the KeNHA and the National Steering Committee on Axle Loads that has been established to address issues that are inhibiting Kenya from adopting agreed regional standards.

Achievements during the quarter included:

- Preparation of a concept paper jointly with the Northern Corridor Secretariat to guide the Regional Forum on Axle Load and Weighbridge Management so as to foster acceleration of implementation of harmonized standards [where is the concept paper?]
- Obtaining buy-in from the major actors in East Africa (Road Agencies/Roads Boards)
- Completion of logistics preparations for a Regional Stakeholder Implementation Forum

### ***Supporting the Creation of an Open and Competitive Trucking Industry in the EAC Region***

COMPETE held planning sessions with the TTCA-NC. Achievements in this regard included:

- The establishment of a Technical Working Group on Road Transport and Facilitation
- Definition of an agenda for action to address issues related to market entry, competition issues, transit charges and implications on the trucking industry of the EAC Customs Management Act (CMA) with a view to moving towards an open and competitive trucking industry
- Modalities for a Regional Implementation Forum bringing together truckers and other key stakeholders to define an achievable Road Map

Activities next quarter will focus on convening the two Regional Technical Implementation Forums on Axle Load and Weighbridge Management involving Highway Authorities and other stakeholders and Road Transport and Facilitation

### ***Strengthen the capacity of Regional Associations involved in transit value chain***

Private sector trade associations are critical to promoting efficiency and reducing the cost of doing business. This will be achieved through, advocacy based on informed analysis; improved operational practices for operators such as truckers and clearing and forwarding agents; improved service delivery

standards through self regulation, improved compliance and transparency; and strengthened public-private partnership to address transit logistics constraints and challenges within a collaborative framework.

COMPETE has identified and selected the following private and quasi private entities as key partners:

- KSC – Kenya Shippers Council;
- KTA – Kenya Transporters Association;
- FEAFFA -Federation of East African Freight Forwarders Associations (FEAFFA) and national affiliates such as the Tanzania Freight Forwarders Association (TAFFA);
- FESARTA – Federation of Eastern and Southern African Road Freight Associations; EABC – East African Business Council;
- East Africa Business Council (EABC)
- KAM – Kenya Association of Manufacturers;



Major achievements for the quarter included:

- Relocation into new and more spacious shared offices by KSC and FEAFFA
- Optimization of resource use through sharing of offices and an accountant (KSC/FEAFFA)
- Continued support to associations in recruitment of staff so as to enhance their capacity
- Conclusion of Codes of Conduct for FEAFFA and KTA to foster professionalism, transparency and accountability in the clearing and forwarding and trucking industries respectively
- Development of a regional certification/accreditation course for Clearing and Forwarding Agents to promote ethical behavior, transparency and adherence to trade rules and procedures
- Anti-corruption measures targeted at KTA and FEAFFA members. The Codes of Conduct and training should help to create stronger, more accountable industries thus, helping to weed out corruption and corrupt practices

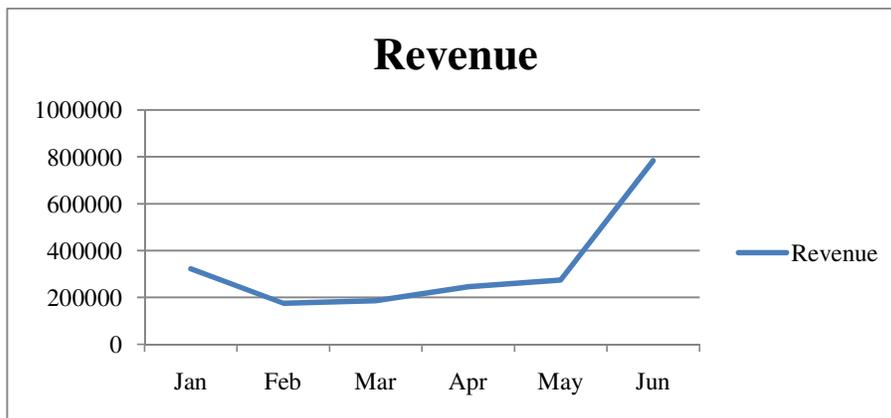
COMPETE also continued to provide technical analytical support to these associations to undertake evidence-based advocacy on a number of thorny and key issues that emerged during the quarter, the main ones being:

- Compulsory introduction of the Electronic Cargo Tracking System (ECTS) by Kenya Revenue Authority (KRA) which is being resisted by truckers because of its unilateral, hurried and uncoordinated implementation including having only one supplier/vendor. Negotiations are on-going between KTA and KRA to reach an amicable resolution to this issue.
- Introduction of Parking Fees by the Mombasa Municipal Council without due consultation with truckers and without putting in place the requisite infrastructure and facilities.



KTA revenue has increased as a result of enhanced capacity provided through the COMPETE grant which has enabled KTA to provide value added member services and increased visibility through evidence-based advocacy. As a result, more members are joining KTA and also attending KTA sponsored events because they now recognize the value of KTA's advocacy role.

## Growth in Revenue from KTA Membership and Activities



Source: Kenya Transport Association Grant Quarterly Report to COMPETE (April-June 2010)

The KSC owing to its membership to the Boards of the Kenya National Highway Authority (KenHA) and the Kenya Maritime Authority (KMA) has continued to play an active role in influencing issues related to axle load limits and weighbridge management and measures to reduce high maritime and shipping costs. Increased technical capacity within KSC as a result of recruitment of new staff made possible by the COMPETE grant has enabled the organization to play a more visible and proactive advocacy role.

Activities next quarter will focus on:

- Technical assistance support in implementation of Operational Plans for KSC, KTA and FEAFFA
- Operationalization of the Codes of Conduct
- Continued technical assistance support for evidence-based advocacy of key emerging transit and trade facilitation issues affecting the competitiveness of east Africa's international trade
- Certification, accreditation and training activities
- Developing synergies and joint working across the Associations

### ***Undertake training to build awareness of regional Associations in transit value chain on trade facilitation issues and international conventions***

COMPETE has continued to work through private sector associations - FEAFFA, FESARTA, KTA, and KSC as well as EABC to raise awareness on regional and international measures/developments affecting transit and trade facilitation and logistics generally. At the regional level COMPETE has continued to collaborate with key institutions including, the Kenya Maritime Authority (KMA), Surface and Maritime Regulatory Authority (SUMATRA), Port Management Association for Eastern and Southern Africa (PMAESA), Inter-governmental Standing Committee on Shipping (ISCOS), KSC, TTCA-NC, TTFA-CC and others as appropriate to deliver quality training. At the international level, COMPETE incorporates global best practices from institutions like UNCTAD, ITC, WTO, WCO in the design and delivery of such training.

The aim of the training is to, promote awareness of trade and transit facilitation as well as logistics measures applicable in the region; empower various logistics players (truckers, C&F Agents) to be knowledgeable about trends and developments impacting on transit logistics and trade facilitation; impart skills to cluster groups such as drivers; and promote public-private partnership and interaction through joint forums so as to promote transparency and mutual trust and reduce incidences of corruption.

#### *Development of Regional Training Curricula on Trade Facilitation with KRATI*

Design of training interventions concluded with the Kenya Revenue Authority Training Institute (KRATI) to develop and deliver harmonized training curricula covering implications of the new EAC Customs Management Act (CMA); integrity training for FEAFFA members; and regional trade and transit facilitation measures. A regional training event involving public and private stakeholders will be held in Mombasa in partnership with KRATI in the next quarter.

#### *Development of Training Curricula for KTA and FEAFFA*

COMPETE has continued to provide technical assistance in the development of training curricula for KTA and FEAFFA. A number of the training Modules will start to be delivered during the coming quarter.

FEAFFA has developed a regionally based Certification and Accreditation Course for Freight Forwarders and has successfully negotiated with Commissioners of Customs in the region to recognize the certification of C&F Agents. In discussions, a major concern by Customs Authorities in the region has been unprofessional conduct by a fraternity of the Freight Forwarding industry. This training and certification will help address the concerns of the Revenue Authorities and bring professionalism to the industry.

#### *Promote Customs best practices in EAC and COMESA*

COMPETE has developed a joint program with the EAC Revenue Authorities (Customs Departments) on a number of customs reforms aimed at enhancing the performance of customs and improving trade facilitation and moving the region to adopt recommended best practice. Implementation of the WTO and WCO standards is expected to play a key role in improvement of the trading environment in the region. COMPETE has continued to provide technical assistance support to the Trade and Customs Directorate of the EAC Secretariat.

#### *EAC Customs Procedures*

COMPETE funded the EAC Regional Workshop on Customs Procedures held in Dar-es-Salaam in June 2010 which developed a **Regional Customs Procedures Manual**. The workshop enabled Customs experts from partner states to review and provide input to the draft manual, adopting an integrated and holistic approach to address the trade facilitation in the East African region away from the current national based approaches. The meeting was attended by the officials from the EAC Secretariat, Consultants and Customs Experts from the five Partner States of Uganda, Kenya, Tanzania, Rwanda and Burundi.

#### *One Stop Border Posts and Integrated Border Management*

COMPETE has continued to collaborate and coordinate with the EAC Secretariat and JICA in the development of the regional Legal Framework for One Stop Border Posts (OSBP) in the region. Once the legislation has been adopted, COMPETE will work with the EAC Secretariat to sensitize public and private sector stakeholders at national level to move towards national implementation. At a planning session held with the EAC Customs Directorate in Tanzania in June agreement was reached on a number of activities leading to the following outputs including a concept paper on the EAC Coordinated Border Management (CBM) as part of EAC WCO best practice, border sensitization at select/major borders to introduce joint inspections, a baseline report on practice/operational modalities of various agencies and opportunities for coordinate approach to border management, CBM operational guidelines and charter and the signing of MOU and launch of CBM in select borders/ports

#### *Risk Management*

A key aspect to improving Customs facilitation and quicker clearance of goods is through adoption of Risk Management tools. This is an area where there is a major gap by East African Customs Authorities. Risk Management will reduce the need for 100% verification/inspection of goods, enable identification and isolation of offending operators, enhance industry standards and foster enhanced

compliance to trade rules and regulations as a result of rewarding compliant players, and lead to accreditation of compliant players as Authorized Economic Operators (AEO)

COMPETE is working with KRA to expose KRA officers to best practices in Risk Management. COMPETE has had successful consultations with the Southern African Revenue Service (SARS) who have formally accepted to accommodate a delegation from KRA on a learning/attachment tour during the 4<sup>th</sup> quarter. A priority will also be to recruit a short-term Customs Expert to fill the gap in COMPETE of a Customs Advisor while the recruitment of a long-term Customs Advisor is underway.

### *Promote regional Customs automation and connectivity*

**Development of a Centralized Regional Integrated Customs Platform:** The success of RADDEX in increased efficiencies in border operations has led to a request by an increasing number of countries for its expansion to cover more countries and border posts. To tackle these requirements and advance customs connectivity to a truly regional level we must build on RADDEX technology to produce a centralized platform that will not only provide a management facility for customs and border crossing stakeholders but also provide a comprehensive reporting engine for trade statistics and trends based on real time customs transactions. This enhancement in customs connectivity works towards realizing our vision of wholly integrated EAC border management. COMPETE will work with both the EAC and COMESA to ensure compatibility with other regional initiatives and to provide the appropriate technical guidance. COMPETE will facilitate meetings of the EAC and its member state's Revenue Authorities once or twice a year as deemed necessary in order to ensure regional coordination and adoption.

#### *Regional Mechanism to Coordinate Development of RADDex 2.0*

COMPETE has facilitated the delegation of candidates from the 5 EAC member states to represent customs administration and customs ICT to form the steering committee for development and implementation of RADDEX 2.0, the centralized and extended version of RADDEX. The steering committee will define policy for adoption, as well as plans for maintenance and sustainability of the system which will include the regional long term home for RADDEX 2.0.

The EAC and its member states are in agreement of the regional platform for customs connectivity as proposed by COMPETE. The architecture and demonstration of the regional system has been demonstrated at four of the Revenue Authorities of the EAC: KRA, TRA, URA and RRA as well as at the EACS. Unfortunately the meeting of member states customs and ICT was delayed at the request of the EAC which has in turn delayed establishment of an MOU or suitable instrument.

Recommendations for supporting hardware have been established and are awaiting review by the EAC customs/ICT committee in their first meeting. User requirements are being gathered at a regional level and an information gathering and dissemination platform is being launched. The platform will be hosted at the recently registered domain: <http://www.raddex.org>. This site will also serve as a regional support system. User requirements are being gathered at a regional level and an information gathering and dissemination platform is being launched. The platform will be hosted on [raddex.org](http://raddex.org) and this site will also serve as a regional support system.

#### *Support to Sustain Operations of RADDex 1.0*

In East Africa, KRA, URA, RRA and TRA are using RADDex 1.0. RADDEX is running live at the Songwe border post between Malawi and Tanzania. A post implementation meeting was held in late May to review challenges in the early stages of roll out which resulted in a formal action plan agreed upon by MRA and TRA. Technical support was sent to TRA June 14-20 to work with TRA on establishing reliable connections with its neighbors in Kenya, Uganda and Rwanda. Support is ongoing and test communications were successful during this period.

Technical support will continue to be provided to ensure that the current system continues to support the respective Customs Administrations to exchange data and RADDex 1.0 meets their user needs.

Activities next quarter are:

- Field mission to KRA, URA and RRA to document operational status of RADDex 1.0; identify user gaps; and provide technical assistance support to ensure that RADDex 1.0 continues to operate smoothly
- Set up of a “RADDex 1.0” Help Desk to provide real-time technical support to users of RADDex 1.0
- Convening and operationalizing the Regional RADDex IT Forum involving IT managers of Revenue Authorities
- Continued development of RADDex 2.0 platform
- Sensitization of users such as Clearing and Forwarding Agents, Truckers, and Shippers through the Transit Partner Associations (FEAFFA, KTA, KSC) on the benefits of RADDex so as to obtain wider understanding and buy-in of the RADDex System

***Set up a transit data resource website and library*** ([www.eastafricancorridors.org](http://www.eastafricancorridors.org))

Eastafriancorridors.org is in the process of being populated with regional project data and materials for the Resource Library. While it is undergoing this population it is available to stakeholders and other interested parties at <http://staging.eastafricancorridors.org>. It is scheduled to go live at convening of the next stakeholder meeting of all five corridor diagnostic studies (date to be determined.) Hosting for eastafriancorridors.org will remain with COMPETE during site development..

***Provide innovative financing solutions for the Transit Value Chain***

A new dimension is the increasingly cross-border nature of a number of major infrastructure projects. It is also evident that neither governments nor donors on their own have the resources to meet all the infrastructure needs of the region. These factors entail innovative approaches not only in mobilizing infrastructure finance but also in forging effective Public Private Partnerships (PPPs) for infrastructure financing, development and management. A new development in the region is the emergence of Infrastructure Bonds. Kenya for example, has issued two Infrastructure Bonds for general infrastructure development and another for power generation.

This is an innovative and new source of infrastructure finance which can be further expanded and developed so as to deepen capital markets in the region. However, the region lacks the institutional and legal framework to support PPPs. COMPETE will work with the EAC and member Governments to determine the requirements to establish effective PPP frameworks to support infrastructure finance. Zambia alongside South Africa is one of the few countries that set up a PPP Framework. COMPETE will seek to learn from the experiences of Zambia and determine how best this may be replicated to the EAC countries.

***Framework for Collaboration on Infrastructure Financing discussed with EAC***

The COMPETE Transit Team met with the EAC Secretariat’s Directorate on Infrastructure and Planning in February 2010 in Arusha and discussed a framework for possible collaboration on infrastructure finance. The discussions centered on possible support to the EAC to establish an institutional and legal framework for Public Private Partnership (PPP) for infrastructure financing. There is a major gap in infrastructure financing in the region because the institutional and legal framework to effectively support infrastructure financing is not in place. The COMPETE Transit Team, working with the Finance Team, will continue to explore options for value added interventions by COMPETE in this area.

### ***Prepare for a “Go To” Transit Value Chain Event***

COMPETE is discussing with key players such as, KSC and FEAFFA to convene a “Go To” Transit Event – “East Africa Freight and Logistics Conference”. The event would target key stakeholders in infrastructure, logistics, technology and others such as, vehicle/equipment manufacturers, spare parts suppliers, oil companies, logistics technology companies, information system companies, cargo brokers, importers and exporters and others and provides long-term prospects for shaping the region’s logistics industry to international standards. In Q4, COMPETE will set up a Steering Committee involving KSC, KTA, FEAFFA and EABC to develop a Road Map leading to the convening the first “**East African Freight and Logistics Conference and Exhibition**” by 2011

### ***Promote linkages, synergies with other programs and donors***

The COMPETE Transit Team continued to collaborate with other donors and programs notably, JICA; DFID; Trademark East Africa; African Development Bank; and the World Bank including the Sub-Sahara Africa Transport Program (SSATP). This has helped to promote synergies and avoid duplication of effort particularly around border work. This collaboration will continue during the next quarter.

## **KRA 1.2: Access to Trade and Investment Finance Improved**

The Finance Component of the COMPETE project has continued to work on activities to facilitate collaboration among regional governing bodies, national governments, regulatory authorities, Financial Institutions and other development partners to develop integrated competitive and transparent financial markets and to improve access to credit for those working in the COMPETE-specific value chains which include specialty coffee, cotton/textiles/apparel, staple foods and horticulture.

### ***Develop agriculture lending training program for lending institutions***

**Results from KSMS Growing Agriculture Through Finance Forum.** In light of the recommendations of the forum on “*Growing Agriculture Through Finance*” held in March 2010, on what needs to be done to increase the flow of funding to the agricultural sector, the finance component has upheld activities in its current work plan that address these issues. These include:

- Looking at solutions that provide a holistic approach to addressing issues touching on the entire agricultural value chains – from production to market access.
- Forging partnerships between the private sector and the government to address issues affecting the industry.
- Provision of lending products targeting small scale farmers (including women farmers).
- Forging relationships between MFIs, cooperatives and banks to provide cheaper funds to the industry players.
- Addressing regulatory and legislative issues that will create an enabling environment to the agricultural sector.
- Creating linkages between financial players to create synergy.
- Development of risk mitigation strategies for subsistence farmers.
- Establishment of warehouse receipts systems.

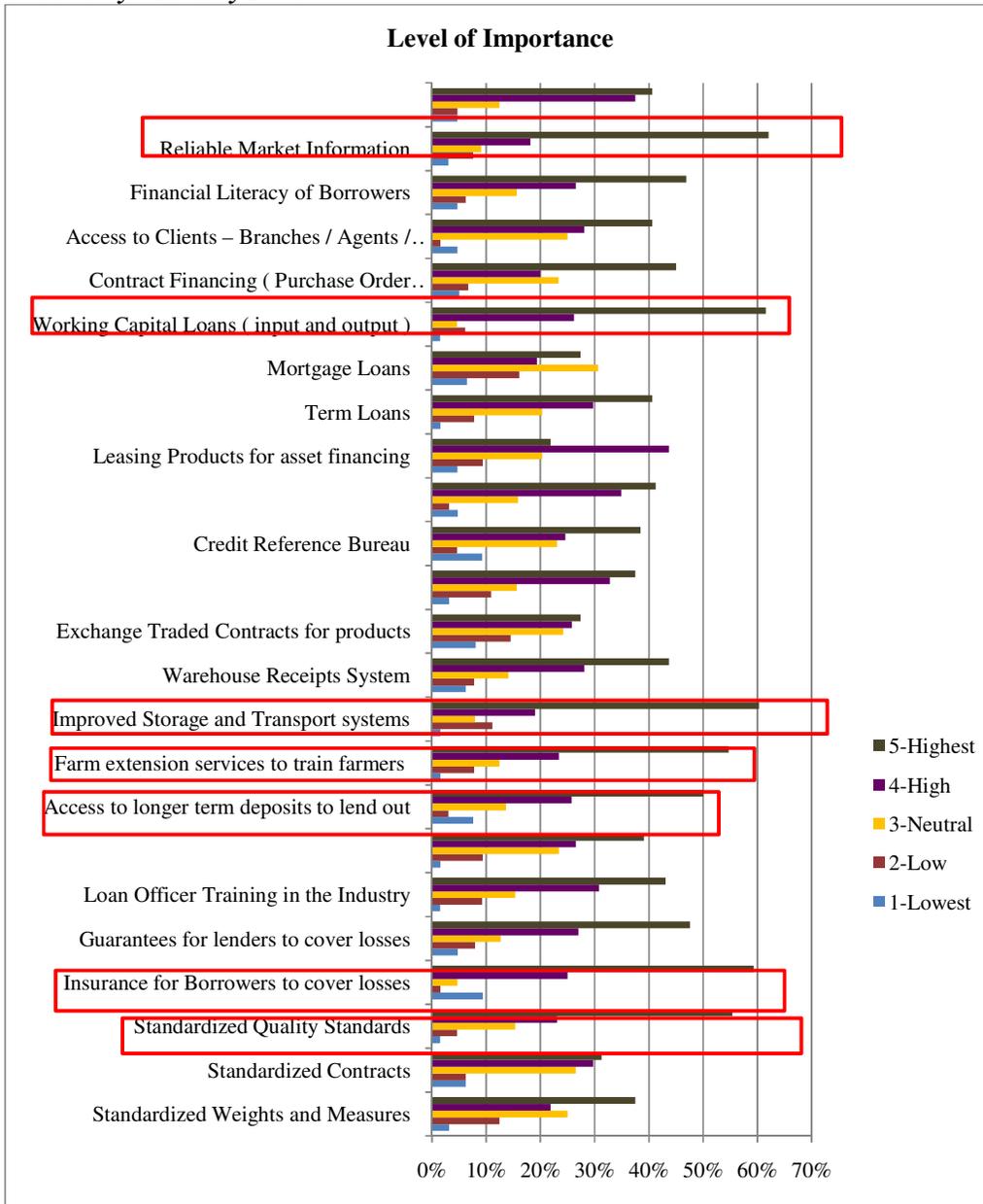
### **Finance Survey**

During the forum a survey was conducted to determine the level of importance in increasing flow of funds to the agricultural sector and the level of success in the implementation of several issues identified earlier market analysis as having an impact on financing of the agricultural industry. The

survey was administered to the 140 participants 67 of which responded returning a response rate of 48%. At 95% confidence level the sampling error was determined to be 8.6% and within acceptable limits. The results from the analysis of the responses ranked the issues surveyed between 3.5 and 4.25 indicating that the issues were generally considered of high level of importance. In terms of the level of success in implementation, the issues were ranked between 2 and 3 indicating low to neutral level of implementation of these issues.

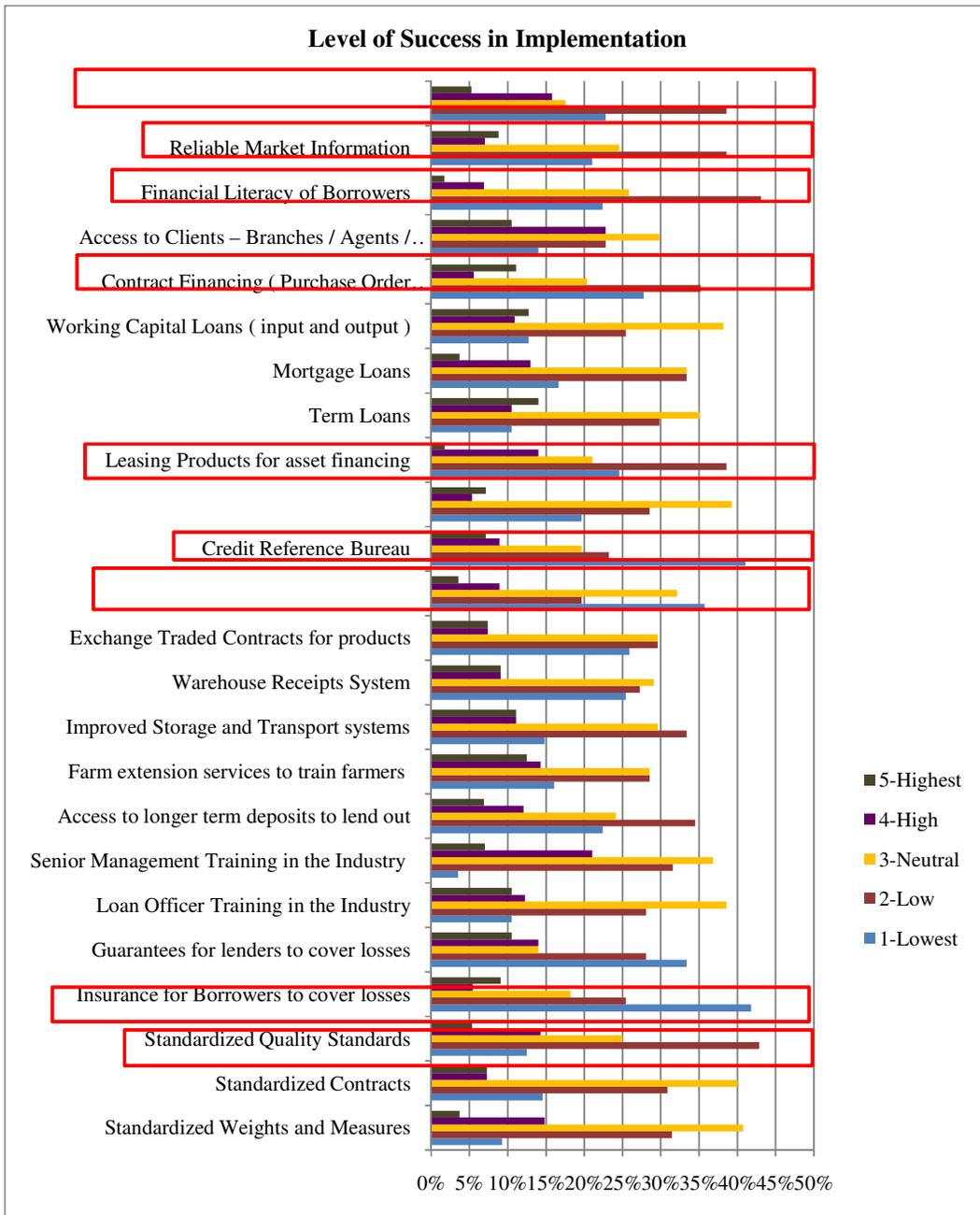
The data was further analyzed to determine how important and how much level of success were placed on each of the issues. More than 50% of the respondents rated the following items as having highest level of importance; Reliable Market information, Working capital loans, Improved storage and transport systems, Farm extension services to train farmers, Access to longer term deposits to lend out, Insurance for borrowers to cover losses, Standardized quality standards. The results are summarised in below.

**Finance Survey – Priority Issues**



The issues rated as lowest in implementation were; Credit Reference Bureau, Insurance for borrowers to cover losses, Price Volatility Risk Management Instruments. The issues rated as having low level implementation were special loan portfolio management systems, reliable market information, financial literacy of borrowers, contract financing (Purchase Order Finance), leasing products for asset financing, improved storage and transport systems, standardized quality standards. The results are summarised below.

**Level of Success in Implementation**



Additional analysis was carried out to determine whether there was a difference in the mean ratings for the various issues surveyed and whether there was a difference between the mean ratings for level of importance and level of success in implementation. The results were that, the differences in mean ratings of the various issues were statistically significant. This is due to the fact that the issues being surveyed were varied ranging from production to marketing, finance and enabling environment. When the results of the two factors importance and level of success were compared the results were that the ratings were independent (one factor's rating did not affect the factor).

Similar surveys will be carried out with similar target audience in agricultural finance fora that the finance team plans to conduct within the region in the coming quarter. The results of the surveys will be consolidated to come up within a regional perspective of the issues being surveyed.

**KSMS Training Program** - The training program is still targeted to be introduced in the KSMS academic training calendar beginning September 2010. This program will train lending personnel in agricultural lending as well as the development of an Agricultural Finance Network for the EAC that will address financing issues from the perspective of specific value chains.

#### ***Develop insurance certification program***

During the quarter COMPETE networked and established working relationships with several agricultural insurance industry organizations including Swiss Reinsurance Company Ltd, College of Insurance, Insurance companies (UAP, Mundial, Real, Heritage, Lion, CNAAS, Nyala, Madison, Jubilee, Nico, Co-operative Insurance, Safire, ICEA, Real), Egerton University, East African Malt, Agricultural Reinsurance consultants, Banks (Equity, Co-operative, Absa), Syngenta COMESA, Global Index Insurance Fund and Kenya Insurance Regulatory Authority.

The Finance team attended a round table meeting on “*Managing Food Security through Agricultural Insurance*” sponsored by Swiss Re that covered Kenya, Uganda, Tanzania, Malawi, Ethiopia and Angola. It came out clearly from the forum that agricultural insurance within the region has to be managed through value chains and that one of the critical issues hindering the uptake of the product is lack of capacity in human resources, underwriting systems, risk modeling, loss adjustment and field inspections. The culmination of the forum was the establishment of a network comprising COMPETE, Kenya College of Insurance, Swiss Re, ILRI and Egerton University. The network is tasked with the establishment of a regional certification program in Agricultural Insurance. Work has started on the curriculum development and getting regional and insurance industry stakeholder's consensus on the program. It is envisaged that the program will be launched through a regional forum by end of September 2010 in parallel with the Agricultural Finance Certification Program with KSMS.

#### ***Promote harmonization of regional legislation and regulations and trade in financial services***

The advent of the EAC Common Market Protocol provides the basis for renewed initiatives by the Finance Component to assist with regionalization and harmonization of financial operations. The potential impact of the free movement of capital in the region facilitates investment in regional agricultural value chains thereby improving the opportunity to make meaningful impacts in food security as well as intra regional trade in agricultural products. It will also facilitate the funding of infrastructure necessary to achieve these objectives. The Finance Component will in the next quarter work closely with the EAC and the relevant authorities to assist with the development of the regulations and legislation necessary to implement the spirit and intent of the EAC protocol as well as work with institutions in the public and private sector to take advantage of the opportunities offered by the EAC. Some of the activities that have been on going on and will be revitalized in the next quarter are elaborated below

**Cooperation in Statistics** - In the past quarter the Finance Component has been working towards establishing a standard industrial classification code that would be used to record financial institutions loan portfolios thereby enabling risk management of the portfolios but also enabling the comparisons of portfolios and micro and macro economic data at the national and regional levels. Work is on going on the draft code.

**East African Agricultural Development Fund** - In the past quarter the Finance Component has been working with the private sector to develop a USD 100 million investment fund targeted to agriculture. The draft prospectus has been completed and investors in the Middle East approached. Now with the EAC protocol, the Finance Component will be working with the private sector in EAC and with the EAC to use the work to date to approach the East African market under the plans indicated above. Owing to the private nature of the fund and to protect its operations a confidentiality agreement was signed and as such details of the investment fund cannot be disclosed.

**Regional Credit Bureau and Collateral Registers** - COMPETE continued to work with USAID EGAT in assisting with the development of legislation covering the Credit Reference Bureau in Rwanda. The work included the revision of the draft legislation. During the next quarter and dependent upon resource allocation the component will be working with EAC and the EAC private sector to adopt regional approaches to data sharing, recording and risk management from this activity.

**Infrastructure Finance / Agriculture Value Chain Investment - Pension Funds and Insurance Funds** - A two day event was held in Nairobi in May and event was attended by USAID EA mission as well as USAID EGAT. COMPETE Finance component collaborated with the AfDB, the Commonwealth Secretariat, and Aureous (Commonwealth Development Corporation) to address the issues of mobilizing investment into equity versus debt instruments, a source of capital crucial to the development of the EAC. At issue is the harmonization of legislation and regulation to enable long term investors such as pension funds and insurance companies to hold a portion of their investments in this asset class. COMPETE is now facilitating a working group to address this issue and move it forward.

There are over 100 private equity funds operating across Africa with about USD \$10 billion under management. The Finance Component will continue to work with the EA private sector on a value chains basis to attract investment to their operations. During the quarter the Finance Component worked with Werri Holdings in South Sudan to develop and draft Islamic Bond financing proposal to develop their large land holdings and continues to work with the Rift Valley Group of companies to develop their integrated value chain in staple foods and cotton production. Currently they provide a market for 15,000 farmers and hope with increased investment we are seeking to help them raise they will in fact increase this to 25,000 farmers.

Reasons investors are currently interest in East Africa as a strategic investment is because they feel that over the medium term economic performance will be improving due to the following factors:

- Growing internal consumption
- Improved economic management
- Greater business confidence
- Commodity wealth
- Economic diversification
- Diaspora investment

There are however concerns such:

- Competitive intensity increasing – lots of money chasing too few good proposals
- Political uncertainty in various countries due to elections
- High cost of doing business eg corruption, infrastructure etc
- Narrow-based commodity driven economies

- Under-developed financial markets

The main sectors of interest for foreign fund investment in East Africa as follows:



TMT = telecom, media and technology

***Support ongoing activities for development of mobile banking***

During the quarter work on Mobile Money continued with discussions regarding the training of banking personnel on the risks inherent in the technology used in mobile money and to co sponsor a conference in topical issues in the industry by COMPETE and Kenya chapter of the Information Systems Audit and Control Association (ISACA). ISACA is a US based organization with chapters in Africa that brings together professionals from financial and banking, public accounting, telecommunications, government and the public sector to address information governance, control, security and audit in the IT industry, all issues pertinent to mobile money. The event is scheduled for the next quarter and will bring together the ISACA chapters from Kenya, Tanzania and Uganda, and the region’s stakeholders in e-banking service delivery to deliberate and reach consensus on mechanisms that address the issues required to make the integration and provision of these e-banking and mobile financial services a regional success.

During the course of the quarter the Finance Component worked with the USAID EGAT unit to review and comment upon a Mobile Money risk matrix, part of USAID wider involvement in this issue.

***Develop a regional DCA program for agriculture and agro allied lending within selected value chains***

Activities with the banking sector continued in the Quarter with the development of a proposal for establishment of a pilot DCA LPG of USD 3 million supporting a loan portfolio of up to USD 6 million. The DCA proposes the use of the Development Credit Authority (DCA) to help small farmers gain access to productive equipment and technology that will allow them increased participation in regional trade and markets. The USAID East Africa mission will provide technical support to the selected financial intermediary, the Co-operative Bank of Kenya, to assist the bank in developing a loan product for small-scale agricultural farmers. This assistance, coupled with the backing of the DCA Loan Portfolio Guarantee (LPG) of USD \$3 million, will facilitate the bank in extending USD \$6 million in loans to small-scale farmers for the purchase of productive equipment and technology. This DCA will serve as a pilot to other banks in the region, demonstrating that lending to small scale farmers can be done sustainability and profitably. It will also facilitate the inclusion of 120,000 small-scale farmers into regional structured regional trade systems. Technical assistance to ensure that the DCA is fully utilized will be delivered through the USAID COMPETE program Finance Component.

### ***Develop and pilot innovative financial products***

**ATI and COMESA Risk Mitigation** - During the quarter COMPETE in collaboration with the Africa Trade Insurance Agency (ATI) launched a marketing campaign to create awareness of export credit insurance to the would-be beneficiaries of the product within the COMPETE's value chains specifically in cotton and textiles and AGOA. A marketing brochure targeting this group has been prepared and will be used to train partners on the benefits and structure of the export credit insurance product. The insurance cover will enable the businesses trade on open terms and facilitate access to credit from banks, both leading to business expansion.

The Finance Unit is also working with ATI to establish operations in West and South Africa using the USAID Trade Hubs as strategic partners. COMPETE is in the process of providing or reviewing the possibility of assisting ATI to raise capital from new countries. This new equity enables the company to increase the amount of Credit Risk insurance it can underwrite which is a crucial tool for the development of interregional trade in EAC as well as within Africa. Since ATI is a COMESA creation work with ATI is viewed as assisting COMESA's initiatives.

**Crop Insurance** - The finance component is currently reviewing literature, attending forums and holding discussions with key stakeholders in the agricultural insurance industry to establish the industry trends on crop insurance globally and within the East African region in order to determine COMPETE's level of intervention in this area and how the staple foods value chain (more so small holder farmers) can benefit from this product. A report on the outcome these exercises will be produced in the coming quarter. In line with this, the team has established a working relationship with SWISS RE, and UAP insurance to work with them on identifying ways to increase crop insurance coverage within Kenya and scaling up its uptake within the EAC region. This has included discussions with Opportunity International on making this available at the Micro Insurance level together with Syngenta foundation and banks.

The team is also looking at supporting activities focused on consumer education targeting farmers, agricultural extension officers, insurance regulatory authorities, ministry of agriculture, Agricultural Co-operatives, Savings and Credit Cooperatives, women groups, youth groups, insurance brokers and agents.

### ***Provide strategic tactical assistance to COMPETE components***

**Training** - Value Chain Financing training was delivered to 62 persons in Kenya and in Uganda in conjunction with the value chain validation workshops by the Finance Component as follows: Issues addressed with the audience included the need to think of value chains from a commercial perspective and start at the market end of the transactions and work towards production, not the reverse and covered the methodologies for reviewing value chains as well as the opportunity for structured trade finance as well as purchase order finance in this environment.

**Special Projects** - The Finance component seeks to maintain as large a network of contacts as possible to ensure maximum impact with minimal cost. In so doing working relationships are maintained with the major USAID bilateral projects, EGAT, USTDA, SEC, Treasury, as well as other agencies. The objective is to work on an integrated basis to achieve US Feed The Future objectives to increase intra-regional production and trade of staple foods and horticulture products. In addition to USAID and USG organs this requires coordination with other bilateral and multilateral donors, as well as the EAC and the Common Market for Eastern and Southern Africa (COMESA) and their related institutions such as the African Insurance Agency (ATI) to provide credit risk insurance for intra-regional trade finance, ACTESA and EAGC. These crucial contacts provide the Finance Component with the tools for engaging the private sector and for mobilizing and leveraging private

sector financial resources to meet USAID objectives. In addition we coordinate with DFID, JAICA, GTZ, AfDB, IFC, World Bank, UNIDO, FAO and others to achieve mutual objectives.

During the course of this coordination we are sometimes asked to review and comment upon the financial viability of other opportunities and as such during the quarter reviewed the viability of a large scale Jatropha project as well as currently are reviewing a large scale plant propagation opportunity using American technology and knowhow to ease replacement of staple foods biological materials that may need replacement for various reasons. We are also working on developing an integrated IT / MIS system to enable banks and others to lend to agriculture and agricultural value chains.

### **KRA 1.3: Regional Trade Policies Strengthened and Integrated**

#### ***Build institutional capacity of EAC and COMESA in select trade policy areas***

**Support EAC in the Development of a Trade Data Base** - USAID/COMPETE facilitated an EAC meeting of the National Experts on trade statistics between 8<sup>th</sup> and 9<sup>th</sup> April 2010. The experts discussed the concept paper developed jointly by EAC Secretariat and Trade Policy Advisor of

#### **EAC / USAID COMPETE TRADE STATISTICS MEETING**



**8TH APRIL 2010 AT LAICO REGENCY HOTEL NAIROBI - KENYA**

COMPETE. The meeting noted that despite the EAC Customs Union integration efforts over the last five years, the EAC does not have a regional trade data base. This renders preparation of the annual EAC Trade Review Report an onerous task resulting in year long delays in compiling data to produce this vital report. For instance, the 2008 report is yet to be prepared principally because of the weakness in regional data base collating mechanism. The meeting considered the COMSTAT data base and the EU Export Help Desk data base as models for an EAC Trade

data base. After much deliberation the policy experts agreed that the EAC trade data base will be modeled along the European Union Export Help desk. This data base will allow, for the first time in EAC history of regional integration, all EAC member countries' trade statistics and applicable tariffs and trade regulatory requirements to be captured on the same web based data base. This will be a very powerful tool for monitoring impact of EAC trade policy and preparation of EAC trade review reports. Information on trade regulatory requirements and applicable tariffs makes this proposed web based EAC trade data base a very powerful tool for the business community seeking to take advantage of the regional integration opportunity.

**Promote linkage of RATIN to trade policy and regulatory institutions** - In Q3, COMPETE's Trade Policy advisor in collaboration with EAGC/RATIN provided support in follow up with regulatory institutions to ensure timely submission of the trade policy information. The focus is on staple foods and horticulture produce targeting information such as SPS, Standards, Export/Import permit procedures, charges, transit regulatory requirements, border clearance procedures, among others. With the strengthened capacity of RATIN management at the EAGC, COMPETE shall be able to work with the RATIN team, working in collaboration with EAC food security team, to introduce trade regulatory requirements into the RATIN in the July-Sept 2010 quarter.

***Provide Support to Implementation of the EAC Customs Union and EAC, COMESA and SADC Tripartite Free Trade Area (FTA)***

**Support EAC process of transformation to a fully fledged customs union** - The review of the EAC Common External Tariff was finalized, culminating to adoption of the new EAC CET rates by the Council of Ministers in April. The input of USAID/COMPETE was focused on tariffs applicable on Cotton, Textile and Apparel and Staple Foods. During the July/September Quarter, Trade Policy Advisor will sensitize the RTAs on the applicable CET Rates in EAC effective 1<sup>st</sup> July 2010.

***Support private sector input to the EAC/COMESA/SADC Tripartite FTA and Rules of Origin negotiations***

During the quarter, COMPETE provided technical input at the EAC meeting of experts on the Tripartite FTA. The focus of input pertained to the following focal areas of the FTA: Rules of Origin and Trade and Transit.

Private sector input in these two most crucial areas of the proposed FTA was lacking. COMPETE was therefore requested to facilitate private sector comments on the draft Rules of Origin and Trade and Transit (Annex 4 and 5, respectively, of the FTA Agreement).

***Support Harmonization and Implementation of the EAC and COMESA STR***

Terms of reference for review of the EAC Simplified Certificate of Origin was developed jointly between the EAC Secretariat and USAID/COMPETE Trade Policy Advisor. The review exercise is planned for August/September. This will provide an opportunity to harmonize EAC STR with COMESA as well as introduce SPS and Standards trade facilitation mechanism as an accompaniment of the STR. At the moment, lack of such a mechanism makes cross border trading a nightmare, leading to traders opting to avoid official border posts often at very high transaction costs. Once this exercise is completed, cross border trading will not only be made very easy but also transit and transaction costs will be greatly reduced.

***Support Establishment of an Enabling Policy Framework for Structured Trading Systems***

**Prepare with EAC, COMESA (ACTESA) and EAGC a regional trade policy framework for Structured Trading Systems (STS)**

**Benchmarking of countries against regional trade policy framework for STS** - The eight National Value Chain Analysis (VCA) reports provided vital parameters with which to compare various countries staple foods policy framework against the regional trade policy framework for Structured Trading Systems(STS). The results of this comparative assessment were considered and adopted in National VCA workshops, where the National VCA reports were also validated. During the quarter the workshops were held in Kenya, Uganda, Rwanda, Zambia and Malawi. VCA workshops for Tanzania, Ethiopia and Burundi are scheduled for the 4th Quarter.



Key output from these workshops is endorsement of the regional staple foods policy framework for Structured Trading System and consensus on the following trade enabling policy parameters: -

- Zero tariff on intra-regional trade of staple foods across EAC, COMESA and SADC. This will provide a window of opportunity for countries such as Uganda and Ethiopia, which have not acceded to the COMESA FTA to consider allowing trade of staple foods trade with rest of COMESA countries on duty free basis.
- Application of the STR for cross border trading, covering all staple foods.
- Standards and SPS trade facilitation mechanism as an accompaniment of STR to ensure coordinate approach to clearing of cross border trade by all regulatory agencies
- Harmonization of staple foods standards
- Elimination of ad-hoc export/import restriction and application of predictable system
- Elimination of non tariff charges that have tariff equivalent effect.

This emerging consensus will be tabled at the regional workshop that is scheduled in August 2010 for agreement on a regional action plan for implementation.

**Regional policy mechanism for management of export/import restriction - Food Balance Sheet -**

National food balance sheets were completed in the following countries through USAIDCOMPETE support: Zambia, Malawi, Burundi and Rwanda. The food balance sheet for Ethiopia is expected in July 2010. We also provided support to EAGC in finalization of the food balance sheet for Kenya, Uganda and Tanzania. The outcome of this exercise will be used in assembling a regional food balance sheet to be posted in RATIN and availed to ACTESA as one of the key output of COMPETE ACTESA collaboration. The regional food balance sheet will be used at the regional workshop of grain reserve agencies and other key stakeholder institutions that will be expected to develop, through technical support from USAID COMPETE regional mechanism for management of export/import restrictions.

**Joint EAC/USAID COMPETE Work Plan on Implementation of EAC Food Security Action**

**Plan** - During the quarter a joint EAC/USAID COMPETE work plan towards support for implementation of the EAC Food Security Action Plan was prepared. This provided an opportunity for COMPETE to advance the work on food security in EAC from a regional trade angle beyond the Action Plan and the Draft Declaration of the yet to be held Special EAC Summit on Food Security. From this work plan, COMPETE is expected to provide vital support, in collaboration with other institutions on the following trade policy areas: -

- Development of regional food security policy
- Regional SPS legal, regulatory and institutional framework
- EAC Food Information System and regulatory measures to ensure accurate information of available food at any time
- Sustainable institutional framework for pooling regional food balance sheet
- Predictable regional based model for management of regional strategic food reserve

It is under this joint work plan that USAID EA work on Pest Risk Analysis for select staple foods in EAC is being undertaken.

## **B.2 PIR 2: Increased Competitiveness, Trade and Investment in Select Regional Value Chains**

### **KRA 2.1: Regional Supply/Value Chains, Industry Linkages and Financial Resources Enhanced**

#### *Recommend Additional Value Chains*

**Undertake assessment of regional horticulture value chain:** The Staple Foods Horticulture section is undertaking assessments in the categories of fresh and processed fruit and vegetables, as well as roots and tubers (liaising closely here with ASARECA). The team started with a trade flow analysis of formal trade within the COMPETE countries using official EAC and COMESA trade statistics. This pointed to the need for more accurate data on informal trade which accounts for as much as 80-95% of the traded volumes. We also started analyzing regional horticulture production using FAOStat data, which provides harmonized regional data allowing for easier comparison across countries than national statistics would allow. A key input to the regional value chain analysis will be the report on regional horticulture trade undertaken by the Kenya Horticulture Development Program (KHDP) which is to be released shortly having been undertaken by Stanley Karuga. Future planning by COMPETE will take into account the main recommendations coming out of that report. They have agreed to share findings with COMPETE, priority border crossings can then be identified, and plans made for improving the wholesale collection points and storage facilities close to these trade routes. The COMPETE horticulture specialist will then meet again with Fintrac and plan to complement this working closely with their bilateral horticulture program, with a review of existing value chain studies in horticulture to identify gaps where additional work may need to be undertaken. The regional horticulture value chain study will be completed in Q4 FY 2010/Q1 FY 2011.

**Undertake assessment of regional processed foods value chain:** COMPETE's work in processed foods is now solely confined to RUTF products. Having completed an initial regional assessment of fortified and therapeutic foods in 2009, COMPETE plans to focus on improving production capacity of RUTF products in Ethiopia and Malawi (dependent on the availability of further funding). The existing grantee, INSTA, has made significant progress this quarter by installing the COMPETE-funded sachet filling machinery. INSTA is currently ramping up production.

#### *Develop Value Chain Competitiveness Strategies*

The COMPETE team continues to work across its value chains to identify the issues/constraints that are limiting the sectors' competitiveness and develop the strategies needed to address the highest priority issues. These issues are the foundation of COMPETE's regional competitiveness strategies. The regional strategies not only complement the work COMPETE's value chain teams are already doing but they also position COMPETE, and its RTA partners, to play the lead role in coordinating and driving forward implementation across the region.

COMPETE held a meeting of the Cotton, Textiles and Apparel Value Chain Strategy Working Group in Nairobi on April 27<sup>th</sup> the results of which will be discussed in greater detail in the CTA section below. Regional Strategy working group meetings for Specialty Coffee and Staple Foods originally scheduled for Q3 have been rescheduled for Q4.

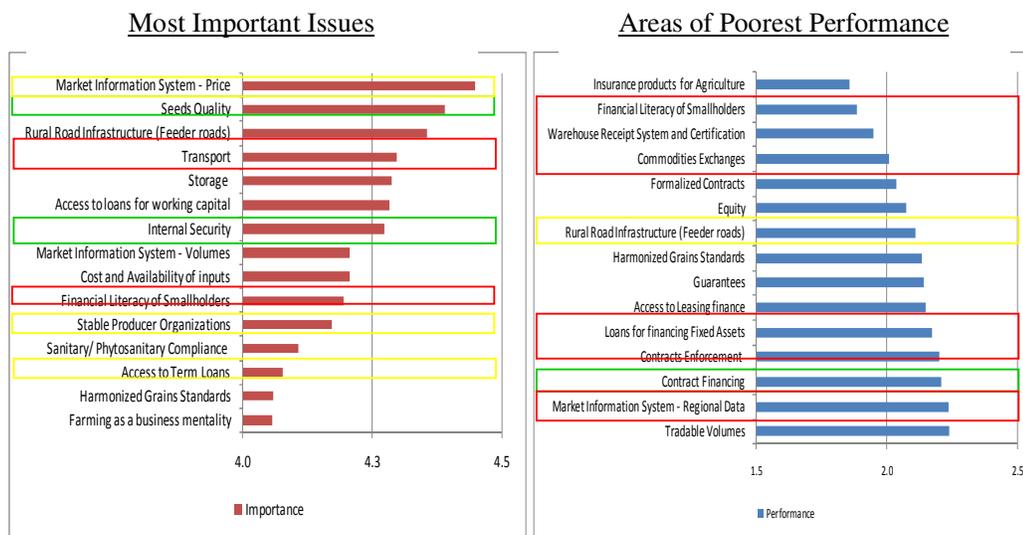
Below is an update on the work COMPETE has undertaken across the value chains in the third quarter.

#### **Staple Foods**

- **Regional Storage Capacity Inventory Study.** A quick snap-short survey of grain storage facilities has now been carried out in Kenya and Uganda. Interactive real-time maps have been made listing the major grain stores, around which we can consolidate our collection and bulking

activities in the future. These 2 maps have been put into the East African Corridors website, and links will be made to RATIN. A similar mapping exercise is planned for the next quarter in Tanzania and Zambia. There has been close collaboration between COMPETE and other regional and bilateral partners in planning for this survey, particularly in Uganda where LEAD will survey warehouses from 30t to 300t holding capacity, MLI will survey those from 300t to 1000t, and COMPETE has mapped those over 1000t. By collecting GPS coordinates in Kenya, and Uganda, maps are available with real time pop-up pictures of each facility together with figures on holding capacity. MLI is also undertaking storage inventory work in Malawi, Rwanda and Burundi, which will be incorporated into the regional mapping exercise.

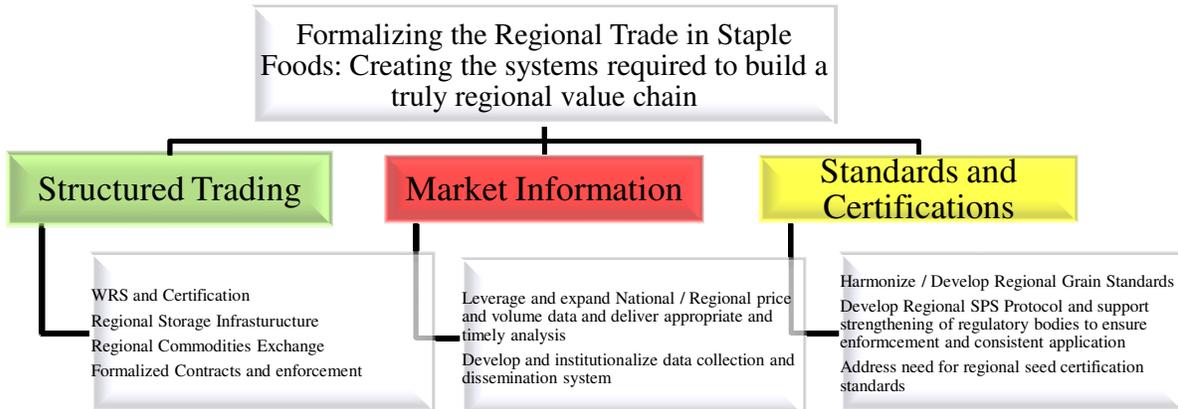
- **Staple Foods Value Chain Validation Meetings.** COMPETE held 5 national value chain validation meetings in Q3. The meetings held in Kenya, Uganda, Rwanda, Zambia and Malawi were attended by 202 private sector, donor and government representatives. The meetings were designed to review the consultants’ value chain reports, validate the trade policy issues and debate the issues impacting competitiveness of the staple foods sector. The final national meeting will be held in Tanzania in early July. From a competitiveness perspective, the meetings allowed COMPETE to engage stakeholders in a discussion of national level issues while at the same time forcing them to think about their industry within the broader regional context.
- **Stakeholder Competitiveness Survey.** At each national validation meeting, COMPETE surveyed participants in an effort to evaluate the *importance* and national *performance* of certain issues. The COMPETE team analyzed the survey results during each meeting and presented the findings to the group the same day to guide the prioritization of competitiveness issues. COMPETE then aggregated the national-level data and began looking at areas of high importance and poor performance in an effort to identify areas where critical work needs to be done at a regional level to improve competitiveness. The charts below summarize the aggregated results from the five countries where data has been collected thus far (n=128). These results will likely change slightly once the Tanzania data have been added but they give a good indication of what the regional priorities are.



- Market Information
- Standards and Certification
- Structured Trading

- **Evaluating Importance and Performance.** From the survey, there are some important issues such as rural road infrastructure and internal security that are wholly national in

nature. There are, however, some emerging themes that given their impact on the flow of staples cross border are clear regional priorities such as market information and standards and certification. A look at those areas where performance is weak identified structured trading – in its various forms – as an area where much work needs to be done. As the graphic below, which summarizes COMPETE’s regional strategy, reveals, each of the priority areas is closely related, mutually reinforcing and essential to formalizing regional trade.



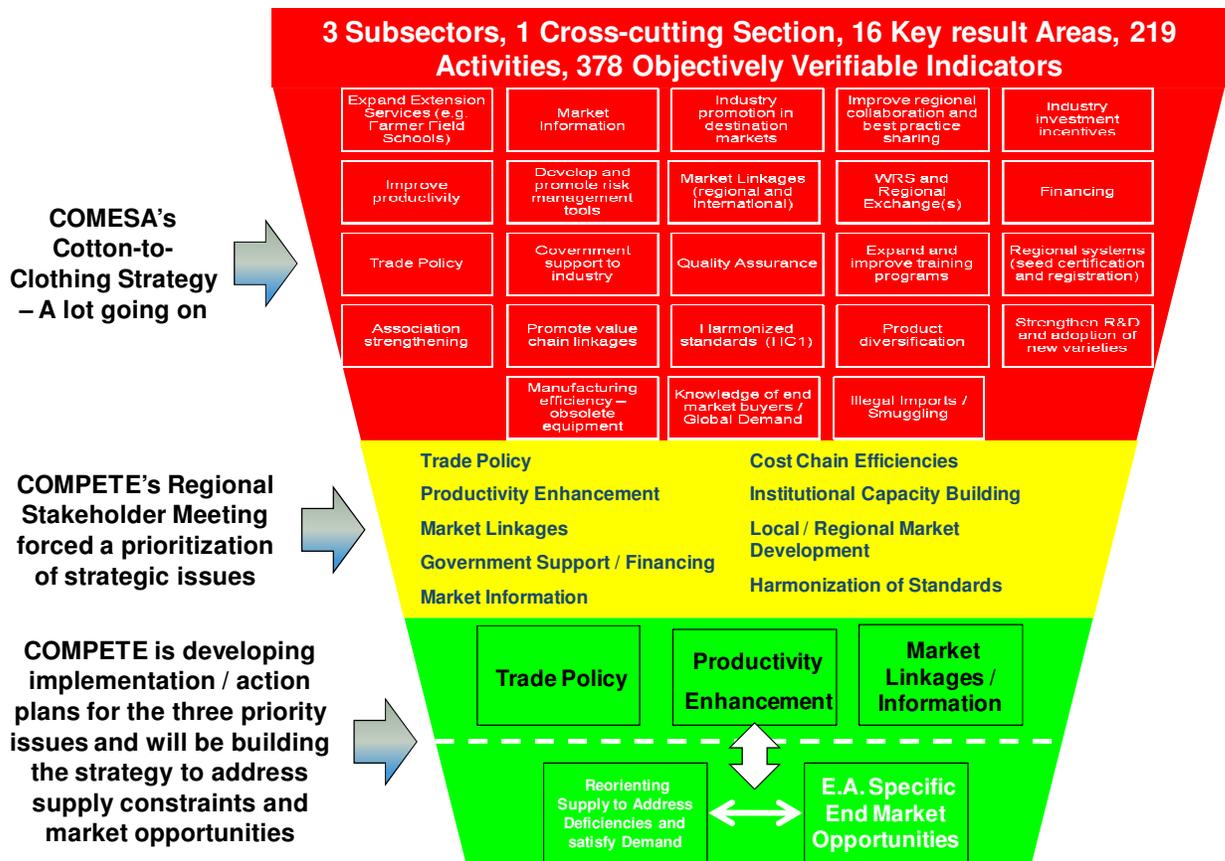
Looking forward to the Regional Staple Foods Strategy Working Group meeting scheduled for late August, COMPETE will work with industry leaders to identify measurable objectives under each of these priorities and complete detailed action plans that will help deliver the results the industry needs across all three priority areas. COMPETE will then work with its implementing partners to drive the strategy forward.

- Regional Food Balance Sheet (FBS).** COMPETE continues to work with the EAGC, EAC and ACTESSA to develop a regional food balance sheet. This tool will be used by regional governments and private sector to better understand the true picture of the region’s foods stock availability on a monthly basis. In Q3, food balance sheet studies and national meetings were held in Burundi, Rwanda and Malawi. Studies have been completed in Kenya, Uganda and Tanzania and meetings are scheduled for Q4. Studies are still underway in Zambia and Ethiopia. Once all of the national meetings have been held, COMPETE will hold a Regional FBS meeting in August to harmonize the FBS methodology. The Food Balance Sheet will focus on Maize, Rice, Wheat, Millet, Sorghum and Beans initially. The process is consultative and involves all Staple Foods actors within the value chain. A Monthly Food Balance Sheet report will be posted in RATIN website, FAMIS and EAC website. This collaborative effort will help guide government and private sector decision making and will support the development of structured trading systems and ideally eliminate the imposition of import and export restrictions that have a negative effect on regional food security.

### Cotton, Textiles and Apparel

- Regional CTA Competitiveness Strategy Working Group.** COMPETE held a meeting of 56 stakeholders from around the region to discuss issues impacting the competitiveness of the CTA value chain. Because many of the participants contributed to the development of the COMESA Cotton-to-Clothing strategy (completed in June 2009), COMPETE decided to build on the good work already done while addressing some of the deficiencies in the COMESA document. While the COMESA document touches on many of the issues critical to the competitiveness of the sector it lacks focus and cohesion and does not provide the lower-level detail required for successful implementation and as a result implementation has been slow. In an effort to force

focus on the COMESA strategy, COMPETE and the stakeholders agreed to a more manageable set of nine priorities that must be driven forward now. The Graphic below tracks the strategic prioritization process from the COMESA strategy (the **red** section) with its 219 activities – grouped into higher level themes – at the top to the narrowed down list of 9 priority areas (the **yellow** section) that came out of the April meeting.



In June, COMPETE met with the COMESA Strategy Implementation Committee to review progress. At that meeting, it was agreed that implementation was not well coordinated and was not moving as quickly as it should. COMPETE was given responsibility for developing detailed action plans for a number of the regional priorities (the **green** section above) including: Trade Policy (e.g. 3<sup>rd</sup> country fabric provision, preference erosion, import tax policy, etc.), Productivity Enhancement (equipment upgrading, human resources training infrastructure, competitive benchmarking, etc.) and Market Information / Market Linkages (value chain deepening, matchmaking, end market relationships, information analysis/forecasting, cost chain analysis, etc.). In developing these action plans, COMPETE will leverage its analysis of the region's current supply situation as well as US market demand to ensure that recommendations are driven by market demand.

### CTA Value Chain Competitiveness Strategy

Work on developing the competitiveness strategy for the CTA value chain continues. The demand-side/end-market analysis with initial emphasis on the US market was completed with the analysis encompassing 20 product categories that had the most potential. The survey covered market segments ranging from department stores, national chains, mass merchants, youth/trend stores, special size stores, sports & children's specialty stores, and the general work-wear, corporate work-wear, and uniforms segments.

It also emerged that while cotton was losing its share of the world fiber market in industrial applications, it is doing well in the apparel sector. Cotton is holding its market share, which accounts for about 60% of apparel and home furnishing. The use of cotton in these industries should continue to increase. African industries could enhance their competitiveness and raw material supply advantage, by expanding cotton-based products, not chemical fibers.

These findings were presented to a meeting of 56 CTA value chain stakeholders on 27 April, and have been distributed across the regional value chain. This information data on US market demand will provide an initial market intelligence platform to guide manufacturers in their decision making processes, in order to increase trade under AGOA, and for some, to penetrate the US market for the first time.

Work on the supply-side analysis continues, and as reported previously, will take more time than initially anticipated, as it involves the collection of firm-level, commercially sensitive information, and it is now being conducted in-house, with the immediate term emphasis focusing on the Eastern African and Indian Ocean Island regions. This activity will include a cost chain analysis of the regional supply chain, and will incorporate benchmarking the competitive and comparative advantages of the Asian LDC competition, starting with Cambodia, Bangladesh and Vietnam.

Following the supply analysis of Swaziland which highlighted supplies of yarn available for sale by Spintex, potential buyers from Kenya and Mauritius have been linked with the company, and resultant trade is expected. This source of regionally produced yarn is expected to generate on-going inter-regional trade for some time to come.

**TEX RAY (Tex Ray—Clothing)**  
 Brands Supplied: AD, K-Mart, Young Stuff, VF, Reebok, ENC, U&F Fung  
 Products: Knit T-shirts, polos, skirts, pants, printed tops  
 Market: USA  
 Production Capacity: 600,000 units/month  
 Contact for orders: Anny Wong  
 cell: +268 6295925 or email: [anny\\_wong@spintex.com.sz](mailto:anny_wong@spintex.com.sz)

**SPINTEX (Swaziland Pty Ltd)**  
 Brands Supplied: Comex spun polyester, Balta Poly Poly, Spun Polyester, Darfil Premium Polyester  
 Products: Ring spun, combed/graded cotton and cotton-blend yarns, coarse spun for sewing threads, staple spun polyester and soft cotton  
 Markets: South Africa and Europe  
 Production Capacity: 650 metric tons/month  
 Contact for orders: Olga Kiboni  
 (olga@spintex.com.sz) or Simon Simelane (simon@spintex.com.sz)

**FASHION INTERNATIONAL**  
 Brands Supplied: Queen's Park, Foschini's, Milady's, Truworthe, Woolworths, Edgars, J&M, Vandy Fair, Russell Athletics  
 Products: Women's fashion outerwear, children's school wear  
 Market: South Africa and USA  
 Production Capacity: 270,000 units/month  
 Contact for orders: Vic Royce  
 cell: +268 627 9996  
 email: [vicr@fashions.co.sz](mailto:vicr@fashions.co.sz)

### Regional CTA Competitiveness Strategy Working Groups

In conjunction with ACTIF, COMPETE held a meeting on 27 April of 56 stakeholders from across the region to discuss issues impacting the competitiveness of the CTA value chain. The COMESA Cotton-to-Clothing strategy (completed in June 2009), was used as the basis for discussions, with the aim being to identify a manageable set of priority activities, and to then drive forward the implementation process for these. A set of nine priorities were identified, these being:

#	Issue
1	<b>Trade Policy</b> – rules of origin, trade arrangements (e.g. AGOA – 2015 and 3 <sup>rd</sup> country fabric), preference erosion, COMESA FTA accession (Ethiopia, Uganda), benchmarking
2	<b>Productivity Enhancement</b> – plant/equipment upgrading, human resources (training/infrastructure), benchmarking competitors
3	<b>Market Linkages</b> – deepening the regional value chain, matchmaking, end-market

	relationships, spinner country visits
4	<b>Government Incentives/Financing</b> – capital equipment upgrading funds, preferential lending rates/schemes
5	<b>Market Information</b> – analyzing and forecasting (making information more useful), data base of value chain suppliers, capacities, inputs, industry inventory
6	<b>Cost Chain Efficiencies</b> – logistics, utilities, lead times, other transit issues
7	<b>Institutional Capacity Building</b> – association strengthening, farmer organizations encouraged (promote productivity)
8	<b>Local/Regional Market Development</b> – inter-regional linkages, regional integration initiatives, address smuggling (second hand clothing)
9	<b>Harmonization of Standards</b> – regional computerized testing facilities for cotton fiber, common standards

Subsequent to the April meeting, the CTA and Competitiveness components of COMPETE participated in a combined COMESA, ITC and EU-ACP All Commodities round-table discussion on 8<sup>th</sup> June, to set the parameters, priorities and action plans for implementation of components of the COMESA Cotton-to-Clothing Strategy. Seventeen stakeholders participated in the deliberations. To get the process moving, it was agreed that COMPETE would develop detailed action plans for a number of the regional priorities agreed to at the April meeting (tabled above), these being:

- Trade Policy
- Productivity Enhancement
- Market Information / Market Linkages / Cost Chain Analyses

In developing these action plans, COMPETE will leverage its analysis of the region’s current supply situation as well as US market demand to ensure that recommendations are driven by market demand.

***Build new partnerships, skills development and technology transfer***

**Partnership with Cotton Conservation Initiative Uganda (CCIU)**

With the harvesting and marketing season completed, the prime activity for the period under review was the ginning of the 80 tons of seed cotton produced. This produced 29 tons of lint fiber, which will be converted into yarn and knitted fabric at the Phenix spinning plant in Kampala, Uganda. EDUN Apparel will shortly be concluding orders for placement of T-shirts, which will be manufactured in Uganda, into the US and EU markets; 15% of the proceeds will go back to assist in the further development of the CCIU program.



**Trainings, activities and initiatives**

**Food rotation crops.** As part of the initiative to encourage farmers to engage in crop rotation practices, and to increase food production, some 2 tonnes of finger millet seed has been planted, given to the 950 farmers who participated in the program during the past cotton season. The long storage capacity of finger millet makes it an important crop in risk-avoidance strategies for poorer farming communities and additionally, the straw is used as animal fodder.

**Import substitution initiative/technology transfer - Neem Tree Seedlings.** The Neem tree is known for its use in pest and mosquito control. Commercial products made from neem extract were imported from India for use during the past cropping season, and are particularly effective, and approved by certifiers, for use in organic farming as a natural pest repellent. As an import substitution initiative, 3000 neem tree seedlings were distributed to the CCIU farmers in Gulu and Amuru districts. In addition to the training provided by the CCIU extension officers, a radio talk show with the Gulu District Forestry Officer, airs instructions on how to plant and care for the seedlings, and answer questions from listeners.

**Farmer Registrations.** The CCIU extension officers have registered just over 3,500 farmers, planting one acre each, for the 2010/2011 season's organic program.

**Demonstration Plots.** 120 lead farmers have been selected to establish demonstration plots, and initial training in the management and operation of these plots has been conducted. Sorghum and Okra seed, which are also used as trap crops for cotton pests, has been distributed to these farmers. Distribution of basic inputs such as hoe's, machetes and axe's is in progress. In addition, four organic cotton demonstration plots have been established with four secondary schools (Keyo SS, Pabbo SS, Layibi College and Sacred Heart SS), bringing a new and practical dimension to the school curricula.

**Seed Distribution.** 66 tons of cotton seed have been distributed to the CCIU farmers in the Gulu and Amuru districts. Although not all the farmers receiving seed are on the project, the quantity of seed distributed is equivalent to about 10 000 acres.

**Soil Improvement Trials.** In collaboration with the Serere Agricultural Research Station and NOGAMU (National Organic Agricultural Movement of Uganda), four demonstration plots have been established for trials of mucuna beans to test improvement in soil fertility. Mucuna beans have a high capacity for nitrogen fixation, and should the results prove successful, this will benefit both food and cotton crops.

**Training.** A two day training session was organized for 17 field officers on general organic agronomy. In addition, and in the ongoing process to strengthen primary societies, 44 officials received training on the role of the primary societies – this will be extended to accounting and administration in the coming months. These efforts are receiving the official recognition of the District Cooperative Officer's and government.

**Ox Plough Program.** During April, 370 farmers participated in an extensive training program on the use of ox ploughs. The program will be extended in the coming season, with the use of animal traction gaining significant popularity, as tractor services are only scantily available and expensive. This component of the project is clearly helpful to the societies and their farmers, and is proving to be invaluable in the opening of land that had overgrown during the long period that farmers were in IDP camps.

**Mini Gins and Oil Extraction Plant.** With the assistance of COMPETE, the gin machinery has been identified and ordered, with shipment expected at the end of July, well in time for the new season. As reported before, the impact of introducing mini gins and an oil extraction plant, will be felt by a much wider section of the community. It will not only give farmers higher returns, but will also introduce a source of affordable edible oil for the community, together with feed for livestock.

While the CCIU project is Uganda orientated, the aim is to create an economic development model that can be replicated elsewhere in the region; and one that incorporates both food and cotton crops, that has a value adding component, that includes technology transfer, is innovative and transformational, and one that will reach sustainability.

## Kenya Cotton-to-Clothing Strategy Validation Workshop, Nairobi, Kenya

In collaboration with the International Trade Center (ITC), the Kenya Association of Manufacturers (KAM), the Kenya Cotton Development Authority (CODA), ACTIF and the EU-All ACP Agricultural Commodities Program, COMPETE participated in a workshop to validate and align the Kenya national cotton-to clothing strategy with that of the COMESA regional plan. The meeting was held on 7<sup>th</sup> June 2010 in Nairobi, and 35 stakeholders participated.

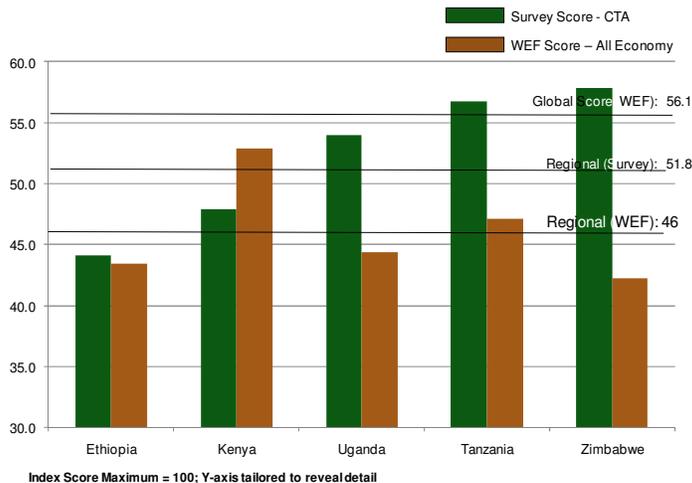
The overall result of the workshop was the agreement to adopt and incorporate the regional strategy components into the National Kenya Cotton to Textile task force report, setting the stage for an organized and regional collaborative approach to the industry issues in Kenya. An implementation committee would be established to define priority action areas, and to commence the implementation process. This initiative would be led by the Kenya Cotton Development Authority (CODA), with COMPETE and ACTIF providing guidance and input into the action plans.

## Specialty Coffee

**Supply/Production and End Market Studies.** COMPETE's partner, the SCAA's Coffee Quality Institute, has finalized its analysis of key end markets. The market opportunities and demand side insights identified in this report, when viewed together with the analysis of the supply side situation will inform the discussion of the regional strategy working group, which has been moved to Q4. As a sidelight, the Specialty Coffee Association of America's annual conference was featured in the June issue of *Vogue* magazine.

## Develop COMPETE Competitiveness Index Baselines

COMPETE is currently wrapping up the process of developing country and regional sector-level baseline index scores for each of its value chains. The coffee sector baseline work was completed in Q2 and we are currently finalizing the analysis of the Cotton, Textiles and Apparel index survey. The survey was conducted in Ethiopia, Kenya, Tanzania, Uganda and Zimbabwe and was administered by the market research firm, Synovate, in the third quarter. Preliminary analysis of the results is complete and a summary of country-level and regional index baseline scores is provided below. As the results indicate, perceptions of the competitiveness of the CTA sector are high relative to those of the overall economies in the region. Interestingly, Zimbabwe's CTA sector score was the highest in the region. This is due in large part to the fact that the government of Zimbabwe has never wavered in its support of the sector, despite its economic troubles.



**•Baseline Index Score of 51.8**  
**•Overall, the region's CTA sector beat the WEF (all economy) average score by ~13%**

COMPETE is still working with the EAGC to complete the staple foods competitiveness index survey in Uganda and Tanzania. Kenya, Malawi and Zambia have been completed. Analysis will be finalized in Q4.

## **KRA 2.2: Capacity of Regional Associations Improved**

### ***Develop or Update RTA Sustainability Plans – EAFCA, ACTIF, EAGC and now HCA***

**EAFCA Strategy Implementation.** With the EAFCA strategy now complete, COMPETE's Competitiveness Strategy has been working with the EAFCA Secretariat to build out its year one strategy implementation plan. In year one, EAFCA will focus on expanding both its Taste of Harvest (ToH) program and its market information systems. Under the new strategy ToH is central to everything EAFCA does; the focus on identifying and cataloguing quality is critical to the success of two other strategic priorities: market linkages and market information. The unique country-level data EAFCA collects from ToH (cupping scores – by attribute, rankings, producer details, etc.) will become a key part of the new market information system.

In Q4, COMPETE and CQI will work with EAFCA to repackage and ramp up ToH. To ensure sustainability, EAFCA and COMPETE will develop a regional ToH Roadmap and country-level roadmaps that document the process so the program can be implemented regardless of who is responsible for implementation. COMPETE will also work with EAFCA to overhaul its web portal and market information databases to ensure that ToH and other relevant data are presented in the most effective manner and can be manipulated to satisfy end users needs.

**ACTIF Strategy Development.** COMPETE continues to work with ACTIF and Business Advocacy Fund to update ACTIF's existing strategic plan. This process, which was initially scheduled to be completed in Q3, has been pushed into Q4.

**HCA Development.** The COMPETE horticulture specialist has met with the other RTA that comes under the SF component, namely the HCA (Horticulture Council for Africa) and they will be drawing up a business plan requesting initial cost share from donors, and moving towards self sustainability in years 2 and 3.

### ***Build the Capacity of RTAs***

#### **EAGC**

Using their existing grant EAGC recruited a new management team of 8 and upgraded services mentioned above. Their satellite offices in Kampala and Dar Es Salaam have now become fully functional and their membership in these 2 countries has increased by at least 20%.

In the horticulture value chain Alexander Fernando introduced the COMPETE Program and our plans to help improve the regional horticulture trade to the Horticulture Association for Africa (HCA) at a regional meeting held in Nairobi, April 15-16<sup>th</sup>. HCA is an ideal partner in the horticulture value chain since it is made up of 17 trade associations from 13 countries in East and Central Africa, of which 9 are COMPETE countries (Kenya, Tanzania, Uganda, Rwanda, Burundi, Ethiopia, Zambia, Mauritius, and Madagascar). COMPETE has held several meetings with the interim Executive Director of the nascent HCA, currently being hosted by the Kenyan horticulture trade association FPEAK (Fresh Produce Exporter's Association of Kenya). COMPETE is helping map out the steps required to set up an office and begin operations, beyond the ad-hoc activities to date that had been undertaken by groups of member countries under the umbrella of HCA. It has been agreed that Alexander Fernando will be seconded to HCA, since they do not yet have a full time professional secretariat, to assist in developing a business plan that will guide HCA through the next 3 years including member and stakeholder consultations, and a member survey to be undertaken in the next quarter. HCA is preparing a strategic plan and will submit it in Q4. They have been informed that the

partnership fund may have limited funding for 2010. In the meantime, the COMPETE horticulture specialist is providing technical assistance.

**CQI and EAFCA** Strategic planning with EAFCA is a top priority. CQI plays an integral part in EAFCA's mission by providing training and expertise to their members. April 2010 saw a focus on this at the SCAA Expo, held in Anaheim, CA. CQI assisted with planning, coordination, implementation and installation of an EAFCA booth, which featured the coffees, farm stories and marketing support for five of the nine EAFCA countries. The generous proportions of the SCAA EAFCA booth enabled staff to run meetings and host chapter activities in situ. Degustation and coffee growing information was provided to the 300 eager visitors to the booth. Throughout the trade show, all of the CQI staff were involved in meetings with key EAFCA country members individually.

EAFCA's Taste of Harvest (ToH) program enables member countries to identify and select their best coffees following internationally accepted cupping criteria and to promote their products at "Taste of Harvest" events. This year the winning ToH coffees were showcased at a formal cupping event, held on location at the SCAA Expo. This inceptive event showcased the top ToH coffees from EAFCA countries and allowed SCAA attendees the chance to cup these exceptional coffees and discuss them with staff well-versed in the coffee's story and provenance. In this event, outside of the EAFCA booth, the cuppers were primarily representatives from coffee buyers.

## **ACTIF**

### **Institutional Capacity**

With a permanent secretariat now operating and increasing its presence in the region, West Africa has now joined the ACTIF fold, with Nigeria becoming the 18<sup>th</sup> member country of ACTIF. The new members are the Nigerian Textile Manufacturers Association (NTMA) and the Nigerian Textile Garment and Tailoring Employers Association (NTGTEA), bringing the number of national association members to 24. It is anticipated that Cameroon will also shortly join the ACTIF ranks. This now gives ACTIF presence in every part of the continent and makes ACTIF a truly Pan African Federation. It is also a vital step towards creating a powerful and representative trade voice for the African cotton and textile value chain. The CTA component continues to provide ongoing guidance and support to the ACTIF secretariat.

### **Institutional Support**

The final agreement and release of support funds from the DANIDA Business Advocacy Fund for the provision of technical assistance to ACTIF was concluded. These funds will enable ACTIF to conclude positions on proposals for amendments to the AGOA trade arrangement, and will provide support for meetings in the US with relevant stakeholders in this regard.

### **Annual General Meeting and Public Launch**

**Annual General Meeting.** The second annual general meeting of ACTIF was held on 27<sup>th</sup> and 28<sup>th</sup> April, with 23 ACTIF members and 16 observers in attendance. Following the constitutional 'retiring' process of Board members, a new Board of Directors was elected consisting of three new members. The Board composition, with equal representation for each of the value chain sectors (ginning/lint production, textiles and apparel) are Jaswinder Bedi (Kenya), Ms Danielle Wong (Mauritius), Kassaye Mekuria (Ethiopia), Ms Jolly Sabune (Uganda), John Hargreaves (Madagascar) and Robin Jarvis (Zimbabwe). Jas Bedi was re-elected Chairman, with Ms Danielle Wong as Vice. Jack Kipling (South Africa) and Barry Fisher were co-opted to provide additional expertise.

**ACTIF Public Launch.** Coinciding with the ACTIF AGM and a Designer Showcase initiative by COMPETE, ACTIF publicly launched the Federation April 28<sup>th</sup> and introduced its new trade linkage website, designed to promote trade and regional integration. The launch was presided over by the Kenyan Prime Minister, The Rt. Honorable Raila Odinga and the African Union Commission Deputy Commissioner, Mr. Erastus Mwencha. Other notable dignitaries included the USAID EA Regional Mission Director Lawrence Meserve, the Executive Director of the International Cotton Advisory Committee (ICAC) Terry Townsend and the Director General of the International Textile Manufacturers Federation (ITMF) Christian Schindler. ACTIF members from 18 countries and observers from India, USA, India, Ghana, Nigeria, Switzerland and the Netherlands attended, together with 155 other guests.



### KRA 2.3: Capacity for Knowledge Management and Information Sharing Enhanced

#### *Build Awareness of Harmonized Standards for Select Staple Foods*

#### **Draft EAC standards for rice, beans and similar legumes, millet, sorghum, cassava and wheat -**

The EAC Standards Technical Sub-Committee meeting of 10<sup>th</sup> to 12<sup>th</sup> May 2010 took note of the contribution of COMPETE developing 23 standards of staple foods. This was a vital step in the process of developing harmonized regional standards for staple foods. The key outcome of this meeting was decision for the standards to be considered at national consultative meetings as formal EAC draft standards and later at a regional meeting.

COMPETE in collaboration with EAGC and AGRA will be providing support to the national and regional consultative process. The series of the meetings in the next quarter is as follows: -

- Rwanda – 19<sup>th</sup> July 2010
- Tanzania – 26<sup>th</sup> July 2010
- Uganda – 8<sup>th</sup> August 2010
- Kenya – 15<sup>th</sup> August 2010
- Burundi – 15<sup>th</sup> September 2010



A regional meeting is envisaged for the week of 27<sup>th</sup> September 2010, on the assumption that the national consultative process will have been concluded in time.

Related to the work on standards is COMPETE support to COMESA in taking leadership role in developing procedures for harmonization of standards in the COMESA/EAC/SADC Tripartite arrangement. This is a crucial intervention because it is aimed at ensuring that once staple foods standards are developed in EAC, they will be adopted in the COMESA and SADC region.

In pursuit of this goal, COMPETE provided technical input to the Tripartite meeting on procedures for harmonization of standards with the Tripartite FTA framework. The key output of this meeting was draft procedures which were circulated for comments, ahead of its finalization by October 2010.

### *Support RTAs in Awareness Creation on EAC Maize Standards*

A trainer's manual for EAC Quality Maize Standards has been developed and training for FBO's and NGOs is continuing. Three workshops to create awareness have been held in Kenya, Tanzania and Uganda. The EAGC country offices in Kenya, Tanzania and Uganda are coordinating the training. A joint regional (COMESA/ACTESA, EAGC and COMPETE) ToT Course to expand training on EAC maize standards covering eight COMESA English speaking countries is planned for September 9<sup>th</sup> and 10<sup>th</sup> to be held in Nairobi. COMESA/ACTESA are covering the costs of participants travel, accommodation and incidentals; EAGC has committed to meet the cost of conference facilities and the Consultant/Trainer. COMPETE is covering the cost of the development of the extension/training materials which includes: booklets, leaflets, posters, videos, and local radio programs for agro-input dealers, producers, traders and store operators. A module on measures to prevent aflatoxin contamination will also be included. The focus of the ToT course and training materials is **from Farm to Store**. 50 participants, six from each of the eight COMESA English speaking countries are expected to attend. They will all be given package of training materials to take with them for training in their own countries.

### *Connect EAGC with other sources of MIS information*

Links to the RATIN website have now been made with COMPETE grantees ACE and ZAMACE. Information concerning the volume of trade and weekly pricing on Staple Foods will be available from Malawi and Zambia which will increase coverage and provide more regional information to both buyers and sellers.

### *Look at new ways to provide MIS to more diverse audience*

COMPETE has continued to support the EAGC hosted Regional MIS task force through a series of workshops. The immediate concern is to try and improve the quality of the pricing information available between the different MIS platforms such as RATIN and KACE. This will eliminate confusion amongst buyers and producers, right down to the small scale farmers, so that the prices monitored daily are up to date and accurate.

### *RATIN focus expanded to include 2 new crops and two new countries Assist EAGC to extend RATIN coverage to new borders and wider range of staple foods*

RATIN is expanding and improving its information on market prices, formal and informal cross border trade data, trade policy updates, Production and consumption data for eight of fifteen border crossings in East Africa has been collected. The electronic trading platform where offers to sell and bids to buy are posted has been set up. RATIN tracks daily commodity prices for maize, rice, wheat,

sorghum, millet and beans in Kenya, Uganda, Tanzania and Rwanda. It monitors cross border trade data for Busia (between Kenya and Uganda); Namanga, Taveta, Tarakea, Isebania (Kenya and Tanzania); Gatuna (between Uganda and Rwanda); and Mutukula (between Uganda and Tanzania). A total of 33,578bags (33.6MT) in offers and 11,000MT in bids for maize were posted through e-grain trade link in the last quarter.



The RATIN market dissemination mechanism operates a commodity price information service for farmers and traders that is available from their website [www.ratin.net](http://www.ratin.net), through SMS text messaging, FM radio broadcasts are made throughout East Africa, across the Internet and through monthly bulletins are made regularly, and copies price and volume figures are disseminated electronically to 1611 subscribers and EAGC members. RATIN'S services are growing in popularity, the website received nearly 710,000 hits during the last 2 quarters and its SMS messaging service has 1286 daily subscribers. Interest in the service continues to grow as RATIN' s country coverage and range of commodities expands. Starting May 2010, RATIN expects to report commodity data for Rwanda fully, Burundi and DRC partially (Eastern DRC). Other commodities will be added namely: Groundnuts, Green Grams, Soya beans and other pulses.

RATIN linkages and networks have now been set up with other service providers such as Famine Early Warning System Network (FEWSNET), FAO and WFP to reach a wider and more diverse audience. In addition, COMPETE is looking to scale up the range of price information mechanisms available to farmers in East Africa; one project of interest is e-SOKO in Rwanda. The eSOKO Project is being implemented by the eRwanda Project in the Rwanda Information Technology Authority (RITA) using information and communication technologies to give farmers access to up-to-date market price information via smart phones and community tele/internet centers. COMPETE is working closely with the International Fertilizer Development Center (IFDC) on partnering with eSOKO and the Ministries of Agriculture and Management Information Services departments in Rwanda, Burundi and Eastern DRC. This partnership will enable COMPETE to both collect more information for RATIN website and improve access to RATIN in these countries.

EAGC with COMPETE support has also hosted a training workshop for the cross border monitors from GOK, FEWSNET, EAGC, WFP which was long overdue. Under the leadership of the regional MIS taskforce these border monitoring activities should be better coordinated and give wider coverage taking into account all the major regional border crossings for staple foods, including new sites on the N.Uganda/S.Sudan border.

During the meeting, the monitors participated in the harmonization of data collection from the various points and clarifications done on the methodology of data collection, how the information received is analyzed, how its packaged and presented to the stakeholders and some of the dissemination channels to form the whole reporting aspects. Field visits were also made to the Namanga border by the EAGC MIS manager, Research and data Analyst and STS program manager, to monitor data collection. A program has been drawn up to ensure improvement in the EAGC data collection system. A meeting was also held between EAGC MIS team, USAID COMPETE, Isaac Tallam and the Ministry of Agriculture's official in charge of Market Information Ms Annastacia Kivuva was held to explore collaboration on information sharing from the border monitors covered by the Ministry of Agriculture (MOA). A follow up meeting will be held after a field trip by MOA to explore addition of other borders to be covered.

Based on membership and stakeholder sentiments on the need for improved usability and efficiency of RATIN, EAGC has reviewed the website to incorporate strategic improvements. The rethinking is informed by reviews on who is actually the consumer of RATIN information. What are the users using it for, what benefits do RATIN consumers accrue?

### ***Market Intelligence, Information and Trade Linkage Platform***

The design and merging of the [www.cottonafrica.com](http://www.cottonafrica.com) and [www.actifafrica.com](http://www.actifafrica.com) web sites was concluded and launched at the public launch of ACTIF on April 28<sup>th</sup> 2010. The website contains improved features with friendlier user interface capabilities, with the goal being to increase trade connections from the 1 billion US dollar level of bids and offers achieved over the past three years, by at least 30% over the next three years. **Since the launch, enquiries posted onto the site for fiber,**

yarn, fabric and clothing totaled \$23.4 million. This included an enquiry from the USA, seeking suppliers specifically from Africa for T-shirts, caps and Brill pants, amounting to \$19 million.

## KRA 2.4: Access to Regional and International Markets

### Inaugural Origin Africa Designer Showcase – Nairobi, Kenya



The CTA component, in conjunction with the ECA Trade Hub and ACTIF, held a very successful Designer Showcase event on 28<sup>th</sup> April 2010 in Nairobi. Coinciding with the ACTIF Annual General Meeting and public launch of the Federation, including its new trade linkage website, 180 guests attended, which included the Kenyan Prime Minister, The Rt. Honorable Raila Odinga and the African Union Commission Deputy Commissioner, Mr. Erastus Mwencha and USAID East Africa mission director Lawrence Meserve. Twenty five countries were represented, including 18 countries from Africa and observers from India, USA, India, Ghana, Nigeria, Switzerland and the Netherlands.

Twelve designers from Kenya, Ethiopia, Uganda and Tanzania showcased their collections, all using fabric, trims and accessories produced in the region. In selecting the participants, the concept was to identify the designer talent in the region, not just those that are emerging, but also the latent and promising talent that have not been able to progress because of a lack of resources, contacts and opportunity. The event also incorporated a student category, which competed for a three month internship with a local design and manufacturing company. Profiles of the designers, together with the manufacturers of the regional fabric provided, were showcased during for the show, providing unique exposure to manufacturers and buyers from regional and international markets.

A panel of judges, that included Chad Schofield, a US buyer, adjudicated the collections. The winner of the student category was Mike Nzioki from Kenya, who was awarded a three month internship at Viva Africa Designs in Kenya. Winner of the deserving collection award from the emerging designer category, was Samson Ssenkaaba of Xenson Art, who gained an automatic entry to the “Origin Africa – Fiber to Fashion” event to be held in Mauritius on 11<sup>th</sup> and 12<sup>th</sup> November 2010. On the following day, 29<sup>th</sup> April, Chad Schofield held a workshop for all the designers, to provide an element of training/guidance for what it takes to go commercial, and what the market is looking for.



The event received extensive media coverage, both regionally and internationally, including an article in the China Daily. There is no doubt that one of the key outcomes was the positive image of the region that this event engendered, and the change in perceptions that is definitely starting to emerge. As a direct result of this event, selected designs from the Showcase will be exhibited at the International Apparel Sourcing Show in New York in July. In addition, the Uganda designer Stella Atal, who participated in the Nairobi event, will be amongst a number of fashion designers from across Africa, presenting collections at the Africa Fashion Week in New York in July, an event supported by COMPETE.

### Origin Africa Fiber to Fashion – Mauritius 2010

Taking advantage of the signing of the MOU with Enterprise Mauritius in March, the ECA Hub (Holm-Olsen and Mazingue) and CTA (Fisher) traveled to Mauritius in May to plan for the ‘Origin Africa Fiber to Fashion’ event to take place from 10<sup>th</sup> to 12<sup>th</sup> November 2010. Meetings were held with key government and collaborating partners. At a cocktail to publicly launch the event, covered widely by the press, the new Trade Minister made his first public address and underscored the government’s firm support for COMPETE’s initiative.

COMPETE will lead the event arrangements, the collaborating partners will be the Mauritius Export Association (MEXA), the Ministry of Industry and Commerce/Enterprise Mauritius and ACTIF; and in association with the Ministry of Tourism and the Department of Fashion & Design, University of Mauritius.

Arrangements and preparations are in full swing, the venues have been identified and confirmed, and the vendor for the technical stage production about to be concluded. The Origin Africa website [www.origin-africa.org](http://www.origin-africa.org) is under construction, and will include a section dedicated to this Fiber to Fashion event. online registration, together with an on-line payment facility, will be incorporated. Pending 'going live' on the website, a one page "save the date" brief is being distributed across the region and internationally. We aim to make this event, at a minimum, break-even and sponsorship efforts are in progress.

The outline program has been defined, which includes four main components, these being:

- A Platform for Business. This key component will promote trade opportunities from fiber to fabric, from corporate wear to fashion, and from clothing manufacturers to accessories. It will also be a forum for US and EU buyers to market their business and requirements to Africa, and for sellers to market and profile their business and products to the region, and globally.
- Inspiration, Innovation and Technology. This will form part of the symposium program and will include, new product development, new cotton fabric & fiber technologies, innovations along the CTA Value Chain, and in design, trend exhibits, a display of unique accessories, only found in Africa and a tour of green/Eco manufacturing facilities.
- Pan-African Graphic Design Show. This show will tap into Africa's design talent and will take the form of a competition that will be open to all, reaching out to Africans from slums to studios. EDUN-Live will be assisting with the entries and adjudication process.
- Origin Africa Designer Showcase. This will be the top billing social-cum-business event, and will feature the talents of 20 up and coming designers from 10 countries across Africa. The designers will create collections using cotton and other raw materials and accessories, sourced and produced in Africa. The designers will work alongside leaders in the African textile & apparel industry to design clothing that is ready to wear, and has commercial appeal.

### ***Conduct End Market Analysis of regional value chains to assess demand and growth potential***

#### **Specialty coffee / EAFCA**

COMPETE supported a CQI comprehensive market assessment for East African coffees that identified which market segments provide the greatest opportunity to grow the value and volume of Eastern African coffee exports

#### **Textiles / ACTIF**

In collaboration with COMPETE program conduct a study in selected countries to provide information on production capacity and market information. This work has been commissioned. The information will provide the vital data and facts needed to design various interventions activities in the short and long term.

#### **Staple Foods**

The 7 value chain studies now completed and shortly to be validated will allow sufficient analysis to assess demand and growth potential. This will be on the agenda of the regional SF value chain meeting to be held in Nairobi in August.

## **KRA 2.5: Smallholder Access to Commercial Staple Food Markets Increased**

### ***Provide RTA Smallholder Outreach Support***

EAGC membership has increased to 67 corporate members and 29 farmer groups joining as affiliates. The Regional Balance Sheet initiative has been established and launched in March 2010.

### ***Build the Capacity of Farmer-Based Organizations (FBOs)***

#### **Farm Concern International**

FCI, a regional NGO, is working in Meru region of Eastern Kenya and Bushenyi in Western Uganda. 19 Commercial Village Stores (CVS) have been established, 15 in Meru, and four in Bushenyi. COMPETE funds are being used to refurbish the CVS and to purchase tarpaulins, gunny bags, sieves, weighing scales, stitching machines, generators and moisture meters. Sixty community leaders and 3,000 farmers have been trained. In Q3 15,000 bags of maize have been collected and 2,000 bags sold at a value of Kshs 3.0 million @ kshs 1,500 per bag. NCPB has committed to buy over Kshs 7.0 million from the FCI farmer groups.

Unfortunately during Q3 there was an aflatoxin outbreak in Eastern Kenya which was caused by extended rains. The government has currently blacklisted the region. This blacklisting stopped the buyers (PISU, ETC, Borax Enterprises Ltd) who were about to uplift large consignments of maize from some of the FCI groups. NCPB will purchase all the remaining grains stored in the 15 community village stores (CVS) in Meru region but we are still unsure of the price and the terms of payment. The FCI CVS bulking centers are serving 38 villages (30 in Eastern Kenya, and 8 in Western Kenya). Total income from maize this season at the village level is Kshs 40.0 million.

#### **Cereal Growers Association**

The CGA works in Transmara District in South Rift, and in Kongwa in Tanzania. In this quarter our client and grantee, CGA, has assisted 102 Community Based Organizations, 4 in Transmara, and 98 in Kongwa in Tanzania. 180 farmers (87 in Transmara and 93 in Kongwa) were trained in post harvesting handling in partnership with WFP's P4P program.

The volume of produce marketed in Transmara was 1,471MT, valued at Kshs 35.6 million. It is projected that in the coming season the farmer groups will consolidate approximately 5,000MT (2000MT in Transmara, and 3,000Mt in Kongwa) in Tanzania. The farmer groups are being trained to meet the WFP/P4P requirements to be ready for the next season harvest. The total number of beneficiaries who transacted business in Transmara is 943 of whom 446 are women, and 1,117(585 in Panda Mbili, and 532 in Songa Mbele) in Tanzania. The seven satellites stores (five in Transmara-Kenya, two in Kongwa TZ) serve a total of 57 villages (47 villages in Transmara and 10, in Kongwa TZ). Total income so far is Kshs35, 598,870 for the villages in Transmara. Further sales are expected for the ten villages in Tanzania. They are currently receiving post harvest handling (PHH) training from CGA officers to meet the WFP requirements.

During Q3, CGA Kenya CEO Mr. David Nyameino visited Kongwa district in Tanzania to assess progress on the Model Satellite Stores (MOSS) project being implemented by CGA Tanzania. CGA Tanzania is a scale up activity of CGA Kenya. In this trip he was accompanied by Mr. Dominic Leclerg the country coordinator for Tanzania WFP P4P. This mission was mainly for the purposes of linking these farmer groups to the WFP P4P procurement. They met leaders of the farmer groups and discussed the P4P requirements. Kongwa Farmers group are in the process of registering as suppliers for WFP P4P.

Other activities being undertaken to prepare farmers to be market ready are:

- Post harvest training at a group level.

- Setting up of quality assurance sub committees.
- Finalizing on refurbishment and equipment of Panda Mbili & Songa Mbele stores.
  - Deliveries are expected to start flowing into these warehouses starting 1<sup>st</sup> week of July.
- Other market linkage initiatives have already started especially with millers and are also working closely with RUDI on WRS in order to link these farmers groups to a bank.
- The groups CGA Tanzania are working with are Panda Mbili and Songa Mbele farmer groups all in Kongwa district, Dodoma region of Tanzania. The said groups have a marketable surplus of over 4,600MT of Maize.

Progress made by other COMPETE Staple Foods grantees:

- Assist EAGC to develop appropriate training material on post-harvest handling and warehouse receipt systems
- Use Partnership Fund to target grants to support FBOs to supply raw material to large processors
- Provide at least 2 Partnership Fund grants to innovative service providers
- Train at least 1,000 farmers in structured trading:
- Link WFP P4P Program and Other Donor Initiatives to Smallholder Production of Staple Foods

## **RUDI**

Rural Urban Development Initiative (RUDI) was awarded a grant by COMPETE in Dec 2009, and started actual operations in Jan 2010. Since then substantial work has been accomplished in preparing small holder farmers to be market ready and to participate in a competitive market/trading environment. During Q3, RUDI established 3 warehouses to be operated under WRS system (*Stakabadhi Galani*) Kiswahili for Warehouse Receipt System). RUDI has perfected these mini WRS operations. In doing so, they have attracted major banks, insurance companies and major commercial traders and lately the WFP P4P program. Warehouses established/supported using COMPETE grants are:

- Mbingu Farmers Association – for Rice paddy in Ifakara district Morogoro region.
- Mangalali Farmers Association – for Maize and Paddy in Iringa District.
- Kaning’ombe Farmers Association – for Maize and Paddy in Iringa District, Iringa Region.
- Amani Farmers Association – for Maize and beans in Handeni district, Tanga region.

During Q3 RUDI conducted several training activities in the following areas:

- Warehouse Receipt Systems (WRS) sensitization Trainings in Ifakara, Iringa and Handeni districts as a result a total 206 (67 female) received WRS management training in Amani, Handeni district, 37 (9 female) Mangalali and 41 (9 female) in Kaning’ombe both in Iringa district.
- Supported the development of business plans for Apex members - targeted at the three Apex groups to secure bank loans to pre-finance WRS storage, which resulted in the submission of two business plans for COMPETE supported associations – one to Stanbic Bank and one to NMB bank.
- Conducted training on post harvest handling to COMPETE supported associations, which resulted in 326 (112 female) association members received training on post harvesting.
- Conducted EAC maize standards training to Handeni Association members, resulting in the training of 48 members in Amani village, Handeni district.

RUDI trained a total number of 658 association members in skills ranging from WRS sensitization, management, post harvest handling, and EAC maize standards. Of those trained, 197 were women.

Other important activities performed by RUDI during the reporting period include:

- Training on proper fumigation of warehouses for four (4) supported associations and developed training manuals.
- Held several negotiation meetings with Stanbic and NMB banks, which resulted in an approved loan for Mangalali. Loan processes to other warehouses are at an advanced stage. Amani in Handeni and Mangalali in Iringa are linked to Stanbic bank while Kaning’ombe in Mbingu district is linked with NMB bank.
- Further, negotiations with WFP P4P program on maize procurement have been ongoing during Q3 and are at an advanced stage. Actual procurement by WFP P4P to be realized in Q4.
- Processing of licenses for the four (4) warehouses to operate WRS from Tanzania Warehousing Licensing Board are almost complete. Weighing scales are already certified by Tanzania Measures and Weighing Scales Agency. Tarpaulins, fire extinguishers and moisture meters were delivered to the respective associations.

Other activities planned to commence July, before receiving of crops:

- Conduct record keeping training to warehouse operators
- Facilitate the discussions between the associations and the banks
- Continue to facilitate discussions between associations and WFP P4P and other buyers
- Continue sensitization of association members on loan management, warehouses receipt system and free marketing concepts (*soko uria*).

## **AGMARK**

Agricultural Market and Development Trust (AGMARK), focused most of its activities during this reporting period on the following areas:

- Sensitization meetings with grain buyers in western Kenya, Kampala and Kigali. Meetings focused on market opportunities and participation in the project.
- Commercial trainers’ “Trainers of Trainers” on Grain Bulking and Storage.
- Agro dealers’ training on Grain Bulking and Storage.

Meetings held with Traders during Q3 as below:

- Bugoma – Western Kenya: 8 traders/Buyers.
- Kampala- Uganda : 5 traders/Buyers
- Kigali – Rwanda : 12 traders/Buyers.

A total of 25 traders/buyers sensitization meetings were held by AGMARK during Q3 in Kenya, Uganda and Rwanda.

**Training of Trainers;** a 5-day “Training of Trainers” course was facilitated by AGMARK in April at Hotel Olympia, Kampala Uganda. A total of 5 commercial trainers (3M and 2F) were trained and certified by issuance of certificates of course completion. These 5 trainers will carry out future Agro dealers’ trainings on Grain Bulking and Storage in Uganda. The training covered participatory facilitation skills, an introduction to Agricultural Output Marketing, Grain Storage and Handling, Cereals Bulking and Aggregation, Agricultural Market Costs and Margins and Agricultural Marketing Intelligence and Warehouse Management.

**Agro dealer Training,** The first training of Agro dealers in Grain Bulking and Aggregation took place in May. A total of 20 Agro dealers (18M, 2F) from Eastern Uganda successfully completed the four day training.

**Matching Investment Manual:** AGMARK developed a policy and procedures manual for the Matching and Investment facility. These manuals will facilitate disbursement of matching grants to be given out to agro dealers who have trained in Grain Bulking and aggregation.

**Promote Smallholder Participation in a Structured Trading System**

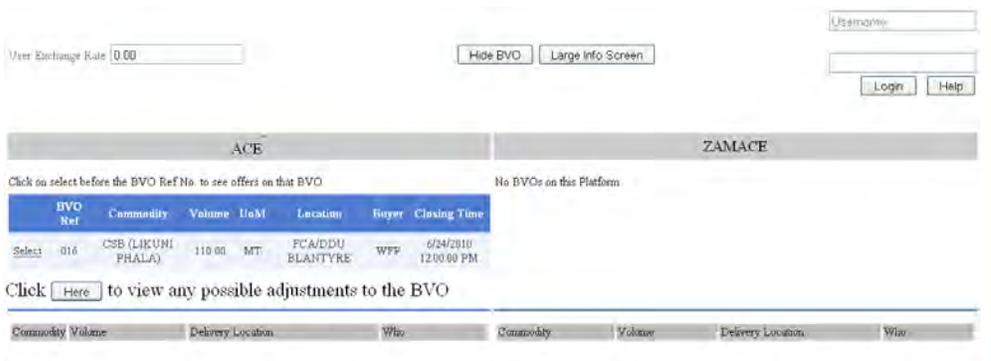
**ZAMACE:** COMPETE awarded a grant of \$248,000 to ZAMACE with the intention of linking more smallholder farmer groups to the Zambia exchange. ZAMACE has completed a benchmarking survey in southern and central provinces.

**ACE** in Malawi has developed a Bid Volume Only trading platform. The BVO function has enabled smallholder farmers direct access to the exchange, initially promoted by the P4P program of the WFP, but now embraced by other organizations wishing to use this method to secure purchases for their needs and at the same time bring the small scale sector directly to the market. These photographs are not to do with training but were taken at an actual trading session at ACE, at which small holder farmers were in attendance, resulting in the 50 tonne sale to the WFP by GALA, the small holder farmers association.



All prices quoted represent volumes in Metric Tons, unless otherwise stated.  
 email: [ace@malawi.commodityexchange.com](mailto:ace@malawi.commodityexchange.com) WEB: [www.ace.malawi.com](http://www.ace.malawi.com)  
 BVO screen: [www.bvo.malawi.com](http://www.bvo.malawi.com)  
 CONTACT us on telephone number: TEL: +265-010-710304/304  
 Fax: int. + 265-010-710258

ACE Trade Platform					
COMMODITY	Volume MT	BID US\$ per MT	OFFER US\$ per MT	DEALS US\$	LOCATION
Maize (FA-1)	30	101.38000 (101.50)			DDU Zomba
Maize (FA-1)	300		239.31 (101.37500)		DDU LLW or FCA Blantyre
Maize (FA-2)	37.5		233.3 (101.37500)		DDU LLW or FCA Blantyre
Soya (A1)	2000mt	4300 (4300)			FCA Blantyre
Soya (A1)	2000mt	4300 (4300)			FCA Blantyre



COMPETE has now hired a Structured Trade Specialist (STS) Ian Goggin who came to post in February. In the same month the Association of African Commodity Exchanges was inaugurated in

Addis Ababa, and will be chaired for the next 2 years by Dr Eleni Gabre Madhin, the CEO of the Ethiopian Commodity Exchange (ECX).

After the re-structuring of NCPB, agreement has been reached with the new management that the COMPETE ST specialist will be seconded for a good part of his time in helping them operate a warehouse receipts system in 3 pilot stores, Eldoret and Kitale and Narok. Later other NCPB stores such as Bungoma and Moi's Bridge will join the WRS program. The STS specialist has also been asked to join the working group on the Council for the setting up of a regional Commodity Exchange in Nairobi expected to be launched later this year. He has been seconded to the task force (which meets at NCPB every Tuesday) planning the establishment of this and is on secondment to them (direct STTA from COMPETE to NCPB) and reports to both the Chairman and MD. He has also approached a number of founder members for the exchange from the private sector and gained considerable interest in purchasing seats. This work is expected to continue for the rest of the year since it is unlikely the Exchange will be able to get off the ground until early 2011

Most of the work in Q3 has involved undertaking a feasibility study for the new exchange, which covers topics such as: requirements for successful operation, potential volumes of trade, financial viability, external funding required, development of warehousing systems, dispute resolution mechanisms etc. Much of the input is in line with the GOK vision 2030, as well as reference to the ACTESA objectives, and they have been informed of the initiative, which is expected to open up trading of staple foods across the whole region, and bring in greater transparency in pricing systems, and reduce the need for government controls.

#### ***Provide Targeted Assistance to Firms in the Processed Fortified/therapeutic Food Value Chain***



Work continues at the production unit of grantee Insta Products in Athi River EBZ so that they can upscale production to meet both existing and new orders from UNICEF and around 30 other NGO's. Demand for regionally produced RUTF products is still way in excess of ability to supply. There have been delays in delivery from South Africa of the sachet filling machine to INSTA, but it has now arrived in Kenya, and has been commissioned. Production is scaling up rapidly. In the sourcing of suitable inputs from the region, and preferably from smallholders, agreement has been reached with INSTA in setting up a peanut improvement

program (PIP) whereby extension services will be provided to out-growers in the production areas (probably Dodoma and Lira as well as the CRSP project in western Kenya) to improve harvesting and post harvest storage methods, so as to limit contamination with aflatoxin. A new producer of peanut paste, Healthy Foods Ltd at Embakasi, are making a \$0.2m investment to produce peanut paste for Insta and other clients, which should conform to HACCP/ISO and meet the minimum acceptable international aflatoxin levels of 5 parts per billion (ppb). They aim to be the supplier of choice for peanut paste to the region.

#### ***Evaluate finance needs to support staple foods interventions***

During the quarter, COMPETE conducted a survey to establish the level of importance and success in implementation of a range of financial issues viewed as affecting the competitiveness of the staple foods industry. The survey was administered to participants comprising traders, farmers, public sector (Ministries of Trade, Agriculture and Finance, SPS and Standards Authorities, National Reserve Agencies and offices dealing with food security in the country), WFP and development partners in

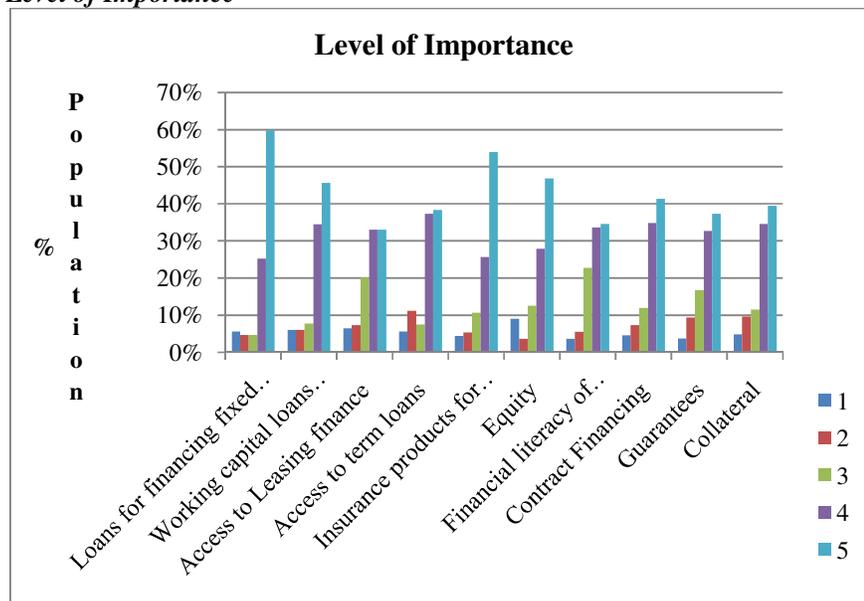
national consultative meetings held in Kenya, Uganda, Rwanda, Malawi and Zambia. The total participants regionally were 202, ranging between, 24 to 54 nationally.

The participants were asked to rate on a scale of 1 to 5 the following issues in terms of the level of importance ( 1 extremely unimportant and 5 extremely important) and the level of success in implementation ( 1 extremely poor and 5 excellent); access to loans for working capital for inputs and outputs, access to term loans, access to leasing finance, loans for financing fixed assets, financial literacy of smallholders, insurance products for agriculture, access to equity financing, access to Guarantees, collateral and contract financing.

Regionally the response rate was 63% and ranging between, 48% to 76% nationally. At 95% confidence level the sampling error was determined to be 5.2% regionally and ranging between 8.5% and 14.1% nationally. These are within acceptable limits given the size of the population sampled.

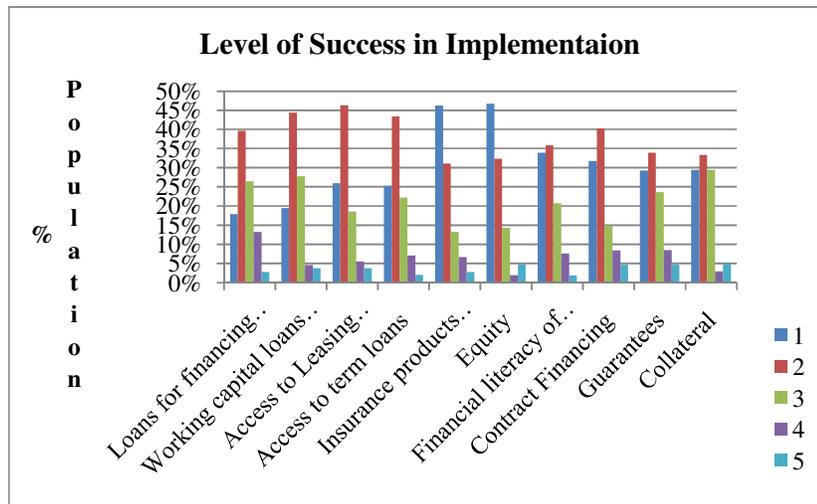
The analysis of the survey responses indicated in general that all the issues surveyed were perceived as important (given an overall mean rating of 4) both nationally and regionally yet poorly implemented (given an overall mean rating of 2). The data was further analyzed to determine how important and how much level of success were placed on each of the issues. Regionally above 50% of the respondents rated loans for financing fixed assets and insurance products for agriculture as extremely important. Between 40% to 50% of the respondents rated working capital for inputs and outputs, access to equity financing and contract financing as extremely important.

**Level of Importance**



Between, 40% to 50% of the respondents rated insurance products for agriculture, equity financing and access to leasing finance as having poor to extremely poor level of success in implementation.

### *Level of Success in Implementation*



Additional analysis has been carried out to determine whether there was a difference in the mean ratings for the various issues surveyed and whether there was a difference between the mean ratings for level of importance and level of success in implantation. The results were that in terms of importance the differences in mean ratings of the various issues were statistically significant. This is an indication that these issues differ in terms of importance from one country to another within the region. However, even though the level of success in implementation differs from country to country this is not viewed as statistically significant.

The findings are in line with the current work plan and support as well as further validate the earlier market analysis carried out at the beginning of the project.

### **Component Integration Linkages**

#### **ECA Trade Hub**

Initiatives to broaden firm-level networks and collaboration, and introduce the ECA Trade Hub to the CTA value chain, including participation in all ACTIF and other stakeholder meetings, continued. This CTA/Trade Hub integration initiative will be a continuing feature for the life of the program and will enhance end-market interest and opportunities for trade and investment from/into Africa. It will identify a much broader spectrum of companies that are export-ready, and will identify export capable firms that require technical assistance in order to support new and increased AGOA business.

As reported previously, the CTA component initially assisted the Hubin introducing the Superior Uniform Group in the US, to apparel manufacturers in Kenya and Swaziland, resulting in orders of \$7.5 million to the US under AGOA. As the Superior Uniform Group continues its shift from sourcing in Pakistan, the CTA component will use the full extent of its contacts and credibility in the industry, to introduce companies and create linkages to foster new business across the region. It should be repeated that a significant aspect contributing to such new business, is the comfort level provided to companies looking at Africa as a sourcing destination, and the ‘local knowledge’ and support provided by the CTA component and the Trade Hub staff – this is particularly true for first time buyers.

**Transit and Finance**

Following firm-level surveys circulated to CTA value chain stakeholders, to establish intervention areas and identify constraints, two major needs were identified, these being export credit insurance and crop risk insurance. As a result, the Finance component facilitated meetings with the African Trade Insurance Agency (ATI), to identify whether some form of trade credit insurance package could be offered to companies, particularly in the apparel sector. In a major breakthrough for CTA companies, ATI is now offering a trade credit insurance package that can be offered to firms throughout the region, covering domestic, regional and international sales. Whilst subject to normal risk assessment procedures, this insurance facility will enable businesses to trade on open terms, enabling companies to match the hitherto competitive advantage that the competition in Asia enjoyed.

**Policy**

The CTA component continued to provide technical support to various trade agreement negotiation positions. In support of the EAC process of transformation to a fully fledged customs union, the review of the EAC Common External Tariff was finalized, culminating in the adoption of the new rates by the EAC Council of Ministers in April. The CTA component, with private sector input from ACTIF members, focused on tariffs applicable to the cotton, textile and apparel sectors.

ACTIF, with the support of the CTA component, will stay engaged in developing the Tripartite agreement between COMESA, EAC and SADC, particularly covering the rules of origin for trade between the three trade blocs, until the negotiations have been completed.

**Staple Foods**

Work continues in assessing the potential of CTA interventions to integrate and apply the technically advanced cotton inputs & extension schemes into the staple food value chain, providing the means to finance inputs, extension services, packaging, transport & markets. This, together with considering including maize seed (or other appropriate staple) as part of the cotton input scheme regime in the region, is part of an ongoing CTA initiative. Although only on an initial small scale basis, the CCIU program in Uganda is providing seed for finger millet production, both for crop rotation purposes and for food production.

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

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

#### *Provide Trade Agreement Technical Support*

The conclusion of comprehensive EPA work will continue in Quarter 4 with EAC.

### **KRA 3.2: U.S. and ECA Firms Taking Advantage of Opportunities under AGOA Increased**

#### *Organize trade missions*



**International Floriculture Show and Fancy Foods.** Two trade shows were completed in June: the International Floriculture Expo in Miami and the Fancy Foods Show in New York. The ‘Origin Africa: Grown Under the Sun’ pavilion in Miami involved companies from Kenya, Ethiopia and Mauritius. Participants report excellent contacts made and will be following up on opportunities over the coming months. The ‘Taste of Africa’ pavilion in New York was a collaborative effort between the three Trade Hubs and involved companies from Kenya, Ethiopia and Uganda. (See success story below.)

#### *Develop inward buyer missions*

**Crafts Exhibition.** The ECA Hub, in collaboration with Kenya’s Export Promotion Council, organized in May a Crafts Exhibition which showcased the latest high-end commercial crafts to a large U.S. buyer of handicrafts – Cost Plus World Market. The company visited Kenya as part of a buyer mission supported by the ECA Hub. The exhibition doubled as a buyer/seller meeting where contacts were made and orders placed.

**Crafts Buyer Missions.** The ECA Hub organized two buyer missions in the crafts sector. In addition to the one mentioned above, Bomboula, a large US importer of commercial crafts, came to Kenya and Tanzania in May. The ECA Hub arranged meetings with a range of export-ready firms, which has resulted in Bamboula placing several sample orders.

**Apparel Buyer Mission.** The ECA Hub organized the visit to the region of a US apparel company, Superior Uniform Group, where several meetings with manufacturers took place. Countries visited were Kenya, Ethiopia, Tanzania, Swaziland and Lesotho. (See success story below.)

***Development of an Apparel “Go To” event in the ECA region incorporating a B2B and fashion show concept.***

**Origin Africa Go To Event.** The ECA Hub (Holm-Olsen and Mazingue) and CTA (Fisher) traveled to



Mauritius in May to plan for the ‘Origin Africa Mauritius: Fiber to Fashion’ event to take place in November 2010. Meetings were held with key government and collaborating partners. At a reception to publicly launch the event, covered widely by the press, the new Trade Minister made his first public address and underscored the government’s firm support for COMPETE’s initiative.

**US-Mauritius TIFA Council Meeting.** Holm-Olsen participated in the US-Mauritius TIFA Council Meeting via tele-conference in April. He advised the group of COMPETE’s extensive activities,

both past and upcoming, in Mauritius, including: the recently signed MOU with Enterprise Mauritius, MAGIC trade show, International Floriculture expo, planned apparel buyers missions and the ‘Origin Africa Mauritius: Fiber to Fashion’ event to take place in November 2010.

***Propose AGOA expansion strategies***

**ACTIF (the African Cotton & Textile Industries Federation) is developing a ‘white paper’ on proposals for AGOA going forward.** This document is currently being validated by private sector companies throughout the region, and will then be taken to Washington end July/beginning August, coinciding with the AGOA Forum meeting. ACTIF members will be working to promote some form for some form of permanency to AGOA, which will include proposals for a number of other variations to the current trade provisions. It is hard to forecast the outcome, but a “feel” of the receptiveness of the proposals should be known after ACTIF’s visit.

**On the question of why US companies are increasing their sourcing of African apparel, and the results of our interventions to effect this change:**

There is currently a window of opportunity for African exports of apparel. Problems in the rest of the world (and particularly in traditionally strong apparel exporting countries) combined with an improving image of Africa in some industry circles in the US will help AGOA countries exports of apparel. COMPETE has noticed a significant amount of new inquiries recently from uniform companies, brands and retailers. Most of these inquiries come from companies willing to relocate production from Pakistan, Bangladesh, China, Haiti and Central America. As a result, we anticipate that the AGOA export numbers for COMPETE-assisted firms will continue to grow.

The challenge, as we all know, is not always demand but rather capacity. Some good news on that front:

- AIKA, a Turkish company, has invested \$100 million in a knitting, printing and garment making facility in Addis Ababa, Ethiopia. It was inaugurated on April 30, 2010. The company is already employing more than 5,000 people in Addis Ababa and plans to reach 10,000. The firm’s objective is to export printed knits to the US and EU market. COMPETE played an instrumental role in assisting the company to fine-tune its investment based on market demand, by introducing them to US buyers through its Friends of Africa network.
- A to Z in Arusha, Tanzania is currently studying an investment in the production of corporate wear for the US market. The company is producing medical scrubs and lab coats, as well as printed gowns, are part of this project. The planned investment is in large part a consequence of COMPETE introducing US buyers to the company and initiating a dialogue between the parties.

We have seen retailers beginning to come back to Mauritius as a consequence of price increases in China. (See the Orvis Group success story below.). COMPETE has also made inroads in changing the perception of buyers/sourcing agents about doing business in Africa. COMPETE's launch of the Friends of Africa Apparel Board of Advisors and the buzz surrounding the upcoming Origin Africa Fiber to Fashion event have largely contribute to that. COMPETE's ongoing efforts to create resonance with buyers in the US through its Africa Pavilion at the MAGIC show is also bearing fruit, a testament to the long-term commitment needed in trade facilitation efforts. Moving forward, COMPETE intends to remain flexible in its approach to the sector in order to capitalize on this emerging trend, so that African apparel companies can gain and maintain a greater share of the US market.

### Success Stories

**Superior Uniform Group**, a US company specializing in uniforms and medical scrubs, recently decided to source **\$7.5 million** worth of products (previously sourced from Pakistan) from East Africa. This deal is a direct result of COMPETE's Friends of Africa Apparel Board of Advisors meeting, and subsequently, a buyers mission organized by the ECA Hub, which visited Kenya, Tanzania, Ethiopia, Swaziland and Lesotho.



The **Orvis Group**, a high-end US apparel catalogue company, has decided to place **\$5 million** worth of orders with six Mauritian companies: Texto, RT Knits, Palmar, Jack Tellor, Floreal and Shivani. Part of this business was formerly sourced from Sri Lanka. The company's sourcing director, Ronald Smith, is a member of COMPETE's Friends of Africa Apparel Board of Advisors and the ECA Hub has assisted Orvis with matchmaking at the MAGIC trade show. The above is expected to lead to repeat orders, hence ongoing business.

Two Kenyan companies, **Premier Foods** (exporter of barbecue sauces) and **Frigoken** (exporter of canned vegetables), have **signed agreements with a US company, LBB Imports, to import their products**. All products will be in active distribution in the US by the fourth quarter of 2010. Both companies received intensive ECA Hub technical assistance followed by support to exhibit at the Fancy Foods show in New York in June 2010; the meeting and signature took place at the latter.



## C. PROJECT SUPPORT ACTIVITIES

### *Partnership Fund Management*

COMPETE has dedicated \$24 million of its funding to a Partnership Grant Fund targeting private sector trade associations and farmer based organizations to better enable these groups to advocate for policy change, increase market share for their products, and provide services to their membership that will increase the region's competitiveness in targeted value chains.

While Quarter 3 did not see the award of any *new* grants, on-going management of the current grants continued on a daily basis. In particular, the newest grants awarded by COMPETE (Zambia Agricultural Commodities Exchange Limited [ZAMACE] and Ten Senses Africa [TSA] were offered operational support from the COMPETE grants team. This grants support contributed to the setting up of the grant financial and management systems that will support these organizations in implementing their respective technical programs. Additional grant funding depends on how successful a grantee is able to manage funds so it is of benefit to both COMPETE and the recipient organizations to effectively manage the financial aspect of the grant.



During the quarter, the COMPETE grants team also offered direct support to the transit associations in setting up their new financial systems. The grants team participated in the interview process of selecting a new accountant that would support the financial/accounting needs of both FEAFFA and KSC. After a candidate was selected by the two transit organizations, COMPETE provided an intensive financial training program to him so that he fully understood the requirements of financial reporting under the COMPETE grant.



Several site visits to grantees were conducted during this quarter. One such visit was conducted by the Partnership Director, Communications Specialist and Staple Foods Specialist to COMPETE grantee, Insta Products Ltd, in order to determine the progress being made under this grant which is focused on the production of relief food products. The COMPETE team observed that production operations were on-going at Insta but because of an unanticipated delay in receiving the new COMPETE-funded machinery, Insta required another "no-cost" extension in order to accommodate the delay in delivery time. Insta also requested the extension because of implementing a new peanut improved plan which is intended to have the long-term objective of testing local peanuts for aflatoxin with the eventual goal of being able to purchase local peanuts instead of South African peanuts. COMPETE supports this peanut improvement program and consequently awarded a "no-cost" time extension to the Insta grant.